



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:

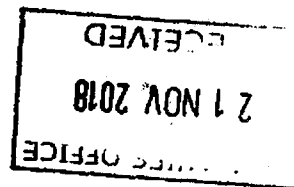
[Redacted]

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 1 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. Nature of operator:

For example — company, natural person

Company

4. 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

5. 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

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

PO Box 9507
Newmarket
Auckland 1149

7. Email address of operator:

[Redacted]

8. Telephone number of operator:

[Redacted]

9. Fax number of operator (optional):

[Redacted]

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: *Anna Thorburn*

Name of signatory: Anna Thorburn

Dated: 23 November 2018

Part 4 — Checklist

Use this checklist to ensure you have included all of the information required which will speed up registration.

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

[Redacted]
[Redacted]
Fax number (optional):

9 November 2018

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 2018 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 2018 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 flourish extending to the right.

Susan Bingham
Client Manager
CORPORATE TRUSTEE SERVICES

cc: Anna Thorburn, General Counsel, Oceania Healthcare

Appendix 1

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

- Addington Lifestyle Care, Christchurch
- Atawhai Lifestyle Care & Village, Napier
- 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 and Village, Blenheim
- St Johns Village, Auckland
- Totara Park Village, Warkworth
- The Bayview, Tauranga (previously Melrose Lifestyle Care and Village)
- Trevellyn Lifestyle Care & Village, Hamilton
- Windermere Lifestyle Care & Village, Christchurch



OCEANIA
HEALTHCARE

Oceania Village Company Limited

Financial Statements

For the year ended 31 May 2018

Oceania Village Company Limited

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Oceania Village Company Limited

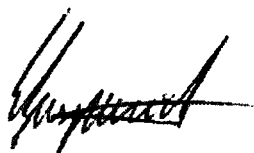
Directors' Report 31 May 2018

The Board has pleasure in presenting the audited financial statements of Oceania Village Company Limited (the "Company"), incorporating the financial statements and the independent auditor's report, for the year ended 31 May 2018.

With the unanimous agreement of all shareholders, the Company has taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The Board of Directors of the Company authorised these financial statements for issue on 31 August 2018.

For and on behalf of the Board



Earl Gasparich

Director



Matthew Ward

Director

Oceania Village Company Limited

Statement of Comprehensive Income For the Year Ended 31 May 2018

		May-18 \$'000	May-17 \$'000
Deferred management fee		18,747	16,330
Village service fees		5,341	5,260
Rental income		22,805	29,341
Change in fair value of investment property		68,464	65,627
Other income		1,582	905
Total income	2.1	116,940	117,463
Employee benefits		3,000	2,527
Finance costs		-	2,835
Rental expense relating to leased investment property		7,790	-
Other expenses		8,332	9,182
Total expenses	2.2	19,122	14,544
Profit before income tax		97,818	102,919
Taxation (benefit) / expense	5.1	(2,635)	25,628
Profit for the year		100,453	77,291
Other comprehensive income			
Other comprehensive income		-	-
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year attributable to shareholders of the parent		100,453	77,291

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

Oceania Village Company Limited

Balance Sheet As at 31 May 2018

	Notes	May-18 \$'000	May-17 \$'000
Assets			
Cash and cash equivalents		5,188	553
Trade and other receivables	5.2	21,374	1,608
Assets held for sale	3.1	18,909	-
Investment property	3.1	1,044,746	864,337
Total assets		1,090,217	866,498
Liabilities			
Trade and other payables	5.3	17,017	8,138
Related party payables	5.4	92,277	52,953
Deferred management fee	3.2	21,923	19,534
Refundable occupation right agreements	3.2	358,213	282,904
Deferred tax liabilities	5.1	26,440	29,075
Total liabilities		515,870	392,604
Net assets		574,347	473,894
Equity			
Contributed equity	4.1	-	-
Retained earnings		574,347	473,894
Total equity		574,347	473,894

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

Oceania Village Company Limited

Statement of Changes in Equity For the Year Ended 31 May 2018

	Contributed Equity	Retained Earnings	Total Equity
Notes	\$'000	\$'000	\$'000
Balance as at 31 May 2016	-	396,603	396,603
Profit for the year	-	77,291	77,291
Total comprehensive income	-	77,291	77,291
Balance as at 31 May 2017	-	473,894	473,894
Profit for the year	-	100,453	96,828
Total comprehensive income	-	100,453	96,828
Balance as at 31 May 2018	-	574,347	570,722

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

Oceania Village Company Limited

Cash Flow Statement For the Year Ended 31 May 2018

	May-18 \$'000	May-17 \$'000
Cash flows from operating activities		
Receipts from residents for membership fees and village fees	6,025	7,129
Payments to suppliers and employees	(9,961)	(4,616)
Receipts from new occupation right agreements	113,517	68,763
Payments for outgoing occupation right agreements	(35,421)	(30,894)
Interest paid	-	(2,835)
Net cash inflow from operating activities	74,160	37,547
Cash flows from investing activities		
Payments for improvements to investment property	(128,747)	(77,612)
Proceeds from sale of investment property	161	-
Net cash outflow from investing activities	(128,586)	(77,612)
Cash Flows from financing activities		
Payments from related parties	59,061	40,491
Net cash outflow from financing activities	59,061	40,491
Net increase in cash and cash equivalents	4,635	426
Cash and cash equivalents at the beginning of the year	553	127
Cash and cash equivalents at end of year	5,188	553

Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities

	May-18 \$'000	May-17 \$'000
Profit after tax for the year	100,453	77,291
Non cash items		
Deferred management fee accrued but not settled	(18,747)	(16,330)
Non cash rental income	(21,702)	(28,141)
Fair value adjustment to investment property	(68,464)	(65,627)
Fair value movement of residents' share of resale gains	(26)	2,207
Loss on disposal of investment property	12	-
Movement in deferred tax	(2,635)	25,628
Other non cash items	(264)	(7)
	(111,826)	(82,270)
Movement in cash items		
Receipts from new occupation rights agreements	113,517	68,763
Payments for outgoing occupation rights agreements	(35,421)	(30,894)
	78,096	37,869
Increase in operating assets and liabilities		
Increase in trade and other receivables	(1,871)	(238)
Increase in trade and other payables	9,308	4,895
Net cash inflow from operating activities	74,160	37,547

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

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

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

The Company is designated as a profit oriented entity for financial reporting purposes.

(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 financial statements have been prepared in accordance with the requirements of the Companies Act 1993. The Balance Sheet has been prepared using a liquidity format.

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

(iii) Measurement Basis

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

Oceania Village Company Limited

Notes to the Financial Statements

For the Year Ended 31 May 2018

1. General Information (continued)

1.1. Basis of Preparation (continued)

(iv) Key Estimates and Judgements

The preparation of 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 Company's accounting policies.

The Company 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 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)

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) Presentation Currency

These financial statements are presented in New Zealand Dollars which is the Company's presentation and functional currency. The financial statements are presented in round thousands.

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

The Statement of Comprehensive Income and Cash Flow Statements have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

1. General Information (continued)

1.2. Accounting Policies (continued)

(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.

A change in presentation has been made to the income tax note to separately disclose the reconciliation of current tax and deferred tax to provide clearer disclosure to the reader. Refer to note 5.1.

A change has also been made to the treatment of chattel and motor vehicle finance leases entered into by the parent company on behalf of Oceania Village Company Limited. Previously these were viewed as finance leases within the Company's financial statements. The associated transactions are more appropriately treated as a related party transaction as the legal obligation resides with the Parent entity. Amendments to related disclosures have been made throughout.

(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 to their fair value.

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

2. Operating Performance

2.1. Operating Revenue

Accounting Policy

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company and the amount can be measured reliably.

Deferred Management Fees

Deferred management fees ("DMF") 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.

Management fees are typically payable 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 greater of the term specified in a resident's ORA or the average expected occupancy for the relevant accommodation. This has been assessed as 7 years for units, 5 years for apartments and 3 years for care suites from the date of occupation. Estimates applied for deferred management fee tenure are reviewed periodically. Where a change in estimate is required 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 village operating costs. These fees are recognised as revenue when the associated services are provided to residents.

Rental Income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements. This includes \$21.7m (2017: \$28.1m) in relation to rental income from related parties, see note 5.4. The 2018 rental income from related parties reflects the lease terms in place between Oceania Care Company and the Company. These are reviewed every two years.

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

2.1. Operating Revenue (continued)

Other Income

Other income includes income derived from additional services provided to residents such as meals and laundry.

	May-18	May-17
	\$'000	\$'000
Deferred management fees	18,747	16,330
Village service fees	5,341	5,260
Rental income	22,805	29,341
Change in fair value of investment property	68,464	65,627
<i>Other income</i>		
Resident's share of capital gains	26	-
Gain on sale of fixed assets	61	-
Other income	1,495	905
	<u>1,582</u>	<u>905</u>
	<u>116,940</u>	<u>117,463</u>

2.2. Expenses

Accounting Policy

All operating expenses are recognised on an accrual basis.

	May-18	May-17
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Employee benefits</i>		
Wages and salaries ¹	3,000	2,527
	<u>3,000</u>	<u>2,527</u>
Interest on finance lease	-	2,835
Rental expense relating to leased investment property	7,790	-
<i>Auditor's remuneration</i>		
Audit of financial statements ²	51	49
Residents' share of resale gains ³	-	2,207
Repairs and maintenance of investment property	933	714
Other expenses (no item of individual significance)	7,348	6,212
	<u>8,332</u>	<u>9,182</u>
Total expenses	<u>19,122</u>	<u>14,544</u>

¹ Wages and salaries include staff related costs such as staff training, uniforms and recruitment.

² Auditor's remuneration costs are incurred by Oceania Healthcare Limited and on-charged to Oceania Village Company Limited.

³ Residents' share of resale gains have been valued by CBRE Limited, refer note 3.1

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

3. Property Assets

3.1 Investment Property

Accounting Policy

Investment property includes freehold land and buildings and land and buildings under development, comprising of: care facilities, 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.

	May-18 \$'000	May-17 \$'000
Completed retirement village property at fair value		
Opening balance	531,470	447,501
Transfer from retirement village property under development	56,970	14,915
Transfer to care facilities	(18,686)	(2,981)
Transfer to held for sale	(2,338)	-
Capitalised subsequent expenditure	14,132	18,429
Capitalised interest and line fees	1,646	231
Disposals	-	(1)
Change in fair value during the year	64,103	53,376
Closing balance	647,297	531,470
Retirement village property under development at fair value		
Opening balance	79,488	48,313
Capitalised subsequent expenditure	83,259	29,131
Capitalised interest and line fees	1,070	230
Transfer to completed retirement village	(56,970)	(14,915)
Transfer (to) / from care facilities	(2,801)	12,944
Disposals	(57)	-
Change in fair value during the year	4,217	3,785
Closing balance	108,206	79,488
Care facilities at fair value		
Opening balance	253,379	239,255
Capitalised subsequent expenditure	30,190	15,565
Capitalised interest and line fees	626	58
Transfer from completed retirement village	18,686	2,981
Transfer from / (to) retirement village property under development	2,801	(12,944)
Transfer to held for sale	(16,571)	-
Disposals	(13)	-
Change in fair value during the year	145	8,466
Closing balance	289,243	253,379
Total investment property	1,044,746	864,337

Oceania Village Company Limited

Notes to the Financial Statements

For the Year Ended 31 May 2018

3.1 Investment Property (continued)

Valuation Process and Key Inputs

Completed Retirement Village Property

The fair value of completed retirement village property is calculated every six months by CBRE Limited.

The Company's interest in all completed retirement villages was valued on 30 April 2018 by CBRE Limited (2017: 31 May 2017 by CBRE Limited), at a total of \$332.1m (2017: \$252.6m). CBRE Limited is an independent registered valuer and associate of the New Zealand Institute of Valuers and is appropriately qualified with experience of valuing retirement village properties in New Zealand.

The CBRE Limited valuation has been adjusted by management for the impact of any sale, resale and repurchase of ORA's between 1 May 2018 and 31 May 2018 to arrive at the fair value of completed investment properties at 31 May 2018. The CBRE Limited valuation has been adjusted downward by management by \$20.0m to reflect, amongst other things, the sale of unsold stock during the month of May 2018 to arrive at a 31 May 2018 valuation (2017: nil adjustment). This is a change from prior periods where the independent valuation was undertaken as at 31 May.

The fair value of completed retirement villages is based on an industry accepted valuation model applied to the expected future cash flows to derive a net present value.

The valuation calculates the expected cash flows for a projected sequence of sales based on recycle profiling using a Monte Carlo simulation and a stabilised occupancy term for residents. The analysis includes significant unobservable inputs used to determine the fair value, as disclosed below.

The CBRE Limited valuation is reviewed by management for accuracy of inputs and reasonableness of assumptions.

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

Retirement Village Property under Development

All land classified as retirement village property under development was valued on 30 April 2018 by CBRE Limited (2017: 31 May 2017 by CBRE Limited). Management does not envisage a material movement in the land value between 30 April 2018 and 31 May 2018 and therefore no adjustment is made to this value. Any costs incurred to 31 May 2018 on the developments are included in arriving at the 31 May 2018 fair value.

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

Oceania Village Company Limited

Notes to the Financial Statements

For the Year Ended 31 May 2018

3.1. Investment Property (continued)

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 CBRE Limited valuation plus the cost of any work in progress. An amount of \$31.1m in relation to work in progress as at 31 May 2018 (2017: \$32.2m) has been recognised in relation to these development sites.

Where an individual development is of both retirement village and care facility in nature, the fair value of land and work in progress is apportioned between retirement village under development and care facility 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 development is measured at its completed fair value as determined by CBRE Limited with an adjustment made for any estimated costs, in accordance with the project budget, to be incurred to complete the development and the revalued property is then transferred to completed investment property.

Care Facilities at Fair Value (including under Development)

Care facilities comprise land and buildings occupied and operated by Oceania Care Company Limited, a sister company, for the provision of care services. The fair value of care facilities includes certain care suites and land and buildings under development. Following initial recognition at cost, care facilities are held at fair value.

Independent valuation reports are obtained for completed care facilities every two years, unless there is sustained market evidence of a significant change in fair value. Based on information available, the Directors have determined that there has been no material valuation movement in the period from 31 May 2017 to 31 May 2018 with respect to care facilities with the exception of the newly completed care suites at the Meadowbank facility. No external valuation has been sought in relation to the 31 May 2018 balance date except as it relates to the construction of care suites at Meadowbank. CBRE Limited have valued the care suites at the Meadowbank facility as at 30 April 2018. This valuation has been adjusted by management for the impact of sales of ORA's between 1 May 2018 and 31 May 2018 to arrive at the fair value of the completed Meadowbank facility. In arriving at the fair value of care facilities as at 31 May 2018, the 31 May 2017 carrying amounts have been adjusted for the cost of any additions or work in progress incurred since 1 June 2017.

The Company's land under development was revalued on 30 April 2018 (2017: 31 May 2017) by independent registered valuers CBRE Limited. CBRE Limited are appropriately qualified valuers with experience of valuing residential aged care and retirement village properties in New Zealand. This has been adjusted for any costs incurred to 31 May 2018 on the developments in arriving at the 31 May 2018 fair value.

Oceania Village Company Limited

Notes to the Financial Statements

For the Year Ended 31 May 2018

3.1. Investment Property (continued)

Property Specific Assumptions Seismic and Weather Tightness Assessments

The CBRE Limited valuation, and accordingly the fair value of investment property, incorporates an allowance in relation to remediation to properties where seismic strength testing has been carried out in prior years. The May 2017 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. Based on further investigation and updated project budgets the estimated remediation costs have reduced by \$2.8m since 31 May 2017. Further, remediation costs totalling \$3.9m (2017: \$1.6m) have been incurred in the 2018 financial year. The forecast cost, as at 31 May 2018, to complete the remediation is \$0.8m.

Land Acquisitions

Acquisitions of land are recognised as retirement village under development at the point that the sale and purchase agreement is unconditional and risks, rewards and control have effectively passed to the Company. As at 31 May 2018, \$10.7m (2017: nil) has been recognised with respect to three parcels of land which the Company has under agreement that were unconditional as at 31 May 2018. Deposits of \$3.7m have been paid as at 31 May 2018 and a payable of \$7.0m with respect to these parcels of land has been included in trade and other payables (see note 5.3). Per note 5.8, the final payment was made in respect to these properties in June and July 2018.

Lease of Investment Property

The Company leases one site, Everil Orr, which meets the definition of retirement village investment property. The facility 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 ORA's 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 as incurred (note 2.2). 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 2018. The valuation has been adjusted by management for the impact of any sale of ORA's between 1 May 2018 and 31 May 2018 to arrive at the fair value as at 31 May 2018 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 2018 in respect of this leased site is \$7.7m (2017: nil) and is included as completed retirement village above.

Key Accounting Estimates and Judgements

All investment properties have been determined to be Level 3 (2017: Level 3) in the fair value hierarchy as the fair value is determined using inputs that are unobservable.

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

3.1. Investment Property (continued)

Sensitivity

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 following assumptions have been used to determine fair value:

Significant Input	Description	2018	2017
Discount rate	The pre-tax discount rate	14.0% - 22.0% (median: 15.0%)	14.0% - 22.0% (median: 15.0%)
Property price growth rate (ingoing price)	Anticipated annual property price growth over the cash flow period 0-4 years	0.0% - 3.0%	0.0% - 3.0%
Property price growth rate (ingoing price)	Anticipated annual property price growth over the cash flow period 5+ years	2.5% - 3.5%	2.5% - 3.5%
Stabilised Occupancy Period		3.4yrs - 8.4yrs (median: 7.2yrs)	3.1yrs - 8.4yrs (median: 7.2yrs)

Completed Retirement Village Property Sensitivity

At 31 May 2018	Adopted Value \$'000	Discount Rate +0.5% \$'000	Discount Rate -0.5% \$'000	Property Growth Rate +50 bp \$'000	Property Growth Rate -50 bp \$'000
Completed Investment Property					
Valuation Difference \$'000	312,049	(11,103)	11,886	15,602	(14,978)
Difference %		(3.6%)	3.8%	5.0%	(4.8%)

Completed Retirement Village Property Sensitivity

At 31 May 2017	Adopted Value \$'000	Discount Rate +0.5% \$'000	Discount Rate -0.5% \$'000	Property Growth Rate +50 bp \$'000	Property Growth Rate -50 bp \$'000
Completed Investment Property					
Valuation Difference \$'000	252,646	(8,718)	9,285	11,874	(13,390)
Difference %		(3.5%)	3.7%	4.7%	(5.3%)

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

3.1. Investment Property (continued)

Care Facility Sensitivity

At 31 May 2018	Adopted Value \$'000	Capitalisation Rate +50 bp \$'000	Capitalisation Rate -50 bp \$'000
Freehold land and buildings (excluding property under development)			
Valuation	244,821		
Difference \$		(13,465)	14,869
Difference %		(5.5%)	6.0%

Care Facility Sensitivity

At 31 May 2017	Adopted Value \$'000	Capitalisation Rate +50 bp \$'000	Capitalisation Rate -50 bp \$'000
Freehold Land and Buildings (excluding property under development)			
Valuation	225,514		
Difference \$		(12,403)	13,531
Difference %		(5.5%)	6.0%

A significant increase/ (decrease) in the occupancy period would result in a significantly lower/ (higher) fair value measurement.

A significant increase/ (decrease) in the ingoing price would result in a significantly higher/ (lower) fair value measurement.

Other Relevant Information

The valuation of investment property relating to occupation right agreements is adjusted for cashflows relating to refundable occupation right payments, residents' share of resale gains and management fee receivables recognised separately on the Balance Sheet. A reconciliation between the valuation and the amount recognised on the Balance Sheet as investment property is as follows:

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

3.1. Investment Property (continued)

	May-18 \$'000	May-17 \$'000
Completed retirement village property		
Valuation	312,049	252,646
Plus: Refundable occupation licence payments	383,323	315,425
Plus: Residents' share of resale gains	7,562	9,770
Less: Management fee receivable	(52,665)	(46,150)
Less: Resident obligations for units not included in valuation	(2,972)	(221)
	<u>647,297</u>	<u>531,470</u>
Retirement villages under development at fair value		
Valuation	<u>108,206</u>	<u>79,488</u>
	108,206	79,488
Care facilities (including under development)		
Valuation	<u>289,243</u>	<u>253,379</u>
	289,243	253,379
Total investment property at fair value	<u>1,044,746</u>	<u>864,337</u>

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 \$3.0m (2017: \$0.2m) is included in the above reconciliation to reflect this.

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 carried at fair value.

As at 31 May 2018, five facilities met the definition of held for sale. These facilities have been reclassified for reporting purposes and are held on the Balance Sheet at current valuation.

	May-18 \$'000	May-17 \$'000
Opening Balance	-	-
Reclassification from Completed Retirement Villages	2,338	-
Reclassification from Care Facilities	16,571	-
Closing Balance	<u>18,909</u>	-

A conditional sale and purchase agreement in respect of these five sites was entered into on 5 July 2018. Refer to note 5.8 for further details.

Oceania Village Company Limited

Notes to the Financial Statements

For the Year Ended 31 May 2018

3.2. Refundable Occupation Right Agreements

Accounting Policy

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 licence payment is repaid to the exiting resident. 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.

An amount equal to a capped percentage of the 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.

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 greater 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 (2017: 7yrs, 5yrs, 3yrs).

The management fee recognised in the Statement of Comprehensive Income represents income earned in line with the average expected occupancy i.e. the net of the management fee receivable and the deferred management fee for the period.

Included in the obligation to residents is an estimate of the amount expected to be paid to those residents whose occupation licence or unit title right allows them to participate in the resale gain of the unit or apartment they occupy. The resident's share of capital gains was determined on 30 April 2018 (2017: 31 May 2017) by independent registered valuers CBRE Limited. CBRE Limited are appropriately qualified valuers with experience of valuing residential aged care and retirement village properties in New Zealand. This has been adjusted for any settlements made during May 2018.

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.

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

3.2. Refundable Occupation Right Agreements (continued)

	May-18 \$'000	May-17 \$'000
Village		
Refundable occupation licence payments	383,323	315,425
Residents' share of resale gains	7,562	9,770
Less: Management fee receivable	<u>(72,269)</u>	<u>(64,856)</u>
	<u>318,616</u>	<u>260,339</u>
Care suites		
Refundable occupation licence payments	47,734	28,285
Accommodation rebate	825	575
Less: Management fee receivable	<u>(10,763)</u>	<u>(6,295)</u>
	<u>37,796</u>	<u>22,565</u>
Held for sale		
Refundable occupation licence payments	2,108	-
Residents' share of resale gains	20	-
Less: Management fee receivable	<u>(327)</u>	<u>-</u>
	<u>1,801</u>	<u>-</u>
Total refundable occupation rights agreements	<u>358,213</u>	<u>282,904</u>

Reconciliation of Management Fees recognised under NZ IFRS and per ORA

	May-18 \$'000	May-17 \$'000
Village		
Management fee receivable (per contract)	(72,269)	(64,856)
Deferred management fee	19,604	18,706
Management fee receivable (per NZ IFRS)	<u>(52,665)</u>	<u>(46,150)</u>
Care suites		
Management fee receivable (per contract)	(10,763)	(6,295)
Deferred management fee	2,222	828
Management fee receivable (per NZ IFRS)	<u>(8,541)</u>	<u>(5,467)</u>

Oceania Village Company Limited

Notes to the Financial Statements

For the Year Ended 31 May 2018

3.2. Refundable Occupation Right Agreements (continued)

Held for Sale

Management fee receivable (per contract)	(327)	-
Deferred management fee	97	-
Management fee receivable (per IFRS)	<u>(230)</u>	<u>-</u>

Expected Maturity

Although the occupation licence payments are refundable to the residents on vacating the unit, apartment or care suite or on termination of the licence to occupy or 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:

	May-18	May-17
	\$'000	\$'000
Within 12 months	34,030	26,876
Beyond 12 months from Balance Sheet date	324,183	256,028
Total refundable occupation right agreements	<u>358,213</u>	<u>282,904</u>

4. Shareholders' Equity and Funding

4.1. Contributed Equity

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-18	May-17	May-18	May-17
	Shares	Shares	\$	\$
Share capital				
Authorised, issued and fully paid up capital	100	100	100	100
Total contributed equity	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Movements				
Opening balance of ordinary shares issued	100	100	100	100
Issues of ordinary shares during the year	-	-	-	-
Closing balance of ordinary shares issued	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

None of the above shares are held by the Company.

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

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

5. Other Disclosures

5.1 Income Tax (continued)

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.

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.

	May-18 \$'000	May-17 \$'000
Income tax (benefit) / expense		
Current tax	-	-
Deferred tax	(2,635)	25,628
	<u>(2,635)</u>	<u>25,628</u>
Taxation expense is calculated as follows:		
Profit before income tax	97,818	102,919
Tax at the New Zealand tax rate of 28%	26,374	28,817
<i>Adjusted by the tax effect of:</i>		
(Non-assessable income) / non-deductible expenditure	(5)	181
Non assessable revaluation of investment property	(17,960)	(18,375)
Taxable depreciation	(2,478)	(2,501)
Adjustment for timing difference of provisions	(282)	205
Losses utilised	(6,664)	(8,327)
Current tax expense	-	-
Impact of change to held for use for investment property	-	26,189
Impact of movements in investment property	(3,253)	837
Other adjustments	268	(1,887)
Prior period adjustments	197	536
Losses utilised / (recognised)	153	(47)
Deferred tax expense	<u>(2,635)</u>	<u>25,628</u>
Income tax expense	<u>(2,635)</u>	<u>25,628</u>

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

5.1 Income Tax (continued)

Movement in the deferred tax balance:

	Balance 1 June 2017	Recognised in Statement of Comprehensive Income	Balance 31 May 2018
	\$'000	\$'000	\$'000
Investment property	(30,999)	2,910	(28,089)
Provisions and other assets / liabilities	1,924	(275)	1,649
Deferred tax liabilities	(29,075)	2,635	(26,440)

	Balance 1 June 2018	Recognised in Statement of Comprehensive Income	Balance 31 May 2017
	\$'000	\$'000	\$'000
Investment property	(3,485)	(27,514)	(30,999)
Provisions and other assets / liabilities	38	1,686	1,924
Deferred tax liabilities	(3,447)	(25,628)	(29,075)

Recognition and Measurement

No income tax was paid or payable during the period (2017: nil).

Key Accounting Judgements

(i) 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 Company's ORA comprises two gross 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.

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

Oceania Village Company Limited

Notes to the Financial Statements

For the Year Ended 31 May 2018

5.1. Income Tax (continued)

Should the taxable cash flows of investment property be treated as received at the beginning of the ORA period, an additional deferred tax liability of \$3.7m would be recognised on the Balance Sheet. An additional current year tax expense of \$3.7m and a corresponding reduction in net profit after tax of \$3.7m would also be recognised (2017: \$3.1m).

(ii) Recognition of Tax Losses

Up until 31 May 2015 the Company and sister companies were members of a Tax Consolidated Group together with the Company's ultimate parent company, Oceania Healthcare Holdings Limited ('OHHL'). The issuance of shares in Oceania Healthcare Limited to the executive members participating in the long term incentive scheme in November 2015 triggered the Company's exit from the tax consolidated group as the Company no longer met the Tax Consolidated Group eligibility criteria of being in a wholly-owned group. The impact of this is that all tax profit earned by the Company until 31 May 2015 remains within the Tax Consolidated Group (of which OHHL is the sole member). The Company no longer has an automatic right to use tax losses of the Oceania Tax Consolidate Group, however is still able to access these tax losses by way of tax loss offset provided 66% commonality of ultimate shareholding is maintained.

Company's current taxable income for the year ended 31 May 2018 is \$26.4m. The Directors of the Company intend to enter into a tax loss agreement with other subsidiaries of Oceania Healthcare Limited. The Directors of the Company are also Directors of these subsidiary companies.

(iii) Recognition of Deferred Management Fee

The interpretation of NZ tax laws in relation to deferred management fees involves significant judgements and uncertainty. Deferred management fees are currently recognised for tax purposes consistent with the Company's revenue recognition policy consequently no deferred tax is recognised (refer note 2.2).

The Inland Revenue is currently disputing the tax treatment adopted by the Company in relation to deferred management fees and a Notice of Proposed Adjustment in respect of the 2016 income year was received on 13 March 2018.

The Company believes the tax treatment adopted is correct and is defending its position. Should the Inland Revenue be successful in its claim in relation to the 2016 income year this would initially result in the recognition of a tax liability of approximately \$5.4m which would be fully met by the application of losses. A corresponding recognition of an equal and opposite deferred tax asset of approximately \$5.4m would also be recognised at this time.

The dispute is currently limited to the 2016 income year however if the Commissioner is successful and requires application to the 31 May 2017 and 31 May 2018 periods, the corresponding deferred tax asset of \$6.1m would be recognised. Further, \$21.9m of the \$64.6m of available Group tax losses would be utilised.

Oceania Village Company Limited

Notes to the Financial Statements

For the Year Ended 31 May 2018

5.2. Trade and Other Receivables

Accounting Policy

Trade receivables are amounts due from customers in the ordinary course of business. Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost, less 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.

	May-18 \$'000	May-17 \$'000
Net trade and other receivables		
Trade receivables	800	665
Less: Provision for impairment	-	(14)
	<u>800</u>	<u>651</u>
Occupation licence payment receivable	19,658	883
Goods and service tax receivable	839	-
Prepayments	77	74
Trade and other receivables	<u>21,374</u>	<u>1,608</u>

All trade and other receivables are expected to mature within 12 months of balance date. There are no past due and impaired receivables as at 31 May 2018 (2017: \$0.14m)

Recognition, Measurement and Critical Judgements in Applying Accounting Policies

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off to the Statement of Comprehensive Income within other expenses. A provision for doubtful receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. This is an area of judgement. In making this judgement, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

When a trade receivable is uncollectable it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

Trade Receivables in relation to village residents with an ORA are not generally impaired, as unpaid balances are recovered at the time of settlement of the ORA. In 2018, following a review of the Company's recognition criteria, ORA contracts that are unconditional and have either cooled off or were occupied at 31 May 2018 have been included as this more accurately reflects the transfer of legal and economic benefits associated with these transactions.

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

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.

Sundry payables include \$7.0m in relation to the purchase of land (2017: nil) per note 3.1.

Settlement payments in respect of unconditional land purchases were made post 31 May 2018 per notes 3.1 and 5.8.

Wages and Salaries, Annual Leave and Long Service Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in sundry payables and accruals 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 benefits 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.

	May-18 \$'000	May-17 \$'000
Trade payables	40	-
Sundry payables and accruals	16,977	7,853
Goods and service tax payable	-	285
	<u>17,017</u>	<u>8,138</u>

Oceania Village Company Limited

Notes to the Financial Statements

For the Year Ended 31 May 2018

5.4. Related Party Transactions

Parent Entity

The direct parent entity is Oceania Healthcare Limited ("Parent"). The ultimate parent company in New Zealand is Oceania Healthcare Holdings Limited.

The ultimate owners of the Company are Trust Company Limited (interest 98.8%) and Ngakuta Trust Company Limited (interest 1.2%).

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 sister company.

Key Management and Personnel Compensation

Key management personnel comprises 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 sister 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:

	May-18 \$'000	May-17 \$'000
<i>Loans to related parties</i>		
Amounts owing to Oceania Healthcare Limited	205,015	189,283
Amounts owing from other Group companies	(112,738)	(136,330)
	<u>92,277</u>	<u>52,953</u>

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

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

5.4. Related Party Transactions (continued)

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 \$205.0m is subordinated in favour of all other creditors.

The following transactions took place during the year.

	May-18 \$'000	May-17 \$'000
<i>Transactions with Parent company</i>		
Payments by Parent for purchase of investment property	30,220	14,642
Capitalised interest on development	3,168	517
<i>Transactions with other Group companies</i>		
<i>Cash</i>		
Care package income payable to Oceania Care Company Limited	510	985
Employee costs payable to Oceania Care Company Limited	2,874	2,292
Net receivable in respect of cash sweeps to central treasury function, payment of village invoices by central function	28,110	22,750
<i>Non cash</i>		
Rental income charged to Oceania Care Company Limited for care properties	(21,713)	(28,141)
Accommodation rebate payable by Oceania Care Company Limited	(218)	(261)
	42,951	12,785

The 2018 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:

	May-18 \$'000	May-17 \$'000
Within one year	21,035	23,338
Later than one year but not later than five years	55,002	77,041
Later than five years	49,657	8,657
	125,694	109,036

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

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.

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 and Interest Rate 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, 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. Except as disclosed in the financial statements, 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 2018 is AA-.

The Company's trade receivables represent distinct relationships with residents. There are no concentrations of credit risk with residents. Refer to the trade receivables accounting policy for more information on impairment of trade receivables.

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

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, management aims 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 cashflows.

	Less than 1 Year \$'000	Between 1 and 2 Years \$'000	Between 2 and 5 Years \$'000	Over 5 Years \$'000
2017				
Trade and other payables	17,018	-	-	-
Related party payables	92,277	-	-	-
Refundable occupation right agreements	358,213	-	-	-
2016				
Trade and other payables	8,138	-	-	-
Related party payables	52,953	-	-	-
Refundable occupation right agreements	282,904	-	-	-

The refundable occupation rights agreements are repayable to the resident on vacation of the unit, apartment, care suite or on the termination of the ORA. The expected maturity of the refundable ORA 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 in order 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.

Oceania Village Company Limited

Notes to the Financial Statements

For the Year Ended 31 May 2018

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.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following relevant standards have not been early adopted by the Company but are to be adopted from 1 June 2018 and 1 June 2019 as appropriate which are the Company's mandatory adoption dates.

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

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. The Company's initial assessment did not highlight any significant impacts on the financial statements.

In summary:

- (i) **Classification and measurement** – The standard requires financial assets to be classified into two measurement categories: those measured as at fair value 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. For financial liabilities, the standard retains most of the NZ IAS 39 *Financial Instruments: Recognition and Measurement* (NZ IAS 39) requirements. 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 shall continue to be held at amortised cost less a provision for impairment.
- (ii) **Impairment** - The standard introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model used in NZ IAS 39. Application of the NZ IFRS 9 impairment model is expected to have minimal impact given the Company's credit risk management policies.

NZ IFRS 9 will require several new disclosures with respect to, credit risk and expected credit losses. The Company is currently working through the disclosure requirements which shall be required for the 30 November 2018 and 31 May 2019 financial statements onwards.

Oceania Village Company Limited

Notes to the Financial Statements

For the Year Ended 31 May 2018

5.6 New Accounting Standards (continued)

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

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 *Revenue* and NZ IAS 11 *Construction contracts* and is applicable to all entities with revenue.

The standard is based on the principle that revenue is recognised when control of a good and service transfers 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 and requires application of a 5-step process to:

- a) Identify the contract with the customer;
- b) Identify performance obligations;
- c) Determine transaction price;
- d) Allocate the transaction price to the performance obligations based on standalone selling prices; and
- e) Recognise revenue when performance obligations are satisfied.

The Company has reviewed the impact of NZ IFRS 15 and note the following in relation to the main revenue streams:

- (i) *Deferred management fees* – A contract is in place with all village and care suite residents by means of an ORA. The resident receives the benefit as they occupy the accommodation with a right to share in the use and enjoyment of common facilities. The deferred management fee is recognised on a straight-line basis over the greater of the term specified in a resident's ORA or the average expected occupancy for the relevant accommodation.
- (ii) *Village service fees* – Village service fees are charged to residents to recover village operating costs. A contract is in place with all village residents by means of an ORA. The resident receives the benefit as they occupy the accommodation and have a contracted agreed weekly fee. Village service fees are recognised in the accounting period in which the services are rendered and are specifically linked to the service delivered.
- (iii) *Rental income* – Contracts are in place with all rental residents in form of rental agreements which detail the relevant weekly / monthly rental fee. The resident receives the benefit as they occupy the accommodation.

The Company's initial assessment of NZ IFRS 15 is that the Company will continue to recognise management fees on a straight-line basis and each of care fees, village service fees and rental income in line with the date that the service is rendered. It is noted that the level of disclosure in relation to revenue will increase because of the adoption of NZ IFRS 15. The Company is currently working through the disclosure requirements which shall be required for the 30 November 2018 and 31 May 2019 financial statements onwards.

Oceania Village Company Limited

Notes to the Financial Statements

For the Year Ended 31 May 2018

5.6 New Accounting Standards (continued)

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

NZ IFRS 16 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 requires a lessee to recognise a lease liability on the balance sheet reflecting the future lease payments and a right-of-use asset for all lease contracts except those which are of low value or short term. There are minimal changes in respect to the accounting by lessors.

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

The Company has chosen not to early adopt the standard to allow further time to fully understand the impact and disclosure requirements.

5.7. Contingencies and Commitments

(a) Contingencies

As at 31 May 2018 the Company had no contingent liabilities or assets (2017: nil).

(b) Capital commitments

As at 31 May 2018 the Company has a number of commitments to develop and construct certain facilities totalling \$104.6m (2017: \$41.6m) of which \$104.1m (2017: \$39.5m) relates to development sites.

At 31 May 2018 the Company is committed to acquiring a number of parcels of land totalling \$14.3m.

(c) Lease Commitments

Lease of Investment Property

On 28 October 2015, 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 and a right to use asset recorded. See note 3.1 for further details. A commitment of \$17.7m exists in relation to Stage One of the development in the form of future lease payments.

(c) Repairs and Maintenance: Investment Property

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

Oceania Village Company Limited
Notes to the Financial Statements
For the Year Ended 31 May 2018

5.8. Events After Balance Date

Land Purchases

In June and July 2018, full and final settlement totalling \$7.0m was made in respect of three parcels of land which were subject to unconditional agreements as at 31 May 2018 as per note 3.1.

During June 2018 unconditional agreements were entered into for the purchase of a further five parcels of land adjacent to three existing facilities totalling \$14.3m. Final settlements are forecast to take place between July and October 2018.

Held for Sale Assets

A conditional Sale and Purchase Agreement was entered into with a third party in July 2018 in respect of the sale of the five facilities which were held for sale as at 31 May 2018 as per note 3.3.

There have been no other significant events after Balance Date.



Independent auditor's report

to the shareholder of Oceania Village Company Limited

The financial statements comprise:

- the balance sheet as at 31 May 2018;
- 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 include a summary of significant accounting policies.

Our opinion

In our opinion, the 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 2018, 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.

Other than in our capacity as auditor we have no relationship with, or interests in, 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
31 August 2018

Auckland