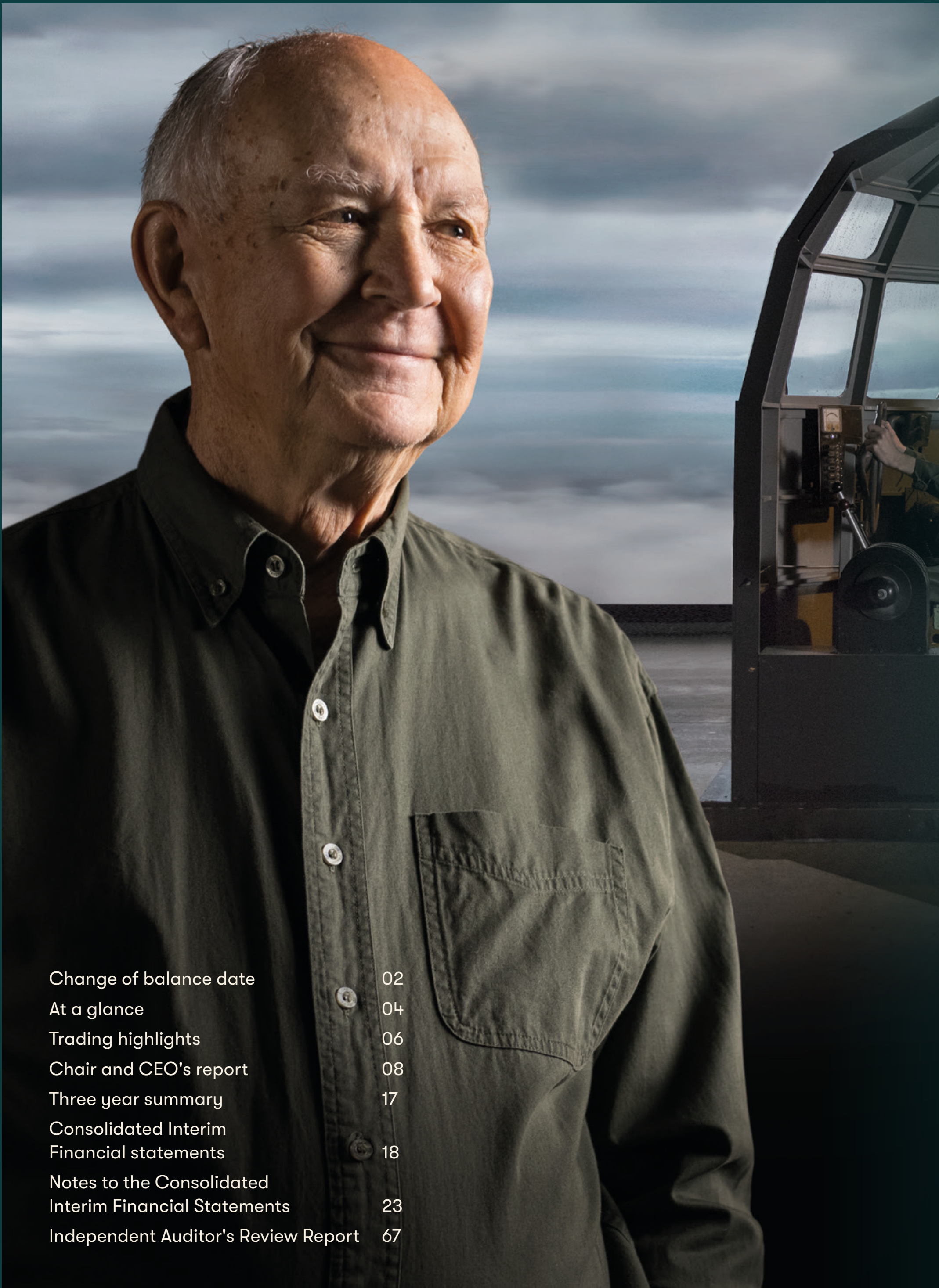
OCEANIA

Believe in better.

INTERIM REPORT 2022



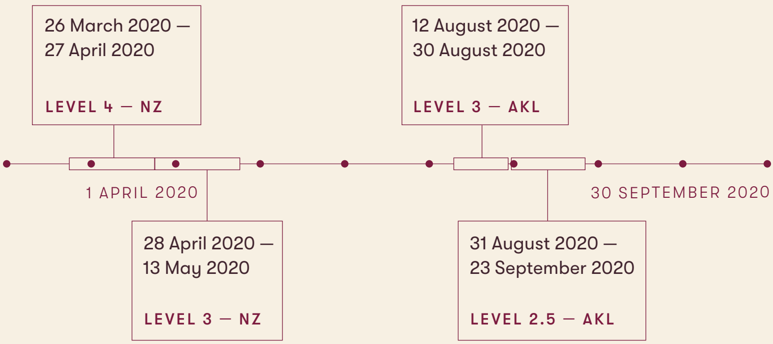
In the six months to 30 September 2021, Oceania has achieved a 20% growth in unaudited underlying EBITDA compared to the prior corresponding period, with a solid performance across its sales and developments despite the ongoing COVID-19 restrictions. The business has responded well through high levels of vaccination, regular communications with staff, residents and their families, as well as a significant investment in surveillance.

CHANGE OF BALANCE DATE

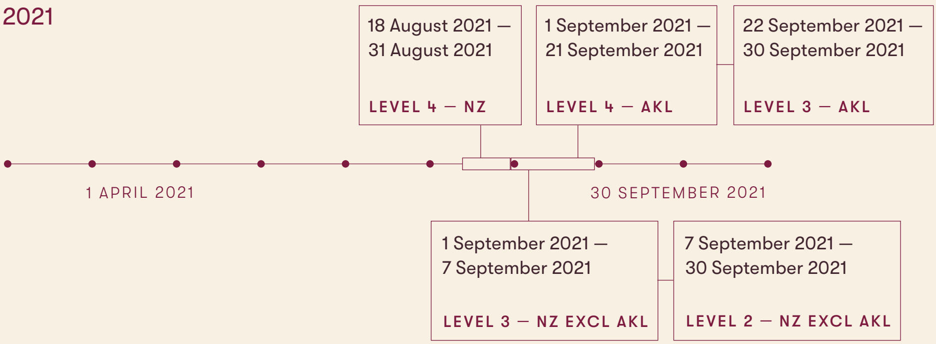
This represents the first Interim Report since the change of balance date to 31 March.

During the six month period to 30 September 2021, New Zealand has been subject to Alert Level 3 restrictions or higher for a total of 21 days (12% of the reporting period). In addition to national lockdowns the Auckland region has been subject to Alert Level 3 restrictions or higher for a further 23 days (13% of the reporting period) as depicted below.

2020



2021



The proforma comparative underlying earnings position is set out below.

Financial Metrics

The following six month trading position represents the trading position of the company. The periods represent:

— six months to 30 September 2021; and

— six months to 30 September 2020 (comparative period)

This forms the basis of the trading highlights pages in the Interim Report.

Underlying earnings six month comparative position

$NZ000's	Unaudited 6 months to September 2021	Unaudited 6 months to September 2020
Care	10,991	9,135
Village operating	11,399	7,646
Resales cap gain	10,639	6,201
Development margin	15,252	16,782
Corporate[1]	(11,814)	(9,253)
Group U/L EBITDA	**36,467**	**30,511**
Interest	(3,900)	(3,622)
Depreciation	(5,059)	(4,351)
Underlying NPAT	**27,508**	**22,538**
Care Suite depreciation	(4,807)	(3,408)
Adjusted Underlying NPAT	**22,701**	**19,130**
Occupied beds per day	2,336	2,273
Effective bed capacity per day	2,526	2,495
Effective occupancy (%)	92.5%	91.1%
Existing ORAs sold	45	24
New ORAs sold	57	57
Existing Care Suites sold	84	62
New Care Suites sold	44	65
Total ORAs sold	**230**	**208**

[1] On 21 April 2020 the Group claimed, and received payment of, a COVID-19 wage subsidy totalling $1.8m. This amount has subsequently been repaid in full on 18 May 2021 and as a result has been excluded from the table above. This proforma adjustment increases underlying EBITDA and underlying NPAT in relation to the six month period to 30 September 2021 by $1.8m and reduces the underlying EBITDA and underlying NPAT position in relation to the six month period to 30 September 2020 by $1.8m.

AT A GLANCE

Better experiences.

Oceania is a leading provider of premium healthcare services to older people in New Zealand. We are dedicated to delivering exceptional and innovative hospitality services that delight our residents and lead the sector.

We have a substantial development pipeline with 545 units under construction across New Zealand.

Staff

2,800

Residents

4,000

Care beds and care suites

2,652

Units

1,509

Existing sites with mature operations	Existing sites with brownfield developments (current and planned)	Undeveloped sites	Total sites
25	20	1	46

As at 30 September 2021

TRADING HIGHLIGHTS Six months to 30 September 2021

Delivering better.

$ Financial Six months to 30 September 2021

Total assets
as at 30 September 2021

$2.1bn

9.7%
higher than 31 March 2021 of $1.9bn

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation
six months to 30 September 2021

$36.5m

19.7%
higher than six months to 30 September 2020 of $30.5m

Reported Total Comprehensive Income
six months to 30 September 2021

$62.7m

10.5%
higher than six months to 30 November 2020 of $57.0m

Operating Cash Flow
six months to 30 September 2021

$52.5m

compared to six months to 30 November 2020 of $74.5m

Operational Six months to 30 September 2021

57
New units

45
Resale units

44
New care suites

84
Resale care suites

Total sales

230

10.6%
ahead of total sales for the six months to 30 September 2020

Developments Six months to 30 September 2021

Consents secured

40 Units + care suites

Resource consents received during the six months to 30 September 2021

Under construction

545 Units + care suites

Units and care suites under construction as at 30 September 2021:

- Awatere Stage 2 (Hamilton)
- The BayView Stage 2B (Tauranga)
- Lady Allum Stage 1 (Milford)
- Waimarie Street (St Heliers, Auckland)
- Redwood (Blenheim)
- The Bellevue Stage 2 (Christchurch)
- Elmwood Stage 1 (Manurewa, Auckland)
- Gracelands (Hastings)

Completed

59 Units + care suites

Units and care suites completed in the six months to 30 September 2021 at:

- Eden (Mt Eden, Auckland)
- Gracelands (Hastings)
- Stoke (Nelson)

Further expected to complete in FY2022

112 Units + care suites

Units and care suites expected to complete in FY2022:

- The BayView Stage 2B (Tauranga)
- Awatere Stage 2 (Hamilton)
- Gracelands (Hastings)


Dear Shareholder,

We are pleased to present our Interim Report for the six month period to 30 September 2021.

Oceania has continued to deliver a safe, vibrant and well connected community for our residents despite the last six weeks of the period being dominated by Governmental restrictions and costs associated with COVID-19. We thank our team who have worked tirelessly to deliver the very best quality of care and resident experience.

Prior to the Alert Level Four lockdown being announced on 17 August 2021, sales volumes were strong and development activities were progressing well. The extended lockdowns, particularly in the Auckland region, have temporarily impacted Oceania's sales, delayed building works and added direct costs associated with COVID-19.

Oceania's continued focus on the health and safety of its residents has been recognised, with many residents moving into Oceania's independent living apartments and villas once the Alert Level Four lockdown restrictions were lifted around the country, to take advantage of the security and other benefits that retirement living offer. In addition, Oceania continued to take admissions to its care centres (including to care suites) throughout Alert Levels Four and Three. This feature of Oceania's aged care business makes it more resilient to changes in market conditions and property price cycles, thereby reducing the impact of uncertain future economic conditions on the business.

Oceania supports the recent Government announcement of the Public Health Order for mandatory vaccinations for all frontline healthcare staff, as this provides clarity and certainty for our workforce both today and in the future.

The key highlights for the first half of FY2022 have included:

- A 19.7% increase ($6.0m) in unaudited underlying EBITDA compared to the six month period ended 30 September 2020.
- Unaudited Reported Net Profit After Tax (NPAT) of $36.9m, up $12.1m on the six month period ended 30 November 2020.
- Sales volumes (for both independent living apartments and villas, as well as care suites) being 10.6% ahead of the six month period ended 30 September 2020, despite ongoing COVID-19 lockdown restrictions.
- Completion of the acquisition of Waterford (Hobsonville Point, Auckland) in April 2021 and a resource consent for 50 independent living apartments and a basement carpark has been secured.
- The completion of 49 apartments at Eden (Auckland) in April 2021 and eight villas at Gracelands (Hastings) in September 2021.
- 545 units (apartments, villas and care suites) under construction as at 30 September 2021.
- Oceania's aged care business continued to perform well throughout the period despite COVID-19 disruptions, with occupancy of 92.5% as at 30 September 2021.
- Entry into a conditional sale and purchase agreement to acquire land adjacent to our Franklin site.
- Appointment of Andrew Buckingham as Group General Manager Property and Development.
- Oceania's total assets are now $2.1b, representing 9.7% growth since 31 March 2021.
- Completion of a heavily oversubscribed retail bond offer in September 2021, raising $100m.
- Interim dividend of 2.1 cents per share (not imputed) announced (30 November 2020: 1.3 cents). This will have a record date of 6 December 2021 and will be paid on 20 December 2021. The Dividend Reinvestment Plan will apply to this dividend.

Financial Performance

Oceania's unaudited underlying EBITDA was $36.5m for the six month period ended 30 September 2021, representing a $6.0m or 19.7% increase on the six month period ended 30 September 2020. This result was primarily due to growth in deferred management fees across both village and care segments as Oceania executes its pipeline of premium developments.

Unaudited Reported Net Profit After Tax increased 48.9% to $36.9m for the six month period ended 30 September 2021. This was supported by positive fair value movements in Oceania's investment property portfolio as sell down of key development sites takes place, as well as growth in recurring care and village segment revenue streams.

Oceania's total assets are now $2.1b, representing 9.7% growth since 31 March 2021.

Operating cashflow decreased 29.5% to $52.5m as a result of increased wage costs and timing of village settlements. As at 30 September 2021, Oceania had outstanding bank loans and bonds of $350.8m, $16.8m of cash and undrawn bank facilities of $224.2m. This represents a gearing ratio of 27.4% as at 30 September 2021.

Following its successful inaugural seven year retail bond issue in October 2020, Oceania completed another heavily oversubscribed seven year retail bond issue in September 2021, raising $100m. This further funding strengthens Oceania's position to support future growth.

The Directors have declared an interim dividend of 2.1 cents per share (not imputed) (30 November 2020: 1.3 cents). The record date for entitlement is 6 December 2021 and the dividend will be paid on 20 December 2021. The dividend reinvestment plan for our New Zealand and Australian shareholders will apply to this dividend payment.

COVID-19 and continuing response

High vaccination rates of more than 90% across our residents and staff have made a fundamental difference to Oceania's response this year and processes have been refined based on the learnings from the 2020 lockdowns. During the nationwide Level Four lockdown, management held daily calls with Regional Operations and Clinical Managers, and calls with all staff three times a week, both to provide guidance to staff and to provide an opportunity for staff to give their feedback to management.

Before the August 2021 lockdown, Oceania had introduced voluntary saliva surveillance testing, an innovation for the sector, for staff at some higher risk sites and this was rolled out further during the lockdown. Over 6,000 saliva tests were taken in the period 18 August 2021 to 30 September 2021, all of which produced negative results.

At the height of the outbreak, Dr Hughes and her team sourced additional vaccines and established pop-up vaccination centres to offer vaccinations to Oceania staff members and their families. This initiative was very well received by staff and their families as these vaccination centres were more accessible and smaller in size than many of the community vaccination centres. Over 320 vaccinations were given to staff and family members at the six pop-up vaccination centres in August and September, with most of these being first vaccinations. As part of this initiative, we gave away cookies, chocolate brownies, kit kat bars, hand sanitisers and goodie bags to those being vaccinated, with leftovers being included in food parcels provided to those in need in our community.

Throughout the period, Oceania has been working proactively and directly with Government officials, Ministry of Health representatives and sector peers with regard to health policy. Small policy changes have a significant effect on businesses and management has been successful in many of its discussions with Government officials and Ministry of Health representatives which has led to improved outcomes for the sector and, ultimately, for residents.

We have also taken an industry leadership position in calling for our Auckland residents to be allowed to reconnect with their loved ones safely. This initiative struck a chord with New Zealanders and was followed with extensive media coverage including numerous spots on talkback radio. We received a lot of positive feedback from residents and their family members, in adding our voice to theirs, not just for Oceania but for all older citizens.

In addition, management has representation on the boards of both the New Zealand Aged Care Association and the Retirement Villages Association. Both of these groups have been lobbying the Government for clarity and certainty in the current COVID-19 environment.

In recognition of our staff going the extra mile, both for our residents and for each other, Oceania paid a gratitude payment to all staff throughout New Zealand of $150 (gross) for full-time staff and $75 (gross) for part-time staff on 2 September 2021.

This payment recognised the difficulties and disruptions faced by all staff, and the ongoing uncertainty which impacted everyone. The payment was very well received by our staff.

The duration of the lockdown restrictions in Auckland has affected one of Oceania's key development projects, being the construction of the new care centre at Lady Allum (Milford, Auckland). This development (comprising 113 care suites) was expected to be completed by 31 March 2022 but with the ongoing lockdown restrictions in place in Auckland, it is now likely to be completed in May 2022.

Looking ahead, Oceania maintains good levels of stock of PPE including N95 masks and inventory is being recorded on a daily basis. Oceania remains well-prepared to manage any infections that occur at its sites, with industry-leading infection control policies and a highly experienced clinical team.

Operations

We have continued to see aged care earnings increase during the period. Care suite sales have remained strong, with a total of 44 new care suite sales and 84 resale care suite sales in the six month period to 30 September 2021. This demonstrates the resilience of Oceania's care business and the attractiveness of the care suite product to prospective residents. It was also pleasing to see occupancy of 92.5% compared with 92.4% as at 31 March 2021.

Village sales have remained strong throughout the period, despite ongoing COVID-19 restrictions. In the six months to 30 September 2021, there was a total of 102 independent living (apartment and villa) sales, comprising 57 new sales and 45 resales. This is an increase of 25.9% from the six month period ended 30 September 2020. As noted above, there were strong sales volumes prior to the Alert Level Four lockdown announcement on 17 August 2021. Many of the new sales were sales of the remaining units that were completed in regional villages during the prior financial years, including at Whitianga, Woodlands and Elderslea. During Alert Level Four, residents who had already signed application forms were generally not able to move into their independent living apartments and villas and our sales team were unable to show prospective residents through our villages. With the easing of lockdown restrictions, we saw residents who had already signed application forms and sold their houses move in to their new apartments and villas in September 2021.

Oceania is maintaining its focus on improving and refining the resident experience. We adopt a resident-centric approach in everything that we do and are constantly striving to deliver on our brand promise to Believe in Better. We have made an intentional change in strategic focus from product to customer needs and associated services and, with that, we are designing our buildings with the needs of the customers at a specific village in mind, rather than the other way around. We are also continuing our work with the University of Auckland in robotics and biomedics to develop leading initiatives in resident-focused clinical care.

Sustainability

Oceania is continuing its work on sustainability initiatives. We are in the process of developing our roadmap in relation to climate related disclosures against the standards based on the TCFD recommendations, details of which will be incorporated into the FY2022 Annual Report. In addition, given the recent changes to the Board and management team, Oceania's ESG framework and materiality matrix is being refreshed and the outcomes of this will also be included in the Annual Report.

Food service delivery is a key component of Oceania's aged care business and this has been enhanced by the roll out of new food service contracts across our sites during the period. In addition to achieving significant efficiencies and uniformity across the group and ensuring that all of our residents' dietary requirements are being met, this initiative has reduced the number of vehicle deliveries to our sites and has improved the overall sustainability of this aspect of the supply chain.

People

Oceania's people are at the very heart of its business. We are focused on creating and maintaining a great employee experience and culture, to enable our people to perform their life's best work.

The aged care industry is facing a workforce crisis, which has been exacerbated by the impact of the COVID-19 border restrictions on arrivals of registered nurses from overseas. We have implemented a number of initiatives to try to address the staff shortages, including additional professional development, improved employee benefits and a review of remuneration levels.

In addition, we have recently rolled out a new recruitment system, which is designed to be linked to our brand promise of Believe in Better. As part of this new system, we have also introduced new employment agreements, automatic contract generation and online reference checking to enhance the overall employee experience. Feedback to date has been very positive and we are excited about embedding our brand promise through our people systems.

Oceania became a member of ACC's Accredited Employer Programme on 1 April 2021. We are already starting to see the benefits of this, with better case management, early prevention and a significant reduction in the number of lost time injuries compared to the prior corresponding period.

We are pleased to announce the appointment of Andrew Buckingham as Group General Manager Property and Development.

Andrew has extensive senior executive experience in property development after over 35 years working for leading property development companies in New Zealand and Australia. Previously the General Manager of Development at Precinct Properties, Andrew was responsible for the delivery of Commercial Bay in Auckland. Andrew was also responsible for the ASB North Wharf development and the development of the Sylvia Park retail complex during his tenure at Kiwi Income Property Trust. We are looking forward to Andrew starting at Oceania in February 2022.

Awatere, Hamilton

Developments

We have continued to make good progress with the execution of our development pipeline during the six month period to 30 September 2021, despite the challenges presented by the COVID-19 lockdown restrictions. As at 30 September 2021, there were 545 units under construction across New Zealand.

Oceania completed the acquisition of Waterford, in Hobsonville Point (Auckland) in April 2021. Since taking ownership in April 2021, Oceania has secured resource consent for the development of 50 independent living apartments over five storeys and a basement carpark on the site. Work has commenced on the design elements required for the building consent for this development and, at this stage, it is likely that construction will commence in April 2022.

We completed the construction of 49 apartments and a new community centre at Eden Village (Auckland) in April 2021. With the completion of these new apartments, the village now comprises 67 care suites and 89 independent living apartments as well as outstanding community spaces. We were seeing good levels of interest in the independent living apartments prior to the Alert Level Four restrictions being imposed in August 2021 and are implementing new sales initiatives at Eden Village for the second half of FY2022.

We also completed eight new villas in September 2021 and ten new villas in October 2021 at Gracelands (Hastings). Most of these new villas were presold, with residents taking occupation of seven new villas by 30 September 2021. The high level of presales at Gracelands demonstrates the strength of Oceania's regional offering and the successful development of units that meet the specific needs of the particular community in which the village is located.

Construction of Stage 2B of The BayView (Tauranga) comprising 39 independent living apartments is scheduled for completion in December 2021. 35 independent living apartments were completed at The BayView in March 2021 and we have already seen strong sales from this premium development.

Construction of 63 new independent living apartments at Awatere (Hamilton) is progressing well and this stage of development is currently expected to be completed by 31 March 2022, provided there are no further material delays as a result of COVID-19 lockdown restrictions. Marketing for these apartments has already commenced and we have seen good levels of interest in these apartments to date.

Other development projects are also underway and remain on programme, including the development of 79 independent living apartments and 31 care suites at Waimarie Street (St Heliers, Auckland), the construction of 57 new care suites at Redwood (Blenheim) and the construction of 46 new independent living apartments at The Bellevue (Christchurch). We have also just started the site works for the first stage of the redevelopment of our Elmwood site (Manurewa, Auckland), which comprises the construction of 106 new care suites on land that we acquired in 2018.

Governance

We welcomed two new independent Directors, Rob Hamilton and Peter Dufaur, to the Board in September 2021. Rob has extensive experience in the capital markets and finance sectors and has been appointed a member of our Audit Committee. Peter has extensive experience in the property sector and has been appointed a member of our Development Committee. We are looking forward to Rob and Peter making a significant contribution to the future performance and growth of Oceania.

Looking ahead

Oceania has entered into an exclusive partnership with the Bay of Plenty District Health Board to explore and develop a new service model for high needs and complex aged care residents. We are looking forward to working with this District Health Board to enhance services for this group of residents.

We will continue to pursue growth opportunities, including the purchase of additional land. We recently entered into a conditional sale and purchase agreement to acquire land adjacent to our Franklin site.

Once again, we would like to thank our Directors and staff for their ongoing work in what has been another challenging period due to the ongoing uncertainties associated with COVID-19. To date Oceania has managed these risks well and is well-placed to continue to do so. We are committed to becoming the provider of choice for critical infrastructure and essential services for older people in New Zealand.

Liz Coutts

Elizabeth Coutts
Chair

Brent Pattison
Chief Executive Officer

THREE YEAR SUMMARY

For the six months ended 30 September 2021

Financial Metrics

$NZm	Unaudited Sept 2021	Unaudited Nov 2020	Unaudited Nov 2019
Underlying net profit after tax [1, 2, 3, 4]	**27.5**	26.9	24.3
Underlying EBITDA [1, 3, 4]	**36.5**	35.3	37.1
Profit / (loss) for the period [4]	**36.9**	24.8	14.4
Total comprehensive income	**62.7**	57.0	23.5
Total assets [4]	**2,064.3**	1,672.2	1,495.3
Operating cash flow [4]	**52.5**	74.5	56.5

Operating Metrics

$NZm	Unaudited Sept 2021	Unaudited Nov 2020	Unaudited Nov 2019
Units	**1,509**	1,310	1,209
Care Suites	**849**	772	655
Care Beds	**1,803**	1,830	1,940
Total	**4,161**	**3,912**	**3,804**
New Sales	**101**	145	84
Resales	**129**	123	102
Total	**230**	**268**	**186**
Occupancy	**92.5%**	92.1%	91.6%

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

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

[3] On 21 April 2020 the Group claimed, and received payment of, a COVID-19 wage subsidy totalling $1.8m. This amount has subsequently been repaid in full on 18 May 2021 and as a result has been excluded from the table above. This proforma adjustment increases underlying EBITDA and underlying NPAT in relation to the six month period to 30 September 2021 by $1.8m. The six month period to 30 November 2020 is not impacted by this proforma adjustment.

[4] Includes an adjustment for the impact in change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to note 1.2.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

$NZ000's	Notes	Unaudited Six months 30 Sept 2021	Unaudited Six months 30 Nov 2020
Revenue		**113,935**	103,885
Change in fair value of investment property	3.1	**31,299**	26,651
Change in fair value of right of use investment property	3.4	**986**	2,276
Gain on purchase of business assets	1.3	**8,538**	-
Other income		**1,223**	1,145
Total income		**155,981**	**133,957**
Employee benefits and other staff costs[1]		**77,002**	68,370
Depreciation (buildings)	3.2, 3.4	**6,337**	5,049
Depreciation and amortisation (chattels, leasehold improvements and software)[1]	3.2, 3.4	**3,529**	2,894
Impairment of property, plant and equipment and right of use asset	3.2	**193**	517
Impairment of goodwill		**338**	815
Rental expenditure in relation to right of use investment property	3.4	**1,928**	3,330
Finance costs		**4,121**	4,011
Other expenses[1, 2]		**29,077**	28,597
Total expenses[1]		**122,525**	**113,583**
Profit before income tax[1]		**33,456**	**20,374**
Income tax benefit	5.1	**3,484**	4,436
Profit for the period[1]		**36,940**	**24,810**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Gain on revaluation of property, plant and equipment for the period, net of tax	3.2, 5.1	**22,488**	31,231
Gain on revaluation of right of use assets for the period, net of tax	3.4, 5.1	**119**	27
		22,607	**31,258**
Items that may be subsequently reclassified to profit or loss			
Gain on cash flow hedges, net of tax		**3,108**	918
Other comprehensive income for the period, net of tax		**25,715**	**32,176**
Total comprehensive income for the period attributable to shareholders of the parent[1]		**62,655**	**56,986**
Basic earnings per share (cents per share)	4.2	**5.3**	4.0
Diluted earnings per share (cents per share)	4.2	**5.3**	4.0

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

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to note 1.2.

[2] Included in Other Expenses for the six months to 30 September 2021 is a payment of $1.8m in respect to the wage subsidy.

CONSOLIDATED BALANCE SHEET

As at 30 September 2021

$NZ000's	Notes	Unaudited 30 Sept 2021	Audited 31 Mar 2021
Assets			
Cash and cash equivalents		**16,796**	79,906
Trade and other receivables[1]		**57,496**	47,992
Investment property	3.1	**1,294,755**	1,099,803
Property, plant and equipment	3.2	**645,079**	604,052
Right of use assets	3.4	**41,144**	41,714
Intangible assets[1]		**9,055**	8,689
Total assets[1]		**2,064,325**	**1,882,156**
Liabilities			
Trade and other payables		**33,841**	44,308
Derivative financial instruments		**1,487**	5,486
Deferred management fee	3.3	**46,033**	41,499
Refundable occupation right agreements	3.3	**716,539**	618,433
Lease liabilities	3.4	**8,776**	11,513
Borrowings	4.3	**350,729**	327,292
Deferred tax liabilities	5.1	**-**	-
Total liabilities		**1,157,405**	**1,048,531**
Net assets[1]		**906,920**	**833,625**
Equity			
Contributed equity	4.1	**700,717**	675,625
Retained deficit[1]		**(64,495)**	(86,983)
Reserves		**270,698**	244,983
Total equity[1]		**906,920**	**833,625**

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

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to note 1.2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

$NZ000's	Notes	Contributed equity	Retained deficit	Asset revaluation reserve	Cash flow hedge reserve	Total equity
Balance as at 1 June 2020 (audited)[1]		**588,389**	**(157,630)**	**170,205**	**(7,475)**	**593,489**
Profit for the period[1]		-	24,488	-	-	24,488
Other comprehensive income						
Revaluation of cash flow hedge net of tax		-	-	-	918	918
Revaluation of assets net of tax	3.2, 5.1	-	-	31,231	-	31,231
Revaluation of right of use assets net of tax	3.4, 5.1	-	-	27	-	27
Total comprehensive income[1]		**-**	**24,488**	**31,258**	**918**	**56,664**
Transactions with owners						
Dividends paid	4.1	-	(7,377)	-	-	(7,377)
Share issue: dividend reinvestment scheme	4.1	7,028	-	-	-	7,028
Employee share scheme	4.1	-	307	-	-	307
Total transactions with owners		**7,028**	**(7,070)**	**-**	**-**	**(42)**
Balance as at 30 November 2020 (unaudited)[1]		**595,417**	**(140,212)**	**201,463**	**(6,557)**	**650,111**
Balance as at 1 April 2021 (audited)		**675,625**	**(86,983)**	**248,849**	**(3,866)**	**833,625**
Profit for the period		**-**	**36,940**	**-**	**-**	**36,940**
Other comprehensive income						
Revaluation of cash flow hedge net of tax		**-**	**-**	**-**	**3,108**	**3,108**
Revaluation of assets net of tax	3.2, 5.1	**-**	**-**	**22,488**	**-**	**22,488**
Revaluation of right of use assets net of tax	3.4, 5.1	**-**	**-**	**119**	**-**	**119**
Total comprehensive income		**-**	**36,940**	**22,607**	**3,108**	**62,655**
Transactions with owners						
Dividends paid	4.1	**-**	**(14,730)**	**-**	**-**	**(14,730)**
Share issue	4.1	**20,000**	**-**	**-**	**-**	**20,000**
Directly attributable transaction costs deducted from equity	4.1	**(475)**	**-**	**-**	**-**	**(475)**
Share issue: dividend reinvestment scheme	4.1	**5,567**	**-**	**-**	**-**	**5,567**
Employee share scheme	4.1	**-**	**278**	**-**	**-**	**278**
Total transactions with owners		**25,092**	**(14,452)**	**-**	**-**	**10,640**
Balance as at 30 September 2021 (unaudited)		**700,717**	**(64,495)**	**271,456**	**(758)**	**906,920**

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

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to note 1.2.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2021

$NZ000's	Unaudited Six Months 30 Sept 2021	Unaudited Six months 30 Nov 2020
Cash flows from operating activities		
Receipts from residents for village and care fees	**97,043**	82,829
Payments to suppliers and employees[1]	**(113,058)**	(84,378)
Rental payments in relation to right of use investment property	**(1,928)**	(3,330)
Receipts from new occupation right agreements	**109,323**	113,436
Payments for outgoing occupation right agreements	**(35,664)**	(29,882)
Interest received	**21**	18
Interest paid	**(2,986)**	(3,711)
Interest paid in relation to right of use assets	**(301)**	(463)
Net cash inflow from operating activities[1]	**52,450**	**74,519**
Cash flows from investing activities		
Proceeds from sale and / or disposal of property, plant and equipment and investment property	**-**	-
Payments for property, plant and equipment and intangible assets[1]	**(25,238)**	(20,871)
Payments for investment property and investment property under development	**(61,031)**	(39,152)
Payments for business assets	**(56,208)**	-
Net cash outflow from investing activities[1]	**(142,477)**	**(60,023)**
Cash flows from financing activities		
Proceeds from borrowings	**70,880**	48,369
Repayment of borrowings	**(51,686)**	(60,646)
Proceeds from bond issuance	**100,000**	125,000
Repayment of bank borrowing from bond proceeds	**(100,000)**	(125,000)
Proceeds from share placement	**20,000**	-
Capitalised costs in relation to share placement	**(475)**	-
Capitalised borrowing costs	**(1,194)**	(1,861)
Principal payments for right of use assets	**(1,445)**	(1,264)
Dividends paid	**(9,163)**	(349)
Net cash inflow from financing activities	**26,917**	**(15,751)**
Net decrease in cash and cash equivalents	**(63,110)**	**(1,255)**
Cash and cash equivalents at the beginning of the period	**79,906**	17,624
Cash and cash equivalents at end of period	**16,796**	**16,369**

The Board of Directors of the Company authorised these Consolidated Interim Financial Statements for issue on 29 November 2021.

For and on behalf of the Board

Liz Coutts

Elizabeth Coutts
Chair

Alan Isaac
Director

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

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to note 1.2.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

1. General Information

1.1 Basis of Preparation

(i) Entities Reporting

The consolidated interim financial statements of the Group are for the economic entity comprising Oceania Healthcare Limited (the "Company") and its subsidiaries (together "the Group"). Refer to note 5.5 of the 31 March 2021 annual report 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 September 2021 and the results of all subsidiaries for the six months then ended.

The Group owns and operates various care centres and retirement villages throughout New Zealand. Post balance date the Group Support Office functions were relocated to new premises. The Group's registered office is Level 11, 80 Queen Street, Auckland 1010, New Zealand (31 March 2021: 2 Hargreaves Street, St Marys Bay, Auckland 1011).

(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 Group is a Tier 1 for-profit entity in accordance with XRB A1.

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 financial statements for the year ended 31 March 2021.

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 March 2021, 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 September 2021 and comparatives for the six months ended 30 November 2020 are unaudited. The consolidated annual financial statements for the year ended 31 March 2021 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 presentation 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.

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

(iii) Measurement Basis

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

(iv) Key Estimates and Judgements

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

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

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

– Fair value of business combination (note 1.3)

– Classification of accommodation with a care or service offering (note 3)

– Fair value of investment property and investment property under development (note 3.1)

– Fair value of freehold land and buildings (note 3.2)

– Revenue recognition of deferred management fees (note 3.3)

– Fair value of right of use assets (note 3.4)

– Recognition of deferred tax (note 5.1)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

1.2 Accounting Policies

(i) New Accounting Standards

During the period, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software as a Service ('SaaS') arrangements. This was in response to the IFRIC agenda decision in April 2021 clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below.

No other changes to accounting policies have been made during the period and the Group has not early adopted any standards, amendments or interpretations to existing standards that are not yet effective.

Software as a Service ("SaaS") arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period but where the Group does not control the underlying software used in the arrangement. Under the new accounting policy, where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. If costs do not meet the recognition criteria, they are expensed when incurred. The useful lives of the intangible assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

During the period the Group reviewed the agreements supporting documentation for all capitalised software and associated projects. In light of guidance from the IFRIC agenda decision, one item of software which was procured during the year ended 31 May 2020 no longer met the criteria for capitalisation. The Group has applied the required treatment retrospectively and the effect of this change in treatment is shown below.

Comparative information has been restated to reflect the retrospective application of SaaS guidance with respect to one item of software held by the Group which was purchased in 2017.

The impact of this to the six months to 30 November 2020 profit and loss is a net increase to Net Profit after Tax of $26k comprising:

- a decrease to amortisation, recognised in depreciation and amortisation (chattels, leasehold improvements and software), of $131k;
- an increase in staff costs, recognised in employee benefits and other staff costs, of $59k; and
- an increase to IT costs, recognised in other expenses, of $46k.

A net decrease to Net Assets as at 31 March 2021 of $1.6m comprises a decrease in intangible assets of $1.9m and an increase in prepayments, recognised in trade and other receivables, of $0.3m. The opening retained deficit increased by $1.5m.

The balance of the impact to Net Profit after Tax was incurred in the periods from November 2017 to 31 May 2020. The total impact on Net Profit after Tax comprised a decrease to amortisation of $0.3m offset by an increase in staff costs of $1.2m and an increase to IT costs of $0.7m.

(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 their fair value.

1.3 Significant Events and Transactions

(i) COVID-19

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

The New Zealand Government's overall public health strategy in respect of the COVID-19 pandemic affecting New Zealand was elimination with the overall goal to stop community transmission in New Zealand. Refer to note 1.3 of the 31 March 2021 Annual Report for specific details of events to 31 March 2021.

– New Zealand was in Alert Level 1 at the time of signing the 31 March 2021 Annual Report.
– At 11:59pm on 17 August 2021 all of New Zealand entered Alert Level 4.
– At 11.59pm on 31 August 2021 all of New Zealand with the exception of the greater Auckland region and Northland entered Alert Level 3. The greater Auckland region and Northland remained at Alert Level 4.
– At 11.59pm on 1 September 2021 Northland entered Alert Level 3 with no alert level changes in other areas.
– At 11.59pm on 7 September 2021 Alert Level 2 came into force for all regions except the greater Auckland region which remained at Alert Level 4.
– At 11.59pm on 21 September 2021 Alert Level 3 came into force for the greater Auckland region and Upper Hauraki.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

1.3 Significant Events and Transactions (continued)

- At 11.59pm on 25 September 2021 Upper Hauraki moved to Alert Level 2.
- At 11.59pm on 3 October 2021 Alert Level 3 came into force for Raglan, Te Kauwhata, Huntly, Ngaruawahia, Hamilton City and some surrounding areas.
- At 11.59pm on 5 October 2021 Alert Level 3 restrictions eased for the greater Auckland region and it entered Alert Level 3 Step 1.
- At 11.59pm on 7 October 2021 the Waikato Alert Level 3 boundary was extended to include Waitomo District, including Te Kuiti, Waipa District and Otorohanga District.
- At 11.59pm on 8 October 2021 Alert Level 3 came into force for Northland.
- At 11.59pm on 19 October 2021 Northland moved to Alert Level 2.
- At 11.59pm on 27 October 2021 Alert Level 3 restrictions eased and the parts of the Waikato at Alert Level 3 moved to step 1 of Alert Level 3.
- At 11.59pm on 2 November 2021 parts of Waikato moved to Alert Level 3 step 2, and Upper Northland moved to Alert Level 3.
- At 11.59pm on 9 November 2021 Auckland moved to Alert Level 3 step 2.
- At 11.59pm on 11 November 2021 Upper Northland moved to Alert Level 2.
- At 11.59pm on 16 November 2021 parts of Waikato moved to Alert Level 2.

Certain key judgements and estimates are applied in the consolidated interim financial statements.

The Directors have assessed the impact of COVID-19 on these judgements and estimates and concluded that no changes are necessary. This is primarily due to Oceania providing an essential service. The following key matters were considered and undertaken with regards to the financial impact of COVID-19 on the 30 September 2021 consolidated interim financial statements:

- CBRE Limited as independent valuers undertook a valuation as at 30 September 2021. CBRE Limited at 30 September 2021 note in their report that, given the ongoing uncertainty and unknown impact that COVID-19 might have on real estate markets in the future, a degree of caution should be exercised when relying upon the valuation. Values and incomes may change more rapidly and significantly than during standard market conditions. To this end CBRE Limited recommend that their valuation is reviewed periodically over the coming months.
- No changes to the methodology or input estimates in relation to expected credit losses have been required as a result of continued strong collection levels in respect of private care fees and deferred settlement of Occupation Right Agreement ("ORA") contracts.

(ii) Acquisition: Waterford on Hobsonville Point ("Waterford")

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

The business assets have been recognised as at the date of settlement and the future operating results consolidated from that point forward. The financial effects of this transaction have been recognised in these interim financial statements.

Purchase consideration and fair value of net assets acquired

The purchase price of $56.2m was linked to the 31 March 2020 CBRE Limited valuation of Waterford. The acquisition was accounted for using the acquisition method as prescribed in NZ IFRS 3 *Business Combinations*. This standard requires that all identifiable assets and liabilities be assumed at their acquisition date fair value.

$NZ000's	**Fair value on acquisition**
Assets	
Investment Property	105,662
Development Land	8,950
Chattels	63
Liabilities	
Resident liabilities	(48,077)
Employee entitlements	(19)
Net Assets Acquired	**66,579**
Total Consideration	**56,221**
Deferred Tax on Acquisition	(1,820)
Gain on purchase of business assets	**8,538**

The gain on acquisition is due to the difference in the key assumptions within CBRE Limited's valuations, including growth rate and discount rate, between 31 March 2020, being the reference date for the acquisition, and 23 April 2021 being the settlement date, largely reflecting a reversal of COVID-19 impacts.

The impact of the acquisition on the operating results and underlying earnings of the Group for the six months ended 30 September 2021 are not material. The impact of the acquisition on the fair value movements in the period is disclosed in note 3.1.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

1.3 Significant Events and Transactions (continued)

Contingent liabilities

No material contingent liabilities with respect to this transaction were noted during the due diligence process or since acquisition. Should any future contingent liabilities arise, they will be disclosed in future financial statements.

(iii) Balance Date

On 9 July 2020 the Group received approval from the Commissioner of Inland Revenue to change the balance date for the Group to 31 March. These consolidated interim financial statements are the first adopting a 30 September interim balance date. Both this period and the comparatives represent a period of six months.

(iv) Capital Raise

On 16 April 2021, a total of 15,619,810 ordinary shares ($20.0m, $1.2796 per share) were issued in relation to the Retail Offer announced on 24 March 2021. These shares rank equally in all aspects with existing shares.

(v) Retail Bond

On 30 August 2021 Oceania Healthcare Limited announced an offer of up to $75m (with the ability to accept up to an additional $25m in oversubscriptions) of 7 year secured fixed rate bonds. On 13 September 2021 bonds totalling $100.0m were issued to New Zealand retail investors. These bonds mature on 13 September 2028. A fixed interest rate of 3.3% per annum applies to the Bonds. Refer to note 4.3 for the impact on the six months to 30 September 2021.

2. Operating Performance

2.1 Operating Segments

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

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

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

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

Additional segmental reporting information

Capital expenditure: Refer to notes 3.1, 3.2 and 3.4 for details on capital expenditure.

Goodwill: Goodwill is allocated to care cash generating units.

What is Total Comprehensive Income?

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

2.1 Operating Segments (continued)

	Care
Product	Includes traditional care beds and care suites.
Services	The provision of accommodation, care and related services to Oceania's aged care residents. Includes the provision of services such as meals and care packages to independent living residents.
Recognition of Operating Revenue and Expenses	The Group derives Operating Revenue from the provision of care and accommodation. The daily fee is set annually by the Ministry of Health. In relation to the provision of superior accommodation above the Government specification the Group derives revenue from Premium Accommodation Charges ("PACs") or, in the case of care suites, through Deferred Management Fees ("DMF"). Operating Expenses primarily include staff costs, resident welfare expenses and overheads.
Recognition of Fair Value movements on New Developments	Fair value increases or decreases are recognised in other comprehensive income (i.e. not in profit or loss) for the fair value movement above historical cost. Impairments below historical cost are recognised in comprehensive income (i.e. profit or loss).
Recognition of Fair Value movements on Existing Care Centres and Retirement Villages	Fair value movements are treated the same as above. When sites are decommissioned for development this results in an impairment of the buildings and chattels which is recognised in comprehensive income (i.e. profit or loss).
Recognition in Underlying Profit (refer note 2.1 overleaf)	Fair value movements are removed.
Asset Categorisation	Assets used, or, in the case of developments, to be used, in the provision of care are recognised as property, plant and equipment.

	Village	Other
	Includes independent living and rental properties.	N/A
	The provision of accommodation and related services to independent residents in the Group's retirement villages.	Provision of support services to the Group (includes administration, marketing and operations). In addition this segment includes the provision of training by the Wesley Institute of Learning.
	The Group derives Operating Revenue from weekly service fees and rental income. Operating Revenue also includes DMF accrued over the expected occupancy period for the relevant accommodation. Operating Expenses include village property maintenance, sales and marketing, and administration related expenses.	Includes support office and corporate expenses and rental costs relating to the Group's two leasehold sites. Finance costs relate to the cost of bank debt acquired for the purchase and development of villages. Income and expenditure relating to the Wesley Institute of Learning is recognised in this segment.
	Fair value movements are recognised in comprehensive income (i.e. profit or loss).	N/A
	Fair value movements are recognised in comprehensive income (i.e. profit or loss).	N/A
	Fair value movements are removed. Realised gains on resales and the development margins from the sale of independent living units and care suites are included, reflective of the ownership structure of the assets.	No material adjustments.
	Assets used for village operations are recognised as investment property.	Support office assets are recognised as property, plant and equipment. Assets include intangibles (e.g. software).

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

2.1 Operating Segments (continued)

Six months ended 30 September 2021 (unaudited) $NZ000's	**Care Operations**	**Village Operations**	**Other**	**Total**
Revenue	93,341	19,733	861	113,935
Change in fair value of investment property	-	31,299	-	31,299
Change in fair value of right of use investment property	-	986	-	986
Gain on purchase of business assets	-	8,538	-	8,538
Other income	147	982	73	1,202
Total income	93,488	61,538	934	155,960
Operating expenses	(84,264)	(11,195)	(12,548)	(108,007)
Impairment of goodwill	(338)	-	-	(338)
Impairment of property, plant and equipment	(193)	-	-	(193)
Segment EBITDA	8,693	50,343	(11,614)	47,422
Interest income	-	3	18	21
Finance costs	-	-	(4,121)	(4,121)
Depreciation (buildings and care suites)	(6,193)	-	(144)	(6,337)
Depreciation and amortisation (chattels and software)	(2,949)	-	(580)	(3,529)
Profit / (loss) before income tax	(449)	50,346	(16,441)	33,456
Income tax benefit	583	(877)	3,778	3,484
Profit / (loss) for the period attributable to shareholders	134	49,469	(12,663)	36,940
Other comprehensive income				
Gain on revaluation of property, plant and equipment for the period, net of tax	22,488	-	-	22,488
Gain on revaluation of right of use asset for the period, net of tax	119	-	-	119
Gain on cash flow hedges, net of tax	-	-	3,108	3,108
Total comprehensive income / (loss) for the period attributable to shareholders of the parent	22,741	49,469	(9,555)	62,655

Six months ended 30 November 2020 (unaudited) $NZ000's	Care Operations	Village Operations	Other	Total
Revenue	86,899	16,569	417	103,885
Change in fair value of investment property	-	26,651	-	26,651
Change in fair value of right of use investment property	-	2,276	-	2,276
Other income	369	747	10	1,126
Total income	**87,268**	**46,243**	**427**	**133,938**
Operating expenses[1]	(76,287)	(13,270)	(10,740)	(100,297)
Impairment of goodwill	(815)	-	-	(815)
Impairment of property, plant and equipment and right of use buildings	(517)	-	-	(517)
Segment EBITDA[1]	**9,649**	**32,973**	**(10,313)**	**32,309**
Interest income	-	3	16	19
Finance costs	-	-	(4,011)	(4,011)
Depreciation (buildings and care suites)	(4,925)	-	(124)	(5,049)
Depreciation and amortisation (chattels and software)[1]	(2,481)	-	(413)	(2,894)
Profit / (loss) before income tax[1]	**2,243**	**32,976**	**(14,845)**	**20,374**
Taxation benefit	1,298	(6,667)	9,805	4,436
Profit / (loss) for the period attributable to shareholders[1]	**3,541**	**26,309**	**(5,040)**	**24,810**
Other comprehensive income				
Gain on revaluation of land and buildings for the period, net of tax	31,231	-	-	31,231
Gain on revaluation of right of use asset for the period, net of tax	27	-	-	27
Gain on cash flow hedges, net of tax	-	-	918	918
Total comprehensive income / (loss) for the period attributable to shareholders of the parent[1]	**34,799**	**26,309**	**(4,122)**	**56,986**

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to note 1.2.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

2.1 Operating Segments (continued)

Underlying net profit after tax ("Underlying Profit")

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

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

	Net profit after tax
Remove	Change in fair value of investment property, right of use investment property assets and cash flow hedges and impairment / reversal of impairment of property, plant and equipment and right of use property, plant and equipment
Add back	Impairment of goodwill
Add back	Rental expenditure in relation to right of use investment property assets
Add back / remove	Loss / gain on sale, decommissioning or purchase of assets and business assets
Add back	Depreciation (Care Suites)
Add back	Directors' estimate of realised gains on the resale of units and care suites sold under an ORA
Add back	Directors' estimate of realised development margin on the first sale of new ORA units or care suites following the development of an ORA unit or care suite, conversion of an existing care bed to a care suite or conversion of a rental unit to an ORA unit
Add back	Deferred taxation component of taxation expense so that only the current tax expense is reflected
=	**Underlying Profit**
Remove	Interest income
Add back	Finance costs (including lease interest under NZ IFRS 16 *Leases* and excluding hedge ineffectiveness)
Add back	Depreciation and amortisation (including right of use property, plant and equipment)
=	**Underlying EBITDA**

Change to definition of Underlying Profit

The definition of Underlying Profit was amended for the first time in the 31 March 2021 consolidated annual financial statements to add back depreciation of care suites. The comparative period figures have been restated to reflect this change. The change allows for comparability of care suite assets, which are subject to an ORA, with other village assets subject to an ORA which are treated as Investment Property for GAAP purposes and are not depreciated. This change is consistent with the management information used by the company and that which is reported to the Board. The comparative period has been restated to add back depreciation on care suites. This has increased Underlying Profit by $3.6m in the comparative period.

Resale gain – Underlying Profit

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

Development margin – Underlying Profit

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

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

2.1 Operating Segments (continued)

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

Included	**New builds:** - the construction costs directly attributable to the relevant project, including any required infrastructure (e.g. roads) and amenities related to the units (e.g. landscaping) as well as any demolition and site preparation costs associated with the project. The costs are apportioned between the ORA units and care suites, in aggregate, using estimates provided by the project quantity surveyor. The construction costs for the individual ORA units or care suites sold are determined on a prorated basis using gross floor areas of the ORA units and care suites; - an apportionment of land value based on the gross floor area of the ORA units and care suites developed. The value for Brownfield[1] development land is the estimated fair value of land at the time a change of use occurred[2] (from operating as a care centre or retirement village to a development site), as assessed by an external independent valuer. Greenfield[3] development land is valued at historical cost; and - capitalised interest costs to the date of project completion apportioned using the gross floor area of ORA units and care suites developed. **Conversions:** - of care beds to care suites - the actual refurbishment costs incurred; and - of rental units to ORA units - the actual refurbishment costs incurred and the fair value of the rental unit prior to conversion.
Excluded	- construction, land (apportioned on a gross floor area basis) and interest costs associated with common areas and amenities or any operational or administrative areas.

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

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

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

Six months ended 30 September 2021 (unaudited) $NZ000's	Care Operations	Village Operations	Other	Total
Total comprehensive income for the period attributable to shareholders of the parent	22,741	49,469	(9,555)	62,655
Adjusted for Proforma items				
Add: Repayment of Wage Subsidy[1]	1,768	-	-	1,768
Adjusted for Underlying Profit items				
Less: Change in fair value of investment property, right of use assets and cash flow hedges and impairment of property, plant and equipment	(22,415)	(32,284)	(3,108)	(57,807)
Add: Impairment of goodwill	338	-	-	338
Add: Rental expenditure in relation to right of use asset	-	1,928	-	1,928
Add: Depreciation (care suites)	4,807	-	-	4,807
Add: Loss / gain on sale, decommissioning or purchase of assets and business assets	-	(8,588)	-	(8,588)
Add: Realised resale gain	-	10,639	-	10,639
Add: Realised development margin	-	15,252	-	15,252
Underlying net profit before tax	7,239	36,416	(12,663)	30,992
Less: Deferred tax benefit	(583)	877	(3,778)	(3,484)
Underlying net profit after tax	6,656	37,293	(16,441)	27,508
Less: Interest income	-	(3)	(18)	(21)
Add: Finance costs (excluding hedge ineffectiveness)	-	-	3,921	3,921
Add: Depreciation (buildings)	1,386	-	144	1,530
Add: Depreciation and amortisation (chattels, leasehold improvements and software)	2,949	-	580	3,529
Underlying EBITDA	10,991	37,290	(11,814)	36,467

[1] On 21 April 2020 the Group claimed, and received payment of, a COVID-19 wage subsidy totalling $1.8m. This amount has subsequently been repaid in full on 18 May 2021 and as a result has been excluded from the table above. This proforma adjustment increases underlying EBITDA and underlying NPAT in relation to the six month period to 30 September 2021 by $1.8m and reduces the underlying EBITDA and underlying NPAT position in relation to the six month period to 30 September 2020 by $1.8m. The statutory comparative period being the six months to 30 November 2020 is not impacted by this proforma adjustment.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

2.1 Operating Segments (continued)

Six months ended 30 November 2020 (unaudited) $NZ000's	**Care Operations**	**Village Operations**	**Other**	**Total**
Total comprehensive income for the period attributable to shareholders of the parent	**34,799**	**26,309**	**(4,122)**	**56,986**
Adjusted for Underlying Profit items				
Less: Change in fair value of investment property, right of use assets and cash flow hedges and impairment of property, plant and equipment	(30,741)	(28,927)	(918)	(60,586)
Add: Impairment of goodwill	815	-	-	815
Add: Rental expenditure in relation to right of use asset	-	3,330	-	3,330
Add: Loss / gain on sale, decommissioning or purchase of assets and business assets	-	-	(84)	(84)
Add: Depreciation (care suite)[1]	3,576	-	-	3,576
Add: Realised gain on resale	-	10,364	-	10,364
Add: Realised development margin	-	16,981	-	16,981
Underlying net profit before tax[1]	**8,449**	**28,057**	**(5,124)**	**31,382**
Less: Deferred tax benefit	(1,298)	6,667	(9,805)	(4,436)
Underlying net profit after tax	**7,151**	**34,724**	**(14,929)**	**26,946**
Less: Interest income	-	(3)	(16)	(19)
Add: Finance costs	-	-	4,011	4,011
Add: Depreciation (buildings)	1,349	-	124	1,473
Add: Depreciation and amortisation (chattels and software)	2,481	-	413	2,894
Underlying EBITDA	**10,981**	**34,721**	**(10,397)**	**35,305**

[1] The comparatives above have been restated to add back depreciation on care suites. This has increased Underlying Profit by $3.6m in the comparative period.

3. Property Assets

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

What is Investment Property?

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

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

What is Property, Plant and Equipment?

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

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

What is a Care Suite?

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

Basis of valuation

CBRE Limited note in their 30 September 2021 report that, given the ongoing uncertainty and unknown impact that COVID-19 might have on real estate markets in the future, a degree of caution should be exercised when relying upon the valuation. Values and incomes may change more rapidly and significantly than during standard market conditions. To this end CBRE recommend that their valuation is reviewed periodically over the coming months. In the comparative period of 31 March 2021 CBRE Limited reported on the basis of "market uncertainty" meaning that there remains uncertainty in the market because of the longer economic impacts of COVID-19.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

3. Property Assets (continued)

Classification of Serviced Apartments and Care Suites

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

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

	Investment Property Village Assets		Property, Plant and Equipment Care Assets	
CLASSIFICATION	Independent living (villa or apartment)	Serviced apartment	Care suite	Traditional care bed
SCENARIO	Additional services are optional	Services are compulsory but an insignificant portion of total revenue from the unit	Services are compulsory and a significant portion of the total revenue from the unit	Full ARRC[1] funded care is compulsory for that unit/bed
CONSIDERATION OF SIGNIFICANCE OF CASH FLOWS	Qualitatively the business model is the provision of retirement accommodation	Quantitatively insignificant (a guideline of under 20% of total revenue is adopted) and qualitatively the business model is the provision of retirement accommodation	Quantitatively significant. Qualitatively the business model is the provision of care	Qualitatively the business model is the provision of care. Quantitative assessment not relevant as price of accommodation does not change overall purpose of the accommodation

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

3.1 Village Assets: Investment Property

$NZ000's	Notes	Unaudited 30 Sept 2021	Audited 31 Mar 2021
Investment property under development at fair value			
Opening balance		**143,720**	145,020
Capitalised expenditure (including land acquisitions)		**56,899**	63,881
Capitalised interest and line fees		**995**	3,028
Transfer to completed investment property		**(7,721)**	(99,512)
Transfer to property, plant and equipment		**(65)**	-
Change in fair value during the period – developments as at balance date		**6,537**	7,826
Change in fair value during the period – developments completed during the period		**411**	23,477
Closing balance		**200,776**	**143,720**
Completed investment property at fair value			
Opening balance		**956,083**	802,060
Acquisition[1]		**48,077**	-
Transfer from investment property under development	3.2	**7,721**	99,512
Transfer to property, plant and equipment		**-**	(1,329)
Capitalised expenditure		**56,802**	7,050
Capitalised interest and line fees		**945**	124
Disposals		**-**	-
Change in fair value during the period – existing villages		**8,383**	34,888
Change in fair value during the period – recently completed developments[2]		**15,968**	13,778
Closing balance		**1,093,979**	**956,083**
Total investment property		**1,294,755**	**1,099,803**

[1] Acquisition related to Waterford on Hobsonville Point. Refer to note 1.3 for details.

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

3.1 Village Assets: Investment Property (continued)

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

$NZ000's	Unaudited 30 Sept 2021	Unaudited 30 Nov 2020
Increase in fair value of investment property	194,952	65,420
Add: Transfers to property, plant and equipment and to right of use assets during the period	65	1,329
Less: Capitalised expenditure including capitalised interest	(115,641)	(40,818)
Less: Resident obligations on acquisition	(48,077)	-
Add: Disposals	-	720
Change in fair value recognised in Consolidated Statement of Comprehensive Income	**31,299**	**26,651**

Included in the above change in fair value is an amount of $6.6m (increase) in respect to fair value moments since acquisition date of the Waterford site. The movement in fair value has arisen predominantly on first sell down of vacant apartments.

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

$NZ000's	Unaudited 30 Sept 2021	Audited 31 Mar 2021
Investment Property under development		
Valuation	200,776	143,720
	200,776	**143,720**
Completed Investment Property		
Valuation	528,134	474,215
Add: Refundable occupation licence payments	678,896	573,766
Add: Residents' share of resale gains	6,480	7,205
Less: Management fee receivable	(102,245)	(84,433)
Less: Resident obligations for units not included in valuation	(17,286)	(14,670)
	1,093,979	**956,083**
Total investment property at fair value	**1,294,755**	**1,099,803**

Where an incoming resident has an unconditional ORA in respect of a retirement village unit and the corresponding outgoing resident for that same accommodation has not yet been refunded, the CBRE Limited valuation is adjusted for the incoming resident balances only. In certain circumstances accommodation under an ORA is valued as development land. In these situations the CBRE Limited valuation is not adjusted for the refundable amounts and consequently no offsetting "gross up" is required. An adjustment of $17.3m (31 March 2021: $14.7m) is included in the above reconciliation to reflect this.

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

Why do we adjust for the liability to residents?

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

Valuation Process and Key Inputs

Investment Property under Development

CBRE Limited provided valuations of development land in respect of investment property under development as at 30 September 2021.

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

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

Practical completion not achieved

Where the development still requires substantial work such that practical completion is not going to be achieved, and a reliable estimate of fair value cannot be made, at or close to balance date, the fair value recognised is the fair value of the development land per the Directors' valuation plus the cost of any work in progress. An amount of $86.4m as at 30 September 2021 (31 March 2021: $51.6m) has been recognised in relation to these development sites.

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

3.1 Village Assets: Investment Property (continued)

Practical completion achieved

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

Completed Investment Property

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

The Group's interest in all completed investment property was valued on 30 September 2021 by CBRE Limited, at a total of $528.5m (31 March 2021: $472.2m).

Investment Property Held for Sale

Investment property assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at their fair value.

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.

3.2 Care Assets: Property, Plant and Equipment

$NZ000's	Notes	Freehold Land and Buildings Under Development	Freehold Land	Freehold Buildings	Chattels and Leasehold Improvements	Total
Period ended 30 September 2021 (unaudited)						
Opening net book amount		54,767	92,800	437,079	19,406	604,052
Additions		17,857	1,343	3,217	3,377	25,794
Capitalised interest and line fees		741	-	170	-	911
Disposals		-	-	-	-	-
Depreciation		-	-	(6,036)	(2,458)	(8,494)
Transfer from investment property	3.1	65	-	-	-	65
Reclassification within Property, Plant and Equipment		320	-	(320)	-	-
Revaluation surplus						
Comprehensive income						
Existing care centres		-	(108)	(205)	-	(313)
Care centres recently developed / under development		-	-	49	-	49
Other comprehensive income [1]						
Existing care centres		2,039	14,055	2,424	-	18,518
Care centres recently developed / under development		-	-	4,497	-	4,497
Closing net book amount		75,789	108,090	440,875	20,325	645,079
At 30 September 2021 (unaudited)						
Cost		-	-	-	54,920	54,920
Valuation		75,789	108,090	440,875	-	624,754
Accumulated depreciation		-	-	-	(34,595)	(34,595)
Net book amount		75,789	108,090	440,875	20,325	645,079

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

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

$NZ000's	Notes	Freehold Land and Buildings Under Development	Freehold Land	Freehold Buildings	Chattels and Leasehold Improvements	Total
Year ended 31 March 2021 (audited)						
Opening net book amount		54,206	77,496	339,916	18,372	489,990
Additions		18,664	-	8,189	4,138	30,991
Capitalised interest and line fees		837	-	271	-	1,108
Disposals		-	-	-	-	-
Depreciation		-	-	(8,121)	(3,104)	(11,225)
Transfer (to) / from investment property	3.1	-	-	1,329	-	1,329
Reclassification within property, plant and equipment		(32,998)	(2,105)	35,103	-	-
Revaluation surplus						
Comprehensive income						
Existing care centres		1,610	1,076	1,543	-	4,229
Care centres recently developed / under development		-	-	75	-	75
Other comprehensive income[1]						
Existing care centres		2,007	16,333	31,757	-	50,097
Care centres recently developed / under development		10,441	-	27,017	-	37,458
Closing net book amount		**54,767**	**92,800**	**437,079**	**19,406**	**604,052**
At 31 March 2021 (audited)						
Cost		-	-	-	51,543	51,543
Valuation		54,767	92,800	437,079	-	584,646
Accumulated depreciation		-	-	-	(32,137)	(32,137)
Net book amount		**54,767**	**92,800**	**437,079**	**19,406**	**604,052**

Land and Buildings Under Development

A valuation in respect of development land was provided by CBRE Limited as at 30 September 2021.

Any costs incurred to 30 September 2021 on the developments are included in arriving at the fair value as at 30 September 2021.

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

Practical completion not achieved

Where the development still requires substantial work such that practical completion is not going to be achieved, and a reliable estimate of fair value cannot be made, at or close to balance date, the fair value recognised is the fair value of the development land per the Directors' valuation plus the cost of any work in progress. An amount of $34.0m as at 30 September 2021 (31 March 2021: $16.2m) has been recognised in relation to these development sites.

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

Practical completion achieved

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

Completed Land and Buildings

A valuation in respect of completed land and buildings was provided by CBRE Limited as at 30 September 2021.

The valuation of the Group's care centres was apportioned to land, buildings, chattels and goodwill. The fair value of land and buildings as calculated by CBRE Limited is based on the level of rent able to be generated from the maintainable net cash flow of the site subject to average efficient management. The fair value of the Group's land and buildings as determined by the Directors is based on these apportionments. However, chattels are carried at historic cost less depreciation and the amount apportioned to goodwill by CBRE Limited is not recorded in the consolidated interim financial statements. The CBRE Limited valuation included $10.9m of goodwill (31 March 2021: $10.4m) in respect of completed land and buildings.

The CBRE Limited valuation used in the determination of the fair value of freehold buildings, incorporates an allowance in relation to remediation to properties where seismic strength testing has been carried out in prior years.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

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

Care Suites and Serviced Apartments

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

Key Accounting Estimates and Judgements

All land and buildings have been determined to be Level 3 (31 March 2021: Level 3) in the fair value hierarchy as the fair value is determined using inputs that are unobservable.

3.3 Refundable Occupation Right Agreements

What's an ORA?

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

What's DMF?

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

$NZ000's	Unaudited 30 Sept 2021	Audited 31 Mar 2021
Village		
Refundable occupation licence payments	**678,896**	573,766
Residents' share of resale gains	**6,480**	7,205
Less: Management fee receivable (per contract)	**(139,346)**	(117,300)
	546,030	**463,671**
Leasehold Village		
Refundable occupation licence payments	**39,045**	37,130
Less: Management fee receivable (per contract)	**(7,892)**	(6,647)
	31,153	**30,483**
Care Suites		
Refundable occupation licence payments	**170,530**	152,273
Accommodation rebate	**137**	375
Less: Management fee receivable (per contract)	**(31,311)**	(28,369)
	139,356	**124,279**
Total refundable occupation right agreements	**716,539**	**618,433**

Reconciliation of Management Fees recognised under NZ IFRS and per ORA

$NZ000s	Unaudited 30 Sept 2021	Audited 31 Mar 2021
Village		
Management fee receivable (per contract)	**(139,346)**	(117,300)
Deferred management fee	**37,101**	32,867
Management fee receivable (per NZ IFRS)	**(102,245)**	**(84,433)**
Leasehold Villages		
Management fee receivable (per contract)	**(7,892)**	(6,647)
Deferred management fee	**2,910**	2,590
Management fee receivable (per NZ IFRS)	**(4,982)**	**(4,057)**
Care Suites		
Management fee receivable (per contract)	**(31,311)**	(28,369)
Deferred management fee	**6,022**	6,042
Management fee receivable (per NZ IFRS)	**(25,289)**	**(22,327)**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

3.4 Leases

What's a right of use asset?

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

Right of use Assets **$NZ000's** **Period ended 30 September 2021**	**Investment Property**	**Land and Buildings**	**Chattels**	**Total**
Opening net book value	33,446	4,169	4,099	41,714
Additions	5	158	300	463
Disposals	-	(1,034)	-	(1,034)
Depreciation	-	(301)	(920)	(1,221)
Revaluation for the period – Comprehensive Income	986	71	-	1,057
Revaluation for the period[1] – Other Comprehensive Income	-	165	-	165
Net book value as at 30 September 2021 (unaudited)	34,437	3,228	3,479	41,144

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

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

$NZ000's 30 September 2021	Investment Property	Land and Buildings	Chattels	Total
Cost	-	-	8,909	8,909
Valuation	34,437	3,228	-	37,665
Accumulated depreciation	-	-	(5,430)	(5,430)
Net book value as at 30 September 2021 (unaudited)	34,437	3,228	3,479	41,144

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

$NZ000's	Unaudited 30 Sept 2021	Audited 31 Mar 2021
Right of use Investment Property		
Valuation	374	373
Add: Refundable occupation licence payments	39,045	37,130
Less: Management fee receivable	(4,982)	(4,057)
	34,437	33,446

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

Lease Liabilities $NZ000's 30 September 2021	Investment Property	Land and Buildings	Chattels	Total
Opening net book value	-	7,021	4,492	11,513
Additions	-	158	300	458
Disposals		(1,750)	-	(1,750)
Interest	-	133	168	301
Lease payments made	-	(445)	(1,301)	(1,746)
Lease liabilities as at 30 September 2021 (unaudited)	-	5,117	3,659	8,776

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

3.4 Leases (continued)

Lease of Investment Property

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

Due to the variability of these payments both the right of use asset and the corresponding lease liability were initially recognised at nil value. Rental payments are recognised as a rental expense through the Consolidated Statement of Comprehensive Income. The right of use asset is held at fair value in accordance with NZ IAS 40 Investment Property. The fair value is determined by the Directors having taken into consideration the valuation conducted by CBRE Limited.

The carrying value of the right of use asset as at 30 September 2021 in respect of this leased site is $34.4m (31 March 2021: $33.4m).

On 15 February 2021 the Group entered into a Sale and Purchase Agreement to purchase one leased site for a purchase price of $5.0m. Date of settlement was 18 June 2021. NZ IFRS 16 Leases states that any difference in purchase price and the carrying amount of the lease liability immediately before the purchase shall be recorded as an adjustment to the carrying amount of the asset. The carrying value at the date of acquisition was $1.0m with a corresponding liability of $1.8m.

Lease of Property, Plant and Equipment

The Group leases two care centres (31 March 2021: three care centres) which are valued as right of use assets as well as on one support office building and various equipment and motor vehicles.

A valuation in respect of right of use property assets was provided by CBRE Limited as at 30 September 2021.

4. Shareholder Equity and Funding

4.1 Shareholder Equity and Reserves

	Unaudited 30 Sept 2021 Shares	Audited 31 Mar 2021 Shares	**Unaudited 30 Sept 2021 $NZ000's**	Audited 31 Mar 2021 $NZ000's
Share capital				
Authorised, issued and fully paid up capital	**705,705,859**	689,276,946	**700,717**	675,625
Total contributed equity	**705,705,859**	**689,276,946**	**700,717**	**675,625**
Movements				
Opening balance of ordinary shares issued	**689,276,946**	618,056,183	**675,625**	588,389
Shares issued for employee share scheme	**-**	1,193,045	**-**	-
Shares issued for dividend reinvestment plan	**3,963,659**	8,489,256	**5,567**	9,175
Share issue (placement)	**15,629,810**	61,538,462	**20,000**	80,000
Capitalised costs in relation to share placement	**-**	-	**(475)**	(1,939)
Treasury shares reacquired	**(3,164,556)**	-	**-**	-
Share issue (rights issue)	**-**	-	**-**	-
Capitalised costs in relation to rights issue	**-**	-	**-**	-
Closing balance of ordinary shares issued	**705,705,859**	**689,276,946**	**700,717**	**675,625**

All ordinary shares are authorised and rank equally with one vote attached to each fully paid ordinary share. The shares have no par value. The Company incurred no transaction costs issuing shares during the period (31 March 2021: nil).

Share Issue (Placement)

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

Share Issue (Rights Issue)

On 16 April 2021, a total of 15,619,810 ordinary shares with a value of $20.0m ($1.2796 per share) were issued in relation to the Retail Offer.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

4.1 Shareholder Equity and Reserves (continued)

Dividend Reinvestment Plan ("DRP")

- 3,963,659 shares with a value of $1.4040 per share were issued in the six months to 30 September 2021 in relation to the 31 March 2021 dividend reinvestment plan.
- 1,399,054 shares with a value of $1.5331 per share were issued in the four months to 31 March 2021 in relation to the 30 November 2020 dividend reinvestment plan.
- 2,613,632 shares with a value of $0.9910 per share were issued in the six months to 30 November 2020 in relation to the 31 May 2020 dividend reinvestment plan. Further, 4,476,570 shares with a value of $0.9910 were issued in the six months to 30 November 2020 pursuant to an underwriting agreement with Macquarie Securities (NZ) Limited.

Recognition and Measurement

- On 6 September 2021, 1,078,125 share rights were issued for nil consideration and a nil exercise price in relation to the LTI Scheme for the provision of performance based remuneration.
- On 1 September 2021 the Group acquired 3,164,556 shares held by OCA Employees Trustee Limited, a subsidiary, in relation to a previously cancelled long term incentive plan scheme. The shares had been classified as Treasury Shares as the Group had a beneficial interest in the 3,164,556 shares.
- On 20 November 2020, 1,948,061 share rights were issued for nil consideration and a nil exercise price in relation to the LTI Scheme for the provision of performance-based remuneration. Since that point a total of 1,252,325 share rights that were granted at that time have lapsed as a consequence of executives leaving employment with the Company.

Group Structure

There are no major shareholders.

Dividends

On 29 November 2021, an interim dividend of 2.1 cents per share (not imputed) was declared and will be paid on 20 December 2021. The record date for entitlement is 6 December 2021.

	Unaudited 30 Sept 2021 cents per share	**Unaudited 30 Sept 2021 $NZ000's**	Audited 31 Mar 2021 cents per share	Audited 31 Mar 2021 $NZ000's
Final dividend for the prior year	**2.1**	**14,475**	1.2	7,417
Interim dividend for the period	**-**	**-**	1.3	8,142
Total dividends declared during the period[1]	**-**	**14,475**	**-**	**15,559**

[1] Total dividends declared during the period differs to dividends paid per the Consolidated Statement of Changes in Equity as a result of dividends payable on shares held within the Group.

Dividend Reinvestment Plan

On 25 July 2019, the Board approved the implementation of a dividend reinvestment plan for New Zealand and Australian shareholders. This plan has been effective for all subsequent dividends. This plan shall also be effective for the dividend payable on 20 December 2021 at a discount of 2.5% to the volume weighted average price of shares sold on the NZX Main Board over a period of five trading days starting on 3 December 2021. The dividend reinvestment plan shall apply to those shareholders who have provided a participation election by 5:00pm on the dividend election date, being 7 December 2021.

Asset Revaluation Reserve

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

Cash Flow Hedge Reserve

The cash flow hedge reserve is used to record gains or losses on instruments used as cash flow hedges. The amounts are recognised in the Consolidated Statement of Comprehensive Income when the hedged transaction affects profit or loss. Refer to note 5.6 of the 31 March 2021 consolidated annual financial statements.

Long Term Incentive Plan

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

– provide an incentive to key executives to commit to Oceania for the long term; and

– align these executives' interests with the interests of Oceania's shareholders.

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

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

4.1 Shareholder Equity and Reserves (continued)

Performance Hurdles

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

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

Lapse

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

Employee Share Scheme

On 22 September 2020 1,193,045 shares were issued as part of an employee share scheme ("ESS"). All permanent employees as at that date were invited to participate. Full time employee participants were allocated an equivalent of $800 of shares and part time employee participants were allocated an equivalent of $400 of shares. The shares are held in trust and will be transferred to the employee if the employee remains employed by Oceania (or any of its subsidiaries) for the following three years.

4.2 Earnings per Share

Basic

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

	Unaudited 30 Sept 2021	Unaudited 30 Nov 2020
Profit after tax ($'000)	**36,940**	**24,810**[1]
Weighted average number of ordinary shares outstanding ('000s)	**702,542**	619,514
Basic earnings per share (cents per share)	**5.3**	**4.0**

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to note 1.2.

Diluted

Diluted Earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 30 September 2021 there were no shares with a dilutive effect (30 November 2020: nil).

	Unaudited 30 Sept 2021	Audited 30 Nov 2020
Profit / (loss) after tax ($'000)	**36,940**	**24,810**
Diluted weighted average number of ordinary shares outstanding ('000s)	**702,542**	619,514
Diluted earnings per share (cents per share)	**5.3**	**4.0**

4.3 Borrowings

$NZ000's	**Unaudited 30 Sept 2021**	Audited 31 Mar 2021
Secured		
Bank loans	**125,785**	204,930
Deferred payment on acquisition of previously leased site	**3,500**	-
Capitalised loan costs	**(371)**	(473)
Retail bond – OCA010	**125,000**	125,000
Retail bond – OCA020	**100,000**	-
Capitalised bond costs	**(3,185)**	(2,165)
Total borrowings	**350,729**	**327,292**
Current	**3,250**	-
Non current	**351,035**	329,930
Total borrowings excluding capitalised loan costs	**354,285**	**329,930**

Recognition and Measurement

Bank Loans

Interest is charged using the BKBM Bill rate plus a margin and line fee. Interest rates applicable in the six month period to 30 September 2021 ranged from 1.64% to 1.96% (period to 31 March 2021: 2.40% to 2.58%).

Deferred Payment on Acquisition of Previously Leased Site

Relates to the purchase of a previously leased site. The deferred payment is secured by a first charge mortgage over the property.

No interest is charged unless the payment is in default. Refer to note 3.4.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

4.3 Borrowings (continued)

Retail Bond

On 13 September 2021 the Group issued 100.0m additional bonds totalling $100.0m with a maturity date of 13 September 2028. The bonds are listed on the NZX Debt Market (NZDX) with the ID OCA020. The bond has a fixed interest rate of 3.3%.

In the comparative period the Group issued 125.0m retail bonds totalling $125.0m on 19 October 2020 with a maturity date of 19 October 2027 at a fixed interest rate of 2.3%. The bonds have the NZDX ID of OC010.

The bonds are quoted on the NZX Debt Market and their fair value at balance date is based on their listed market price as at balance date. Interest on OCA010 is payable quarterly in January, April, July and October in equal instalments. Interest on OCA020 is payable quarterly in March, June, September and December in equal instalments. The bonds were trading as follows:

Yield	**Unaudited 30 Sept 2021**	Audited 31 Mar 2021
OCA010	**2.8%**	2.7%
OCA020	**2.9%**	n/a

Debt Financing

Total debt facility limits are $350.0m. The General Corporate Facility limit is $85.0m and the Development Facility limit is $265.0m.

The maturity of the Facilities is 31 July 2023.

Financing Arrangements

At 30 September 2021, the Group held committed bank facilities with drawings as follows:

	Unaudited 30 Sept 2021		Audited 31 Mar 2021	
$NZ000's	**Committed**	**Drawn**	Committed	Drawn
General Corporate Facility	**85,000**	**6,000**	85,000	-
Development Facility	**265,000**	**119,785**	265,000	204,930
Total	**350,000**	**125,785**	**350,000**	**204,930**

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

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

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

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

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

c) Guarantor Group Coverage – at all times the adjusted EBITDA of the Guaranteeing Group must be at least 90% of the Adjusted EBITDA of the total tangible assets of the Group; and

d) Development – At all times the outstanding principal amount under the Development Facility shall not exceed the Development Value. Development Value (per the most recent valuation excluding any settled stock) is the aggregate value of all Residential Facilities in all Developments that are being funded by the Development Facility less their cost to complete.

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

Assets Pledged as Security

The bank loans and bonds of the Group are secured by mortgages over the Group's care centre freehold land and buildings and rank second behind the Statutory Supervisors where the land and buildings are classified as investment property and investment property under development.

As at 30 September 2021 the balance of the bank loans and bonds over which the properties are held as security is $350.8m (31 March 2021: $329.9m).

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

5. Other Disclosures

5.1 Income Tax

What is Current Tax?

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

What is Deferred Tax?

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

$NZ000's	Unaudited 30 Sept 2021	Unaudited 30 Nov 2020
Income tax benefit		
Current tax	-	-
Deferred tax	(3,484)	(4,436)
	(3,484)	**(4, 436)**
Taxation expense is calculated as follows:		
Profit / (loss) before income tax	33,456	20,491
Tax at the New Zealand tax rate of 28%	9,368	5,737
Adjusted by the tax effect of:		
Non-deductible impairment of goodwill	95	228
Non-deductible expenditure	245	285
Capitalised interest deductible for tax	(798)	(745)
Taxable deferred management fees	(5,738)	(1,934)
Non-assessable revaluation of investment property	(9,039)	(8,100)
Taxable depreciation	(2,810)	(3,510)
Accounting depreciation	2,474	1,856
Right of use asset	(28)	9
Non-deductible impairment / (reversal of non-deductible impairment) of fixed asset	54	145
Adjustment for timing difference of provisions	166	832
Other	-	(39)
Losses generated	6,011	5,236
Current tax expense	**-**	**-**
Impact of movements in investment property	(2,256)	480
Impact of movements in property, plant and equipment	(719)	(1,671)
Impact of movements in right of use assets	121	(92)
Other adjustments	(309)	(912)
Deferred management fee	3,296	1,934
Other deferred tax assets not recognised	(336)	-
Prior period adjustments: other	-	-
Losses utilised or derecognised	(3,281)	(4,175)
Deferred tax benefit	**(3,484)**	**(4,436)**
Income tax benefit	**(3,484)**	**(4,436)**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

5.1 Income Tax (continued)

Movement in the Deferred Tax Balance:

$NZ000's	Balance 1 Apr 2021 Audited	Recognised in Consolidated Statement of Comprehensive Income	Recognised in Other Comprehensive Income	Balance 30 Sept 2021 Unaudited
Investment property	3,189	2,878	-	6,067
Property, plant and equipment	(13,520)	719	(527)	(13,328)
Right of use assets	902	(121)	(46)	735
Provisions and other assets / liabilities	7,979	309	(1,091)	7,197
DMF revenue in advance	1,786	(5,738)	-	(3,952)
Tax losses	-	3,281	-	3,281
Deferred tax assets not recognised	(336)	336	-	-
Deferred tax (liabilities) / assets	-	1,664[1]	(1,664)	-

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

Recognition and Measurement

No income tax was paid or payable during the year (31 March 2021: nil).

[1] Included in this movement is a $1.8m liability in regards to deferred tax on the Waterford business combination. The impact of this offsets the Gain on the Purchase of Business Assets within the Statement of Comprehensive Income.

Key accounting judgements

Deferred Tax on Investment Property

Deferred tax on investment property is assessed on the basis that the asset value will be realised through use ("Held for Use"). An initial recognition exemption has been applied to newly developed village sites in accordance with NZ IAS 12.

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

In calculating deferred tax under the Held for Use methodology, the Group has made significant judgements to determine taxable temporary differences. The carrying value of the Group's investment property is determined on a discounted cash flow basis and includes cash flows that are both taxable and non-taxable in the future. The Group has recognised deferred tax on the cash flows with a future tax consequence being DMF and deductible amounts as provided by CBRE Limited, to the extent that it doesn't relate to land. The Group uses the CBRE Limited valuation of land and improvements to estimate the apportionment of cash flows arising from the depreciable (i.e. buildings) and non-depreciable components (i.e. land).

Recognition of Deferred Tax on Deferred Management Fee

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

During October 2018, the Group obtained a binding ruling from Inland Revenue, applicable for ORAs entered into after 1 June 2018 with certain revisions to the terms and conditions relating to the DMF. Pursuant to this ruling DMF revenue is recognised as derived on the exit of a unit or care suite by a resident.

Recognition of Deferred Tax on Tax Losses

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

After taking into consideration losses generated in the period to 30 September 2021, the Group now has an estimated $108.5m (31 March 2021: $86.9m) of available tax losses as at 30 September 2021.

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

5.2 Contingencies and Commitments

At 30 September 2021, the Group had no contingent liabilities or assets (31 March 2021: nil).

At 30 September 2021, the Group has a number of commitments to develop and construct certain sites totalling $108.5m (31 March 2021: $131.4m) of which $108.5m (31 March 2021: $131.4m) relates to development sites.

As at 30 September 2021, a commitment of $9.3m (31 March 2021: $9.3m) exists in relation to Stage One and $3.0m (31 March 2021: $5.8m) in relation to Stage Two in the form of future lease payments in respect of the development of Everil Orr, a leasehold site. Lease payment obligations arise as ORAs are sold. Refer to note 3.4 for further details.

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

5.3 Events After Balance Date

Employee Share Scheme

Post balance date, but before the signing of these financial statements, all employees of the Group were invited to participate in the 2021 employee share scheme. Shares in relation to those employees who choose to participate will be issued post the signing date of these interim financial statements.

Dividend

On 29 November 2021 an interim dividend of 2.1 cents per share (not imputed) was declared and will be paid on 20 December 2021. The record date for entitlement is 6 December 2021. Refer to note 4.1.

Land Purchase

During November 2021 a sale and purchase agreement was entered into to purchase a piece of bare land neighbouring the Franklin site at market value. The agreement is conditional on the Group's due diligence process.

There have been no other significant events after balance date.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the shareholders of Oceania Healthcare Limited

Independent auditor's review report

To the shareholders of Oceania Healthcare Limited

Report on the consolidated interim financial statements

Our conclusion

We have reviewed the consolidated interim financial statements of Oceania Healthcare Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 30 September 2021, 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 significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2021, and its financial performance and cash flows for the period then ended, 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).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibility is further described in the *Auditor's responsibility for the review of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, our firm carries out other services for the Group in the areas of trustee reporting, Environmental, Social and Governance (ESG) reporting and agreed upon procedures in respect of proxy voting at the Annual Shareholders Meeting. The provision of these other services has not impaired our independence.

Directors' responsibility for the consolidated interim financial statements

The Directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the consolidated interim financial statements

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. NZ SRE 2410 (Revised) 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. A review of consolidated interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

To the shareholders of Oceania Healthcare Limited

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements

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.

The engagement partner on the review resulting in this independent auditor's review report is Leopino Foliaki.

For and on behalf of:

Pricewaterhouse Coopers

Chartered Accountants
29 November 2021

Auckland

OCEANIA

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