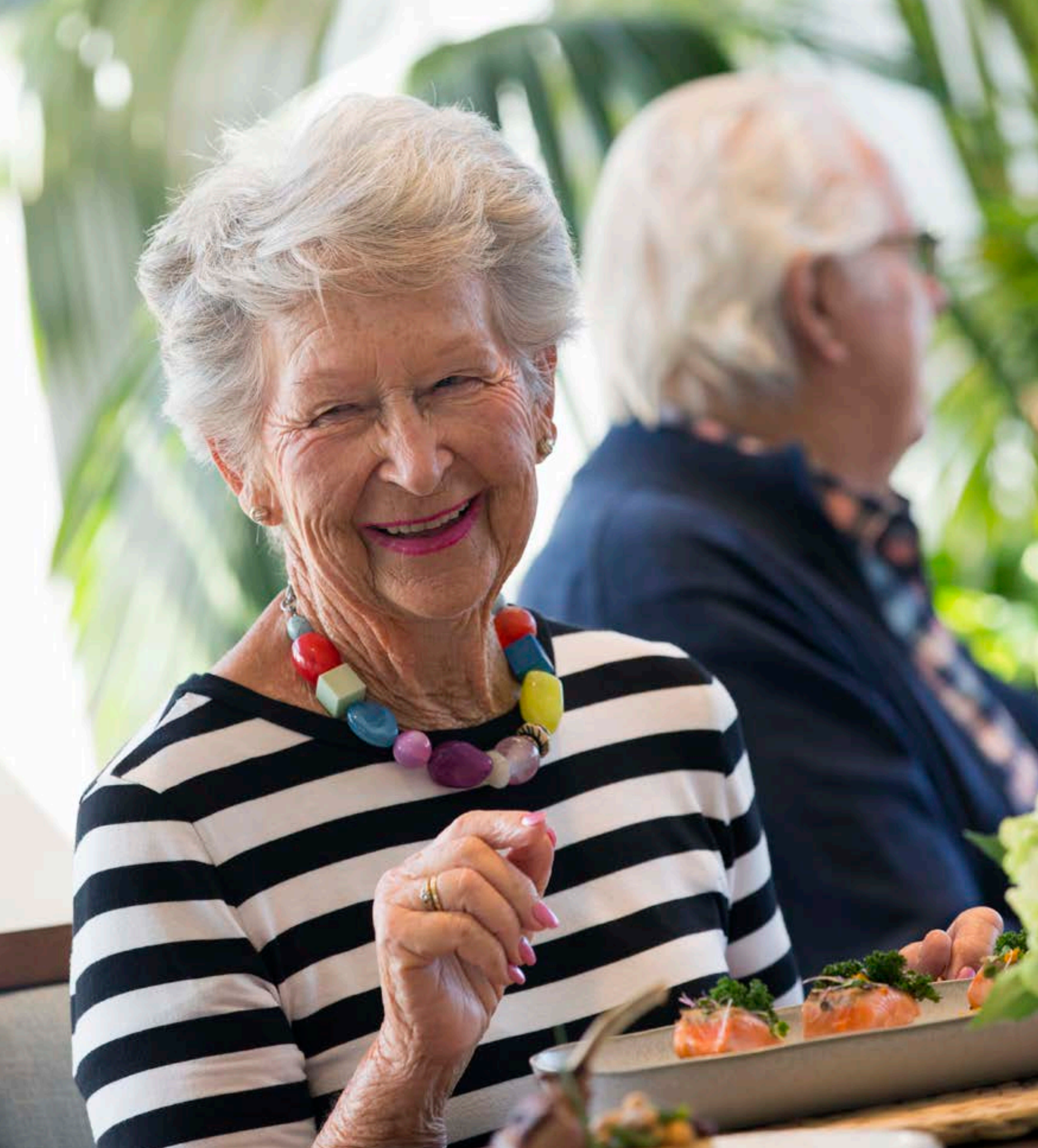


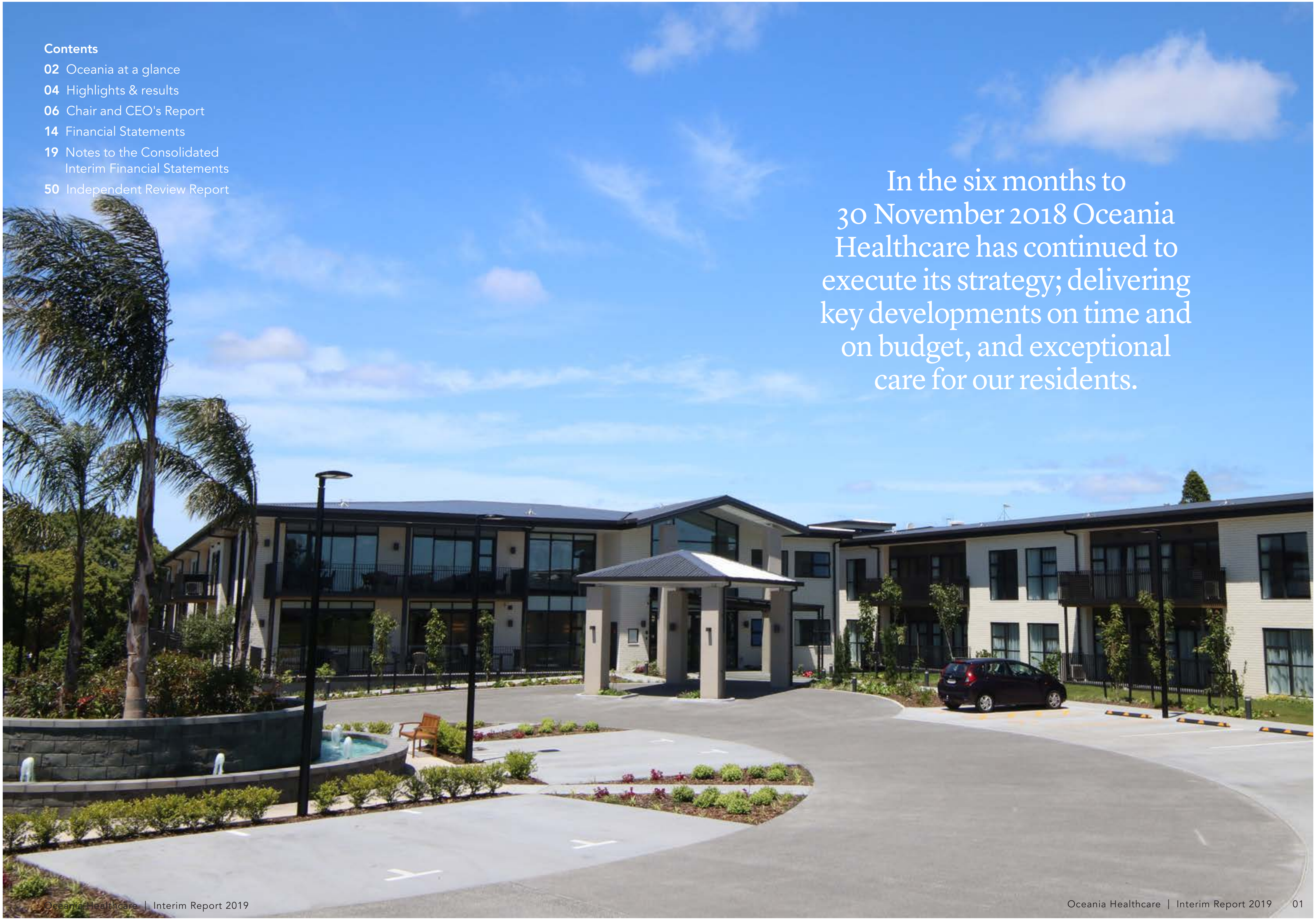
OCEANIA
HEALTHCARE

INTERIM REPORT 2019

**Contents**



In the six months to 30 November 2018 Oceania Healthcare has continued to execute its strategy; delivering key developments on time and on budget, and exceptional care for our residents.



# Oceania at a glance

Oceania Healthcare is a leading provider and developer of healthcare services in New Zealand being the third largest in residential aged care and sixth largest in retirement village. Our properties are located in prime metropolitan areas across New Zealand and we provide a full continuum of care offering to our residents.

We have a strong platform for growth given our substantial brownfield land bank, with proven expertise and experience in managing and delivering construction projects.

We have sufficient land to build 2,065 new residences (1,417 net of decommissions) with 1,516 of these already consented.

We pride ourselves in being a recognised industry leader in the provision of clinical care to our residents. In September 2018, we won both the Innovative Service Delivery and the Excellence in Food awards at the annual New Zealand Aged Care Association Conference.

## Oceania site locations

AS AT 30 NOVEMBER 2018

**~2,550**
STAFF

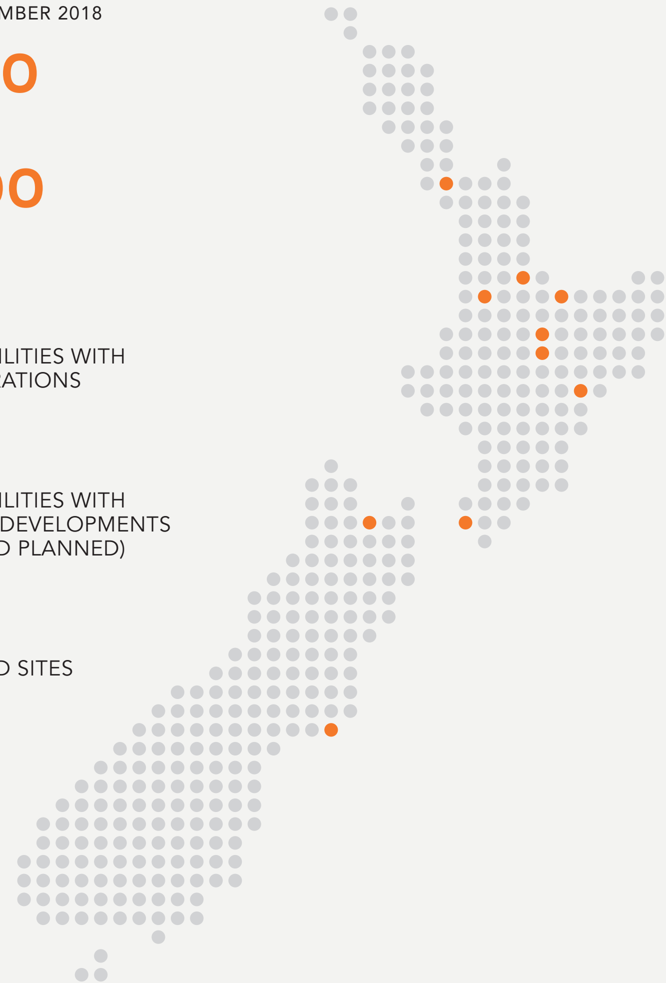
**~3,600**
RESIDENTS

**26**
EXISTING FACILITIES WITH MATURE OPERATIONS

**17**
EXISTING FACILITIES WITH BROWNFIELD DEVELOPMENTS (CURRENT AND PLANNED)

**3**
UNDEVELOPED SITES

**46**
TOTAL SITES



Locations

# Highlights & results

Your Board of Directors is pleased to report the interim result for the six months to 30 November 2018.

## Financial

### UNDERLYING NET PROFIT AFTER TAX[1]

**$20.9M**

FOR THE SIX MONTHS TO 30 NOVEMBER 2018

**+5.3%**
Ahead of 30 November 2017 underlying net profit after tax of $19.9m[2]

**+8.7%**
Ahead of 30 November 2017 underlying net profit after tax – continuing operations[3]

### TOTAL ASSETS

**$1.2B**

AS AT 30 NOVEMBER 2018

**+5.4%**
Higher than 31 May 2018 total assets of $1.1b

### REPORTED TOTAL COMPREHENSIVE INCOME

**$19.5M**

FOR THE SIX MONTHS TO 30 NOVEMBER 2018

Below 30 November 2017 reported total comprehensive income of $42.9m

### OPERATING CASH FLOW

**$47.1M**

FOR THE SIX MONTHS TO 30 NOVEMBER 2018

Above 30 November 2017 reported operating cash flow of $17.1m

[1] This is a non-GAAP measure

[2] The 30 November 2017 figure does not include the recognition of unsettled ORAs. Refer to note 2.1 in the interim financial statements.

[3] Underlying net profit after tax – Continuing operations contains a proforma adjustment that excludes the earnings from sites divested in 1HY2019. Earnings have been excluded in both 1HY2019 and 1HY2018.

Note: Percentages above are calculated based on the numbers in the interim financial statements for each respective financial period and may have rounding differences.

## Operational

### CARE BEDS AND CARE SUITES

**2,580**

### UNITS

**1,088**

### UNIT SALES

| NEW UNITS | RESALE UNITS | NEW CARE SUITES | RESALE CARE SUITES | = | TOTAL SALES |
|---|---|---|---|---|---|
| 41 | 32 | 24 | 47 | = | 144 |

FOR THE SIX MONTHS TO 30 NOVEMBER 2018

**+56.5%**
Ahead of total sales for the six months to 30 November 2017

## Developments

**UNITS AND CARE SUITES 287**

### SECURED

Resource consents at Elmwood (Auckland) 142 care suites, Eden (Auckland) 48 apartments, Meadowbank (Auckland) 36 care suites, and Eversley (Hastings) 61 care suites.

**73.4%**
**of the total development pipeline is now consented.**

**UNITS AND CARE SUITES 587**

### UNDER CONSTRUCTION[4]

587 units and care suites under construction at Meadowbank and The Sands (Auckland), The BayView (Tauranga), Gracelands (Hawkes Bay), Whitianga, Trevellyn (Hamilton), Windermere (Christchurch) and Green Gables (Nelson).

**UNITS AND CARE SUITES 81**

### COMPLETED

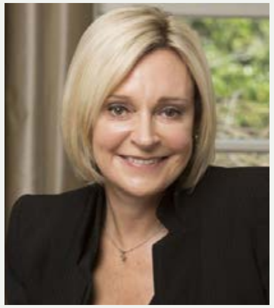
At The BayView (Tauranga) in November 2018.

**UNITS AND CARE SUITES 191**

### TO COMPLETE

A further 191 units and care suites are due to complete at The Sands (Auckland) and Meadowbank Stage 4 (Auckland) by the end of the 2019 financial year.

[4] As at 25 January 2019



We are pleased to report that Oceania Healthcare continues to make great progress with the execution of its strategy to provide excellent contemporary care that reflects our residents' individuality and their right to choice, respect and dignity.

## Financial Review

Oceania Healthcare reported a strong six month result to 30 November 2018, with underlying net profit after tax[1] of $20.9m representing a 5.3% increase over the prior corresponding period. Our continuing operations increased underlying net profit after tax by 8.7% over this same period which reflected growth in deferred management fees from our Village business and realised development gains from sites completed earlier in the year.

In accordance with our proven growth strategy for our aged care business, we converted a number of care rooms into premium care suites over the period, as we set out in detail below. These conversions, as well as the completion of the new care suite facility at The BayView (Tauranga) and increase in revaluations of our existing care suite sites, increased total comprehensive income attributable to shareholders to $19.5m during the period. Due to the classification of our care facilities in the financial statements as property, plant and equipment rather than investment property, these increases in valuation are not recorded in our statutory reported profit.

Operating cashflow of $47.1m was 175.9% higher than the prior corresponding period with sale proceeds from our developments completed earlier in 2018 contributing $43.5m, which represents an increase of 287.8%. The selldown of the Meadowbank Stage 3 development (completed in February 2018) and Elmwood development completed in the previous year contributed to this strong cash generation in the reporting period.

[1] This is a non-GAAP measure.





Total assets increased by $61.7m to $1.2b due to significant development capital expenditure, acquisition of land adjoining existing sites and revaluations.

Occupancy at care homes that are not impacted by our redevelopment activity increased to 92.0% compared with 89.9% in the corresponding period last year. The national average is 87.6%[2]. Care revenue represented 82.6% of total operating revenue.

We increased and extended our debt facilities to July 2023 which has provided us with sufficient headroom and flexibility to accelerate the execution of our development pipeline. With net debt of $197.3m as at 30 November 2018, our gearing remains prudent with net debt to net debt plus equity of 26.7%.

We have a very busy second half (financial year) ahead of us with stage 4 of the redevelopment of Meadowbank Village and The Sands (Browns Bay, Auckland) on track to complete before 31 May 2019, and the first residents moving into these new villages by the end of that month or early on in the next. Presale applications at The Sands have been strong as expected at this premier location with 13 applications already received. Of course our development programme continues at a very full rate with stage 1 of Trevellyn (Hamilton) also expected to be substantially complete around the same time.

The Board has declared an interim dividend of $12.8m, or 2.1 cents per share (not imputed), to be paid on 18 February 2019. The record date for entitlement is 11 February 2019.

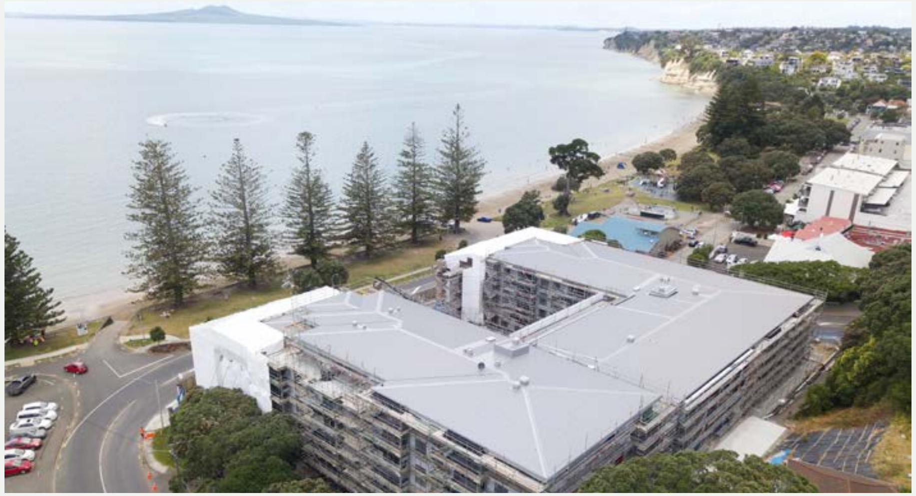
## Highlights

Highlights of the period under review include the completion of 81 care suites at The BayView in Tauranga and the settlement of the purchase of properties adjoining our Waimarie Street site (acquired in February 2018) and also properties neighbouring facilities at Eden, Elmwood, and Lady Allum (all in Auckland).

We have continued to develop our innovative aged care service delivery model which was initially implemented at Meadowbank in Auckland and has since been introduced at The BayView. This new service delivery model has been exceptionally well received by our aged care residents and their families with standards previously unheard of in the aged care industry.

We continue to be recognised by our peers as an industry leader in the provision of excellent care to our residents, and recently won both the Innovative Service Delivery and the Excellence in Food awards at the New Zealand Aged Care Association Conference.

[2] For the quarter ended Sept 18 – Source: NZACA



The Sands, Auckland

## Developments

During the six months to 30 November 2018, we have made excellent progress on our development sites. We continue to progress our key developments on time and on budget and have delivered the projects that we indicated would be completed during this first half of FY2019. We are continuing our extensive programme of capital works on our sites with nine major projects currently underway. In undertaking these projects, our team works hard to build quality products that exceed the expectations of our residents and reflect the local communities in which we operate.

The construction of the new care facility at The BayView was completed in October 2018, on time and on budget. Ministry of Health Certification for the 81 care suites was obtained with no partial attainments, an outstanding achievement for a new facility.

Residents of the previous care facility on the site were transferred to the new care facility in December 2018 and demand for the remaining care suites is expected to be strong. Construction of stage two of the development (which involves the demolition of the previous care facility and the construction of 74 independent living apartments and community facilities) has just commenced. It is expected that stage two will be completed during FY2020.

The fourth stage of Meadowbank (comprising 49 independent living apartments and an additional 34 luxury care suites) is progressing comfortably and is expected to be completed by May 2019. The first residents will move in to the independent living apartments during May, with the first care suite residents moving in once Ministry of Health Certification is completed. Construction of stage five (comprising





26 independent living apartments) has just commenced and this stage, which is the final stage of independent living apartments to be constructed at Meadowbank, is expected to be completed during FY2020.

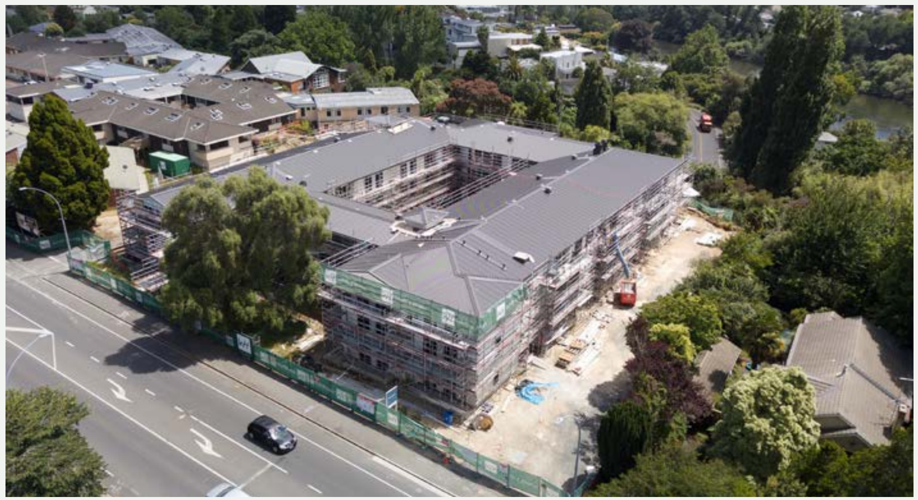
The construction of The Sands (in Browns Bay, Auckland) is also progressing well. This waterfront development on Auckland's North Shore comprises 64 independent living apartments and 44 luxury care suites. Construction is scheduled to be completed in May 2019, with the first residents moving in by the end of that month or early the next.

Construction of 90 new care suites at Trevellyn in Hamilton is well advanced, with construction expected to be substantially complete around the same time, somewhat earlier than previously anticipated. Following certification of the care suites, we anticipate that the first residents will move in during August 2019.

The redevelopment of our Green Gables site in central Nelson commenced in June 2018 with the demolition of the previous care facility. This development comprises 28 independent living apartments and 61 care suites and it is expected to be completed in FY2020.

We have also recently commenced construction of 22 independent living apartments and 71 care suites at Windermere in Papanui, Christchurch. Construction of this boutique development is expected to be complete during FY2021.

In addition to the larger development projects set out above, we commenced groundworks for the development of 17 new villas at Gracelands (Hawkes Bay) in November 2018 and the construction of seven villas at Whitianga (Coromandel) in January 2019.



Trevellyn, Hamilton

In total, we expect to deliver 113 independent living apartments and 78 care suites during the second half of the financial year, in addition to the 81 care suites already delivered during the first half. This brings the full year development output to 272 residences, which is precisely what we indicated would be delivered earlier this year.

With the increase and extension of our debt facilities in July 2018, we have also been able to accelerate our future development pipeline. In the six month period to 30 November 2018, we have obtained resource consents to develop 142 care suites over three levels at Elmwood (in The Gardens, Auckland), to develop stage six at Meadowbank (comprising 36 large dementia care suites) and to develop 48 new independent living apartments and a community centre on the recently acquired land adjacent to Eden Village (also in Auckland). Our team is now busy working on the building consent applications for each of these developments.

We have significantly enlarged the development area of our premium Waimarie Street site (in St Heliers, Auckland) by acquiring a number of neighbouring properties. Settlement of these purchases occurred between June and September 2018 and these acquisitions will enhance the overall development by providing uninterrupted street frontage on Waimarie Street and increasing the development yield. Our team is now finalising concept plans for this premium boutique aged care facility and retirement village with expansive views over the Waitemata Harbour and Auckland city.

## Care

Aged Care is our core competency and we are recognised as a market leader in the delivery of excellent clinical care. We have a significantly higher weighting of aged care beds in our portfolio and this focus will remain as we build out our development pipeline. We have a clear growth strategy in aged care both in the transformation of our portfolio through the development of premium care suites as well as the roll out of our innovative aged care service delivery model.

An important component of our aged care delivery is the provision of nutritious food and quality dining experiences for our residents. We have recently appointed a National Culinary Manager who is responsible for championing excellence in our food service offering throughout the country by working with and developing our chefs and kitchen teams, as well as driving innovation and excellence in food service delivery.

As mentioned above, care suites are at the core of our growth strategy in aged care. During FY2018, we reviewed our existing aged care portfolio and assessed opportunities to enhance returns at each facility.

Following this review, we have already commenced a programme of upgrading and converting standard rooms to premium care suites and beds that will





meet enhanced resident expectations at a number of sites across New Zealand. We have recently completed the conversion of an additional five care suites at Woodlands (in Motueka, Nelson) and four care suites at Holmwood (in Rangiora, Canterbury) as well as completing the conversion of nine existing independent living apartments into care suites at St Johns Wood (in Taupo) in September 2018. We are also in the process of converting standard rooms to care suites at Atawhai (in Hawkes Bay), Middlepark and Addington Gardens (both in Christchurch).

Along with the redevelopment of our premium sites in Auckland, Tauranga, Hamilton, Nelson and Christchurch, we expect our aged care portfolio to comprise 68% care suites by the completion of our current brownfields development pipeline.

The sale of five facilities to Heritage Lifecare was also completed in September 2018.

## Our People

Over the past six months we have made significant wage increases for all of our staff. Our registered nurses received increases to reflect the recent DHB settlement, and do an exceptional job caring for our residents. Our Healthcare Assistants received the second year of the equal pay adjustment and our housekeeping staff were also rewarded with our starting rate now well above the minimum wage. These wage increases are well-deserved recognition for all the hard work that our incredible staff do 24 hours a day, seven days a week.

We remain focused on the safety of our teams and, in addition to continuing to roll out our moving and handling training programme and our injury management processes, we are in the process of implementing robust contractor management programmes to ensure quality of services as well as making sure that health and safety requirements are met.

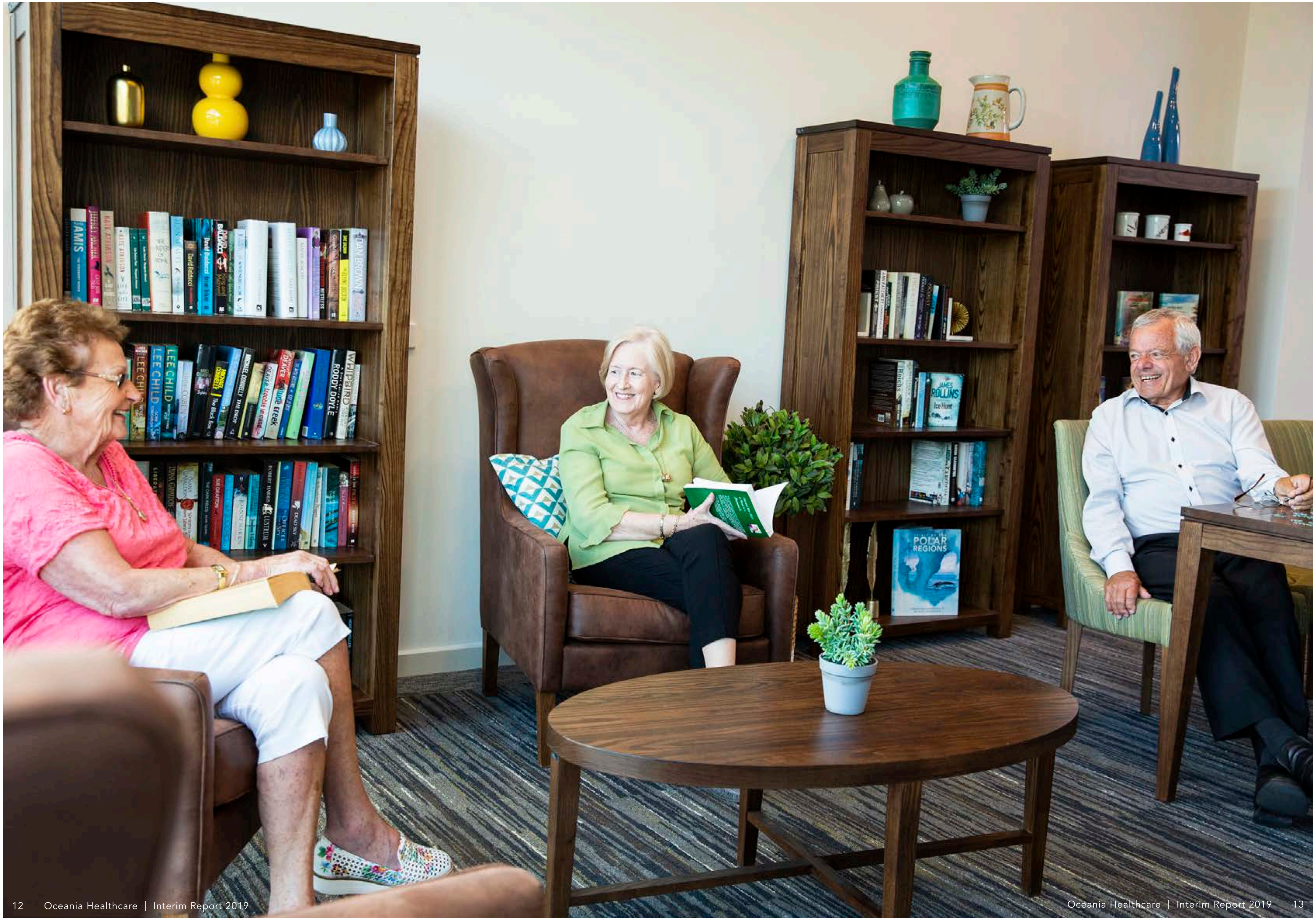
We have entered into a national agreement with KidsCan, a charity which supports low decile schools throughout New Zealand by providing students with food, clothing, health and hygiene supplies. This arrangement provides an opportunity for staff, residents and their families across all of our facilities to be part of a cause that impacts their local communities. We are looking forward to working with KidsCan and partnering with schools across New Zealand.

We would like to thank our staff, Board members, contractors and suppliers for all their dedication, work and commitment to enhance the lives of our residents.

Yours sincerely

**Elizabeth Coutts**
Chair

**Earl Gasparich**
Chief Executive Officer


LEE CHILD
DAN BROWN
RODDY DOYLE
JAMES ROLLINS
Ice Hunt
POLAR REGIONS

# Directors' Report

30 November 2018

The Board has pleasure in presenting the interim report of Oceania Healthcare Limited and its subsidiaries, incorporating the consolidated interim financial statements and the independent review report, for the six months ended 30 November 2018.

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

For and on behalf of the Board

**Elizabeth Coutts**
Chairman

**Alan Isaac**
Director



# Consolidated Statement of Comprehensive Income

For the six months ended 30 November 2018

| **$'000** | Notes | **Unaudited Six months 30 Nov 2018** | Unaudited Six months 30 Nov 2017 |
|---|---|---|---|
| Operating revenue | | 94,282 | 90,207 |
| Change in fair value of investment property | 3.1 | 1,624 | 34,147 |
| Other income | | 2,132 | 1,916 |
| **Total income** | | **98,038** | **126,270** |
| | | | |
| Employee benefits | | 59,325 | 54,476 |
| Depreciation and amortisation | | 4,329 | 4,062 |
| Finance costs | | 2,014 | 1,448 |
| Impairment / (reversal of impairment) of property, plant and equipment | 3.3 | 5,659 | (1,118) |
| Other expenses | | 29,966 | 22,991 |
| **Total expenses** | | **101,293** | **81,859** |
| | | | |
| **(Loss) / profit before income tax** | | **(3,255)** | **44,411** |
| Income tax benefit / (expense) | 5.1 | 4,507 | (1,890) |
| **Profit for the period** | | **1,252** | **42,521** |
| | | | |
| **Other comprehensive income** | | | |
| **Items that will not be subsequently reclassified to profit or loss** | | | |
| Gain on revaluation for the period, net of tax | 3.3 | 18,197 | 370 |
| **Items that may be subsequently reclassified to profit or loss** | | | |
| Movement in interest rate swaps, net of tax | | 63 | (19) |
| **Other comprehensive income for the period, net of tax** | | 18,260 | 351 |
| **Total comprehensive income for the period attributable to shareholders of the parent** | | **19,512** | **42,872** |
| | | | |
| Basic earnings per share (cents per share) | 4.2 | 0.2 | 7.0 |
| Diluted earnings per share (cents per share) | 4.2 | 0.2 | 7.0 |

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

## Consolidated Balance Sheet

As at 30 November 2018

| $'000 | Notes | Unaudited 30 Nov 2018 | Audited 31 May 2018 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 10,644 | 18,288 |
| Trade and other receivables | | 20,499 | 32,693 |
| Assets held for sale | 3.3 | - | 19,653 |
| Property, plant and equipment | 3.3 | 357,216 | 303,561 |
| Investment property | 3.1 | 804,439 | 755,561 |
| Intangible assets | | 16,027 | 17,398 |
| **Total assets** | | **1,208,825** | **1,147,154** |
| **Liabilities** | | | |
| Trade and other payables | | 31,527 | 37,592 |
| Derivative financial instruments | | 185 | 283 |
| Deferred management fees | 3.2 | 24,172 | 21,923 |
| Refundable occupation right agreements | 3.2 | 383,306 | 358,213 |
| Borrowings | 4.3 | 206,980 | 168,711 |
| Deferred tax liabilities | 5.1 | 21,689 | 23,335 |
| **Total liabilities** | | **667,859** | **610,057** |
| **Net assets** | | **540,966** | **537,097** |
| **Equity** | | | |
| Contributed equity | 4.1 | 579,498 | 579,498 |
| Retained deficit | | (141,517) | (127,899) |
| Reserves | | 102,985 | 85,498 |
| **Total equity** | | **540,966** | **537,097** |

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



## Consolidated Statement of Changes in Equity

For the period ended 30 November 2018

| $'000 | Notes | Contributed equity | Retained deficit | Asset revaluation reserve | Interest rate swap reserve | Total equity |
|---|---|---|---|---|---|---|
| Balance as at 1 June 2017 (audited) | | 579,498 | (195,966) | 84,603 | (182) | 467,953 |
| Profit for the period | | - | 42,521 | - | - | 42,521 |
| **Other comprehensive income** | | | | | | |
| Revaluation of interest rate swaps | | - | - | - | (19) | (19) |
| Revaluation of assets net of tax | 3.3 | - | - | 370 | - | 370 |
| **Total comprehensive income** | | **-** | **42,521** | **370** | **(19)** | **42,872** |
| **Transactions with owners** | | | | | | |
| Employee share scheme | | - | 79 | - | - | 79 |
| **Total transactions with owners** | | **-** | **79** | **-** | **-** | **79** |
| **Balance as at 30 November 2017 (unaudited)** | | **579,498** | **(153,366)** | **84,973** | **(201)** | **510,904** |
| Balance at 1 June 2018 (audited) | | 579,498 | (127,899) | 85,601 | (103) | 537,097 |
| Profit for the period | | - | 1,252 | - | - | 1,252 |
| **Other comprehensive income** | | | | | | |
| Revaluation of interest rate swaps net of tax | | - | - | - | 63 | 63 |
| Revaluation of assets net of tax | 3.3 | - | - | 18,197 | - | 18,197 |
| **Total comprehensive income** | | **-** | **1,252** | **18,197** | **63** | **19,512** |
| Transfer of revaluation reserve for assets held for sale | 3.3 | - | 773 | (773) | - | - |
| **Transactions with owners** | | | | | | |
| Dividends paid | | - | (15,713) | - | - | (15,713) |
| Employee share scheme | | - | 70 | - | - | 70 |
| **Total transactions with owners** | | **-** | **(15,643)** | **-** | **-** | **(15,643)** |
| **Balance as at 30 November 2018 (unaudited)** | | **579,498** | **(141,517)** | **103,025** | **(40)** | **540,966** |

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

## Consolidated Cash Flow Statement

For the six months ended 30 November 2018

| $'000 | Unaudited Six months 30 Nov 2018 | Unaudited Six months 30 Nov 2017 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from residents for membership fees, village and care fees | 86,208 | 78,521 |
| Payments to suppliers and employees | (84,281) | (76,070) |
| Rental expense in relation to right to use asset | (4,815) | - |
| Receipts from new occupation right agreements | 73,712 | 34,411 |
| Payments for outgoing occupation right agreements | (22,316) | (18,550) |
| Interest received | 83 | 72 |
| Interest paid | (1,520) | (1,325) |
| **Net cash inflow from operating activities** | **47,071** | **17,059** |
| **Cash flows from investing activities** | | |
| Proceeds from sale of property, plant and equipment and investment property | 19,678 | 165 |
| Payments for property, plant and equipment and intangible assets | (40,811) | (14,278) |
| Payments for investment property and investment property under development | (53,136) | (34,645) |
| **Net cash outflow from investing activities** | **(74,269)** | **(48,758)** |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | 96,267 | 44,812 |
| Repayment of borrowings | (61,000) | (17,726) |
| Dividends paid | (15,713) | - |
| **Net cash inflow from financing activities** | **19,554** | **27,086** |
| **Net increase in cash and cash equivalents** | **(7,644)** | **(4,613)** |
| Cash and cash equivalents at the beginning of the period | 18,288 | 10,861 |
| **Cash and cash equivalents at end of period** | **10,644** | **6,248** |

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



# Notes to the Consolidated Interim Financial Statements

For the six months ended 30 November 2018

# 1. General Information

## 1.1. Basis of Preparation

### (i) Entities reporting

The consolidated interim financial statements of the "Group" entity are for the economic entity comprising Oceania Healthcare Limited (the "Company") and its subsidiaries, together "the Group". Refer to the 31 May 2018 annual report and note 4.1 for details of the Group structure.

The consolidated interim financial statements incorporate the assets and liabilities of all subsidiaries of Oceania Healthcare Limited as at 30 November 2018 and the results of all subsidiaries for the six months then ended.

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

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

### (ii) Statutory base

Oceania Healthcare Limited is a limited liability company which is domiciled and incorporated in New Zealand. It is registered under the Companies Act 1993 and is a FMC Reporting Entity in terms of Part 7 of the Financial Markets Conduct Act 2013. The Company is also listed on the NZX Main Board ("NZX") and the Australian Securities Exchange ("ASX") as a foreign exempt listing. The consolidated interim financial statements have been prepared in accordance with the requirements of the NZX and ASX listing rules, and Part 7 of the Financial Markets Conduct Act 2013.

The consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* ("NZ IAS 34") and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

The accounting policies that materially affect the measurement of the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet and the Consolidated Cash Flow Statement have been applied on a basis consistent with those used in the audited consolidated annual financial statements for the year ended 31 May 2018 with the exception of the tax treatment of deferred management fees ("DMF") as set out in note 5.1 and the application of new standards as set out in note 5.2.





## 1.1. Basis of Preparation (Continued)

The consolidated interim financial statements do not include all the notes of the type normally included in the consolidated annual financial statements. Accordingly, these consolidated interim financial statements are to be read in conjunction with the consolidated annual financial statements for the year ended 31 May 2018, prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS").

The consolidated interim financial statements for the six months ended 30 November 2018 and comparatives for the six months ended 30 November 2017 are unaudited. The consolidated annual financial statements for the year ended 31 May 2018 were audited and form the basis for the comparative figures for that period in these statements. They are presented in New Zealand dollars which is the Group's presentational currency.

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

### (iii) Key estimates and judgements

The preparation of the consolidated interim financial statements in conformity with IAS 34 and NZ IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## 1.1. Basis of Preparation (Continued)

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

- Fair value of investment property and investment property under development (note 3.1)
- Classification of accommodation with a care or service offering (refer 31 May 2018 audited consolidated financial statements notes 3.1 and 3.3)
- Fair value of freehold land and buildings (note 3.3)
- Revenue recognition of deferred management fees (refer 31 May 2018 audited consolidated financial statements note 3.2)
- Recognition of deferred tax (note 5.1).

## 1.2. Accounting Policies

### (i) New and amended standards adopted by the Group

During the period the Group adopted NZ IFRS 15 *Revenue from contracts with customers* and NZ IFRS 9 *Financial Instruments.* Refer to note 5.2 for further details.

### (ii) Measurement of fair value

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

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

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

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

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





## 1.3 Significant Events and Transactions

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 30 November 2018:

- Disposals – five facilities were sold during the period resulting in a gain of $0.6m (net of goodwill disposal of $1.6m) recognised in the Consolidated Statement of Comprehensive Income (note 3.3)
- New accounting standards – NZ IFRS 9 *Financial Instruments* and NZ IFRS 15 *Revenue from contracts with customers* were adopted during the period (note 5.2)
- Recognition of tax on DMF revenue – during the period there was a change in the timing of recognition of DMF income for tax purposes (note 5.1).

# 2. Operating Performance

## 2.1. Operating Segments

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

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

The Group comprises two segments, care operations and village operations and operates in New Zealand. There have been no changes to the segments from those disclosed in the 31 May 2018 consolidated annual financial statements.

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

### Additional segmental reporting information

Capital expenditure

Refer to notes 3.1 and 3.3 for details on capital expenditure. Chattels, freehold land and buildings, including related property held for development, classified as property, plant and equipment principally relate to care operations. Investment property assets principally relate to village operations. Capital expenditure on intangibles and other property, plant and equipment are unallocated to these segments.

### 2.1. Operating Segments (Continued)

**Goodwill**

Goodwill is allocated to care cash generating units.

**Underlying profit**

Underlying Profit is a non-GAAP measure used by the Group to monitor financial performance and determine dividend distributions. Underlying Profit measures require a methodology and a number of estimates to be approved by the Directors in their preparation. Both the methodology and the estimates may differ among companies in the retirement village sector that report underlying financial measures. Underlying Profit is a measure of financial performance and does not represent cash flow generated during the period.

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

- Removing the change in fair value of investment properties (including right to use investment property assets) and any impairment or reversal of impairment of property, plant and equipment;
- Removing any impairment of goodwill;
- Removing any gains or losses on the sale or decommissioning of assets;
- Removing any DMF income and rental expenditure in relation to right to use investment property assets;
- Adding back the Directors' estimate of realised gains on resale of occupation right agreement ("ORA") units and care suites[1];
- Adding back the Directors' estimate of realised development margin on the first sale of new ORA units or care suites following the development of an ORA unit or care suite, conversion of an existing care bed to a care suite or conversion of a rental unit to an ORA unit; and
- Adding back the deferred taxation component of taxation expense so that only the current tax expense is reflected.

Following the sale of certain assets during the six months to 30 November 2018 the definition of the Underlying Profit measure has been adjusted to include the gain or loss on the sale of assets. This has resulted in a reduction in Underlying Profit for the six months to 30 November 2018 of $0.2m.

[1] Units and care suites sold under an Occupation Right Agreement.



## Notes to the Financial Statements (Continued)
For the six months ended 30 November 2018

### 2.1. Operating Segments (Continued)

**Resale gain – underlying profit**

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

In the interim period ended 30 November 2017 there were resale gains of $1.0m that related to units and care suites that had cooled off or where the resident was in occupation but had not completed cash settlement. In the interim period ended 30 November 2017 only resale gains for ORAs for which settlement in cash had occurred were recognised. In 2017, following a review of the Group's revenue recognition criteria, ORA contracts that are unconditional and have either cooled off or where the resident was in occupation have been included as this more accurately reflects the transfer of legal and economic benefits associated with these transactions. These resale gains amounted to $1.0m for the six month period to 30 November 2018.

## 2.1. Operating Segments (Continued)

### Development margin – underlying profit

The Directors' estimate of realised development margin is calculated as the cash received, and receivable, in relation to the first sale of new ORA units and care suites, at the point that the ORA contract becomes unconditional and has either "cooled off" or where the resident is in occupation at balance date, less the development costs associated with developing the ORA units and care suites. In the interim period ended 30 November 2017 there was realised development margin of $0.2m that related to units and care suites that had cooled off or where the resident was in occupation but had not completed cash settlement. This development margin amounted to $0.8m for the six month period to 30 November 2018.

In the interim period ended 30 November 2017, only realised development margin for ORAs for which settlement in cash had occurred was recognised. In 2018, following a review of the Group's revenue recognition criteria, ORA contracts that are unconditional and have either cooled off or where the resident was in occupation have been included as this more accurately reflects the transfer of legal and economic benefits associated with these transactions. The development costs include:

- Construction costs directly attributable to the relevant project, including any required infrastructure (e.g. roading) and amenities related to the units (e.g. landscaping) as well as any demolition and site preparation costs associated with the project. The costs are apportioned between the ORA units and care suites, in aggregate, using estimates provided by the project quantity surveyor. The construction costs for the individual ORA units or care suites sold are determined on a pro rated basis using gross floor areas of the ORA units and care suites;

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

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

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





## 2.1. Operating Segments (Continued)

- An apportionment of land value based on the gross floor area of the ORA units and care suites developed. The value for Brownfield[2] development land is the estimated fair value of land at the time a change of use occurred[3] (from operating as a care facility or retirement village to a development site), as assessed by an external independent valuer. Greenfield[4] development land is valued at historical cost; and
- Capitalised interest costs to the date of project completion apportioned using the gross floor area of ORA units and care suites developed.

Development costs do not include:

- Construction, land (apportioned on a gross floor area basis) and interest costs associated with common areas and amenities or any operational or administrative areas.

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

- In the case of conversion of care beds to care suites, the actual refurbishment costs incurred; and
- In the case of conversions of rental units to ORA units, the actual refurbishment costs incurred and the fair value of the rental unit prior to conversion.

## 2.1. Operating Segments (Continued)

| $'000 | Care Operations | Village Operations | Other | Total |
|---|---|---|---|---|
| **Six months ended 30 November 2018 (unaudited)** | | | | |
| Operating revenue | 82,019 | 12,263 | - | 94,282 |
| Other income | 881 | 1,005 | 163 | 2,049 |
| Revaluation of investment property | - | 1,624 | - | 1,624 |
| **Total income** | **82,900** | **14,892** | **163** | **97,955** |
| Operating expenses[5] | (68,250) | (11,897) | (9,144) | (89,291) |
| Impairment of goodwill | - | - | - | - |
| Impairment of property, plant and equipment | (5,659) | - | - | (5,659) |
| **Segment EBITDA** | **8,991** | **2,995** | **(8,981)** | **3,005** |
| Interest income | - | 15 | 68 | 83 |
| Finance costs | - | - | (2,014) | (2,014) |
| Depreciation and amortisation | (4,075) | - | (254) | (4,329) |
| **Profit / (loss) before income tax** | **4,916** | **3,010** | **(11,181)** | **(3,255)** |
| Taxation (expense) / benefit | (4,275) | 8,665 | 117 | 4,507 |
| **Profit / (loss) for the period attributable to shareholders** | **641** | **11,675** | **(11,064)** | **1,252** |
| **Adjusted for underlying profit items** | | | | |
| Add / (Less): Change in fair value of investment property[6] and reversal of impairment of property, plant and equipment | 5,659 | (1,624) | - | 4,035 |
| Add: Impairment of goodwill | - | - | - | - |
| Less: DMF in relation to right to use asset | - | (309) | - | (309) |
| Add: Rental expenses in relation to right to use asset | - | 4,815 | - | 4,815 |
| Less: (Gain) / loss on the sale or decommissioning of assets | (590) | - | 435 | (155) |
| Add: Realised gain on resale | - | 5,950 | - | 5,950 |
| Add: Realised development margin | - | 9,861 | - | 9,861 |
| **Underlying net profit / (loss) before tax** | **5,710** | **30,368** | **(10,629)** | **25,449** |
| Add / (Less): Deferred tax | 4,275 | (8,665) | (117) | (4,507) |
| **Underlying net profit / (loss) after tax** | **9,985** | **21,703** | **(10,746)** | **20,942** |
| Less: Interest income | - | (15) | (68) | (83) |
| Add: Finance costs | - | - | 2,014 | 2,014 |
| Add: Depreciation and amortisation | 4,075 | - | 254 | 4,329 |
| **Underlying EBITDA** | **14,060** | **21,688** | **(8,546)** | **27,202** |

[5] Includes rental expenses in relation to right to use asset of $4.8m (30 November 2017: nil).

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





## 2.1. Operating Segments (Continued)

| $'000 | Care Operations | Village Operations | Other | Total |
|---|---|---|---|---|
| **Six months ended 30 November 2017 (unaudited)** | | | | |
| Operating revenue | 79,260 | 10,947 | - | 90,207 |
| Other income | 671 | 589 | 584 | 1,844 |
| Revaluation of investment property | - | 34,147 | - | 34,147 |
| **Total income** | **79,931** | **45,683** | **584** | **126,198** |
| Operating expenses | (63,523) | (5,957) | (7,987) | (77,467) |
| Reversal of impairment of property, plant and equipment | 1,118 | - | - | 1,118 |
| Impairment of goodwill | - | - | - | - |
| **Segment EBITDA** | **17,526** | **39,726** | **(7,403)** | **49,849** |
| Interest income | 2 | 9 | 61 | 72 |
| Finance costs | - | - | (1,448) | (1,448) |
| Depreciation and amortisation | (3,796) | - | (266) | (4,062) |
| **Profit before income tax** | **13,732** | **39,735** | **(9,056)** | **44,411** |
| Taxation (expense) / benefit | (1,553) | 1,104 | (1,441) | (1,890) |
| **Profit for the period attributable to shareholders** | **12,179** | **40,839** | **(10,497)** | **42,521** |
| **Adjusted for underlying profit items** | | | | |
| Less: Change in fair value of investment property and reversal of impairment of property, plant and equipment | (1,118) | (34,147) | - | (35,265) |
| Add: Impairment of goodwill | - | - | - | - |
| Add: Gain on the sale or decommissioning of assets | - | - | - | - |
| Add: Realised gain on resale | - | 6,664 | - | 6,664 |
| Add: Realised development margin | - | 4,078 | - | 4,078 |
| **Underlying net profit before tax** | **11,061** | **17,434** | **(10,497)** | **17,998** |
| Add: Deferred tax expense / (benefit) | 1,553 | (1,104) | 1,441 | 1,890 |
| **Underlying net profit after tax** | **12,614** | **16,330** | **(9,056)** | **19,888** |
| Less: Interest income | (2) | (9) | (61) | (72) |
| Add: Finance costs | - | - | 1,448 | 1,448 |
| Add: Depreciation and amortisation | 3,796 | - | 266 | 4,062 |
| **Underlying EBITDA** | **16,408** | **16,321** | **(7,403)** | **25,326** |

# 3. Property Assets

## 3.1. Investment Property

| $'000 | Notes | Unaudited 30 Nov 2018 | Audited 31 May 2018 |
|---|---|---|---|
| **Investment property under development at fair value** | | | |
| Opening balance | | 108,204 | 79,486 |
| Transfer from / (to) property, plant and equipment | 3.3 | 3,869 | (2,801) |
| Capitalised expenditure | | 44,107 | 83,259 |
| Capitalised interest and line fees | | 1,941 | 1,070 |
| Transfer within investment property | | - | (56,970) |
| Disposals | | - | (57) |
| Change in fair value during the period | | 74 | 4,217 |
| **Closing balance** | | **158,195** | **108,204** |
| **Completed investment property at fair value** | | | |
| Opening balance | | 647,357 | 531,530 |
| Transfer within investment property | | - | 56,970 |
| Transfer to property, plant and equipment | 3.3 | (4,955) | (18,686) |
| Transfer to held for sale | | - | (2,338) |
| Capitalised expenditure | | 2,292 | 14,132 |
| Capitalised interest and line fees | | - | 1,646 |
| Change in fair value during the period | | 1,550 | 64,103 |
| **Closing balance** | | **646,244** | **647,357** |
| **Total investment property** | | **804,439** | **755,561** |

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

| $'000 | Unaudited 30 Nov 2018 | Unaudited 30 Nov 2017 |
|---|---|---|
| Increase in fair value of investment property | 48,878 | 70,245 |
| Add / (Less): Transfers during the period | 1,086 | (376) |
| Less: Capitalised expenditure including capitalised interest | (48,340) | (35,779) |
| Plus: Disposals | - | 57 |
| **Change in fair value recognised in Consolidated Statement of Comprehensive Income** | **1,624** | **34,147** |





## 3.1. Investment Property (Continued)

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

### Valuation process and key inputs

*Completed investment property*

The fair value of completed investment property, including the right to use asset under a lease (Everil Orr), is calculated every six months by CBRE Limited, an independent registered valuer and associate of the New Zealand Institute of Valuers.

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

CBRE Limited performed a "roll forward" of the valuation of completed investment property that was completed at 30 April 2018 for the period from 1 May 2018 to 31 October 2018 for all sites. This involved the Group confirming the movements in the sales, resales and repurchases of ORAs during the period, an assessment by the valuer of the general market conditions and the impact of the changes, where appropriate, in the completed value of investment properties. The "roll forward" provides an assessment by the valuer of the financial impact of the changes for the six month period since the most recent full valuation as at 30 April 2018. CBRE Limited will perform a full valuation as at 30 April 2019.

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

The CBRE Limited valuation completed at 31 October 2018 has been adjusted downwards by management for the impact of any sale, resale and repurchase of ORAs between 1 November 2018 and 30 November 2018 of $9.8m (31 May 2018: adjusted downwards by $20.0m), with a corresponding increase in refundable occupation licence payments of $11.0m (31 May 2018: $23.9m), to arrive at the fair value of completed investment properties at 30 November 2018.

## 3.1. Investment Property (Continued)

### Investment property under development

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

A valuation of land classified as under development was undertaken on 31 October 2018 by CBRE Limited (31 May 2018: valuation dated 30 April 2018 by CBRE Limited). Management and the Board do not envisage a material movement in the land value between 31 October 2018 and 30 November 2018 and therefore no adjustment has been made to this value. Any costs incurred to 30 November 2018 on the developments are included in arriving at the 30 November 2018 fair value.

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

*Practical completion not achieved*

Where the development still requires substantial work such that practical completion is not going to be achieved, and a reliable estimate of fair value cannot be made, at or close to balance date, the fair value recognised is the fair value of the development land per CBRE Limited valuation plus the cost of any work in progress, a value of $67.3m as at 30 November 2018 (31 May 2018: $31.1m).

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

*Practical completion achieved*

Where a development is practically completed, or likely to be completed at, or close to, balance date the investment property is measured at its completed fair value 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 is then transferred to completed investment property.





## 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 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 30 November 2018 all weather tightness issues have been addressed and as such no allowance has been made in the 31 October 2018 valuation.

### Lease of investment property

The Group leases one site, Everil Orr, which meets the definition of investment property and is accounted for in accordance with the accounting policy as outlined in the 31 May 2018 consolidated annual financial statements.

Rental payments are recognised as a rental expense in the Consolidated Statement of Comprehensive Income as incurred. 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 as at 31 October 2018. The valuation has been adjusted by management for the impact of any sale of ORAs between 1 November 2018 and 30 November 2018 to arrive at the fair value as at 30 November 2018 and any changes in fair value are taken to the Consolidated Statement of Comprehensive Income.

The carrying value of the right to use asset as at 30 November 2018 in respect of this leased site is $12.2m (31 May 2018: $7.7m). It is included as completed investment property above.

### Assets held for sale

Investment property assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at their fair value. Refer to note 3.3 for details of assets held for sale as at 31 May 2018 but settled during the 2019 interim period.

## 3.1. Investment Property (Continued)

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

| $'000 | Unaudited 30 Nov 2018 | Audited 31 May 2018 |
|---|---|---|
| **Completed investment property** | | |
| Valuation | 288,390 | 312,109 |
| Plus: Refundable occupation licence payments | 408,576 | 383,323 |
| Plus: Residents' share of resale gains | 6,856 | 7,562 |
| Less: Management fee receivable | (56,957) | (52,665) |
| Less: Resident obligations for units not included in valuation | (621) | (2,972) |
| | **646,244** | **647,357** |
| **Investment property under development** | | |
| Valuation | 158,195 | 108,204 |
| | **158,195** | **108,204** |
| **Total investment property at fair value** | **804,439** | **755,561** |

Where an incoming resident has an unconditional ORA in respect of a retirement village unit or care suite 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 $0.6m (31 May 2018: $3.0m) is included in the above reconciliation to reflect this.





## 3.2. Refundable Occupation Right Agreements

| $'000 | Unaudited 30 Nov 2018 | Audited 31 May 2018 |
|---|---|---|
| **Village** | | |
| Refundable occupation licence payments | 408,576 | 383,323 |
| Residents share of resale gains | 6,856 | 7,562 |
| Less: Management fee receivable (per contract) | (77,973) | (72,269) |
| | **337,459** | **318,616** |
| **Care suites** | | |
| Refundable occupation licence payments | 57,172 | 47,734 |
| Accommodation rebate | 806 | 825 |
| Less: Management fee receivable (per contract) | (12,131) | (10,763) |
| | **45,847** | **37,796** |
| **Held for sale** | | |
| Refundable occupation licence payments | - | 2,108 |
| Residents share of resale gains | - | 20 |
| Less: Management fees receivable (per contract) | - | (327) |
| | - | **1,801** |
| **Total refundable occupation right agreements** | **383,306** | **358,213** |

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

### Reconciliation of management fees recognised under NZ IFRS and per ORA

| $'000 | Unaudited 30 Nov 2018 | Audited 31 May 2018 |
|---|---|---|
| **Village** | | |
| Management fees receivable (per contract) | (77,973) | (72,269) |
| Deferred management fees | 21,016 | 19,604 |
| **Management fees receivable (per NZ IFRS)** | **(56,957)** | **(52,665)** |
| **Care suites** | | |
| Management fees receivable (per contract) | (12,131) | (10,763) |
| Deferred management fees | 3,156 | 2,222 |
| **Management fees receivable (per NZ IFRS)** | **(8,975)** | **(8,541)** |
| **Held for sale** | | |
| Management fees receivable (per contract) | - | (327) |
| Deferred management fees | - | 97 |
| **Management fees receivable (per NZ IFRS)** | **-** | **(230)** |

## 3.3. Property, Plant and Equipment

| $'000 | Freehold Land | Freehold Buildings | Freehold Land and Buildings Under Development | Chattels and Leasehold Improvements | Total |
|---|---|---|---|---|---|
| **At 30 Nov 2018 (unaudited)** | | | | | |
| Cost | - | - | - | 42,459 | 42,459 |
| Valuation | 70,997 | 213,721 | 56,930 | - | 341,648 |
| Accumulated depreciation | - | - | - | (26,891) | (26,891) |
| **Net book amount** | **70,997** | **213,721** | **56,930** | **15,568** | **357,216** |
| **At 31 May 2018 (audited)** | | | | | |
| Cost | - | - | - | 46,526 | 46,526 |
| Valuation | 67,124 | 177,697 | 44,363 | - | 289,184 |
| Accumulated depreciation | - | - | - | (32,149) | (32,149) |
| **Net book amount** | **67,124** | **177,697** | **44,363** | **14,377** | **303,561** |

### Key accounting estimates and judgements

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

### Valuation process and key inputs

*Land and buildings*

Land and buildings are held at fair value. Independent valuations are performed with sufficient regularity (i.e. every two years) to ensure that the carrying amount does not differ materially from the asset's fair value at the balance date. Based on information available, the Directors have determined that there has been no material valuation movement since 31 May 2017 with respect to freehold land and buildings with the exception of care suites. No external valuation has been sought in relation to the 30 November 2018 balance date except as it relates to care suites (31 May 2018: care suites at Meadowbank facility only). CBRE Limited have valued all care suites as at 31 October 2018.





## 3.3. Property, Plant and Equipment (Continued)

An independent valuation in respect of freehold land and buildings was undertaken as at 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 property in New Zealand.
The 31 May 2017 valuation of the Group's care facilities was apportioned to land, improvements, chattels and goodwill. The fair value of land and buildings as determined by CBRE Limited is based on the level of rent able to be generated from the maintainable net cash flow of the facility subject to average efficient management. The fair value of the Group's land and buildings is based on these apportionments. Chattels, however, are carried at historic cost less depreciation and goodwill is not recorded in the consolidated financial statements. The 31 May 2017 CBRE Limited valuation included $59.1m of goodwill. An additional $10.2m has arisen in the 18 months since 31 May 2017 on the valuation of existing and newly developed care suites (31 May 2018: $2.5m) and a reduction of $3.0m has occurred as a result of the sale of five sites (refer below) and $0.9m as the result of decommissioning of the original care facility at The BayView. This goodwill is not recognised in the consolidated financial statements. There is $15.2m (31 May 2018: $16.8m) of goodwill recognised on acquisition included in these consolidated financial statements as an intangible asset.

In arriving at the fair value of freehold land and buildings as at 30 November 2018, the 31 May 2017 carrying amounts have been adjusted for the cost of any additions or work in progress incurred, less any disposals and depreciation recognised since 1 June 2017. An adjustment for the reversal of previous impairment has been made as below.

The 31 May 2017 CBRE Limited valuation, and accordingly the fair value of freehold buildings, incorporates an allowance in relation to remediation to properties where seismic strength testing has been carried out in prior years. The CBRE Limited valuation as at 31 May 2017 incorporated the estimated costs to address weather tightness at certain sites based on building condition reports completed by CoveKinloch New Zealand Limited in February 2017. The estimated costs were $3.7m. In the period to 30 November 2018 management have undertaken the necessary remediation work to address the weather tightness issues identified. The costs incurred have been recognised within freehold buildings offsetting the remaining CBRE Limited cost allowance in the 31 May 2017 valuation. The costs actually incurred were $1.7m, $2.0m below the estimates included in the 31 May 2017 valuation.

## 3.3. Property, Plant and Equipment (Continued)

Total net revaluation gains of $12.5m have been recognised in the current period in respect of land and buildings, refer table below:

| $'000 | Unaudited 30 Nov 2018 | Unaudited 30 Nov 2017 |
|---|---|---|
| (Impairment) / reversal of impairment recognised in Consolidated Statement of Comprehensive Income | **(5,659)** | 1,118 |
| Movement in revaluation reserve | **21,031** | 442 |
| Deferred tax on movement in revaluation reserve | **(2,834)** | (72) |
| **Total revaluation gains** | **12,538** | 1,488 |

### Land and buildings under development

When the Group undertakes development of a new site, the classification between freehold land and buildings and investment property is reviewed. For sites with a care facility, including those with care suites, these properties are classified as freehold land and buildings. For sites with a retirement village, the properties are classified as investment property. Refer to note 3.1 for further information, including the principles applied by the Group in determining the appropriate apportionment between freehold land, buildings and investment property.

The Group's land under development was revalued on 31 October 2018 (31 May 2018: 30 April 2018) by independent registered valuers CBRE Limited. This has been adjusted for any costs incurred between 1 November 2018 to 30 November 2018 to arrive at the fair value as at 30 November 2018.

### 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 stated at the lower of carrying amount and fair value less costs to sell, except for investment property assets held for sale which are carried at fair value.

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





## 3.3. Property, Plant and Equipment (Continued)

On 27 September 2018 the sale of these properties was settled and funds of $19.7m received. These funds were applied to the bank borrowings of the Group. A net gain of $0.6m has been recognised as other income in the Consolidated Statement of Comprehensive Income (representing a gain on the carrying value of assets held for sale of $2.2m, offset by the derecognition of goodwill associated with these assets of $1.6m). Further, the remaining revaluation reserves in respect of these sites (of $0.8m) have been reclassified to retained earnings.

### Finance leases

The Group leases various equipment and motor vehicles under finance lease agreements. The lease terms are between 3 and 6 years and have a net book value as at 30 November 2018 of $7.1m (31 May 2018: $6.6m).

# 4. Shareholder Equity and Funding

## 4.1. Shareholder Equity and Reserves

| Shares | Unaudited 30 Nov 2018 | Audited 31 May 2018 |
|---|---|---|
| **Share capital** | | |
| Authorised, issued and fully paid up capital | 610,254,535 | 610,254,535 |
| **Total contributed equity** | **610,254,535** | **610,254,535** |

| $'000 | Unaudited 30 Nov 2018 | Audited 31 May 2018 |
|---|---|---|
| **Share capital** | | |
| Authorised, issued and fully paid up capital | 579,498 | 579,498 |
| **Total contributed equity** | **579,498** | **579,498** |

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.

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

### 4.1. Shareholder Equity and Reserves (Continued)

#### Recognition and measurement

None of the above issued shares are held by the Company or its subsidiaries with the exception of shares issued to OCA Employees Trustee Limited, a subsidiary, on behalf of Oceania employees in relation to a Long Term Incentive Plan ("LTIP").

The 3,164,556 shares issued to OCA Employees Trustee Limited for the LTIP are classified as Treasury Shares as the Company has a beneficial interest in the shares until the vesting conditions are met.

#### Group structure

The Group's parent entity is Oceania Healthcare Holdings Limited ("OHHL") and its ultimate owners are The Trust Company Limited (interest 98.8%) and Ngakuta Trust Company Limited (interest 1.2%). On 5 September 2018 OHHL sold 15.56% of its holding resulting in a remaining 41.65% shareholding as at 30 November 2018 (31 May 2018: 57.21%).

#### Dividends

On 25 January 2019, an interim dividend of 2.1 cents per share (not imputed) was declared and will be paid on 18 February 2019 (31 May 2018: full year dividend of 4.7 cent per ordinary share). The record date for entitlement is 11 February 2019.

#### Asset revaluation reserve

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

#### Interest rate swap reserve

The interest rate swap reserve is used to record gains or losses on instruments used as cash flow hedges. The amounts are recognised in the Consolidated Statement of Comprehensive Income when the hedged transaction affects profit and loss.



## Notes to the Financial Statements (Continued)
For the six months ended 30 November 2018

### 4.2. Earnings per Share

#### Earnings per share

*Basic*

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

| $'000 | Unaudited 30 Nov 2018 | Unaudited 30 Nov 2017 |
|---|---|---|
| Profit after tax ($'000) | 1,252 | 42,521 |
| Weighted average number of ordinary shares outstanding ('000s) | 604,359 | 604,359 |
| **Basic earnings per share (cents per share)** | **0.2** | **7.0** |

*Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 30 November 2018 there were 2,730,772 shares with a dilutive effect (30 Nov 2017: 1,820,515).

| $'000 | Unaudited 30 Nov 2018 | Unaudited 30 Nov 2017 |
|---|---|---|
| Profit after tax ($'000) | 1,252 | 42,521 |
| Diluted weighted average number of ordinary shares outstanding ('000s) | 605,546 | 605,047 |
| **Diluted earnings per share (cents per share)** | **0.2** | **7.0** |

### 4.3. Borrowings

| $'000 | Unaudited 30 Nov 2018 | Audited 31 May 2018 |
|---|---|---|
| **Secured** | | |
| Bank loans | 201,779 | 163,283 |
| Capitalised loan costs | (946) | (413) |
| Finance leases | 6,147 | 5,841 |
| **Total borrowings** | **206,980** | **168,711** |

### 4.3. Borrowings (Continued)

#### Financing arrangements

At 30 November 2018, the Group held committed bank facilities with drawings as follows:

| $'000 | Unaudited 30 Nov 2018 Committed | Unaudited 30 Nov 2018 Drawn | Audited 31 May 2018 Committed | Audited 31 May 2018 Drawn |
|---|---|---|---|---|
| General Corporate Facility | 135,000 | 83,269 | 75,000 | 62,157 |
| Development Facility | 215,000 | 118,510 | 160,000 | 101,126 |
| **Total** | **350,000** | **201,779** | **235,000** | **163,283** |

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

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

The Group increased its borrowing limits on 6 July 2018 to $135m (31 May 2018: $75m) for the General Corporate Facility and $215m (31 May 2018: $160m) for the Development Facility and extended both facilities to July 2023.

#### Finance lease

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



Notes to the Financial Statements (Continued)
For the six months ended 30 November 2018

## 5. Other Disclosures

### 5.1. Income Tax

| $'000 | Unaudited 30 Nov 2018 | Unaudited 30 Nov 2017 |
|---|---|---|
| **Income tax (benefit) / expense** | | |
| Current tax | - | - |
| Deferred tax | (4,507) | 1,890 |
| | **(4,507)** | **1,890** |
| **Taxation expense is calculated as follows:** | | |
| (Loss) / profit before income tax | (3,255) | 44,411 |
| Tax at the New Zealand tax rate of 28% | (911) | 12,435 |
| *Adjusted by the tax effect of:* | | |
| Non-deductible expenditure | 68 | 88 |
| Capitalised interest deductible for tax | (739) | (259) |
| Taxable deferred management fees | 630 | - |
| Non-assessable revaluation of investment property | (455) | (9,561) |
| Taxable depreciation | (1,573) | (1,862) |
| Accounting depreciation | 1,223 | 1,084 |
| Non-deductable impairment / (reversal of non-deductable impairment) of fixed asset | 1,585 | (313) |
| Adjustment for timing difference of provisions | (333) | (92) |
| Other | - | - |
| Losses not recognised / (utilised) | 505 | (1,520) |
| **Current tax expense** | **-** | **-** |
| Impact of movements in investment property | 787 | (1,098) |
| Impact of movements in property, plant and equipment | 1,142 | 1,311 |
| Other adjustments | 332 | 157 |
| Deferred management fees | (630) | - |
| Prior period adjustment: treatment of DMF income | (6,138) | - |
| Losses derecognised | - | 1,520 |
| **Deferred tax (benefit) / expense** | **(4,507)** | **1,890** |
| **Income tax (benefit) / expense** | **(4,507)** | **1,890** |

## 5.1. Income Tax (Continued)

### Movement in the deferred tax balance

| $'000 | Balance 1 June 2018 (audited) | Recognised in Consolidated Statement of Comprehensive Income | Recognised in Other Comprehensive Income | Balance 30 Nov 2018 (unaudited) |
|---|---|---|---|---|
| Investment property | (9,624) | (787) | - | (10,411) |
| Property, plant and equipment | (18,470) | (1,142) | (2,834) | (22,446) |
| Provisions and other assets / liabilities | 4,759 | (332) | (27) | 4,400 |
| DMF revenue in advance | - | 6,768 | - | 6,768 |
| Tax losses | - | - | - | - |
| **Deferred tax liabilities** | **(23,335)** | **4,507** | **(2,861)** | **(21,689)** |

| $'000 | Balance 1 June 2017 (audited) | Recognised in Consolidated Statement of Comprehensive Income | Recognised in Other Comprehensive Income | Balance 31 May 2018 (audited) |
|---|---|---|---|---|
| Investment property | (12,179) | 2,555 | - | (9,624) |
| Property, plant and equipment | (19,126) | 358 | 298 | (18,470) |
| Provisions and other assets / liabilities | 4,158 | 522 | 79 | 4,759 |
| DMF revenue in advance | - | - | - | - |
| Tax losses | 2,339 | (2,339) | - | - |
| **Deferred tax liabilities** | **(24,808)** | **1,096** | **377** | **(23,335)** |





## 5.1. Income Tax (Continued)

### Recognition and measurement

No income tax was paid or payable during the period (30 November 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"). This is a key accounting judgement. Refer to the 31 May 2018 consolidated annual financial statements for details.

#### (ii) Recognition of DMF

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

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

This resulted in the recognition of a tax liability of $6.1m, being the tax effect of the cumulative difference between the two treatments of $21.9m. This was fully met by the application of $21.9m of the $64.6m available tax losses that had not previously been recognised on this Consolidated Balance Sheet. A corresponding deferred tax asset of $6.1m was recognised at this point for tax paid on DMF revenue in advance of its accounting recognition. A movement of $0.6m has been recognised in the six month period resulting in a closing deferred tax asset of $6.7m in respect of DMF revenue.

## 5.1. Income Tax (Continued)

### (iii) Recognition of tax losses

The Company and its subsidiaries exited the former OHHL tax consolidated group from 31 May 2015. All tax losses incurred by the Company and its subsidiaries until 31 May 2015 remain within the tax consolidated group (of which OHHL is the sole member).

On 5 September 2018 the Group forfeited all losses generated prior to IPO as a result of the sale of 15.56% of OHHL's shareholding in the Company (refer note 4.1).

The Group utilised $21.9m of losses to offset additional tax liabilities due following the change in recognition of DMF revenue noted above. Following the utilisation, forfeit and inclusion of losses generated in the 2019 interim period, the Group has an estimated $26.2m (31 May 2018: $64.6m) of available tax losses at 30 November 2018.

As the timeframe for any further forfeiture of losses is uncertain no tax losses have been recognised as at 30 November 2018 (31 May 2018: nil).

## 5.2. New Accounting Standards

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

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

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

The 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.

In summary:

(i) *Classification and measurement* – Financial assets are required to be classified into two measurement categories: those measured 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.





## 5.2. New Accounting Standards (Continued)

(ii) *Impairment* – The expected credit loss model for impairment of financial assets replaces the incurred loss model used in NZ IAS 39. The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and requires recognition from initial recognition of the trade receivables. To measure expected credit losses, trade receivables have been grouped and reviewed on the basis of number of days since resident departure and the funding stream, type of debtor. Judgement is used in selecting the inputs to the impairment calculation and is based on past history and forward looking assumptions. 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.

(iii) *Hedge accounting* – The rules on hedge accounting have been amended to align accounting treatment with risk management practices of the reporting entity. The Group have elected to continue to apply the hedge accounting requirements of NZ IAS 39 to existing hedge instruments on transition.

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

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

The Group have determined that NZ IFRS 15 has not resulted in a change to either recognition or measurement of revenue and therefore there is no requirement to restate revenue reported in prior periods. The Group will continue to recognise each of care fees, village service fees and rental income in line with the date that the service is rendered.

The following are noted in relation to the main revenue streams:

(i) *Deferred management fees* – A contract is in place with all village residents by means of an ORA, which gives the residents the right to occupy a unit. This type of arrangement is considered a lease under NZ IAS 17 Leases and NZ IFRS 16 Leases after its adoption and is excluded from the scope of NZ IFRS 15. There is no change to the recognition or measurement of deferred management fee revenue from ORA. Deferred management fee revenue continues to be recognised on a straight-line basis over the greater of the term specified in a resident's ORA and the average expected occupancy for the relevant accommodation.

## 5.2. New Accounting Standards (Continued)

(ii) *Rest home, hospital and dementia fees* – A contract is in place with all care residents by means of an admission agreement. The resident receives the benefit as the daily care is administered and each resident incurs an agreed upon contracted daily care fee. Rest home, hospital and dementia service fees are recognised in the accounting period in which the services are rendered and are specifically linked to the day the service is delivered.

(iii) *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 of service 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 day the service is delivered.

(iv) *Rental income* – Contracts are in place with all rental residents in the form of rental agreements which detail the relevant weekly / monthly rental fee. Rental agreements to occupy and accommodation are considered a lease under NZ IAS 17 Leases and NZ IFRS 16 Leases after its adoption and are excluded from the scope of NZ IFRS 15. The resident receives the benefit as they occupy the accommodation and revenue shall continue to be recognised on a straight-line basis.

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

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

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

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





## 5.2. New Accounting Standards (Continued)

The standard requires a lessee to recognise a lease liability on the balance sheet reflecting the future lease payments and a right-of-use asset for all lease contracts except those which are of low value or short term. This standard will affect primarily the accounting of the Group's operating leases. As at 30 November 2018 the Group had non-cancellable operating lease commitments of $13.8m. Many of the Group's leases relate to leases of low value assets, however, the Group currently leases three care facility sites and the impact of recognising these properties on balance sheet will be material to the Group.

The Group has commenced the process of estimating the impact of NZ IFRS 16 with respect to those lease contracts which extend beyond 1 June 2019. Work has focused on the identification and understanding of the provisions of the standard which will most impact the Group, discount rate determination and the review of system requirements. A lease management system has been implemented and all current leases have been loaded to establish the financial impact of adoption.

The adoption of NZ IFRS 16 will have no effect on the Group's cashflow and the change is for financial reporting purposes only. The Group has chosen to not early adopt the standard to allow further time to fully understand the impact and determine which transition approach to apply.

## 5.3 Contingencies and Commitments

At 30 November 2018, the Group had no contingent liabilities or assets (31 May 2018: nil).

At 30 November 2018, the Group has a number of commitments to develop and construct certain facilities totalling $91.2m (31 May 2018: $104.6m).

## 5.4 Events After Balance Date

### Dividends

On 25 January 2019 an interim dividend of 2.1 cents per share (not imputed) was declared and will be paid on 18 February 2019. The record date for entitlement is 11 February 2019.

There have been no other significant events after balance date.

# Independent Review Report

To the shareholders of Oceania Healthcare Limited

## Report on the consolidated interim financial statements

We have reviewed the accompanying consolidated interim financial statements of Oceania Healthcare Limited (the Company) including its subsidiaries (together, the Group) on pages 15 to 49 which comprise the consolidated balance sheet as at 30 November 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended on that date, and a summary of significant accounting policies and selected explanatory notes.

## Directors' responsibility for the consolidated interim financial statements

The Directors are responsible on behalf of the Company for the preparation and presentation of these consolidated interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal control as the Directors determine is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

## Our responsibility

Our responsibility is to express a conclusion on the accompanying consolidated interim financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.



# Independent Review Report (Continued)

To the shareholders of Oceania Healthcare Limited

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these consolidated interim financial statements of the Group are not prepared, in all material respects, in accordance with IAS 34 and NZ IAS 34.

## Who we report to

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review 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 shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants Auckland
25 January 2019

# Notes

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