Senior Trust Capital Limited

Consolidated Financial Statements
For the year ended 31 March 2019

TABLE OF CONTENTS

SENIOR TRUST CAPITAL LIMITED

COMPANY DIRECTORY

IRD number	109-622-664
Nature of business	Investment
Registered office	Foley Hughes Level 1, 20 Beaumont Street Freemans Bay Auckland
Directors	John Llewellyn Jackson Tracey Lancelot Goodin Aidan Wallace Craig (resigned 3 May 2019)
Bankers	Bank of New Zealand
Auditors	William Buck Audit (NZ) Limited
Accountants	Baker Tilly Staples Rodway Auckland Limited

SENIOR TRUST CAPITAL LIMITED

DIRECTORS' REPORT

The Board of Directors present their Annual Report including audited financial statements for the year ended 31 March 2019.

Directors names

The names of the directors in office at any time during or since the end of the year are:
John Llewellyn Jackson appointed 1 August 2012
Aidan Wallace Craig appointed 28 October 2016, resigned 3 May 2019
Tracey Lancelot Goodin appointed 30 November 2012

Review of operations

The Group continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Principal activities

The principal activity of the Group during the year was investment.
No significant change in the nature of these activities occurred during the year.

Directors' remuneration and other benefits

	Fees	Salary	Professional services*	Total
Aidan Craig	41,400	-	258,761	300,161
Tracey Goodin	24,000	-	-	24,000
John Jackson	18,000	259,022	-	277,022
	83,400	259,022	258,761	601,183

* Professional services include loan administration, development project consulting and marketing.

Audit fees

Audit fees of $24,975 were paid or accrued during the period to William Buck Audit (NZ) Limited (the auditor).

These financial statements are audited.

Employee remuneration

The number of employees or former employees of the Group, not being directors of the Group, who received remuneration and other benefits in their capacity as employees, the value of which exceed $100,000 for the year ended 31 March 2019, is set out below:

Remuneration range	No. of employees
$240,001 - $250,000	1

Interests
No director has given notice to the Company of an interest in any transaction with the Company. No director has sought authorisation to use Company information.

Employees
The Group has three employees.

Donations
The Group made no donations during the year.

Signed in accordance with a resolution of the board of directors.

Director: ______________________________________ Director: ______________________________________

Dated this 28 day of June 2019

William Buck

Senior Trust Capital Limited

Independent auditor's report to the Shareholders

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Senior Trust Capital Limited (the Company) and subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 March 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or its subsidiairies.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

CHARTERED ACCOUNTANTS & ADVISORS
Level 4, 21 Queen Street
Auckland 1010, New Zealand
PO Box 106 090
Auckland 1143, New Zealand
Telephone: +64 9 366 5000
williambuck.co.nz

William Buck Audit (NZ) Limited

CARRYING VALUE OF LOANS RECEIVABLE	
Area of focus **Refer also to Notes 1, 3 and 10**	**How our audit addressed it**
The Company has significant Loans Receivable with six Parties totalling $31.9m. The largest significant individual balance being the Palm Grove Partnership at $17.6m. Receivables are required to be carried at their recoverable amount The recoverability of the Loans receivable requires management judgement and continuous monitoring.	Our audit procedures included: — A review of all the underlying loan agreements, to ensure that all aspects have been accounted for correctly — Review and consideration of the early repayment clauses and whether any had been triggered — Review of the Directors credit assessment — Review of the collateral value of the security over the loans and determined the adequacy of the LVR's and other factors — Review of independent valuations completed on the underlying retirement villages provided as security — We assessed the adequacy of the Company's disclosures in respect of the transactions

FAIR VALUE OF FINANCIAL ASSETS	
Area of focus **Refer also to Notes 1, 3, 8 and 9**	**How our audit addressed it**
The Company holds 80 units in the Palm Grove Partnership which is recorded at Fair Value of $2.0m.	Our audit procedures included: — A review of all the underlying agreements and supporting document to the valuation — Review and consideration of the key assumptions underlying the valuation — Review of independent valuations completed on the underlying retirement villages provided as security — We assessed the adequacy of the Company's disclosures

Information Other than the Financial Statements and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities

The directors are responsible on behalf of the entity for the preparation of the consolidated financial statements that give a true and fair view in accordance with New Zealand equivalents to International Financial Reporting Standards, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible on behalf of the Group for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consoldiated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement director on the audit resulting in this independent auditor's report is Darren Wright.

Restriction on Distribution and Use

This report is made solely to the Companys shareholders, as a body. Our audit work has been undertaken so that we might state to the Companys shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Companys shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

William Buck

William Buck Audit (NZ) Limited

Auckland
28 June 2019

SENIOR TRUST CAPITAL LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 $	2018 $
Revenue and other income			
Interest income	4	3,622,115	1,875,842
Fair value gain on financial assets	4	-	1,099,920
Other income	4	260,451	567,444
		3,882,566	3,543,206
Less: expenses			
Employee benefits expense		(760,892)	(621,233)
Finance costs	5	(470,018)	(106,732)
Administration and compliance expenses		(319,959)	(157,475)
Marketing costs		(287,686)	(166,233)
Other operating expenses		(112,941)	(126,685)
Directors fees		(83,400)	(103,895)
Audit fees		(24,975)	(15,000)
Accounting fees		(19,289)	(24,783)
Management services expense	16	-	(110,909)
Fair value loss on financial assets	9	(300,000)	-
		(2,379,160)	(1,432,945)
Share of net profits of associates and joint ventures accounted for using the equity method	11	66,283	-
Profit for the year		1,569,689	2,110,261
Other comprehensive income for the year		-	-
Total comprehensive income		1,569,689	2,110,261
Earnings per share			
Basic earnings per share	15	0.06	0.15
Diluted earnings per share	15	0.06	0.15

The accompanying notes form part of these financial statements.

SENIOR TRUST CAPITAL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019 $	2018 $
Current assets			
Cash and cash equivalents		1,935,770	2,137
Trade and other receivables	7	670,928	449,308
Financial assets at fair value through profit and loss	8	-	2,300,000
Finance receivables	10	3,699,179	4,813,842
Other assets		36,453	1,485
Total current assets		6,342,330	7,566,772
Trade and other receivables	7	400,000	400,000
Financial assets at fair value through profit and loss	8	2,000,000	-
Finance receivables	10	28,214,079	13,746,104
Equity accounted investments	11	4,556,040	-
Total non-current assets		35,170,119	14,146,104
Total assets		41,512,449	21,712,876
Current liabilities			
Borrowings	13	-	371,101
Payables	12	798,007	611,424
Total current liabilities		798,007	982,525
Non-current liabilities			
Borrowings	13	3,800,000	2,300,000
Total non-current liabilities		3,800,000	2,300,000
Total liabilities		4,598,007	3,282,525
Net assets		36,914,442	18,430,351
Share capital	14	34,480,853	15,676,617
Retained earnings		2,433,589	2,753,734
Total equity		36,914,442	18,430,351

Signed in accordance with a resolution of the board of directors.

Director: ____

Director: ____

Dated this 28 day of June 2019

SENIOR TRUST CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Contributed capital $	Retained earnings $	Total equity $
Balance as at 1 April 2017	13,024,773	1,768,486	14,793,259
Total comprehensive income	-	2,110,261	2,110,261
Transactions with owners in their capacity as owners:			
Net proceeds from share issue (refer note 14)	2,823,619	-	2,823,619
Employee share ownership scheme (refer note 18)	(171,775)	-	(171,775)
Distribution to shareholders	-	(914,912)	(914,912)
Tax paid on behalf of shareholders	-	(210,101)	(210,101)
Total transactions with owners in their capacity as owners	2,651,844	(1,125,013)	1,526,831
Balance as at 31 March 2018	15,676,617	2,753,734	18,430,351
Balance as at 1 April 2018	15,676,617	2,753,734	18,430,351
Total comprehensive income	-	1,569,689	1,569,689
Transactions with owners in their capacity as owners:			
Net proceeds from share issue (refer note 14)	18,814,236	-	18,814,236
Employee share ownership scheme (refer note 18)	(10,000)	-	(10,000)
Distribution to shareholders	-	(1,763,653)	(1,763,653)
Tax paid on behalf of shareholders	-	(126,181)	(126,181)
Total transactions with owners in their capacity as owners	18,804,236	(1,889,834)	16,914,402
Balance as at 31 March 2019	34,480,853	2,433,589	36,914,442

The accompanying notes form part of these financial statements.

SENIOR TRUST CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 $	2018 $
Cash flow from operating activities			
Fees received – customers		428,708	136,474
Interest received – customers		3,408,854	1,818,483
Interest received – bank		296	18
Recharges		160,401	183,944
Investor relations		-	27,000
Payments to employees and suppliers		(2,195,121)	(1,217,760)
Interest paid		(7,447)	(6,653)
PIE tax paid on behalf of investors		(241,886)	(156,418)
Net cash provided by operating activities	17(a)	1,553,805	785,088
Cash flow from investing activities			
Net proceeds from sale of beneficial interest in loans	13	1,500,000	2,300,000
Net loans advanced to Retirement Villages	11	(13,353,313)	(5,789,338)
Investment in joint venture		(4,489,757)	-
Net cash used in investing activities		(16,343,070)	(3,489,338)
Cash flow from financing activities			
Proceeds from share issue		18,474,236	2,651,844
Distributions to shareholders		(1,380,237)	(855,844)
Net cash provided by financing activities		17,093,999	1,796,000
Reconciliation of cash and cash equivalents			
Cash at beginning of the financial year		(368,964)	539,286
Net increase / (decrease) in cash held		2,304,734	(908,250)
Cash and cash equivalents at end of financial year	17(b)	1,935,770	(368,964)

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the consolidated financial statements of Senior Trust Capital Limited ('the Company') and its subsidiaries, The Senior Trust Capital Limited Employee Share Ownership Plan and STC Orewa Limited (together 'the Group').

The Group is domiciled and incorporated in New Zealand and registered under the Companies Act 1993.

The Group is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

The Group's business is investing in and providing secured lending to retirement villages and aged care facilities.

Senior Trust Capital Limited is a for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the Group in the preparation and presentation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial statements

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards ("IFRS"). The Group is designated as Tier 1 for financial reporting purposes.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention except for specific assets and liabilities that have been measured at fair value as detailed in the accounting policies below.

(b) Functional and presentation currency

The financial statements of each entity within the consolidated entity is measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in New Zealand dollars which is the consolidated entity's functional and presentation currency.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity ("the Group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The Group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-recognised from the date that control ceases.

(d) Interests in joint arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about the relevant activities are required. Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement.

Joint ventures

The group's interest in joint ventures are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the joint venture are recognised in the group's profit or loss and the group's share of the joint venture's other comprehensive income is recognised in the group's other comprehensive income. Details of the group's interests in joint ventures are disclosed in Note 11.

(e) Other income

Other income
Other income includes procurement fee and establishment fee income, investor relations income, recharge of costs, consultancy fees and other fees.

Procurement and establishment fees are charged to the borrower for securing the funding facility or changes to an existing facility. The fee is charged irrespective of whether the loan application is approved. The revenue is recognised when the loan application has been either considered, approved or in some instances on execution of the term loan agreement. The fee is deducted from the first drawdown of the loan or by a prescribed date.

Investor relations income, recharge of costs, consultancy fees and other fees are single performance obligations and a receivable is recognised when the service has been performed.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax

From 31 March 2013 the Group qualified as, and elected to become a portfolio tax rate entity (“PTRE”) under the portfolio investment entity (“PIE”) regime. Under the PIE regime, the Group attributes all of the taxable income of a PTRE to shareholders in accordance with their proportional interest in the Group and as such tax payments made on behalf of shareholders are treated as distributions.

(g) Financial instruments

Classification

The Group classifies its financial instruments based on the purpose for which the instruments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are initially recognised at fair value, plus directly attributable transaction costs (if any). Subsequent to initial recognition investments in listed and non-listed securities are carried at fair value through profit or loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit or loss of the current period.

Fair value of listed investments are based on closing bid prices at the reporting date. Fair value of non-listed investments are based on valuation of underlying assets. Refer note 9 for details of valuation techniques.

Financial assets at amortised cost

Finance, trade and other receivables are measured on initial recognition at fair value and subsequently at amortised cost using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The calculation includes all fees received that are an integral part of the effective interest rate. The interest income is allocated over the life of the instrument and is measured for inclusion in profit and loss by applying the effective interest rate to the instruments amortised cost.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Financial assets (continued)

Financial assets at amortised cost (continued)

The Group assesses on a forward looking basis the expected credit losses associated with its finance receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3(a) details how the Group determines whether there has been a significant increase in credit risk. If there has been a significant increase in credit risk then lifetime expected credit losses are recognised. If there has not been a significant increase in credit risk then 12 months expected credit losses are recognised.

For trade and other receivables, the Group applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group determines the expected credit losses by calculating:
• a probability weighted amount that is determined by evaluating a range of possible outcomes;
• time value of money;
• reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

When reassessing expected credit losses the Group also considers any change in the credit risk and quality of the receivable from the date credit was initially granted up to the end of the reporting period, referring to past default experience of the counterparty and an analysis of the counterparty’s current financial position.

The Groups previous accounting policy for the recognition of finance, trade and other receivables for the year ended 31 March 2018

Finance receivables and trade and other receivables are recognised at fair value at inception and subsequently measured at amortised cost using the effective interest rate method less provision for impairment.

Past due financial assets are any assets, which have not been operated by the counterparty within its key terms but are not considered to be impaired by the Group. The Group does not have any past due financial assets at reporting date.

Impaired financial assets are those financial assets for which the Group has objective evidence that it has incurred a loss, and will be unable to collect all contractual cash flows when due according to the contractual terms of the asset.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Financial assets (continued)

Finance, trade and other receivables (continued)

The Groups previous accounting policy for the recognition of finance, trade and other receivables for the year ended 31 March 2018 (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant assets are tested for impairment on an individual basis. The remaining financial assets and assets that have been individually assessed and no objective evidence of impairment exists are assessed collectively in groups that share similar credit risk characteristics.

In assessing impairment of financial assets, the liquidity and cash flows, the management and operation, and security, related to the financial assets are reviewed by management.

Should an impairment loss arise it is recognised in profit or loss in the statement of profit or loss and other comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss in the statement of profit or loss and other comprehensive income.

Financial liabilities

This category includes all financial liabilities other than those designated as fair value through profit or loss. Liabilities in this category are initially measured at fair value less transaction costs and thereafter carried at amortised cost.

Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method. Income, expenses, assets and liabilities are recognised net of goods and services tax (“GST”), except:
• where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
• for receivables and payables which are recognised inclusive of GST where invoiced.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Financial liabilities (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with registered banks, and other short term highly liquid investments (i.e. term deposits) with original maturities of three months or less.

(i) Dividends payable

Dividend distributions to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's directors.

(j) Employee share ownership plan

An Employee Share Ownership Scheme ('ESOP') under which eligible employees of the Group will be offered the opportunity to acquire shares in the Company. Senior Trust Capital Limited controls the ESOP accordingly the results of the ESOP are included in the financial statements of the Group. Refer note 18 for details.

(k) Goods and services tax (GST)

The Group is not registered for Goods and Services Tax (GST) and consequently all components of the financial statements are stated inclusive of GST where appropriate.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Adoption of new and amended accounting standards that are first operative

New standards and amendments and interpretations to existing standards that came into effect during the current accounting period

The Group has adopted the NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers which became effective for the year beginning 1 April 2018.

Disclosures relating to the impact of the adoption of NZ IFRS 9 and NZ IFRS 15 on the Group's financial statements are outlined in note 22.

New standards and amendments and interpretations to existing standards that are not yet effective for the current accounting period beginning on 1 April 2019

The Group has not early adopted any new standards, amendments and interpretations that have been issued but are not yet effective.

The are no new standards, amendments and interpretations that will have an impact on the Group. NZ IFRS 16 is not applicable to the Group.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make estimates and judgements that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and judgements are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Uncertainty about these estimates and judgements could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any other periods affected.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The following are significant items of judgment:
i) Impairment of financial assets
The provision is based on assumptions about risk of default and expected loss rates. The Fund uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer note 3(a).

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

i) Impairment of financial assets (continued)
The categories that are assessed include liquidity, any management issues and security.

In addition the Directors consider:
- whether all payments have been made as and when they were due
- that covenants have not been breached
- the latest valuation report and other relevant information
- sales, construction, security and any changes to management personnel
- the retirement village market

Impairment of financial assets has been estimated as nil (2018: nil).

ii) Fair value of investment in Palm Grove Partnership
The Group's 80% equity investment in Palm Grove partnership has not been consolidated into these financial statements. Significant judgment has been required to determine that the Group does not have control, joint control or significant influence over the Palm Grove Partnership and accordingly the investment has been recorded as a financial asset at fair value through profit and loss.

The fair value of Palm Grove Partnership is based on a directors valuation and significant judgment has been used in the underlying methodology. In addition, a component of the Directors valuation methodology includes the valuation of the property owned by the Partnership. The property is appraised annually by an independent external valuer. Significant judgment is required relating to the assumptions made in order to assess the fair value of the property.

iii) Forest Glen Limited Partnership
The Groups 50% investment in the Forest Glen Limited Partnership has been treated as a joint venture. Significant judgment has been required to determine that the Group does not have control over the Partnership and accordingly the investment has been accounting for using the equity method.

The value of Forest Glen Limited Partnership is based on the Group's share of the Limited Partnership's net assets at reporting date and accordingly the underlying valuation of the property owned by the Partnership which is recorded at fair value in its financial statements. The property is appraised annually by an independent external valuer. Significant judgment is required relating to the assumptions made in order to assess the fair value of the property.

NOTE 3: FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks comprising:

(a) Credit risk
(b) Liquidity risk
(c) Interest rate risk

Primary responsibility for identification and control of financial risks rests with the Directors of the group. The Directors review and agree policies for managing each of the risks identified above.

The Directors use different methods to measure and manage different types of risks to which it is exposed. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Group holds the following financial instruments:

	2019	2018
	$	$
Financial assets - amortised cost		
Cash and cash equivalents	1,935,770	2,137
Receivables	1,063,615	849,308
Finance receivables	31,913,258	18,559,946
Financial assets - fair value through profit and loss		
Financial assets	2,000,000	2,300,000
	36,912,643	21,711,391
Financial liabilities - amortised cost		
Bank overdraft	-	371,101
Other loans	3,800,000	2,300,000
Payables	790,694	490,357
	4,590,694	3,161,458

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Financial instruments that subject the Group to credit risk consist primarily of cash, finance receivables, other receivables and financial assets.

The Directors performs credit evaluations on all borrowers requiring advances. The Directors require collateral or other security to support loans and advances, as set out in the Group's product disclosure statement. The Directors review all loans and any overdue loans at the monthly board meetings and any overdue loans are assessed on a regular basis.

The Directors review each loan against an internal security rating assessment.

The categories that are assessed include liquidity, any management issues and security.

In particular, the Directors take the following steps to manage this risk:
- Focusing on lending to operators with a track record of proven performance and who have a material stake in the entity.
- Undertaking extensive due diligence including assessing credit risk and the nature of any prior ranking securities.
- Restricting the term of loans to its expiry date where practicable, and ensuring any loans comply with the Group's lending criteria.
- Closely monitoring the performance of the entity and loan repayments.
- Refinancing the term of the loan, or enforcing our loan, if necessary. Refinancing a loan carries its own risks in that the possibility of future default increases.
- Reviewing valuation reports
- Reviewing current economic conditions

All cash and cash equivalents are held with a New Zealand registered bank.

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

Maximum Exposure to Credit Risk
The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to financial statements.

The Directors consider finance receivables to be low credit risk when they have a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term. To measure the expected credit losses, finance receivables have been grouped based on shared credit risk characteristics relating to arrears and loan to value ratio.

The credit risk of investments in Palm Grove Partnership and Forest Glen Limited Partnership is related to the underlying property developments and the ability to complete those projects and on sell the finished units.

After undertaking the procedures outlined above and including reviewing credit risk characteristics relating to arrears, the loan to value ratio and considering forward looking information on economic factors affecting the ability of borrowers to settle finance receivables there is no provision for impairment of financial assets (2018: nil).

Credit Quality per Class of Financial Assets
Exposures to credit risk are graded by an internal risk grade mechanism. High grade represents the strongest credit profile where a potential loss is least likely. Substandard grade represents the weakest credit profile where a potential loss is most likely. Standard grade represents the mid range credit profile where the directors believe a potential loss is unlikely. Past due loans are those that are where a counterparty has failed to make a payment when contractually due. Individually impaired loans are those where some potential loss is expected.

Cash and cash equivalents are designated as high grade and all other financial assets have been designated as standard grade.

Collateral and Other Credit Enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. An independent valuation by a registered valuer is sought prior to entering into the loan and then on an annual basis thereafter. In addition, quantity surveyors may also be provided during a development on order to substantiate work in progress amounts in a valuation.

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk concentrations of the Maximum Exposure to Credit Risk
Concentrations of credit risk exist if a number of counterparties are involved in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Group has concentration risk as its assets are concentrated in a small number of loans, in a specific sector of the retirement village and aged care industry.

The Directors manage, limit and control concentrations of credit risk, in particular, to individual retirement village and geographic location by monitoring on an ongoing basis and subject to annual or more frequent review, when considered necessary. However the Directors do not allocate asset investment to specific geographic areas but focus on the demographic demand within the catchment area for each retirement village.

The Group has 77% (2018: 88%) of its total assets as loans receivable from 6 (2018: 5) entities. Each loan is significant to the Group.

In addition, the Group has 39% (2018: 46%) of its total assets as loans receivable from Palm Grove Partnership and an 80% investment in Palm Grove Partnership recorded at $2.0 million (2018: $2.3 million). the Group does not have control over Palm Grove Partnership. Refer note 8.

Management closely monitors each loan, does regular site visits to the retirement villages and receives regular sales and financial reports.

The table below shows the maximum exposure to credit risk for finance receivables by geographical region:

	2019	**2018**
Auckland	19,574,977	11,373,477
Rest of North Island	7,608,576	4,070,403
South Island	4,729,705	3,116,066
	31,913,258	18,559,946

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's intention is to maintain sufficient funds to meet its commitments based on historical and forecasted cash flow requirements. Management's intention is to actively manage lending and borrowing portfolios to ensure net exposure to liquidity risk is minimised. The exposure is reviewed on an ongoing basis from daily procedures to monthly reporting as part of the Group's liquidity management process.

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

Maturity analysis

The tables below present contractual undiscounted cash flows payable to the Group for financial instruments and unrecognised loan commitments based on contractual maturity.

Year ended 31 March 2019	On demand	0-12 months	1-5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
Cash and cash equivalents	1,935,770	-	-	1,935,770	1,935,770
Receivables	663,615	-	400,000	1,063,615	1,070,928
Finance receivables	1,917,776	6,005,291	34,900,267	42,823,334	31,913,258
Financial assets	-	-	2,000,000	2,000,000	2,000,000
Payables	(790,694)	-	-	(790,694)	(798,007)
Other loans	-	(385,000)	(3,853,356)	(4,238,356)	3,800,000
Net maturities	3,726,467	5,620,291	33,446,911	42,793,669	39,921,949
Year ended 31 March 2018					
Cash and cash equivalents	2,137	-	-	2,137	2,137
Receivables	449,308	-	400,000	849,308	849,308
Finance receivables	1,697,778	5,208,675	16,464,082	23,370,535	18,559,946
Financial assets	-	-	2,300,000	2,300,000	2,300,000
Payables	(490,357)	-	-	(490,357)	(490,357)
Bank overdraft	(371,101)	-	-	(371,101)	(371,101)
Other financial liabilities	(253,000)	(253,000)	(2,532,205)	(3,038,205)	(2,300,000)
Net maturities	1,034,765	4,955,675	16,631,877	22,622,317	18,549,933

The Group intends to make loans and advances subsequent to the reporting date from the available cash and cash equivalents of the Group. Until such time as the loan is made the funds will remain lodged in an interest bearing bank account which will generate sufficient cash flows to meet the liquidity requirements of the Group.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The only financial instruments that expose the Group to interest rate risk are cash and cash equivalents. Any change in the bank interest rate would appear to be minimal in the current market and would have no marked effect on profit or equity.

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

The Group is not exposed to interest rate risk in respect of deposits or loans to customers because both are for fixed terms and are at fixed interest rates.

The Group's exposure to interest rate risk in relation to future cash flows and the weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Year ended 31 March 2019

Financial instruments	**Interest bearing $**	**Non-interest bearing $**	**Total carrying amount $**	**Weighted average interest rate**
Financial assets				
Cash and cash equivalents	50,716	1,885,054	1,935,770	0.1 %
Receivables	400,000	663,615	1,063,615	NA
Finance receivables	31,913,258	-	31,913,258	14.9 %
Financial assets at fair value through profit and loss	-	2,000,000	2,000,000	NA
	32,363,974	4,548,669	36,912,643	
Financial liabilities				
Payables	-	790,694	790,694	NA
Other loans	3,800,000	-	3,800,000	11.0 %
	3,800,000	790,694	4,590,694	

Year ended 31 March 2018

Financial instruments	**Interest bearing $**	**Non-interest bearing $**	**Total carrying amount $**	**Weighted average interest rate**
Financial assets				
Cash and cash equivalents	2,137	-	2,137	0.1 %
Receivables	400,000	449,308	849,308	NA
Finance receivables	18,559,946	-	18,559,946	14.9 %
Financial assets at fair value through profit and loss	-	2,300,000	2,300,000	NA
	18,962,083	2,749,308	21,711,391	
Financial liabilities				
Payables	-	490,357	490,357	NA
Bank overdraft	371,101	-	371,101	7.1 %
Other loans	2,300,000	-	2,300,000	11.0 %
	2,671,101	490,357	3,161,458	

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair values compared with carrying amounts

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in consolidated statement of financial position and notes to financial statements.

	2019	2018
	$	$
NOTE 4: REVENUE AND OTHER INCOME		
Interest income		
Interest received - third parties	2,007,766	970,642
Interest received - related party (refer note 16)	1,614,053	905,182
Interest received - bank	296	18
	3,622,115	1,875,842
Fair value adjustments		
Fair value gain on financial assets	-	1,099,920
Other income		
Investor relations	-	27,000
Procurement and establishment fee income	100,050	356,500
Consultancy and other fees	160,401	183,944
	260,451	567,444
	3,882,566	3,543,206

NOTE 5: FINANCE COSTS

	2019	2018
Profit has been determined after:		
- Bank charges	14,435	7,197
- Interest expense - bank	7,447	6,653
- Interest expense - Orewa Investment Limited Partnership	448,136	92,882
	470,018	106,732

NOTE 6: PIE TAXATION PAYABLE ON BEHALF OF SHAREHOLDERS

From 31 March 2013 the Group became a portfolio investment entity ("PIE") for tax purposes.

Under the PIE regime, for financial reporting purposes, income is effectively taxed in the hands of shareholders and therefore the Group has no tax expense or deferred tax assets or liabilities.

As at 31 March 2016 the Group is a multi-rate PIE under the PIE regime.

Imputation Credits
On 31 March 2013 the Group elected to become a PIE and ceased to maintain an imputation credit account from that date.

	2019	**2018**
	$	**$**
(a) PIE tax liability		
Profit before tax per statement of profit or loss and other comprehensive income	1,569,689	2,110,261
Taxation (at prescribed investor rates)	126,181	210,101
PIE tax paid	(133,494)	(101,709)
PIE (tax receivable) / payable	(7,313)	108,392

	2019 $	2018 $
NOTE 7: TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade debtors	6,750	335,408
Accrued interest receivable	326,865	113,900
Receivable from Link	330,000	-
PIE tax receivable (refer note 6)	7,313	-
	664,178	113,900
	670,928	449,308
NON CURRENT		
Loans to employees (refer note 16)	400,000	400,000

Trade debtors
Included in trade debtors are related party balances of $6,750 (2018: $157,250). Included in accrued interest receivable are related party balances of $162,554 (2018: $51,339). Refer note 16.

Trade debtors are on normal commercial terms and there is no provision for impairment (2018: nil).

Receivable from Link
At 31 March 2019 $330,000 (2018: $nil) was held at Link Market Services (registry provider to the fund) relating to share capital that had been allotted. It is non-interest bearing and unsecured. The money was released to the Company during the week subsequent to reporting date.

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2019 $	2018 $
CURRENT		
Investment in Palm Grove Partnership	-	2,300,000
NON CURRENT		
Investment in Palm Grove Partnership	2,000,000	-
	2,000,000	2,300,000
Cumulative change in fair value that is attributable to changes in credit risk	-	-

The Group determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the investment. Market conditions which give rise to market risk include changes in the benchmark interest rate.

The Group believes that this approach most faithfully represents the amount of change in fair value due to the Group's own credit risk, as the changes in factors contributing to the fair value of the investment other than changes in the benchmark interest rate are not deemed to be significant.

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

Investment in Palm Grove Partnership

Senior Trust Capital Ltd owns 100% of the shareholding of STC Orewa Limited (STC Orewa). STC Orewa business activities are restricted to the passive investment of capital in shares, bond/loans, land and buildings for dividends, interests and rental returns and the appointment of managers for that purpose. The purpose of STC Orewa is to generate income for the Group. The directors assess the performance of STC Orewa and its ability to provide higher returns than debt lending from the underlying performance of the retirement village.

The Group is an 80% partner in the Palm Grove Partnership via STC Orewa. The Palm Grove Partnership is in the business of developing the Palm Grove Retirement Village, which is financed through STC loans, related party loans and other lending sources.

The Palm Grove Retirement Village has 14 units and is approaching completion of stage 1, construction of a further 69 units (which have been fully consented). Stage 1 consists of 27 apartments which will be ready for occupation from November 2019, and construction has been running to cost and time budgets. With the building’s walls and roof completed, the significant construction risks associated with foundations and ground works have been mitigated. Eight of the 27 apartments have already been sold. Planning for stages 2 and 3 has commenced and the Palm Grove Partnership is considering applying for an increase of 6 apartments to the already consented 69. The timing of construction of stages 2 and 3 is currently being assessed.

The directors assert that STC Orewa does not have control, joint control or significant influence over the Palm Grove Partnership and accordingly the investment has been recorded as a financial asset at fair value through profit and loss. The investment in Palm Grove Partnership occurred in February 2016.

A fair value adjustment has been recognised in profit and loss of ($300,000) (2018: $1,099,920).

The overall fair market value decline of $300,000 during 2019 has been impacted by a number of factors including:
- additional design and construction costs on the site primarily for geotechnical stabilisation;
- expected increased costs for stages 2 & 3 as opposed to initial estimates; and
- offset by improved sales proceeds from the project.

The Directors consider that the overall risk on the project has declined since the prior year, however the development margin may be lower than originally anticipated.

The Groups maximum exposure to credit risk is the initial equity contribution of $80, receivables due, the loans provided and the guarantee outlined below. Refer note 9 for disclosures regarding Group's estimate of the fair value.

Senior Trust Capital Limited has provided a guarantee in favour of the Bank of New Zealand up to the value of $4,316,800 (2018: $2,296,000) for all amounts payable by Palm Grove Partnership to the Bank of New Zealand.

NOTE 9: FAIR VALUE MEASUREMENT

(a) Fair Value Hierarchy

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

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

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

2019	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements				
Financial assets				
Financial assets at fair value through profit or loss				
Investment in Palm Grove Partnership	-	-	2,000,000	2,000,000
Total financial assets	-	-	2,000,000	2,000,000

2018	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements				
Financial assets				
Financial assets at fair value through profit or loss				
Investment in Palm Grove Partnership	-	-	2,300,000	2,300,000
Total financial assets	-	-	2,300,000	2,300,000

(b) Reconciliation of recurring level 3 fair value movements

For each asset and liability categorised as recurring level 3 fair value measurements, the following table presents the reconciliation of fair value from opening balances to the closing balances.

Investment in Palm Grove Partnership	2019 $	2018 $
Opening balance	2,300,000	1,200,080
Total gain / (loss) recognised in profit or loss	(300,000)	1,099,920
Closing balance	2,000,000	2,300,000

NOTE 9: FAIR VALUE MEASUREMENT (CONTINUED)

(c) Valuation processes used for level 3 fair value measurements

The Group has an 80% ownership interest in the Palm Grove Partnership (" the Partnership"). This equity security is not quoted in an active market.

The fair value of this equity security is based on a financial model with probability weightings for various scenarios relating to the completion of the underlying development . The directors have assessed that the carrying amount of the investment is at fair value.

The Finance Manager of the Group performs the valuation of non-property items required for financial reporting purposes. The Finance Manager reports directly to the Directors. Discussions of valuation processes and results are held between the Finance Manager and Directors on a regular basis.

Valuation of non property items

The main level 3 inputs used by the group are derived, evaluated and weighted in the various cash flow assumptions as follows:

	2019	**2018**
Development base case	40%	30%
Likelihood of the following scenarios occurring:		
Increase in construction costs of 10% (2018: 10%)	10%	10%
Decrease in sales price of apartments of 10% (2018: 10%)	10%	15%
Increase funding rates by 4% (2018: 4.4%)	5%	5%
Delay in construction by 18 months (2018: 6 months)	35%	5%
Acceptance of conditional offer of purchase	0%	35%
	100%	100%

The estimates are consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions.

The Directors are continuously assessing the optimal construction timing of stages 2 and 3 with a decision to be made in late financial year end 2020.

The acceptance of a conditional offer for purchase of the Groups interest in the Partnership was evaluated in the prior year assumptions. The conditional offer of purchase did not proceed and is not a relevant assumption in the current year.

Operators interest valuation of property

A registered valuer was engaged to provide a current market valuation "as if complete" of the Palm Grove Retirement Village. Subject to the full sell down of the 69 retirement apartments and 12 villas, the valuation derived a value of $17.7m (2018: $17.3m) zero rated for GST. The valuation was performed in two parts. The fair value of operator's interest in the proposed apartments within the village was valued by reviewing the information provided and reviewing relevant general and economic factors and applying a percentage of in-going sales.

NOTE 9: FAIR VALUE MEASUREMENT (CONTINUED)

(c) Valuation processes used for level 3 fair value measurements (continued)

Operators interest valuation of property (continued)
The fair value of the operator's interest in the existing village was valued using a discounted cash flow model. The discount rate applied was 16% (2018:16%). The Partnership's property was valued by CBRE Limited, Michael Gunn, registered valuer VPM, SPINZ, ANZIV an independent valuer, effective 31 March

In the current year the Directors note that the "as-if-complete" valuation values the village at current market value. Based on industry experience and benchmarks the Directors observe that the valuations of completed villages operating on a going-concern basis typically have significantly increased valuations from the "as-if-complete" valuations performed during development. With Stage 1 of the Palm Grove village close to completion, the Directors have included a "going-concern" valuation assessment of $3.9m in their overall evaluation of fair value.

The percentage of ingoing sales applied by for the “as-if-complete” valuation has been set to the proposed Village Contribution of 25%. The percentage of ingoing sale applied for the “going-concern” valuation has been set to 35%, reflecting the Directors observation of similar completed villages and based on industry experience.

The discount rate has been calculated by management and reflects current market conditions, expected returns and the discount rate used by the registered valuer when valuing the retirement village at Palm Grove.

(d) The following table summarises the quantitative information about significant unobservable inputs used in measuring the fair value

2019	Significant unobservable inputs	Relationship of unobservable inputs to fair value. The estimated fair value
Investment in Palm Grove Partnership	Current market valuation "as if complete" - $17.7m	The current market valuation was higher/(lower)
	Percentage of in-going sales	Percentage of in-going sales was higher/(lower)
	Increase in construction costs	Construction cost increase was lower / (higher)
	Decrease in sales price of apartments	Sales price of apartments was higher / (lower)
	Increase in funding rates	Funding rates increase was lower / (higher)
	Delay in construction	Construction being delayed was shorter / (longer)
	Discount rate	The discount rate was lower /(higher)

SENIOR TRUST CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

NOTE 9: FAIR VALUE MEASUREMENT (CONTINUED)

(d) The following table summarises the quantitative information about significant unobservable inputs used in measuring the fair value (continued)

2018	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value. The estimated fair value would increase /(decrease) if:**
Investment in Palm Grove Partnership	Acceptance of an offer for purchase	Acceptance of an offer for purchase was more likely / (unlikely)
	Current market valuation "as if complete" - $17.3m	The current market valuation was higher/(lower)
	Increase in construction costs	Construction cost increase was lower / (higher)
	Increase in funding rates	Funding rates increase was lower / (higher)
	Delay in construction	Construction being delayed was shorter / (longer)
	Discount rate	The discount rate was lower /(higher)

(e) Sensitivity analysis for financial assets categorised as recurring level 3 fair value measurements

For the fair values of the following financial assets, the group assessed that changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly.

If the registered valuation were to increase/decrease by 1% from that used to determine fair values as at the reporting date, assuming all other variable that might impact on fair value remain constant, then the impact on profit for the year and equity would be +/- $200,000 (2018: $40,000).

If the discount rate were to increase/decrease by 1% from that used to determine fair values as at the reporting date, assuming all other variable that might impact on fair value remain constant, then the impact on profit for the year and equity would be +/- $100,000 (2018: $54,000).

If the percentage of in-going sales was to increase/decrease by 1% from that used to determine fair values as at the reporting date, assuming all other variable that might impact on fair value remain constant, then the impact on profit for the year and equity would be +/- $300,000.

NOTE 10: FINANCE RECEIVABLES

	2019	2018
	$	$
CURRENT		
Amounts receivables from:		
- Palm Grove Partnership	1,917,776	1,697,776
- Roys Bay Estate Limited	-	3,116,066
- Whitby Village (2009) Limited	1,781,403	-
	3,699,179	4,813,842
NON CURRENT		
Amounts receivables from:		
- Whitby Village (2009) Limited	-	1,631,403
- Palm Grove Partnership	15,657,201	7,675,701
- Ranfurly Village Limited	2,000,000	2,000,000
- Roys Bay Estate Limited	4,729,705	-
- Quail Ridge Country Club Limited	4,330,000	2,439,000
- Hauraki Village Limited	1,497,173	-
	28,214,079	13,746,104

Impairment
The credit quality of the loans are estimated by the directors and are considered to be high grade based on their current knowledge. After undertaking the procedures outlined in note 4(a) including reviewing credit risk characteristics relating to arrears and loan to value ratio and consideration of future looking events no provision for impairment is considered necessary (2018: nil).

Whitby Village (2009) Limited
Whitby Village's principal asset is the licensor's interest in Whitby Lakes Retirement Village.

The loan to Whitby Village (2009) Limited, which allows for a maximum facility of $5.0 million which expires no later than 30 September 2019. The loan earns interest at a rate of 16.50% per annum.

The loan securities are as follows:
- Deed of Guarantee and Indemnity granted by Alexander Simpson Foster, Philip Joseph Malloy and Graeme John Smith
- Deed of Guarantee and Indemnity granted by Whitby Lakes (2014) Limited and Twenty Twenty Property Partners Limited
- Third registered mortgage granted by the Operator (Whitby Village (2009) Limited) over the land at Whitby Lakes Village
- All obligations general security agreement granted by the Operator (Whitby Village (2009) Limited)

NOTE 10: FINANCE RECEIVABLES (CONTINUED)

Whitby Village (2009) Limited (Continued)
The estimated collateral value of the security over the loan is $56 million (2018: $39.3 million), consisting of $56 million (2018: $33.8 million) based on a valuation at 31 March 2019 performed by a registered valuer and nil (2018: $5.5 million) based on a Quantity Surveyors estimate of work in progress. Including all prior ranking security this represents a LVR of 55% (2018: 54%). The valuation was determined by quantifying the interest in the underlying freehold asset expressed as the Operator's interest subject to the terms of occupancy between the operators and residents. In the prior year the value of the work in progress for stage 5 of the development was calculated by a quantity surveyor. In the current year this was included in the valuation.

Valuation of the Operator's interest in the village has has been performed based on a discounted cash flow methodology where the projected gross income is reduced by actual and forecasted non recoverable costs. The future cash flows expected to be generated from the Operator's interest have been discounted to the valuation date at a discount rate reflecting the risk of the Operator's interest. Significant assumptions used by the valuer include a discount rate of 14% (2018: 14%). Other assumptions used by the valuer include current unit pricing, turnover of units, growth rates and non recoverable expenses and income and expense flows. In addition to the Operator's interest of $44.2 million (2018: $30.5 million) the valuation consists of unsold primary stock (apartments), basement car parks and development land.

Roy's Bay Estate Limited
The loan, with a balance of $4.7 million (2018: $3.1 million) at reporting date, allows for a maximum facility of $8.35 million (2018: $3.35 million) and expires no later than 20 April 2021 (2018: 1 June 2018). The loan earns interest at a rate of 15% (2018: 16%) per annum. On 3 May 2018 a variation agreement was signed changing maximum facility, interest rate and expiry date as outlined above.

The loan securities are as follows:
- second registered all obligations mortgages over the village property
- general security agreement from Roy's Bay Estate Limited
- all obligations guarantee and indemnity granted by Anthony Charles Russell Hannon and Christopher Alan Holmes
- the Deed of Priority

The collateral value of the security over all the loans to Roy's Bay Estate Limited is $16.8 million (2018: $11.0 million), excluding GST, which represents a LVR of 80% (2018: 60%). The fair value of the collateral was based on a valuation performed by a registered valuer dated 31 March 2019.

Valuation of the Operator's interest has been performed based on sales data, cost estimates, comparable sales and valuation calculations.

NOTE 10: FINANCE RECEIVABLES (CONTINUED)

Ranfurly Village Limited
The loan to Ranfurly Village Limited, which allows for a maximum facility of $2,000,000, expires no later than 24 May 2020. The loan earns interest at a rate of 15% (2018: 11.25%) per annum.

The loan securities are as follows:
- third all obligations mortgage over the village property
- second security ranking general security agreement from Ranfurly Village Limited
- all obligations guarantee and indemnity granted by Wilkinson Management Trust, Parkdale Capital Trust, and Graham Ross Wilkinson in his personal capacity
- the Security Sharing and Priority Deed
- deed of subordination

The estimated collateral value of the security over all the loans was $51.3 million (2018: $50.8 million). The fair value of the collateral was determined based on a valuation at 31 March 2019 of $51.3 million (2018: $38.6 million) performed by a registered valuer on the completed retirement village, aged care facility and development land, and the director's assessment of $nil (2018: $12.2 million) of additional retirement village blocks under construction. This assessment took into account a Quantity Surveyor's certified value of work-in-progress completed, engagement with the borrower and reviewing recent sales data of units in the retirement village blocks under construction. Including all prior ranking security (the total debt of Ranfurly Village Limited), this represents a LVR of 45% (2018: 54%).

Hauraki Village Limited
The loan to Hauraki Village Limited (Hauraki), which allows for a maximum facility of $1,600,000, expires no later than 20 September 2020. The loan earns interest at a rate of 15.75% per annum.

The loan securities are as follows:
- by first ranking mortgage over the property subject to a first ranking encumbrance registered in favour of the statutory supervisor
- general security agreement from Hauraki Village Limited
- unlimited guarantee and indemnity from Peter Herrick Andrew Rudkin

The collateral value of the security over the loans is $1.2 million which represents a LVR of 120%. The fair value of the collateral was based on a valuation performed by a registered valuer dated 31 March 2019. The valuation includes a developers margin of $595,000 which reduces the value of the security. The developer and the borrower are the same party. If the LVR is calculated after deducting the developers margin it is 81%. In addition the directors have undertaken the procedures outlined in note 3(a) including reviewing credit risk characteristics relating to arrears. The directors have assessed the credit quality of the loan and it is considered to be very good based on their current knowledge and their consideration of future looking events. No provision for impairment is considered necessary.

NOTE 10: FINANCE RECEIVABLES (CONTINUED)

Palm Grove Partnership

The loan to Palm Grove Partnership, which allows for a maximum facility of $21,000,000 (2018: $10,900,000), expires no later than 1 March 2021. The loan earns interest at a rate of 15% per annum.

The total loan to Palm Grove Partnership at reporting date was $17,574,977 (2018: $9,373,476). This amount was made up of $15,657,201 (2018: $7,675,700) from Senior Trust Capital Limited and $1,917,776 (2018: $1,697,776) from STC Orewa Limited. The balance loaned from STC Orewa Limited is repayable on demand.

The loan to Palm Grove Partnership is considered a related party transaction. STC Orewa Limited is a partner, with an 80% shareholding, in the Palm Grove Partnership, and is a wholly owned subsidiary of Senior Trust Capital Limited.

The loan securities are as follows:
- registered all obligations mortgages over the village property
- general security agreement from Palm Grove Partnership, STC Orewa Limited and Orewa Village Limited
- all obligations guarantee and indemnity granted by STC Orewa Limited and Orewa Village Limited
- the Security Sharing and Priority Deed

The estimated collateral value of the security over the loans is $29.5 million (2018: $16.9 million). The fair value of the collateral was determined based on an "as is" valuation performed by a registered valuer, a quantity surveyors valuation of work in progress of $14.7 million (2018: nil) and capitalised costs incurred as part of the overall retirement village development of $6.1 million (2018: $7.6 million). Including all prior ranking security, this represents a LVR of 93% (2018: 78%).

	March 2019	March 2018
Registered Valuation	$8.7m	$9.3m
Capitalised costs	$6.1m	$7.6m
QS Report	$14.7m	-
Total	----------------	----------------
	$29.5m	$16.9m
	==========	==========

Quail Ridge Country Club Limited

The loan to Quail Ridge Country Club Limited, which allows for a maximum facility of $6,000,000 (2018: $4,000,000), expires no later than 5 December . The loan earns interest at a rate of 15.75% per annum.

On 6 November 2018 a variation was signed to increase the facility from $4,000,000 to $6,000,000.

The loan securities are as follows:
- second all obligations mortgage over the village property
- general security agreement from Quail Ridge Country Club Limited
- all obligations guarantee and indemnity granted by Kerikeri Falls Investments Limited and Donald James Cottle, Jill Noeline Cottle and Kerikeri Falls Investments Limited.
- the Security Sharing and Priority Deed
- deed of subordination

NOTE 10: FINANCE RECEIVABLES (CONTINUED)

Quail Ridge Country Club Limited (continued)

The collateral value of the security over the loans is $24.3 million (2018: $18.1 million) which represents a LVR of 59% (2018: 63%). The fair value of the collateral was based on a valuation performed by a registered valuer dated 31 March 2019.

The valuation was determined by quantifying the interest in the underlying freehold asset expressed as the Operator's interest subject to the terms of occupancy between the operators and residents.

Valuation of the Operator's interest has been performed based on a discounted cash flow methodology whereby the future cash flows expected to be generated from the Operator's interest have been discounted to the valuation date at a discount rate reflecting the risk of the Operator's interest. Significant assumptions used by the valuer include a discount rate of 14% (2018: 14%). Other assumptions used by the valuer include average resale period, growth rates, refurbishment costs and estimated selling expenses.

NOTE 11: INTERESTS IN ASSOCIATES AND JOINT ARRANGEMENTS

(a) Joint Ventures

Interests are held in the following joint arrangement:

	Nature of relationship	Ownership interest		Measurement basis
		2019 %	2018 %	
Joint arrangement				
Forest Glen Limited Partnership	Partner	50	-	Equity accounted

Country of incorporation: New Zealand

Principal place of business: Auckland

Registration date: 29 November 2018

NOTE 11: INTERESTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

(b) Summarised financial information for joint venture

	Forest Glen Limited Partnership $
2019	
Cash and cash equivalents	7,727
Other current assets	455
Plant & equipment	3,051
Investment property	18,600,000
Total assets	18,611,233
Other current liabilities	(5,492)
Related party advance	(43,630)
Borrowings	(9,102,840)
Total liabilities	(9,151,962)
Net assets	9,459,271
Rent received	58,898
Fair value gain on investment property	441,522
Finance costs	(300,979)
Other expenses	(66,876)
Total comprehensive income	132,565
Group's % share of total comprehensive income	50 %
Group's share of total comprehensive income	66,283
Reconciliation to carrying amount of interest in joint venture:	
Opening net assets	9,326,706
Add: Current year profit / (loss)	132,565
Add: Other comprehensive income	-
Closing net assets	9,459,271
Group's % share of net assets	50.0%
Group's share of net assets	4,729,636
Additional capital contributed by joint venture partner	(173,596)
Carrying amount of investment	4,556,040

NOTE 11: INTERESTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

(b) Summarised financial information for joint venture (Continued)

The Forest Glen Limited Partnership ("the Limited Partnership") has two limited partners each with a 50% ownership interest. One of the limited partners being STC-Orewa Limited, a wholly owned subsidiary of Senior Trust Capital. The Group's capital contribution to the Limited Partnership was $4,489,757.

The General Partner of the Limited Partnership is Senior Trust GP Limited, of which STC-Orewa Limited is a 50% shareholder.

The Directors have exercised significant judgment and it has been concluded that neither limited partner has power over the Limited Partnership to direct its operating and financing activities and as such the Groups investment in the Limited Partnership has been accounted for using the equity method.

I*nvestment property*

Investment property was valued by Eyles McGough Limited, independent registered valuers, on 31 March 2019, based on sales data, cost estimates, comparable sales and valuation calculations. The key inputs, judgments, estimate and assumptions made in the valuation include returns from the sale of units, profits from operations, long term financial entitlements, the value of undeveloped land and value of operators interest using a discount rate of 14%.

Investment property consists of:

488 & 496C Hibiscus Coast Highway Orewa - The property has an area of 11,523 sqm and resource consent has been granted to develop a 109 Residential Unit Retirement Village. The property currently has 11 residential units generating rental income. Factoring in the Resource Consent, an independent valuer has valued the land at $17.5 million ($1,519 per sqm). The land was valued at $17.0 million on acquisition.

19 Annalise Place, Orewa - the property has an area of 297 sqm and has a modern two bedroom townhouse on site generating rental income. An independent valuer has valued the land at $825,000 ($2,778 per sqm).

A $275,000 deposit on a property that has not yet settled.

Borrowings

The borrowings of $9,102,840 were repaid on 17 May 2019. The repayment was financed by way of first mortgage secured debt with an interest rate of 10% and repayable after 12 months, and funding from Senior Trust Capital Limited by way of a second mortgage security at an interest rate of 8% (refer note 21).

Under the terms of the Partnership Agreement the initial funding is to be entered into with Senior Trust Capital and/or related entities.

Commitments and contingent liabilities

Forest Glen Limited Partnership does not have any commitments or contingent liabilities at 31 March 2019 with the exception for a contract to purchase additional property for $1.2 million. A deposit of $275,000 was paid before reporting date.

	2019 $	2018 $

NOTE 12: PAYABLES

	2019 $	2018 $
CURRENT		
Unsecured liabilities		
Trade creditors	60,549	45,979
Sundry creditors and accruals		
Distribution payable	652,473	269,057
PIE tax payable (refer note 6)	-	108,392
Accrued expenses	84,960	187,486
Sundry creditors	25	510
	798,007	611,424

NOTE 13: BORROWINGS

	2019 $	2018 $
CURRENT		
Secured liabilities		
Bank overdraft	-	371,101
NON CURRENT		
Unsecured liabilities		
Loan from Orewa Investments Limited	3,800,000	2,300,000

Overdraft
Senior Trust Capital Limited has an overdraft facility of $1,000,000 (2018: $500,000) with the Bank of New Zealand. This facility is secured by a first ranking general security agreement in favour of the Bank of New Zealand. Interest is charged at 6.93% (2018: 7.06%).

Loan from Orewa Investments Limited
During the year the Group sold further beneficial interests in its loan to Palm Grove Partnership amounting to $1,500,000 (2018: $2,300,000) to an unrelated third party. The consideration was equal to the fair value and the face value of the beneficial interest in the loan. The beneficial interest sold did not meet the criteria for derecognition of a financial asset and accordingly a liability has been recorded for the consideration received for the beneficial interest in the loan. The entire loan receivable from Palm Grove Partnership is recorded as an asset (refer note 9). Interest is payable at 15% per annum less a loan monitoring fee of 4% per annum, accordingly the net fee is 11% per annum. The loan is unsecured and repayable by 1 March 2021.

The Group is only required to repay the loan to Orewa Investments Limited if it receives repayment of its loan from Palm Grove Partnership. Loan repayments are pro rated between the Group and Orewa Investments Limited based on the proportion of the principal debt outstanding and in accordance with the Security Trust Deed for Palm Grove Partnership.

		2019	2018
		$	$

NOTE 14: SHARE CAPITAL

		2019 $	2018 $
Issued and paid-up capital			
34,874,818 (2018: 16,070,583) Ordinary shares	(a)	34,480,853	15,676,617

	2019		2018	
	Number	$	Number	$
(a) Ordinary shares				
Opening balance	16,070,583	15,676,617	13,418,739	13,024,773
Shares issued	18,814,235	18,814,236	2,823,619	2,823,619
Transactions with ESOP	(10,000)	(10,000)	(171,775)	(171,775)
At reporting date	34,874,818	34,480,853	16,070,583	15,676,617
Total shares on issue	37,641,421		18,827,186	
Less shares held by ESOP (refer note 18)	(2,766,603)		(2,756,603)	
Net shares	34,874,818		16,070,583	

Shares issued

Shares have been issued under the terms of the continuous offer which opened on 14 April 2015 and has no end date. Under the terms of the Share offer, Directors are not obliged to accept applications and can decide to suspend offering Shares at any time.

The price during each Dividend Distribution Period is calculated as the value of a share as determined by the directors as fair and reasonable to existing Shareholders based on the net tangible assets at the end of the last Dividend Distribution Period.

Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 14: SHARE CAPITAL (CONTINUED)

Capital management

The Group's capital, from a management perspective, is its share capital and its Retained Earnings. The Group is not subject to externally imposed capital requirements. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide benefits to the shareholders and benefits for other stakeholders and to return to an optimal capital structure to reduce the cost of capital.

NOTE 15: EARNINGS PER SHARE

	2019 $	2018 $
Cents per share		
Basic earnings per share	0.06	0.15
Diluted earning per share	0.06	0.15

Basic earnings per share is calculated as profit divided by the weighted number of issued shares for the year.

Diluted earnings per share is calculated as profit divided by the weighted number of shares plus any deferred shares which are expected to be issued after balance date.

	2019	2018
Reconciliation of earnings used in calculating earnings per share		
Profit attributable to the shareholders of the Group used in calculating earnings per share	1,569,689	2,110,261
Weighted average number of shares used as the denominator		
Weighted average number of shares used as the denominator in calculating basic earnings per share	24,622,457	13,990,866
Weighted un-allotted shares issued after balance date	-	-
Weighted average number of shares and potential shares used as the denominator in calculating diluted earnings per share	24,622,457	13,990,866

NOTE 16: RELATED PARTY TRANSACTIONS

No related party balances have been written off or forgiven during the year (2018: nil).

(a) Transactions with key management personnel

	2019	2018
	$	$
Salaries and bonuses	259,022	296,399
Professional fees (loan administration, project consulting and marketing)	258,761	235,150
Director fees	83,400	103,400
Short-term employee benefits	601,183	634,949

The key management personnel of the Group are the Directors, John Jackson - Director and Employee and Tracey Goodin - Non-Executive Director and Aidan Craig - Non- Executive Director (resigned 3 May 2019).

Director's fees of $83,400 (2018: $103,400) were paid to Non- Executive Directors during the year.

The Group has an employment contract with John Jackson. Executive Director remuneration of $259,022 (2018: $220,000) per annum was paid to John Jackson. In addition a bonus of $nil (2018: $76,399) was paid during the year.

During the year Aidan Craig provided marketing services of $57,504 (2018:$57,724) and consultancy services of $201,657 (2018: $84,526) to the Group.

During the year Trydan Limited, a company which Tracey Goodin is a director and shareholder, provided management services of $nil (2018: $15,749) to the Group.

(b) Transactions with Palm Grove Partnership

	2019	2018
	$	$
Interest received	1,590,975	904,613
Recharge of costs	69,000	69,000

STC Orewa Limited is a partner, with an 80% shareholding, in the Palm Grove Partnership, and is a wholly owned subsidiary of Senior Trust Capital Limited. Refer note 10 for loan terms.

(c) Transactions with Senior Trust Management Limited

	2019	2018
	$	$
Management services income	12,000	39,000
Management services expense	-	(110,909)
Recharge income	(55,002)	-

Senior Trust Management Limited (as manager of the Senior Trust Retirement Village Fund - Portfolio E and Senior Trust Retirement Village Listed Fund) and the Group are related as one of the Directors of the Group (John Jackson) is a beneficiary of the Dadrew Trust which is the sole shareholder of Senior Trust Management Limited.

NOTE 16: RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with Senior Trust Management Limited (Continued)
A management services agreement between the Company and Senior Trust Management Limited was entered into on 7 March 2016. The agreement records the terms under which the Senior Trust Management Limited provides administration management and accountancy services to the Company (this section of the agreement is currently in abeyance) and receives sales and marketing services from the Company.

(d) Transactions with Forest Glen Limited Partnership

	2019	2018
	$	$
Investment in Forest Glen Limited Partnership	4,556,040	-

The Group is a 50% joint venture partner in the Forest Glen Limited Partnership.

(e) Amounts due from Palm Grove Partnership

	2019	2018
	$	$
Finance receivables	17,574,978	9,373,476
Trade debtors	5,750	157,250
Accrued interest	160,594	62,777

STC Orewa Limited is a partner, with an 80% shareholding, in the Palm Grove Partnership, and is a wholly owned subsidiary of Senior Trust Capital Limited. Refer note 10 for loan terms.

(f) Amounts due from key management personnel

	2019	2018
	$	$
Employee loan	400,000	400,000
Accrued interest	1,960	569

From 23 March 2018 the employee loan to John Jackson incurs interest at the the FBT prescribed rates. Prior to this the loan did not incur an interest charge. This was compensated by the employee receiving reduced employee compensation whilst John Jackson remains an employee of the Company. John Jackson's compensation was net of the unrecorded interest in the prior year.

During the year interest of $23,078 (2018: $596) was received on the shareholder loan.

The loan is repayable on the winding up of the Company. The loan is secured by way of General Security Agreement over the 400,000 in the Company shares held by John Jackson.

John Jackson receives a quarterly shareholder distribution, similar to all other shareholders amounting to $30,521 (2018: $32,000).

NOTE 17: CASH FLOW INFORMATION

	2019 $	2018 $
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year	1,569,689	2,110,261
Tax paid on behalf of shareholders	(126,181)	(210,101)
Fair value gain / (loss) on financial assets	300,000	(1,099,920)
Share of joint venture entity net profit	(66,283)	-
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	115,693	(184,485)
(Increase) / decrease in other assets	(34,968)	1,036
Increase / (decrease) in payables	(88,440)	114,614
Increase / (decrease) in PIE tax liability	(115,705)	53,683
Cash flows from operating activities	1,553,805	785,088

(b) Reconciliation of cash

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position is as follows:

	2019 $	2018 $
Cash at bank	1,935,770	2,137
Bank overdrafts	-	(371,101)
	1,935,770	(368,964)

NOTE 18: EMPLOYEE SHARE OWNERSHIP PLAN

An Employee Share Ownership Scheme ("ESOP") was created in 2015 under which eligible employees of the Group will be offered the opportunity to acquire shares in the Company. The plan established a trustee company to purchase shares in, and with financial assistance from the Group. The ESOP may also sell shares to non-employees. The trustee company purchases shares at the current price at which shares in the Group are offered to the public under its registered offer documents, which at present equates to $1 per share.

During the year the trustee acquired a further 10,000 (2018: 171,755) shares at $1 per share and sold nil (2018: nil) shares at $1 per share.

No shares have been allocated to employees (2018: nil).

The transactions of the ESOP are consolidated in these financial statements.

	2019 Shares	2019 $	2018 Shares	2018 $
Opening balance	2,756,603	2,756,603	2,584,828	2,584,828
Shares acquired from third parties	10,000	10,000	171,775	171,775
Closing balance	2,766,603	2,766,603	2,756,603	2,756,603

NOTE 19: CAPITAL AND LEASING COMMITMENTS

There are no material capital or leasing commitments at the reporting date (2018: nil).

NOTE 20: CONTINGENT LIABILITIES

Senior Trust Capital Limited has provided a guarantee in favour of the Bank of New Zealand up to the value of $4,316,800 (2018: $2,296,000) for all amounts payable by Palm Grove Partnership to the Bank of New Zealand. The Group has no other contingent liabilities at year end (2018: nil).

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

The following transactions have occurred subsequent to reporting date:

A loan agreement was signed with Forest Glen Limited Partnership (of which the Group is a 50% joint venture partner as outlined in note 11) to assist with re-financing of mortgage debt and to assist with funding the proposed development of a retirement village. The maximum loan facility is $16 million with a term of 3 years expiring 17 May 2022.

On 20 May 2019 Pearl Fisher Capital Limited provided a first mortgage facility of $8.2 million plus establishment fees of $0.5 million to a wholly owned subsidiary of Forest Glen Limited Partnership. Senior Trust Capital Limited has provided a guarantee in favour of Pearl Fisher Capital Limited up to the value of $8.7 million.

Senior Trust Capital Limited increased its guarantee, on drawdown of the Construction facility, in favour of the Bank of New Zealand from $4,316,800 to $14,480,000 for all amounts payable by Palm Grove Partnership to the Bank of New Zealand. Refer note 8.

There has been other no matter or circumstance, which has arisen since 31 March 2019 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 March 2019, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 31 March 2019, of the Group.

NOTE 22: CHANGES IN ACCOUNTING POLICIES

Impact of the adoption of NZ IFRS 9 and NZ IFRS 15

This note explains the impact of the adoption of NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

The Group adopted NZ IFRS 9 and NZ IFRS 15, respectively, from 1 April 2018.

NZ IFRS 9 Financial Instruments

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in NZ IAS 39, 'Financial Instruments: Recognition and Measurement', that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets:amortised cost, fair value through other comprehensive income ('OCI') and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

There is now a new expected credit losses model for impairment that replaces the incurred loss model used in NZ IAS 39.

The adoption of NZ IFRS 9, did result in changes to the Group's accounting policies with respect to the recognition and measurement of impairment of the Group's financial assets. These new accounting policies are set out in note 1(g) to these financial statements and notes.

There were no reclassification adjustments between financial asset categories.

The Group has the following types of financial assets measured at amortised cost that are subject to NZ IFRS 9's new expected credit loss model:

- trade receivables;
- other receivables; and
- finance receivables.

The Group has updated its impairment methodology under NZ IFRS 9 for each of these classes of assets.

There were no adjustments to the amounts of impairment recognised against the Group's financial assets in the financial statements on adoption date, 1 April 2018.

The adoption of NZ IFRS 9 and the changes to its impairment methodology from 1 April 2018 did not have a material impact on the financial statements of the Group.

While cash and cash equivalents are also subject to the impairment requirements of NZ IFRS 9, the identified impairment loss was immaterial.

There were no changes to the classification, recognition and measurement of the Group's financial liabilities as the Group's financial liabilities.

NOTE 22: CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Impact of the adoption of NZ IFRS 9 and NZ IFRS 15 (continued)

NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 'Revenue from Contracts with Customers' replaces the guidance in NZ IAS 18 'Revenue' and associated pronouncements.

NZ IFRS 15 provides a five step model to be applied to the recognition of revenue arising from contracts with customers:

• identify the contract with the customer;

• identify the performance obligations in the contract;

• determine the transaction price;

• allocate the transaction price to the performance obligations in the contract; and

• recognise revenue when (or as) the entity satisfies a performance obligation.

NZ IFRS 15 also introduces new disclosures for revenue.

NZ IFRS 15 requires the Group to recognise revenue when (or as) it satisfies a performance obligation by transferring a promised service to a customer (which is when the customer obtains control of that service). A performance obligation may be satisfied at a point in time or over time. For a performance obligation satisfied over time, the Group will select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

The adoption of NZ IFRS 15 did not have a material impact on the accounting policies or financial statements of the Group.