PRODUCT DISCLOSURE STATEMENT

FOR AN INITIAL PUBLIC OFFERING OF ORDINARY SHARES IN OCEANIA HEALTHCARE LIMITED

31 MARCH 2017

OCEANIA
HEALTHCARE

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.companiesoffice.govt.nz/disclose. Oceania Healthcare Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

Joint Lead Managers:

DeutscheCRAIGS FNZC MACQUARIE

Key information summary

SECTION 1

WHAT IS THIS?

This is an offer of ordinary shares (**Shares**) in Oceania Healthcare Limited (**Oceania**). Shares give you a stake in the ownership of Oceania. You may receive a return if dividends are paid or Oceania increases in value and you are able to sell your Shares at a higher price than you paid for them.

If Oceania runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

ABOUT OCEANIA

Oceania operates in the New Zealand residential aged care and retirement village sectors, offering residents villas and apartments (collectively, **Units**) within its retirement villages, and also providing a full range of residential aged care services (including rest home, hospital and dementia level care) at its aged care facilities. Oceania is currently New Zealand's third largest provider of residential aged care,[1] and New Zealand's sixth largest retirement village business.[2]

Following completion of the Offer, Oceania will be the freehold owner of 47 of its 50 nationwide sites, comprising 48 aged care and retirement village facilities (one of which is in the advanced stages of closure for redevelopment) and two sites held for redevelopment. Oceania is also an experienced developer of new aged care and retirement village facilities throughout New Zealand.

For more information, see Section 2 (Oceania and what it does).

PURPOSE OF THIS OFFER

The purpose of the Offer is to raise capital to:

— reduce debt to provide financial flexibility to pursue future development projects;

— commence above ground development works at the waterfront Maureen Plowman Village (Auckland);

— commence Stage 4 development of Meadowbank Village (Auckland); and

— fund the acquisition of the freehold title of the Elderslea Care Facility (currently leased, Upper Hutt).

You can find more information about the use of proceeds of the Offer in Section 3 (Purpose of the Offer).

KEY TERMS OF THE OFFER

Description of the equity securities	Fully paid ordinary shares
Indicative Price Range	$0.76 – $1.04 per Share
Broker Firm bids due	10 April 2017
Bookbuild	11 to 12 April 2017
Pricing and allocation announced	12 April 2017
Broker Firm Offer opens	13 April 2017
Priority Offer opens	13 April 2017
Priority Offer closes	21 April 2017

[1] Source: CBRE data as at February 2017 based on number of aged Care Beds and Care Suites.

[2] Source: CBRE data as at February 2017 based on number of Units.

KEY TERMS OF THE OFFER (CONTINUED)

Broker Firm Offer closes	28 April 2017
Expected commencement of trading on the NZX Main Board and ASX	5 May 2017
Expected payment of first dividend following the Offer	February 2018
Total number of Shares being offered (no existing Shares are being offered)[3]	192.3 – 263.2 million Shares (35.1% – 42.4% of total Shares on issue immediately following the Offer)[4]
Liabilities, fees and charges	If you sell your Shares, you may be required to pay brokerage and other expenses. You may also be liable for tax on the sale of your Shares. You should seek your own tax advice in relation to your Shares.

These dates are indicative only and may change. Oceania, with the agreement of the Joint Lead Managers and approval from NZX, reserves the right to vary or extend these dates and to withdraw the Offer at any time before the date on which the Shares are first allotted. Oceania may also accept late Applications (either generally or in individual cases).

HOW PRICING OF ORDINARY SHARES IS FIXED

Oceania has set an Indicative Price Range of $0.76 to $1.04 per Share offered under the Offer. All Shares allotted under the Offer will be allotted at the Final Price.

The Final Price will be set by way of a Bookbuild. The Bookbuild will take place on 11 April to 12 April 2017 and the Final Price is expected to be announced and posted on www.shareoffer.co.nz/oceaniahealthcare on or about 12 April 2017.

For more information, see Section 5 (Terms of the Offer).

HOW YOU CAN GET YOUR MONEY OUT

Oceania intends to quote the Shares on the NZX Main Board and the ASX. This means you may be able to sell them on the NZX Main Board or the ASX if there are interested buyers. You may get less than you invested. The price will depend on the demand for the Shares.

1

KEY DRIVERS OF RETURNS

Drivers of financial performance	Key strategies and plans
Aged care business	
The revenue drivers for the aged care business are: — occupancy levels; — level of care provided (which determines daily care fees received by Oceania); — level of premium accommodation charges (**PAC**) (being a charge paid by aged care residents for accommodation and non-essential extra services that are above the mandated minimum); and — Deferred Management Fees (**DMF**) accrued on Care Suites (DMFs are payable by residents through deducting the total amount of the DMF from the refund received by outgoing residents on resale). Staff expenses are the largest cost item for Oceania's aged care business.	Oceania's strategy for the aged care business is to: — maximise occupancy through continuous improvement in service delivery and quality of clinical care, as well as ongoing maintenance and upgrade of its aged care facilities; — increase DMF through conversion of some beds within its aged care facilities (**Care Bed**) to Care Suites (being a premium Care Bed room licensed under an ORA); — increase revenues from PAC; and — migrate the bed mix towards higher levels of care (hospital and dementia) given the changing acuity levels of residents.

[3] New LTIP Shares offered under the New LTIP are not included within the total number of Shares being offered.

[4] The total number of Shares on issue immediately following the Offer includes any New LTIP Shares issued contemporaneously with the Offer (expected to be between 2,403,846 to 3,289,474 New LTIP Shares on the basis that participants take up their full entitlement under the New LTIP).

KEY DRIVERS OF RETURNS (CONTINUED)

Drivers of financial performance	Key strategies and plans
Retirement village business	
The revenue drivers for the retirement village business are: — the contractual terms of each Occupation Right Agreement (**ORA**). ORAs confer upon residents a right to occupy a Unit on the terms set out in that agreement and determine (amongst other things) the DMFs that will be received by Oceania; — weekly service fees paid by residents; and — residential property prices (which drive DMF over time and determine Unit resale gains).	Oceania's strategy for the retirement village business is to: — as Unit resales occur, replace legacy ORAs with Oceania's new standard form ORA (the new standard form ORA specifies a higher DMF than legacy ORAs); — increase Unit resale margins through Oceania brand engagement and Oceania's regular review of market supply and demand dynamics; — extend the provision of food, laundry and low-level care services to retirement village residents; and — standardise refurbishments to reduce the time and cost of re-selling Units.
Developments	
Oceania's development success is driven by its ability to design, consent, finance, construct, and successfully market new Care Beds, Care Suites and Units (collectively, **Residences**) and, in time, its ability to acquire additional facilities or land for development.	Oceania's development strategy comprises three complementary elements: — development of integrated aged care and retirement village facilities on land where operational facilities already exist (**Brownfield Development**) and where resource consent has been obtained; — development of remaining Brownfield Development land bank that is not already consented; and — acquisition of additional Brownfield Development sites, as well as sites where operational facilities do not already exist (**Greenfield Development**), in complementary regions.

You should read this table in conjunction with Section 2 (Oceania and what it does).

KEY RISKS AFFECTING THIS INVESTMENT

Investments in Shares are risky. You should consider if the degree of uncertainty about Oceania's future performance and returns is suitable for you. The price of these Shares should reflect the potential returns and the particular risks of these Shares. Oceania considers that the most significant risk factors that could affect the value of the Shares are:

— **Property market risk:** Oceania's retirement village earnings are affected by prevailing national and regional property market conditions which are outside Oceania's control. Any downturn in the property market could impact Oceania's ability to sell or re-sell Units, as well as the value that can be achieved on any such sale or resale, which could result in a significant negative impact on Oceania's earnings. Oceania considers that a downturn in the property market is possible during the Prospective Period.

— **Regulatory risk:** Oceania operates in a highly regulated industry. As a result, Oceania's operations and profitability could be adversely affected if it failed to comply with regulatory requirements, or if Oceania lost one of its retirement village registrations or aged care facility accreditations. Oceania's operations and profitability could also be negatively impacted by any material change in the current regulatory regime.

— **Increases in cost of labour risk:** Staff costs are Oceania's most significant cost item. Any substantial increase in staff costs, which Oceania is unable to recover through Government funding or otherwise pass onto residents, could adversely impact Oceania's earnings.

— **Development risk:** Oceania plans to develop new facilities over the Prospective Period (as detailed in Section 2 (Oceania and what it does)). Those plans are at risk of being delayed, interrupted or otherwise affected by a range of property development risks. The occurrence of any of these risks could have a significant impact on Oceania's development plans and could, therefore, have a material adverse impact on Oceania's financial performance.

This summary does not cover all of the risks in investing in Shares. You should also read Section 8 (Risks to Oceania's business and plans).

WHERE YOU CAN FIND OCEANIA'S FINANCIAL INFORMATION

The financial position and performance of Oceania are essential to an assessment of this Offer. You should also read Section 7 (Oceania's financial information).

Capitalisation table

Number of equity securities being offered[3]	192.3 – 263.2 million
Number of equity securities on issue following the Offer[4]	548.6 – 620.4 million
Indicative Price Range	$0.76 – $1.04
Implied market capitalisation	$471.5 – $570.6 million
Net debt on completion of the Offer[5]	$103.2 million
Implied enterprise value	$574.7 – $673.8 million

KEY INVESTMENT METRICS FOR THE OFFER

	FY2017PF		FY2018F	
P/E (Pro forma Underlying NPAT per equity security)	14.1x	17.0x	9.2x	11.1x
P/E (statutory NPAT per security)	18.7x	22.6x	8.9x	10.7x
P/NTA plus aged care goodwill[6]	1.02x	1.23x	0.94x	1.14x
Implied EV / estimated market value of individual facilities plus work in progress (of $625.5 million)[7]	0.92x	1.08x	–	
Net debt / (net debt + equity)	18.5%		21.2%	
Implied EV / Pro forma Underlying EBITDA	13.0x	15.2x	9.2x	10.8x
Implied dividend yield – cash dividend declared	–		5.0%	6.0%
Implied dividend yield – gross dividend declared	–		5.0%	6.0%

The above metrics should be read in conjunction with the assumptions and risks in Section 7 (Oceania's financial information) and Section 8 (Risks to Oceania's business and plans).

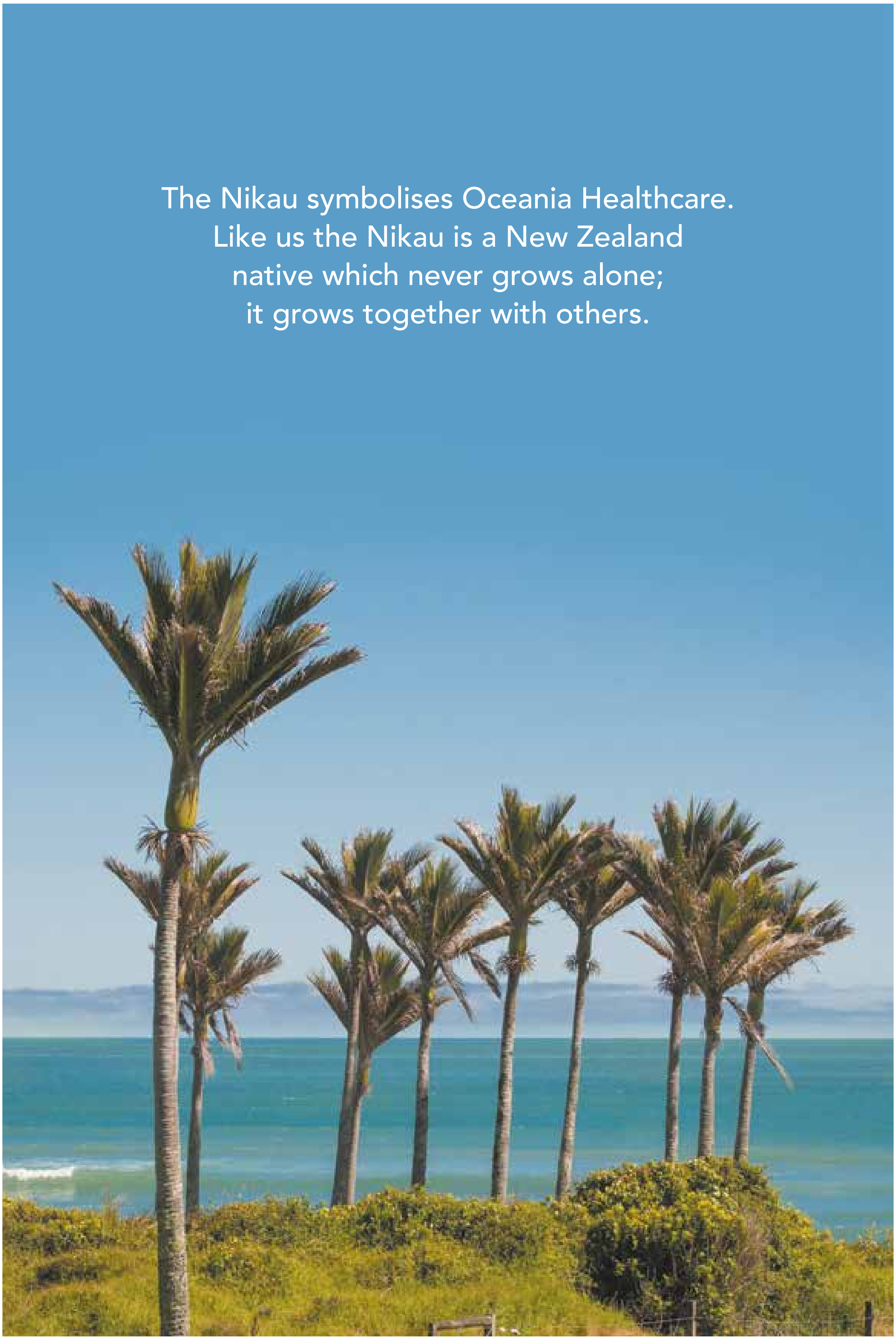
5 Net debt on completion of the Offer is calculated as term debt borrowings plus finance leases less net cash equivalents.

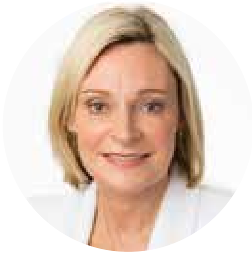
6 NTA as outlined in the 'Selected financial information' table of Section 7 plus aged care goodwill of $46.0 million. CBRE annually values Oceania's facilities on a going concern basis and apportions the going concern value of aged care facilities between land, buildings, chattels and aged care goodwill. For financial reporting purposes, aged care goodwill is not included in the fair value of property plant and equipment. Some goodwill is recognised on acquisition and is included as intangible assets, however this is excluded from NTA.

7 The estimated market value of individual facilities plus work in progress at completion of the Offer comprises the CBRE valuation of Oceania's facilities dated 30 November 2016 *plus* forecast construction work in progress as at 30 April 2017 (taking into account actual work in progress as at 30 November 2016 plus a forecast of construction capital expenditure over the period 1 December 2016 to 30 April 2017) *minus* forecast sales of unsold Units (as at 30 November 2016) up to 30 April 2017.

Meadowbank – Artist's impression

Contents


The Nikau symbolises Oceania Healthcare.
Like us the Nikau is a New Zealand
native which never grows alone;
it grows together with others.



Letter from the Chair

Dear Investor,

On behalf of the Board of Directors, I am pleased to offer you the opportunity to become a shareholder in Oceania Healthcare Limited.

Oceania Healthcare is a leading participant in the aged care and retirement village sectors in New Zealand, providing accommodation to approximately 4,000 residents across our 48 facilities, which are primarily located in metropolitan areas. Each of Oceania Healthcare's facilities plays an important role in the communities in which it operates, touching the lives of residents and their families, employees and local suppliers.

The three main elements of Oceania Healthcare's business are as follows:

First, Oceania Healthcare is a leading national healthcare provider in the regulated aged care sector, delivering residential care services to approximately 2,600 residents and employing around 2,800 staff. To oversee these services effectively for the benefit of our residents and employees, Oceania Healthcare operates a national clinical care platform for the administration of staff training, food standards, and workplace health and safety. Oceania Healthcare has received external recognition for service delivery in aged care, and was awarded the New Zealand Aged Care Association's Award for Overall Excellence in Care in 2015 and 2016.

Second, Oceania Healthcare is an operator and developer of retirement villages with over 1,000 Units at 25 village locations, generally co-located with our aged care facilities. Oceania Healthcare also has a Brownfield Development pipeline representing more than 1,250 additional Units and Care Beds, net of decommissions (being existing Units and Care Beds that are removed from a site to make way for Brownfield Development). Developments are currently underway at four locations in Auckland, being Meadowbank Village (Meadowbank), Maureen Plowman Village (Brown's Bay), Lady Allum Village (Milford), and Elmwood Village (Manurewa).

Third, Oceania Healthcare is an owner of freehold land and buildings, and, following the Offer, will own 47 of the 50 locations in our portfolio. Ownership of the underlying land and buildings provides a stable base for operations, and allows Oceania Healthcare to invest for the long term to provide quality offerings to residents.

Oceania Healthcare is raising $200 million of new capital via the Offer and is seeking a listing on the NZX Main Board and ASX. The proceeds of the Offer will be used to:

— reduce debt to provide financial flexibility to pursue future development projects including projects in Oceania's existing Brownfield Development land bank;

— commence above ground development works at the waterfront Maureen Plowman Village (Auckland);

— commence Stage 4 development of Meadowbank Village (Auckland); and

— fund the acquisition of the freehold title at Elderslea Care Facility (currently leased, Upper Hutt).

These initiatives are intended to place Oceania Healthcare in an excellent position to meet the needs of New Zealand's elderly, particularly as 2021 approaches and the first of the "baby boomer" generation celebrate their 75th birthdays.

Oceania Healthcare has established a dividend policy with a target payout ratio of 50% to 60% of annual Underlying NPAT. Oceania Healthcare intends to commence paying dividends during FY2018F, with an initial interim dividend expected to be paid in February 2018.

This PDS contains detailed information about the Offer, as well as the key risks associated with an investment in Oceania Healthcare. I encourage you to read this document carefully and in its entirety before making your investment decision.

I look forward to welcoming you as a shareholder in Oceania Healthcare.

Yours sincerely

Elizabeth Coutts
Chair, Oceania Healthcare Limited


BURNETT
LOUNGE

Oceania and what it does

SECTION 2

Oceania was formed in 2005 and operates in the New Zealand residential aged care and retirement village sectors, offering residents villas and apartments (collectively, Units) within its retirement village facilities, and also providing a full range of residential aged care services (including rest home, hospital and dementia level care) at its aged care facilities. Oceania is currently New Zealand's third largest provider of residential aged care,[8] and New Zealand's sixth largest retirement village business.[9] See page 21 for further information on Oceania's offerings.

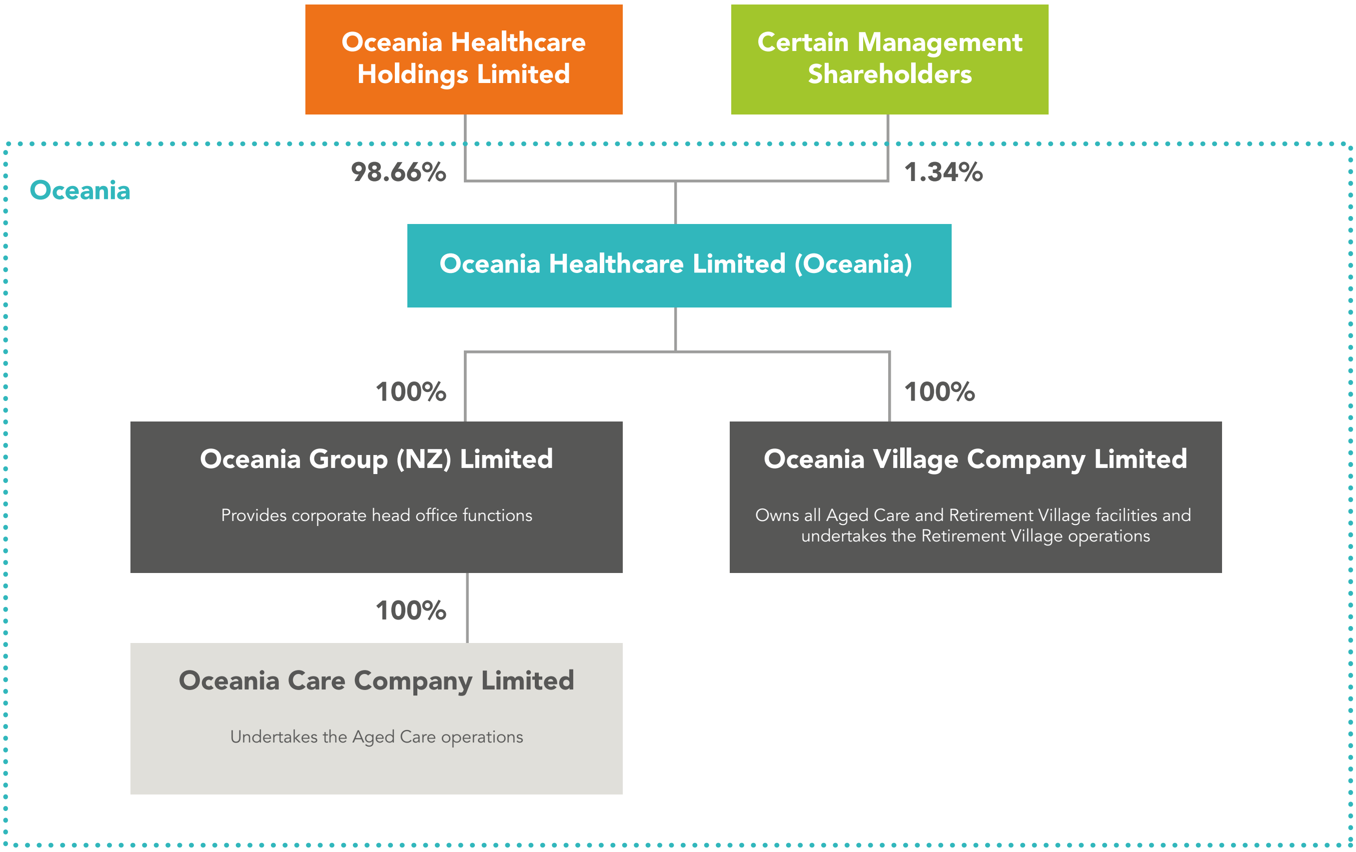
Oceania is also an experienced developer of new aged care and retirement village facilities. The existing nationwide portfolio of facilities includes substantial Brownfield Development potential at prime urban sites in New Zealand. See page 30 for further information on Oceania's development projects.

As demonstrated by the diagram on page 12 of this PDS, Oceania's facilities are predominantly concentrated in six main population centres of Auckland, Tauranga, Hawke's Bay, Wellington, Nelson, and Christchurch.

Maureen Plowman – Artist's impression

[8] Source: CBRE data as at February 2017 based on number of Care Beds and Care Suites.
[9] Source: CBRE data as at February 2017 based on number of Units.

Set out below is the Corporate Structure of Oceania.[10]



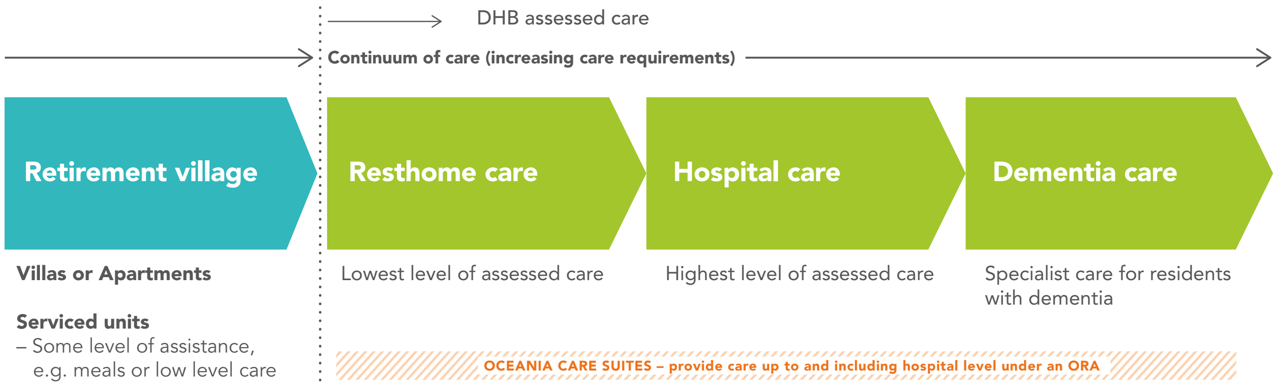
Oceania Healthcare Holdings Limited (**OHHL**) is the major (98.66%) shareholder of Oceania. OHHL is majority owned (98.83%) indirectly by three institutional funds that are managed by specialist management companies within the Macquarie Infrastructure and Real Assets (**MIRA**) division of Macquarie Group Limited.[11] These funds managed within MIRA (in the case of one of them jointly with another party) ultimately own 97.50% of Oceania. The MIRA-managed funds invested in Oceania between 2005 and 2008. OHHL is not selling any Shares into the Offer and its Shares will be subject to escrow arrangements (see Section 5 (Terms of the Offer) for further information). At the completion of this Offer, the shareholding of OHHL in Oceania will be reduced from 98.66% to between 56.28% and 63.64%.

[10] Excludes CW Nursing Limited, a non-operating 51% owned subsidiary of Oceania Healthcare Limited which is in the process of being de-registered and removed from the New Zealand Companies Register (removal is expected to occur prior to the end of FY2017).

[11] Macquarie Capital (New Zealand) Limited, acting as one of the Joint Lead Managers for the Offer, is a subsidiary of Macquarie Group Limited, which has a relevant interest in the Shares. See page 44 of the PDS for more details.

INDUSTRY OVERVIEW SUMMARY

The aged care sector provides residential aged care services, generally at rest home, hospital or dementia level care, to individuals who are unable to live independently or who require high levels of assistance. The retirement village sector provides accommodation to individuals (generally over 70 years of age) who can live independently or with low levels of assistance. Please see the diagram below for an overview of the offerings provided in these sectors.



Aged care and retirement village operations are provided by corporate, private and not-for-profit operators. Both sectors are highly fragmented, with participation by the not-for-profit providers in the aged care sector declining significantly over the last decade, reflecting a period of market consolidation.[12]

Over the period from 2016 to 2026, it is estimated that between 1,170 and 1,340 additional Care Beds will be required per annum in New Zealand, meaning the aged care sector's current capacity is expected to be 100% utilised by 2019/20.[13] Further, CBRE forecasts Unit demand to increase materially in the near future and estimates the known national development pipeline to cover Unit demand out to 2024.[14]

Aged care services are funded by the Government (via District Health Boards (**DHB**s)) and/or privately (via resident contributions). Generally, if a resident of an aged care facility does not meet (or only partially meets) the requirements for Government funding, the resident must privately fund all (or some) of the 'maximum contribution rate' for the particular level of care sought. Aged care residents can elect to receive non-essential extra services or premium accommodation that is not covered by Government funding – these additional services are funded privately via PACs.

Retirement village Units are funded privately by residents. Incoming residents enter into an ORA with the retirement village operator, which grant the resident the right to occupy their Unit and specifies the payments due from the resident. One of the main income streams for retirement village operators is the DMF, which is a fee payable by residents following the resale of their Unit. DMF accrues monthly, at a set rate, up to a maximum total amount which is market driven and varies between operators (typically, between 20% to 30% of the initial purchase price for the Unit). The DMF contributes towards long term maintenance and upgrade of community facilities. In addition, the retirement village operator will generally retain all (or some) of any capital gain (or loss) on the resale of an ORA.

The aged care and retirement village industries are highly regulated industries, with the relevant legislation requiring each aged care facility to be certified by the Ministry of Health (**MoH**) and each retirement village to be registered with the Registrar of Retirement Villages.

The above is a summary of the aged care and retirement village industry – for more information refer to pages 33 to 39.

[12] Source: CBRE as at February 2017.

[13] Source: Central TAS demand forecasts as at March 2017.

[14] Forecast Unit Demand is based on national population forecasts for the 65+ age group, increasing penetration rates, rising at 0.09% per annum from 5.11% in 2015 (for the 65+ age group), constant occupancy of 93% and constant resident density of 1.27 residents per Unit.

Oceania at a glance[15, 16, 17, 18]

Oceania site locations

~2,800
STAFF

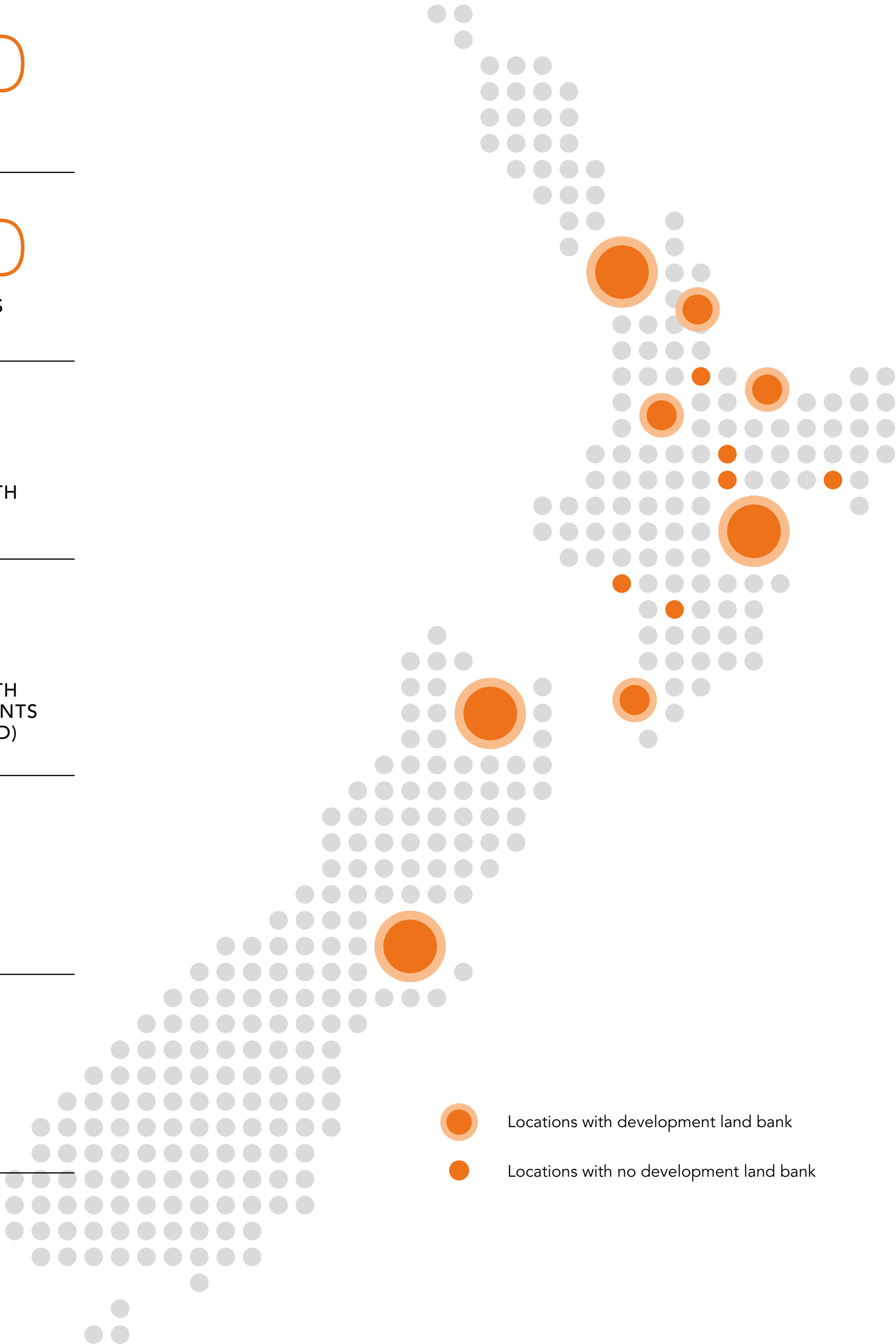
~2,600
AGED CARE RESIDENTS

26
EXISTING FACILITIES WITH MATURE OPERATIONS

22
EXISTING FACILITIES WITH BROWNFIELD DEVELOPMENTS (CURRENT AND PLANNED)

2
UNDEVELOPED SITES

50
TOTAL SITES



[15] Facility numbers as at 30 November 2016.

[16] Total existing Residences as at 30 November 2016. Gross development pipeline includes only Brownfield Developments.

[17] Includes 345 Care Studios, which will initially be sold with a PAC, but may subsequently be sold as Care Suites under an ORA.

[18] Note the development pipeline excludes Meadowbank Stage 6, which is anticipated to add ~40 Care Suites, as it is currently only in the early stages of planning.

Portfolio summary

	Care Beds	Care Suites/ Care Studios	Units	Total
North Island	1,986	131	759	2,876
South Island	662	110	312	1,074
Total existing	**2,638**	**241**	**1,071**	**3,950**
Gross development pipeline	–	636[17]	1,038	1,674
Less decommissions	(354)	–	(59)	(413)
Net development pipeline[18]	(354)	636	979	1,261
Total post development	**2,284**	**877**	**2,050**	**5,211**

2

Portfolio composition


Marina Cove Village

Standalone retirement villages:

7 facilities
— 310 Units


Oaks Village

Integrated retirement village and aged care facilities:

18 facilities
— 1,192 Care Beds
— 222 Care Suites
— 761 Units


Care Bed at Raeburn

Standalone aged care facilities:

23 facilities
— 1,446 Care Beds
— 19 Care Suites

Key Auckland development sites

Lady Allum Village, Milford

Elmwood Village, Manurewa


Artist's impression

Maureen Plowman Village, Browns Bay


Artist's impression

Meadowbank Village, Meadowbank

Key business strengths

Nationwide operations providing a continuum of care

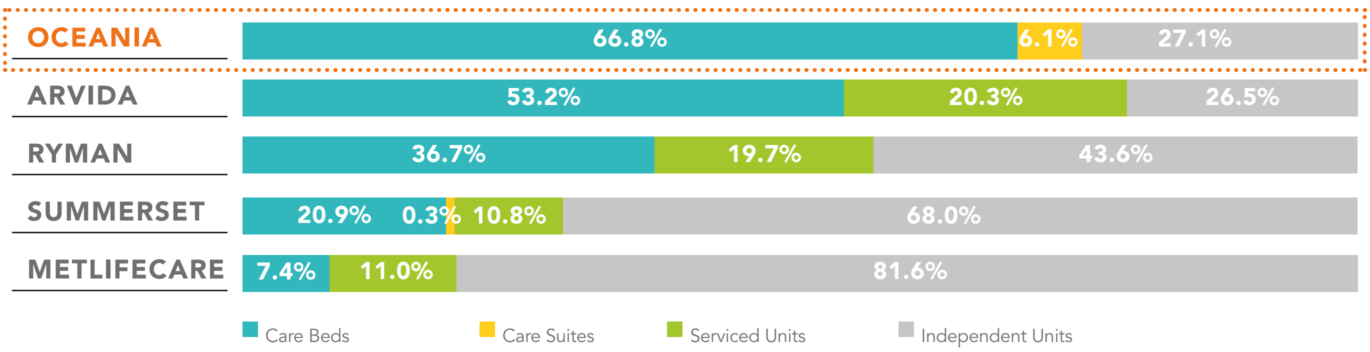
- New Zealand's third largest residential aged care provider and sixth largest retirement village operator.
- Nationwide footprint provides a strong platform for growth and diversification benefits across regional DHBs and residential housing markets.
- Significant co-location of aged care and retirement village facilities provides a "continuum of care" which is a key attraction to residents and their families.
- Experienced Board with a broad skill base of sector-specific, health and safety, legal, accounting, finance, commercial, and governance expertise, which underpins a robust corporate governance framework.
- Experienced management team, together with centralised support and clinical compliance teams, promotes effective operational oversight of Oceania's nationwide footprint of facilities.

Recognised leader in clinical care

- Dedicated focus on aged care, with higher portfolio weighting toward aged care, differentiating Oceania to its listed competitors (see diagram below for Oceania's portfolio composition in comparison to its listed competitors).
- Best practice care provided by a dedicated clinical team and an established staff training platform.
- Aged care occupancy levels above national average, following an extensive refurbishment programme.
- Winner of the New Zealand Aged Care Association's (**NZACA**) "Overall Excellence in Care Award" in 2015 and 2016.

NZ Aged Care Association
SUPREME WINNER
2015 & 2016
OVERALL EXCELLENCE IN CARE AWARD

Portfolio composition (by Residences) – key listed competitors[19]



[19] Source: Data from Arvida Group (Arvida), Ryman Healthcare (Ryman), Summerset Holdings (Summerset) and Metlifecare annual and interim reports. Ryman includes New Zealand sites only. Care Suites include Care Beds which are sold as ORAs and can cater for up to hospital level care. Serviced Units include Units which can cater for residents up to a rest home level of care (e.g. Metlifecare's Care Suites are sold as ORAs but are not certified for rest home or hospital level care).

Attractive demographic trends and industry structure

- Continuing growth and ageing of the New Zealand population is expected to significantly increase demand for aged care and retirement village facilities over the next 20 years.
- Between 2015 and 2039, key demographics are expected to grow as follows:
  - the 85 and older age group (key aged care demographic) is expected to nearly triple
  - the 75 to 84 age group (key retirement village demographic) is expected to more than double
- Growth in senior age groups, together with expectations for increased uptake of aged care and retirement village offerings, is anticipated to support demand for Oceania's new Residences as it executes its development pipeline.

New Zealand senior age group population forecast[20]

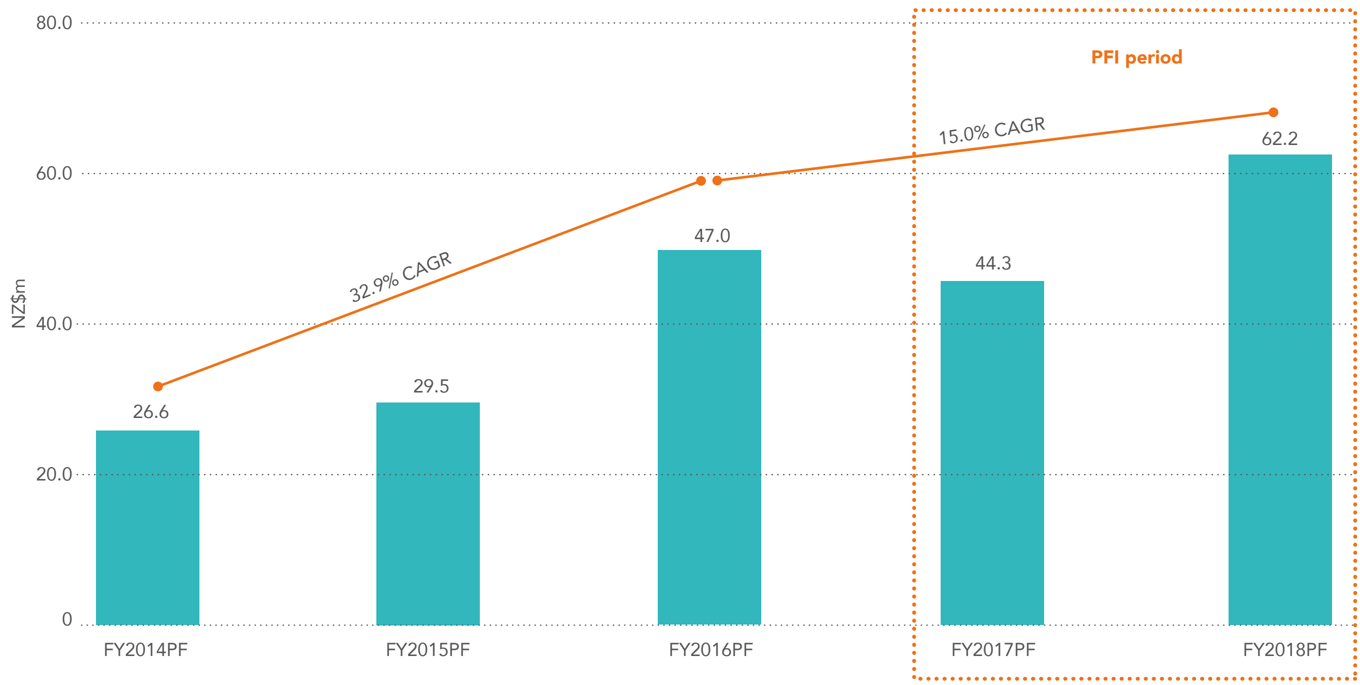
- Approximately 80% of Oceania's aged care revenue is Government funded via DHBs, providing certainty of payment.
- Retirement village ORA model has industry-wide acceptance and enables capital to be recycled to fund developments, thereby enhancing the supply of new Residences.

[20] Source: Statistics New Zealand.

Financial performance supports a FY2018F forecast dividend yield

- Oceania has delivered strong growth over the last two financial years, with Pro forma Underlying EBITDA increasing from $26.6 million in FY2014PF to $47.0 million in FY2016PF (representing a CAGR of 32.9%).
- Pro forma Underlying EBITDA is forecast to increase to $62.2 million in FY2018F (representing a CAGR of 15.0% from FY2016PF to FY2018F).
- Operating cash flow of aged care business helps support a gross dividend yield in FY2018F of 5.0% to 6.0% based on the Indicative Price Range.

Pro forma Underlying EBITDA (FY2014PF to FY2018F)



Brownfield Development projects in key urban locations

- Gross development pipeline of 1,674 new Residences (1,261 net of decommissions, being existing Units and Care Beds that are removed from a site to make way for Brownfield Development) at existing locations, predominantly at prime sites in Auckland, Hamilton, Tauranga, Nelson and Christchurch, with over 900 of these Residences consented or under construction, of which 532 Residences will be under construction over the Prospective Period.
- Target medium term build rate of approximately 200 new Residences per annum (approximately 150 Residences per annum net of decommissions).
- Ongoing development funded through revolving debt facilities established in conjunction with the Offer, recycling of existing capital released on the resale of Units, and surplus operating cash flow.
- Experienced in-house development team with development and project management capability to optimise the planning, design, and construction of new facilities.

Developments spanning the Prospective Period[21]

Developments spanning the PFI period

PFI period

	Location	Current status	Gross Residences in stage	Net Residences in Stage[22]	May 15 – May 18 timeline
LADY ALLUM	Auckland	Under Construction	44	44	Construction began Oct 15; Selldown Apr 17 – Feb 18
MEADOWBANK STAGE 3	Auckland	Under Construction	92	92	Construction began Feb 16; Selldown Feb 18 – May 19
ELMWOOD	Auckland	Under Construction	25	25	Construction began Nov 16; Selldown Nov 17 – Oct 18
MAUREEN PLOWMAN	Auckland	Under Construction	108	108	Construction began Dec 16
STOKE	Nelson	Consented	10	6	Construction begins May 17; Selldown Feb 18 – Jun 18
MELROSE STAGE 1	Tauranga	Consented	80	80	Construction begins Jun 17
MEADOWBANK STAGE 4	Auckland	Consented	81	81	Construction begins Sept 17
TREVELLYN	Hamilton	Consented	92	89	Construction begins Feb 18
Total Units/ Care Suites			532	525	

[21] Selldown refers to the initial sale and occupation (whether Units or Care Suites licensed under an ORA or Care Studios occupied under a PAC).

[22] Net of decommissions and conversions.

Business overview

OCEANIA'S COMPETITIVE ADVANTAGES

Continuum of care	— Full range of residential aged care services comprising rest home, hospital and dementia level care, co-location of aged care and retirement village facilities, as well as Oceania's Care Suite offering that allows residents to age in place (in the same room), providing a continuum of care which is a key attraction to residents and their families. — Significantly larger proportion of higher acuity Care Beds (hospital or dementia) than the industry average, positioning Oceania to take advantage of greater demand for higher levels of care.
Clinical and training capabilities	— Oceania manages the complexities of operating a large, national aged care business by applying and monitoring a robust framework of clinical systems, processes and governance. — Oceania provides industry-leading staff training at its Wesley Institute of Learning.
Established nationwide footprint	— Oceania's well established nationwide portfolio, centralised support office function and nationally recognised brand provides a key advantage over smaller competitors. — Oceania has clinical, human resources, financial, health and safety and sales and development platforms in place to support future growth.
Care Suite product	— Oceania's Care Suite product combines the benefits of premium aged care and the retirement village ORA funding model to provide residents with greater choice and quality while improving capital efficiency for Oceania. — Care Suites are fully certified by the MoH which enables Oceania to receive Government funding to deliver higher levels of care and permit aging in place, differentiating Care Suites from hybrid offerings of other providers (predominantly Serviced Apartments that provide lower levels of care).
Substantial Brownfield Development pipeline in prime urban locations	— Oceania's Brownfield Development pipeline is located in prime urban locations, making Oceania less dependent on future population growth or property price growth in unproven markets. Oceania can approximately double its Unit numbers before it needs to acquire any additional land. — Oceania also has the opportunity to further intensify its existing development pipeline by redeveloping some of its large, single-level facilities in Auckland. This opportunity is in addition to Oceania's existing development pipeline and is not assumed in Oceania's PFI.

Oceania's aged care and retirement village offerings

Oceania offers a full continuum of care, providing independent living through to end of life care.


Raeburn


Care Bed at Raeburn

CARE BEDS

Format / Amenities	— Traditional Care Bed offering is a single bedroom designed and certified for aged care — Care Bed rooms often include a partial[23] or full ensuite bathroom — Care facilities also include a commercial kitchen, laundry,[24] nurse stations, dining and lounge facilities and may provide additional resident amenities such as hairdressing studios and activity rooms
Floor area	— Standard Care Bed rooms range in size from approximately 10 sqm to 25 sqm
Pricing basis	— Care Beds are approved under Aged Related Residential Care Contracts (**ARRC Contract**) for rest home, hospital or dementia level care and earn daily care fees based on occupancy and the level of care — Larger / higher specification rooms (e.g. with ensuite) typically attract a PAC over and above the maximum contribution rate of the relevant DHB, which is paid privately by the resident

2


Eden


Care Suite at Eden

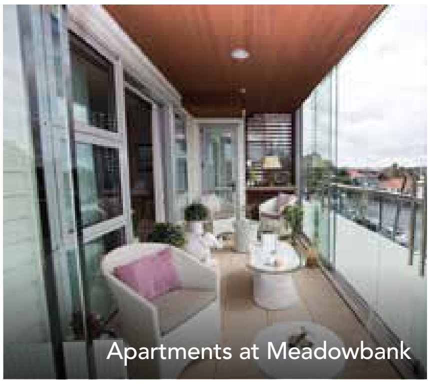
CARE SUITES

Format / Amenities	— Care Suites are premium care offerings that provide greater space and amenities than a traditional Care Bed room. Care Suites include an ensuite bathroom, kitchenette, lounge space and many have a deck or balcony
Floor area	— Average size of approximately 30 sqm
Pricing basis	— Licensed under an ORA and also earn daily care fees based on occupancy and the level of care — Approved for rest home or hospital level care, in the same manner as traditional Care Beds — Residents in Care Suites are able to access Government subsidies for aged care services, subject to standard aged care funding criteria

[23] Includes toilet and basin but no shower.

[24] Oceania operates centralised laundry services in several regions.


Apartments at Meadowbank


Apartments at Meadowbank

RETIREMENT VILLAGE APARTMENTS

Format / Amenities	— Apartments offer secure community living for independent residents — Formats range from one bedroom to three bedrooms, plus a kitchen, laundry, and bathroom. Most apartments also have access to a patio or balcony — Apartment residents have access to community centre facilities and car parking — Other features include a call bell for emergencies and access to facility activities and additional services (e.g. cleaning and meals upon request)
Floor area	— Range from approximately 25 sqm to 110 sqm
Pricing basis	— Licensed under an ORA


Villa at The Oaks


Villa at Gracelands

RETIREMENT VILLAGE VILLAS

Format / Amenities	— Villas typically have two bedrooms, but range from one to three bedrooms, and include a kitchen, laundry and bathroom(s) — Most villas have a patio or courtyard and parking, and villa residents generally have access to community centre facilities
Floor area	— Range from approximately 50 sqm to 155 sqm
Pricing basis	— Licensed under an ORA


Nikau Villa at Wharerangi


Nikau Villa at Wharerangi

NIKAU VILLAS

Format / Amenities	—	Nikau Villas are affordable Units designed for regional locations with modular, flexible and energy efficient formats
	—	Design engineering has been employed to minimise construction costs and allow pre-fabrication off-site, resulting in quicker build times
Floor area	—	Range from approximately 60 sqm to 75 sqm
Pricing basis	—	Licensed under an ORA

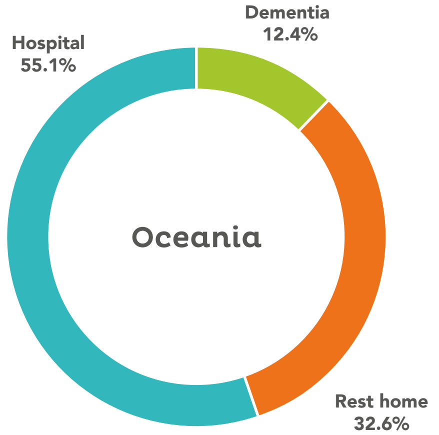
2

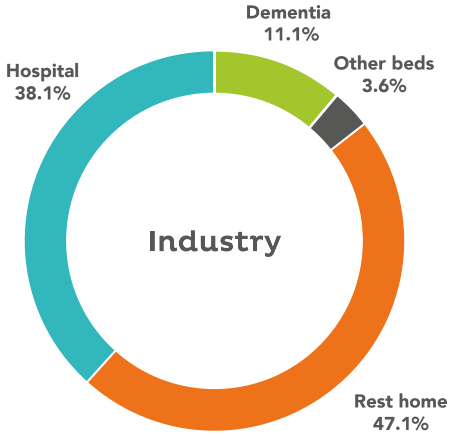
Aged care business

Oceania's aged care business provides rest home, hospital and dementia level care across 23 standalone aged care facilities and 18 facilities integrated with retirement villages, representing 2,638 Care Beds and 241 Care Suites in total.[25]

Oceania is well positioned to cater to New Zealand's ageing population and growing demand for higher acuity care. As illustrated in the charts below, hospital and dementia Care Beds represent approximately 67% of Oceania's aged care portfolio, compared to 49% for the wider industry.[26]

Care Beds by certification[27,28]



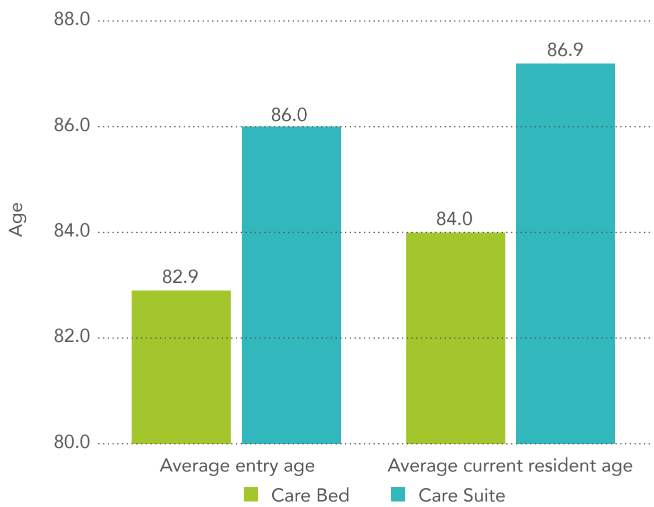


AGED CARE RESIDENTS AND OCCUPANCY

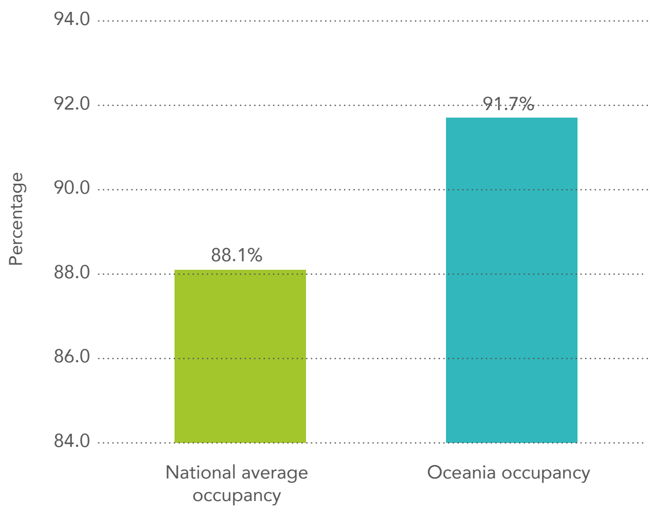
The average entry age for Oceania's Care Bed residents is 82.9, compared to 86.0 for Care Suite residents.[29] The average current resident age is 84.0 for Care Bed residents and 86.9 for Care Suite residents.[29]

During FY2016PF, Oceania's aged care occupancy rate was 91.7% across both Care Beds and Care Suites. By comparison, the overall average national occupancy over the 12 months to 30 June 2016 was 88.1%.[30]

Entry age of aged care residents



Aged care occupancy rates



[25] 22 Care Suites are currently occupied by residents under an ORA, but are not yet receiving clinical care.
[26] Source: CBRE Data as at February 2017.
[27] Includes Care Suites.
[28] Source: CBRE Data as at February 2017.
[29] As at November 2016.
[30] Source: DHB Shared Services quarterly reporting data for 30 June 2016, based on effective Care Bed numbers.

OCEANIA'S LEADING CLINICAL CARE PLATFORM

A strong clinical governance framework is critical to Oceania's aged care offering and management of clinical risk. The key elements of Oceania's leading clinical care platform are:

Quality team	— Oceania employs a dedicated clinical and quality team of senior registered nurses to provide expert clinical leadership and support the delivery of quality care. — Oceania's National Health and Safety Manager ensures safe working practices are employed across all facilities.
Internal audit control and systems	— Internal audits of each facility are regularly undertaken by the clinical and quality team to provide a compliance check and specify any corrective action.
Regional Operations Managers	— Regional Operations Managers focus on operational and financial performance, supporting Business and Care Managers across Oceania's portfolio.
Human resources and training	— Oceania has a strong commitment to staff training and development. A dedicated learning and development team focuses on the delivery of staff training and a Career Pathways Programme which includes a NZQA-recognised Healthcare Assistant Certificate in residential care. — Oceania's Wesley Institute of Learning provides post-graduate nursing and Healthcare Assistant training to Oceania staff and the wider nursing and healthcare industry, providing an important strategic avenue for recruitment by Oceania of well-trained registered nurses.

External recognition	Oceania has a track record of delivering strong clinical results as demonstrated below: — achieved seven, four-year MoH certifications (the highest level possible), with all sites holding at least three-year certifications; — achieved tertiary level (highest level possible) accreditation from ACC for its workplace health and safety; — experienced an average of only 1.9 partial attainments per facility on MoH audits, compared to the industry average of approximately 8.0 partial attainments;[31] and — received industry recognition with awards such as the 2013, 2014 and 2015 Training and Staff Development Award (NZACA Health Ed Trust), the Bidvest Excellence in Food Award (2015) and the NZACA Overall Excellence in Aged Care Award (2015, 2016). Two of Oceania's Executive Chefs also placed first and second at the Senior Lifestyle Cuisine Competition in 2015 and 2016.

[31] MoH states that a partial attainment rating does not indicate failure. Most aged care providers have some level of partial attainment. Partial attainment indicates areas for improvement and what actions should be undertaken.

AGED CARE BUSINESS STRATEGY

Oceania's strategy is to grow its aged care business with the following initiatives:

Drivers	Initiatives
Maximising occupancy	— Continue to improve service delivery and quality of clinical care to increase resident and family satisfaction. — Continue to focus on improved clinical audit outcomes and increased length of certification to enhance Oceania's reputation as a leader in care. — Sales training for facility staff, national call centre, website and enquiry management tools to convert more aged care enquiries into occupancy. — Introducing a hospitality focus to enhance the resident experience.
Enhancing returns through superior marketing and Care Suite /premium offerings	— Complete refurbishment programme for targeted aged care facilities in FY2017F (room, fit-out and equipment) and improve marketing to increase occupancy and PAC opportunities. — Upgrade / convert Care Beds with a PAC to Care Suites and certify existing apartments and studios for provision of subsidised care.
Optimising bed mix	— Migrate the mix of Care Beds towards higher levels of care (hospital and dementia) given changing acuity levels of residents.
Optimising needs assessment	— Ensure residents are assessed and funded at the appropriate level of care using the nationally adopted International Residents Assessment Instrument (**InterRAI**) assessment tool and Oceania's resident-centred care planning methodology.
Driving operational efficiency	— Align resident needs with appropriate staffing levels using Oceania's rostering methodology and systems. — Recruit, retain and develop staff with strong clinical and operational skills. — Further enhance Oceania's national food service program utilising Oceania's national dietician and benefits of group procurement. — Continue to leverage Oceania's regional clusters to optimise the provision of shared services (i.e. laundry, maintenance and administration).

CARE BED REFURBISHMENT AND CONVERSIONS

Oceania has implemented a significant refurbishment programme over the past four years to ensure its existing aged care offering continues to meet the needs of residents. This has involved:

— refurbishing existing facilities to improve quality to a standard that can attract a PAC;

— converting rest home Care Beds to hospital or dementia level Care Beds to cater for the growing need for higher levels of care; and

— converting regular Care Beds into Care Suites, which has had the effect of improving the quality of accommodation, raising site occupancy, and improving capital efficiency (via the retirement village-style ORA model), in turn facilitating re-investment in new customer offerings consistent with Oceania's broader development strategy.

Over the four financial years ending 31 May 2016, Oceania spent approximately $13.1 million on refurbishments and conversions involving 34 aged care facilities, in addition to recurring maintenance. A further $2.9 million in refurbishment and conversion expenditure is planned during the Prospective Period (with the refurbishment programme to be completed by 31 May 2017).

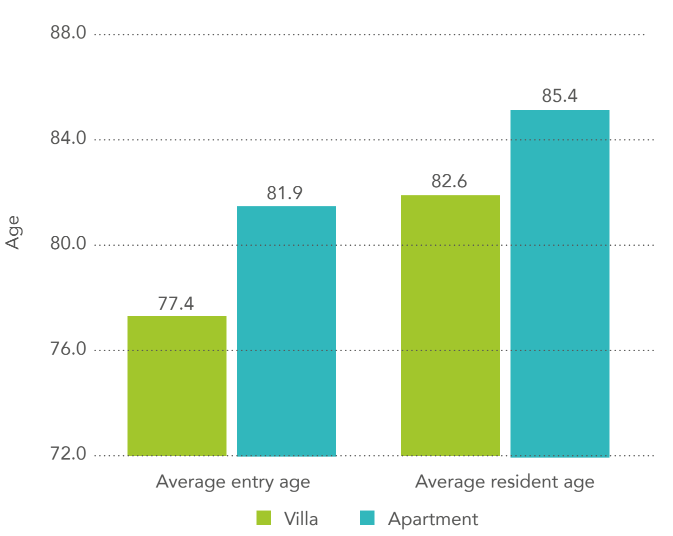
Retirement village business

Oceania's retirement village business offers a range of villa and apartment accommodation. Units are generally located as part of, or in close proximity to, Oceania's aged care facilities, which allow residents to access increasing levels of care and support as their needs change.

RETIREMENT VILLAGE RESIDENTS

The minimum permissible entry age to Oceania's retirement villages is 70. As illustrated, the average entry age of Oceania retirement village residents is currently 77.4 for villas and 81.9 for apartments. The average age of current residents is 82.6 for villas and 85.4 for apartments.

Average age of Retirement Village residents



RETIREMENT VILLAGE BUSINESS STRATEGY

Oceania's strategy is to continue growth in the retirement village segment through the following initiatives:

Drivers	Initiatives
Optimising DMF contracts	— As Unit resales occur, replace legacy ORAs with Oceania's new standard form ORA, increasing the DMF earnings to 30% (compared to some legacy ORAs which have a DMF that is less than 30%).
Increasing resale margins	— Increase pricing of Units where supported by market pricing analysis. — Build the national Oceania brand and local facility brands with targeted marketing.
Providing additional services (resident funded)	— Extend food, laundry and low-level care services to retirement village residents.
Standardising refurbishment	— Standardise specifications for refurbishment. — Apply nationally negotiated contracts for trade services and fit out.

Developments

Development of Oceania's Brownfield Development land bank is a core strategy to enable Oceania to continue providing quality offerings to residents and delivering value from Oceania's existing portfolio over the medium term. Oceania's internal development team has a proven track record, having completed seven development projects (involving nine individual stages) since FY2011, adding 309 Residences to Oceania's portfolio (gross of decommissioned Residences). The proceeds from the Offer will assist Oceania by providing additional financial flexibility to accelerate its development program and acquire suitable Brownfield and Greenfield Development sites as opportunities arise.

DEVELOPMENTS STRATEGY

Oceania's medium-term development target is to deliver 200 new Residences per annum (approximately 150 per annum net of decommissions) on its existing Brownfield Development land bank and, over time, to acquire suitable Brownfield or Greenfield Development sites to continue development once the current Brownfield Development land bank is fully utilised. Oceania's Brownfield land bank is located within and adjacent to existing facilities at prime urban locations in Auckland, Hamilton, Tauranga, Nelson and Christchurch.

The development strategy comprises three complementary elements:

Drivers	Initiatives
Execute on existing consented Brownfield Developments	— Development of integrated aged care and retirement village facilities on existing land, with 937 Residences currently consented or under construction.
Development of remaining Brownfield land bank	— Further 737 Residences to be consented, which combined with Residences already consented / under construction, is sufficient to sustain planned development target for eight years. — Includes development of affordable Nikau Villas on surplus land adjoining care facilities in predominantly regional locations.
Acquisitions	— Oceania has no need to acquire new development sites over the near term given the scale of its Brownfield Development pipeline; however (following the Offer) Oceania's debt facilities allow for the acquisition of additional development sites, should opportunities arise. Oceania will therefore supplement its development strategy with opportunistic Brownfield and Greenfield Development acquisitions of sites in complementary regions.

2

BROWNFIELD DEVELOPMENT

Oceania's current Brownfield Development land bank is sufficient to construct 1,674 new Residences (1,261 net of decommissions). The total current, consented, and proposed development pipeline represents approximately 52% apartments, 10% villas, 17% Care Suites and 21% Care Studios upon completion.

Development pipeline[32,33,34]

	Site Name	Location	Decommissions	Units	Care Suites	Care Studio	Total
Previously completed developments	Meadowbank (Stages 1 and 2) – Completed FY2013, FY2015	Auckland	–	56	–	–	56
	Elmwood (Stages 1 and 2) – Completed FY2011, FY2015	Auckland	–	47	–	–	47
	Eden – Completed FY2014	Auckland	–	40	67	–	107
	Hutt Gables – Completed FY2014	Wellington	–	19	–	–	19
	Stoke – Completed FY2014	Nelson	–	25	–	–	25
	Wharerangi – Completed FY2016	Taupo	–	11	–	–	11
	Lady Allum Stage 1 – Completed FY2017F	Auckland	–	44	–	–	44
	Total previously completed developments		**–**	**242**	**67**	**–**	**309**
Under construction	Meadowbank (Stage 3)[35]	Auckland	–	62	12	18	92
	Elmwood[34]	Auckland	–	25	–	–	25
	Maureen Plowman[34]	Auckland	–	64	12	32	108
	Total under construction		**–**	**151**	**24**	**50**	**225**
Consented Consent obtained	Meadowbank (Stage 4-5)[34]	Auckland	–	69	18	14	101
	Trevellyn[34]	Hamilton	(109)	133	44	48	225
	Green Gables[34]	Nelson	(43)	27	36	25	88
	Melrose[34]	Tauranga	(109)	218	20	60	298
	Total consented		**(261)**	**447**	**118**	**147**	**712**
In planning & consenting phase Exact order of construction to be determined	1 Site	Auckland	–	36	–	–	36
	4 Sites	Napier	(6)	90	55	20	165
	1 Site	Nelson	(76)	38	–	48	86
	4 Sites	Christchurch	(66)	181	94	80	355
	4 Sites	Various	(4)	95	–	–	95
	Total planning & consenting phase		**(152)**	**440**	**149**	**148**	**737**
	Total		**(413)**	**1,038**	**291**	**345**	**1,674**

[32] Note some Care Suites will initially be sold as Care Studios with a PAC.
[33] Care Suites and Care Studios differ in terms of the charging models applied, but there are no physical differences limiting the ability to switch between them.
[34] Note the development pipeline excludes Meadowbank Stage 6, which is anticipated to add ~40 Care Suites, as it is currently only in the early stages of planning.
[35] Key development site. See document entitled "Supplementary Business and Industry Information" on the Offer Register for further details.

Oceania leases the land and buildings at the Everil Orr site, where it currently operates an aged care facility providing rest home and hospital level care. In addition to the development pipeline described above, Oceania has entered into a development agreement with the owner of the Everil Orr site, whereby the owner will develop the land into a new integrated retirement village and aged care facility, intended to comprise 91 Care Suites and 127 Units.[36,37] Following completion of the development, Oceania will operate the new facility. For more information on this arrangement, refer to the document entitled *"Other material information relating to the Offer of ordinary shares in Oceania Healthcare Limited"* on the Offer Register (OFR11900).

Execution of the Brownfield Development pipeline is planned to increase the proportion of Units in Oceania's portfolio, while maintaining overall prominence of care. This strategy and portfolio mix reflects:

— Oceania's particular expertise in aged care;

— the capital efficiency of the ORA model (deployed on Units and Care Suites); and

— the relative demographic profiles for the retirement village cohort (75 to 84 age group) and the aged care cohort (85 and over age group) – noting that the retirement village cohort is currently experiencing significant growth which is in turn expected to grow the aged care cohort from around 2020.

DEVELOPMENT TEAM

Oceania has an experienced internal development team with a track record and expertise to execute Oceania's development strategy. In-house procurement and design capabilities allow Oceania to take greater control over specification and procurement functions. Currently, the team is managing four development projects in the construction phase and is also planning and consenting future projects.

Development value chain

Oceania undertakes development projects over five phases:

Consumer and market analysis	Site acquisition	Master planning/ design and consent (~21-24 months)	Construction and procurement (~18-24 months)	Sales and operations (~12-24 months)
Determination of optimal product and pricing point for each location, based on detailed market, demographic and competitor analysis	Acquisition of sites including: – land adjacent to existing sites; – greenfield sites in existing operating clusters (Auckland, Christchurch, Hawkes Bay and Bay of Plenty); and – existing sites with development opportunities or earnings growth (from integration into Oceania's portfolio).	Strong focus on design efficiencies from broad standardisation of design features and finishes (with some flexibility maintained to meet local community needs)	Construction and procurement efficiencies from: – use of internal project managers for the consent, tender and procurement process; and – significant cost savings driven by direct procurement and development scale.	National sales and marketing team with support from local village sales managers set pricing with consideration of current local and national sales evidence and trends

[36] Developments are stated net of decommissions.

[37] Commission payable to Oceania in accordance with the development agreement for the sale of the Stage 1 Units of the Everil Orr development has been included in the PFI in FY2018F for both the Statutory PFI and Pro forma PFI. The PFI does not include any change in the fair value of Oceania's PP&E or Investment Property attributable to this development agreement nor any other income or expenses other than the commission paid to Oceania.

Sales and marketing

Oceania's experienced sales and marketing team supports both the aged care and retirement village businesses, fulfilling the following roles:

Understanding customer requirements	— Researching customer and stakeholder needs, conducting internal service quality reviews, and performing market research to ensure that Oceania's offerings provide the necessary level of service.
Growing the Oceania brand	— Growing the 'Oceania' national brand in support of local facility brands, including emphasising the quality assurance of Oceania and its unique identity ('Oceania is not a resort – Care is at the heart of what we do').
Generating enquiries	— Generating leads and referrals through coordinated and targeted facility promotion including via advertising, events, sales collateral, website, digital media, PR, sponsorship and stakeholder engagement. — Pre-selling Units and building enquiries for Care Suites/Care Studios.[38]
Getting the sale	— Lead management and conversion into sales/occupancy via Village Sales Managers, sales training for care facility staff and a national call centre. — Centralised review of proposed pricing for all new and resale Units or Care Suites. — At development sites where Oceania plans to construct an aged care facility, a mix of Care Suites and Care Studios will typically be built with the Care Suites licensed to residents under an ORA, and the Care Studios initially marketed as Care Beds attracting a daily PAC (with the potential to be licensed under an ORA subsequently). This product mix has a number of benefits, including catering to a wider market.
Centralised sales management	— Oceania's centralised sales management team leads the sales process, setting prices for new sales and resales, and driving a consistent marketing strategy. — Oceania's average days to resale has decreased by 75% over the past three years as a result of centralised sales management.

[38] Care Suites/Studios are generally not pre-sold, as care is usually an immediate requirement.

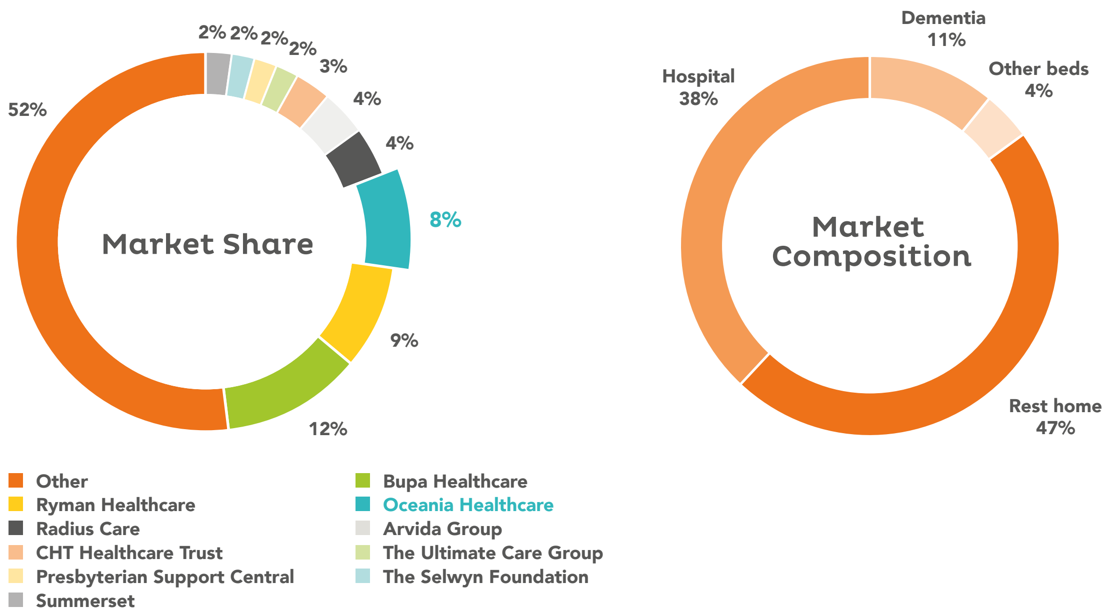
Industry overview

Aged care market structure

The New Zealand aged care sector comprises an estimated 687 facilities with approximately 37,000 Care Beds / Care Suites.[39]

The aged care market remains highly fragmented (as shown below). Oceania has an estimated 7.6% market share by number of Care Beds, making it the third largest residential aged care provider in New Zealand.

2016 Aged care market share and market composition (by number of Care Beds / Care Suites)[40]



[39] Source: CBRE as at February 2017.

[40] Source: CBRE as at February 2017, based on certified Care Bed numbers.

DEMAND AND SUPPLY DYNAMICS

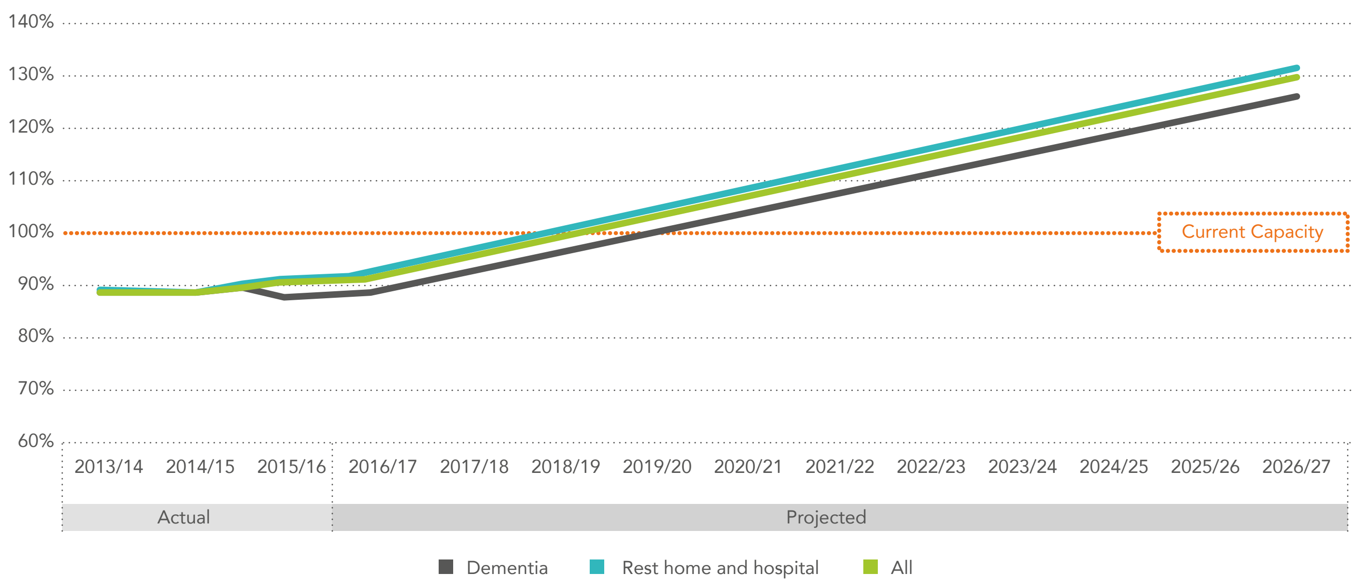
The MoH estimates that nationwide demand for aged care grew at an average rate of approximately 200 Care Beds per annum between 2007 and 2013, and more recently, at approximately 350 Care beds per annum between 2013 and 2016. Between 2013 and 2016, net additions to national Care Bed supply totalled 849 Care Beds, or 283 Care Beds per year, representing a net growth rate of 0.8% per annum.[41]

Due to the above supply and demand dynamics, national occupancy increased from 86% to 88% between 2013 and 2016. Currently, an estimated 20% of New Zealanders aged 80 years and over are living in an aged care facility.[42]

Over the period from 2016 to 2026, the DHB's Demand Planner estimates that between 1,170 (low demand case) and 1,340 (high demand case) additional Care Beds will be required per annum in New Zealand, meaning the industry's current capacity is expected to be 100% utilised by 2019/20 under the high demand case, as demonstrated in the chart below.

Oceania is well positioned to take advantage of this trend given its established platform in clinical care, existing residential aged care and retirement village operations, Brownfield Development land bank and proven development track record.

Estimated occupancy rate of funded Care Beds (fixed capacity)[43]



[41] Source: Central TAS demand forecasts as at March 2017.
[42] Source: CBRE as at February 2017.
[43] Source: Central TAS demand forecasts as at March 2017.

AGED CARE FUNDING

Aged Care Beds and services are funded by the Government (via DHBs) and/or privately via resident contributions, with key funding components as follows:

Government funding	— Residential care subsidy (for residents that fall below asset and income thresholds) — Residential care loan (for residents who have assets above the threshold level, but have limited cash and other assets)
Private charging	— Private funding by residents (full or partial, depending on level of Government funding received) — Additional services — PACs

Government funding

DHBs are responsible for funding residential aged care under the Social Security Act 1964 and have contracts in place with operators under a nationwide ARRC Contract. ARRC Contracts are negotiated nationally on an annual basis and are intended to contribute towards specified services for residents eligible for Government funding. Government funding for residential aged care has increased at a rate higher than CPI inflation since 2005.[44]

To determine the level of care that a resident may require, a needs assessment test is carried out on the resident using InterRAI. More information on InterRAI and Government funding is available on the Offer Register.

Private charging

If a resident does not meet requirements for Government funding, the resident must privately fund the 'maximum contribution rate' (being the DHB-assessed cost for the provision of care which varies by region). If only a partial Government subsidy is available, the resident must fund the difference between the maximum contribution rate and the subsidy received.

Aged care residents can elect to receive non-essential extra services that are not covered by Government assistance and are funded privately via PACs (e.g. larger room, satellite TV). Oceania has increased its average PAC rate from $7.86 per Care Bed per day in FY2014PF to $10.14 in FY2016PF, representing a CAGR of 29.0%.

Care Suite model

A new business model for aged care services has emerged in the marketplace over the last five years, combining the traditional Care Bed funding model (based on daily care fees) with the ORA funding model. Oceania was the first scale operator to employ this hybrid funding model (through its Care Suite offering), which is increasingly being seen by the industry as a commercially attractive mechanism to improve the supply and quality of aged care accommodation because it facilitates the recovery of most, if not all, of the capital employed to construct a new Care Suite. The DMF received by Oceania provides additional earnings relative to the traditional aged care model.

[44] See Offer Register for further detail on the historical growth of government funding of Aged Care.

Benefits of Care Suite model

The Care Suite model is capital efficient and promotes investment in new, high quality aged care capacity to meet increased demand and high acuity needs. Key elements of funding derived from the Care Suite model are:

— government and privately funded daily care fees are received by the operator for the provision of care, in the same manner as a traditional Care Bed;

— ORA license proceeds allow the operator to recover the capital costs of developing the Care Suites;

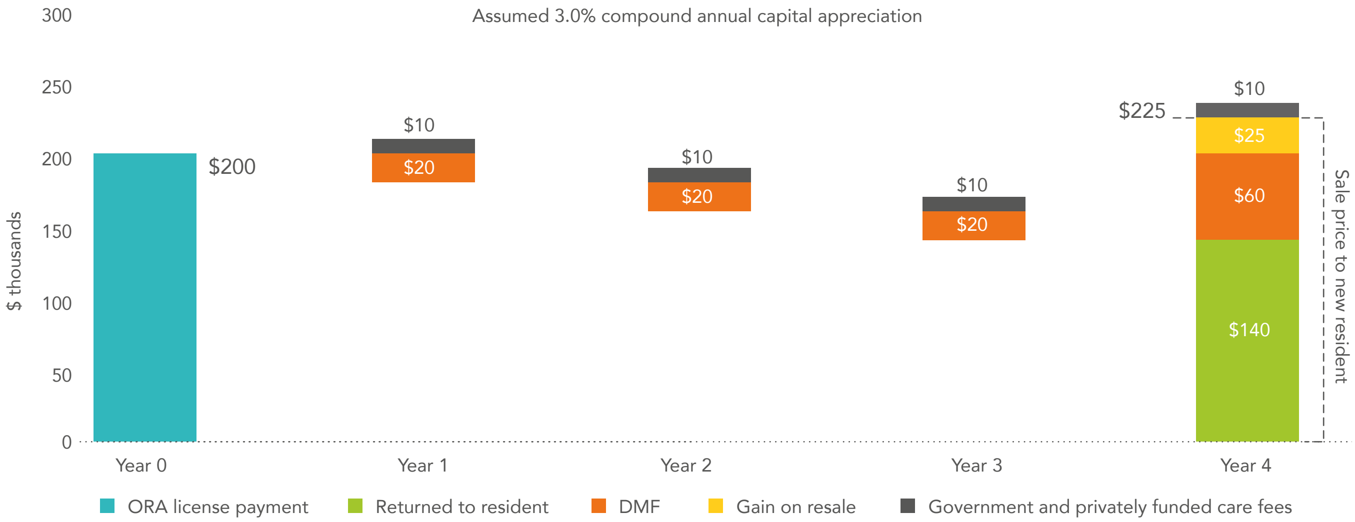
— a DMF accrues on similar terms to those applicable to Units;[45]

— all resale gains are retained by the operator; and

— in the case of Oceania, no weekly service fees are charged on Care Suites.

Aged-care facilities offering Care Suites are registered as retirement villages under the Retirement Village Act 2003 and are also certified under the Health and Disability Services (Safety) Act 2001, which enables a resident to receive Government funding and age in place by remaining in their room through to the end of life. This distinguishes the Care Suite model from Serviced Apartments which are often not certified for provision of subsidised aged care and are capable of only offering low-level, privately funded care to residents. As is the case with Units, ORA terms for Care Suites are market driven.

Care Suite model – illustrative worked example[46]



Illustrative example using typical daily care fees and ORA for a Care Suite. The tenure of the resident is assumed to be four years. The resale price of the Care Suite to the new resident at the conclusion of the four year period assumes 3% annual capital appreciation and is shown for illustrative purposes only. A DMF of 30% of the initial ORA license payment is illustrated assuming a contractual DMF period of three years.

AGED CARE REGULATIONS

The Health and Disability Services (Safety) Act 2001, which applies to aged care providers (and, to a lesser extent, retirement village operators) requires all residential aged care facilities to be certified by the MoH. This acts as a barrier to entry for new entrants, as an operator needs to be able to demonstrate that it has the necessary policies and procedures in place before receiving certification. All of Oceania's facilities are certified for three or more years, with regular internal audits undertaken in addition to those required by the MoH. To be eligible for Government funding, each facility must have an ARRC Contract with the local DHB (see the Offer Register for more detail).

[45] Oceania applies a 30% DMF over three years for both Care Suites and Units.

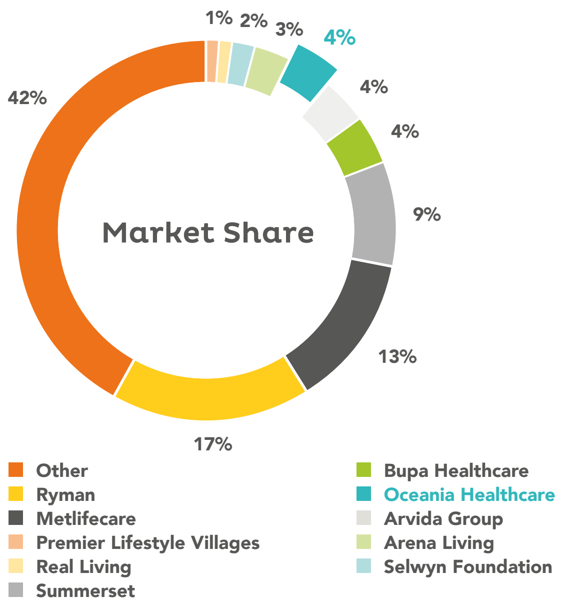
[46] Note for financial reporting purposes, Oceania recognises accrued DMF over the assumed tenure period of the resident rather than the contractual DMF period.

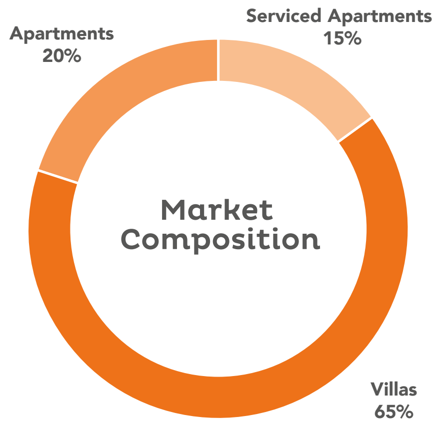
Retirement village market structure

The retirement village sector comprises an estimated 499 villages across New Zealand containing approximately 32,800 Units.[47] Retirement village products are provided by the corporate, private and not-for-profit sectors, accounting for 54%, 31% and 15% of the market respectively.[48]

Similar to the aged care industry, the retirement village sector is highly fragmented (although to a lesser degree), as illustrated below. Oceania has an estimated 3.8% market share by number of Units, making it the sixth largest retirement village operator in New Zealand.

Retirement Village market share and market composition (by number of Units)[48]





POSITIONING AND MARKET PENETRATION

The proportion of New Zealand's population aged 75 and over living in a retirement village has increased significantly over the past eight years, from 9.8% in 2008 to 13.1% in 2016.[49]

The increase in retirement village penetration has largely been driven by:

— growing acceptance of retirement village products;

— modern, purpose built, facilities that better meet the needs of residents; and

— improving relative affordability.

Oceania expects that penetration rates will continue to increase, supported by high home ownership rates among the aged. Competition for new residents tends to be very localised reflecting the desire of new residents to typically stay within 5km to 7km of their prior home. This plays a major role in influencing site selection, as well as the pricing of Units by the key operators.

[47] Source: CBRE as at February 2017.
[48] Source: CBRE as at February 2017, based on number of Units.
[49] Source: CBRE as at February 2017.

STRONG DEMAND FOR RETIREMENT VILLAGE FACILITIES EXPECTED

Between 2009 and 2016, approximately 9,900 Units were built nationally, representing an average build rate of approximately 1,550 Units per annum.[49]

CBRE forecasts Unit demand[49] to increase materially to peak at an average of over 2,900 Units per annum over the 5 years from 2026 to 2030, up from an average of approximately 1,350 Units per annum over the period from 2009 to 2016.[49]

CBRE estimates the known national development pipeline of retirement village operators to be approximately 16,400 Units, approximately sufficient to cover Unit demand, out to 2024.[51] The private and corporate sectors represent the vast majority of the known industry development pipeline.

RETIREMENT VILLAGE FUNDING

Retirement village Units are funded privately by residents. There are three main income streams to a retirement village operator:

— DMF;

— gains realised upon resale where there is appreciation in the value of the Units (recognised in underlying measures of financial performance including Underlying EBITDA and Underlying NPAT); and

— weekly service fees, akin to body corporate fees.

A resident may also elect to pay for additional services (e.g. cleaning or meals).

ORAs and DMF

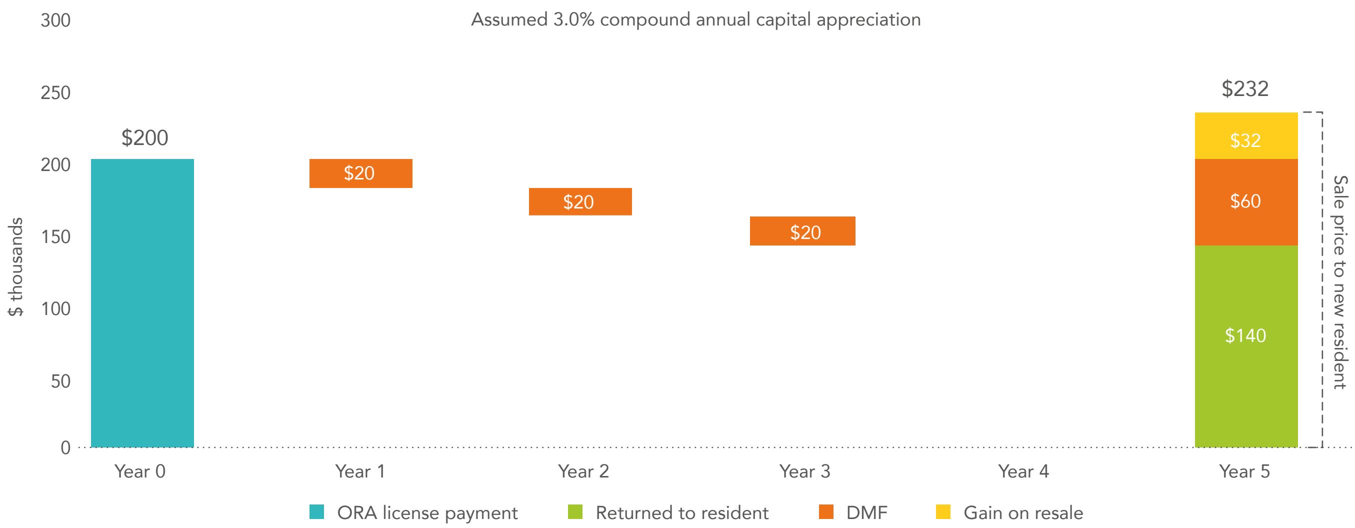
Retirement village operators sell incoming residents the right to occupy their Unit pursuant to an ORA. There is a range of different types of occupational rights offered under ORAs in New Zealand, such as a license to occupy, unit title or a lease.

A license to occupy is the most common form and entitles the resident to live in a Unit and have access to village facilities and services.

Under the license to occupy model, the village operator agrees that, following the resident's exit and re-sale of the Unit, the resident will be refunded the license payment that was initially paid for the ORA, less any accrued DMF. As a result, the retirement village operator typically retains any gains (or losses) realised when the Unit is resold. Oceania's current ORAs are structured in this manner.[52]

DMF accrues monthly at a set rate up to a maximum total amount which is market driven and varies between operators; however the maximum total DMF is generally in the order of 20% to 30% of the initial purchase price for the Units under the ORA. The DMF contributes towards long term maintenance and upgrade of community facilities.

ORA model – illustrative worked example[53]



Illustrative example using typical ORA for a Unit. The tenure of the resident is assumed to be five years. The resale price to the new resident at the conclusion of the five year period assumes 3% annual capital appreciation and is shown for illustrative purposes only. A DMF of 30% of the initial ORA license payment is illustrated assuming a typical contractual DMF period of three years.

50 Forecast Unit Demand is based on national population forecasts for the 65+ age group, increasing penetration rates, rising at 0.09% per annum from 5.11% in 2015 (for the 65+ age group), constant occupancy of 93% and constant resident density of 1.27 residents per Unit.

51 Source: CBRE as at March 2017.

52 A small number of legacy ORAs have been entered into in respect of unit titles, granting a resident a right in the underlying unit title.

53 For financial reporting purposes, Oceania recognises accrued DMF over the assumed tenure period of the resident rather than the contractual DMF period.

Weekly service fees

Retirement village residents are required to pay service fees that contribute towards the day-to-day cost of operating the village (e.g. gardening, rates and statutory supervisor charges). These fees are usually paid weekly and represent a small proportion of the overall cost to the resident. Residents may also be required to pay for additional 'resident elected services' offered at certain retirement villages (such as cleaning, the provision of meals and basic amenities).

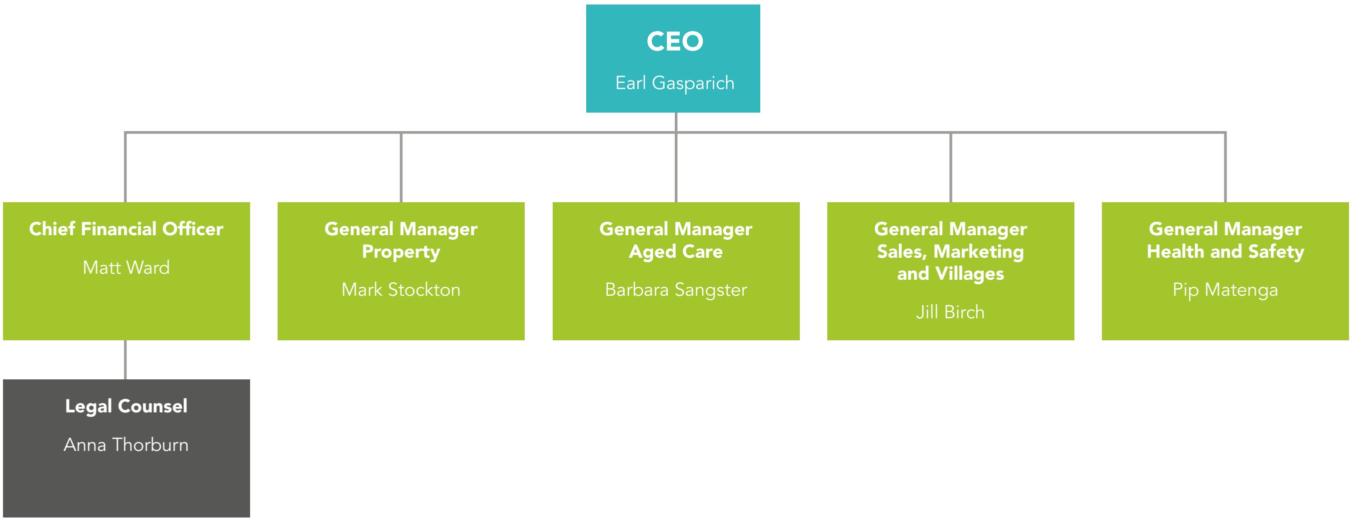
RETIREMENT VILLAGE REGULATIONS

Retirement village operators must comply with industry-specific legislation in the Retirement Villages Act 2003. Under this legislation, operators must register each village with the Registrar of Retirement Villages and a statutory supervisor must be appointed for each village to protect the financial interests of residents.

The New Zealand Retirement Villages Association is a key industry body that governs the industry, assists with managing any complaints and works with the Government in developing retirement village related policy.


Windermere – aerial image of development site

Oceania's management team



Earl Gasparich

Chief Executive Officer

BCom, LLB (Hons), FCA (Chartered Accountants New Zealand & Australia)

Earl joined Oceania as CEO in 2014 and has previous experience in the retirement village sector in the role of Chief Financial Officer of Qualcare.

Over the past 15 years, Earl has held three executive management positions in service-based companies and has a proven track record of creating stakeholder value through leadership, cultural change, and sustained growth underpinned by a very strong work ethic.

Earl is a qualified Lawyer and Chartered Accountant, and was awarded Fellowship status from the New Zealand Institute of Chartered Accountants in 2014. He also volunteers on the Boards of a number of charities, providing necessary governance and a significant contribution to the strategic direction of organisations involved in the provision of community services.

Matthew Ward

Chief Financial Officer

BCom, LLB, CFA Charterholder

Matt was appointed Chief Financial Officer in 2009 and has over 10 years of experience in the aged care and retirement industry.

Prior to joining Oceania, Matt spent three years working in the MIRA team dedicated to Oceania that completed the various mergers and acquisitions that formed Oceania. Matt also had prior roles at ANZ Bank and Buddle Findlay.

Jill Birch

General Manager Sales, Marketing and Villages

BMS

Jill Birch joined Oceania in February 2014. She has 25 years marketing, sales and general management experience working with brands such as KFC, DB Breweries and Sky City Entertainment Group. Jill played a key directional role in the development of large projects (including the building of the Grand Hotel and Convention Centre in Auckland) during her ten years at Sky City.

Barbara Sangster
General Manager Aged Care
DipNursing

Barbara was appointed as General Manager Aged Care in 2012, following over three years leading the Clinical and Quality team at Oceania. Barbara is a Registered Nurse with over 25 years nursing and management experience in the public sector (Counties Manukau DHB) and aged care sector.

Mark Stockton
General Manager Property
MCIOB (Member of the Chartered Institute of Building UK), NZIOB (Member of the NZ Institute of Building), Licensed Building Practitioner

Mark was appointed as General Manager Property in 2014. He has over 30 years of construction project and development management experience, was previously GM Development for Qualcare and has been involved in the aged care sector since 2005. Mark is a member of the Chartered Institute of Building in the UK, a member of the New Zealand Institute of Building and a Licensed Building Practitioner.

Pip Matenga
General Manager Health and Safety
BHSc, PGDipBus, DipNursing

Pip was appointed National Health and Safety Manager in August 2016. She has twenty years of experience in the area of Health Safety and Environmental Management and further background in the healthcare sector.

Anna Thorburn
Legal Counsel
BA, LLB (Hons)

Anna joined Oceania in 2012. She has over 15 years legal experience and previously worked as a senior solicitor at Russell McVeagh where she was involved in the acquisition of the businesses that subsequently formed Oceania.

2

Board of Directors

Oceania has an experienced Board with a diverse range of skills, including industry and business knowledge, financial management and corporate governance experience. The Board currently comprises an independent Chair, two independent non-executive Directors and two non-executive Directors.

Elizabeth Coutts
Chair and Independent Director
BMS, FCA

Liz Coutts has been a Director of Oceania since 5 November 2014 and was appointed Chair in 2014. Liz is also the Chair of Ports of Auckland Limited and Skellerup Holdings Limited, and a director of NZX-listed companies EBOS Group Limited and Sanford Limited.

Liz is Vice President of the Institute of Directors NZ Inc. and a Fellow of Chartered Accountants Australia and New Zealand. She was made an Officer of the New Zealand Order of Merit in 2016.

Liz has previously been Chief Executive of Caxton Group, Chairman of Meritec Group Limited, Industrial Research Limited and Life Pharmacy Limited, Deputy Chairman of Public Trust, and a Commissioner of both the Commerce Commission and Earthquake Commission. She has been a Director of Ravensdown Fertiliser Cooperative, the Health Funding Authority, PHARMAC, Air New Zealand, Sport and Recreation New Zealand and Trust Bank New Zealand, and a member of both the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants and the Monetary Policy Committee of the Reserve Bank of New Zealand.

Alan Isaac
Independent Director
BCA, FCCA, FICS

Alan Isaac has been a Director of Oceania since 1 October 2015. Alan is a professional director with extensive experience in accounting, finance and governance. He is currently Chairman of McGrath Nicol & Partners and New Zealand Community Trust and was, until June 2014 President of the International Cricket Council. Alan is also a Director of Scales Corporation Limited, Fliway Group Limited, Skellerup Holdings Limited, Opus International Consultants Limited, Selacs Limited, AKA Investments Limited, Murray Capital General Partner Limited, and New Zealand Vault Limited. He is also a Board member of the Wellington Free Ambulance.

Alan is a former national Chairman of KPMG, and was made a Companion of the New Zealand Order of Merit (CNZM) in 2013.

Alan is a Fellow of Chartered Accountants Australia and Governance New Zealand.

Kerry Prendergast
Independent Director
MBA(VUW), NZRN, NZM

Kerry Prendergast has been a Director of Oceania since 22 December 2016. Kerry is a professional director. She was Mayor of Wellington (2001-2010) and is currently a director on the boards of Compass Health and Wellington Free Ambulance, and is the Chairman of Tourism New Zealand, Environmental Protection Authority and the NZ Film Commission.

For 25 years Kerry was an independent midwife after training as a general nurse then gaining a Diploma in Intensive Care.

Kerry was made a Companion of the New Zealand Order of Merit (CNZM) in 2011.

Patrick McCawe
Non-Executive Director
BCA (Hons), MBA, CA

Patrick McCawe has been a Director of Oceania since 16 February 2017. Patrick is a Division Director in the MIRA business based in Sydney and joined the Macquarie Group in 1996.

Patrick has 35 years' experience across corporate treasury, investment banking and infrastructure funds management. Patrick was Head of Investment Banking at Macquarie New Zealand from 2002 to 2006 and was a Director of Metlifecare Limited from 2005 to 2007. He has also been a Director of several MIRA-managed companies in Australia and Asia and is a member of Chartered Accountants Australia and New Zealand.

Hugh FitzSimons
Non-Executive Director
BEc LLB (Hons) (Syd)

Hugh FitzSimons has been a Director of Oceania since 25 October 2012. Hugh is a Division Director in the MIRA business. Hugh has worked with MIRA for 13 years in Sydney and New York, prior to which he worked at Allens for three years. Hugh is currently the Chairman of Hobart Airport and was a Director of Regis Healthcare from 2012 to 2013. He has also been on the board of several MIRA investments in the transport sector in the USA and is a member of the NSW Law Society.

Substantial shareholders and relevant interests held by directors and senior managers

SUBSTANTIAL SHAREHOLDERS

As at the date of this PDS, the following shareholders have a relevant interest in 5% or more of the Shares in Oceania:

Shareholder and nature of relevant interest	Number of Shares	% of Shares
OHHL is the registered holder and beneficial owner of Shares in Oceania. OHHL is majority (98.83%) owned indirectly by three institutional funds that are managed by specialist management companies within the MIRA division of Macquarie Group Limited. The fund investments are held though various sub trusts. The Trust Company Limited (**TCL**), as custodian, holds OHHL shares on behalf of these sub trusts. Ngakuta Trust Company Limited (**Ngakuta**) is the minority owner of OHHL (1.17%). As a result of the management role performed by the Macquarie companies for its three institutional funds, Macquarie Group Limited and its subsidiaries (**Macquarie Group**) have a relevant interest in the Shares held by OHHL. The Shares held by OHHL were acquired as follows: — 238,120,524 Shares issued on 30 May 2014 as consideration for the novation of certain note securities from Oceania to OHHL. — 37,024,344 Shares issued on 29 August 2014 as consideration for the novation of certain note securities from Oceania to OHHL. — 59,724,056 Shares transferred to OHHL from TCL and Ngakuta on 29 August 2014 as consideration for OHHL issuing shares in favour of TCL and Ngakuta. — 594,492 Shares issued on 26 May 2015 for an aggregate consideration of $594,492. — 13,712,002 Shares issued on 27 January 2017 as consideration for a shareholder loan from OHHL.	349,175,418	98.66%
Total	**349,175,418**	**98.66%**

The following shareholders are likely to have a relevant interest of 5% or more of the Shares in Oceania immediately following completion of the Offer (following the allotment of Shares under the Offer):

	Indicative relevant interest in Oceania following completion of the Offer	
Shareholder and nature of relevant interest	**Number of Shares**	**% of Shares (indicative)**
OHHL will be the registered holder and beneficial owner of Shares in Oceania. As a result of the indirect ownership of OHHL (described above), Macquarie Group will have a relevant interest in the Shares held by OHHL.	349,175,418	56.28 – 63.64%
Total	**349,175,418**	**56.28 – 63.64%**

SHAREHOLDINGS HELD BY DIRECTORS AND SENIOR MANAGERS

The table below sets out the equity securities in Oceania that the directors and senior managers of Oceania have a relevant interest in prior to the Offer (at the date of the PDS) and will likely have an interest in immediately following completion of the Offer (following the allotment of Shares under the Offer):

		Shares in which person has relevant interest as at the date of this PDS		Indicative shareholding in Oceania following completion of the Offer[1,2]	
Director or senior manager	**Nature of relevant interest**	**Number of Shares**	**% Shares**	**Number of Shares[3]**	**% of Shares**
Elizabeth Coutts	–	Nil	Nil	250,000	0.04%
Alan Isaac	Registered and beneficial owner of Shares.	Nil	Nil	30,000	0.01%
Kerry Prendergast	–	Nil	Nil	Nil	Nil
Patrick McCawe & Hugh FitzSimons	OHHL is the majority shareholder of Oceania. As directors of OHHL, each of Patrick and Hugh have the power to control the exercise of the rights attaching to the Shares held by OHHL, and the power to control the acquisition or disposition of such Shares.	349,175,418	98.66%	349,175,418	60.31%
Earl Gasparich	Joint registered and beneficial owner of 961,539 Shares[4] and 961,539 LTIP Shares,[5] held jointly with Celia Gasparich and Carla Jane Pearce as trustees for the Gasparich Family Trust.	1,923,078	0.54%	2,634,189	0.46%
Mark Stockton	Registered and beneficial owner of 769,231 Shares[4] and 336,539 LTIP Shares.[5]	1,105,770	0.31%	1,666,881	0.29%
Matthew Ward	Registered and beneficial owner of 759,616 LTIP Shares.[5]	759,616	0.21%	1,409,616	0.24%
Jill Birch	Registered and beneficial owner of 288,461 Shares[4] and 288,462 LTIP Shares.[5]	576,923	0.16%	1,038,034	0.18%
Barbara Sangster	Registered and beneficial owner of 288,462 LTIP Shares.[5]	288,462	0.08%	566,240	0.10%
Anna Thorburn	Registered and beneficial owner of 96,154 LTIP Shares.[5]	96,154	0.03%	227,265	0.04%
Total		**353,925,421**	**100%**	**356,997,643**	**61.67%**

Notes:

1 Directors and senior managers are permitted to acquire Shares under the Offer. The interests in Shares expected to be held immediately following the Offer assumes that the senior managers take up their full entitlement under the New LTIP and reflects the intentions of the directors and senior managers at the date of the PDS in relation to their acquisition of further Shares under the Offer and Priority Offer.

2 Based on the Final Price being the mid-point in the Indicative Price Range.

3 As the LTIP Shares vest on separate vesting dates, the number of Shares the senior managers are likely to have a relevant interest in immediately following completion of the Offer assumes that one third of the total number of LTIP Shares (being 910,259 Shares in total) will vest on the Business Day after the Offer completes, in accordance with the LTIP Rules. See page 48 of this PDS for more details on the LTIP and vesting dates.

4 These Shares were issued to Earl Gasparich (via his family trust), Mark Stockton and Jill Birch and are subject to restraints on transfer that apply until the date the Offer completes. See Section 5 of the PDS (Terms of the Offer) for more information.

5 LTIP Shares were issued to the relevant senior managers on 30 July 2015 under the existing executive LTIP. Although the relevant senior managers are the registered and beneficial holders of the Shares, the Shares are subject to restraints under the LTIP Rules that prohibit their sale, transfer or disposition, until the Shares vest to the relevant senior manager on the relevant vesting dates, and subject to certain vesting conditions having been met, in accordance with the LTIP Rules. See page 48 of this PDS for more details on the LTIP.

Other equity securities of Oceania

As at the date of this Offer, there are no other classes of Oceania equity securities.

Under the Constitution, any other class of equity securities of Oceania that ranks equally with, or in priority to, the Shares may be issued without a special resolution of the holders of the Shares. However, the issue of new equity securities in Oceania is governed by the NZX Listing Rules, which requires the approval by ordinary resolution of the holders of the Shares to the issue of new equity securities, except in certain circumstances set out in the NZX Listing Rules.

Directors' remuneration and other benefits

The table below sets out the total remuneration and value of other benefits received by each director of Oceania during FY2016 and expected to be received in FY2017F, as well as the nature of the services to which that remuneration, or those other benefits, relates (other than services provided in a person's capacity as director):

Director	Remuneration and value of other benefits received in FY2016	Expected remuneration and value of other benefits expected to be received in FY2017F		
	Total	Base fee	Committee work	Total
Elizabeth Coutts	$160,000	$165,000	Nil	$165,000
Alan Isaac	$53,333[2]	$82,500	$5,000 (Audit Committee Chair)	$87,500
Kerry Prendergast[1]	Nil	$39,167[3]	$3,750 (Clinical & Health & Safety Committee Chair)	$42,917
Patrick McCawe[1]	Nil	Nil	Nil	Nil
Hugh FitzSimons[1]	Nil	Nil	Nil	Nil

Notes:

1 Kerry Prendergast and Patrick McCawe were not directors of Oceania during FY2016 and therefore did not receive any director fees, nor did they receive any remuneration from the Oceania Group, during FY2016. Hugh FitzSimons, as appointee of OHHL, did not receive any director fees in FY2016. With effect from 1 June 2017, Patrick McCawe will receive $90,000 per annum as a non-executive director, and Hugh FitzSimons will receive $90,000 per annum as a non-executive director and $7,500 as Remuneration Committee Chair.

2 Having been appointed as a director on 1 October 2015, Alan Isaac was only an Oceania director for part of FY2016.

3 Kerry Prendergast's director fees for FY2017F reflect that she has only been an Oceania director since her appointment on 22 December 2016.

Elizabeth Coutts, Alan Isaac and Kerry Prendergast are each entitled to additional director fees of $25,000 to remunerate them for additional work required in preparation for the Offer and these additional fees are not included in the figures in the table above or in the annual pool of directors' fees that will apply from listing.

The remuneration paid to the directors in FY2017F will be higher than that paid in FY2016. This reflects that, as a result of the listing of Oceania on the NZX Main Board and ASX, the directors have increased responsibilities and will be required to devote more time to the performance of their duties as directors. The fees for directors of Oceania that apply from listing have been fixed as a total pool of $582,500 per annum.

In addition to the total remuneration and value of other benefits disclosed in the table above, all directors are entitled to an annual expense allowance of $2,000 each for communication and personal administration costs, and are also entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings, or otherwise in connection with the Oceania business.

Oceania has granted indemnities, as permitted by the Companies Act 1993 and the FMCA, in favour of each of its directors. Oceania also maintains Directors & Officer liability insurance for its directors.

Employee remuneration

Oceania did not employ people directly in FY2016. All employees in the Oceania Group are employed by the subsidiaries of Oceania. The number of employees or former employees of the Oceania Group who, not being directors of Oceania, received remuneration and any other benefits in their capacity as employees in respect of FY2016 that in value was or exceeded $100,000 per annum was as follows:

Remuneration	No. of employees
$100,000 to $109,999	17
$110,000 to $119,999	10
$120,000 to $129,999	3
$130,000 to $139,999	3
$140,000 to $149,999	6
$150,000 to $159,999	3
$160,000 to $169,999	1
$180,000 to $189,999	1
$190,000 to $199,999	1
$210,000 to $219,999	1
$260,000 to $269,999	1
$350,000 to $359,999	1
$370,000 to $379,999	1
$520,000 to $529,999	1
$660,000 to $669,999	1

Given the financial performance of Oceania in FY2016, the performance bonuses received by certain Oceania senior managers in FY2016 were higher than the performance bonuses expected to be payable in respect of FY2017F (performance bonuses are short term incentive payments based on targets set annually in advance, with eligibility being a combination of achieving financial (Underlying EBITDA), health & safety, and personal goals). As a result, Oceania expects the remuneration and benefits of employees of the Oceania Group exceeding $100,000 in respect of FY2017F to be lower from those in the table above. There are also other bonuses payable on completion of the Offer to certain employees referred to on page 48 of this PDS.

New LTIP Plan

Concurrent with the Offer, Oceania has established a new Executive Long Term Incentive Plan ("**New LTIP**"). The Board may invite certain senior executives to participate in the New LTIP.

Under the New LTIP, a senior executive who is invited to participate will be offered an interest free loan by Oceania which must be used to acquire the New LTIP Shares (being ordinary shares in Oceania). The amount of the loan will be determined at the Board's discretion, and must be repaid after the New LTIP Shares have vested to each of the participants (or on such other date determined in accordance with the rules of the New LTIP). The New LTIP Shares will be issued to and held by a trustee on behalf of the participants until vestment.

Generally, the New LTIP Shares will be eligible to vest if, at the vesting date (being the Business Day after Oceania's financial statements for the year ended 31 May 2020 are released), the participant remains employed by Oceania and the performance hurdles are achieved (the performance hurdles require Oceania's performance to meet, or exceed, a minimum underlying EPS CAGR per annum, over the vesting period) until vestment.

On the basis that participants take up their full entitlement under the New LTIP (being up to $2.5 million of New LTIP Shares), there will be between 2,403,846 to 3,289,474 New LTIP Shares on issue immediately following the Offer. The New LTIP Shares offered under the New LTIP do not form part of the Offer, but are intended to be issued contemporaneously with allotment under the Offer, at the Final Price.

2

Existing executive LTIP scheme

Certain Oceania senior executives currently participate in a long-term incentive plan. Under the current LTIP, those senior executives invited to participate in the LTIP were provided with an interest free loan by Oceania which was applied to acquire Shares. The amount of the loan for each senior executive was determined at the Board's discretion. As at the date of this PDS, the aggregate value of all outstanding loans made by Oceania to senior managers under the LTIP is $1,420,001.44.

On 28 August 2015 the Board approved the issue of, and subsequently issued, Shares under the LTIP which will vest to participants as follows (see page 45 of this PDS for details on the number of LTIP Shares currently issued to participants):

- one third of participants' LTIP Shares will vest on the Business Day after the Offer completes (this is expected to be 910,259 LTIP Shares in total); and
- the remaining two thirds of the LTIP Shares are expected to vest on the Business Day after release of Oceania's FY2017F accounts (subject to Oceania's financial performance hurdles being met). The Offer assumes that this vesting will occur.

A participant will only benefit in respect of Shares acquired under the LTIP, if he or she remains employed by Oceania at the vesting date for the relevant Shares. If the LTIP Shares vest, the loans must be repaid on or before 31 May 2019.

Material interests in the Oceania Group

Certain Oceania senior executives hold Shares in Oceania, further details of which are set out on page 45 (Shareholdings held by directors and senior managers).

All of the senior managers have entered into employment agreements with certain members of the Oceania Group.

Oceania has agreed to pay certain employees (including certain senior managers) a bonus in recognition of their past services to Oceania. The bonus is payable on completion of the Offer and the amount payable to all of these employees in aggregate is $750,000.

Certain Oceania senior managers have entered into escrow arrangements in respect of Shares held by them (including LTIP Shares), as further described in Section 5 (Terms of the Offer).

Jill Birch, Mark Stockton and Earl Gasparich, being senior managers of Oceania, have each entered into Subscription Agreements with Oceania under which they (or their family trust) subscribed for, and were subsequently issued Shares. These Shares are subject to transfer restrictions which are described in Section 5 (Terms of the Offer). Details of the number of Shares held by each relevant senior manager are outlined in the table on page 45 of this PDS.

In addition to being directors of OHHL, Patrick McCawe and Hugh FitzSimons are also employed by Macquarie Corporate Holdings Pty Limited. As noted on page 44 of this PDS, Macquarie Group has a relevant interest in Oceania.

Other governance disclosures

The Board intends to adopt, from listing, various board policies and charters that are typical for a company listed on the NZX Main Board and ASX.

Following listing, the Board will have the power to appoint additional directors to the Board from time to time, in accordance with the NZX Listing Rules. Any director appointed by the Board must retire and seek re-appointment at the next Annual Shareholders' Meeting of Oceania in accordance with the NZX Listing Rules.

In addition, any shareholder may appoint a director or directors, with the proportion of directors able to be appointed not exceeding the proportion of Shares held by that shareholder (as permitted by Listing Rule 3.3.8). Any director so appointed is exempt from the requirement to retire by rotation, however, if any such shareholder exercises its right to appoint a director that shareholder may not vote on the election of any other director.

At completion of this Offer, the shareholding of OHHL in Oceania will be between 56.28% and 63.64%. This means that OHHL will have the ability to pass an ordinary resolution of Oceania shareholders (even without the support of other shareholders), and are also likely to be able to control the outcome of a special resolution of Oceania shareholders under the Companies Act 1993.

Eden Village

Purpose of the Offer

SECTION 3

The purpose of the Offer is to raise capital in order to:

— reduce debt to provide financial flexibility to pursue future development projects including projects in Oceania's existing Brownfield Development land bank;

— commence above ground development works at the waterfront Maureen Plowman Village (Auckland);

— commence Stage 4 development of Meadowbank Village (Auckland); and

— fund the acquisition of the freehold title of the Elderslea Care Facility (currently leased, Upper Hutt).

The Offer comprises of an Offer by Oceania of between 192.3 million and 263.2 million Shares with a value of approximately $200.0 million, based on the Indicative Price Range. These Shares comprise $200.0 million of new Shares which are issued by Oceania (being 192.3 million to 263.2 million Shares based on the Indicative Price Range).

The gross proceeds from the issuance of new Shares will be used, and relate to our strategy, as follows:

Amount	Use of proceeds
$173.4 million	To reduce debt to provide additional flexibility to pursue development projects including commencing above-ground works at the waterfront Maureen Plowman Village and commencing the Stage 4 development of Meadowbank Village
$16.1 million	Acquire freehold title of Elderslea Care Facility (currently leased)
$10.5 million	To fund Offer costs
$200.0 million	**Gross proceeds from new Shares issued**

A minimum amount of $200.0 million must be raised before the Shares are issued. The use of the proceeds raised under the Offer will not change depending on the total amount that is raised. The Offer is not underwritten.

3

Key dates and Offer process

SECTION 4

PDS dated	31 March 2017
Broker Firm bids due	10 April 2017
Bookbuild	11 to 12 April 2017
Pricing and allocation announced	12 April 2017
Broker Firm Offer opens	13 April 2017
Priority Offer opens	13 April 2017
Priority Offer closes	21 April 2017
Broker Firm Offer closes	28 April 2017
Settlement on the ASX	3 May 2017
Settlement and allotment on the NZX Main Board, and allotment on ASX and expected mailing of holding statements for Shares to be traded on the ASX	4 May 2017
Earliest expected mailing of holding statements for shares to be traded on the NZX Main Board	5 May 2017
Quotation and expected commencement of trading of Shares on the NZX Main Board and ASX on a normal basis	5 May 2017
Expected payment of first dividend	February 2018

This timetable is indicative only and the dates may change. Oceania, with the agreement of the Joint Lead Managers and approval from NZX, reserves the right to vary or extend these dates. The Offer may also be withdrawn by Oceania at any time before the allotment of Shares, at Oceania's sole discretion.

Lady Allum – Artist's impression

Terms of the Offer

SECTION 5

Key terms

The table below sets out the terms of the Offer. All Shares are issued on the terms set out in the Constitution (a copy of which is available on the Offer Register).

The Offer	This is an offer of 192.3 million and 263.2 million Shares in Oceania (representing 35.1% to 42.4% of the total Shares on issue immediately following the Offer). The Indicative Price Range is $0.76 to $1.04 per Share.
Key dates	See Section 4 (Key Dates and Offer process) for information about the key dates.
Final Price	The Final Price will be set by way of a Bookbuild. The Bookbuild will take place on 11 to 12 April 2017. The Bookbuild is a process through which selected Institutional Investors and selected NZX Firms submit bids for the number of Shares they wish to purchase across a range of prices for the Shares. That information is then used to assist with the determination of the Final Price and allocations of the Shares. Oceania, in consultation with the Joint Lead Managers, will set the Final Price following completion of the Bookbuild. Oceania reserves the right to set the Final Price within, above or below the Indicative Price Range. In setting the Final Price, Oceania will take account of several factors, including: — the level of demand for Shares at various prices; — the level of demand for Shares in the Institutional Offer, the Broker Firm Offer and the Priority Offer; — pricing indications from Institutional Investors and NZX Firms; — Oceania's desire for an informed and active trading market for the Shares on the NZX Main Board and ASX; and — any other factors that Oceania deems relevant. The Final Price is expected to be announced and posted on www.shareoffer.co.nz/oceaniahealthcare on or about 12 April 2017.

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Structure of the Offer	The Offer comprises: — a Broker Firm Offer, which is available only to New Zealand resident clients of Brokers, who have received an allocation from their Broker; — a Priority Offer, which is available only to selected employees, directors and consultants of the Oceania Group; and — an Institutional Offer, which is an invitation to bid for Shares made to selected Brokers and Institutional Investors in New Zealand, Australia, Hong Kong, Singapore, and certain other jurisdictions. There is no general public offer under which you may subscribe for Shares. Therefore members of the public who wish to subscribe for Shares must do so through a Broker with an allocation of Shares or must be offered Shares by Oceania as part of the Priority Offer.
Escrow arrangements	Oceania has entered into the following escrow arrangements which restrict the relevant shareholder from transferring, selling or otherwise disposing of Shares for a specified period of time (subject to limited exceptions set out on the Offer Register): — **Shares held by OHHL:** any Shares held by OHHL prior to the Offer are subject to escrow arrangements until the first Business Day after the date on which Oceania releases to NZX its preliminary announcement of its financial results in respect of the financial year ended 31 May 2018; — **Non-LTIP Shares held by Oceania senior managers:** • any non-LTIP Shares held by Earl Gasparich (through his family trust) prior to the Offer which continue to be held upon completion of the Offer are subject to escrow arrangements until the first Business Day after the date on which Oceania releases to NZX its preliminary announcement of its financial results in respect of the financial year ended 31 May 2017; • 50% of any non-LTIP Shares held by each of Mark Stockton and Jill Birch prior to the Offer which continue to be held upon completion of the Offer are subject to escrow arrangements until the first Business Day after the date on which Oceania releases to NZX its preliminary announcement of its financial results in respect of the financial year ended 31 May 2017; — **LTIP Shares held by Oceania senior managers:** all LTIP Shares that have vested or may vest to Oceania senior managers pursuant to the LTIP are subject to escrow arrangements until: • in respect of Anna Thorburn, Mark Stockton, Jill Birch and Barbara Sangster, the first Business Day after the date on which Oceania releases to NZX its preliminary announcement of its financial results in respect of the financial year ended 31 May 2017; and • in respect of Earl Gasparich (through his family trust) and Matthew Ward, the first Business Day after the date on which Oceania releases to NZX its preliminary announcement of its financial results in respect of the financial year ended 31 May 2018. The total percentage of Shares subject to the escrow arrangements immediately following completion of the Offer will be approximately 61.04% of the total number of Shares in Oceania (based on the Final Price being the mid-point in the Indicative Price Range).

Discretion regarding the Offer	The Offer may be withdrawn by Oceania at any time before allotment of Shares with the agreement of the Joint Lead Managers. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) no later than five Business Days after the announcement of the decision to withdraw the Offer or any part of it. Oceania reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications, settlement or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or any bidder fewer shares than applied for. Oceania reserves the right to refuse any Application or to accept an Application in part only, without providing a reason. If Oceania refuses an Application or accepts an Application in part, the relevant Application Monies will be refunded no later than five Business Days after the last date on which Shares are allotted under the Offer. No interest will be paid on any Application Monies that are refunded. Refunds will be paid in the manner in which you elect any future dividends to be paid. See Section 11 (How to apply) for further information about Applications and how to apply for Shares.
Allotments	Any New Zealand resident with a CSN will have their Shares allotted under their CSN, if the CSN was provided on their Application Form. Broker Firm Offer and Priority Offer Applicants who do not have a CSN or who do not provide a CSN on their Application Form, will be allocated a CSN at the time of Application. The CSN will be advised at the time the allotment of Shares is confirmed and the associated Authorisation Code (FIN) will be sent as a separate communication by mail on 1 May 2017. Shares allocated under the Offer are expected to be allotted on the ASX and on the NZX Main Board on 4 May 2017. Priority in allotment will be given to Applicants under the Priority Offer. Holding statements are expected to be sent to all successful Applicants by 5 May 2017. No person accepts any liability should any person attempt to sell or otherwise deal with Shares before a statement confirming allotment is received.
What you need to do to sell your Shares	If you wish to sell your Shares on the NZX Main Board, after confirming your allocation, you must contact a Broker and have a CSN and an Authorisation Code (FIN). Opening a new broker account can take a number of days depending on the Broker's new client procedures. If you do not have a CSN, you will: — be assigned one when you set up an account with a Broker; or — receive one from the Share Registrar. If you do not have an Authorisation Code (FIN), it is expected that you will be sent one as a separate communication by the Share Registrar. If you have a Broker and have not received an Authorisation Code (FIN) by the date you want to trade your Shares, your Broker can obtain one, but may pass the cost for doing so on to you. If you sell your Shares, you may be required to pay brokerage or other sale expenses. You may also be liable for tax on the sale of your Shares. You should seek your own tax advice in relation to your Shares.
No guarantee	No person guarantees the Shares offered under this PDS. No person warrants or guarantees the performance of the Shares or any return on any investments made pursuant to this PDS.

Components of the Offer

	Broker Firm Offer	Priority Offer	Institutional Offer
Who can apply?	The Broker Firm Offer is open to New Zealand resident clients of selected NZX Firms who have received a firm allocation from that NZX Firm. You should contact an NZX Firm to determine whether you may be offered Shares by them under the Broker Firm Offer.	The Priority Offer comprises an offer to certain employees of the Oceania Group. Oceania will contact those employees who are offered Shares under the Priority Offer.	The Institutional Offer comprises an invitation to selected Institutional Investors in New Zealand, Australia, Hong Kong, Singapore, and certain other jurisdictions to apply for Shares. Certain Institutional Investors, NZX Firms will be invited to bid for Shares in the Bookbuild.
How do you apply?	See Section 11 (How to apply) for details about how to apply for Shares.		
How many Shares can you apply for?	Brokers will determine the number of Shares their New Zealand resident clients may apply for. However, the minimum Application amount is 5,000 Shares.	Applications under the Priority Offer must be for a minimum of 500 Shares. There is no maximum number of Shares that can be applied for by investors applying under the Priority Offer. The number of Shares reserved for the Priority Offer will be set prior to the Bookbuild. Applicants will receive a guaranteed minimum allocation of 500 Shares at the Final Price. Oceania reserves the right to vary the guaranteed minimum allocation at any time.	N/A
How do you pay for your Shares?	See the Application Form for payment details.	See the Application Form for payment details.	Full details will be provided by the Joint Lead Managers to successful participants.
When do you need to apply?	The Broker Firm Offer opens at 9.00am on 13 April 2017. You should send your completed Application Form and Application Monies to your Broker in time to enable forwarding to the Share Registrar by 5.00pm on 28 April 2017.	The Priority Offer opens at 9.00am on 13 April 2017 and will close at 5.00pm on 21 April 2017. The closing date of the Priority Offer may be changed by Oceania. Changes will be advised by NZX announcement.	N/A

Allocation policy	Allocations by NZX Firms under the Broker Firm Offer to their clients will be determined by those NZX Firms. It will be a matter for the NZX Firms to ensure that their clients who have received an allocation from them receive the relevant Shares. Broker Firm Offer Applicants should contact the Broker from whom they received their allocation to find out if their Application was successful.	The number of Shares to be offered under the Priority Offer, and the allocation of Shares among participants in the Priority Offer, will be determined by the Oceania Board. Applicants should contact the Share Registrar by email at oceania@computershare.co.nz to find out if their Application was successful.	Oceania, with the agreement of the Joint Lead Managers, will determine the allocation of Shares among Institutional Investors and NZX Firms that have bid for Shares in the Bookbuild. The number of Shares to be offered under the Institutional Offer, and the allocation of Shares among participants in the Institutional Offer, will be determined by Oceania with the agreement of the Joint Lead Managers. There is no assurance that any participant in the Bookbuild will be allocated any Shares or the number of Shares for which it has bid. The allocation policy will be influenced by a number of factors which may include the timeliness of the bid by particular bidders.

Listing

Oceania expects that trading of the Shares on the NZX Main Board and ASX will commence on 5 May 2017. If admission to list on the NZX Main Board is denied, the Offer will not proceed. Failure to achieve admission to list on the ASX will not, of itself, prevent the issue or sale of Shares under the Offer from proceeding.

NZX MAIN BOARD LISTING

Application has been made to NZX for permission to list Oceania and to quote the Shares on the NZX Main Board and all the requirements of NZX relating to the application that can be complied with on or before the date of this PDS have been duly complied with. However, NZX accepts no responsibility for any statement in this PDS. The NZX Main Board is a licensed market operated by NZX, which is a licensed market operator, regulated under the FMCA.

ASX LISTING

An application will be made to ASX after the PDS has been lodged on the Offer Register for Oceania to be admitted to the official list of ASX as an ASX Foreign Exempt Listing and for quotation of the Shares on the ASX.

If Oceania is admitted to the official list of ASX as a Foreign Exempt Listing, it will need to comply with the NZX Listing Rules (other than as waived by NZX) but will not need to comply with the vast majority of the ASX Listing Rule obligations. Rather, Oceania will need to comply only with the rules specified in ASX Listing Rule 1.15 which are relatively procedural in nature. Oceania will not be subject to substantive ASX Listing Rule requirements such as the rules on continuous disclosure, periodic reporting, shareholder approval of share issuances, escrow, transactions with persons of influence and significant transactions.

ASX takes no responsibility for the contents of this PDS or for the merits of the investment to which this PDS relates. The fact that ASX may admit Oceania to the official list of ASX and quote the Shares on the ASX is not to be taken as an indication of the merits, or as an endorsement by ASX, of Oceania or the Shares. The ASX is not a licensed market under the FMCA.

Selling restrictions

The Offer is only being made to New Zealand resident clients of selected NZX Firms who have received a firm allocation from that NZX Firm, and selected Institutional Investors in certain jurisdictions including New Zealand, Australia, Hong Kong, Singapore, and certain other jurisdictions. The Offer is being made in Australia in reliance on the trans-Tasman mutual recognition scheme under Chapter 8 of the Corporations Act 2001 (Cth) and the Corporations Regulations 2001 (Cth).

Further information

This PDS is intended for use solely in connection with the Offer. You can find further information on the Offer Register in relation to the terms of the Offer, including the Constitution and additional selling restrictions.

The Joint Lead Managers have participated in the due diligence process for the Offer, but neither they nor their respective directors, employees, agents or advisers have independently verified the content of the Offer Materials.

Meadowbank

Key features of Shares

SECTION 6

Key features of the equity securities

All shares under the Offer will be fully paid ordinary shares in Oceania, which rank equally with each other and all other ordinary shares in Oceania on issue. The key features of the shares in Oceania do not differ from those that apply to other ordinary shares in a company generally.

Dividend policy

Dividends are declared at the Board's discretion, and depend on a number of factors including Oceania's financial performance, market conditions, future funding requirements, and any contractual, legal or regulatory restrictions on the payment of dividends by Oceania. The payment of dividends is not guaranteed, and Oceania's dividend policy may change over time. In declaring dividends, Oceania must comply with the solvency test under the Companies Act and the covenants in Oceania's banking facilities.

Oceania did not declare a dividend during the period beginning at the start of FY2014 to the date of this PDS.

Subject to a number of factors including those listed above, Oceania's dividend policy is to target a payout of 50% – 60% of Underlying NPAT (a non-GAAP measure) each year. The Board's current intention is to declare a dividend in respect of earnings in the first half of FY2018F (Interim Dividend), and in respect of earnings in the second half of FY2018F (Final Dividend), in total, based on approximately 55% of FY2018F Underlying NPAT, targeted to be paid in February and August 2018 (respectively). The Board does not intend on paying a dividend in respect of FY2017F.

Please refer to Section 7 (Oceania's Financial Information) for more information on dividends.

Oceania's financial information

SECTION 7

Introduction

The tables in this section provide key financial information about the Oceania Group. Full financial statements and other financial information are available on the Offer Register at www.companiesoffice.govt.nz/disclose (OFR11900). If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

This PDS contains prospective financial information (**PFI**) for FY2017F and FY2018F (together, the **Prospective Period**). The PFI is based on the Directors' assessment of events and conditions existing at the date of this PDS and the accounting policies and assumptions set out in the Supplementary Financial Information which is available on the Offer Register. The principal assumptions on which the PFI is based are set out under the heading 'Overview of prospective financial performance' in this section.

PFI by its nature is inherently uncertain. It is a prediction of future events which cannot be assured. It involves risks and uncertainties, many of which are beyond the control of Oceania. The Board believes that the PFI has been prepared with due care and attention, and considers the assumptions, when taken as a whole, to be reasonable at the time of preparing this PDS. Actual results are likely to vary from the information presented and variances may be material. Accordingly, neither the Directors nor any other person can provide any assurance that the PFI will be achieved and investors are cautioned not to place undue reliance on the PFI. You should read the PFI in this PDS in light of the assumptions, and in conjunction with the other information in this PDS (including, in particular, the information in Section 8 (Risks to Oceania's business and plans)).

The financial information in this PDS is presented in New Zealand dollars and is rounded, which may result in some discrepancies between the sum of the components and totals within tables, and also certain percentage calculations.

SELECTED FINANCIAL INFORMATION

The table of Selected financial information contains the following types of financial information:

- **Statutory historical financial information** as reported in Oceania's financial statements.
- **Statutory PFI** which presents the PFI on the same basis as that on which Oceania intends to report under NZ GAAP in the future.
- **Pro forma historical financial information** which has been derived from the statutory historical financial information, adjusted for structural changes and non-recurring or infrequent events. Oceania believes these adjustments allow investors to compare the historical financial information with the PFI and to understand better the trends in financial performance. These adjustments are described under the heading 'Explanation of pro forma adjustments' in this section.
- **Pro forma PFI** adjusts the statutory PFI to reflect pro forma adjustments in the first year of the Prospective Period (FY2017F) including the removal of non-recurring Offer costs, certain tax adjustments and the change in capital structure of Oceania arising from the Offer as described under the heading 'Explanation of pro forma adjustments' in this section.

The pro forma historical financial information and the pro forma PFI have been prepared solely for the purpose of inclusion in this PDS. More information about the pro forma adjustments, the principal assumptions on which the PFI is based, and reconciliations of pro forma financial information to information prepared in accordance with NZ GAAP, is available in the Supplementary Financial Information.

The FY2017F information includes eight months of actual results for the period ended 31 January 2017 and four months of forecast information for the period ended 31 May 2017.

Certain information included in this section is non-NZ GAAP information, including Pro forma Underlying EBITDA, Pro forma Underlying NPAT, and other line items.

The historical financial information is sourced from Oceania's audited financial statements, which are available on the Offer Register. This document presents historical financial information on Oceania for the financial periods including 31 May 2014 (**FY2014**) to 31 May 2016 (**FY2016**) (collectively, the **Historical Period**).

Selected financial information[1]

NZ$m	FY2014	FY2015	FY2016	FY2017F	FY2018F	1HY2016	1HY2017
Financial period	**12 months ending 31 May 14**	**12 months ending 31 May 15**	**12 months ending 31 May 16**	**12 months ending 31 May 17**	**12 months ending 31 May 18**	**6 months ending 30 Nov 15**	**6 months ending 30 Nov 16**
Financial performance:							
Revenue	181.1	206.3	223.8	210.9	215.7	110.2	121.9
Pro forma revenue	**167.5**	**203.9**	**223.2**	**210.9**	**215.7**	**109.9**	**121.7**
less: Pro forma operating expenses	(145.5)	(151.9)	(150.1)	(150.1)	(146.8)	(73.4)	(76.2)
less: Pro forma change in fair value of investment property and PP&E	(2.0)	(32.0)	(44.6)	(34.1)	(40.4)	(22.1)	(29.5)
add: Pro forma realised gains on resales[2]	4.8	7.0	14.1	12.8	16.6	6.1	6.4
add: Pro forma realised development margin[2]	1.9	2.5	4.5	4.9	17.1	3.1	0.9
Pro forma Underlying EBITDA[3]	**26.6**	**29.5**	**47.0**	**44.3**	**62.2**	**23.6**	**23.3**
Pro forma depreciation and amortisation	(10.1)	(8.1)	(7.7)	(7.8)	(8.7)	(4.0)	(3.8)
Pro forma net interest expense[4]				(3.0)	(2.1)		(1.5)
Pro forma Underlying taxation expense[5]				–	–		
Pro forma Underlying NPAT[6]				**33.5**	**51.4**		**18.0**
Net profit / (loss) after tax	(31.4)	19.4	48.7	25.3	53.1	27.1	26.3
Balance sheet and cash flow items:							
Dividends declared[7]	–	–	–	–	28.3	–	–
Total assets	659.7	709.8	782.9	886.2	1,030.2		838.6
Cash and cash equivalents	7.5	4.6	4.1	4.4	3.8	5.1	2.1
Total liabilities	592.8	568.6	582.8	452.9	557.1		610.3
Total debt[8]	297.3	272.2	259.1	103.0	130.8		275.8
Net tangible assets[9]	45.2	122.4	182.4	416.3	456.0		211.0
Net cash flows from operating activities	32.9	29.9	39.5	20.4	92.6	19.4	12.8
Pro forma net cash flows from operating activities[10]				48.8	92.6		22.2

Notes:

1 The selected financial information is sourced from audited financial statements and reviewed financial statements that are available on the Offer Register under the heading 'Financial Statements'. Some line items in the selected financial information include adjustments applied by Oceania (denoted 'Pro forma'). For an explanation of pro forma adjustments in the selected financial information, please refer the heading 'Reconciliation to Pro forma Underlying EBITDA' in this section of the PDS and in section 3.10 (Pro forma and underlying adjustments) of the Supplementary Financial Information.

2 Realised gains on resales and development margin are non-NZ GAAP measures. For an explanation of these non-NZ GAAP measures, please refer to the heading 'Underlying financial measures' in this section of the PDS and section 1.3 (Underlying financial measures) of the Supplementary Financial Information.

3 Pro forma Underlying EBITDA is a non-NZ GAAP measure that includes pro forma adjustments and underlying adjustments as described under the section heading 'Reconciliation to Pro forma Underlying EBITDA' in this section of the PDS.

4 Interest expense is presented on a pro forma basis in FY2017PF (only) to remove the distortionary impact of the pre-Offer debt capital structure and to apply the post-Offer capital structure as if it was in place for the full FY2017PF year.

5 Pro forma Underlying taxation expense is a non-NZ GAAP measure that removes the deferred tax component of taxation expense and therefore represents Oceania's current tax expense. No current tax expense is forecast by Oceania in relation to FY2017PF and FY2018PF due to accumulated tax losses which are available to be offset against future taxable income, subject to various conditions. Please refer to section 3.4.6 (Corporate taxation) of the Supplementary Financial Information for further detail on corporate taxation for Oceania.

6 Pro forma Underlying NPAT is a non-NZ GAAP measure. As with pro forma Underlying EBITDA, this measure includes certain pro forma adjustments as described under the heading 'Reconciliation to Pro forma Underlying EBITDA' in this section of the PDS and in section 3.10 (Pro forma and underlying adjustments) of the Supplementary Financial Information.

7 Oceania did not declare any dividends in relation to FY2014, FY2015, or FY2016. Oceania does not intend to declare a dividend in relation to FY2017F. The total dividend that is forecast to be declared in relation to FY2018F is expected to comprise an interim dividend relating to the six-month period ending 30 November 2017 and a final dividend relating to the six-month period ending 31 May 2018.

8 FY2015 total debt includes $0.1 million of derivative financial instruments. For FY2017PF, total debt represents the total forecast debt balance at the financial year end, following completion of the Offer and reflecting the repayment of a portion of Oceania's existing debt facilities using proceeds of the Offer.

9 FY2014 net tangible assets excludes derivative financial instruments of $0.1 million.

10 Pro forma cash flows from operating activities is a non-NZ GAAP measure and comprises net cash flows from operating activities adjusted to remove interest costs associated the pre-Offer capital structure of $17.0 million and Offer costs of $10.5 million in FY2017PF and other transaction costs of $0.9 million in FY2017PF.

For a reconciliation of the pro forma adjustments and further detail please refer to page 77 of this PDS.

Selected operational information[1]

Financial period	FY2014PF	FY2015PF	FY2016PF	FY2017PF	FY2018F	1HY2016PF	1HY2017PF
Number of Care Beds[2]	2,726	2,688	2,684	2,639	2,541	2,686	2,683
Number of Care Suites[3]	217	229	230	242	282	229	232
Number of Units[3]	1,013	1,033	1,025	1,068	1,162	1,025	1,071
Care Bed and Care Suite total occupancy	90.3%	90.7%	91.7%	89.9%	90.1%	92.0%	90.8%
Number of new Unit sales	61	64	37	33	84	26	15
Number of Unit resales	98	84	131	87	113	64	51
Number of new Care Suite sales	21	29	23	13	11	15	10
Number of Care Suite resales	17	48	62	55	63	26	32

Notes:

1 Operational information is presented on a pro forma basis, adjusting for prior divestments of facilities.

2 Number of Care Beds is based on average effective capacity, taking the average number of Care Beds during the year and adjusting for the sale or decommissioning of Care Beds.

3 Number of Care Suites/Units at end of period.

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How Oceania generates revenue

Oceania primarily generates revenue by operating and developing aged care and retirement village facilities.

AGED CARE

- **Care fees:** Oceania receives regulated care fees for occupied Care Beds which are funded either by the Government (via DHBs) or by resident contributions. Care fees are based on the level of care provided (rest home, hospital or dementia) and are earned per occupied bed per day.
- **Premium accommodation charges:** Additional fees are charged by Oceania for Care Beds in some rooms with additional premium features (such as an ensuite bathroom, larger size, and/or a view).[54]
- **Deferred Management Fees (DMF):** Oceania earns DMF for Care Suites (premium aged care accommodation) that are occupied under an ORA. (See the description of Deferred Management Fees in the retirement villages column of this page for further detail on DMF.)
- **Other care income:** Additional fees are charged by Oceania for care services such as meals or laundry provided to some retirement village residents and in relation to ancillary services provided to aged care residents (for example, hairdressing).

RETIREMENT VILLAGES

- **Deferred Management Fees (DMF):** Residents incur DMF for the right to occupy a Unit or Care Suite under an ORA. DMF for Oceania are typically 30% of the initial ORA licence agreement and accrue on a contractual basis to Oceania over a three-year period. The DMF is deducted from the resale proceeds and realised by Oceania upon resale of the ORA. For financial reporting purposes, DMF are recognised over a number of periods corresponding to the expected average tenure of the resident. Refer to the Supplementary Financial Information for further information on the tenure estimates used for DMF recognition and average tenure of historical and forecast sales.
- **Weekly service fees:** Weekly fees are charged to retirement village residents. These contribute to the upkeep of the retirement village.
- **Changes in fair value of investment properties:** Fair value movements in the value of investment property (including in relation to development properties under development) are recognised for financial reporting purposes under NZ IAS 40. The fair value movements reflect both realised and unrealised movements associated with the fair value of Units. Oceania obtains semi-annual valuations of its retirement village portfolio from CBRE, an independent external valuer, as an input to the investment property valuation. CBRE undertakes valuations for all listed New Zealand aged care / retirement village operators (Ryman Healthcare, Summerset, Metlifecare and Arvida).
- **Rental income:** Oceania receives rental income for occupied units that are not subject to an ORA. Rental units are typically units that have been bought back from outgoing residents by Oceania on a targeted basis to facilitate future development projects.

OTHER REVENUE

- Other revenues include course fees associated with Oceania's Wesley Training Institute.

[54] Clause A13 of the Age Related Residential Care Services Agreement sets out the contractual provision of allowing aged care providers to charge PACs.

Underlying financial measures

Statutory financial measures such as revenue and NPAT prepared under NZ IFRS include the recognition of fair valuation movements (which include unrealised fair valuation movements) in investment properties and property, plant and equipment, which can be volatile year on year.

Consistent with listed market practice in its sector, Oceania also prepares non-NZ GAAP measures including Underlying EBITDA and Underlying NPAT when monitoring financial performance and in determining dividend distributions. Oceania has included these measures in the financial information presented. Historically Oceania's non-NZ GAAP measures have not been audited, but in FY2017 and subsequent periods, these non-NZ GAAP measures will be incorporated in Oceania's financial statements and subject to an audit as part of the usual assurance process for the financial statements.[55]

Underlying measures require a methodology and a number of estimations to be approved by Directors in their preparation. Both the methodology and the estimations may differ among companies in the retirement village sector that report underlying financial measures.

Underlying measures such as Pro forma Underlying EBITDA and Pro forma Underlying NPAT are provided as measures of financial performance during a financial period and do not represent measures of business cash flow during a financial period. To understand Oceania's cash flow performance, including its operating, investing, and/or financing cash flows, please refer to the cash flow statements in section 3.9 (Prospective Statement of cash flow) of the Supplementary Financial Information.

UNDERLYING EBITDA

Oceania calculates Underlying EBITDA by making the following adjustments to EBITDA:

— removing the change in fair value of investment properties and property plant and equipment (from the Statement of Comprehensive Income);

— adding back the Directors' estimate of realised gain on resales of ORA Units and Care Suites, calculated as the net cash flow received by Oceania on the cash settlement of the resale of pre-existing ORA units and Care Suites (i.e. the difference between the value of the ORA licence payment received from the incoming resident and the ORA license payment previously received from the outgoing resident); and

— adding back the estimated development margin on the cash settlement of the first sale of new ORA Units following development, or conversion of an existing Care Bed to a Care Suite or conversion of a rental unit to an ORA Unit.

UNDERLYING NPAT

Oceania calculates Underlying NPAT by making the following adjustments to Underlying EBITDA (described above):

— deducting depreciation expense and amortisation expense;

— deducting interest expense and taxation expense; and

— adding back the deferred taxation component of taxation expense.

Underlying NPAT also excludes impairment of goodwill. Refer to section 1.3 (Underlying financial measures) of the Supplementary Financial Information for further detail on the calculation of Oceania's underlying measures.

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[55] Please refer to the Investigating Accountants report available on the Offer Register for conclusions on the procedures undertaken on the historical financial information and forecast financial information including the underlying measures. Oceania's underlying measures such as Underlying EBITDA and Underlying NPAT will be tested against Oceania's stated methodology as part of the audit of financial statements on an ongoing basis.

Overview of historical and prospective financial performance

INTRODUCTION

This section provides an overview of the pro forma historical and prospective financial performance of Oceania and should be read in conjunction with the 'Selected Financial Information' table on page 64 of this PDS.

Oceania has two reporting segments and a corporate/other function which primarily includes central support office functions:

Reporting segment	Description
Aged care	Includes all revenue and facility-level expenses associated with the provision of care and related services to Oceania's aged care and retirement village residents, including the DMF and operating expenses associated with Care Suites.
Retirement village	Includes the DMF on Oceania's Units, weekly service fees, retirement village-level operating expenses, and (in respect of underlying measures) the realised gains on resales and the development margins from the sale of both Units and Care Suites.
Corporate/Other	Includes support office and corporate expenses, operating lease costs relating to Oceania's three leasehold sites,[56] and the impact of any extraordinary or one-off transactions. In addition, revenue and expenses relating to the Wesley Training Institute are recognised in this segment.

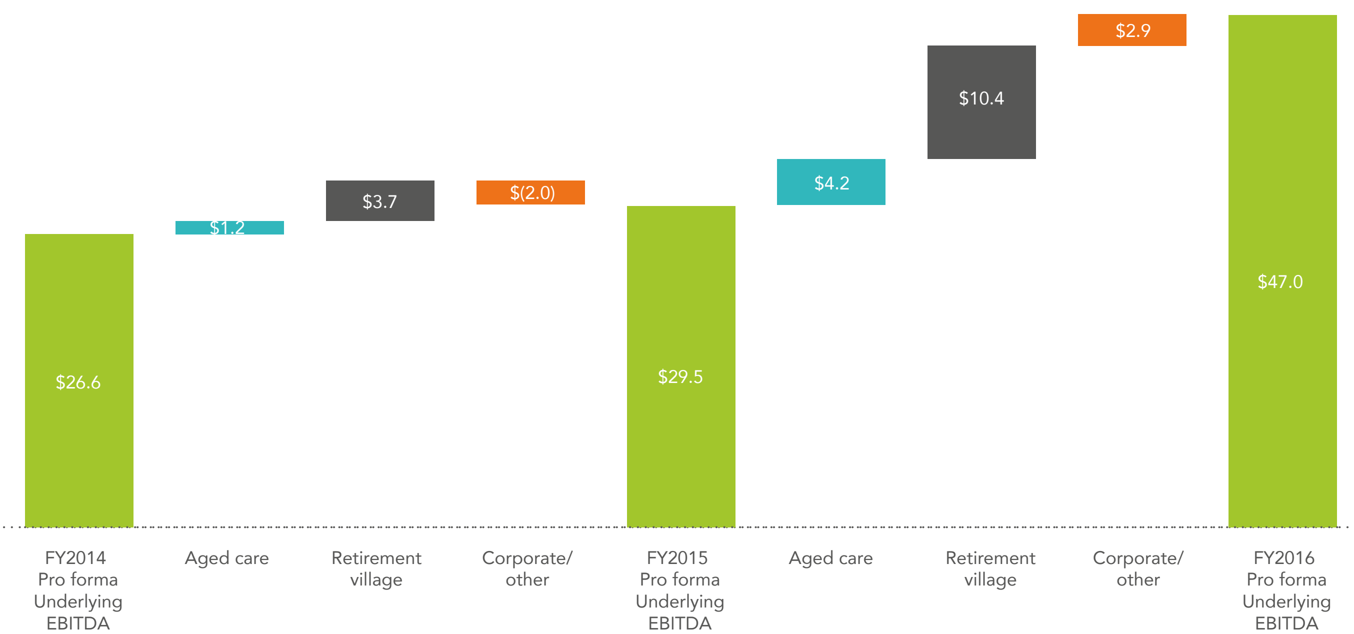
Pro forma Underlying EBITDA by segment

NZ$m	FY2014PF	FY2015PF	FY2016PF	FY2017PF	FY2018F	1HY2016PF	1HY2017PF
Financial period	**12 months ending 31 May 14**	**12 months ending 31 May 15**	**12 months ending 31 May 16**	**12 months ending 31 May 17**	**12 months ending 31 May 18**	**6 months ending 30 Nov 15**	**6 months ending 30 Nov 16**
Aged care	28.5	29.7	33.9	31.7	32.3	18.4	18.1
Retirement village	13.6	17.4	27.7	26.5	44.7	12.4	12.4
Corporate/Other	(15.5)	(17.5)	(14.6)	(14.0)	(14.8)	(7.3)	(7.2)
Pro forma Underlying EBITDA	**26.6**	**29.5**	**47.0**	**44.3**	**62.2**	**23.6**	**23.3**

[56] During the Historical Period Oceania had four leasehold sites (lease payments are included in the Corporate/Other function as rental expense) and a lease in relation to the Elderslea facility which was classified as a finance lease. In November 2016, during 1HY2017 Oceania acquired the freehold title to the Palmerston Manor facility, reducing the number of operating leases from four to three. Further, Oceania has entered into an option to acquire the freehold title to the Elderslea facility and intends to execute this option using part of the proceeds of the Offer on or about 31 May 2017. This, along with the change in capital structure from the Offer will reduce net interest costs in FY2018F.

Overview of historical financial performance

Historical Pro forma Underlying EBITDA (NZ$m)



FY2015PF FINANCIAL PERFORMANCE RELATIVE TO FY2014PF

Between FY2014PF and FY2015PF Oceania's Pro forma Underlying EBITDA grew by 10.9% to $29.5 million. The increase in Underlying EBITDA reflected steady growth in the aged care segment following significant investment and improvements in the retirement village segment due to higher property prices and resale volumes following the implementation of an improved sales and marketing strategy. Segmental performance over the period was as follows:

— Aged care Pro forma Underlying EBITDA grew by 4.0% (or 7.4% on a like-for-like basis excluding decommissioned sites) to $29.7 million in FY2015PF as a result of improvements in occupancy, PAC revenue, and Care Suite DMF which was largely driven by an extensive refurbishment programme at a number of facilities and growth in occupancy at the redeveloped Eden facility which opened in the middle of FY2014PF.

— Retirement village Pro forma Underlying EBITDA increased by 27.2% to $17.4 million in FY2015 driven by increases in DMF, improved resales volumes for Care Suites, and improvements in resale margins following a restructure of the sales and marketing team and appointment of a new General Manager for Sales and Marketing.

— Corporate/Other costs increased in FY2015PF as the Clinical and Quality team and Operations team were established to improve clinical and financial performance by providing additional support to the Business and Care Managers and other staff at the facilities. This followed a period of significant investment in the business platform over the period FY2012PF to FY2015PF including implementation of a new ERP and upgraded IT systems at sites.

FY2016PF FINANCIAL PERFORMANCE RELATIVE TO FY2015PF

Between FY2015PF and FY2016PF Oceania's Pro forma Underlying EBITDA grew by 59.3% to $47.0 million, driven by material growth in the aged care and retirement village segments, based on strong aged care occupancy and retirement village resales, and a restructure of the central support office. Segmental performance over the period was as summarised below:

— Aged care Pro forma Underlying EBITDA grew by 14.2% to $33.9 million in FY2016PF as a result of improved occupancy and PAC revenues following the ramp up of occupancy at Eden, together with close control over expenditure that reduced variable operating costs, site overheads and external bureau (temporary staffing) usage.

— Retirement village Pro forma Underlying EBITDA increased by 59.8% to $27.7 million in FY2016PF due to the standardisation of DMF terms, incremental DMF generated on the sale of new Units, and improved resales and development margins.

— Corporate/Other costs reduced by 16.6% to $14.6 million in FY2016PF following a restructure of Oceania's central support office function to better align the support provided to sites with the requirements of the business.

Overview of prospective financial performance

This section provides an overview of the pro forma prospective financial performance of Oceania and should be read in conjunction with the 'Selected financial information' table on page 64 of the PDS.

The table below lists the key drivers of Oceania's financial performance and summarises the principal assumptions for these in the Prospective Period. A full description of the assumptions and sensitivities for the Prospective Period is available in the Supplementary Financial Information on the Offer Register.

KEY ASSUMPTIONS FOR PROSPECTIVE FINANCIAL INFORMATION

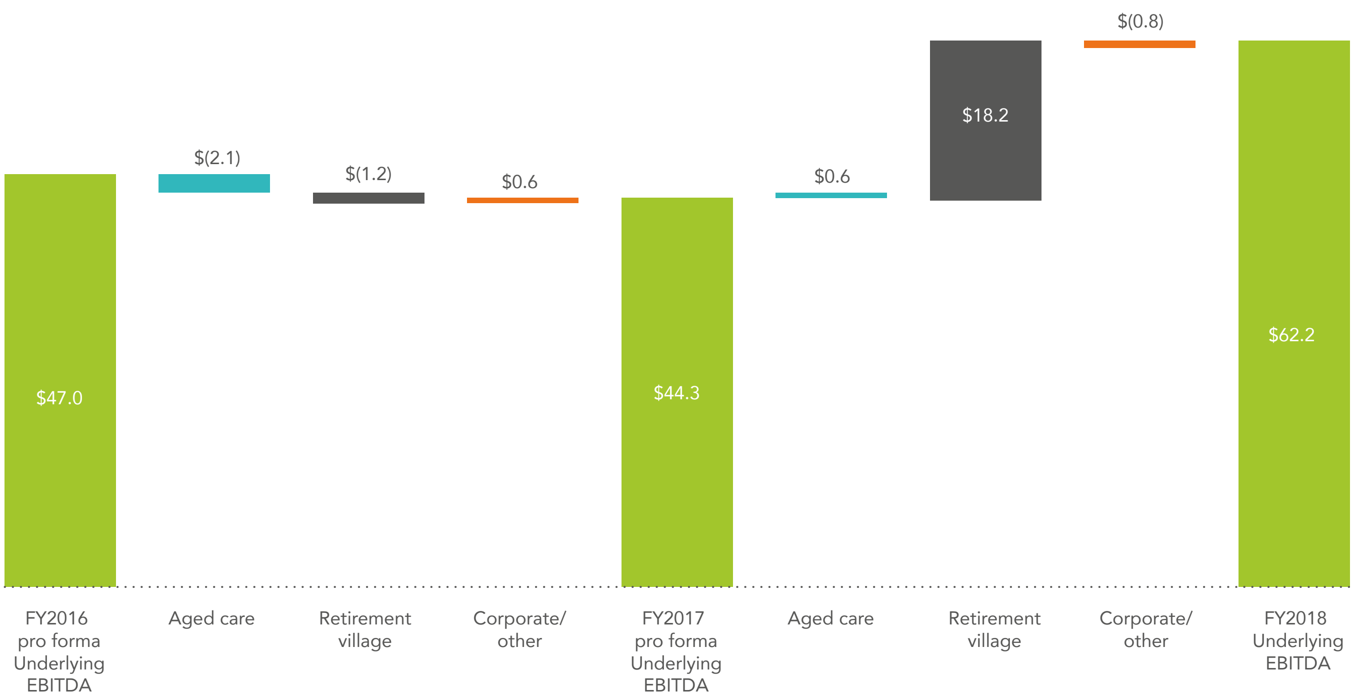
Key assumption	Summary
Aged care[1]	
Care occupancy	Oceania's aged care occupancy is forecast on a site-by-site basis. The occupancy forecasts for FY2017PF are consistent with the actual average occupancy level observed for 1HY2017PF, current 'run rate' occupancy levels and changes in local supply. FY2018F occupancy is forecast to increase by 0.2%.
Daily care fees	An annual increase in daily care fees of 1.0% was confirmed by DHBs effective from 1 July 2016 and is reflected in the PFI for FY2017F. An annual increase in daily care fees of 1.0% is also assumed effective from 1 July 2017, and is reflected in the PFI for FY2018F. Oceania is of the view that there is a reasonable likelihood that wage rates for Healthcare Assistants will increase during FY2018F as a result of the ongoing Equal Pay Negotiations. Notwithstanding the uncertainties around timing and financial impact, Oceania believes it is appropriate to assume that any increase in costs for Healthcare Assistants resulting from the Equal Pay Negotiations will be matched by corresponding increase in aged care funding from DHBs resulting in a net nil impact on EBITDA. No explicit additional daily care fee revenue has been included in the forecasts due to the lack of certainty around quantum and timing.
Operating costs	Staff costs (comprising wages and salaries, training costs, uniforms, and other employment-related expenses) are Oceania's most significant cost item. Staff and resident expenses and occupancy and site overhead expenses are forecast on a site-by-site basis. During 1HY2017 Oceania elected to increase wage rates for all aged care staff by an average of 1.4% (versus the prevailing 1.0% annual increase in DHB daily care fees) to ensure Oceania's qualifications-based pay structure maintained its relativity to the legislated minimum wage (which was increased in April 2016). As noted above, it is assumed that current Government-facilitated Equal Pay Negotiations will be concluded by the close of FY2017F, leading to a structural increase in the daily care fees applicable for FY2018F. It is assumed that the absolute increase in DHB funding in FY2018F arising from resolution of the Equal Pay Negotiations will be passed through in full to Healthcare Assistant staff in FY2018F resulting in a net nil impact on EBITDA. No specific expenses have been forecast due to the assumption that the net impact on EBITDA will be nil. Staff costs for FY2018F also reflect assumptions relating to the passing on to staff of the 1.0% annual increase in DHB-funded daily care fees (effective from 1 July 2017), an increase in the legislated minimum wage (effective from April 2017), some wage improvements for staff/roles not covered by the Equal Pay Negotiations to maintain pay relativity between roles, and efficiencies driven by an increase in productivity and a reduction in bureau (temporary staff) usage. Occupancy and site overhead expenses are expected to reduce in FY2017PF by 0.7% from FY2016PF and FY2018F will reduce by a further 4.1% as a result of the full year effect of sites decommissioned in FY2017.

Notes:

1 Actual Aged Care revenue and staff costs in FY2018F are likely to be higher than assumed in the PFI by Oceania, reflecting the realised outcome of the Equal Pay Negotiations in respect of Healthcare Assistants. However, Oceania expects the net impact on EBITDA to be nil.

Key assumption	Summary
Retirement village	
Resale volumes	Retirement village resale volumes for Units and Care Suites in FY2017F are forecast based on year-to-date sales for 1HY2017PF and a site-by-site analysis of available stock and stock under contract as at 28 February 2017. No further vacancies and subsequent resales are forecast after this date in respect of FY2017F. Assumed resales volumes for FY2018F are based on historically observed tenures, sales, and monthly vacancy levels of Units and Care Suites.
Average resale prices	Resale prices have been forecast following a detailed review of sales prices for each retirement village with reference to the CBRE valuation as at 30 November 2016 and sales prices achieved as at 28 February 2017. No nominal property price growth is forecast for the remainder of FY2017F. Nominal property price growth of 3.0% assumed in FY2018F. Observed average resale prices, reflecting the actual product mix of stock assumed to be sold during FY2017 compared to FY2016, are forecast to increase by 19.9% and 13.3% for villas and apartments respectively in FY2017F due to a re-pricing of stock in 1H2017F. The observed resale price for Apartments is forecast to increase by 19.0% in FY2018F reflecting the first resales of higher value apartments developed at Meadowbank and Eden over the periods FY2013 to FY2015. However, observed villa resale prices in FY2018F are forecast to decline by 8.5% based on the forecast product mix.
Development margin	Development margins are forecast based on sales prices (i.e. ORA license payments) achieved for Units under application and prior sales at Lady Allum, Meadowbank, Elmwood and Stoke retirement villages. Construction costs have been estimated by reference to the construction budgets for each development (incorporating the construction contracts, estimates, and contingencies reviewed by the project Quantity Surveyor).
Corporate/Other	Corporate costs are forecast to reduce by 4.3% in FY2017PF and increase by 6.0% in FY2018F. The forecasts reflect the actual costs for 1HY2017PF, the additional roles assumed following the Offer and the increased IT costs following implementation of a new clinical information system during FY2018F.

Forecast Pro forma Underlying EBITDA (NZ$m)



FY2017PF FINANCIAL PERFORMANCE RELATIVE TO FY2016PF

Between FY2016PF and FY2017PF Oceania's Pro forma Underlying EBITDA is forecast to decrease by 5.9% to $44.3 million, as a result of lower occupancy levels due, in part, to the decommissioning of sites for redevelopment and a reduction in the stock of Units available for resale. Key drivers for segmental performance over the period are assumed as follows:

— Aged care Pro forma Underlying EBITDA is forecast to decrease by 6.3% (or 3.4% on a like-for-like basis excluding decommissioned sites) to $31.7 million in FY2017PF. The main reasons for this decline are as follows:

- **Aged care revenue:** Aged care revenue is forecast to decrease from $155.8 million to $152.4 million in FY2017PF as occupancy is forecast to decrease from 91.7% to 89.9% (a level slightly below occupancy in FY2014PF and FY2015PF) due to lower hospital occupancy arising from needs assessment practices of select DHBs and increased supply in some regions. Occupancy in FY2017 excluding Maureen Plowman and Green Gables is forecast to be 90.6%. In FY2017PF DMF revenue is forecast to increase by 22.9% to $2.8 million due to the conversion of existing Care Beds into Care Suites and the full year effect of the sell down at Eden.
- **Aged care Underlying EBITDA Margin:** Aged care Underlying EBITDA margin is expected to decrease from 21.7% to 20.8% in FY2017PF, as forecast efficiency improvements in operations and overhead procurement are assumed to offset only part of the 1.4% increase in wage rates (relative to the increase in DHB funding of 1.0%) arising from the increase in the minimum wage from 1 April 2016.

— Retirement village Pro forma Underlying EBITDA is forecast to decrease by 4.5% to $26.5 million in FY2017PF. Key movements include:

- **DMF:** DMF is forecast to increase by 7.4% to $13.0 million in FY2017PF due to the full year effect of the high volume and pricing of resales made in FY2016PF and further increases in resales prices of existing retirement village stock during FY2017F.
- **Realised gains on resales:** Realised gains on resales are forecast to decrease by 9.3% to $12.8 million in FY2017PF, reflecting fewer available Units for resale (142 Units and Care Suites are assumed to be resold in FY2017PF versus 193 resales in FY2016PF). Despite lower resale volumes, the forecast resales margin of 28.0% per Unit exceeds the 25.5% resales margin achieved in FY2016PF, reflecting continued strong price growth in observed resale prices.
- **Realised development margin:** Realised development margin is forecast to increase by 9.1% to $4.9 million with an average development margin of 24.3% in FY2017PF driven by the sale of new premium Units at Lady Allum.

— Corporate/Other costs are forecast to decrease by 4.3% to $14.0 million in FY2017PF due to lower operating lease costs following the acquisition of the Palmerston Manor facility and the full year effect of the restructure of the support office function.

Oceania is forecasting $33.5 million in Pro forma Underlying NPAT in FY2017PF. The key determinants of Pro forma Underlying NPAT include the drivers of Pro forma Underlying EBITDA in FY2017PF described above together with prospective pro forma depreciation and amortisation ($7.8 million), interest expense ($3.0 million, reflecting Oceania's post-Offer capital structure), and Pro forma Underlying taxation expense (nil). Oceania is not forecasting to pay corporate tax during the Prospective Period due to the availability of accumulated tax losses.

FY2018F FINANCIAL PERFORMANCE RELATIVE TO FY2017PF

Between FY2017PF and FY2018F Oceania's Pro forma Underlying EBITDA is forecast to grow by 40.5% to $62.2 million, largely driven by the retirement village segment. Key drivers for segmental performance over the period are assumed as follows:

— Aged care Pro forma Underlying EBITDA is forecast to grow by 1.8% (or increase by 0.4% on a like-for-like basis excluding decommissioned sites) to $32.3 million in FY2018F. Key drivers of this growth include:

- **Aged care revenue:** Aged care revenue is forecast to decrease to $151.8 million in FY2018F from $152.4 million in FY2017PF due to the full year effect of decommissioning of two redevelopment sites (Maureen Plowman and Green Gables). However, Oceania's total average occupancy is forecast to improve from 89.9% to 90.1% largely due to the decommissioned sites both having forecast lower occupancy than the group average.
- **Aged care Underlying EBITDA Margin:** Aged care Underlying EBITDA margin is forecast to increase to 21.3% in FY2018F, compared to 20.8% in FY2017PF, as non-staff operating costs decrease by 3.6% and staff costs decrease by 0.4%.

— Retirement village Pro forma Underlying EBITDA is forecast to increase by 68.7% to $44.7 million in FY2018F. Key drivers of this growth include:

- **DMF:** DMF is forecast to increase by 15.7% to $15.0 million in FY2018F due to an increase in resales prices of existing retirement village stock and incremental DMF from new sales at Lady Allum and Meadowbank.
- **Realised gains on resales:** Realised gains on resales are forecast to increase by 30.1% to $16.6 million in FY2018F, due to higher forecast resales volumes (resales of 176 Units and Care Suites versus 142 resales in FY2017PF). The forecast resales margin of 29.1% is also higher than forecast for FY2017PF (28.0%).
- **Realised development margin:** Realised development margin is forecast to increase from $4.9 million in FY2017PF to $17.1 million (at an average development percentage of 26.8%) in FY2018F driven by the continued selldown of the Lady Allum development and initial sales from the Meadowbank Stage 3 development forecast to be completed during FY2018F.

— Corporate/Other costs are forecast to increase by 6.0% to $14.8 million in FY2018F due to the implementation of the new Clinical Information System and upgrade of Oceania's IT infrastructure.

Oceania is forecasting $51.4 million in pro forma Underlying NPAT in FY2018F, driven by growth in pro forma Underlying EBITDA in FY2018F, together with prospective pro forma depreciation and amortisation ($8.7 million), interest expense ($2.1 million, reflecting a full year with Oceania's post-Offer capital structure), and Pro forma Underlying taxation expense (nil). Oceania is not forecasting to pay corporate tax during the Prospective Period due to the availability of accumulated tax losses.

Dividends declared

Oceania intends to declare annual dividends of $28.3 million in relation to FY2018F, which represents a dividend payout ratio of 55.0% of Underlying NPAT. It is expected that the dividend will be apportioned as follows:

— An interim dividend of $12.7 million targeted to be paid in February 2018; and

— A final dividend of $15.6 million targeted to be paid in August 2018.

Oceania anticipates that dividends declared in relation to the Prospective Period will not be imputed given that Oceania is not forecasting to pay corporate tax during the Prospective Period due to the availability of accumulated tax losses. Refer to the dividend policy in Section 6 (Key features of ordinary shares in Oceania).

No dividends are expected to be declared in relation to FY2017F.

CAPITALISATION TABLE

Number of equity securities being offered[1]	192.3 – 263.2 million
Number of equity securities on issue following the Offer[2]	548.6 – 620.4 million
Indicative price range	$0.76 –$1.04
Implied market capitalisation	$471.5 – $570.6 million
Net debt on completion of the Offer[3]	$103.2 million
Implied enterprise value	$574.7 – $673.8 million

Notes:

1 New LTIP Shares offered under the New LTIP are not included within the total number of Shares being offered.

2 The total number of Shares on issue immediately following the Offer includes any New LTIP Shares issued contemporaneously with the Offer (expected to be between 2,403,846 to 3,289,474 New LTIP Shares on the basis that senior managers take up their full entitlement under the New LTIP).

3 Net debt on completion of the Offer is calculated as forecast bank debt plus finance leases less net cash equivalents.

Explanation of implied market capitalisation and implied enterprise value

Implied market capitalisation is the value of all of the issuer's equity securities, as implied by the price of the Shares being offered. It tells you what Oceania is proposing that Oceania's equity is worth.

Implied enterprise value (EV) is a measure of the total value of the business of Oceania, as implied by the price of the Shares being offered. Implied enterprise value is the amount that a person would need to pay to acquire all of Oceania's equity securities and to settle all of the Oceania Group's borrowings. It is a measure of what Oceania is proposing the business of the Oceania Group as a whole is worth.

Oceania's implied market capitalisation and EV have been calculated on the assumption that between 548.6 and 620.4 million Shares will be on issue immediately following completion of the Offer. If the number of Shares on issue immediately following completion of the Offer is less than 548.6 million Shares, due to less than the maximum number of Shares being issued under the New LTIP, Oceania's implied market capitalisation and EV immediately following the completion of the Offer will be lower.

Explanation of market value of individual facilities plus construction work in progress

CBRE's valuation is a going concern valuation of Oceania's interest in its facilities on a standalone basis and it does not represent a portfolio valuation or an enterprise valuation. CBRE undertakes its valuations on a facility-by-facility basis in accordance with the appropriate accounting standards (rather than as a single portfolio of assets). CBRE uses capitalisation rates of ~10% to ~22%[57] to determine individual facility values. The CBRE valuation as at 30 November 2016 comprises an interim 'roll-forward' valuation of Oceania's retirement villages and development land as at 30 November 2016 plus the annual CBRE valuation of Oceania's aged care facilities as at 31 May 2016. It also includes a CBRE valuation of the freehold land and buildings for the Elderslea aged care facility which is subject to an option to purchase (see the document entitled *"Other material information relating to the Offer of ordinary shares in Oceania Healthcare Limited"* on the Offer Register (OFR11900) for further details) and the freehold land and buildings at the Palmerston Manor aged care facility which was purchased during November 2016.

The CBRE valuation does not include work in progress at development sites. To approximate the total market value of Oceania's facilities (including facilities under construction) at the completion of the Offer, Oceania has added the forecast work in progress as at 30 April 2017 to the CBRE valuation to estimate the market value of facilities (including facilities under construction) as at 30 April 2017.

The estimated market valuation of individual facilities plus work in progress presented in the Capitalisation table above and in the table below comprises the CBRE valuation of Oceania's facilities dated 30 November 2016 plus forecast construction work in progress as at 30 April 2017 (taking into account actual work in progress as at 30 November 2016 plus a forecast of construction capital expenditure over the period 1 December 2016 to 30 April 2017) minus forecast sales of unsold stock up to 30 April 2017.

57 CBRE uses capitalisation rates of 13.75% to 22.0% for retirement villages and 10.0% to 18.7% for aged care facilities.

7

Market value of individual facilities plus work in progress reconciliation (NZ$m)

Segment	CBRE valuation[1]	Date of valuation	Adjustment for subsequent sale of unsold stock[1]	WIP & capital expenditure on current developments	Total adjusted CBRE plus WIP value as at 30 April
Aged care	259.4	31 May 16	–	–	259.4
Retirement village	256.6	30 Nov 16	(5.2)	8.3	259.8
Development land	59.1	30 Nov 16	–	47.2	106.3
Total	**575.1**		**(5.2)**	**55.5**	**625.5**

Notes:

1 CBRE's valuation includes an explicit recognition of the value of uncontracted units (unsold stock), which reduces as these units are sold to residents. Accordingly, the forecast value of sales of unsold stock between 1 December 2016 and 30 April 2017 is deducted from the CBRE valuation in this analysis.

KEY INVESTMENT METRICS

The following key investment metrics are prepared based on NZ GAAP, as well as certain non-NZ GAAP pro forma financial information. More information on pro forma adjustments and reconciliations to information prepared in accordance with NZ GAAP is available in the Supplementary Financial Information on the Offer Register.

Key investment metrics

	FY2017PF		FY2018F	
Dividends declared per equity security	–		0.046	0.052
EPS (Pro forma Underlying NPAT per security)	0.054	0.061	0.083	0.094
EPS (statutory NPAT per equity security)	0.041	0.046	0.086	0.097
P/E (Pro forma Underlying NPAT per equity security)	14.1x	17.0x	9.2x	11.1x
P/E (statutory NPAT per security)	18.7x	22.6x	8.9x	10.7x
P/NTA plus aged care goodwill[1]	1.02x	1.23x	0.94x	1.14x
Implied EV / Estimated market value of individual facilities plus work in progress of $625.5 million[2]	0.92x	1.08x	–	
Net debt / (net debt + equity)	18.5%		21.2%	
Implied EV / Pro forma Underlying EBITDA	13.0x	15.2x	9.2x	10.8x
Implied dividend yield – cash dividend declared	–		5.0%	6.0%
Implied dividend yield – gross dividend declared	–		5.0%	6.0%

Notes:

1 NTA as outlined in the 'Selected financial information' table of Section 7 plus aged care goodwill of $46.0 million. CBRE annually values Oceania's facilities on a going concern basis and apportions the going concern value of aged care facilities between land, buildings, chattels and aged care goodwill. For financial reporting purposes aged care goodwill is not included in the fair value of property plant and equipment. Some goodwill is recognised on acquisition and is included as an intangible asset, however this is excluded from NTA.

2 The estimated market value of individual facilities plus work in progress at completion of the Offer comprises the CBRE valuation of Oceania's facilities dated 30 November 2016 *plus* forecast construction work in progress as at 30 April 2017 (taking into account actual work in progress as at 30 November 2016 plus a forecast of construction capital expenditure over the period 1 December 2016 to 30 April 2017) *minus* forecast sales of unsold Units up to 30 April 2017.

Reconciliation to Pro forma Underlying EBITDA

Reconciliation of EBITDA

NZ$m	FY2014	FY2015	FY2016	FY2017F	FY2018F	1HY2016	1HY2017
Financial period	**12 months ending 31 May 14**	**12 months ending 31 May 15**	**12 months ending 31 May 16**	**12 months ending 31 May 17**	**12 months ending 31 May 18**	**6 months ending 30 Nov 15**	**6 months ending 30 Nov 16**
Statutory net profit / (loss) after tax	**(31.4)**	**19.4**	**48.7**	**25.3**	**53.1**	**27.1**	**26.3**
add: Taxation expense	21.9	(1.9)	(2.2)	3.5	5.0	(4.4)	4.6
add: Net interest expense	26.9	24.1	20.3	20.0	2.1	10.6	10.0
add: Depreciation, amortisation and impairment of goodwill[58]	10.7	8.9	8.6	8.5	8.7	4.0	4.0
EBITDA	**28.1**	**50.4**	**75.3**	**57.3**	**68.9**	**37.3**	**44.9**
Pro forma adjustments:							
Non-recurring or infrequent items							
EBITDA relating to excluded sites	(3.8)	0.6	–	–	–	0.2	–
Insurance and Earthquake Commission income and remediation settlements	(2.5)	(0.1)	–	–	–	–	–
Aligning bad debts to accounting period incurred	1.3	1.0	(2.3)	–	–	(1.5)	–
Transaction costs	–	1.1	1.0	0.9	–	0.8	0.9
Offer costs	–	–	–	3.2	–	–	–
Structural changes							
Listed company costs	(1.1)	(1.1)	(0.9)	(0.7)	–	(0.4)	(0.4)
Total pro forma adjustments	**(6.1)**	**1.6**	**(2.2)**	**3.5**	**–**	**(0.8)**	**0.6**
Pro forma EBITDA	**22.0**	**52.0**	**73.1**	**60.8**	**68.9**	**36.5**	**45.5**
Underlying adjustments:							
less: Pro forma change in fair value of investment property and PP&E[59]	(2.0)	(32.0)	(44.6)	(34.1)	(40.4)	(22.1)	(29.5)
add: Pro forma realised gains on resales	4.8	7.0	14.1	12.8	16.6	6.1	6.4
add: Pro forma realised development margin	1.9	2.5	4.5	4.9	17.1	3.1	0.9
Pro forma Underlying EBITDA	**26.6**	**29.5**	**47.0**	**44.3**	**62.2**	**23.6**	**23.3**

[58] Depreciation and Amortisation from the Consolidated Statement of Comprehensive Income and impairment of goodwill from note 11 in the FY2015 and FY2016 financial statements.

[59] A pro forma adjustment has been made for a change in accounting estimate, adjusting DMF recognised in FY2014 and FY2015 by applying the same estimate for resident tenure as was used for the recognition of DMF revenue in the FY2016 statutory accounts and in the Prospective Period. The fair value of investment property has been adjusted by $3.8 million in FY2016 to reflect the impact of the change in DMF estimate.

EXPLANATION OF PRO FORMA ADJUSTMENTS TO EBITDA

Oceania believes that certain adjustments are required to enable a better comparison of financial performance over the Historical Period, a comparison of performance between the Historical Period and the Prospective Period, and a comparison of performance with that of other companies.

Oceania's pro forma adjustments to EBITDA are classified into two categories, as follows:

1. **Adjustments for non-recurring or infrequent items:**
   - removing EBITDA (including gains on sale) associated with facilities divested or facilities closed following the Christchurch earthquake;
   - removing insurance and Earthquake Commission income associated with the Christchurch earthquakes and removing settlement receipts received from Hutt City Council in FY2014 in connection with weather tightness issues at Hutt Gables in FY2013;
   - normalising the effect of bad debt provisions adopted during FY2014 and FY2015 during the implementation of a new resident management system which resulted in a subsequent credit recognised in FY2016. Each of these periods has been adjusted to more accurately reflect the bad debts expense incurred in each period;
   - removing costs relating to previous capital raising initiatives considered by Oceania but not undertaken; and
   - removing costs associated with the Offer.
2. **Adjustments for structural changes in the business:**
   - Adding additional annual costs associated with operating as a listed company.

EXPLANATION OF UNDERLYING ADJUSTMENTS TO PRO FORMA EBITDA

Please refer to section 1.3 (Underlying financial measures) of the Supplementary Financial Information on the Offer Register for further information on how Oceania calculates realised resale gains and development margins in the calculation of Pro forma Underlying EBITDA.

EXPLANATION OF ADJUSTMENTS FROM PRO FORMA UNDERLYING EBITDA TO PRO FORMA UNDERLYING NPAT

A reconciliation of Pro forma Underlying NPAT is provided in section 3.10 of the Supplementary Financial Information. In addition to the pro forma adjustments and underlying adjustments that determine Pro forma Underlying EBITDA, the following Pro forma adjustments apply to the calculation of Pro forma Underlying NPAT:

- deducting depreciation and amortisation and removing the impact of depreciation and amortisation in historical periods relating to divested sites;
- deducting interest expense (in relation to FY2017PF removing the impact of pre-Offer debt capital structure and applying the impact of post-Offer capital structure as if it were in place for the full FY2017F year, including removing prepaid fees related to the senior debt facilities in place before the Offer);
- removing interest costs associated with shareholder loan / instruments in place during the pre-Offer months of FY2017F;
- adjusting for the re-recognition of a portion of accumulated tax losses in FY2017F which can be offset against future taxable income. The accumulated tax losses are anticipated to remain available over the Prospective Period;
- adjusting for the change in estimate used in the H12017 interim accounts (and intended to be applied thereafter) for the calculation of deferred tax on investment properties (i.e. adopting the held for use approach rather than held for sale approach which was used in the historical period); and
- adjusting for any taxation implications of pro forma adjustments made in FY2017F (noting that Oceania is not forecast to pay corporate tax during the Prospective Period due to accumulated tax losses).

For further detail and a reconciliation of NPAT, refer to the Supplementary Financial Information on the Offer Register.

Risks to Oceania's business and plans

SECTION 8

This section describes the circumstances Oceania is aware of that exist or are likely to arise which significantly increase the risk to Oceania's financial position, financial performance or stated plans.

We have outlined our assessment of the likelihood, nature and potential magnitude of the circumstances if they were to occur, together with the strategies we have adopted to mitigate the circumstances arising, although there can be no assurance that such arrangements will fully protect Oceania from such risks.

This assessment is based on the knowledge of the Directors as at the date of this PDS. There is no guarantee or assurance that the importance of each risk will not change or that other risks will not emerge over time.

PROPERTY MARKET RISK

Description of the risk	Oceania's retirement village earnings are generated through the construction and sale, and resale, of Units. Prevailing property market conditions affect both the value that can be achieved on a sale or resale of a Unit and the ability of prospective residents to acquire a Unit. Any downturn in the national or regional property market could impact the demand for, and Oceania's ability to sell or re-sell, Units, as well as the value that can be achieved on the sale or resale of a Unit. Further, prospective residents typically rely on the equity in their family home to fund the acquisition of a Unit, so any downturn in the property market may result in fewer prospective residents being able to sell their family home in order to acquire a Unit (or less equity being obtained by those prospective residents following a sale), which in turn affects the sale and resale rates of Units.
Oceania's assessment of the likelihood, nature and potential magnitude of any impact	Although changes to property market conditions and prices are difficult to predict, both are constantly fluctuating within the current market and Oceania considers that a downturn in the property market is possible during the Prospective Period. As approximately 30.4% of Oceania's Pro forma Underlying EBITDA (pre corporate / other costs) is derived from the sale and re-sale of Units in FY2017F, increasing to approximately 43.8% in FY2018F, any sustained downturn in the property market could therefore have a negative impact on Oceania's financial performance. You should also refer to the sensitivity analysis contained within the "Supplementary Financial Information" document of the Offer Register for more information on the impact that a downturn in the property market could have on Oceania's financial performance. A person's decision to acquire and move into a Unit is typically driven by their care needs or by their lifestyle preferences, and as a result, Oceania's experience is that such drivers act to reduce the effect that changes to property market conditions and prices have on demand for Units. In order to reduce the impact of this risk on Oceania's financial performance, Oceania attempts to manage this risk through diversifying the type of Units which it offers (both nationally, and within each facility), the composition of its portfolio, and the geographic spread of its facilities. In addition, Oceania seeks to design facilities and individual Units, and to undertake refurbishments, conversions and upgrades, in a way which meets local market requirements, so as to provide a product more targeted at the needs of the local population. These strategies effectively cater to the 'needs' and 'lifestyle' component of a prospective resident's purchasing decision.

REGULATORY RISK

Description of the risk	Oceania's business operates in a highly regulated industry (see Section 2 (Oceania and what it does) for more information). If Oceania lost any one of its aged-care certifications, or retirement village registrations, or the regulatory regime governing or permitting one or more of Oceania's business activities materially changed (including, for example, a material change in the Government's funding policy or the expansion of Home Based Care), Oceania's profitability could be adversely affected.
Oceania's assessment of the likelihood, nature and potential magnitude of any impact	**Loss of registration, certification, or non-compliance** Suspension or cancellation of a retirement village's registration by the Registrar of Retirement Villages would result in Oceania no longer being able to offer licenses for Units at the affected retirement village. For example, this could arise as a result of Oceania failing to comply with applicable regulatory requirements, or a resident dispute being escalated either to the relevant regulator or to the media. Similarly, loss of certification, or termination of an ARRC Contract, would result in Oceania no longer being able to provide Government funded residential aged care services to residents at the affected aged-care facilities. Any loss of registration or certification, any non-compliance with regulatory requirements, or any escalation of a resident dispute could also result in Oceania suffering reputational harm or brand damage. Oceania considers there to be a very low likelihood of such circumstances arising and believes that such risk is mitigated through Oceania's significant investment in staff members (including the clinical quality team) who ensure continued compliance with the relevant regulatory requirements applicable to its operations, Oceania's continued focus on providing the highest quality of care at its facilities, and by undertaking regular internal care audits. **Changes to Government funding model** Oceania receives substantial revenues from Government sources for the provision of health care services (for the financial year ended 31 May 2016, approximately 80% of Oceania's aged care revenue was provided through Government funding[60]). A change in Government funding policy (including a reduction in the total pool of funding), or a change in the eligibility criteria, could, therefore, adversely impact on Oceania's financial performance. Oceania believes that, given the ageing population of New Zealand and well documented research into shortfalls in current funding levels,[61] there are unlikely to be any adverse changes introduced (in the short to medium term) to the current Government funding model. **Expansion of Home Based Care** The potential expansion of the role of Home Based Care (either on a DHB/regional, or a national, basis) may decrease demand for Oceania's rest-home level products and services. Home Based Care is the generic name used to collectively describe several recent independent initiatives advanced as models of care by certain DHBs which provide persons (who might otherwise qualify for rest home level care) with the independence to remain in their own homes by receiving support services (which might otherwise be provided in an aged care facility) at their own home. The continued emergence of Home Based Care could, therefore, result in a decrease to occupancy rates at Oceania's rest home facilities. However, as Home Based Care is a standard of care that most closely corresponds to rest home level care, Oceania is of the view that any resulting negative effect on occupancy rates may be balanced by a potential increase in occupancy rates for aged care facilities that offer dementia or hospital level care, which is a higher standard of care that cannot be emulated in a home setting by a Home Based Care provider. Oceania also considers that it mitigates the risk of any expansion of the role of Home Based Care through the diversification of its aged care products, and through the geographic spread of its aged care facilities. Oceania also has the flexibility to reconfigure traditional rest home beds, at certain facilities, as dementia or hospital care beds, if required, to respond to a reduced demand for standard rest home beds. Such conversions have resulted in increased occupancy rates at a number of facilities over the historical financial period.

[60] Proportion of total revenue funded by District Health Boards, Ministry of Health, ACC, Work and Income New Zealand for aged care services in FY2016

[61] Grant Thornton report of September 2010

Inconsistent needs assessment of residents

Residential care is funded by DHBs across three levels of care – rest home, dementia and hospital level care – with increasing fees across the three levels which reflect the increased costs associated with providing each level of care. Oceania has observed that some inconsistency exists between DHBs with regards to the assessment of residents and, in particular, some DHBs assess residents at the (lower funded) rest home level of care whereas the resident requires assistance and supervision more akin to dementia level or hospital level care residents. This trend could result in Oceania receiving lower care fees for residents that require a higher level of care.

Oceania mitigates this by maintaining close relationships with DHB Needs Assessment Teams and by remaining compliant with InterRAI assessments, regularly reviewing resident files, and claiming higher care fees where residents present at higher levels of care.

INCREASES IN COST OF LABOUR RISK

Description of the risk

Staff costs (including wages, salaries, and other employment-related expenses) are Oceania's most significant cost item, driven by the 24-hour, high-service nature of residential aged care. Any substantial increase in these costs, which Oceania is unable to pass onto residents or otherwise recover through Government funding, could adversely impact Oceania's earnings.

Oceania's assessment of the likelihood, nature and potential magnitude of any impact

In light of recent and ongoing litigation in New Zealand (known as the *Terranova* proceedings), including associated Government negotiations with unions and providers for equal pay amongst Healthcare Assistants in the aged care sector (**Equal Pay Negotiations**), Oceania is of the view that there is a reasonable likelihood that wage rates for Healthcare Assistants will increase during the Prospective Period. As a result of this increase, it is possible that wage rates for other clinical staff and support workers may also face upwards pressure.

The Government facilitated Equal Pay Negotiations commenced in November 2015 and, as at the date of the PDS, are continuing. Oceania believes that the Equal Pay Negotiations, if concluded successfully, will most likely result in a structural increase in wage rates for Healthcare Assistants which Oceania has assumed will be fully funded by DHBs via increased daily care fees, and may also lead to increases being required for other roles in order to maintain their relativity (which may not be funded by DHBs). However, the nature and potential magnitude of any such increase is difficult for Oceania to predict, especially as there is no certainty about the exact form, timing, or net financial impacts of any increase.

Notwithstanding the above uncertainties, based on the best information available to Oceania, the Directors believe it is appropriate (for the purpose of the PFI) to assume that, for any increase in the wages of Healthcare Assistants resulting from the Equal Pay Negotiations, there will be a corresponding increase in aged care funding from the DHBs and, as a result, any financial impact arising from the Equal Pay Negotiations are expected to have a net nil impact on EBITDA. In addition, Oceania has assumed some wage increases for other clinical staff and support workers not covered by the Equal Pay Negotiations (and not covered by an increase in DHB aged care funding) in order to maintain pay relativity between roles, which will result in a net downward adjustment in Underlying EBITDA.

However, because the Equal Pay Negotiations have not been concluded, Oceania's assumptions could prove to be incorrect. That is, the DHB-funded increase in daily care fees actually received, and/or any non-funded increase in staff costs actually incurred, by Oceania in FY2018F, could be higher or lower than forecast. This could mean that Oceania's actual Underlying EBITDA and actual Underlying NPAT in FY2018F are higher or lower than forecast.

Oceania's current intention is to seek to recover the cost of any potential wage increases for staff that may not be covered by DHB funding by applying for a variation to its funding contracts with the DHBs, as well as by achieving higher productivity levels and lower temporary staffing costs in its aged care business.

For more information, see the key assumptions for FY2018F staff costs in Section 7 (Oceania's financial information) and the sensitivities analysis presented in the Offer Register.

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DEVELOPMENT RISK

Description of the risk	As detailed in Section 2 (Oceania and What it Does), Oceania is seeking to implement a development plan. When developing new facilities, Oceania faces a range of risks which are potentially significant to Oceania given the scope and extent of its Brownfield and Greenfield Development pipeline. These risks include, but are not limited to: — construction risks arising from unexpected cost increases, quality issues and delays in the completion of its developments; — default risks arising from participants in the development process, including construction contractors defaulting in the performance of their respective obligations; — the ability to acquire attractive Brownfield and Greenfield Development sites for the future development of new facilities; — the ability to obtain, or delays in obtaining, or limits imposed on the nature or intensity of the development through, resource or other consents; — the ability to raise debt funding to fund developments; — the ability to sell down its facilities as forecast over the Prospective Period; and — the risk that a competitor commences development of a new facility within close proximity to a facility which Oceania has recently developed, is in the initial stages of developing or has plans to develop (thereby reducing demand for a newly developed facility). All of these may impact on Oceania's financial performance.
Oceania's assessment of the likelihood, nature and potential magnitude of any impact.	Approximately 27% of Oceania's FY2018 Pro Forma Underlying EBITDA relates to development margin. If any of the above development risks were to eventuate, that margin could be eroded (for example, as a result of increased construction costs or reduced demand for new Units) and, in turn, have a material impact on Oceania's EBITDA. Further, any increase in construction costs could have a significant impact on Oceania's business. By way of example, a 10% increase in development capital expenditure related to Meadowbank Stage 4 in the Prospective Period would have a cash impact in FY2018F of $1.3 million. Oceania therefore builds a conservative contingency into its project budgets to provide resilience against unforeseen or "ballooning" costs. Delay in completion and selldown of any given development project could also have a substantial impact on Oceania's business. By way of example, a two month delay in completion of the Lady Allum development would result in no sales of new apartments occurring at Lady Allum in FY2017F (compared to the PFI assumption of 17 sales of new apartments at Lady Allum in FY2017F), impacting FY2017PF Underlying NPAT by $3.8 million. Oceania would then expect these 17 apartments to be sold in FY2018F (in addition to the 24 new apartments currently forecast to be sold in FY2018F), increasing FY2018F Pro Forma Underlying NPAT by $3.6 million. Oceania believes that these risks (particularly around timing and costs) are mitigated by its experienced internal property development team which allows Oceania to exercise a greater degree of control over the development and construction process. Oceania also has a robust process in place for tendering projects (on a fixed or lump sum basis) and selecting skilled and qualified contractors, which further mitigates this construction and development risk.

Tax

SECTION 9

Tax can have significant consequences for investments. If you have queries relating to the tax consequences of investing in ordinary shares, you should obtain professional advice on those consequences.

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Melrose – aerial image of development site

Where you can find more information

SECTION 10

Further information relating to Oceania or the Shares is available on the Offer Register (for example, the Constitution and financial statements) at https://www.companiesoffice.govt.nz/companies/disclose, offer number OFR11900. A copy of the information on the Offer Register is available on request to the Registrar of Financial Service Providers.

Further information relating to Oceania is also available on the Companies Office register of the Ministry of Business, Innovation and Employment. This information can be accessed on the Companies Office website at https://www.companiesoffice.govt.nz/companies.

Once Oceania is listed, it will be required to make half-yearly and annual announcements to NZX and ASX and such other announcements as required by the NZX Listing Rules and ASX Listing Rules from time to time. You will be able to obtain this information free of charge by searching under Oceania's ticker code OCA on NZX's website (www.nzx.com) and ASX's website (www.asx.com.au).


Green Gables – aerial image of development site

How to apply

SECTION 11

HOW TO APPLY

You should read this PDS and other available information carefully before applying for Shares.

You can apply for Shares as follows:

— **Broker Firm Offer:** Once you have received confirmation of a firm allocation from an NZX Firm (for New Zealand resident investors) you can apply for Shares under the Broker Firm Offer by completing the Broker Firm Application Form at the back of this PDS in accordance with the instructions provided by your Broker, including as to how you should make payment for your Shares. If you wish to apply under the Broker Firm Offer you should contact your NZX Firm (for New Zealand resident investors) if you require further instructions.

— **Priority Offer:** If you have been invited by Oceania to participate in the Priority Offer, you can apply for Shares by completing the online Application Form at www.shareoffer.co.nz/oceaniahealthcare by following the on screen instructions.

— **Institutional Offer:** Full details of how to participate, including bidding instructions, will be provided by the Joint Lead Managers to invited participants in due course.

PRIVACY POLICY

If you apply for Shares, you will be asked to provide personal information to Oceania, the Share Registrar and their respective agents who will collect and hold the personal information provided by you in connection with your Application.

Your personal information will be used for considering, processing and corresponding with you about your Application and in connection with your holding of Shares, including sending you information concerning Oceania, your Shares and other matters Oceania considers may be of interest to you by virtue of your holding of Shares.

To do these things, Oceania or the Share Registrar may disclose your personal information to each other, their respective related companies and agents, contractors or third party service providers to whom they outsource services such as mailing and registry functions. However, all of these parties will be bound by the same privacy policies as Oceania and the Share Registrar.

In addition, if you elect to pay by one-time direct debit, the Share Registrar will communicate with your nominated bank (including providing your personal information) for the purposes of processing your payment.

Failure to provide the required personal information may mean that your Application Form is not able to be processed efficiently, if at all.

Where Oceania and the Share Registrar hold personal information about you in such a way that it can be readily retrieved, you have a right to obtain from Oceania and the Share Registrar confirmation of whether or not they hold such personal information, and to access and seek correction of that personal information under the Privacy Act 1993 by contacting the privacy officers of Oceania and the Share Registrar at their respective addresses shown in Section 12 (Contact Information).

You can also access your information on the Share Registrar's website:

New Zealand registry: www.computershare.co.nz (you will be required to enter your CSN and Authorisation Code (FIN)).

Australian registry: www.computershare.co.nz (you will be required to enter your SRN (Shareholder Reference Number) and postcode for secure access).

Contact information

SECTION 12

Oceania

Oceania Healthcare Limited
Affinity House
2 Hargreaves Street
St Mary's Bay
Auckland 1011

Phone +64 9 361 0350

Register

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road,
Takapuna
Auckland 0622

Phone +64 9 488 8700

Auditor and Investigating Accountant

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
22/188 Quay Street
Auckland 1142

Phone 0800 800 792

Legal Advisers

Russell McVeagh
Level 30, Vero Centre
48 Shortland Street
Auckland 1010

Phone +64 9 367 8000

Joint Lead Managers

Deutsche Craigs Limited
Level 36, Vero Centre
48 Shortland Street
Auckland 1010

Phone 0800 226 263

First NZ Capital Securities Limited
Level 39, ANZ Centre
23-29 Albert Street
Auckland 1010

Phone 0800 111 355

Macquarie Capital (New Zealand) Limited
(acting through its affiliates)
Level 17, Lumley Centre
88 Shortland Street
Auckland 1010

Phone 0800 742 737

Glossary

SECTION 13

$, NZD or NZ$	New Zealand Dollars
ACC	Accident Compensation Corporation
Applicant	an investor who makes an application for Shares under the Offer
Application	an application to subscribe for Shares under the Offer
Application Form	the Application Form attached to this PDS to subscribe for Shares under the Broker Firm Offer or the online Application Form at www.shareoffer.co.nz/oceaniahealthcare to subscribe for Shares under the Priority Offer (as applicable)
Application Monies	the monies payable on Application
ARRC Contract	an Age Related Residential Care Contract with DHBs for the provision of age related residential care
ASX	ASX Limited, or the financial market operated by ASX Limited, as the context requires
ASX Listing Rules	the listing rules of ASX, in force from time to time
Bookbuild	the process used to assist the Joint Lead Managers to set the Final Price, as described in Section 5 (Terms of the Offer)
Broker	an entity designated as an NZX Firm under the Participant Rules of NZX
Broker Firm Offer	the offer available to New Zealand resident clients of selected NZX Firms who have received an allocation from the NZX Firm that has received an allocation
Brownfield Development	development of aged care and/or retirement village facilities on land already including operational aged care or retirement village facilities
Business Day	a day on which the NZX Main Board is open for trading
CAGR	compound annual growth rate
Care Bed	a bed in an aged care facility
Care Studios	a room initially provided as a Care Bed with a PAC and which may subsequently be sold as a Care Suite
Care Suite	a room within a care facility (which comprises amenities and services in excess of the minimum standard) that has been certified by the MoH for the provision of up to hospital level care, and which is typically licensed under an ORA but can be temporarily occupied by a resident paying a PAC
CBRE	CBRE Limited (an independent external valuer)
Constitution	the new constitution of Oceania which will be adopted on allotment of Shares under the Offer
CSN	Common Shareholder Number
DHB	District Health Board

DMF	a deferred management fee charged under an ORA, which accrues monthly to a specified maximum and is deducted from the refund paid to the departing resident on the resale of a Unit or Care Suite
EBITDA	earnings before interest, tax, depreciation, amortisation and goodwill impairment. EBITDA is a non-NZ GAAP measure
EPS	earnings per share
Equal Pay Negotiations	the ongoing New Zealand Government negotiations with unions and providers for equal pay amongst Healthcare Assistants in the aged care sector arising from recent and ongoing litigation in New Zealand (known as the *Terranova* proceedings)
F	the inclusion of "F" after a reference to a financial period indicates that it is a "forecast" period
Final Price	the price per share at which the Shares will be allotted, to be determined after the conclusion of the Bookbuild process and expected to be announced and posted on www.shareoffer.co.nz/oceaniahealthcare on or about 12 April 2017
FMCA	Financial Markets Conduct Act 2013
FY	Financial Year
Greenfield Development	development of land that does not contain any operational aged care or retirement village facilities
Healthcare Assistant	staff who provide direct care and support activities for residents under the direction and supervision of a nurse registered with the Nursing Council of New Zealand
Historical Period	the period from and including the financial year ending 2014 to the financial year ending 2016 (i.e. FY2014 to FY2016)
Home Based Care	provision of healthcare services to residents in their own homes
Indicative Price Range	$0.76 to $1.04 per share
Institutional Investor	an investor who the Joint Lead Managers reasonably believe to be a person to whom an offer or invitation in respect of the Shares may be made without the need for a PDS or other formality, other than a formality with which Oceania is willing to comply
Institutional Offer	the portion of the Offer available to selected Institutional Investors in New Zealand, Australia and certain other jurisdictions to apply for Shares
InterRAI	International Residents Assessment Instrument
Joint Lead Managers	DeutscheCraigs Limited, First NZ Capital Securities Limited and Macquarie Capital (New Zealand) Limited (acting through its affiliates)
LTIP	Oceania's existing Long Term Incentive Plan scheme
LTIP Shares	Shares issued under the LTIP
MoH	Ministry of Health
MIRA	Macquarie Infrastructure and Real Assets division of Macquarie Group Limited
New LTIP	the long term incentive plan established by Oceania under which up to $2.5 million of New LTIP Shares will be issued, with the first tranche to be issued to participants concurrently with the allotment of Shares under the Offer
New LTIP Shares	Shares issued under the New LTIP
Nikau Villas	affordable Units designed for regional areas with modular, flexible and energy efficient formats
NPAT	net profit after tax, a NZ GAAP measure
NTA	Net Tangible Assets
NZACA	the New Zealand Aged Care Association, being a not-for-profit national organisation which represents its members in the Aged Care sector

NZ IFRS	New Zealand International Financial reporting Standards
NZ GAAP	New Zealand Generally Accepted Accounting Practice
NZQA	New Zealand Qualifications Authority
NZX	NZX Limited
NZX Firm	any company, firm, organisation or corporation designated or approved as a Primary Market Participant (as defined in the NZX Listing Rules) from time to time by NZX
NZX Listing Rules	the listing rules applying to the NZX Main Board Market, in force from time to time
NZX Main Board	the main board equity security market operated by NZX
Oceania	Oceania Healthcare Limited or the Oceania Group, as the context requires
Oceania Group	Oceania Healthcare Limited and each of its subsidiaries
OHHL	Oceania Healthcare Holdings Limited
Offer	the offer of Shares under this PDS
Offer Register	the online offer register maintained by the Companies Office known as 'Disclose' which can be found at https://www.companiesoffice.govt.nz/disclose, offer number OFR11900
Opening Date	13 April 2017, or such other date that Oceania may determine
ORA	an Occupation Right Agreement that confers on a resident a right to occupy a Unit on the terms and conditions set out in that agreement
PAC	a "premium accommodation charge" paid by an aged care resident for ancillary services above the mandated minimum
PDS	this Product Disclosure Statement
PF	the inclusion of "PF" after a reference to a financial period is an indication that it is a "Pro forma" period
PFI	Prospective Financial Information
Primary Market Participant	has the meaning given to that term in the Listing Rules
Priority Offer	the offer available to selected employees, directors and consultants of the Oceania Group
Pro forma	refers to certain pro forma adjustments outlined in Section 7 (Oceania's Financial Information) of this PDS and Section 3.11 (Reconciliation of non-NZ GAAP to NZ GAAP information) in the Supplementary Financial Information
Pro forma EBITDA	refers to earnings before interest, tax, depreciation, amortisation, after allowing for the pro forma adjustments outlined in Section 7 (Oceania's Financial Information) of this PDS and Section 3.11 (Reconciliation of non-NZ GAAP to NZ GAAP information). Pro forma EBITDA is a non-NZ GAAP profit measure
Prospective Period	the financial years ending 2017 and 2018 (i.e. FY2017F and FY2018F)
Registrar	the Registrar of Financial Service Providers in New Zealand
Residence	a collective term used to describe any of Care Beds, Care Suites, and Units
Retirement Villages Act	Retirement Villages Act 2003
Retirement Villages Association or RVA	a voluntary industry association that represents the interests of the retirement village industry and which works to promote the interests of its members
Serviced Units or Serviced Apartments	Units sold under an ORA, where the resident generally receives low level care, up to rest home level care
Share	a fully paid ordinary share in Oceania
Share Register	the register in respect of the Shares maintained by the Share Registrar
Share Registrar	Computershare Investor Services Limited

Supplementary Financial Information	the document entitled "Oceania's Prospective Financial Information, a reconciliation of non-NZ GAAP to NZ GAAP information and supplementary financial information" on the Offer Register
Underlying EBITDA	EBITDA adjusted to remove the change in fair value of investment property and property, plant and equipment, to add back the Director's estimate of the realised gain on resale of ORA Units and Care Suites, and to add back the estimated development margin on the sale of an ORA Unit or Care Suite. Underlying EBITDA is a non-NZ GAAP measure
Underlying NPAT	Underlying EBITDA adjusted to deduct depreciation and amortisation expense, interest and taxation expense and to add back the deferred taxation component of taxation expense. Underlying NPAT is a non-NZ GAAP measure
Underlying Taxation Expense	taxation expense adjusted to remove the deferred tax component of NZ GAAP taxation expense. Underlying taxation expense is a non-NZ GAAP measure
Unit	an apartment or villa in a retirement village, which is licensed under an ORA

BROKER FIRM OFFER APPLICATION FORM

OCEANIA HEALTHCARE INITIAL PUBLIC OFFERING

BROKER'S STAMP
Advisor's code

This Application Form is issued with the Product Disclosure Statement (PDS) dated and prepared as at 31 March 2017 for the Offer of fully paid ordinary shares (Shares) in Oceania Healthcare Limited. You should read the PDS and Offer Register material before completing this Application Form. This Application Form represents an offer to purchase the Shares described in the PDS and Offer Register entry for the Offer. Any capitalised terms used in this Application Form but not defined have the same meaning as given to those terms in the PDS. If you require assistance filling in this Application Form, call the Share Registrar on +64 9 488 8777. The closing date for the Broker Firm Offer is 28 April 2017 (or such other date as Oceania determines).

A. APPLICANT DETAILS

Applications must be in the names of natural persons, companies or other legal entities, up to a maximum of three names per Application. **Applications by trusts, funds, estates, partnerships or other unincorporated bodies must be made in the individual names of the persons who are the trustees, proprietors, partners or office bearers (as appropriate).**

If, for your own purposes, you want to record that the Applicants hold their Shares on a particular account or for a particular purpose, you can record that in the "Company / Trust / Account Designation". If you are applying on behalf of your children, or some other person in respect of whom you have the required authority, you should complete the Application Form in their name.

Title and first name(s)		Surname	
Title and first name(s)		Surname	
Title and first name(s)		Surname	
Company/trust/ account designation			
Postal address	Street address or PO Box	Suburb/town	
	City	Postcode	Country
Telephone	Mobile	Daytime	

B. APPLICATION PAYMENT

Applications must be accompanied by payment. This Application Form and your payment must be sent to your Broker so as to enable forwarding to the Share Registrar by 5.00pm (New Zealand time) on 28 April 2017. Oceania may accept or reject all or part of this Application without giving any reason. **The minimum number of Shares you can apply for is 5,000.** Please complete the boxes below. The Final Price will be determined on or about 12 April 2017, and will be announced and posted on www.shareoffer.co.nz/oceaniahealthcare.

I/We apply for:	Number of Shares applied for:	x Issue Price $	= Total Application amount: $

Choose ONE of the PAYMENT options below. Please tick the box next to your selected option.

☐	**Option 1:**	**Please make a one-time direct debit from the bank account stated below.** By ticking this box and submitting this Application Form, I agree that the Share Registrar is authorised to withdraw from this account the full dollar amount of Shares applied for on the terms and conditions for one-time direct debit. The terms and conditions can be obtained by calling +64 9 488 8777. **Please confirm with your bank that payments can be direct debited from this account.** **New Zealand dollar bank account details for one-time direct debit payment** Name of Bank: Account Holder Name Bank / Branch No. / Account No. / Suffix
☐	**Option 2:**	Please find attached my payment by **CHEQUE** for the dollar amount of Shares applied for above made payable to "Oceania Share Offer" and crossed "Not Transferable".
☐	**Option 3:**	Payment will be made by another method as arranged with your Broker. You should carefully follow your Broker's instructions as to payment or your Application may be rejected.

C. COMMON SHAREHOLDER NUMBER (CSN)

A CSN is required to trade the Shares on the NZX Main Board once the Offer has closed and Shares have been allotted.

If you do not have a CSN, leave the space below blank and you will be allocated a CSN and Authorisation Code (FIN) when your Application is received.

If you have a CSN, please enter it here: ☐☐☐☐☐☐☐☐☐

D. FUTURE DIVIDEND PAYMENTS

You may receive dividends from Oceania in the future. **Choose ONE of the DIVIDEND PAYMENT options below. Please tick the box next to your selected option.**

☐	**Option 1:**	Pay dividends directly into **my bank account.** The bank account provided must be with a New Zealand registered bank. ☐ Please pay dividends directly into the bank account provided above in B. APPLICATION PAYMENT. ☐ Please pay dividends directly into the bank account provided below: **New Zealand dollar bank account details for payment of dividends** Name of Bank: Account Holder Name Bank / Branch No. / Account No. / Suffix
☐	**Option 2:**	Pay dividends directly into **my Cash Management Account** Name of NZX Firm where Cash Management Account is held: Cash Management Client Account number:
☐	**Option 3:**	Pay dividend **by cheque**.

E. ELECTRONIC COMMUNICATIONS

I agree to receive Shareholder communications via email (optional):

Please enter your email address below if you agree to receive all Shareholder communications where applicable (including notification of the availability of annual reports and interim reports, transaction statements, payment advices, meeting documents and any other company related information) by email.

Email: ______________________________

F. IRD NUMBER

Applicant's IRD number (only one IRD number is required in respect of a joint Application):

☐☐☐-☐☐☐-☐☐☐

If you are applying on behalf of a minor (under the age of 18) or a dependent, use their IRD number. If the Applicant is a trust, company, partnership or other entity, use that entity's IRD number. Multiple Applications containing the same IRD number may not be accepted, or may be scaled on a differential basis, at Oceania's discretion.

Resident withholding tax ("RWT") will be deducted from any dividends paid to the Shareholder (unless you provide a valid RWT exemption certificate).

☐	**Exempt** – please tick this box if you hold a resident withholding tax ("RWT") exemption certificate from IRD and attach a copy of your RWT exemption certificate.
☐	Please tick this box if you are a non-resident for New Zealand tax purposes under the Income Tax Act 2007. You will be treated as a New Zealand tax resident unless this box has been ticked.

G. SIGNATURE(S) OF APPLICANT(S)

The Application Form must be signed by, or on behalf of, each Applicant. If the Applicant is a company or other entity, it should be signed by a duly authorised person in accordance with any applicable constitution or governing document.

If the Applicant is a minor (under the age of 18) the parent or legal guardian should sign the Application Form on the Applicant's behalf. If you elect to pay by one-time direct debit, you should ensure that the signatories are consistent with your bank authorities.

I/We hereby acknowledge that I/we have received the PDS. I/We apply for the Shares set out above (or such less number as may be allocated to me/us) subject to the terms and conditions of the PDS. By lodging this Application Form, I/we consent to the use of my/our personal information in accordance with the privacy policy set out in Section 11 (How to apply) of the PDS.

Signature of applicant:

Signature of applicant:

Signature of applicant:

Your Application must be returned to your Broker that notified you of your allocation in time for your Application to be forwarded to the Share Registrar by 5.00pm on 28 April 2017.

H. CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

(Complete this section if you are acting on behalf of the Applicant on this Application Form for whom you have power of attorney)

I,		(full name)
of		(place and country of residence)
		(occupation), certify
That by deed dated		(date of instrument creating the power of attorney)
		(full name of person/body corporate which granted the power of attorney)
of		(place of residence of person/ body corporate which granted the power of attorney)*
Appointed me		(his/her/its) attorney;

That I have executed the Application for Shares printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and

That I have not received notice of any event revoking the power of attorney.

Date:	
Signature of attorney:	
Signed at:	

I. CERTIFICATE OF NON-REVOCATION OF AGENT

(Complete this section if you are acting as agent on behalf of the Applicant on this Application Form)

I,		(full name)
of		(place and country of residence)
		(occupation), certify
That by the agency agreement dated		(date of instrument creating the agency)
		(full name of person/body corporate which appointed you as agent)
of		(place of residence of person/ body corporate which appointed you as agent)*
Appointed me		(his/her/its) agent;

That I have executed the Application for Shares printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and

That I have not received any notice or information of the revocation of my appointment as agent.

Date:	
Signature of agent:	
Signed at:	

*If the Applicant is a body corporate, state the place of the registered office or the principal place of its business.

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