



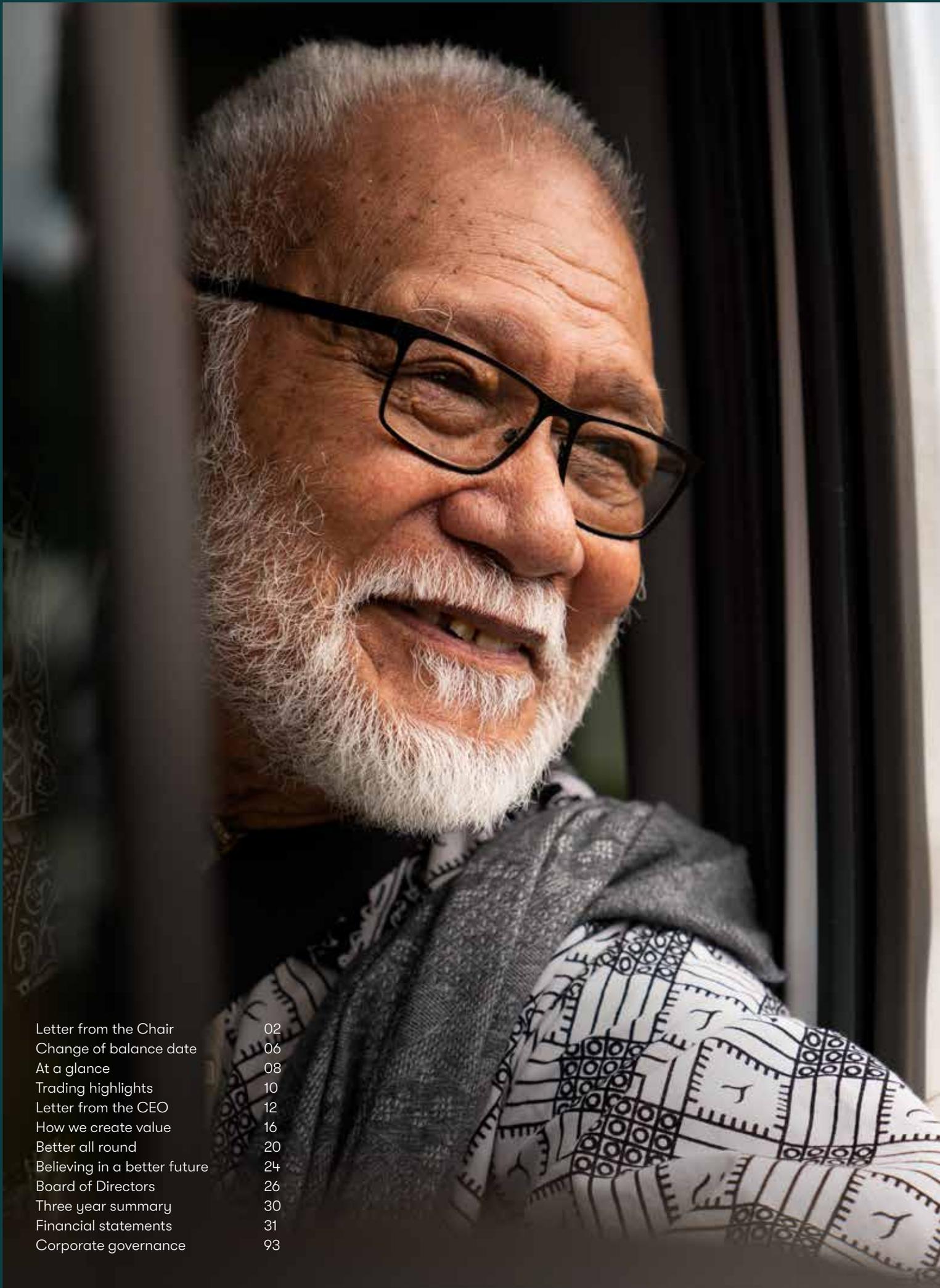
OCEANIA



Believe in better.

ANNUAL REPORT 2021

Purpose, connection and identity.
Reimagining the retirement and
aged care experience.



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Our residents are amazing people. Their lives are rich in experiences, woven with stories and journeys, filled with achievements and sacrifices, friends and family. It is our privilege to honour them with an experience of the highest quality that reflects and respects who they are, and to make their lives the best we can. It's why everyone at Oceania is committed to transforming the category, to challenging the norm and doing everything we do, better. We're on a constant journey steeped in vision and purpose that positions our company as a leader. We put the residents at the heart of what we do which defines our business as a provider of better outcomes and growth.

LETTER FROM THE CHAIR

The pursuit of better.



I am pleased to present Oceania's Annual Report for the 10 month period ended 31 March 2021.

Despite the challenges presented by the continuing impact of COVID-19 on the business, Oceania has demonstrated continued resilience and has delivered a pleasing financial result for the period. Our experience over the last 18 months has proven that Oceania's aged care strategy is a sound platform for future performance and growth.

Financial Performance

In our last Annual Report, we announced that we were changing our balance date from 31 May to 31 March. We have now completed this change and this is the first Annual Report prepared with the new balance date. As a result, much of our financial performance outlined in this report and the accompanying financial statements is reported on the basis of the 10 month period to 31 March 2021.

Unaudited Underlying EBITDA of \$56.2m for the 10 months ended 31 March 2021 was 8% higher than the prior corresponding period of the 10 months to 31 March 2020 (unaudited). This was largely as a result of both strong sales of new developments and resales volumes in the current period, as well as the ongoing receipt of deferred management fees from developments completed in prior periods.

Oceania's total assets as at 31 March 2021 are \$1.9b, compared with \$1.5b as at 31 May 2020. This material increase is due in part to a reversal of CBRE's COVID-19 related valuation assumptions that had led to a decrease in the value of Oceania's existing investment property assets in FY2020, the completion of key development sites, as well as reflecting strong sales volumes of new retirement village units and care suites that have been developed over the last two years.

For the 10 months to 31 March 2021, operating cash flow was \$96.0m, compared to \$99.4m for the 12 months to 31 May 2020. This reflects strong sales volumes over the 10 month period to 31 March 2021.

Oceania completed a heavily oversubscribed seven year retail bond issue in October 2020, raising \$125.0m. Oceania completed a \$100.0m capital raise, comprising a \$80.0m placement in March 2021 and a \$20.0m retail offer in April 2021. The proceeds of the capital raise have been utilised to acquire Waterford (Hobsonville Point, Auckland), a retirement village comprising 64 independent living villas and 36 independent living apartments and our leasehold site in Franklin (Auckland), together with adjacent bare land. The capital raise and corporate bond have increased the diversity of Oceania's funding sources, which provides a good platform for future growth.

As at 31 March 2021, Oceania had current drawn debt and bonds of \$329.9m and \$79.9m of cash, representing \$225.0m of undrawn net debt headroom.

The Directors have declared a final dividend of 2.1 cents per share, taking full year dividends (non-imputed) to 3.4 cents per share, which represents 55% of Underlying Net Profit After Tax. This reflects strong trading and operating cash flow throughout the period. A dividend reinvestment plan for our New Zealand and Australian shareholders will apply to this dividend, which is payable on 22 June 2021. This provides a cost effective and convenient way for our shareholders to increase their investment in Oceania without any brokerage fees, by reinvesting all or part of any dividend paid on their shares in additional Oceania shares instead of receiving that distribution in cash.

Strategy and Operations

We were pleased to announce the appointment of Brent Pattison as Chief Executive Officer on 22 March 2021 following the resignation of Earl Gasparich on 6 March 2021. Brent was previously Oceania's Chief Financial Officer, after having been appointed to that role in January 2020. He brings a great deal of experience to the role, with over ten years of relevant aged care and retirement village sector experience. We are delighted with Brent's appointment and it is great to see Brent continuing to execute Oceania's strategy, starting with the \$100.0m capital raise and the acquisition of Waterford and the Franklin site.

“The capital raise and corporate bond have increased the diversity of Oceania's funding sources, which provides a good platform for future growth.”

Throughout the period, Oceania has continued to execute its strategy to create a superior portfolio of fully integrated retirement village and aged care centres around New Zealand and to deliver the highest levels of quality care and outstanding service to our residents. Following COVID-19 related disruption to our development programme in the first half of the 2020 calendar year, work at all of our development sites restarted in the second half of the 2020 calendar year and we achieved our expected build rate of 217 aged care beds and retirement village units completed by 31 March 2021.

In addition to acquiring the new Waterford and Franklin sites, we are making good progress on the development projects that are scheduled to be completed in FY2022, including 113 new care suites at Lady Allum (Auckland), a further 39 apartments at The BayView (Tauranga) and 18 villas at Gracelands (Hastings). Our development of 49 apartments at Eden (Auckland) was completed in April 2021 and the selldown of these apartments is now underway.

Construction of our Waimarie Street development in Auckland is well underway and is progressing on time and budget. As part of this development, we have engaged with the local community liaison group and have received positive feedback as to how the site is being managed. We are expecting this premium development, comprising 79 apartments and 31 care suites, to be completed in FY2023.

Despite additional costs and business interruptions arising from COVID-19, Oceania's aged care business continued to perform well throughout the period with strong sales volumes of care suites around New Zealand. The ongoing restrictions associated with the COVID-19 pandemic have required us to maintain strong communication channels with our staff and residents, particularly with regard to our expectations of our people in order to keep COVID-19 out of our sites. Our team have recently been involved in preparing a comprehensive vaccination roll-out strategy, to ensure that our residents and staff are vaccinated against COVID-19. This has been an unprecedented exercise, both in terms of scale and importance, and Oceania's solid clinical expertise and clinical governance structures have provided us with a sound basis for this significant task.

Governance

During the period, our Directors visited many of our sites around New Zealand either as a Board or individually. Most recently, our monthly Board meeting was held at The Bellevue (Christchurch) in March 2021, after we had visited other sites in Christchurch and Rangiora the previous afternoon. It was great to meet our people onsite and see the finished product so soon after completion. We enjoy the opportunity to hold our meetings at sites, so that we can meet with staff and observe the culture and day to day operations at the sites. We appreciate meeting with our residents and receiving their feedback, which is then incorporated into our continuous improvement processes.

The Board has been continuing its work on developing Oceania's materiality matrix and has been undertaking deep dive investigations into the areas of risk that matter most to our key stakeholders.

As an example, recently, one risk the Board has undertaken a deep dive into is the risk of data information governance and cyber risk. Cyber risk has become a heightened risk for New Zealand businesses, particularly over the last year. Oceania is continuing to invest in additional staff training, data protection measures and mitigation strategies to safeguard personal and other information held by Oceania. Cyber risk remains a key area of focus for the business.

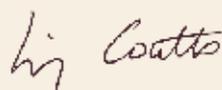
We have also made tangible progress with our sustainability initiatives over the last three to six months, as we are continuing to work towards our goal of becoming carbon neutral in the future. We have now completed our Planet Roadmap and are working on waste diversion strategies and trials for vermicomposting of incontinence products as well as other energy efficiency and recycling initiatives at our sites around New Zealand.

Looking Ahead

On behalf of the Board, I would like to thank the Directors and our team of dedicated staff for their continued hard work and effort during what has been another challenging year.

Despite the ongoing uncertainties associated with COVID-19, we remain focused on performance and growth in the business. We are looking forward to continuing to deliver exceptional service and care to our residents across New Zealand.

Yours sincerely



Elizabeth Coutts
Chair
Oceania



Waimarie Street, St Heliers, Auckland

“Ground works are progressing well at our premier Waimarie Street, St Heliers, Auckland site.

CHANGE OF BALANCE DATE

This represents the first Annual Report since the change of balance date to 31 March 2021. The proforma comparative underlying earnings positions for the 10 months to 31 March 2020 and the 12 months to 31 March 2020 are set out on the following pages.

Financial Metrics

The following 10 month trading position as provided below represents the trading position of the company. The periods represent:

- 10 months to 31 March 2021; and
- 10 months to 31 March 2020 (comparative period)

This forms the basis of the trading highlights pages in this Annual Report.

Underlying earnings 10 month comparative position

\$NZ000's	Audited 10 months to 31 March 2021	Unaudited 10 months to 31 March 2020
Care	18,484	15,391
Village operations	13,320	12,378
Resales capital gain	17,913	10,442
Development margin	23,815	28,611
Corporate	(17,370)	(14,760)
Group U/L EBITDA	56,162	52,062
Interest	(6,771)	(5,024)
Depreciation	(13,808)	(12,044)
	35,583	34,994
Care Suite depreciation	6,173	4,984
Underlying NPAT	41,756	39,978
Occupied beds per day	2,313	2,272
Effective bed capacity per day	2,504	2,477
Effective Occupancy (%)	92.4%	91.7%
Existing ORAs sold	81	52
New ORAs sold	87	55
Existing Care Suites sold	113	96
New Care Suites sold	107	106
Total ORAs sold	388	309

CHANGE OF BALANCE DATE

Provided below are 12 month underlying positions. The periods represent:

- 12 months to 31 March 2021; and
- 12 months to 31 March 2020 (comparative period)

During the 12 month period to 31 March 2021, New Zealand has been subject to Alert Level 3 restrictions or higher for a total of 49 days (13% of a calendar year). In addition to national lockdowns the Auckland region has been subject to Alert Level 2.5 restrictions or higher for a further 53 days as depicted below.



The business has operated under Level 2.5 or above restrictions for a total of 102 calendar days (28%) of the 12 month period to 31 March 2021.

Underlying earnings 12 month comparative position

\$NZ000's	Unaudited 12 months to 31 March 2021	Unaudited 12 months to 31 March 2020
Care	23,081	17,944
Village operations	16,458	14,904
Resales capital gain	18,959	15,411
Development margin	29,524	45,023
Corporate	(20,381)	(18,108)
Group U/L EBITDA	67,641	75,174
Interest	(7,879)	(5,545)
Depreciation	(16,256)	(13,782)
	43,506	55,847
Care Suite depreciation	7,197	5,397
Underlying NPAT	50,703	61,244
Occupied beds per day	2,305	2,271
Effective bed capacity per day	2,504	2,474
Effective Occupancy (%)	92.0%	91.8%
Existing ORAs sold	88	80
New ORAs sold	107	78
Existing Care Suites sold	124	122
New Care Suites sold	115	128
Total ORAs sold	434	408

AT A GLANCE

Better experiences.



Oceania is a leading provider of premium healthcare services. Our purpose is to reimagine the aged care and retirement living experience and we constantly challenge ourselves to deliver better. We have a substantial development pipeline and sufficient land to build 1,956 new residences with 75% of these already consented.



Staff

2,800



Residents

3,700



Care beds and care suites

2,654



Units

1,367

Existing sites with mature operations

25

Existing sites with brownfield developments (current and planned)

19

Undeveloped sites

1

Total sites

45

As at 31 March 2021

TRADING HIGHLIGHTS 10 months to 31 March 2021

Delivering better.

\$ Financial 10 month period to 31 March 2021

Total assets
as at 31 March 2021

\$1.9bn

21.6%
higher than 31 May 2020
total assets of \$1.5bn

Underlying Earnings Before Interest,
Tax, Depreciation and Amortisation
10 months to 31 March 2021

\$56.2m

7.9%
ahead of 10 months to 31 March 2020
proforma underlying earnings before
interest, tax, depreciation and
amortisation of \$52.1m

Reported Total
Comprehensive Income
10 months to 31 March 2021

\$167.8m

compared to 12 months
to 31 May 2020 reported
total comprehensive
income of \$9.9m

Operating Cash Flow
10 months to 31 March 2021

\$96.0m

compared to 12 months
to 31 May 2020 reported
operating cash flow
of \$99.4m



Operational 10 month period to 31 March 2021

87

New units

81

Resale units

107

New care suites

113

Resale care suites

Total sales

388

25.6%

ahead of total sales for the comparative 10 month period to 31 March 2020 of 309



Developments 10 month period to 31 March 2021

Consents secured

26

Units + care suites

Resource consents received during FY2021

Under construction

394

Units + care suites

Units and care suites under construction as at 31 March 2021:

- Awatere (Hamilton)
- The BayView Stage 2B (Tauranga)
- Eden (Mt Eden, Auckland)
- Gracelands (Hastings)
- Lady Allum (Milford, Auckland)
- Waimarie Street (St Heliers, Auckland)
- Stoke (Nelson)

Completed

217

Units + care suites

Units and care suites completed in FY2021 at:

- Green Gables (Nelson)
- The Bellevue (Christchurch)
- The BayView Stage 2A (Tauranga)

To complete in FY2022

221

Units + care suites

Units and care suites expected to complete in FY2022:

- The BayView Stage 2B (Tauranga)
- Eden (Mt Eden, Auckland)
- Lady Allum (Milford, Auckland)
- Gracelands (Hastings)
- Stoke (Nelson)

LETTER FROM THE CEO

Performance and growth.

Aged care continues to be an essential service and a growing industry in New Zealand. It is a sector that I feel very privileged to be involved with.



We implemented a change in our reporting date during the year, from a historical 31 May balance date to a 31 March balance date. The financial statements included within this Annual Report represent the 10 months of trading from 1 June 2020 to 31 March 2021. The highlights pages within this Annual Report provide a pro-forma of the 10 month period to 31 March 2020 for comparison purposes.

COVID-19 continued to have an impact on our financial performance again this year. It presented a challenge for any business, but more poignant for a business whose heartbeat is to care for those most vulnerable to the virus. I have nothing but respect for our team of 2,800 who have worked relentlessly and tirelessly to ensure that we have kept this virus out of our retirement villages and care centres, and continued to keep our residents, their families, and each other safe.

We are committed to ensuring that our clinical and care staff provide excellent clinical care to our residents. We focus on providing resident centred care that is holistic and aims to satisfy our residents' needs, wishes and choices. We seek to provide individualised care and to strengthen each resident's independence and self-determination, as well as empower each resident to make their own choices and uphold their identity and values.

Oceania continues to distinguish itself from other aged care and retirement village operators due to its focus on aged care. We have demonstrated resilience over the past year as a result of our aged care business being a needs-based product, as residents and their families make a decision to move into an aged care centre or buy a care suite when a resident needs rest home or hospital level care.

Our team have worked hard to ensure that we continue to deliver growth and performance to our investor community against this challenging backdrop. Instead of letting these challenging times slow down our activity, we increased the investment in our business, demonstrating our commitment to building an even better future for Oceania, our residents, their families and our staff.

Our People

Our people are at the very heart of our business. It is their passion that allows us to continue to build on our success. We are pleased to announce that we made three new senior appointments during the year to further strengthen our leadership team.

Kathryn Waugh has been promoted to the role of Chief Financial Officer after having joined Oceania in 2009 as Financial Controller. Kathryn is a qualified chartered accountant and prior to joining Oceania, she held senior roles at PwC.

Anna Thorburn has been promoted to Group General Counsel. Anna joined Oceania in 2012 having previously worked as a senior solicitor in the corporate/commercial team at Russell McVeagh.

Kathryn and Anna have both been heavily involved in Oceania's corporate transactions, including the IPO in 2017, the corporate bond in 2020 and the most recent capital raise and acquisitions in March 2021.

Jo Copeland joined us in March 2021 in the role of General Manager People. Jo started her career as an employment lawyer and then spent the last 20 years in Human Resource leadership roles across a variety of sectors including information technology, telecommunications, professional services and pharmaceuticals.

We have further invested in clinical training and development this year as part of our commitment to provide a career development pathway for our staff. Oceania encourages staff to undertake professional development, including supporting healthcare assistants to gain qualifications commensurate with their level of experience, and encouraging registered nurses to reach the highest level of clinical expertise as nurse practitioners. Clinical leadership and education are key to the delivery of quality care, improving overall skill levels and surveillance abilities.

“Oceania is well positioned to leverage its established operational platform to pursue a wide range of organic and inorganic growth opportunities.

Our ongoing employee share scheme gives our people an opportunity to own a stake in Oceania and to share in our growth. Permanent staff are invited to participate in the scheme and receive an allocation of \$800 per annum (for full-time employees) and \$400 per annum (for part-time employees) of Oceania shares. There was a 77% uptake in September 2020. We are delighted that we can further recognise our people in this way for the crucial part they play in Oceania's success.



Acquisitions and funding

Oceania has a well established and proven brownfield development-led growth strategy, facilitated by a strong development team and investment in an operational platform built for scale. Oceania is well positioned to leverage its established operational platform to pursue a wide range of organic and inorganic growth opportunities.

In April 2021 we acquired Waterford, in Hobsonville Point, Auckland. This is a modern 100 unit retirement village with future brownfield development opportunity, located in a growing suburban Auckland catchment. This acquisition provides an immediate positive underlying earnings impact via its existing operations along with significant development pipeline opportunities.

We have also entered into agreements to purchase the currently leased Franklin site, encompassing a 44 bed care facility, with an additional 4.1 hectares of adjacent development land. This total land parcel presents a prime opportunity for a large integrated village and care development in one of the fastest growing secondary urban areas in New Zealand.

These two acquisitions will add 275 independent living units and care suites in key growth areas of Auckland. These acquisitions strengthen Oceania's development pipeline and provide future NTA and earnings growth potential.

These acquisitions were funded by way of a highly successful and oversubscribed \$80m placement and \$20m retail offer. We were delighted to observe strong support from our existing shareholders and some new faces on the register.



Franklin, Auckland

The capital raise followed a successful inaugural \$125m corporate bond. This transaction achieved the lowest coupon ever by an unrated first time issuer and has increased the diversity of Oceania's funding sources, as well as providing additional certainty of tenor. As a result of the capital raise and the corporate bond, Oceania had gearing of less than 25% at balance date, which provides a good platform for future growth.

Developments

After significant construction delays during the COVID-19 lockdown periods, we cautiously increased our spend on our development projects in line with the return of sales confidence. We have completed our developments at Green Gables (Nelson), The Bellevue (Christchurch), The BayView Stage 2A (Tauranga) and Eden (Auckland).

Green Gables is in a prime area of Nelson. This location provides a compelling luxury retirement offering with proximity to the town centre. The build has 28 apartments and 61 care suites. The Bellevue adds a luxury offering to our Christchurch site mix. With 22 apartments and 71 care suites, it also has a brownfield development opportunity with Stage Two, 46 apartments, planned to commence in September 2021. Tauranga continues to be a growth market and the construction of our first 35 apartments at The BayView has been completed, with a further 39 apartments and community centre due for completion in December 2021. The site offers commanding views out to the Mount. Since 31 March 2021, we have also completed the construction of 49 apartments at Eden, located in the popular Auckland suburb of Mt Eden.

We have six projects currently under development across both the South and North Islands of New Zealand. Ground works are progressing well at our premier Waimarie Street (St Heliers, Auckland) site, which boasts one of the largest cranes in operation in New Zealand for this type of construction. This village will offer 79 luxury apartments and 31 care suites and is expected to be completed in FY2023.

Following the successful sale of two stages of new villas at Gracelands (Hastings) over the last year, we are building a further 18 new villas as Stage Three of this development. These villas will be completed later this year. The construction of 113 care suites is underway at Lady Allum (Milford, Auckland) and we expect the new care building at Lady Allum to be completed in FY2022.



The Bellevue, Christchurch

We have also commenced a new stage of 29 villas at Stoke (Nelson). This brownfields development will be undertaken as villas become vacant and the site becomes available for redevelopment. The first two villas will be completed later this year.

Our team are also busy with consenting and design activity, with developments in South Auckland, the Hawkes Bay and the Nelson/Marlborough region in the planning stages. We are looking forward to continuing to develop sites across both metropolitan and regional areas of New Zealand.

Given the timeframes for purchasing, consenting and the construction of new developments, we will continue to seek to acquire new greenfield sites as good opportunities arise in the next few years.

Brand

Oceania invested in the development of a new brand platform this year. This brand platform goes well beyond marketing, setting out a bold ambition for Oceania to continue to reimagine the category, led by research and informed by our residents. ‘Believe in Better’ is a statement of intent, not to rest on our past achievements, but to constantly challenge ourselves to deliver better experiences for our residents.

To launch this platform to market, we created a campaign that championed our residents authentically and respectfully. We tapped into something elemental to Kiwis – our human need to strive for better. We are always looking at ways to make the world a better place, and our residents at Oceania are no different. The campaign puts Oceania residents and their incredible life stories of striving for better at the heart of our communications. It celebrates them as people who have lived incredible lives and who continue to live with a deep sense of identity, connection and purpose.

Outlook

The retirement village and aged care sector is naturally expanding as the New Zealand population ages but the opportunity for growth is far greater. There is an opportunity to improve many facets including the experience we deliver to our residents, the positive impact we make to our local communities, the reduction of our carbon footprint, and improvement of societal perceptions around ageing.

Performance and growth are Oceania’s key ambitions moving forward. We will also maintain our strong focus on clinical excellence and operational performance as sector leaders. Building on the success of our recent capital raise and acquisitions, with favourable gearing, we will continue to invest in resource and infrastructure to achieve this. We have a significant development pipeline to build on, including both brownfield and greenfield opportunities.

We look forward to continuing to deliver premium accommodation and outstanding care services that enhance our residents’ lives and provide for a better retirement and aged care living experience for New Zealanders.

Thank you for your support.

Brent Pattison

Chief Executive Officer
Oceania



HOW WE CREATE VALUE

Our purpose

To reimagine the retirement and aged care living experience in New Zealand

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 cash flow 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 business



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

WORKING ON WHAT MATTERS

Strategy

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

This strategy establishes goals and identifies measures to report people, planet and prosperity achievements as we build a better future.

Our purpose

To reimagine the retirement and aged care living experience in New Zealand

People



Our goals

We delight our residents and staff by caring for them and making a difference to their happiness every day.

Our measure

Employee wellness engagement, resident engagement, health and safety.

Planet



Our goals

Through better use of our resources we will substantially reduce our environmental impact enabling carbon neutrality in the future.

Our measure

Waste to landfill, energy efficiency, greenhouse gas emissions.

Prosperity



Our goals

Integrated thinking will be embedded in our strategy, decision making, long term planning and reporting by 2022.

Our measure

Financial returns and shareholder value growth.

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

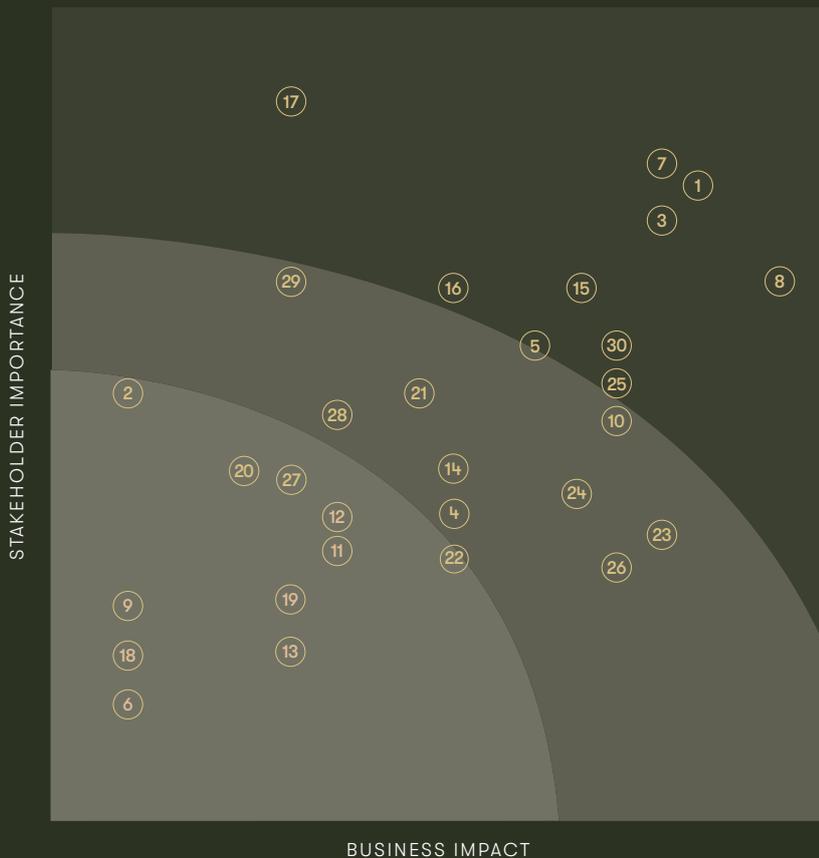
Our drivers

Our people – Our expertise – Our villages – Our financial capital – Our natural capital

Materiality matrix

In developing our strategy, we conducted a deep dive into what mattered most to our key stakeholders, being our residents and their families, our staff and local communities, our investors and funders, our suppliers and industry bodies and the government.

The findings from this matrix form the pillars of our strategy and key performance indicators for success.



People

- 1 Model of care
- 2 Building design
- 3 Clinical excellence
- 4 Innovation
- 5 Person centred approach
- 6 Diversity and inclusion
- 7 Health and Safety
- 8 Staff attraction and retention
- 9 Community connection
- 10 Development expertise

Planet

- 11 Waste management
- 12 Energy efficiency

Prosperity

- 13 Industry partnerships
- 14 Residential house prices
- 15 Market capacity and funding
- 16 Changes to Government regulation
- 17 Residential care affordability
- 18 Transparency about costs/entitlements
- 19 Resource consents
- 20 Maintenance
- 21 Maintaining development pipeline
- 22 Transformation process for premium accommodation
- 23 Development margins
- 24 Service line ratios and profitability
- 25 Village sales
- 26 Occupancy rates
- 27 Governance and ownership
- 28 Debt gearing and funding sources
- 29 Technology
- 30 Cyber security



Better all round.

Oceania is on a journey to reimagine the retirement and aged care experience and what it means to live in a village, ensuring that this is a stage of life to be enjoyed with purpose and connection, in a way that is unique to every resident.

Our residents have always strived for better, and so do we.

We are always focusing on the future, on enhancing our offering, innovating and delivering to the future needs of our residents, their families, the communities which they live in and our staff.

Every day, our people have an inherent desire to make our residents' lives better. From our staff to management, to the Executive Team and the Board.

From big national driven concepts to smaller local initiatives, and one off resident experiences, Oceania is committed to transforming aged care living in New Zealand.

But we are never finished in our quest. We are never done because better improves every day.

Our human centric approach

At Oceania we design spaces and experiences with people at the heart. We build communities and connections, not just bricks and mortar. Everything we do is designed for our residents and the things that matter the most to them, being identity, connection, and purpose.

Boutique village designs

We deliver a retirement and aged care experience that is bespoke to our residents. We don't have a one size fits all approach to our villages. That's why we keep our villages boutique with careful consideration given to the region and community they are part of, with a unique design that centres around fostering connections and a tight knit community.

“I'm in what they call a care suite. It's well equipped and very comfortable, everything I need is here. There's plenty of room for my visitors when they come to see me. I'm very well looked after here. The restaurant is very good, I have most of my meals there and if you're not feeling well, they'll bring it to your room.

— Priscilla, Oceania Resident

Unique care suite experiences

Our aged care offering is different from others. Oceania's care suites deliver exceptional rest home and hospital level care, evolving as a resident's needs increase so the resident doesn't have to move again. More importantly, care suites are designed to feel like home, with private ensuites, living areas and kitchenettes so our residents can share a cup of tea with the family like they always have and our couples' care suites ensure that even if the residents have different needs, they can stay together with their partners as they have always done.

Category leading activities



I Love Music

Research shows that listening to our favourite songs can make us more sociable and trigger long term memories. We developed 'I Love Music' which is a music programme as unique as every resident, with their own MP3 player loaded with their favourite music from past and present.



Move & Groove

Staying fit has a positive impact on residents' overall health and mental wellbeing and helps keep them active and mobile. 'Move and Groove' is a collaboration between certified Zumba instructors and Oceania's physiotherapist team to develop a programme that can be enjoyed by any level of mobility, ensuring physical independence is a priority.



Audiobooks

Reading books relaxes and reduces overall stress levels, while also increasing joy. As publishers have moved from print to audiobooks, we have embraced this change. The Oceania Audiobook Library brings thousands of books directly to our residents' ears making titles both old and new fully accessible for residents to enjoy.

Guest Services Managers

We've developed a Guest Services Manager role to provide a concierge like service to our care suite residents. Our Guest Services Managers bring creativity and empathy, alongside exceptional problem solving skills and attention to detail, to deliver hospitality services to delight our residents. They are the person who delivers all the special touches to our residents. They get to know the residents, find out what they like to do and then make it happen for them. Whether that's planning their weekly manicure, helping them set up Skype to keep in touch with grandchildren, or booking tickets and organising transport so that they can go and see a show with their friends.

Hospitality led dining experience

Food is vital for good nutrition, but it is also one of life's great joys. Led by a team of skilled chefs and dieticians, we ensure taste and nutrition are the heroes of our dishes. We look to culinary trends and our residents' personal preferences to refine and update our menus regularly.





Nurse Practitioners

To complement our team of skilled Registered Nurses, we've invested in a team of Nurse Practitioners. They are highly trained to provide the same services as a General Practitioner but will be available to residents whenever they need them. Oceania's Nurse Practitioners are integrated into our care process, providing greater vigilance so they can spot issues early and build in preventative care measures unique to each resident.



It's the little things

Gary, a care resident at Te Mana loves to garden. When Gary became less mobile, he was no longer able to bend down and tend to the flowerbeds. Our staff came up with a great idea. They brought some hanging flower baskets and hung them at the perfect height for Gary to reach and tend to them, enabling him to continue doing what he loved most.

Pat and Beverley, residents at our Atawhai Care Centre, are academics who share a passion for history. The activities team quickly discovered both ladies were keen to have an outlet to use their research skills and exercise their minds. Each week the staff find opportunities for Pat and Beverley to share their passion for history, such as booking them in to give a talk to the other residents. The Diversional Therapist also ensures the pair have an active role during van trips and outings, researching the destination ahead of time to find fascinating facts to share with the group along the journey.

As well as the bigger concepts and initiatives, we also like to pay attention to the little details. It's one of the ways that we celebrate our residents' personality and individuality.

Believing in a better future.

Now more than ever, creating a sustainable future is paramount to us and our stakeholders. Our performance extends well beyond that of financial results. It includes social and environmental performance, and the impact we have on our people and our planet.

In 2020, our journey started with looking at ways in which we could substantially reduce our environmental impact with the aim to enable carbon neutrality in the future.

These initiatives have been designed to step us toward a better future and provide a healthy environment that we leave for generations to come.

Planet Roadmap

A major milestone was achieved with the completion of the Planet Roadmap. The Planet Roadmap is a summary, communicating to investors, stakeholders, and the business how Oceania will decarbonise its business. This takes planet emissions reduction goals from our strategy and defines how we will achieve them within the timeframe. It describes the short-term project workstreams, backed up by emissions reduction benefits of those projects.

Incontinence product composting trial

Oceania is working with MyNoke, a large worm farming company, on an incontinence product vermicomposting trial. Waste from six care centres is being processed and studied at MyNoke's Taupo worm farm. The goal is to roll the solution out to all sites.

Waste diversion

We now have 30 sites diverting food waste. There are no national food waste solutions available, so we have sourced bespoke local solutions including onsite Bokashi composting, vermicomposting, pig buckets and commercial composting solutions.

The next stage which is diverting the remaining organic waste, including paper hand towels, cut flowers and newspapers, has started and will roll out across the group.

Energy audits driving efficiency planning

The findings from our energy audits have been an invaluable contributor to the Planet Roadmap, as well as providing site specific opportunities that we will investigate further. The report indicated which initiatives across the group would provide meaningful emission reductions to reach our sustainability targets. It also advised the optimal timeframe which we built into the roadmap timeline. For example, LED lighting and energy efficient shower head conversion, should be implemented in the short term, while delaying wide-scale gas boiler conversion is advisable while gas prices remain low.

Building design energy efficiency

Much of our ability to achieve our long term emission reduction goals relies on the improved efficiency design of our new developments. Homestar 6 principles are already incorporated in our building design brief, but we wish to continually improve our new buildings' performance. A review of our design brief is currently underway to clearly articulate our sustainability goals and standards. To inform this brief, we will work with vendors to complete a design review with energy modelling of the new Elmwood care centre. This will provide metrics for benchmarking and recommendations that will be incorporated into the revised design brief.

Village initiatives

New homes for villa curtains

As the sustainability message permeates throughout Oceania, individuals and departments are identifying how they can contribute. The property team recently spearheaded an initiative where 'pre loved' curtains from refurbished villas, find new homes through Habitat for Humanity.

Full circle for soft plastics

When the residents of Meadowbank needed new raised bed garden planters and a compost heap, the Village Manager thought this would be a perfect opportunity to show the full circle of their recycling. For the past year, Meadowbank Village residents have been collecting soft plastics, which are sent to Future Post for recycling. Future Post makes fence posts used for farming and horticulture, that can also be used for garden beds in retirement villages.

Village recycling directory

More of our village residents are interested in finding out how they can become more sustainable. We were approached by residents from three different Auckland villages, seeking information on what items can be recycled, and where they can take these items. In response we are co-ordinating a resident driven recycling directory and education resource. Village residents from all Auckland villages are compiling lists of recycling questions, with a group of other village residents, researching the answers to create the content for the directories. We will use this model for other villages around the country if this proves successful.



Transferring ripe Bokashi bin to compost bins for further breakdown.

Stories of better

“I'd heard about Bokashi and always felt it would be a great thing to try.

I've always been conscious of the waste we produce that was just going to landfill and also the rubbish bags which are quite heavy for the staff to lift.

It's been quite a learning curve and people don't always like change. We've found out all about composting and all the layers, it's like layering a cake. It's been a bit of trial and error getting it right and teaching the staff how to do it.

I often get out there and help with scraping the waste into our bins. We have three colour coded bins for compost, general waste and liquids. You're paying a lot more attention to what's going into the bins and it makes you really aware of the dietary needs and intake of the residents.

One other thing that's great is how we are able to use up cartons. We get a lot of egg cartons and napkins and we're able to use them for layering which is fantastic. We've noticed the rubbish bin is not as full. We're on a huge recycling buzz – cardboard, plastics, tins. We're now totally aware of what we're throwing away.

It's been a really worthwhile experience and we're really happy to take part.”

— **Jacque Biddick, Kitchen Manager
Otumarama**

BOARD OF DIRECTORS

Governance that believes in better.

Our Board has a broad and deep range of complementary skills, backed by years of experience, a combination that's been invaluable in another year where our response to the COVID-19 pandemic has framed the backdrop to our day to day operations.

We remain vigilant, yet COVID-19 hasn't prevented us from progressing Oceania in line with our values and the best interests of our residents and our people.



Elizabeth Coutts
Chair & Independent Director
ONZM, BMS, FCA



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



Alan Isaac
Independent Director
CNZM, BCA, FCA



Patrick McCaw
Independent Director
BCA (Hons), MBA, CA



Sally Evans
Independent Director
BHSc, MSc, FAICD, GAIST



Gregory Tomlinson
Independent Director
AME

The Board has established four standing committees to assist in the execution of the Board's duties. Throughout the year, each of the committees met regularly, and focused on how to make our residents' lives better.

Audit Committee

Board members: Alan Isaac (Chair), Liz Coutts, Patrick McCawe.

The Audit Committee focuses on the performance and growth of Oceania. They provided governance and support (through a project subcommittee) for the issue of our corporate bond in October 2020, and a \$100m capital raise in March 2021. Both initiatives had excellent outcomes.

Our seven year retail bond issue in October 2020 was heavily oversubscribed, raising \$125m. Such was the demand for this bond, the transaction attracted the lowest coupon rate ever by an unrated first time issuer and has allowed Oceania to diversify its funding.

The \$100m capital raise in March 2021 was also a great success. The proceeds of this capital raise funded the acquisition of Waterford and Franklin. Both the \$80m placement and the \$20m retail offer were significantly oversubscribed and the acquisitions were well received by the market.

Remuneration Committee

Board members: Sally Evans (Chair), Liz Coutts, Alan Isaac.

In September 2020, the Remuneration Committee established the Performance Share Right Plan for the Executive Team. This incentive programme encourages key executives to commit to Oceania for the long term and to align their interests with those of Oceania's shareholders.

Oceania's employee share scheme was again offered to permanent employees during the year.

Clinical and Health & Safety Committee

Board members: Dame Kerry Prendergast (Chair), Liz Coutts, Sally Evans.

With the risk associated with the COVID-19 pandemic still prevalent, the Clinical and Health & Safety Committee has provided oversight and governance in respect of clinical and health and safety matters, during the year, and has focused on clinical excellence.

As of 1 April 2021, Oceania has been accepted into the ACC accredited AEP Partnership programme. Our goal is to reduce injuries and provide early intervention to enable staff to return safely to independence and work.

Development Committee

Board members: Greg Tomlinson (Chair), Liz Coutts

FY2021 has seen significant development activity for Oceania. The Development Committee has provided governance on these projects.

Under construction/planning

The Development Committee visited Waterford as part of undertaking due diligence investigations and reviewed management's due diligence findings.

Completed projects

The Development Committee has overseen the completion of three significant developments during FY2021; Green Gables in Nelson (28 apartments and 61 care suites), The Bellevue Stage One in Christchurch (22 apartments and 71 care suites) and The BayView Stage 2A in Tauranga (35 apartments).

The Board held its monthly Board meeting at The Bellevue in March 2021 and the Directors were very pleased with the quality of the completed development.

Oceania Waterford

Oceania's newly acquired Waterford is a premium lifestyle village with outstanding common facilities. It is located within the high growth area of Hobsonville Point, Auckland.





THREE YEAR SUMMARY

For the 10 month period ended 31 March 2021

Financial Metrics

\$NZ000's	March 2021 10 months	May 2020 12 months	May 2019 12 months
Underlying net profit after tax ^{1,2}	41.8	42.9	51.2
Underlying EBITDA ¹	56.2	63.5	64.3
Profit / (loss) for the period	85.5	(13.6)	45.4
Total comprehensive income	167.8	9.9	99.8
Total assets	1,883.7	1,548.7	1,399.4
Operating cash flow	96.0	99.4	89.3

Operating Metrics

	March 2021 10 months	May 2020 12 months	May 2019 12 months
Units	1,367	1,285	1,202
Care suites	847	679	542
Care beds	1,807	1,882	2,112
Total	4,021	3,846	3,856
New sales	194	189	133
Resales	194	166	177
Total	388	355	310
Group occupancy	92.4%	91.5%	91.0%

1 This is a non-GAAP measure, refer to note 2.1 in the consolidated financial statements for further details.

2 Underlying Net Profit after Tax has been restated in comparative periods to exclude depreciation in respect of care suites in line with the current period.

CONSOLIDATED FINANCIAL STATEMENTS

For the 10 month period ended 31 March 2021

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 10 month period ended 31 March 2021

\$NZ000's	Notes	March 2021 10 months	May 2020 12 months
Revenue	2.2	175,417	193,646
Change in fair value of investment property	3.1	79,969	(21,724)
Change in fair value of right of use investment property	3.4	2,299	17,086
Other income	2.3	2,069	2,743
Total income		259,754	191,751
Employee benefits and other staff costs	2.4	115,669	128,100
Depreciation (buildings)	2.4, 3.2, 3.4	8,615	9,266
Depreciation and amortisation (chattels, leasehold improvements and software)	2.4, 3.2, 3.4, 5.2	5,193	5,226
(Reversal of impairment) / impairment of property, plant and equipment	2.4, 3.2	(4,267)	916
Impairment of goodwill	2.4, 5.2	1,220	491
Rental expenditure in relation to right of use investment property	2.4, 3.4	4,115	19,236
Finance costs	2.4	6,795	6,284
Other expenses	2.4	47,276	50,540
Total expenses		184,616	220,059
Profit / (loss) before income tax		75,138	(28,308)
Income tax benefit	5.1	10,396	14,666
Profit / (loss) for the period		85,534	(13,642)
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Gain on revaluation of property, plant and equipment for the period, net of tax	3.2, 5.1	78,583	29,223
Gain on revaluation of right of use assets for the period, net of tax	3.4, 5.1	61	51
		78,644	29,274
Items that may be subsequently reclassified to profit or loss			
Profit / (loss) on cash flow hedges, net of tax		3,609	(5,689)
Other comprehensive income for the period, net of tax		82,253	23,585
Total comprehensive income for the period attributable to shareholders of the parent		167,787	9,943
Basic earnings per share (cents per share)	4.2	13.8	(2.2)
Diluted earnings per share (cents per share)	4.2	13.8	(2.2)

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2021

\$NZ000's	Notes	March 2021	May 2020
Assets			
Cash and cash equivalents		79,906	17,624
Trade and other receivables	5.3	47,687	41,630
Investment property	3.1	1,099,803	947,800
Property, plant and equipment	3.2	604,052	489,990
Right of use assets	3.4	41,714	40,822
Intangible assets	5.2	10,571	10,830
Total assets		1,883,733	1,548,696
Liabilities			
Trade and other payables	5.4	44,308	34,831
Derivative financial instruments	5.6	5,486	10,484
Deferred management fee	3.3	41,499	34,344
Refundable occupation right agreements	3.3	618,433	535,370
Lease liabilities	3.4	11,513	13,001
Borrowings	4.4	327,292	325,454
Deferred tax liabilities	5.1	-	-
Total liabilities		1,048,531	953,484
Net assets		835,202	595,212
Equity			
Contributed equity	4.1	675,625	588,389
Retained deficit		(85,406)	(155,907)
Reserves		244,983	162,730
Total equity		835,202	595,212

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 10 month period ended 31 March 2021

\$NZ000's	Notes	Contributed equity	Retained deficit	Asset revaluation reserve	Cash flow hedge reserve	Total equity
Balance as at 31 May 2019		580,794	(110,060)	140,931	(1,786)	609,879
Impact of adoption of NZ IFRS 16 Leases		-	(2,211)	-	-	(2,211)
Loss for the year		-	(13,642)	-	-	(13,642)
Other comprehensive income						
Revaluation of cash flow hedge net of tax	5.6	-	-	-	(5,689)	(5,689)
Revaluation of assets net of tax	3.2, 5.1	-	-	29,223	-	29,223
Revaluation of right of use assets net of tax	3.4, 5.1	-	-	51	-	51
Total comprehensive income		-	(13,642)	29,274	(5,689)	9,943
Transactions with owners						
Dividends paid	4.1	-	(29,822)	-	-	(29,822)
Share issue: dividend reinvestment scheme	4.1	7,595	-	-	-	7,595
Employee share scheme	4.3	-	(172)	-	-	(172)
Total transactions with owners		7,595	(29,994)	-	-	(22,399)
Balance as at 31 May 2020		588,389	(155,907)	170,205	(7,475)	595,212
Profit for the period		-	85,534	-	-	85,534
Other comprehensive income						
Revaluation of cash flow hedge net of tax	5.6	-	-	-	3,609	3,609
Revaluation of assets net of tax	3.2, 5.1	-	-	78,583	-	78,583
Revaluation of right of use assets net of tax	3.4, 5.1	-	-	61	-	61
Total comprehensive income		-	85,534	78,644	3,609	167,787
Transactions with owners						
Dividends paid	4.1	-	(15,476)	-	-	(15,476)
Share issue	4.1	80,000	-	-	-	80,000
Directly attributable transaction costs deducted from equity	4.1	(1,939)	-	-	-	(1,939)
Share issue: dividend reinvestment plan	4.1	9,175	-	-	-	9,175
Employee share scheme	4.3	-	443	-	-	443
Total transactions with owners		87,236	(15,033)	-	-	72,203
Balance as at 31 March 2021		675,625	(85,406)	248,849	(3,866)	835,202

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

CONSOLIDATED CASH FLOW STATEMENT

For the 10 month period ended 31 March 2021

\$NZ000's	March 2021 10 months	May 2020 12 months
Cash flows from operating activities		
Receipts from residents for village and care fees	142,290	163,035
Payments to suppliers and employees	(153,328)	(178,005)
Rental payments in relation to right of use investment property	(4,115)	(19,236)
Receipts from new occupation right agreements	171,387	181,298
Payments for outgoing occupation right agreements	(52,157)	(40,341)
Interest received	24	153
Interest paid	(7,307)	(6,511)
Interest paid in relation to right of use assets	(757)	(1,026)
Net cash inflow from operating activities	96,037	99,367
Cash flows from investing activities		
Proceeds from sale and / or disposal of property, plant and equipment and investment property	-	(34)
Payments for property, plant and equipment and intangible assets	(36,269)	(40,433)
Payments for investment property and investment property under development	(66,005)	(95,516)
Net cash outflow from investing activities	(102,274)	(135,983)
Cash flows from financing activities		
Proceeds from borrowings	90,274	166,330
Repayment of borrowings	(89,652)	(109,449)
Proceeds from bond issuance	125,000	-
Repayment of bank borrowing from bond proceeds	(125,000)	-
Proceeds from share placement	80,000	-
Capitalised costs in relation to share placement	(1,939)	-
Capitalised borrowing costs	(1,861)	(607)
Principal payments for right of use assets	(2,002)	(2,569)
Dividends paid	(6,301)	(22,227)
Net cash inflow from financing activities	68,519	31,478
Net increase / (decrease) in cash and cash equivalents	62,282	(5,138)
Cash and cash equivalents at the beginning of the year	17,624	22,762
Cash and cash equivalents at end of period	79,906	17,624

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

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the 10 month period ended 31 March 2021

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

\$NZ000's	Notes	March 2021 10 months	May 2020 12 months
Profit / (loss) for the period		85,534	(13,642)
Non cash items included in profit for the period			
Deferred management fees accrued but not settled	2.2	(32,901)	(30,706)
Depreciation (buildings and care suites)	2.4	8,615	9,266
Depreciation and amortisation (chattels, leasehold improvements and software)	2.4	5,193	5,226
Impairment of goodwill	2.4	1,220	491
Net loss on disposal of property, plant and equipment		995	204
Fair value adjustment to investment property	3.1	(79,969)	21,724
Fair value adjustment to right of use investment property and right of use land and buildings	3.4	(2,262)	(17,086)
Impairment of property, plant and equipment	3.2	(4,304)	916
Loss allowance for trade and other receivables	2.4	18	51
Interest accrued but not paid		(1,723)	(1,472)
Fair value movement on residents' share of resale gains	2.4	2,026	329
Fair value loss on cash flow hedges	5.6	-	101
Deferred tax benefit	5.1	(10,396)	(14,666)
Employee share scheme	4.3	443	(172)
Other non cash items		514	351
		(112,531)	(25,443)
Cash items excluded from profit for the period			
Receipts from new occupation right agreements		171,387	181,298
Payments for outgoing occupation right agreements		(52,157)	(40,341)
		119,230	140,957
Increase in operating assets and liabilities			
Decrease in trade and other receivables		(2,271)	(2,595)
Increase in trade and other payables		6,075	90
Net cash inflow from operating activities		96,037	99,367

The Board of Directors of the Company authorised these consolidated financial statements for issue on 21 May 2021.

For and on behalf of the Board



Elizabeth Coutts
Chair



Alan Isaac
Director

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 10 month period ended 31 March 2021

1. General Information

1.1 Basis of Preparation

(i) Entities Reporting

The consolidated financial statements of the 'Group' 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 March 2021 and the results of all subsidiaries for the period 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 financial statements have been prepared in accordance with the going concern basis of accounting, which assumes that the Group will be able to realise its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

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, certain classes of property, plant and equipment, right of use assets, assets held for sale and cash flow hedges.

(iv) 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 to exercise their judgement in the process of applying the Group's accounting policies.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually 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)
- Fair value of right of use assets (note 3.4)
- 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 currency and the Group's presentation 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. A change has been made to the underlying net profit after tax section of note 2.1 to include an adjustment in relation to depreciation of care suite buildings in deriving underlying profit. This change has been made to provide comparability of care suite assets, which are subject to an occupation right agreement ('ORA'), with other village assets subject to an ORA which are treated as investment property for GAAP purposes and are not depreciated.

(v) New Accounting Standards

There have been no changes to accounting standards during the period.

The Group has not early adopted any standards, amendments or interpretations to existing standards that are not yet effective.

(vi) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

1.3 Significant Events and Transactions

(i) COVID-19

On 11 March 2020, the World Health Organisation declared COVID-19 to be a global pandemic. COVID-19 has impacted the health and wellbeing of people around the world and in turn the outbreak and the associated restrictions put in place to fight the virus have had a significant adverse impact on the global economy.

The New Zealand Government's overall public health strategy in respect of the COVID-19 pandemic affecting New Zealand was elimination with the overall goal to stop community transmission in New Zealand. Refer to note 1.3 of the 31 May 2020 Annual Report for specific details of events to 31 May 2020.

- Post the 31 May 2020 balance date, at 11:59pm on 8 June 2020, Alert Level 1 was entered and was in place at the time of signing the 31 May 2020 annual financial statements. Strict border restrictions were in place and contact tracing was encouraged.
- At 12 noon on 12 August 2020, the greater Auckland region re-entered Alert Level 3 lockdown. Businesses including construction were permitted to operate under strict guidelines. Oceania continued with construction projects in the development pipeline and sales of retirement village units continued under certain conditions.
The rest of New Zealand was moved back into Alert Level 2. Contact tracing, strict social distancing measures and mass gathering limits had to be followed.
- At 11:59pm on 30 August 2020, the greater Auckland region entered Alert Level 2 (with extra restrictions). The rest of New Zealand remained at Alert Level 2.
- At 11:59pm on 21 September 2020, Alert Level 1 came into force for all regions except the Auckland region.
- At 11:59pm on 23 September 2020, Alert Level 2 (with no extra restrictions) came into force for the Auckland region.
- At 11:59pm on 7 October 2020, the greater Auckland region entered Alert Level 1 at which point all of New Zealand aligned at Alert Level 1.
- At 11:59pm on 14 February 2021, the greater Auckland region entered Alert Level 3. The rest of New Zealand moved to Alert Level 2.
- At 11:59pm on 17 February 2021, the greater Auckland region entered Alert Level 2. The rest of New Zealand moved to Alert Level 1.
- At 11:59pm on 22 February 2021, the greater Auckland region entered Alert Level 1 at which point all of New Zealand aligned at Alert Level 1.
- At 6:00am on 28 February 2021, the greater Auckland region entered Alert Level 3. The rest of New Zealand moved to Alert Level 2.
- At 6:00am on 7 March 2021, the greater Auckland region entered Alert Level 2. The rest of New Zealand moved to Alert Level 1.
- At 12:00 noon on 12 March 2021, the greater Auckland region entered Alert Level 1 at which point all of New Zealand aligned at Alert Level 1.

Certain key judgements and estimates are applied in the consolidated annual financial statements. The Directors have assessed the impact of COVID-19 on these judgements and estimates and concluded that limited changes are necessary. This is primarily due to Oceania providing an essential service. The following key matters were considered and undertaken with regards to the financial impact of COVID-19 on the 31 March 2021 consolidated financial statements:

- CBRE Limited, as independent valuers, undertook a valuation as at 31 March 2021. As at 30 April 2020 CBRE Limited concluded their valuation on the basis of ‘material valuation uncertainty’ which meant that under extraordinary circumstances at that time there remained a higher degree of uncertainty than would otherwise be the case however the valuation could still be relied upon. As at 31 March 2021 this statement has been revised to a lesser one of ‘market uncertainty’. CBRE Limited continue to state that values and incomes may change more rapidly and significantly than during standard market conditions and recommend their valuations are reviewed periodically to reflect the duration and severity of the impact COVID-19 has on New Zealand and its economy.
- No changes to the methodology or input estimates in relation to expected credit losses have been required as a result of continued strong collection levels in respect of private care fees and deferred settlement of ORA contracts.
- The enactment of the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act 2020 has resulted in the reintroduction of depreciation on buildings. The impact of this change is detailed in note 5.1 and has been reflected in the 31 May 2020 comparative figures.

Balance Date

On 9 July 2020 the Group received approval from the Commissioner of Inland Revenue to change the balance date for the Group and its subsidiaries to 31 March. These consolidated financial statements are the first adopting a 31 March balance date and represent a period of 10 months.

Retail Bond

On 25 September 2020 Oceania Healthcare Limited announced an offer of up to \$75m (with the ability to accept up to an additional \$50m in oversubscriptions) of 7 year secured fixed rate bonds. On 19 October 2020 bonds totalling \$125.0m were issued to New Zealand retail investors. These bonds mature on 19 October 2027. A fixed interest rate of 2.3% per annum applies to the Bonds. Refer to note 4.4 for the impact on the 10 months to 31 March 2021.

Capital Raise

On 24 March 2021 the Group successfully completed an institutional share placement of \$80m. Settlement of the placement occurred on 26 March 2021 for ASX and on 29 March 2021 for NZX with the allotment of all shares and the commencement of trading on both NZX and ASX on 29 March 2021. The new shares issued under the placement rank equally in all aspects with existing ordinary shares on issue.

On 24 March 2021 the Group also announced a non-underwritten \$20m retail offer. Completion of the offer and allotment of shares occurred on 16 April 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

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 the 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 Deferred Management Fees ('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 rental 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 historical cost. Impairments below historical 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, reflective of the ownership structure of the assets.	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 above. 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, 3.2 and 3.4 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 10 month period ended 31 March 2021

2.1 Operating Segments (continued)

2021 (10 months) \$NZ000's	Care Operations	Village Operations	Other	Total
Revenue	146,572	28,199	646	175,417
Change in fair value of investment property	-	79,969	-	79,969
Change in fair value of right of use investment property	-	2,299	-	2,299
Other income	512	1,524	9	2,045
Total income	147,084	111,991	655	259,730
Operating expenses	(128,602)	(20,517)	(17,941)	(167,060)
Impairment of goodwill	(1,220)	-	-	(1,220)
Reversal of impairment of property, plant and equipment	4,169	98	-	4,267
Segment EBITDA	21,431	91,572	(17,286)	95,717
Interest income	-	4	20	24
Finance costs	-	-	(6,795)	(6,795)
Depreciation (buildings and care suites)	(8,410)	-	(205)	(8,615)
Depreciation and amortisation (chattels and software)	(4,164)	-	(1,029)	(5,193)
Profit / (loss) before income tax	8,857	91,576	(25,295)	75,138
Income tax benefit	10,112	594	(310)	10,396
Profit / (loss) for the period attributable to shareholders	18,969	92,170	(25,605)	85,534
Other comprehensive income				
Gain on revaluation of property, plant and equipment for the period, net of tax	78,583	-	-	78,583
Gain on revaluation of right of use asset for the period, net of tax	61	-	-	61
Loss on cash flow hedges, net of tax	-	-	3,609	3,609
Total comprehensive income for the period attributable to shareholders of the parent	97,613	92,170	(21,996)	167,787

CONSOLIDATED FINANCIAL STATEMENTS

2020 (12 months) \$NZ000's	Care Operations	Village Operations	Other	Total
Revenue	163,909	28,591	1,146	193,646
Change in fair value of investment property	-	(21,724)	-	(21,724)
Change in fair value of right of use investment property	-	17,086	-	17,086
Other income	309	2,237	44	2,590
Total income	164,218	26,190	1,190	191,598
Operating expenses	(144,376)	(34,536)	(18,964)	(197,876)
Impairment of goodwill	(491)	-	-	(491)
Reversal of impairment of property, plant and equipment	(916)	-	-	(916)
Segment EBITDA	18,435	(8,346)	(17,774)	(7,685)
Interest income	-	27	126	153
Finance costs	-	-	(6,284)	(6,284)
Depreciation (buildings and care suites)	(8,989)	-	(277)	(9,266)
Depreciation and amortisation (chattels and software)	(4,602)	-	(624)	(5,226)
Profit / (loss) before income tax	4,844	(8,319)	(24,833)	(28,308)
Taxation benefit	11,485	6,550	(3,369)	14,666
Profit / (loss) for the period attributable to shareholders	16,329	(1,769)	(28,202)	(13,642)
Other comprehensive income				
Gain on revaluation of land and buildings for the period, net of tax	29,223	-	-	29,223
Gain on revaluation of right of use asset for the period, net of tax	51	-	-	51
Loss on cash flow hedges, net of tax	-	-	(5,689)	(5,689)
Total comprehensive income for the period attributable to shareholders of the parent	45,603	(1,769)	(33,891)	9,943

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

2.1 Operating Segments (continued)

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 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, right of use investment property assets and cash flow hedges and impairment / reversal of impairment of property, plant and equipment and right of use property, plant and equipment
Add back	Impairment of goodwill
Add back	Rental expenditure in relation to right of use investment property assets
Add back / remove	Loss / gain on sale or decommissioning of assets
Add back	Depreciation (Care Suites)
Add back	Directors' estimate of realised gains on the resale of units and care suites sold under an ORA
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 costs (including lease interest under NZ IFRS 16)
Add back	Depreciation and amortisation (including right of use property, plant and equipment)
=	Underlying EBITDA

Change to Definition of Underlying Profit

The definition of Underlying Profit has been amended in the period to add back depreciation of care suites. The comparative period figures have been restated to reflect this change. The change allows for comparability of care suite assets, which are subject to an ORA, with other village assets subject to an ORA which are treated as Investment Property for GAAP purposes and are not depreciated. This change is consistent with the management information used by the company and that which is reported to the Board. The comparative period has been restated to add back depreciation on care suites. This has increased Underlying Profit in the comparative period by \$6.0m.

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.

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 table below describes the composition of development and conversion costs.

Included	<p>New builds:</p> <ul style="list-style-type: none"> – 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 Brownfield¹ development land is the estimated fair value of land at the time a change of use occurred² (from operating as a care centre or retirement village to a development site), as assessed by an external independent valuer. Greenfield³ 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. <p>Conversions:</p> <ul style="list-style-type: none"> – 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	<ul style="list-style-type: none"> – construction, land (apportioned on a gross floor area basis) and interest costs associated with common areas and amenities or any operational or administrative areas.

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

2 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.

3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

2.1 Operating Segments (continued)

2021 (10 months) \$NZ000's	Care operations	Village operations	Other	Total
Total comprehensive income for the period attributable to shareholders of the parent	97,613	92,170	(21,996)	167,787
Adjusted for Underlying Profit items				
Less: Change in fair value of investment property, right of use assets and cash flow hedges and impairment of property, plant and equipment	(82,811)	(82,367)	(3,609)	(168,787)
Add: Impairment of goodwill	1,220	-	-	1,220
Add: Rental expenditure in relation to right of use asset	-	4,115	-	4,115
Add: Depreciation (care suites)	6,173	-	-	6,173
Add: Loss / (gain) on sale or decommissioning of assets	-	-	(84)	(84)
Add: Realised resale gain	-	17,913	-	17,913
Add: Realised development margin	-	23,815	-	23,815
Underlying net profit before tax	22,195	55,646	(25,689)	52,152
Less: Deferred tax benefit	(10,112)	(594)	310	(10,396)
Underlying net profit after tax	12,083	55,052	(25,379)	41,756
Less: Interest income	-	(4)	(20)	(24)
Add: Finance costs	-	-	6,795	6,795
Add: Depreciation (buildings)	2,236	-	206	2,442
Add: Depreciation and amortisation (chattels, leasehold improvements and software)	4,165	-	1,028	5,193
Underlying EBITDA	18,484	55,048	(17,370)	56,162
2020 (12 months) \$NZ000's				
Total comprehensive income for the year attributable to shareholders of the parent	16,329	27,505	(33,891)	9,943
Adjusted for Underlying Profit items				
Less: Change in fair value of investment property and cash flow hedges and impairment of property, plant and equipment	916	(24,637)	5,689	(18,032)
Add: Impairment of goodwill	491	-	-	491
Add: Rental expenditure in relation to right of use asset	-	19,236	-	19,236
Add: Loss / (gain) on sale or decommissioning of assets	146	(11)	3	138
Add: Depreciation (care suite) ¹	5,980	-	-	5,980
Add: Realised gain on resale	-	11,489	-	11,489
Add: Realised development margin	-	34,320	-	34,320
Underlying net profit before tax¹	23,862	67,902	(28,199)	63,565
Less: Deferred tax benefit	(11,485)	(6,550)	3,369	(14,666)
Underlying net profit after tax	12,377	61,352	(24,830)	48,899
Less: Interest income	-	(27)	(126)	(153)
Add: Finance costs	-	-	6,284	6,284
Add: Depreciation (buildings)	3,009	-	277	3,286
Add: Depreciation and amortisation (chattels and software)	4,602	-	624	5,226
Underlying EBITDA	19,988	61,325	(17,771)	63,542

1 The comparatives above have been restated to add back depreciation on care suites. This has increased Underlying Profit by \$6.0m in the comparative period.

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

Revenue is recognised in accordance with NZ IFRS 15 Revenue from Contracts with Customers ('NZ IFRS 15'). Deferred management fees and rental income are considered leases under NZ IFRS 16 Leases ('NZ IFRS 16'), 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, for the 10 months to March 2021 amounted to \$82.8m (12 months to May 2020: \$103.7m).

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. Refer to 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 retirement village site as per note 3.4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

2.2 Revenue (continued)

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	March 2021 10 months	May 2020 12 months
Rest home, hospital, dementia fees	132,780	151,347
Premium accommodation charge	3,606	3,866
Deferred management fees – independent living	20,234	19,926
Deferred management fees – care suites	9,479	7,836
Deferred management fees – leased site	1,869	1,494
Village service fees	5,208	5,997
Training income	663	1,176
Rental income	914	1,275
Other services provided to residents	664	729
	175,417	193,646

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	March 2021 10 months	May 2020 12 months
Interest income	24	153
Other income	2,045	2,590
	2,069	2,743

2.4 Expenses

Accounting Policy

All operating expenses are recognised on an accrual basis.

\$NZ000's	Notes	March 2021 10 months	May 2020 12 months
Profit before income tax includes the following expenses:			
Employee benefits and other staff costs			
Wages and salaries		113,124	126,636
COVID-19 wage subsidy ¹		(156)	(1,821)
Termination benefits		281	1,176
Employee share scheme expense	4.3	255	(172)
Other staff costs ²		2,165	2,281
		115,669	128,100
Depreciation and amortisation			
Depreciation of buildings	3.2	1,948	2,663
Depreciation of care suites	3.2	6,173	5,980
Depreciation of right of use assets (buildings)	3.4	494	623
Depreciation of chattels	3.2	3,104	3,074
Depreciation of right of use assets (chattels)	3.4	1,609	2,096
Amortisation of software	5.2	480	56
		13,808	14,492
Finance costs			
Interest on senior debt facilities		3,468	7,092
Interest on Retail Bond		1,291	-
Agency, commitment and line fees		2,782	3,126
Interest rate swaps		2,302	1,087
Capitalised interest and line fees		(4,261)	(6,367)
Amortisation of bank fees		455	220
Bank interest		1	-
Change in fair value of cash flow hedges		-	101
Interest on right of use assets		757	1,025
		6,795	6,284
(Reversal of impairment) / impairment of property, plant and equipment	3.2	(4,267)	916
Rental expenditure in relation to right of use investment property	3.4	4,115	19,236
Impairment of goodwill	5.2	1,220	491

1 The COVID-19 wage subsidy has been recognised as a reduction in expenses in accordance with NZ IAS 40 Accounting for Government Grants and Disclosure of Government Assistance.

2 Other staff costs include costs such as staff training, uniforms and recruitment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

2.4 Expenses (continued)

\$NZ000's	Notes	March 2021 10 months	May 2020 12 months
Other expenses			
Fees paid to Auditor			
Audit and review of consolidated financial statements		396	388
Other assurance services – Trustee reporting		6	6
Other services – Proxy voting (Annual Shareholders Meeting)		-	6
Total fees paid to auditor		402	400
Repairs and maintenance of property, plant and equipment including leasehold care centres		2,410	2,987
Repairs and maintenance of investment property including leasehold investment property		1,301	1,098
(Gain) / loss on disposal of property, plant and equipment		(84)	138
Donations		3	7
Loss allowance for trade and other receivables	5.3	18	51
Resident consumables		14,340	16,348
Movement of Residents' share of resale gains		2,026	329
Insurance		2,928	2,845
Legal and professional services		2,867	3,284
COVID-19 District Health Board allowance ¹		(142)	(2,049)
Other expenses (no items of individual significance)		21,207	25,102
		47,276	50,540
Total Expenses		184,616	220,059

¹ In the comparative figures the COVID-19 District Health Board allowance of \$1.8m and a payment from Disability Support Services of \$0.2m have been recognised as an offset to expenses in accordance with NZ IAS 20: Accounting for Government Grants and Disclosure of Government Assistance.

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.

Market Uncertainty

The date of 30 April 2020 was a particularly significant time in the property market with New Zealand having only exited Alert Level 4 at 11:59pm on 27 April 2020 and was still subject to stringent Alert Level 3 restrictions. As at 30 April 2020 CBRE Limited reassessed a number of their inputs and assumptions to take account of:

- Lower growth rates, particularly in the short term;
- Higher discount rates; and
- Increased discounts on unsold stock.

The property portfolio has been independently valued by CBRE Limited as at 31 March 2021. The valuation represents a 'point in time valuation' and while the same overall approach was used for this valuation as in prior years the valuers highlighted that there has been a reversal of the changes made to key inputs and assumptions which were made in the 30 April 2020 valuation as a result of COVID-19.

As at 31 March 2021 New Zealand was at Alert Level 1 and whilst New Zealand's borders remain largely closed, and immigration (which has formerly underpinned growth in the residential market) will be absent for some time, in CBRE Limited's view the market had shown better than expected sentiment over the last 6 to 12 months and as a result the key assumptions used in the valuation have almost all returned to pre COVID-19 levels and the unfavourable changes made to growth rates, discount rate and discounts on unsold stock at 30 April 2020 have been reversed.

CBRE Limited at 31 March 2021 have reported on the basis of 'market uncertainty' meaning that there remains uncertainty in the market because of the longer term economic impacts of COVID-19. CBRE Limited commented in the valuation report that, for the avoidance of doubt, the inclusion of the 'market uncertainty' declaration does not mean that the valuation cannot be relied upon. Rather, it has been used in order to be clear and transparent with all parties that, in the current extraordinary circumstances, there is a higher degree of uncertainty than would otherwise be the case. Further, CBRE Limited continue to state that values and incomes may change more rapidly and significantly than during standard market conditions and recommend their valuations are reviewed periodically to reflect the duration and severity of impact COVID-19 has on New Zealand and its economy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

3. Property Assets (continued)

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.

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)	Serviced apartment	Care suite	Traditional care bed

SCENARIO



CONSIDERATION OF SIGNIFICANCE OF CASH FLOWS



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.

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.

¹ ARRC refers to age-related residential care.

3.1 Village Assets: Investment Property

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	March 2021	May 2020
Investment property under development at fair value			
Opening balance		145,020	101,460
Transfer from / (to) property, plant and equipment	3.2	-	22,193
Capitalised expenditure		63,881	82,472
Capitalised interest and line fees		3,028	3,332
Transfer to completed investment property		(99,512)	(61,551)
Transfer to held for sale investment property		-	(720)
Change in fair value during the period – developments as at balance date		7,826	(1,258)
Change in fair value during the period – developments completed during the period		23,477	(908)
Closing balance		143,720	145,020
Completed investment property at fair value			
Opening balance		802,060	780,214
Transfer from investment property under development		99,512	61,551
Transfer to property, plant and equipment	3.2	(1,329)	(17,592)
Transfer to right of use assets	3.4	-	(14,006)
Capitalised expenditure		7,050	10,208
Capitalised interest and line fees		124	1,287
Disposals		-	(44)
Change in fair value during the period – existing villages		34,888	(25,132)
Change in fair value during the period – recently completed developments ¹		13,778	5,574
Closing balance		956,083	802,060
Held for sale investment property at fair value			
Opening balance		720	-
Transfer from investment property under development		-	720
Disposals		(720)	-
Closing balance		-	720
Total investment property		1,099,803	947,800

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

3.1 Village Assets: Investment Property (continued)

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

\$NZ000's	March 2021 10 months	May 2020 12 months
Increase in fair value of investment property	152,003	66,126
Add: Transfers to property, plant and equipment and to right of use assets during the period	1,329	9,405
Less: Capitalised expenditure including capitalised interest	(74,083)	(97,299)
Add: Disposals	720	44
Change in fair value recognised in Consolidated Statement of Comprehensive Income	79,969	(21,724)

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

\$NZ000's	March 2021	May 2020
Investment property under development		
Valuation	143,720	145,020
	143,720	145,020
Completed Investment Property		
Valuation	474,215	370,257
Add: Refundable occupation licence payments	573,766	501,739
Add: Residents' share of resale gains	7,205	5,870
Less: Management fee receivable	(84,433)	(72,933)
Less: Resident obligations for units not included in valuation	(14,670)	(2,873)
	956,083	802,060
Held for Sale Investment property		
Valuation	-	720
	-	720
Total investment property at fair value	1,099,803	947,800

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. In certain circumstances accommodation under an ORA is valued as development land. In these situations the CBRE Limited valuation is not adjusted for the refundable amounts and consequently no offsetting 'gross up' is required. An adjustment of \$14.7m (2020: \$2.9m) is included in the above reconciliation to reflect this.

The valuation of investment property is adjusted for cash flows 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 – refer to 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 31 March 2021 (2020: 30 April 2020).

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.

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 \$51.6m as at 31 March 2021 (2020: \$65.2m) 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

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 31 March 2021 by CBRE Limited (2020: 30 April 2020 by CBRE Limited), at a total of \$472.2m (2020: 30 April 2020 \$379.8m adjusted downwards for the impact of any sale, resale and repurchase of ORAs between 1 May 2020 and 31 May 2020 by \$10.3m with a corresponding increase in refundable occupation licence payments of \$13.3m to arrive at the fair value of completed investment properties at 31 May 2020).

Investment Property 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.

On 8 September 2020 the one parcel of land that met the definition of held for sale as at 31 May 2020 was sold to a third party. There was no gain or loss on this transaction. No properties met the definition of held for sale as at 31 March 2021.

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.

Key Accounting Estimates and Judgements

All investment properties have been determined to be Level 3 (2020: Level 3) in the fair value hierarchy as the fair value is determined using inputs that are unobservable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

3.1 Village Assets: Investment Property (continued)

Significant Unobservable Inputs

The significant unobservable input used in the fair value measurement of the Group's development land is the value per m² assumption. Increases in the value per m² rate result in the 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	2021	2020
Discount rate	The pre-tax discount rate	14.0% - 20.0% (median: 15.0%)	14.1% - 20.3% (median: 15.3%)
Property price growth rate	Anticipated annual property price growth over the cash flow period 0-4 years	0.5% - 3.5%	(2.0%) - 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%

Due to the market uncertainty disclosed in note 3, the range of reasonably possible changes to key assumptions is uncertain and could be significantly greater than the ranges used in the sensitivity analysis.

Sensitivities

	Adopted value	Discount rate +0.5%	Discount rate -0.5%	Property growth rate +50 bp	Property growth rate -50 bp
At 31 March 2021					
Completed investment property					
Valuation \$NZ000's	474,215				
Difference \$NZ000's		(17,288)	18,442	18,025	(31,516)
Difference %		(3.6%)	3.9%	3.8%	(6.6%)
At 31 May 2020					
Completed investment property					
Valuation \$NZ000's	370,257				
Difference \$NZ000's		(13,998)	14,940	22,519	(23,563)
Difference %		(3.8%)	4.0%	6.1%	(6.4%)

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	2021	2020
Stabilised occupancy period	2.8 years - 8.5 years (median: 7.0 years)	3.2 years - 8.3 years (median: 6.8 years)

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 the 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 period 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.

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	2.75%
– Chattels and leasehold improvements	2 - 50 years	20%
– Motor vehicles	5 years	22%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

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

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
Period ended 31 March 2021						
Opening net book amount		54,206	77,496	339,916	18,372	489,990
Additions		18,664	-	8,189	4,138	30,991
Capitalised interest and line fees		837	-	271	-	1,108
Disposals		-	-	-	-	-
Depreciation		-	-	(8,121)	(3,104)	(11,225)
Transfer to right of use assets	3.4	-	-	-	-	-
Transfer from investment property	3.1	-	-	1,329	-	1,329
Reclassification within property, plant and equipment		(32,998)	(2,105)	35,103	-	-
Revaluation surplus						
Comprehensive income						
– Existing care centres		1,610	1,076	1,543	-	4,229
– Care centres recently developed / under development		-	-	75	-	75
Other comprehensive income ¹						
– Existing care centres		2,007	16,333	31,757	-	50,097
– Care centres recently developed / under development		10,441	-	27,017	-	37,458
Closing net book amount		54,767	92,800	437,079	19,406	604,052
At 31 March 2021						
Cost		-	-	-	51,543	51,543
Valuation		54,767	92,800	437,079	-	584,646
Accumulated depreciation		-	-	-	(32,137)	(32,137)
Net book amount		54,767	92,800	437,079	19,406	604,052

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 2020						
Opening net book amount		70,297	70,662	282,417	19,333	442,709
Additions		20,776	-	7,722	7,643	36,141
Capitalised interest and line fees		958	-	790	-	1,748
Disposals		-	-	-	(155)	(155)
Depreciation		-	-	(8,643)	(3,074)	(11,717)
Transfer to right of use assets	3.4	-	-	-	(5,375)	(5,375)
Transfer (to) / from investment property	3.1	(22,193)	570	17,022	-	(4,601)
Reclassification within property, plant and equipment		(22,759)	3,300	19,459	-	-
Revaluation surplus						
Comprehensive income						
– Existing care centres		(1,034)	454	(313)	-	(893)
– Care centres recently developed / under development		-	(95)	72	-	(23)
Other comprehensive income ¹						
– Existing care centres		1,608	2,469	652	-	4,729
– Care centres recently developed / under development		6,553	136	20,738	-	27,427
Closing net book amount		54,206	77,496	339,916	18,372	489,990
At 31 May 2020						
Cost		-	-	-	47,407	47,407
Valuation		54,206	77,496	339,916	-	471,618
Accumulated depreciation		-	-	-	(29,035)	(29,035)
Net book amount		54,206	77,496	339,916	18,372	489,990

Land and Buildings Under Development

A valuation in respect of development land was provided by CBRE Limited as at 31 March 2021.

Any costs incurred to 31 March 2021 on the developments are included in arriving at the fair value as at 31 March 2021

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 \$16.2m as at 31 March 2021 (2020: \$20.3m) 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

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

A valuation in respect of completed land and buildings was provided by CBRE Limited as at 31 March 2021 (2020: 30 April 2020).

The valuation of the Group's care centres was apportioned to land, buildings, 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 \$10.4m of goodwill (30 April 2020: \$12.0m) in respect of completed land and buildings.

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.

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 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.

Where a site is in its first few years of operation, the Directors assess the appropriateness of the fair value of care suites by taking into consideration the CBRE Limited valuation and applying different operating assumptions including instances where care suites are occupied by residents paying a premium accommodation charge. No adjustment has been made or required as at 31 March 2021. As at 31 May 2020 an adjustment was made in respect of two sites, a decrease of \$8.7m, to the CBRE Limited valuation. The CBRE Limited valuation of care suites includes \$0.1m of goodwill (2020: \$0.6m). 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 (2020: 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 31 March 2021 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 31 March 2021 valuation range from 12.0% to 17.0% with a median value of 13.4% (30 April 2020: 11.0% to 17.75% with a median value of 13.0%). 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 m² assumption. Increases in the value per m² 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 March 2021	Adopted value	Capitalisation rate +50 bp	Capitalisation rate -50 bp
Freehold land and buildings			
Valuation \$NZ000's	529,879		
Difference \$NZ000's		(32,694)	36,509
Difference %		(6.2%)	6.9%

At 31 May 2020	Adopted value	Capitalisation rate +50 bp	Capitalisation rate -50 bp
Freehold land and buildings			
Valuation \$NZ000's	417,412		
Difference \$NZ000's		(23,041)	28,316
Difference %		(5.5%)	6.8%

At 31 March 2021	Adopted value	Discount rate +0.5%	Discount rate -0.5%	Property growth rate +50 bp	Property growth rate -50 bp
Completed care suite property					
Valuation \$NZ000's	170,367				
Difference \$NZ000's		(10,512)	11,738	6,476	(11,323)
Difference %		(3.6%)	3.9%	3.8%	(6.6%)

At 31 May 2020	Adopted value	Discount rate +0.5%	Discount rate -0.5%	Property growth rate +50 bp	Property growth rate -50 bp
Completed care suite property					
Valuation \$NZ000's	113,395				
Difference \$NZ000's		(6,259)	7,692	6,897	(7,216)
Difference %		(3.8%)	4.0%	6.1%	(6.4%)

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.

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 2021	32,008	245,872	3,052	280,932
Carrying amount				
– Historical cost 2020	36,911	226,382	21,929	285,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

3.3 Refundable Occupation Right Agreements

What is 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 is 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 (2020: 7 years, 5 years, 3 years).

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	March 2021	May 2020
Village		
Refundable occupation licence payments	573,766	501,739
Residents' share of resale gains	7,205	5,870
Less: Management fee receivable (per contract)	(117,300)	(100,912)
	463,671	406,697
Leasehold Village		
Refundable occupation licence payments	37,130	33,015
Less: Management fee receivable (per contract)	(6,647)	(3,809)
	30,483	29,206
Care Suites		
Refundable occupation licence payments	152,273	120,506
Accommodation rebate	375	559
Less: Management fee receivable (per contract)	(28,369)	(21,598)
	124,279	99,467
Total refundable occupation right agreements	618,433	535,370

Reconciliation of Management Fees recognised under NZ IFRS and per ORA

\$NZ000's	March 2021	May 2020
Village		
Management fee receivable (per contract)	(117,300)	(100,912)
Deferred management fee	32,867	27,979
Management fee receivable (per NZ IFRS)	(84,433)	(72,933)
Leasehold Villages		
Management fee receivable (per contract)	(6,647)	(3,809)
Deferred management fee	2,590	1,621
Management fee receivable (per NZ IFRS)	(4,057)	(2,188)
Care Suites		
Management fee receivable (per contract)	(28,369)	(21,598)
Deferred management fee	6,042	4,744
Management fee receivable (per NZ IFRS)	(22,327)	(16,854)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

3.4 Leases

What's a right of use asset?

Right of use assets are assets held under a lease arrangement. It represents the value of the lessee's right to use an asset over the life of the lease. There is a corresponding lease liability on the Consolidated Balance Sheet which represents the present value of the future lease payments.

Accounting Policy

The Group adopted NZ IFRS 16 on 1 June 2019. The leases to which this standard applies include;

- (i) one retirement village which meets the definition of an investment property,
- (ii) three care facilities which meet the definition of land and buildings,
- (iii) one support office building which meets the definition of land and buildings, and
- (iv) equipment and motor vehicles under lease agreements which are classified as chattels.

Right of use assets and lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the remaining lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

Right of use assets are initially recognised at cost, comprising of the initial amount of the lease liability less any lease incentives received. Right of use assets relating to equipment and motor vehicles, recognised in chattels, are subsequently depreciated using the straight line method from the commencement date to the end of the lease. Right of use assets relating to care centres are subsequently measured at fair value as determined by the Directors having taken into consideration the valuation performed by CBRE Limited. In considering the lease term, the Group applies judgement in determining whether it is reasonably certain that an extension or termination option will be exercised.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined the incremental borrowing rate at the commencement of the lease is used.

Right of Use Asset

March 2021	Investment Property	Land and Buildings	Chattels	Total
\$NZ000's				
Opening net book value	31,140	4,837	4,845	40,822
Additions	7	33	872	912
Disposals	-	(266)	(9)	(275)
Depreciation	-	(494)	(1,609)	(2,103)
Revaluation for the period – Comprehensive Income	2,299	(37)	-	2,262
Revaluation for the period ¹ – Other Comprehensive Income	-	96	-	96
Net book value as at 31 March 2021	33,446	4,169	4,099	41,714

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

CONSOLIDATED FINANCIAL STATEMENTS

March 2020

\$NZ000's	Notes	Investment Property	Land and Buildings	Chattels	Total
Opening net book value		-	-	-	-
Recognition on adoption of NZ IFRS 16 Leases		-	5,423	235	5,658
Transfer from investment property / property, plant and equipment	3.1, 3.2	14,006	-	5,375	19,381
Additions		6	8	1,336	1,350
Disposals		-	-	(5)	(5)
Depreciation		-	(623)	(2,096)	(2,719)
Revaluation for the year – Comprehensive Income		17,128	(42)	-	17,086
Revaluation for the year ¹⁴ – Other Comprehensive Income		-	71	-	71
Net book value as at 31 May 2020		31,140	4,837	4,845	40,822

March 2021

\$NZ000's	Investment Property	Land and Buildings	Chattels	Total
Cost	-	-	8,924	8,924
Valuation	33,446	4,169	-	37,615
Accumulated depreciation	-	-	(4,825)	(4,825)
Net book value as at 31 March 2021	33,446	4,169	4,099	41,714

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

\$NZ000's	March 2021	May 2020
Right of use Investment Property		
Valuation	373	313
Add: Refundable occupation licence payments	37,130	33,015
Less: Management fee receivable	(4,057)	(2,188)
	33,446	31,140

The valuation of right of use investment property is adjusted for cash flows relating to refundable occupation licence payments and management fee receivable recognised separately on the Consolidated Balance Sheet and also reflected in the valuation model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

3.4 Leases (continued)

Lease Liabilities

March 2021

\$NZ000's	Investment property	Land and buildings	Chattels	Total
Opening net book value	-	7,865	5,136	13,001
Additions and disposals	-	(349)	863	514
Interest	-	352	345	697
Lease payments made	-	(847)	(1,852)	(2,699)
Lease liabilities as at 31 March 2021	-	7,021	4,492	11,513

March 2020

\$NZ000's	Notes	Investment property	Land and buildings	Chattels	Total
Opening net book value		-	-	-	-
Recognition on adoption of NZ IFRS 16 Leases		-	8,444	278	8,722
Transfer from borrowings	4.4	-	-	5,517	5,517
Additions		-	-	1,331	1,331
Interest		-	471	508	979
Lease payments made		-	(1,050)	(2,498)	(3,548)
Lease liabilities as at 31 May 2020		-	7,865	5,136	13,001

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 of 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. The right of use asset is held at fair value in accordance with NZ IAS 40 Investment Property. The fair value is determined by the Directors having taken into consideration the valuation conducted by CBRE Limited at 31 March 2021.

The carrying value of the right of use asset as at 31 March 2021 in respect of this leased site is \$33.4m (2020: \$31.1m).

On 15 February 2021 the Group entered into a Sale and Purchase Agreement to purchase one leased site for a purchase price of \$5.0m. Date of settlement is 18 June 2021.

Lease of Property, Plant and Equipment

The Group leases three care centres which are valued as right of use assets as well as on one support office building and various equipment and motor vehicles.

A valuation in respect of right of use property assets was provided by CBRE Limited as at 31 March 2021.

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.

	March 2021 Shares	May 2020 Shares	March 2021 \$NZ000's	May 2020 \$NZ000's
Share capital				
Authorised, issued and fully paid up capital	689,276,946	618,056,183	675,625	588,389
Total contributed equity	689,276,946	618,056,183	675,625	588,389
Movements				
Opening balance of ordinary shares issued	618,056,183	610,254,535	588,389	580,794
Shares issued for employee share scheme	1,193,045	1,004,640	-	-
Shares issued for dividend reinvestment plan	8,489,256	6,797,008	9,175	7,595
Share issue (placement)	61,538,462	-	80,000	-
Capitalised costs in relation to share placement	-	-	(1,939)	-
Closing balance of ordinary shares issued	689,276,946	618,056,183	675,625	588,389

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

Share Issue

On 29 March 2021 a total of 61,538,462 shares with a value of \$1.30 per share were issued in relation to an Institutional Placement. These shares rank equally with existing shares. The Placement was fully underwritten. Fees incurred of \$1.9m have been offset against funds raised.

Dividend Reinvestment Plan ('DRP')

- 1,399,054 shares with a value of \$1.5331 per share were issued in the four months to 31 March 2021 in relation to the 30 November 2020 dividend reinvestment plan.
- 2,613,632 shares with a value of \$0.9910 per share were issued in the six months to 30 November 2020 in relation to the 31 May 2020 dividend reinvestment plan. Further, 4,476,570 shares with a value of \$0.9910 were issued in the six months to 30 November 2020 pursuant to an underwriting agreement with Macquarie Securities (NZ) Limited.
- 2,272,880 shares with a value of \$1.0018 per share were issued in relation to the 31 May 2019 dividend reinvestment plan.
- 4,524,128 shares with a value of \$1.175 per share were issued in relation to the 30 November 2019 dividend reinvestment plan.

Recognition and Measurement

- 3,164,556 shares are held by the Group and its subsidiaries in relation to a previously cancelled long term incentive plan scheme. Shares issued to OCA Employees Trustee Limited, a subsidiary, on behalf of Oceania employees in relation to an employee share scheme are classified as Treasury Shares as the Group has a beneficial interest in the 3,164,556 shares.
- On 20 November 2020, 1,948,061 share rights were issued for nil consideration and a nil exercise price in relation to the LTI Scheme for the provision of performance-based remuneration.

Group Structure

There are no major shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

4.1 Shareholder Equity and Reserves (continued)

Dividends

On 21 May 2021, a full year dividend of 2.1 cents per share (not imputed) was declared and will be paid on 22 June 2021. The record date for entitlement is 8 June 2021.

	March 2021 cents per share	March 2021 \$NZ000's	May 2020 cents per share	May 2020 \$NZ000's
Final dividend for the prior year	1.2	7,417	2.6	15,867
Interim dividend for period	1.3	8,142	2.3	14,037
Total dividends declared during the period¹		15,559		29,904

Dividend Reinvestment Plan

On 25 July 2019, the Board approved the implementation of a dividend reinvestment plan for New Zealand and Australian shareholders. This plan has been effective for all subsequent dividends. This plan shall also be effective for the dividend payable on 22 June 2021 at a discount of 2.5% to the volume weighted average price of shares sold on the NZX Main Board over a period of five trading days starting on 4 June 2021. The dividend reinvestment plan shall apply to those shareholders who have provided a participation election by 5:00pm on the dividend election date, being 9 June 2021.

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.

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 period.

\$NZ000's	March 2021 10 months	May 2020 12 months
Profit / (loss) after tax (\$'000)	85,534	(13,642)
Weighted average number of ordinary shares outstanding ('000s)	621,537	610,711
Basic earnings per share (cents per share)	13.8	(2.2)

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 March 2021 there were no shares with a dilutive effect (2020: nil).

	March 2021 10 months	May 2020 12 months
Profit / (loss) after tax (\$'000)	85,534	(13,642)
Diluted weighted average number of ordinary shares outstanding ('000s)	621,537	610,711
Diluted earnings per share (cents per share)	13.8	(2.2)

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 shares held within the Group.

4.3 Employee Share Based Payments

Employee Share Scheme

On 15 September 2020 the Board approved a new Long Term Incentive Scheme for its senior executives ('LTI Scheme'). The LTI Scheme has been established to:

- provide an incentive to key executives to commit to Oceania for the long term; and
- align these executives' interests with the interests of Oceania's shareholders.

Participants in the Scheme will be granted Share Rights from time to time which will, on vesting, convert into an entitlement to receive ordinary shares. Vesting will depend on achievement of certain performance hurdles relating to Oceania's total shareholder return relative to the NZX50, and Oceania's performance against EBITDA targets.

Share Rights become exercisable if the holder remains employed on the vesting date and performance hurdles are met over the period from the commencement date to the measurement date, and in certain other exceptional circumstances. On becoming exercisable, each Share Right will entitle the holder to receive one fully paid ordinary share in Oceania Healthcare Limited, less an adjustment for tax paid on the holder's behalf for the benefit received under the Scheme. The Share Rights have a nil exercise price.

Performance Hurdles

The Share Rights in each grant are divided between two performance hurdles;

- Share Rights will qualify for vesting on a straight-line basis, from 0%, where the total shareholder return (TSR) from the commencement date to the measurement date is equal to the 35th percentile of the NZX50 Group, to 100% where the TSR is equal to or greater than the 75th percentile of the NZX50 Group; and
- For the second performance hurdle, Share Rights will qualify for vesting if the Group's annual growth in underlying earnings (before interest, tax, depreciation and amortisation) per share (UEPS) from the commencement date to the measurement date is equal to or greater than the target for growth in UEPS for that period.

Lapse

- Share Rights will lapse where the performance hurdles are not met on a relevant measurement date or, in general, where the participant ceases to be employed by the Group before the vesting date (except in certain circumstances).

Employee Share Plan

On 22 September 2020 1,193,045 shares were issued as part of an employee share scheme ('ESS'). All permanent employees as at that date were invited to participate. Full time employee participants were allocated an equivalent of \$800 of shares and part time employee participants were allocated an equivalent of \$400 of shares. The shares are 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.

In the comparative period, on 25 July 2019, 1,004,640 shares were issued as part of the ESS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

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	March 2021	May 2020
Secured		
Bank loans	204,930	326,686
Capitalised loan costs	(473)	(1,232)
Retail Bond – OCA010	125,000	-
Capitalised bond costs	(2,165)	-
Total borrowings	327,292	325,454
Current	-	-
Non current	329,930	326,686
Total borrowings excluding capitalised loan costs	329,930	326,686

Recognition and Measurement

Bank Loans

Interest is charged using the BKBM Bill rate plus a margin and line fee. Interest rates applicable in the 10 month period to 31 March 2021 ranged from 2.40% to 2.58% (year to 31 May 2020: 2.52% to 3.85%).

Retail Bond

The Group issued 125.0m retail bonds totalling \$125.0m on 19 October 2020 with a maturity date of 19 October 2027. The bonds are listed on the NZX Debt Market (NZDX) with the ID OCA010. The bond has a fixed interest rate of 2.3%.

The bonds are quoted on the NZX Debt Market and their fair value at balance date is based on their listed market price as at balance date. Interest on OCA010 is payable quarterly in January, April, July and October in equal instalments.

The bonds were trading at a yield of 2.7% as at close of business on 31 March 2021.

Debt Financing

On 30 October 2020, an agreement was entered into with the banking syndicate to decrease total debt facility limits from \$420.0m to \$350.0m as follows:

- (i) General Corporate Facility limit decreased to \$85.0m; and
- (ii) Development Facility limit increased to \$265.0m.

The maturity of borrowings is 31 July 2023.

Financing Arrangements

At 31 March 2021, the Group held committed bank facilities with drawings as follows:

\$NZ000's	March 2021 Committed	March 2021 Drawn	May 2020 Committed	May 2020 Drawn
General Corporate Facility	85,000	-	135,000	118,567
Development Facility	265,000	204,930	215,000	208,119
General Facility	-	-	70,000	-
Total	350,000	204,930	420,000	326,686

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 for development land and initial costs 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
- b) Loan to Value Ratio – the ratio of total bank indebtedness 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); and
- c) Guarantor Group Coverage – at all times the adjusted EBITDA of the Guaranteeing Group must be at least 90% of the Adjusted EBITDA of the total tangible assets of the Group; and
- d) Development – at all times the outstanding principal amount under the Development Facility shall not exceed the Development Value. Development Value (per the most recent valuation excluding any settled stock) is the aggregate value of all Residential Facilities in all Developments that are being funded by the Development Facility less their cost to complete.

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

Assets Pledged as Security

The bank loans of the Group are secured by mortgages over the Group's care centre 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.

As at 31 March 2021 the balance of the bank loans over which the properties are held as security is \$204.9m (2020: \$327.0m), the total commitment as at 31 Mar 2021 is \$350.0m (2020: \$420.0m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

4.4 Borrowings (continued)

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	March 2021	May 2020
Cash and cash equivalents	79,906	17,624
Debt – repayable within one year	(2,431)	(2,407)
Debt – repayable after one year	(339,012)	(337,280)
	(261,537)	(322,063)
Cash and liquid investments	79,906	17,624
Gross debt – fixed interest rates	(136,513)	(113,001)
Gross debt – floating interest rates	(204,930)	(226,686)
	(261,537)	(322,063)

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 2019	22,762	(1,600)	(3,917)	-	(265,487)	(248,242)
Cash flows	(5,138)	337	3,211	-	(56,882)	(58,472)
Recognition on adoption of NZ IFRS 16 Leases	-	(786)	(7,936)	-	-	(8,722)
Acquisitions – finance leases	-	(188)	(1,148)	-	-	(1,336)
Terminations – finance leases	-	5	-	-	-	5
Other non-cash movements	-	(175)	(804)	-	(4,317)	(5,296)
Net debt as at 31 May 2020	17,624	(2,407)	(10,594)	-	(326,686)	(322,063)
Net debt as at 31 May 2020	17,624	(2,407)	(10,594)	-	(326,686)	(322,063)
Cash flows	62,282	2,253	8,503	-	(592)	72,446
Acquisitions – finance leases	-	178	578	-	-	756
Terminations – finance leases	-	(3,132)	(10,595)	-	-	(13,727)
Other non-cash movements	-	677	3,026	-	(2,652)	1,051
Net debt as at 31 March 2021	79,906	(2,431)	(9,082)	-	(329,930)	(261,537)

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 period comprises current and deferred tax. Tax is recognised in the calculation of profit for the period 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 balance date. 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, and losses can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

5.1 Income Tax (continued)

\$NZ000's	March 2021 10 months	May 2020 12 months
Income tax benefit		
Current tax	-	-
Deferred tax	(10,396)	(14,666)
	(10,396)	(14,666)
Taxation expense is calculated as follows:		
Profit / (loss) before income tax	75,138	(28,308)
Tax at the New Zealand tax rate of 28%	21,039	(7,926)
<i>Adjusted by the tax effect of:</i>		
Non-deductible impairment of goodwill	342	137
Non-deductible expenditure	387	4
Capitalised interest deductible for tax	(1,193)	(1,783)
Taxable deferred management fees	(3,752)	(1,531)
Non-assessable revaluation of investment property	(23,035)	1,287
Taxable depreciation	(5,910)	(4,472)
Accounting depreciation	3,254	3,335
Right of use asset	28	42
Non-deductible impairment / (reversal of non-deductible impairment) of fixed asset	(1,194)	268
Adjustment for timing difference of provisions	683	272
Other	-	-
Losses generated	9,351	10,367
Current tax expense	-	-
Impact of movements in investment property	(4,149)	(8,583)
Impact of movements in property, plant and equipment	(10,103)	(10,873)
Impact of movements in right of use assets	(8)	(89)
Other adjustments	(723)	(271)
Deferred management fee	3,752	1,531
Other deferred tax assets not recognised	336	-
Prior period adjustments: other	-	367
Losses utilised or derecognised	499	3,252
Deferred tax benefit	(10,396)	(14,666)
Income tax benefit	(10,396)	(14,666)

Movement in the Deferred Tax Balance:

\$NZ000's	Balance 1 June 2020 Audited	Recognised in Consolidated Statement of Comprehensive Income	Recognised in Other Comprehensive Income	Balance 31 March 2021 Audited
Investment property	(960)	4,149	-	3,189
Property, plant and equipment	(14,651)	10,103	(8,972)	(13,520)
Right of use assets	929	8	(35)	902
Provisions and other assets / liabilities	8,645	723	(1,389)	7,979
DMF revenue in advance	5,538	(3,752)	-	1,786
Tax losses	499	(499)	-	-
Deferred tax assets not recognised	-	(336)	-	(336)
Deferred tax (liabilities) / assets	-	10,396	(10,396)	-

\$NZ000's	Balance 1 June 2019 Audited	Recognised in Consolidated Statement of Comprehensive Income	Recognised in Other Comprehensive Income	Balance 31 May 2020 Audited
Investment property	(9,264)	8,304	-	(960)
Property, plant and equipment	(22,504)	10,785	(2,932)	(14,651)
Right of use assets	-	89	840	929
Provisions and other assets / liabilities	6,123	271	2,251	8,645
DMF revenue in advance	7,069	(1,531)	-	5,538
Tax losses	3,751	(3,252)	-	499
Deferred tax liabilities	(14,825)	14,666	159	-

Recognition and Measurement

No income tax was paid or payable during the period (2020: 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 and deductible amounts as provided by CBRE Limited, to the extent that it doesn't relate to land. The Group uses the CBRE Limited valuation of land and improvements to estimate the apportionment of cash flows arising from the depreciable (i.e. buildings) and non-depreciable components (i.e. land).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

5.1 Income Tax (continued)

Recognition of Deferred Tax on Deferred Management Fee

The interpretation of New Zealand tax laws in relation to DMF involves significant judgements and uncertainty.

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.

Recognition of Deferred Tax on Tax Losses

The Company and its subsidiaries exited the former 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).

After taking into consideration losses generated in the period to 31 March 2021, the Group now has an estimated \$86.9m (2020: \$53.4m) of available tax losses as at 31 March 2021.

The Group may recognise deferred tax assets to the extent that it is probable that the Group will generate future economic profits to offset the deferred tax assets or to the extent that they offset deferred tax liabilities. All available losses generated are held off balance sheet and are noted below:

NZ\$000's	March 2021 10 months	May 2020 12 months
Opening balance – tax losses	53,435	25,589
Prior period adjustments: other	43	(2,280)
Losses per Inland Revenue	53,478	23,309
Losses utilised for the period	-	-
Losses forfeited during the period	-	(6,900)
Losses generated during the period	33,397	37,026
Closing balance – tax losses	86,875	53,435

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 March 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 2020			
Opening net book amount	7,056	1,612	8,668
Additions	-	2,709	2,709
Amortisation	-	(56)	(56)
Impairment charge	(491)	-	(491)
Disposal	-	-	-
Closing net book amount	6,565	4,265	10,830
As at 31 May 2020			
At cost	207,387	7,021	214,408
Accumulated amortisation and impairment	(200,822)	(2,756)	(203,578)
Net book amount	6,565	4,265	10,830
Period ended 31 March 2021			
Opening net book amount	6,565	4,265	10,830
Additions	-	1,441	1,441
Amortisation	-	(480)	(480)
Impairment charge	(1,220)	-	(1,220)
Disposal	-	-	-
Closing net book amount	5,345	5,226	10,571
As at 31 March 2021			
At cost	207,387	8,426	215,813
Accumulated amortisation and impairment	(202,042)	(3,200)	(205,242)
Net book amount	5,345	5,226	10,571

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

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. The long term portion of this receivable has been discounted by \$0.5m (2020: \$0.4m).

\$NZ000's	March 2021	May 2020
Net trade and other receivables		
Trade receivables	14,337	13,032
Less: Loss allowance	(454)	(435)
	13,883	12,597
Occupation licence payment receivable	29,219	27,636
Prepayments	2,585	1,397
Deposits on freehold land and buildings	2,000	-
Trade and other receivables	47,687	41,630

Recognition, Measurement and Judgements in Applying Accounting Policies

The Group applies 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 mode:

- 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 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. A review of the appropriateness of the expected loss rate has been undertaken in light of COVID-19 and no change to the rate applied has been required or made.

Category of debt	Expected loss rate		
	Current	Departure <90 days	Departure >90 days
Care residents	1%	10%	75%
Ministry of Health / ACC	1%	1%	100%
Village Residents	-	-	-

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 (2020: \$0.1m) relating to cash held on behalf of residents.

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	March 2021	May 2020
Trade payables	9,302	5,858
Sundry payables and accruals	15,481	11,654
Accrued interest on external borrowings and derivatives	900	514
Employee entitlements	18,625	16,658
COVID-19 wage subsidy payable	-	147
Trade and other payables	44,308	34,831

5.5 Related Party Transactions

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 and on 3 February 2020 OHHL sold their remaining holding. There are now no major shareholders.

The below entities are subsidiaries of Oceania Healthcare Limited.

Name of entity	Principal activities	2021	2020	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 March (2020: 31 May). There are no significant restrictions on subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

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 and exclude those in an Acting capacity.

\$NZ000's	March 2021 10 months	May 2020 12 months
Directors' remuneration and expenses	561	729
Directors' dividends including DRP	398	670
Salaries and other short term employee benefits	2,107	2,448
Key management personnel dividends including DRP	83	212
Termination benefits ¹	-	772
	3,149	4,831

Transactions with Related Parties

There are no outstanding balances with related parties (2020: 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 Termination benefits in the 12 months to 31 May 2020 were made to two employees who met the definition of 'key management' and ceased to be employed by the Group during the year.

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.

NZ\$000's	+1%		-1%	
	Profit / (loss)	Equity	Profit / (loss)	Equity
2021				
Interest expense	(33)	(33)	33	33
Change in fair value of cash flow hedges	-	5,081	-	(5,284)
2020				
Interest expense ¹	412	412	(412)	(412)
Change in fair value of cash flow hedges	43	6,480	(45)	(6,790)

1 Comparative figures have been restated to correctly represent the sensitivity movements.

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. 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.

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. New interest rate swaps of \$175.0m were 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 31 March 2021, \$175.0m (2020: 175.0m) are being used to cover approximately 85% (2020: 54%) 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% (2020: 4.1%). The fair value of these agreements at 31 March 2021 is a \$5.5m 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	
	March 2021 %	May 2020 %	March 2021 \$NZ000's	May 2020 \$NZ000's
Less than 1 year	-	-	-	-
Between 1 and 3 years	3.04	3.04	75,000	75,000
Between 3 and 5 years	3.17	3.17	50,000	50,000
Over 5 years	3.35	3.35	50,000	50,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

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. Other than on a small number of exceptions, 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 March 2021 is AA- (2020: 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
2021				
Trade and other payables	24,783	-	-	-
Lease liabilities	3,108	1,521	4,213	6,373
Borrowings	7,942	8,394	214,215	127,875
Cash flow hedge – interest rate swaps	2,772	2,386	1,497	-
Refundable occupation right agreements	618,433	-	-	-
2020				
Trade and other payables	17,512	-	-	-
Lease liabilities	3,211	2,870	4,138	7,134
Borrowings	7,730	7,484	334,361	-
Cash flow hedge - interest rate swaps	2,958	3,090	6,776	885
Refundable occupation right agreements	535,370	-	-	-

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 Contingencies and Commitments

At 31 March 2021, the Group had no contingent liabilities or assets (2020: nil).

At 31 March 2021, the Group has a number of commitments to develop and construct certain sites totalling \$131.4m (2020: \$113.9m) of which \$131.4m (2020: \$113.5m) relates to development sites.

As at 31 March 2021, a commitment of \$9.3m (2020: \$9.3m) exists in relation to Stage One and \$5.8m (2020: \$9.9m) in relation to Stage Two in the form of future lease payments in respect of the development of Everil Orr, a leasehold site. Lease payment obligations arise as ORAs are sold. Refer to note 3.4 for further details.

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

5.8 Events After Balance Date

Acquisitions

On 23 March 2021, Oceania Village Company Limited entered into a Sale and Purchase Agreement to purchase the business assets of Waterford on Hobsonville Point (“Waterford”). Waterford is an established retirement village with 64 independent living villas and 36 independent living apartments. The Sale and Purchase Agreement was subject to the parties obtaining Statutory Supervisor consent. This consent was received on 8 April 2021 and the transaction was settled on 23 April 2021.

The financial effects of this transaction have not been recognised as at 31 March 2021. The business assets will be recognised on date of settlement and future operating results consolidated from that point forward.

(i) Provisional purchase consideration and fair value of net assets acquired:

The purchase price of \$55.8m was linked to the 31 March 2020 CBRE Limited valuation of Waterford and associated financial statements.

At the date of signing the annual financial statements the purchase price allocation calculation has not yet been finalised. This calculation will be finalised in the interim report to 30 September 2021. Provisional details of the consideration transferred are:

	\$NZm’s
Cash paid	55.8
Total purchase consideration	55.8

The provisionally determined fair values of the business assets and liabilities as at the date of acquisition are as follows:

	\$NZm’s
Investment property	98.4
Refundable occupation right agreements net of deferred management fee	(42.6)
Total net identifiable assets acquired	55.8

(ii) Contingent Liabilities

No material contingent liabilities with respect to this transaction were noted during the due diligence process. Should, on a detailed review of the asset, any future contingent liabilities arise they will be disclosed in future financial statements.

(iii) Finalisation of purchase price allocation

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of the Waterford business assets. The valuation of the Waterford assets as prepared by CBRE Limited’s as at 31 March 2020 was \$61.8m. CBRE Limited has provided a valuation of the Waterford assets as at the acquisition date totalling \$68.9m. This valuation is net of gross up in relation to occupation right agreements. The increase from the purchase price is representative of the movements in CBRE Limited’s key assumptions, including growth rate and discount rate, between 31 March 2020, being the reference date for the purchase, and 23 April 2021 being the settlement date, largely reflecting a reversal of COVID-19 impacts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the 10 month period ended 31 March 2021

5.8 Events After Balance Date (continued)

The fair values of the occupation right agreement asset, deferred management fees and associated gross up of investment property disclosed above have only been determined provisionally. No allowance has been made for deferred tax impact due to the level of losses held by the Group. Over the coming months, the Directors' assessment of fair value will be finalised and presented in the interim financial statements for the period ended 30 September 2021.

Capital Raise

On 16 April 2021, a total of 15,619,810 ordinary shares with a value of \$20.0m (\$1.2796 per share) were issued in relation to the Retail Offer. These shares rank equally with existing shares. Costs of \$0.2m in relation to this capital raise were incurred and will be recognised in equity.

Dividend

On 21 May 2021 an interim dividend of 2.1 cents per share (not imputed) was declared and will be paid on 22 June 2021. The record date for entitlement is 8 June 2021. Refer to note 4.1.

There have been no other significant events after balance date.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Oceania Healthcare Limited



Independent auditor's report

To the Shareholders of Oceania Healthcare Limited

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 March 2021, its financial performance and its cash flows for the 10 month period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 March 2021;
- the consolidated statement of comprehensive income for the 10 month period then ended;
- the consolidated statement of changes in equity for the 10 month period then ended;
- the consolidated cash flow statement for the 10 month period then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

Independence

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

Our firm carries out other services for the Group in the area of trustee reporting. The provision of these other services has not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 10 month period. 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.

INDEPENDENT AUDITOR'S REPORT (continued)



Description of the key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of investment property and freehold land and buildings</i></p> <p>As disclosed in notes 3.1 and 3.2 of the consolidated financial statements:</p> <ul style="list-style-type: none"> the Group's investment property portfolio was valued at \$1,099.8 million at 31 March 2021 and included completed investment property and investment property under development. the Group's freehold land and buildings were valued at \$584.6 million at 31 March 2021. 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). <p>The Group's accounting policy is to measure these assets at fair value.</p> <p>Independent valuations of all investment property and freehold land and buildings were carried out by a third party valuer, CBRE Limited (the Valuer).</p> <p>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 31 March 2021, adjusted by the Directors for:</p> <ul style="list-style-type: none"> 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; and for completed investment property, refundable occupation licence payments, residents' share of resale gains and management fees receivable which are recognised separately on the consolidated balance sheet and also reflected in the Valuer's cash flow model. 	<p>The valuation of investment property and freehold land and buildings is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values.</p> <p>We considered the adequacy of the disclosures made in notes 1.3 and 3 to the consolidated financial statements. These notes explain that there is significant estimation uncertainty in relation to the valuation of investment property and freehold land and buildings. We discussed with the Valuer and obtained sufficient audit evidence to demonstrate that the inclusion of the valuation in the consolidated balance sheet and disclosures made in the consolidated financial statements were appropriate.</p> <p>Our audit procedures also included the following:</p> <p>External valuations</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Valuation adjustments</p> <p>We tested, on a sample basis, the adjustments made to the valuations determined by the Valuer as at 31 March 2021 as detailed in the description of this Key Audit Matter. This testing included obtaining quantity surveyors reports to support the estimated cost to complete developments as at 31 March 2021. We also obtained supporting documentation for a sample of transactions included in work in progress as at 31 March 2021.</p>



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.

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 31 March 2021, 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 31 March 2021.

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.

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 period-on-period fair value movement suggested a possible outlier compared to the rest of the portfolio and the market data for the sector.

We held discussions with the Valuer to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This includes understanding any changes made to significant inputs and assumptions (including the reversal of the changes made to assumptions in the prior year as a result of COVID-19). We also sought to understand and consider restrictions imposed on the valuation process (if any) and the market conditions at balance date.

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.

We understood the apportionment of the valuations to each class of assets and assessed the reasonableness of this through discussions with the Valuer and our in-house expert.

Valuation estimates

Because of the judgement 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.

INDEPENDENT AUDITOR'S REPORT (continued)



Deferred tax on investment property and care suites

Determination of deferred tax balances

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 four 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;
3. Apportionment of the value of investment property between land and buildings; and
4. Determining the number of years that commercial investment property is expected to be in use and depreciable for tax purposes.

Due to the significant judgement exercised by the Group in determining the deferred tax on investment property and care suites, we have given specific audit focus and attention to this area.

Assumptions with respect to realisation through held for use

With respect to the assumptions used in the calculation of deferred tax, we engaged our in-house tax specialist 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 to 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 new ORAs to confirm that the Deferred Management Fees (DMF) are contractually earned at the end of the ORA period.

3. Apportionment of investment property

We have agreed the inputs to the apportionment calculation to the Valuer's land valuation and recalculated the apportionment between land and buildings.

4. Determining the number of years that commercial investment property is expected to be depreciable for tax purposes

We determined a reasonable range for the expected period in which the relevant assets will be in use and depreciable for tax purposes. Management's judgement was within this range.



Our audit approach Overview



Overall group materiality: \$1.8 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 performed a full scope audit over the consolidated financial information of the Group.

As reported above, we have two key audit matters, being:

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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.

How we tailored our group audit scope

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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT (continued)



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/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

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:

A handwritten signature in black ink, appearing to read 'Leopino Foliaki', written in a cursive style.

Chartered Accountants
Auckland, New Zealand
21 May 2021

CORPORATE GOVERNANCE

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

Oceania's governance framework is guided by the recommendations set by the NZX Corporate Governance Code. Oceania 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 March 2021. Oceania considers that it has followed the recommendations in the NZX Corporate Governance Code in all respects during FY2021.

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

Dividend Reinvestment Plan Offer Document

Director Independence

As at 31 March 2021, the Board comprised six 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 March 2021, all six 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
Patrick McCawe	Independent Director	Appointed in February 2017
Gregory Tomlinson	Independent Director	Appointed in March 2018

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.

CORPORATE GOVERNANCE (continued)

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 March 2021, membership of the committees was as follows:

Audit Committee – Alan Isaac (Chair), Elizabeth Coutts, Patrick McCawe

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's Diversity Policy is available on its website. The Diversity Policy aims to ensure that Oceania 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 March 2021 (and 31 May 2020 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:

Gender	31 May 2021		31 May 2020	
	Male	Female	Male	Female
Directors	3	3	3	3
Officers	3	5	5	5
Employees	398	2,375	416	2,368

Oceania 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 for the 10 month period ended 31 March 2021

Director	Board fees	Audit Committee	Clinical and Health and Safety Committee	Remuneration Committee	Total remuneration
Elizabeth Coutts (Chair)	\$150,000	-	-	-	\$150,000
Alan Isaac	\$75,000	\$16,667	-	-	\$91,667
Dame Kerry Prendergast	\$75,000	-	\$12,500	-	\$87,500
Sally Evans	\$75,000	-	-	\$6,250	\$81,250
Patrick McCawe	\$75,000	-	-	-	\$75,000
Gregory Tomlinson	\$75,000	-	-	-	\$75,000

The above fees exclude GST and expenses.

Employees' Remuneration

Oceania did not employ people directly in the 10 month period ended 31 March 2021. All employees are employed by the subsidiaries of Oceania. The number of employees and former employees of Oceania's subsidiaries, not being a Director of Oceania, who received remuneration and other benefits the value of which was or exceeded \$100,000 during the 10 month period ended 31 March 2021 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 10 month period ended 31 March 2021, which include performance incentive payments for the year ended 31 May 2020. The table does not include amounts paid after 31 March 2021 that relate to the 10 month period ended 31 March 2021.

Remuneration	Number of employees	Remuneration	Number of employees
\$100,000 - \$109,999	19	\$180,000 - \$189,999	1
\$110,000 - \$119,999	9	\$200,000 - \$209,999	1
\$120,000 - \$129,999	1	\$310,000 - \$319,999	1
\$130,000 - \$139,999	9	\$340,000 - \$349,999	1
\$140,000 - \$149,999	2	\$380,000 - \$389,999	1
\$150,000 - \$159,999	6	\$430,000 - \$439,999	1
\$160,000 - \$169,999	3	\$570,000 - \$579,999	1

Chief Executive Officer's Remuneration

The remuneration of the Chief Executive Officer ("CEO") for the 10 month period ended 31 March 2021 is as follows:

	Base salary	Other benefits	STI	Subtotal	LTIP	Remuneration total
Brent Pattison ¹	\$28,931 ²	\$1,350 ²	0 ³	\$30,281	\$9,032 ²	\$39,313
Earl Gasparich ⁴	\$394,980 ⁵	\$31,073 ⁵	\$106,500	\$532,553	-	\$532,553

¹ Mr Pattison became acting CEO on 6 March 2021 and CEO on 22 March 2021.

² Salary, other benefits and LTIP pro-rated from Mr Pattison's 6 March 2021 start date.

³ Mr Pattison's STI received during the year is not included as the STI related to the period in which Mr Pattison was Chief Financial Officer.

⁴ Mr Gasparich resigned from the position as CEO on 6 March 2021.

⁵ Salary and other benefits pro-rated to the date that Mr Gasparich resigned as CEO (being 6 March 2021).

CORPORATE GOVERNANCE (continued)

Chief Executive Officer's Remuneration (continued)

Mr Gasparich received a short term incentive of \$106,500. This was a discretionary payment made to reflect the additional work undertaken as a result of the impact of COVID-19 on the business.

The remuneration of the CEO for the year ended 31 May 2020 (being the prior comparative period) is as follows:

Base salary	Other benefits	STI	Subtotal	LTIP	Remuneration total
\$517,937	\$34,217	\$84,875	\$637,029	-	\$637,029

Mr Gasparich received a short term incentive of \$84,875. 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 2019.

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.

Statutory Disclosures

Disclosure of Directors' Interests

The following particulars were entered in the Interests Register kept for Oceania and its subsidiaries during the 10 month period ended 31 March 2021:

Elizabeth Coutts: Disclosed she ceased to hold the following positions: Chair of Ports of Auckland Limited; Chair of Urwin and Company Limited; and Director of Tennis Auckland Region Inc.

Alan Isaac: Disclosed he ceased to hold the following positions: Director of Murray Capital General Partner Limited; and Director of Rakaia Fund Investments Limited.

Dame Kerry Prendergast: Disclosed she ceased to hold the following positions: Deputy Chair of NZ Conservation Authority; Deputy Chair of Wellington Free Ambulance; Member of Kiwirail Tourism Advisory Board; Member of Anne Frank NZ Holocaust Advisory Board.

Disclosed the following new positions: Chair of Wellington Free Ambulance; and Member of Three Waters Programme Advisory Board.

Sally Evans: Disclosed the following new positions: Director of Allianz Australian Life Insurance Ltd; Director of Allianz Australia Life Insurance Holdings Limited; Director of Ingenia Communities Holdings Limited and Ingenia Communities RE Limited as Responsible Manager of Ingenia Communities Management Trust and Ingenia Communities Fund.

Gregory Tomlinson: Disclosed he ceased to hold the following positions: Director of Argenta Limited; Director of The Icehouse Limited; Director of Forte Health Limited; and Director of Forte Health Group Limited.

Disclosed the following new position: Director of Tomlinson Group Argenta GP Limited.

Patrick McCawe: Disclosed the following new positions: Alternate Director of Cairns Airport Property Holding Pty Ltd; Alternate Director of Mackay Airport Property Holding (Hotel) Pty Ltd; Alternate Director of Mackay Airport Property Holding Pty Limited; Director of Macquarie Australian Infrastructure Management 1 Limited; Director of Macquarie Infrastructure Management (Australia) Limited; Alternate Director of North Queensland Airports No. 1 (Mackay) Pty Ltd; Director of Prospect Water No. 1 Pty Limited; Director of Prospect Water No. 2 Pty Limited; Director of Voyage Australia Holdings Pty Limited; Director of Voyage Australia Pty Operations Limited; and Director of Voyage Australia Pty Limited.

Specific Disclosures

There were no specific disclosures made by Directors during the 10 month period ended 31 March 2021 of any interests in transactions with Oceania or any of its subsidiaries.

Use of Company Information

During the 10 month period ended 31 March 2021, the Board did not receive any notices from Directors requesting use of Oceania's or any of its subsidiaries' information.

Securities Dealings of Directors

Dealings by Directors of Oceania in relevant interests in Oceania's ordinary shares during the 10 month period ended 31 March 2021 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	50,000	Beneficial interest	Acquisition	\$0.99	13 August 2020
Gregory Tomlinson	1,039,404	Beneficial interest	Acquisition	\$0.99	13 August 2020
Elizabeth Coutts	14,905	Beneficial interest	Acquisition	\$0.99	17 August 2020
Alan Isaac	2,162	Beneficial interest	Acquisition	\$0.99	17 August 2020
Dame Kerry Prendergast	2,494	Registered and beneficial interest	Acquisition	\$0.99	17 August 2020
Sally Evans	414	Registered and beneficial interest	Acquisition	\$0.99	17 August 2020
Gregory Tomlinson	167,522	Beneficial interest	Acquisition	\$0.99	17 August 2020
Sally Evans	24,000	Registered and beneficial interest	Acquisition	\$1.04	28 August 2020
Elizabeth Coutts	10,988	Beneficial interest	Acquisition	\$1.53	24 February 2021
Alan Isaac	1,526	Beneficial interest	Acquisition	\$1.53	24 February 2021
Dame Kerry Prendergast	1,760	Registered and beneficial interest	Acquisition	\$1.53	24 February 2021
Sally Evans	466	Registered and beneficial interest	Acquisition	\$1.53	24 February 2021
Gregory Tomlinson	124,291	Beneficial interest	Acquisition	\$1.53	24 February 2021
Elizabeth Coutts	200,000	Beneficial interest	Acquisition	\$1.30	29 March 2021
Gregory Tomlinson	3,729,843	Beneficial interest	Acquisition	\$1.30	29 March 2021

Directors' Interests in Shares

Directors of Oceania have disclosed the following relevant interests in shares as at 31 March 2021:

Director	Number of shares in which a relevant interest is held
Elizabeth Coutts	1,506,829 shares
Alan Isaac	280,356 shares
Dame Kerry Prendergast	311,711 shares
Sally Evans	65,180 shares
Patrick McCawe	250,000 shares
Gregory Tomlinson	23,919,392 shares

CORPORATE GOVERNANCE (continued)

Indemnity and Insurance

Oceania 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 also maintains Directors' and Officers' liability insurance for its Directors and officers.

Auditor's Fees

Oceania's external auditor is PricewaterhouseCoopers. Total fees paid to PricewaterhouseCoopers in its capacity as auditor during the 10 month period ended 31 March 2021 were \$396,000. Total fees paid to PricewaterhouseCoopers for other professional services (being trustee reporting) during the 10 month period ended 31 March 2021 were \$6,000. No other fees were paid to PricewaterhouseCoopers for other professional services.

Donations

During the 10 month period ended 31 March 2021, Oceania paid a total of \$3,000 in donations.

Stock Exchange Listings

Oceania's shares are listed on the NZX and the ASX. Oceania is listed on the ASX as a Foreign Exempt Listing, which means that Oceania 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 confirms that it has complied with the NZX Listing Rules for the 10 month period ended 31 March 2021.

NZX Waivers

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

Credit Rating

Oceania has no credit rating.

Former Directors

Earl Gasparich resigned as a Director of Oceania Village Company Limited, Oceania Care Company Limited and Oceania Group (NZ) Limited on 6 March 2021.

Subsidiary Company Directors

Brent Pattison, Kathryn Waugh and Jill Birch are the Directors of all Oceania's subsidiaries as at 31 March 2021, with the exception of OCA Employees Trustee Limited (the Directors of which are Elizabeth Coutts and Sally Evans).

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

SHAREHOLDER AND BONDHOLDER INFORMATION

Twenty Largest Shareholders

(as at 30 April 2021)

Registered Shareholder	Number of Shares	% Shares
1 New Zealand Central Securities Depository Limited	233,035,319	33.05
2 FNZ Custodians Limited	60,863,326	8.63
3 Hobson Wealth Custodians Limited	33,916,023	4.81
4 Tomlinson Group Investments Limited ¹	20,248,275	2.87
5 Forsyth Barr Custodians Limited	20,077,777	2.84
6 Custodial Services Limited	19,471,836	2.76
7 New Zealand Depository Nominee Limited	17,830,572	2.52
8 Custodial Services Limited	12,961,348	1.83
9 Custodial Services Limited	7,420,189	1.05
10 Philip George Lennon	6,000,000	0.85
11 FNZ Custodians Limited	5,558,076	0.78
12 H & G Limited	5,500,000	0.78
13 Custodial Services Limited	5,445,384	0.77
14 Custodial Services Limited	5,030,776	0.71
15 Custodial Services Limited	4,908,021	0.69
16 Andrew Craig Strong & Alison Jean Strong	4,564,074	0.64
17 Harrogate Trustee Limited ¹	3,749,265	0.53
18 JB Were (NZ) Nominees Limited	3,412,335	0.48
19 Leveraged Equities Finance Limited	3,311,990	0.46
20 PT (Booster Investments) Nominees Limited	3,309,459	0.46
Total	476,614,045	67.51

¹ 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 shares are held on behalf of:

Name	Number of shares	% Shares
1 HSBC Nominees (New Zealand) Limited	33,953,761	4.84
2 Citibank Nominees (New Zealand) Limited	29,806,500	4.25
3 Accident Compensation Corporation	22,895,982	3.26
4 Generate Kiwisaver Public Trust Nominees Limited	22,678,382	3.23
5 MFL Mutual Fund Limited	18,804,829	2.68
6 ANZ Wholesale Trans-Tasman Property Securities Fund	17,987,497	2.56
7 HSBC Nominees (New Zealand) Limited A/C State Street	16,170,865	2.30
8 BNP Paribas Nominees (NZ) Limited	13,522,260	1.93
9 TEA Custodians Limited Client Property Trust Account	9,397,572	1.34
10 JP Morgan Chase Bank NA NZ	8,659,722	1.23
11 ANZ Wholesale Australasian Share Fund	8,199,188	1.17
12 BNP Paribas Nominees (NZ) Limited	4,931,444	0.70
13 BNP Paribas Nominees (NZ) Limited	4,517,777	0.64
14 Public Trust	4,034,572	0.57
15 ANZ Wholesale Property Securities	3,021,201	0.43
16 National Nominees Limited	2,539,851	0.36
17 Public Trust Class 10 Nominees Limited	2,407,054	0.34
18 Queen Street Nominees ACF Pie Funds	2,300,935	0.33
19 Mint Nominees Limited	2,292,307	0.33
20 New Zealand Permanent Trustees Limited	1,696,909	0.24

Spread of Shareholdings

(as at 30 April 2021)

Size of Holding	Number of Shareholders	%	Number of Shares	%
1 - 1,000	883	10.67	481,997	0.07
1,001 - 5,000	2,095	25.32	6,176,596	0.88
5,001 - 10,000	1,620	19.58	12,245,961	1.74
10,001 - 100,000	3,265	39.47	95,770,025	13.59
100,001 and over	410	4.96	590,232,177	83.73
Totals	8,273	100	704,906,756	100

Substantial Product Holders

According to Oceania's records and notices given under the Financial Markets Conduct Act 2013, the following were substantial product holders of Oceania as at 31 March 2021:

Substantial Product Holder	Number of Shares	% of Shares Held at Date of Notice	Date of Notice
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and ANZ Custodial Services New Zealand Limited	46,013,058	7.38	27 November 2020
Jarden Securities Limited and Harbour Asset Management Limited	48,237,587	7.03	30 March 2021

Twenty Largest Bondholders

(as at 30 April 2021)

Registered Bondholder	Number of Bonds	% Bonds
1 New Zealand Central Securities Depository Limited	25,397,000	20.31
2 FNZ Custodians Limited	16,565,000	13.25
3 Custodial Services Limited	15,023,000	12.01
4 Hobson Wealth Custodians Limited	11,499,000	9.19
5 Custodial Services Limited	9,529,000	7.62
6 Custodial Services Limited	7,717,000	6.17
7 Forsyth Barr Custodians Limited	6,195,000	4.95
8 Custodial Services Limited	4,236,000	3.38
9 Custodial Services Limited	3,218,000	2.57
10 Investment Custodial Services Limited	2,253,000	1.80
11 JB Were (NZ) Nominees Limited	1,683,000	1.34
12 Custodial Services Limited	1,374,000	1.09
13 FNZ Custodians Limited	999,000	0.79
14 Forsyth Barr Custodians Limited	680,000	0.54
15 FNZ Custodians Limited	615,000	0.49
16 Custodial Services Limited	591,000	0.47
17 Custodial Services Limited	522,000	0.41
18 David James Foster & Linda Joyce Foster	500,000	0.40
19 F S Investments Limited	500,000	0.40
20 Craig John Thompson	500,000	0.40
Total	109,596,000	87.58

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 bonds. Its major holdings of Oceania bonds are held on behalf of:

Name	Number of Bonds	% Bonds
1 TEA Custodians Limited	12,590,000	10.07
2 Generate Kiwisaver Public Trust Nominees Limited	4,080,000	3.26
3 Queen Street Nominees ACF Pie Funds	4,075,000	3.26
4 Mint Nominees Limited	3,490,000	2.79
5 JP Morgan Chase Bank NA NZ	500,000	0.40
6 Queen Street Nominees ACF Hobson Wealth	251,000	0.20
7 Public Trust RIF Nominees Limited	160,000	0.13
8 BNP Paribas Nominees (NZ) Limited	141,000	0.11
9 ANZ Custodial Services New Zealand Limited	110,000	0.09

Spread of Bondholdings

(as at 30 April 2021)

Size of Holding	Number of Bondholders	%	Number of Bonds	%
1 - 1,000	1	0.22	1,000	-
1,001 - 5,000	14	3.09	70,000	0.06
5,001 - 10,000	93	20.53	908,000	0.73
10,001 - 100,000	299	66.00	10,446,000	8.35
100,001 and over	46	10.16	113,575,000	90.86
Totals	453	100.00	125,000,000	100.00



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