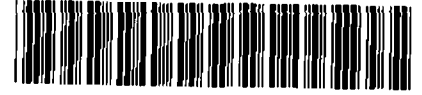




**NEW ZEALAND  
COMPANIES OFFICE**



**RETIREMENT  
VILLAGES**



\*10064774278\*

www.retirementvillages.govt.nz | 0800 268 269

Post your completed form to: Registrar of Retirement Villages, Private Bag 92061, Victoria Street West, Auckland 1142

## Annual return and certificate of registered documents

Sections 13(2) and 16, Retirement Villages Act 2003

Name of village

Addington Gardens

Registration number

2595582

### Part 1 — Retirement village details

1. Street address of village:

207 Lincoln Road  
Addington  
Christchurch

2. Address of registered office of village:

*This address must be a physical address in New Zealand and must not be a post office box or private bag address.*

Ground Floor  
Affinity House  
2 Hargreaves Street  
St Mary's Bay  
Auckland 1011

3. Address for service of village:

*This address must be a physical address in New Zealand and must not be a post office box or private bag address.*

Ground Floor  
Affinity House  
2 Hargreaves Street  
St Mary's Bay  
Auckland 1011

4. Postal address of village:

PO Box 9507  
Newmarket  
Auckland 1149

5. Email address for village:

[Redacted]

6. Telephone number for village:

[Redacted]

7. Fax number for village (optional):

[Redacted]



Name of village

Addington Gardens

Registration number

2595582

## Part 2 — Operator details

1. Name of operator:

*Where there is more than one operator continue on a separate sheet and attach all pages to this annual return.*

Oceania Village Company Limited

2. Company or other registration number (if any):

1664411

3. New Zealand Business Number (if any):

9429034653234

4. Nature of operator:

*For example — company, natural person*

Company

5. Address of registered office of operator:

*This address must be a physical address in New Zealand and must not be a post office box or private bag address.*Ground Floor  
Affinity House  
2 Hargreaves Street  
St Mary's Bay  
Auckland 1011

6. Address for service of operator:

*This address must be a physical address in New Zealand and must not be a post office box or private bag address.*Ground Floor  
Affinity House  
2 Hargreaves Street  
St Mary's Bay  
Auckland 1011

7. Postal address of operator to which communications from the Registrar may be sent:

PO Box 9507  
Newmarket  
Auckland 1149

8. Email address of operator:

9. Telephone number of operator:

10. Fax number of operator (optional):

Name of village

Registration number

Addington Gardens

2595582

## Part 3 — Certificate of registered documents

Oceania Village Company Limited

*(Insert name of operator)*

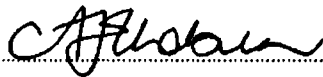
certify that

for: Addington Gardens

*(Insert name of the retirement village)*

- Each registered document is correct, current, and not likely to mislead or deceive any resident, intending resident, or the public.
- Documents to update the registered information are attached to the annual return form.  
*(Form RV3 — Change of circumstances must be completed for material changes).*

Signed:



Name of signatory:

Anna Thorburn

Dated:

25 November 2019

## Part 4 — Checklist

*To speed up registration, use this checklist to ensure you have included all of the information required.*

Have you completed?

- Parts 1, 2 and 3 and have you signed the form *(attach extra pages if applicable)*

Have you attached?

- A copy of the audited financial statements that comply with section 35B of the Retirement Villages Act 2003 (the Act) or, as referred to in section 35F of the Act, the audited financial statements that comply with subpart 3 of Part 7 of the Financial Markets Conduct Act 2013 or section 55 of the Financial Reporting Act 2013; **and**
- A copy of the audited financial statements which comply with section 35C of the Retirement Villages Act 2003 *(where applicable)*; **and**
- The documents supporting any information on the register that has changed; **and**
- A copy of the statutory supervisor's certification addressed to the Registrar *(where applicable)*.

## Contact details of person completing this form:

Name: Anna Thorburn

Address:

Ground Floor  
Affinity House  
2 Hargreaves Street  
St Mary's Bay  
Auckland 1011

Fax number (optional):

13 November 2019

The Registrar of Retirement Villages  
c/- Ministry of Business, Innovation and Employment  
Private Bag 92061  
Victoria Street West  
**AUCKLAND 1142**

Dear Sir/Madam

**REPORT OF THE STATUTORY SUPERVISOR  
OCEANIA VILLAGE COMPANY LIMITED - VILLAGES LISTED IN APPENDIX 1**

We act as statutory supervisor of the Villages listed in Appendix 1 pursuant to the Retirement Villages Act 2003 (Act) and in accordance with a deed dated 8 May 2007 (Deed of Supervision) between us and Oceania Village Company Limited (Operator).

This report accompanies the Operator's annual return (Annual Return) for the year ended 31 May 2019 and has been prepared by us in accordance with sections 13(3)(c) and 42(c) of the Act, for the period the subject of the Annual Return.

Pursuant to section 13(3)(c) of the Act, we certify that:

- The Operator has supplied to us a copy of its audited financial statements for the year ended 31 May 2019 being statements that, in our opinion, comply with the Act. The financial statements for the Operator and the financial statements for the Villages are identical.
- The information contained in the Annual Return is, to the best of our knowledge and belief, accurate.

Pursuant to section 42(c) of the Act, we report that:

- In the performance of our duties as statutory supervisor of the Villages, we have:
  - provided a stakeholder facility for intending residents and residents of the Village who pay deposits or progress payments in respect of occupation right agreements or incomplete residential units or facilities at the Villages (if any).
  - monitored the financial position of the Operator;
  - reported to the residents of the Villages on the performance of our duties and the exercise of our powers; and
  - performed any other duties imposed on us by the Act, the regulations made under the Act and the Deed of Supervision.
- We have not found it necessary to exercise any of the powers conferred on us as statutory supervisor of the Villages pursuant to section 43(1) of the Act.
- We have not issued any directions prohibiting the publication or distribution of any advertisement.

This certification and report has been provided on the basis that, subject to the duties imposed on us as statutory supervisor of the Villages by the Act, the regulations made under the Act and the Deed of Supervision, in performing our duties we have relied on the information, explanations and confirmations supplied to us by the Operator and the auditor of the Operator and we have not carried out independent checks of the same.

The Operator has provided us with the independent audit report as required by the Deed of Supervision. That report does not raise any matters of concern, although we note that it is addressed solely to the Operator for the benefit of the Operator.

Yours sincerely  
**TRUSTEES EXECUTORS LIMITED**

A handwritten signature in black ink, appearing to be 'SB', with a long horizontal flourish extending to the right.

**Susan Bingham**  
**CLIENT MANAGER**  
**CORPORATE TRUSTEE SERVICES**

cc: Anna Thorburn, General Counsel, Oceania Healthcare

## **Appendix 1**

### **The Villages for which Oceania Village Company Limited is the operator and Trustees Executors Limited is the Statutory Supervisor:**

- Addington Gardens, Christchurch (previously Addington Lifestyle Care)
- Atawhai Lifestyle Care & Village, Napier
- Awatere Village, Hamilton (previously Trevellyn Lifestyle & Care Village)
- Dunblane Lifestyle Care & Village, Gisborne (resigned 27 September 2018)
- Eden Lifestyle Care & Village, Auckland
- Elmwood Lifestyle Care & Village, Auckland
- Eversley Lifestyle Care & Village, Hastings
- Green Gables Lifestyle Care & Village, Nelson
- Heretaunga Lifestyle Care & Village, Upper Hutt
- Hutt Gables Village, Upper Hutt
- Lady Allum Lifestyle Care & Village, Auckland
- Marina Cove Village, Picton
- Meadowbank Lifestyle Care & Village, Auckland
- Redwood Lifestyle Care & Village, Blenheim
- St Johns Village, Auckland
- Totara Park Village, Warkworth
- The Bayview, Tauranga (previously Melrose Lifestyle Care & Village)
- Windermere Lifestyle Care & Village, Christchurch



**OCEANIA**  
HEALTHCARE

# **Oceania Village Company Limited**

## **Financial Statements**

**For the Year Ended 31 May 2019**

## Statement of Comprehensive Income

For the Year Ended 31 May 2019

\$NZ000's	Notes	May-19	May-18
Deferred management fees	2.1	22,948	18,747
Village service fees	2.1	5,782	5,341
Rental income	2.1	21,148	22,805
Change in fair value of investment property	3.1	95,598	68,464
Other income	2.2	1,643	1,583
<b>Total income</b>		<b>147,119</b>	<b>116,940</b>
Employee benefits and other staff costs		3,656	3,000
Rental expense relating to leased investment property		6,200	7,790
Other expenses		10,098	8,332
<b>Total expenses</b>	2.3	<b>19,954</b>	<b>19,122</b>
<b>Profit before income tax</b>		<b>127,165</b>	<b>97,818</b>
Income tax benefit	5.1	2,858	2,635
<b>Profit for the year</b>		<b>130,023</b>	<b>100,453</b>

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

## Balance Sheet

As at 31 May 2019

\$NZ000's	Notes	May-19	May-18
Assets			
Cash and cash equivalents		2,473	5,188
Trade and other receivables	5.2	32,267	21,374
Investment property	3.1	1,305,050	1,044,746
Assets held for sale	3.1	-	18,909
<b>Total assets</b>		<b>1,339,790</b>	<b>1,090,217</b>
Liabilities			
Trade and other payables	5.3	14,895	17,017
Related party payables	5.4	133,460	92,277
Deferred management fee	3.2	27,002	21,923
Refundable occupation right agreements	3.2	436,481	358,213
Deferred tax liabilities	5.1	23,582	26,440
<b>Total liabilities</b>		<b>635,420</b>	<b>515,870</b>
<b>Net assets</b>		<b>704,370</b>	<b>574,347</b>
Equity			
Contributed equity	4.1	-	-
Retained earnings		704,370	574,347
<b>Total equity</b>		<b>704,370</b>	<b>574,347</b>

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

## Statement of Changes in Equity

For the Year Ended 31 May 2019

\$NZ000's	Contributed equity	Retained earnings	Total equity
<b>Balance as at 31 May 2017</b>	-	<b>473,894</b>	<b>473,894</b>
Profit for the year	-	100,453	100,453
<b>Total comprehensive income</b>	-	<b>100,453</b>	<b>100,453</b>
<b>Balance as at 31 May 2018</b>	-	<b>574,347</b>	<b>574,347</b>
Profit for the year	-	130,023	130,023
<b>Total comprehensive income</b>	-	<b>130,023</b>	<b>130,023</b>
<b>Balance as at 31 May 2019</b>	-	<b>704,370</b>	<b>704,370</b>

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

## Cash Flow Statement

For the Year Ended 31 May 2019

\$NZ000's	May-19	May-18
Cash flows from operating activities		
Receipts from residents for village fees	8,021	6,025
Payments to suppliers and employees	(8,636)	(2,171)
Rental payments in relation to right to use asset	(5,510)	(7,790)
Receipts from new occupation right agreements	136,629	113,517
Payments for outgoing occupation right agreements	(39,656)	(35,421)
<b>Net cash inflow from operating activities</b>	<b>90,848</b>	<b>74,160</b>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and investment property	16,839	161
Payments for investment property and investment property under development	(168,469)	(128,747)
<b>Net cash outflow from investing activities</b>	<b>(151,630)</b>	<b>(128,586)</b>
Cash flows from financing activities		
Payments from related parties	58,067	59,061
<b>Net cash inflow from financing activities</b>	<b>58,067</b>	<b>59,061</b>
<b>Net increase in cash and cash equivalents</b>	<b>(2,715)</b>	<b>4,635</b>
Cash and cash equivalents at the beginning of the year	5,188	553
<b>Cash and cash equivalents at end of year</b>	<b>2,473</b>	<b>5,188</b>

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



## Cash Flow Statement (Continued)

For the Year Ended 31 May 2019

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

\$NZ000's	May-19	May-18
<b>Profit for the year</b>	<b>130,023</b>	<b>100,453</b>
Non cash items included in profit for the year		
Deferred management fees accrued but not settled	(23,805)	(18,747)
Non cash rental income	(20,003)	(21,702)
Fair value adjustment to investment property	(95,598)	(68,464)
Fair value movement on residents' share of resale gains	737	(26)
Loss on disposal of investment property	-	12
Deferred tax benefit	(2,858)	(2,635)
Other non cash items	(3)	(264)
	<b>(141,530)</b>	<b>(111,826)</b>
Cash items excluded from profit for the year		
Receipts from new occupation right agreements	136,629	113,517
Payments for outgoing occupation right agreements	(39,656)	(35,421)
	<b>96,973</b>	<b>78,096</b>
<b>Increase in operating assets and liabilities</b>		
Decrease / (increase) in trade and other receivables	307	(1,871)
Increase in trade and other payables	5,075	9,308
<b>Net cash inflow from operating activities</b>	<b>90,848</b>	<b>74,160</b>

The Directors of the Company authorised these financial statements for issue on 23 August 2019.



Earl Gasparich  
Director



Matt Ward  
Director



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# Notes to the Financial Statements

For the Year Ended 31 May 2019

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# Notes to the Financial Statements

For the Year Ended 31 May 2019

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## 1. General Information

### 1.1 Basis of Preparation

#### (i) Entities Reporting

The financial statements of the Company are for Oceania Village Company Limited as a separate legal entity.

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

#### (ii) Statutory Base

Oceania Village Company Limited is a limited liability company which is domiciled and incorporated in New Zealand. It is registered under the Companies Act 1993.

The 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 Balance Sheet has been prepared using a liquidity format.

#### (iii) Measurement Basis

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

#### (iv) Going concern basis of accounting

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

#### (v) Key Estimates and Judgements

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

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

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

- Fair value of investment property (note 3.1)
- Revenue recognition of deferred management fees (note 3.2)
- Recognition of deferred tax (note 5.1)

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## Notes to the Financial Statements

For the Year Ended 31 May 2019

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### 1.2 Accounting Policies

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

Other relevant policies are provided as follows:

**(i) Functional and Presentational Currency**

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

**(ii) Goods and Services Tax ("GST")**

The Statement of Comprehensive Income and 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 Company to the extent that it relates to care suites. All items in the Balance Sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

**(iii) Comparative Information**

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

**(iv) Measurement of Fair Value**

The Company 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 Financial Statements

For the Year Ended 31 May 2019

### 2. Operating Performance

#### 2.1 Revenue

##### Accounting Policy

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

##### Deferred Management Fees

Deferred management fees are considered leases and are payable by residents of the Company's units, apartments and care suites under the terms of their Occupation Right Agreement ("ORA") or unit title rights. See note 3.2.

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 Company's policy to recognise the aggregate impact of this change in the period in which the change in estimate occurs.

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

##### Village Service Fees

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

##### Rental Income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements. This includes \$20.1m (2018: \$21.7m) in relation to rental income from related parties, see note 5.4

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

\$NZ000's	May-19	May-18
Deferred management fees – independent living	17,156	15,000
Deferred management fees – care suites	5,065	3,624
Deferred management fees – leased site	727	123
Village service fees	5,782	5,341
Rental income	21,148	22,805
	49,878	46,893

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 2.2 Other Income

#### Other Income

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

\$NZ000's	May-19	May-18
Interest income	21	21
Net gain on disposal of property assets	-	61
Movement of residents' share of resale gains	-	26
Other income	1,622	1,475
	<b>1,643</b>	<b>1,583</b>

### 2.3 Expenses

#### Accounting Policy

All operating expenses are recognised on an accrual basis.

\$NZ000's	Notes	May-19	May-18
Profit before income tax includes the following expenses:			
<b>Employee benefits and other staff costs</b>			
Wages and salaries		3,596	2,972
Other staff costs <sup>1</sup>		60	28
		<b>3,656</b>	<b>3,000</b>
Rental expense relating to leased investment property		6,200	7,790
<b>Other expenses</b>			
<b>Fees paid to auditor</b>			
Audit of financial statements		74	45
Other assurance services – Trustee reporting		6	6
		<b>80</b>	<b>51</b>
Residents' share of resale gains		737	-
Repairs and maintenance of retirement village property		741	933
Other expenses (no item of individual significance)		8,540	7,348
		<b>10,098</b>	<b>8,332</b>
<b>Total Expenses</b>		<b>19,954</b>	<b>19,122</b>

<sup>1</sup> Other staff costs include costs such as staff training, uniforms and recruitment.

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## Notes to the Financial Statements

For the Year Ended 31 May 2019

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### 3. Property Assets

#### 3.1 Investment Property

The Company owns care centres and owns and operates retirement villages.

##### **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 Deferred Management Fee ("DMF") income.

As care centres are held to generate revenue through leasing them to a related company they are also classified as investment property.

##### **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.

##### **Accounting Policy**

Investment property includes freehold land and buildings and land and buildings under development, comprising of: care centres, including care suites occupied under an ORA, and retirement village properties including 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 Company and is held at fair value.

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

The movement in the carrying value of investment property, net of additions, transfers and disposals is recognised as a fair value movement in the Statement of Comprehensive Income. Fair value measurement on investment property under development is only applied if the fair value is considered to be reliably measurable. Where the fair value of 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.

A property under construction is classified as a care centre under construction where the completed development will be classified as such and as a retirement village under construction where the completed development will be classified as a retirement village. 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.

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 3.1 Investment Property (Continued)

\$NZ000's	May-19	May-18
Retirement village property under development at fair value:		
Opening balance	108,206	79,488
Transfer to care centres under development	(10,226)	(2,987)
Transfer from / (to) completed care centres	3,600	186
Transfer to completed retirement village property	(105,532)	(56,970)
Capitalised expenditure	89,396	83,259
Capitalised interest and line fees	4,910	1,070
Disposals	-	(57)
Change in fair value during the year – developments as at balance date	8,015	4,217
Change in fair value during the year – developments completed during the year	3,093	-
<b>Closing balance</b>	<b>101,462</b>	<b>108,206</b>
Completed retirement village property at fair value:		
Opening balance	647,297	531,470
Transfer from retirement village property under development	105,532	56,970
Transfer to care centres under development	(440)	-
Transfer to completed care centres	(11,661)	(18,686)
Transfer to held for sale	-	(2,338)
Capitalised expenditure	3,930	14,132
Capitalised interest and line fees	-	1,646
Change in fair value during the year - existing villages	(6,100)	32,788
Change in fair value during the year – recently completed developments <sup>1</sup>	41,596	31,315
<b>Closing balance</b>	<b>780,154</b>	<b>647,297</b>
Care centre property under development at fair value:		
Opening balance	44,363	27,806
Transfer from retirement village property under development	10,226	2,987
Transfer from completed retirement village property	440	-
Transfer to completed care centre property	(61,727)	(12,087)
Capitalised expenditure	57,665	23,659
Capitalised interest and line fees	2,858	251
Change in fair value during the year – developments as at balance date	1,930	1,747
Change in fair value during the year – developments completed during the year	14,542	-
<b>Closing balance</b>	<b>70,297</b>	<b>44,363</b>

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

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 3.1 Investment Property (Continued)

\$NZ000's	May-19	May-18
Completed care centre property at fair value		
Opening balance	244,880	225,573
Transfer (to) / from retirement village property under development	(3,600)	(186)
Transfer from care centre property under development	61,727	12,087
Transfer from completed retirement village property	11,661	18,686
Transfer to held for sale	-	(16,571)
Transfer of chattels on completion of development	(1,538)	-
Capitalised expenditure	7,488	6,531
Capitalised interest and line fees	-	375
Disposals	(3)	(12)
Change in fair value during the year - existing villages	25,004	(3,586)
Change in fair value during the year – recently completed developments <sup>1</sup>	7,518	1,983
<b>Closing balance</b>	<b>353,137</b>	<b>244,880</b>
<b>Total investment property</b>	<b>1,305,050</b>	<b>1,044,746</b>

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

\$NZ000's	May-19	May-18
Retirement village property under development		
Valuation	101,462	108,206
Completed retirement village property at fair value		
Valuation	380,169	312,049
Add: Refundable occupation licence payments	456,349	383,323
Add: Resident's share of resale gains	6,900	7,562
Less: Management fee receivable	(61,745)	(52,665)
Less: Resident obligations for units not included in valuation	(1,519)	(2,972)
	<b>780,154</b>	<b>647,297</b>
Care centre property under development at fair value		
Valuation	70,297	44,363
Completed care centre property at fair value		
Valuation	353,137	244,880
<b>Total investment property at fair value</b>	<b>1,305,050</b>	<b>1,044,746</b>

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

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## Notes to the Financial Statements

For the Year Ended 31 May 2019

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### 3.1 Investment Property (Continued)

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

The valuation of retirement village property is adjusted for cashflows relating to refundable occupation licence payments, residents' share of resale gains and management fee receivable recognised separately on the 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 retirement village property includes an allowance for the amount that is payable by the Company to residents already in occupation within the property. However, this liability to existing residents is recognised in the Company's Balance Sheet (referred to as refundable occupation right agreements - see note 3.2). Accordingly, the Company adds this net liability to residents to the CBRE Limited valuation to "gross up" the fair value of retirement village property and avoid double counting the liability to residents.

#### **Valuation Process and Key Inputs**

##### **Retirement Village Property under Development and Care Centre Property under Development**

CBRE Limited provided valuations of development land in respect of retirement village property under development and care centre property as at 30 April 2019.

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

The Company has applied the following methodology in relation to the measurement of retirement village property under development:

##### *Practical completion not achieved*

Where the development still requires substantial work such that practical completion is not going to be achieved, and a reliable estimate of fair value cannot be made, at or close to balance date, the fair value recognised is the fair value of the development land per the Directors' valuation plus the cost of any work in progress. An amount of \$33.5m as at 31 May 2019 (2018: \$31.1m) in relation to retirement village property under development has been recognised and \$13.5m as at 31 May 2019 (2018: \$26.0m) in relation care centres under development.

Where an individual development is of both retirement village and care centre in nature, the fair value of land and work in progress is apportioned between retirement village under development and care centre 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 retirement village property or completed care centre property.

##### **Completed Retirement Village Property**

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

As required by NZ IAS 40 *Investment Property*, the valuation of retirement village 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 Balance Sheet and also reflected in the valuation model.

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## Notes to the Financial Statements

For the Year Ended 31 May 2019

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### 3.1 Investment Property (Continued)

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

#### **Completed Care Centre Property**

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

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

#### **Care Suites and Serviced Apartments**

Where services are provided to residents who occupy accommodation under an ORA, it is the Company'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 care centre property or retirement village property. Care suite residents occupying accommodation under an ORA receive a significant level of services. Hence they are included in care centre property. Care suite land and buildings are held at fair value.

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

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

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

#### **Property Specific Assumptions**

##### *Seismic and Weather Tightness Assessments*

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

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## Notes to the Financial Statements

For the Year Ended 31 May 2019

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### 3.1 Investment Property (Continued)

#### *Lease of Investment Property*

The Company 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 Company.

Due to the variability of these payments both the right to use asset and the corresponding lease liability were initially recognised at nil value. Rental payments are recognised as a rental expense through the Statement of Comprehensive Income (note 2.3). The right to use asset is held at fair value in accordance with NZ IAS 40 *Investment Property* and has been valued by CBRE Limited at 30 April 2019. The valuation has been adjusted by management for the impact of any sale of ORAs between 1 May 2019 and 31 May 2019 to arrive at the fair value as at 31 May 2019 and any changes in fair value are taken to the Statement of Comprehensive Income.

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

#### **Assets Held for Sale**

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

As at 31 May 2018, five facilities met the definition of held for sale. These were reclassified for reporting purposes and held on the Balance Sheet at \$18.9m which was the lower of their fair value less costs to sell and their carrying amount at that time.

On 27 September 2018 the sale of these properties was settled and funds of \$19.7m received. These funds were applied to the bank borrowings of a related company.

#### **Key Accounting Estimates and Judgements**

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

#### **Significant Unobservable Inputs**

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

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

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

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 3.1 Investment Property (Continued)

The following assumptions have been used to determine fair value:

Significant Input	Description	2019	2018
Discount rate	The pre-tax discount rate	14.0% - 20.0% (median: 15.0%)	14.0% - 22.0% (median: 15.0%)
Property price growth rate	Anticipated annual property price growth over the cash flow period 0-4 years	0.5% - 3.0%	0.0% - 3.0%
Property price growth rate	Anticipated annual property price growth over the cash flow period 5+ years	2.5% - 3.5%	2.5% - 3.5%
Capitalisation rate		11.0% - 17.8% (median 13.4%)	10.0% - 18.5% (median 13.5%)

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	2019	2018
Stabilised Occupancy Period	3.1yrs – 8.3yrs (median: 7.7yrs)	3.1yrs – 8.4yrs (median: 7.2yrs)

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

#### Sensitivities – retirement village property

At 31 May 2019	Adopted Value	Discount Rate +0.5%	Discount Rate -0.5%	Property Growth Rate +50 bp	Property Growth Rate -50 bp
<b>Completed retirement village property</b>	<b>380,169</b>				
Valuation \$NZ000's					
Difference \$NZ000's		(14,165)	15,080	22,003	(18,543)
Difference %		(3.7%)	4.0%	5.8%	(4.9%)

At 31 May 2018	Adopted Value	Discount Rate +0.5%	Discount Rate -0.5%	Property Growth Rate +50 bp	Property Growth Rate -50 bp
<b>Completed retirement village property</b>	<b>312,049</b>				
Valuation \$NZ000's					
Difference \$NZ000's		(11,103)	11,886	15,602	(14,978)
Difference %		(3.6%)	3.8%	5.0%	(4.8%)

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 3.1 Investment Property (Continued)

#### Sensitivities – care centres

At 31 May 2019	Adopted Value	Capitalisation Rate +50 bp	Capitalisation Rate -50 bp
<b>Completed care centres</b>			
Valuation \$NZ000's	353,137		
Difference \$NZ000's		(19,925)	23,955
Difference %		(5.6%)	6.8%

At 31 May 2018	Adopted Value	Capitalisation Rate +50 bp	Capitalisation Rate -50 bp
<b>Completed care centres</b>			
Valuation \$NZ000's	244,880		
Difference \$NZ000's		(13,465)	14,689
Difference %		(5.5%)	6.0%

#### Sensitivities – completed care suites

At 31 May 2019	Adopted Value	Discount Rate +0.5%	Discount Rate -0.5%	Property Growth Rate +50 bp	Property Growth Rate -50 bp
<b>Completed care suites</b>	196,602				
Valuation \$NZ000's					
Difference \$NZ000's		(7,326)	7,798	11,379	(9,589)
Difference %		(3.7%)	4.0%	5.8%	(4.9%)

At 31 May 2018	Adopted Value	Discount Rate +0.5%	Discount Rate -0.5%	Property Growth Rate +50 bp	Property Growth Rate -50 bp
<b>Completed care suites</b>	70,052				
Valuation \$NZ000's					
Difference \$NZ000's		(2,493)	2,668	3,503	(3,362)
Difference %		(3.6%)	3.8%	5.0%	(4.8%)

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## Notes to the Financial Statements

For the Year Ended 31 May 2019

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### 3.2 Refundable Occupation Right Agreements

#### What's an ORA?

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

#### What's DMF?

An amount equal to a capped percentage of the occupation licence payment is charged by the Company 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 Company has a legal right to set-off any amounts owing to the Company by a resident against that resident's licence payment. Such amounts include deferred management fees, recovery of village operating costs and recovery of outstanding obligations to the village.

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

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

The management fee recognised in the 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.

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 3.2 Refundable Occupation Right Agreements (Continued)

\$NZ000's	May-19	May-18
<b>Village</b>		
Refundable occupation licence payments	456,349	383,323
Residents' share of resale gains	6,900	7,562
Less: Management fee receivable (per contract)	(85,178)	(72,269)
	378,071	318,616
<b>Care Suites</b>		
Refundable occupation licence payments	71,811	47,734
Accommodation rebate	738	825
Less: Management fee receivable (per contract)	(14,139)	(10,763)
	58,410	37,796
<b>Held for Sale</b>		
Refundable occupation licence payments	-	2,108
Residents' share of resale gains	-	20
Less: Management fee receivable (per contract)	-	(327)
	-	1,801
<b>Total refundable occupation right agreements</b>	<b>436,481</b>	<b>358,213</b>

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 3.2 Refundable Occupation Right Agreements (Continued)

#### Reconciliation of Management Fees recognised under NZ IFRS and per ORA

\$NZ000's	May-19	May-18
<b>Village</b>		
Management fee receivable (per contract)	(85,178)	(72,269)
Deferred management fee	23,433	19,604
<b>Management fee receivable (per NZ IFRS)</b>	<b>(61,745)</b>	<b>(52,665)</b>
<b>Care Suites</b>		
Management fee receivable (per contract)	(14,139)	(10,763)
Deferred management fee	3,569	2,222
<b>Management fee receivable (per NZ IFRS)</b>	<b>(10,570)</b>	<b>(8,541)</b>
<b>Held for Sale</b>		
Management fee receivable (per contract)	-	(327)
Deferred management fee	-	97
<b>Management fee receivable (per NZ IFRS)</b>	<b>-</b>	<b>(230)</b>

#### Expected Maturity

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

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

\$NZ000's	May-19	May-18
Within 12 months	53,139	34,030
Beyond 12 months from Balance Sheet date	383,342	324,183
<b>Total refundable occupation right agreements</b>	<b>436,481</b>	<b>358,213</b>

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## Notes to the Financial Statements

For the Year Ended 31 May 2019

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### 4. Shareholder Equity and Funding

#### 4.1 Shareholder Equity and Reserves

##### Accounting Policy

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

	May-19 Shares	May-18 Shares	May-19 \$NZ	May-18 \$NZ
<b>Share capital</b>				
Authorised, issued and fully paid up capital	100	100	100	100
<b>Total contributed equity</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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

### 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 Company's assets and liabilities. Deferred tax also includes the value of tax losses that we consider we will use in the future to meet any income tax obligation.

##### Accounting Policy

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

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

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

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

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 5.1 Income Tax (Continued)

\$NZ000's	May-19	May-18
<b>Income tax benefit</b>		
Current tax	-	-
Deferred tax	(2,858)	(2,635)
	<b>(2,858)</b>	<b>(2,635)</b>
<b>Taxation expense is calculated as follows:</b>		
Profit before income tax	127,165	97,818
Tax at the New Zealand tax rate of 28%	35,606	27,389
<i>Adjusted by the tax effect of:</i>		
Non-deductible expenditure / (Non-assessable income)	108	(5)
Capitalised interest deductible for tax	(1,937)	-
Taxable deferred management fees	931	-
Non-assessable revaluation of investment property	(26,767)	(17,960)
Taxable depreciation	(1,839)	(2,478)
Adjustment for timing difference of provisions	(148)	(282)
Other	-	-
Losses recognised / (utilised)	(5,954)	(6,664)
<b>Current tax expense</b>	-	-
Impact of movements in investment property	4,416	(3,253)
Other adjustments	178	268
Deferred management fee	(931)	-
Prior period adjustments: treatment of DMF income	(6,138)	-
Prior period adjustments: other	(468)	197
Losses utilised or (recognised) / derecognised	85	153
<b>Deferred tax benefit</b>	<b>(2,858)</b>	<b>(2,635)</b>
<b>Income tax benefit</b>	<b>(2,858)</b>	<b>(2,635)</b>

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 5.1 Income Tax (Continued)

#### Movement in the Deferred Tax Balance:

\$NZ000's	Balance 1 June 2018	Recognised in Statement of Comprehensive Income	Balance 31 May 2019
Investment property	(28,089)	(4,063)	(32,152)
Provisions and other assets / liabilities	1,649	(148)	1,501
DMF revenue in advance	-	7,069	7,069
<b>Deferred tax liabilities</b>	<b>(26,440)</b>	<b>2,858</b>	<b>(23,582)</b>

\$NZ000's	Balance 1 June 2017	Recognised in Statement of Comprehensive Income	Balance 31 May 2018
Investment property	(30,999)	2,910	(28,089)
Provisions and other assets / liabilities	1,924	(275)	1,649
DMF revenue in advance	-	-	-
<b>Deferred tax liabilities</b>	<b>(29,075)</b>	<b>2,635</b>	<b>(26,440)</b>

#### Recognition and Measurement

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

#### Key Accounting Judgements

##### Deferred Tax on Investment Property

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

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

The Company'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 Company 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 Company 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 Company's contractual entitlement.

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

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

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## Notes to the Financial Statements

For the Year Ended 31 May 2019

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### 5.1 Income Tax (Continued)

#### Recognition of Deferred Tax on Deferred Management Fee

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

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

This resulted in the recognition of a tax liability of \$6.1m, being the tax effect of the cumulative difference between the two treatments of \$21.9m. This was fully met by the application of \$21.9m of \$64.6m available tax losses from a related company. A corresponding deferred tax asset of \$6.1m was recognised at this point for tax paid on DMF revenue in advance of its accounting recognition. A movement of \$0.9m has been recognised in the year to 31 May 2019 resulting in a closing deferred tax asset of \$7.1m in respect of DMF revenue.

#### Recognition of Tax Losses

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

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

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

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

All OHL Group tax losses available to be carried forward were incurred by other Group companies.

From 5 May 2017, being the date of the OHL Group's IPO, the Company has not had 66% commonality of ownership with the OHHL tax consolidated group so has been unable to utilise OHHL tax consolidated group losses. However, the Company is able to access Group tax losses (provided that 66% commonality of ownership continues to be maintained).

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 5.2 Trade and Other Receivables

#### Accounting Policy

Trade receivables are amounts due from residents 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 Company.

\$NZ000's	May-19	May-18
<b>Net trade and other receivables</b>		
Trade receivables	872	800
Less: Loss allowance	-	-
	<b>872</b>	<b>800</b>
Occupation licence payment receivable	<b>31,282</b>	19,658
Goods and service tax receivable	-	839
Prepayments	<b>113</b>	77
<b>Trade and other receivables</b>	<b>32,267</b>	<b>21,374</b>

#### Recognition, Measurement and Judgements in Applying Accounting Policies

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

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

- Trade receivables from village operations for the provision of weekly service fees and occupation licence payment receivables. These are receivable from residents.

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

Category of debt	Expected Loss Rate		
	Current	Departure <90 days	Departure > 90 days
Village Residents	-	-	-

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

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

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 5.3 Trade and Other Payables

#### Accounting Policy

Trade and other payables represent liabilities for goods and services provided to the Company 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.

#### Wages and Salaries, Annual Leave and Long Service Leave

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

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

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

\$NZ000's	May-19	May-18
Trade payables	44	40
Sundry payables and accruals	14,143	16,853
Goods and service tax payable	447	-
Employee entitlements	261	124
<b>Trade and other payables</b>	<b>14,895</b>	<b>17,017</b>

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 5.4 Related Party Transactions

The direct parent entity is Oceania Healthcare Limited ("Parent"). The parent's largest shareholder is Oceania Healthcare Holdings Limited ("OHHL").

On 5 September 2018 OHHL sold 15.56% of its holding. On 22 May 2019 OHHL sold a further 0.49% holding resulting in a remaining 41.16% shareholding as at 31 May 2019 (2018: 57.21%).

#### Directors

The names of persons who were directors of the Company during the year are Earl Gasparich and Matthew Ward. No fees are paid to directors other than ordinary salaries and wages which are borne by Oceania Group (NZ) Limited, a related company.

#### Key Management Personnel Compensation

Key management personnel comprise the Executive Team including the Chief Executive Officer and the Chief Financial Officer. Key management personnel are paid directly by Oceania Group (NZ) Limited.

There have been no other transactions with key management personnel or entities related to them.

#### Transactions with Related Parties

Oceania Village Company Limited and fellow group subsidiaries use a central treasury and payroll functions with all cash received by the Company swept up to another Group company and all expenses paid via that company.

Oceania Village Company Limited leases investment properties to a related company, Oceania Care Company Limited, for the operation of its care business.

Fees charged to residents receiving care packages are collected by Oceania Village Company Limited and passed onto Oceania Care Company Limited and costs incurred by Oceania Care Company Limited for the running of the retirement villages are on-charged to Oceania Village Company Limited.

The following balances are outstanding at the reporting date in relation to transactions with related parties:

<b>\$NZ000's</b>	<b>May-19</b>	<b>May-18</b>
<b>Loans to related parties</b>		
Amounts owing to Oceania Healthcare Limited	<b>216,545</b>	205,015
Amounts owing from other Group companies	<b>(83,085)</b>	(112,738)
	<b>133,460</b>	<b>92,277</b>

Outstanding balances are unsecured, non-interest bearing and are repayable in cash and on demand.

A letter of support is in place from the Directors of the Parent Company Oceania Healthcare Limited in respect of amounts owing stating that Oceania Healthcare Limited accepts responsibility of providing financial assistance to Oceania Village Company Limited as and when needed and that the debt of \$216.5m is subordinated in favour of all other creditors.

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 5.4 Related Party Transactions (continued)

The following transactions took place during the year:

\$NZ000's	May-19	May-18
<b>Transactions with Parent company</b>		
Payments by Parent for purchase of investment property	21,342	30,220
Capitalised interest on development	6,917	3,168
<b>Transactions with other Group companies</b>		
<b>Cash</b>		
Care package income payable to Oceania Care Company Limited	1,499	510
Employee costs payable to Oceania Care Company Limited	5,868	2,874
Receivable in respect of cash sweeps to central treasury function net of payment of village invoices by central function	25,778	28,110
Accommodation rebate payable by Oceania Care Company Limited	(165)	(218)
<b>Non cash</b>		
Rental income charged to Oceania Care Company Limited for care properties	(20,056)	(21,713)
	41,183	42,951

The 2019 rental income from related parties reflects the lease terms in place between Oceania Care Company and the Company. These are reviewed every two years.

#### Leases: Accounting by Lessor

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time. When assets are leased out under an operating lease, the asset is included in the Balance Sheet based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

The future minimum lease payments receivable from sister company Oceania Care Company Limited for the use of care facilities are as follows:

\$NZ000's	May-19	May-18
Within one year	18,762	21,035
Later than one year but not later than five years	53,629	55,002
Later than five years	35,281	49,657
	107,672	125,694

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## Notes to the Financial Statements

For the Year Ended 31 May 2019

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### 5.5 Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risks (including cash flow interest rate risk), credit risk and liquidity risk. The Company'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 Company. The Company 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.

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 the Parent under policies approved by the Board of Directors. The Board provides 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 Company'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 Company has no significant interest-bearing assets, as such the Company's income is substantially independent of changes in market interest rates.

As the Company has no significant interest-bearing liabilities, the Company's expenses and operating cash flows are substantially independent of changes in market interest rates and consequently no sensitivity analysis has been prepared.

#### (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 Company has no significant concentrations of credit risk. The Company requires settlement of the ORA before allowing occupation of its villas or apartments. Therefore, the Company does not face significant credit risk. The values attached to each financial asset in the Balance Sheet represent the maximum credit risk. No collateral is held with respect to any financial assets.

#### *Concentrations*

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

The Company's receivables represent distinct trading relationships with each of the residents. There are no concentrations of credit risk with residents.

## Notes to the Financial Statements

For the Year Ended 31 May 2019

### 5.5 Financial Risk Management (Continued)

#### (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 Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

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

\$NZ000's	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
<b>2019</b>				
Trade and other payables	14,895	-	-	-
Related party payables	133,460	-	-	-
Refundable occupation right agreements	436,481	-	-	-
<b>2018</b>				
Trade and other payables	17,018	-	-	-
Related party payables	92,277	-	-	-
Refundable occupation right agreements	358,213	-	-	-

The refundable ORAs are repayable to the resident on vacation of the unit, apartment, care suite or on the termination of the occupation right agreement and subsequent resale of the unit, apartment or care suite. The expected maturity of the refundable ORAs is shown in note 3.2.

#### (e) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company'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 financial statements are prepared on a going concern basis.

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## Notes to the Financial Statements

For the Year Ended 31 May 2019

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### 5.6 New Accounting Standards

#### (a) New and amended standards adopted by the Company

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

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

This standard addresses the classification, measurement and recognition of financial assets (cash, trade receivables and sundry receivables) and financial liabilities, the impairment of financial assets and hedge accounting. See notes 5.3 and 5.5 for further details on its application to the Company.

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

This standard addresses the recognition of revenue from contracts with customers. The standard is based on the principle that revenue is recognised when control of a good and service transfer to a customer and establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. See note 2.1 for further details on its application to the Company.

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

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

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

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

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

The Company is not currently party to any leases as a lessee other than the lease of investment property.

### 5.7 Contingencies and Commitments

#### (a) Contingencies

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

#### (b) Capital commitments

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

#### (c) Lease Commitments

##### *Lease of Investment Property*

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

See note 3.1 for further details.

#### (d) Repairs and Maintenance

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

### 5.8 Events After Balance Date

There have been no significant events after balance date.



## ***Independent auditor's report***

To the shareholder of Oceania Village Company Limited

We have audited the financial statements which comprise:

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

### ***Our opinion***

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

### ***Basis for opinion***

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

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

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

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

### ***Information other than the financial statements and auditor's report***

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements*

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our auditor's report.

*Who we report to*

This report is made solely to the Company's shareholder. 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 shareholder 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:

Chartered Accountants  
29 August 2019

Auckland