



Third Age
Health

ANNUAL REPORT

2022



Our goal

To be the healthcare provider of choice for older adults living in a range of settings throughout New Zealand.



Care | Trust | Kindness

OUR BUSINESS

Third Age Health currently provides healthcare services for older adults living in aged residential care (ARC) facilities, care home hospital wings and dementia units. In addition we provide primary healthcare for people of all ages via a group of boutique community general practices in key locations.



Our specialised team of around 30 Nurse Practitioners and General Practitioners work in partnership with ARC providers and their care teams.



Our dedicated clinical teams provide onsite clinics, rostered rounds and after hours on-call medical care for residents of our ARC partners.



Through our family of general practices, we provide quality healthcare for people of all ages in the community and they are the 'hubs' to extend services to ARC facilities.



We offer community-based, mobile and virtual services that deliver quality healthcare.

We have national reach and currently provide services to over 50 ARC facilities throughout the country, including some of the largest aged care providers in New Zealand.



OUR OPPORTUNITY

An ageing population

New Zealand has an ageing population, with the numbers of those aged over 65 years expected to accelerate over the next 50 years and account for 23% of New Zealand's population by 2036. In May 2022 there was 780,880 people over the age of 65 years, this is expected to more than double by 2048, when an estimated 1.5M people will be aged over 65 years.

The 85+ years age group is also forecast to increase by more than 30% by 2048, from 88,000 people in 2020 to between 270,000 – 320,000 people.(i)

Increasing healthcare demands as people age

Since the early 1990s, average life expectancy in New Zealand has gone up by nearly six years, with the average New Zealander now living up to 82 years of age.(ii)

As people age, their healthcare demands increase, with those aged over 65 years accounting for 16% of the population but using over 42% of healthcare services. The average 85 year old uses 16 times more healthcare than the average 40 year old.

More emphasis is being put on prevention strategies to help people age positively and remain healthier for longer.

With increasing numbers of people entering aged care, often with complex health needs, the demand for quality healthcare services will continue. Private sector aged care providers need trusted partners – Third Age Health is aiming to meet this need.

A desire for continuity of care

The number of people moving into a retirement village is growing and patients are looking for continuity of care as they transition to a different living environment.

Workforce headwinds

The aged care sector faces challenges resourcing their clinical needs due to an aging workforce, smaller numbers of new people entering the sector, increasing workloads and low funding for ARC in New Zealand.

There is recognition today that the increasing care needs in aged residential care are being stretched and that additional funding and resource will be needed over time.

Our Strengths

Third Age Health is well positioned to respond to the growing market need.

We specialise in providing care for older people, aged 65+ years.

We have a proactive model of care focused on prevention and maintaining quality of life.

At the core of our business are our partnerships with aged care providers around New Zealand.

Our specialised aged care clinical teams work in partnership with clients to deliver a quality healthcare service.

Our goal is to be an employer of choice, providing attractive career pathways and a rewarding environment for healthcare professionals.

We are advocates and thought leaders for aged care in New Zealand, continually seeking improvements in the provision of care.

(i) National population projections 2020 (base) – 2073, Statistics New Zealand, 8 December 2020. <https://www.stats.govt.nz/information-releases/national-population-projections2073#ageingwww.stats.govt.nz>

(ii) Health's insatiable demand for expenditure, 21 April, 2021. <https://berl.co.nz/economic-insights/healths-insatiable-demand-expenditure>

FY22 HIGHLIGHTS AND EVENTS AT A GLANCE

Third Age Health is making positive progress under its new leadership team, with Board approval of a future focused strategic plan, ongoing acquisitions of community General Practices and investment into people, systems and capabilities to enable growth.

- First full year as a listed company
- Strengthened the leadership team with the appointment of Tony Wai as new Chief Executive Officer from October 2021 and Neil Hopkins joining the company as Acting Chief Financial Officer in June 2021
- Continued to deliver quality patient care to aged care providers and patients across New Zealand. Third Age Health's standard use of remote management and telehealth services have proved invaluable in the Covid-19 environment
- Refreshed the Board with appointment of two new directors - Wayne Williams as an Independent Director and Diane Budres as a non-Independent Director
- Announced the retirement of Bevan Walsh as chair, effective from the conclusion of the 2022 Annual Meeting, and the appointment of John Fernandes as incoming chair
- Wayne Williams announced as incoming Audit Committee Chair to take up the role when John Fernandes commences as Board Chair.

Strategic progress

- Business review completed by new CEO and Board approval of a future focused strategic plan
- Growing number of clinical practitioners joining the group
- Appointment of a Medical Director, Dr Peter Zink
- Establishment of Clinical Team and Clinical Advisory Committee
- Signing of new contracts with ARC providers
- Acquisition of Belmont Medical Centre, which was settled on 11 October 2021, and Ponsonby Medical Centre, which settled 31 March 2022
- Investment into resources and capability

FY22 FINANCIAL SUMMARY

Audited results for the year ended 31 March 2022

	FY22 \$000	FY21 \$000	% Change
ARC Revenue	4,712	4,754	(0.9%)
GP Revenue	1,188	736	61.4%
Total Revenue	5,900	5,490	7.5%
NPBT	1,561	1,553	0.5%
NPAT	1,173	1,041	12.7%
Cash at year end	1,124	1,829	(38.5%)
Total assets at year end	4,860	3,550	36.9%
Dividends declared excluding FY21 special dividend (cents per share)	8.57	8.02	6.8%

- Result reflects first full year as a listed company and associated expenses, investment into resources, a number of one-off expenses reflecting the business reset plus five months' contribution from Belmont Medical Centre, following its acquisition on 11 October 2021
- Performance in line with the record FY21 result, despite challenges and sector headwinds during the year
- GP revenue was up 61.4% of which 23.5% was organic growth from existing general practice Hawkes Bay Wellness
- Total revenue \$5.9m, up 7.5% year-on-year
- Gross margin increased from 60% to 63%
- Total expenses increased in line with investment into workforce and capability and include a number of one-off expenses reflecting the business reset

CHAIR REPORT



Dear Shareholder

We are pleased to present to you Third Age Health's Annual Report for the 12 months ended 31 March 2022, which celebrates our first full year as an NZX-listed company.

Your Board's primary priority during the year was to ensure we had the right strategy and leadership team in place to enable us to take advantage of the growth opportunities we had identified for the company.

New leadership

Our first step was the appointment of Tony Wai as our new CEO, who commenced the role in October 2021. It was very important for the Board that we had someone with the necessary vision, energy, relationship-building-skills, health system expertise and specific experience to lead our company.

Tony has spent the last fourteen years in two major organisations within the health sector in New Zealand, in C-suite roles including Chief Operations Officer, Chief Financial Officer, and more recently, as interim CEO at Procure. His wealth of experience and vision for how we can better-serve our clients and patients is already proving of value to Third Age Health.

Refining our strategy

When we listed the company in February 2021, we outlined the opportunity we saw to expand our services and build demand for our innovative, integrated model of care for older people.

Following the appointment of Tony Wai, an indepth business review was undertaken to further refine our strategy and ensure an appropriate operating model was in place to drive sustainable long term growth for Third Age Health.

A future-focused strategy has now been put in place, which revolves around providing a consistent primary health service as people move from community living into the aged care setting. We expect our growth to be driven by increasing the number of partnerships with Aged Residential Care providers, and through expanding our offer to people living independently in retirement villages and in the local community.

Our business model centres on four pillars – workforce and capability, clinical efficiency and quality, commercial sustainability and growth, and health innovation. Initiatives are being progressed under each of these areas.

I have also announced my resignation as Chair, effective from the conclusion of the 2022 Annual Shareholders' Meeting. Founding a service that provides high quality primary medical care to older adults and helping to guide it to the point it is at now, has been the highlight of my career. I am incredibly proud of what has been achieved in terms of health services innovation to date. I will continue to serve as a Board director and intend to remain a significant shareholder for the foreseeable future.

I am delighted to announce that John Fernandes has been appointed to succeed me as Chair. John has been a director of the company since 2019, and serves as our Audit Committee Chair. That role will be fulfilled by Wayne Williams as soon as John steps into his new role as Chair. I am excited to see Third Age Health continue to grow and deliver, under the leadership of John as Chair of the Board and Tony Wai as CEO.

Outlook

We are committed to creating a sustainable business, one with a strong long-term outlook which provides high-quality services to our patients and customers and creates value for shareholders.

New Zealand has a rapidly aging population and there is growing demand from those people who wish to 'age in place'. Third Age Health has identified the potential to expand its offer beyond aged residential care facilities and with an innovative approach and by building capacity we are aiming to respond to this growing market need.

It's clear in the current tight healthcare labour market that finding and recruiting a quality clinical team is a challenge and is key to meeting the population needs. It's fair to say though, that it's always been a challenge, and we've expanded our reach over the years in spite of it, but it shouldn't be forgotten that it is an important factor in our ability to grow, and is always a focus - how we can attract and retain our professional clinical team to serve our patients and clients.

I believe it will be even more important in future for us to successfully leverage the effects of our human resources - to efficiently do more with the team we have and even more with those we will add - not by people working harder (they already work really hard) but by us developing, over time, more efficient ways to deliver care for our patients, and I expect very good results on this front from our recent investments in capability that Tony has outlined in his CEO overview on the following pages.

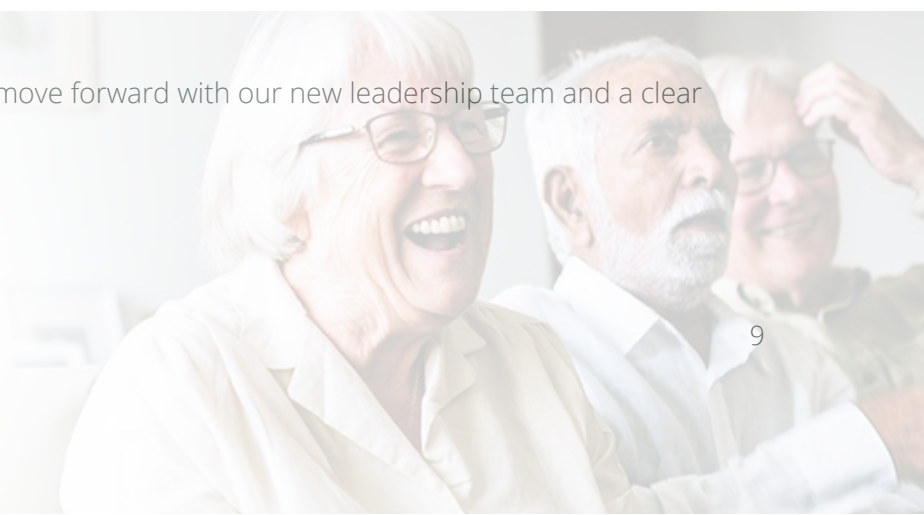
We have substantial momentum in FY23 as we utilise the additional resources and capability we have already invested into over the past few months, to execute on our strategy. Our team are assiduously developing ever more intelligent ways to realise the growth potential for our company, and we will be innovative and resourceful as we navigate the risks and challenges of the current environment.

We are excited about our future as we move forward with our new leadership team and a clear strategy for growth.

Thank you for your support.



Bevan Walsh | Chair



CEO REVIEW

At Third Age Health, we aspire to be the national healthcare provider of choice for older adults living in a range of settings throughout New Zealand. We will do this by providing a consistent primary health service as people move from community living into the aged care setting.



It has now been six months since I joined Third Age Health and I have been inspired by the passion and commitment of our team, and those we partner with, to providing a quality healthcare service for older New Zealanders.

FY22 Performance

Third Age Health delivered a pleasing performance in FY22, despite challenges and sector headwinds including ongoing impacts from the Covid-19 pandemic, rising costs and work force pressures. In particular, the effects of the pandemic and workforce shortages constrained our progress on some greenfield opportunities.

Following an indepth review during the second half of the financial year, we are now investing into capability and systems to support future growth. The full year result reflects this investment as well as a number of one-off expenses related to the business reset and five months' contribution from Belmont Medical Centre, following its acquisition on 11 October 2021.

Total Revenue increased 7.5% year on year to \$5.9m, driven by the strategic acquisition of community General Practices, with 61.4% growth in GP revenues. Hawkes Bay Wellness Centre recorded growth of 23.5%, with revenue for the year of \$0.9m (FY21: \$0.7m), while new General Practice, Belmont Medical Centre Limited, which was acquired on 11 October 2021, contributed an additional \$0.3m revenue since acquisition. Revenue from services to Aged Residential Care facilities was in line with the prior year, with the decision of one client to move services in-house quickly offset by the addition of a number of new ARC partnerships in Taranaki, a new market for us.

Gross margin increased from 60% to 63%, benefiting from the expanded General Practice portfolio.

Total expenses grew in line with planned investment into the workforce and capability and also include a full year of listed company and governance costs following listing in February 2021. There were a number of expenses totalling \$0.14m during the year that are considered one-off and non-recurring that reflect the period of reset.

Net profit after tax (NPAT) increased by 12.7% to \$1.2m.

Third Age Health has a strong financial position with net operating cashflow of \$1.0m. Cash and cash equivalents were \$1.1m as at 31 March 2022.

Setting a pathway for future growth

When first taking on the role of CEO in October last year, I conducted a deep dive review of our operating model and sector opportunities. This has allowed us to further refine our strategy to enable us to achieve our goals. We have identified two pathways to grow our company and deliver value for our shareholders.

Firstly, to increase the number of partnerships we have with Aged Residential Care providers; and secondly, to expand our offer to older people in the local community and those living independently in retirement villages. Acquisition of local GP clinics plays an essential supporting role in this.

Our growth strategy is supported by attractive sector dynamics including an ageing population, an increasing need for quality care and escalating demand for qualified clinicians specialising in providing care for older people.

To support our growth aspirations, we have been investing in capability to enable Third Age Health to take advantage of the opportunities that exist and to keep growing. We have four clear pillars which support our business model and already we are making good progress on initiatives under each of these.



Workforce and capability

As New Zealand's aging population grows, so does the demand for quality nurses and doctors who have a passion for providing care for older people. This is a complex, high demand and growing area, with well documented challenges around resourcing. We take the pressure off our customers by providing specialised aged care clinical teams to work in partnership with them to deliver a quality healthcare service.

To support our growth aspirations, we have a need for high quality practitioners. A number of our practitioners are recruited from offshore, a process that has been particularly disrupted by COVID-19. With restrictions lifting, we are now actively recruiting to build our team.

Our goal is to be an employer of choice, providing attractive career and development pathways and a rewarding workplace environment for healthcare professionals. Over the next year, we are looking forward to introducing a pathway for Registered Nurses to attain Nurse Practitioner qualifications, enabling them to provide a higher level of care and benefit from increased pay levels.

We recognise the additional challenges and disruption caused by the pandemic, which has particularly impacted on the delivery of aged care. On behalf of the Board and management, we would like to acknowledge and thank the Third Age Health team for their tireless efforts and commitment to delivering quality care for our patients. It is a privilege to work with these healthcare heroes who have gone above and beyond in their care over the last year.

Clinical efficiency and quality

Underpinning all we do is the provision of high quality healthcare. Our new strategy includes a reimagined care quality framework and ensures quality is at the heart of the healthcare service we provide.

We provide continuity of care from trusted clinicians and are advocates for improvements to support the provision of quality healthcare for older people. In line with this, we have been expanding our clinical oversight and guidance and, in March this year, established our first Clinical Advisory Committee. This is a key element of our transition to establish a revised model of care and quality framework that meets patient and client needs.

The Committee brings together thought leaders and experts from clinical and academic backgrounds across a range of disciplines. The committee is chaired by Third Age Health Medical Director, Dr Peter Zink, who was appointed in December 2021. Working alongside him another new appointee, Clinical Change Advisor Lucy Wu, who was the driving force behind the establishment of the Committee.

We see this as an important step in not only improving the healthcare we are delivering but also a way of increasing collaboration across the sector. Our intention is to be action orientated and the drivers of change and we're keen to share what we learn along the way in the hope that it contributes to solving some of the macro level issues and improves healthcare for older people.

Commercial growth

Our revenue is generated from ARC contractor services, patient enrolment and patient visits, and we monitor our performance closely.

With New Zealand's rapidly aging population there is the potential to grow beyond aged care facilities and to include those people who wish to age in place, and this will be part of our longer term strategy.

While our core focus remains on the provision and management of healthcare services to Aged Residential Care (ARC), private geriatric hospitals and secure dementia facilities, we are now looking to expand our services to older people living in a wider range of settings. This includes those living independently or in serviced apartments in a retirement village, as well as those still at home in the community.

The integration of general practice into our operating model builds capability and resilience around our workforce; and enables continuity of care and a more comprehensive service offering for our Aged Residential Care facility clients; as well the ability to increase patient enrolments across both general practice and aged care.

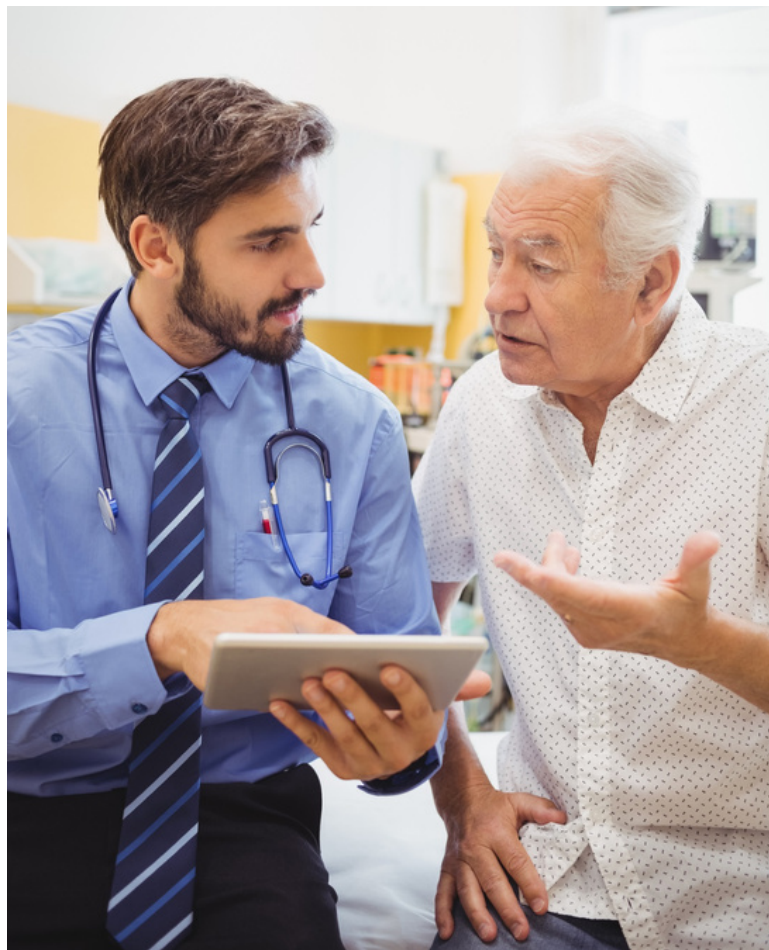
During the second half of the year, we were pleased to settle the acquisition of Belmont Medical on Auckland's North Shore, on 11 October 2021, and Ponsonby Medical Centre, which settled on 31 March 2022 with the benefits to be seen in FY23. Since year end, we have acquired Devonport Family Medicine.

A number of new service contracts have also been signed with ARC providers, including seven facilities in Taranaki, a new market for us.

Health innovation

One of Third Age Health's strengths is our integrated and innovative model of care. We are harnessing technology and building our virtual healthcare capability to enhance clinical efficiency and patient delivery. This has proved a valuable benefit during the Covid-19 pandemic, allowing us to keep our people and our patients safe and reducing the risk of infection, while continuing to provide personalised care.

Under our business investment plan, more capability has been introduced to the company, along with investment into IT systems and processes to enhance efficiency and patient delivery. This will enable future growth and increase our ability to scale to meet increasing demand.



Our focus on sustainability

Our people, our patients and the teams of carers at the ARC providers we partner with are at the heart of our business. As to be expected therefore, the social aspect of our ESG philosophy is the most important to us.

We have programmes in place to help our people realise their ambitions and achieve their goals. Our Clinical Advisory Committee will take a lead role in identifying solutions and advocating for improved care for senior people. And we will continue to work closely with other sector organisations to ensure that together we can develop and deliver the best possible model of senior care.

While our environmental footprint is not large, we are conscious of taking steps to minimise our impact where we can. Our increasing use of digital technology to deliver virtual healthcare not only enhances how we deliver care, but also has environmental benefits with less travel required.



Outlook

We have big aspirations, a clear strategy and great people in place to help us realise our ambitions. Our focus remains on our key drivers – increasing patient enrolments in our family of general practices and in contracted aged care facilities; acquisitions of primary care medical centres; and ongoing business improvements.

Over the next 12 to 18 months, we will continue to build capability, continue execution on our new strategy and invest into our business and growth initiatives.

We have initiatives in place to expand our reach and are building strategies to attract and retain a valuable clinical workforce. Our ongoing investment in data and technology will help us streamline and optimise the delivery of care and will create the ability to scale our business efficiently. We will continue to identify general practices in key areas to add to our network, to provide an anchor for local aged care clients.

In FY23, our strategic focus is on building a sustainable platform to enable Third Age Health to scale and take advantage of identified opportunities for growth.

Thank you for your support.



Tony Wai | Chief Executive Officer



FY2022 HIGHLIGHTS

During the past year Third Age Health has expanded its national footprint with the addition of a new region; providing medical services to seven ARC facilities in Taranaki. In addition two new general practices have been added to the network. Our combined ARC and general practice enrolled population is up approximately 40% on FY2021.



56

ARC clients



3

General Practices*



11,537

Total enrolled patients**



4,703

Of the total enrolled patients are 65+ years

* Since year end, 31 March 2022, TAH added another General Practice to its group, Devonport Family Medicine on 2 May 2022, taking the total to four at time of this annual report publication.

** This figure does not include Devonport Family Medicine as the practice was purchased outside of FY22.

Creating a network of community general practices to support ARC service delivery

A key strategy for Third Age Health is to expand our spectrum of care to those living independently in retirement villages or in the community. Growing our family of local GP practices is an important component to delivering on this opportunity. Local GP practices provide an anchor point to provide care to both the local community and a number of ARCs near by.

Belmont Medical Centre

Belmont Medical Centre serves the Devonport Peninsula on Auckland's North Shore, providing comprehensive quality healthcare to members of that community. One of its founding doctors, Dr Jennifer Waddell still works within the practice, and takes a holistic approach to healthcare.

"Our team is passionate about providing the best healthcare for our community. The combination of providing healthcare in a general practice and for our local aged care facilities is fantastic as often patients we have seen for many years in the community move into aged care locally and we are still able to provide continuity of care for them in their final years."

Dr Jenni Waddell



Ponsonby Medical Centre

Ponsonby Medical Centre is the second general practice purchase for Third Age Health in the 2022 financial year, following Belmont Medical Centre in late 2021.

"Ponsonby Medical Centre has a very experienced clinical team who provide great family healthcare for the local community. As we focus on older adults as a population of interest the integration of general practice into our operating model plays an important role in helping us build capability and resilience around workforce and enables us to provide continuity of care and a more comprehensive service offering for the growing aged population."

Tony Wai , CEO

"As a small community practice, we are delighted to be part of Third Age Health, who we know hold the same values in ensuring continuity of care for our enrolled patients and the local community."

Dr Dion Martley



New Clinical Advisory Committee to focus on improving primary care for older people

Third Age Health has established its first Clinical Advisory Committee. The Committee brings together thought leaders and experts from clinical and academic backgrounds in general practice, nursing, older people's health, psychiatry, gerontology, palliative care as well as innovation, user experience and solution design. Members of the group were selected for not only their expertise but their diversity of thought and willingness to come together with a provider to find solutions to bridge the gap between the resources currently available and the healthcare that's needed for older people to improve their quality of life.

Clinical Advisory Committee members

- Professor Ngaire Kerse, Joyce Cook Chair in Ageing Well and GP
- Professor Jenny Carryer, Massey University Professor and Head of NZ College of Nurses
- Dr Jackie Broadbent, Geriatrician
- Dr Dianne Leach, General Practitioner and practice owner
- Dr Jane Casey, Psychogeriatric Specialist
- Emily Preston, Senior Project Lead, Innovation Unit
- Dr Carol McAllum, Director of Quality & Partnerships for Mercy Hospice, Palliative Medicine Specialist and former specialist General Practitioner
- Dr Peter Zink, General Practitioner and Third Age Health Medical Director
- Lucy Wu, Third Age Health Clinical Change Advisor



The Clinical Advisory Committee meeting online.

“

It's really motivating to be working with a great group of people who bring to the table ideas which will help us tackle the challenge of providing great healthcare for people, at a time when we are experiencing the collision of increasing clinical complexity, workforce pressures and stagnant funding.

“Healthcare for people living in aged care is really fragmented. As a provider with national reach, we have a good view on the variation in service provision and delivery across New Zealand. It's important to occasionally step back from the day-to-day delivery of healthcare and with the help of experts give time and thought to how we can change the way we are doing things to get better outcomes.

*Dr Peter Zink
Chair, Clinical Advisory Committee*

Passion for the health of older people at heart of new career with Third Age Health

Wendy Walsh, Nurse Practitioner

Wendy Walsh has been caring for the wellbeing of older people since she was in her teens when she had a part time job as a care assistant at Sun Haven, a care home in her local area. She had no idea at the time that she would one day be a highly skilled nurse practitioner specialised in the health of older people and be responsible for the medical care of residents in seven aged residential care facilities across the Taranaki region.



“

It's so important to have a holistic approach when supporting the health of older people and a nursing background is the perfect foundation. I love the complexity of health care need in my role. As people age, they generally have several ailments that affect wellbeing and I enjoy providing medical care that improves their quality of life.

Dr Fei Wu, General Practitioner

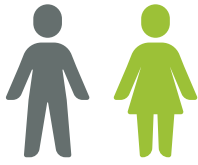
Fei is a general practitioner based in Auckland who splits his time between general practice and visiting patients in age residential care. He believes it is a privilege to be helping people improve their quality of life as they age and enjoys visiting rest homes each week to see his patients.



“

What's not to love about people as they age, they have the best sense of humour and tell great stories. The things I learn from older patients when I visit them in aged care really complements the work I do in general practice. The mix of both roles is perfect.

OUR TEAM



63%

Female

37%

Male

55

Total team

38

Clinical team

OUR BOARD



Bevan Walsh | Chair

Bevan founded Third Age Health with the goal of revolutionising the way Kiwi nursing homes access their medical services. He has a strong commitment to delivering excellent service, and plays an active role in shaping Third Age Health's practice philosophy.



John Fernandes | Independent Director

John is CFO of MacroActive and Executive Director of Anjuli Mack Fit. He has experience in strategy, finance and continuous improvement within financial services, telco, media and technology businesses in New Zealand and a Master of Business Administration from The University of Auckland.



Norah Barlow, ONZM | Independent Director

Norah is the current CEO of Heritage Life Care (NZ). A highly skilled and experienced business executive, Norah's knowledge of the Aged Care sector is extensive. Norah sits on the Board of some New Zealand's most respected companies.



Wayne Williams | Independent Director (appointed 10 Jun 2021)

Wayne is formerly a Partner of KPMG and has close to 30 years' experience within the health sector. He has worked in line management and consulting roles within primary care, DHBs and the Ministry of Health, and he is currently CEO of Alliance Health Plus Trust .



Diane Budres | Non-independent Director (Appointed 14 Sept 21)

Based in North America, Diane holds qualifications in education, public health and human ecology. She is the founder and a director of The Budres Foundation, a scholarship program based on learning by doing. Diane has previously held directorships with First National Bank, Apple Bank, Nelson Properties and DBS.

Consolidated Financial Statements

Third Age Health Services Limited
and subsidiaries

For the year ended 31 March 2022

Third Age Health Services Limited

Directors' responsibility statement

The Directors of Third Age Health Services Limited (the "Company") are pleased to present to shareholders the Consolidated Financial Statements for Third Age Health Services Limited and its subsidiaries ("the Group") for the year ended 31 March 2022.

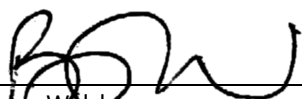
The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly in all material respects the financial position of the Group as at 31 March 2022 and the results of its operations and cash flows for the year ended on that date.

The Consolidated Financial Statements of the Group have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting standards have been followed.

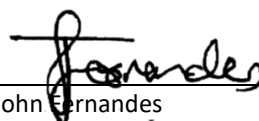
The Directors believe that proper accounting records have been kept which enable with reasonable accuracy the determination of the financial position of the Group and facilitate compliance of the Financial Statements with the Companies Act 1993, NZX Listing Rules and Financial Markets Conduct Act 2013.

The Directors ensure that they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the Financial Statements.

The Consolidated Financial Statements presented are signed on behalf of the Board on 16 June 2022 by:



Bevan Walsh
Founder and Chair



John Fernandes
Audit Committee Chair

Third Age Health Services Limited
Consolidated statement of comprehensive income
For the year ended 31 March 2022

	Notes	2022 \$000	2021 \$000
Revenue	5	5,900	5,490
Cost of Sales		(2,205)	(2,169)
Gross Profit		3,695	3,321
Other Income	6	31	52
Employees and contractors	8	(1,251)	(1,086)
Professional and consulting fees	9	(486)	(349)
Other expenses		(263)	(228)
Depreciation & amortisation		(142)	(114)
Finance Costs		(23)	(43)
Profit before Income Tax		1,561	1,553
Income Tax Expense	11	(388)	(512)
Profit after income tax		1,173	1,041
Other Comprehensive Income for the year, net of tax		-	-
Total Comprehensive income for the year		1,173	1,041
Earnings per share (note 13)			
Basic earnings per share (cents per share)		11.9	11.1
Diluted earnings per share (cents per share)		11.8	11.0

These Consolidated Financial Statements are to be read in conjunction with the accompanying notes.

Third Age Health Services Limited
Consolidated statement of changes in equity
For the year ended 31 March 2022

	Notes	Share Capital \$000	Share Based Payments Reserve \$000	Retained earnings \$000	Total \$000
Balance at 1 April 2020		(1,300)	607	1,555	862
Profit for the year		-	-	1,041	1,041
Total comprehensive income for the year		-	-	1,041	1,041
Shares issued		1,531	-	-	1,531
Dividend	12	-	-	(1,400)	(1,400)
Transaction costs arising on issue of shares		(58)	-	-	(58)
Balance at 31 March 2021		173	607	1,196	1,976
Profit for the year		-	-	1,173	1,173
Total comprehensive income for the year		-	-	1,173	1,173
Shares issued		342	-	-	342
Dividend	12	-	-	(831)	(831)
Tax credit on share based payments		-	21	-	21
Deferred tax credit on share based payments	11.2	-	9	-	9
Share based payments	24.3	-	6	-	6
Balance at 31 March 2022		515	643	1,538	2,696

These Consolidated Financial Statements are to be read in conjunction with the accompanying notes.

Third Age Health Services Limited
Consolidated statement of financial position
For the year ended 31 March 2022

	Notes	2022 \$000	2021 \$000
Current assets			
Cash and cash equivalents	14	1,124	1,829
Trade and other receivables	15	386	325
Loan receivable	16	313	59
Total current assets		1,823	2,213
Non-current assets			
Property, plant and equipment		22	11
Right-of-use-assets	17	1,093	227
Intangible assets	18	1,902	782
Trade and other receivables	15	20	20
Loan receivable	16	-	297
Total non-current assets		3,037	1,337
Total assets		4,860	3,550
Current liabilities			
Trade and other payables	20	668	592
Current tax liabilities		55	319
Employee share purchase plan deposits	24.1	75	345
Lease liabilities	17	111	53
Total current liabilities		909	1,309
Non-current liabilities			
Trade and other payables	20	29	-
Lease liabilities	17	977	180
Deferred tax liability	11.2	249	85
Total non-current liabilities		1,255	265
Total liabilities		2,164	1,574
Net assets		2,696	1,976
Equity			
Share capital	23	515	173
Share based payments reserve		643	607
Retained earnings		1,538	1,196
Total equity		2,696	1,976

These Consolidated Financial Statements are to be read in conjunction with the accompanying notes.

Third Age Health Services Limited
Consolidated statement of cash flows
For the year ended 31 March 2022

	Notes	2022 \$000	2021 \$000
Cash flows from operating activities			
Receipts from other operating activities		5,885	5,473
Payments to suppliers and employees		(4,147)	(3,512)
Interest received		16	30
Interest paid		(23)	(43)
Income taxes paid		(691)	(398)
Net cash flows from operating activities	10	1,040	1,550
Cash flows from investing activities			
Payments to purchase property, plant and equipment		(3)	-
Acquisition of general practices	19.2	(971)	-
Cash acquired through acquisition of general practices		4	-
Net cash flows used in investing activities		(970)	-
Cash flows from financing activities			
Deposits received under share purchase plan	24.1	72	308
Share purchase plan deposits applied to acquire shares	24.1	(342)	-
Proceeds from issuing shares	23	342	1,266
Payments for costs of issuing shares		-	(57)
Principal elements of loan repayments	16	47	-
Repayments of borrowings		-	(673)
Payment of principal portion of lease liabilities	17	(63)	(51)
Dividend paid	12	(831)	(1,400)
Net cash flows from financing activities		(775)	(607)
Net increase in cash and cash equivalents		(705)	943
Cash and cash equivalents at the beginning of the period		1,829	886
Cash and cash equivalents at the end of the period	14	1,124	1,829

These Consolidated Financial Statements are to be read in conjunction with the accompanying notes.

Third Age Health Services Limited

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

1. Reporting entity

These Consolidated Financial Statements are for Third Age Health Services Limited and its subsidiaries (the "Group"). The Parent is incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The parent's shares are publicly traded on the New Zealand Stock Exchange (NZX) and are listed on the main board of the NZX. The principal trading activity of the Group is the provision of medical services to the aged care sector. Those companies included in the Group are disclosed in note 25.1.

The Consolidated Financial Statements of the Group are for the year ended 31 March 2022. The Financial Statements were authorised for issue by the Directors as dated in the Directors' Responsibility Statement.

2. Statement of accounting policies

2.1. Basis of preparation

The Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate. These Financial Statements comply with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board. For the purposes of complying with NZ GAAP, the Group is a for-profit entity. These Financial Statements have been prepared in accordance with the Financial Markets Conduct Act 2013.

2.2. Basis of measurement

The Financial Statements have been prepared on the historical cost basis except financial instruments that are measured fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is based on the fair value of the consideration given in exchange for goods and services.

2.3. Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Third Age Health Services Limited

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.4. Functional and presentational currency

The individual Financial Statements of each Group entity are maintained in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated Financial Statements, the results and position of each Group entity are expressed in New Zealand Dollars (NZD), rounded to thousands, which is the functional currency of the Company and the presentation currency for the consolidated Financial Statements.

In preparing the Financial Statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

The Group has no foreign operations and the functional currency of all the Group subsidiaries is NZD.

2.5. Goods and services tax (GST)

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST) except:

- Where the amount of GST incurred is not recovered 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 (the net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables).

2.6. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Third Age Health Services Limited

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

Financial instruments are classified into the following specified categories: 'fair value through profit or loss' (FVTPL), 'fair value through other comprehensive income' (FVOCI) and 'at amortised cost'. The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

The Group's financial assets consist of cash, short term deposits, trade receivables and related party receivables.

Financial assets - Cash and short-term deposits

Cash and short-term deposits comprise cash at bank and on hand and short-term deposits with a maturity of three months or less.

Financial assets - Trade and other receivables

Trade receivables are non-derivative financial assets and measured at amortised cost less impairment. Impairment of trade receivables is recorded through a loss allowance account (bad debt provision). The amount of the loss allowance is based on the simplified Expected Credit Loss (ECL) approach which involves the Group estimating the lifetime ECL at each balance date. The lifetime ECL is calculated using a provision matrix based on historical credit loss experience and adjusted for forward looking factors specific to the debtors and the economic environment.

Financial assets - Related party receivables

Related party receivables are measured at amortised cost. The Group does not expect any credit loss on related party receivables.

Financial assets - Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets - Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

Third Age Health Services Limited

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

Financial liabilities and equity instruments

Financial liabilities and equity instruments - Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities and equity instruments - Financial liabilities

Financial liabilities at amortised cost (including borrowings, related party payables and trade and other payables) are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial liabilities and equity instruments - Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.7. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with NZ IAS 12 Income taxes and NZ IAS 19 Employee benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Third Age Health Services Limited

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

2.8. Comparatives

Where appropriate, comparative information has been reclassified to conform to the current period's presentation.

2.9. Changes in accounting policies

All significant accounting policies have been applied on a basis consistent with those used in the audited Consolidated Financial Statements of the Group for the year ended 31 March 2021.

2.10. Standards issued but not yet effective

There are no new or amended accounting standards mandatory for the year ended 31 March 2022 that were considered to have a material impact to the Group. The International Accounting Standards Board has issued a number of standards, amendments and interpretations which are not yet effective, of which an impact on the Group's Consolidated Financial Statements is not yet determined.

3. Impact of Covid -19

COVID-19 (also known as Coronavirus) was declared a pandemic by the World Health Organisation on 11 March 2020. The Company continues to monitor the impact of COVID 19 both locally and globally as well as the recommendations from the New Zealand Government.

As an essential service all business units of the Group continued to operate through the periods of COVID-19 lockdown. Continuity of activities has been maintained through adoption of recommended safety measures and utilising core infrastructure such as virtual meetings and collaboration tools already in place prior to the pandemic.

While uncertainty exists as to the impact COVID-19 will have on the economy and the demand for the Group's services in the future based on the services provided and its current financial position the Board have assessed there is unlikely to be any material impacts on the Group resulting from the COVID-19 pandemic.

The Group has not made any claims under the New Zealand government COVID-19 financial support programmes during the period ended 31 March 2022 (2021: Nil).

4. Use of accounting estimates and judgements

The preparation of these Financial Statements requires management to make estimates and assumptions. These affect the amounts of reported revenue and expense and the measurement of assets and liabilities. Actual results could differ from these estimates. The principal areas of judgement and estimation in these Financial Statements are:

- Loan receivable from Third Age Digital Health (note 16)
- Determination of lease term (note 17)
- Acquisition accounting (note 19.2)
- Accounting for employee share purchase plans (note 24)

Third Age Health Services Limited
Notes to the Consolidated Financial Statements
For the year ended 31 March 2022

5. Revenue recognition

5.1. Revenue from contracts with customers

Revenue has been categorised as consultation revenue, capitation revenue and other revenue.

Consultation revenue

The Group earns revenue from the provision of medical consultation services. Each consultation performed is a separate performance obligation satisfied at a point in time. The price for each consultation is a fixed amount based on an agreed rate card with the customer. Revenue is recognised once the consultation service has been provided. Revenue from contracts with customers is measured at the fair value of the consideration received or receivable and may be reduced for rebates and other similar allowances.

Capitation revenue

The Group provides various medical services on a 'stand ready' basis on behalf of Primary Health Organisations (PHOs). This capitation revenue is recognised monthly based on the number of enrolled patients and the agreed rate for the particular patient. The agreed rate will be affected by the characteristics of the patient, for example, their age or gender. Revenue is recognised on an over time basis measured on a time lapsed basis.

Other revenue

Other revenue is made up of claims revenues for vaccinations, ACC and general medical services (GMS), recognised on a point in time basis, once the services have been given to the patient.

Revenue from contracts with customers

	2022 \$000	2021 \$000
Capitation revenue		
Aged medical care services	1,519	1,524
General practice medical services	905	564
Consultation revenue		
Aged medical care services	3,105	3,120
General practice medical services	274	172
Other revenue		
Aged medical care services	88	110
General practice medical services	9	-
Total revenue from contracts with customers	5,900	5,490

Geographical information

Over the two years covered by the Consolidated Financial Statements, the Group operated in New Zealand only.

Third Age Health Services Limited
Notes to the Consolidated Financial Statements
For the year ended 31 March 2022

Information about major customers

Included in total revenue are revenues that arose from services provided to the Group's largest customers.

The Group derived revenue from the following significant customers:

	2022	2021
	\$000	\$000
Customer 1	1,287	1,045
Customer 2	670	763

No other single customers contributed 10% or more to the Group's revenue for both 2022 and 2021.

6. Other income

	2022	2021
	\$000	\$000
Interest Income	20	30
Other Income	11	22
Total Other Income	31	52

6.1. Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

7. Segment information

7.1. Products and services from which reportable segments derive their revenue

The Group's reportable segments are as follows:

- Aged medical residential care services, being the provision of medical care services to the aged care sector.
- General practice medical services

7.2. Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

Segment revenue	2022	2021
	\$000	\$000
Aged medical care services	4,712	4,754
General practice medical services	1,188	736
Total for operations	5,900	5,490

Third Age Health Services Limited
Notes to the Consolidated Financial Statements
For the year ended 31 March 2022

Segment profit before tax	2022	2021
	\$000	\$000
Aged medical care services	1,340	1,369
General practice medical services	221	184
Total for operations	1,561	1,553

Segment profit includes the following items:

For the year ended 31 March 2022	Aged care	General practice
Segment profit includes the following items:	medical services	medical services
	\$000	\$000
EBITDA	1,321	385
Depreciation & amortisation	1	141
Finance costs	-	23
Interest income	20	-
Income tax expense	326	62

For the year ended 31 March 2021	Aged care	General practice
Segment profit includes the following items:	medical services	medical services
	\$000	\$000
EBITDA	1,374	306
Depreciation & amortisation	2	112
Finance costs	33	10
Interest income	30	-
Income tax expense	460	52

EBITDA represents profit before tax excluding amounts for (1) interest income; (2) finance expenses; and (3) depreciation and amortisation expenses.

7.3. Segment assets and liabilities

Segment assets	2022	2021
	\$000	\$000
Aged medical care services New Zealand	1,513	2,857
General practice medical services	4,014	753
Total segment assets	5,527	3,610
Intercompany elimination	(667)	(60)
Total segment assets	4,860	3,550

Third Age Health Services Limited
Notes to the Consolidated Financial Statements
For the year ended 31 March 2022

Segment liabilities	2022 \$000	2021 \$000
Aged medical care services New Zealand	922	1,057
General practice medical services	1,909	577
Total segment liabilities	2,831	1,634
Intercompany elimination	(667)	(60)
Total segment liabilities	2,164	1,574

8. Costs of employees, contractors, and directors includes:

	Note	2022 \$000	2021 \$000
Salaries and wages		916	545
Short term incentives		20	0
Defined contribution (KiwiSaver)		20	11
Share based payments expense	24.3	13	0
Employee benefit expense		969	556
Fees to full time contractors		305	307
Former CEO Incentives		(23)	223
		1,251	1,086

Retentions bonuses for the former CEO accrued in the year ended 31 March 2021 were reversed following his resignation at 30 September 2021.

9. Professional and consulting fees

	2022 \$000	2021 \$000
Fees paid to auditor	56	47
Accounting and taxation services	121	63
Legal expenses	82	10
Directors' fees	126	60
Listing and share registry costs	39	167
Company secretarial	7	-
CEO Recruitment	44	-
Other consultancy costs	11	2
	486	349

Fees paid to auditor of \$56,650 (2021: \$46,760) relates to fees for the annual audit of the Consolidated Financial Statements and does not include any amounts for other assurance or non-assurance services.

Third Age Health Services Limited
Notes to the Consolidated Financial Statements
For the year ended 31 March 2022

Accounting and taxation services includes accounting fees of \$99,383 (2021: \$89,504), of which \$75,402 were incurred during the first 5 months of the year. Accounting fees have reduced following the appointment of the Acting CFO in June 2021.

Legal expenses include \$30,342 in respect of acquisition activity during the year ended 31 March 2022 (2021: Nil).

10.Reconciliation of profit for the year to net cash from operating activities

	2022 \$000	2021 \$000
Profit before income tax	1,561	1,553
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and other amortisation	142	114
Share based payments expense	13	-
Expenses settled through issuance of shares	-	141
Interest charged on loan	(4)	-
Working capital adjustments:		
Trade and other receivables	(61)	(39)
Trade and other payables	83	180
Impact of working capital acquired	(3)	-
	1,731	1,949
Income tax paid	(691)	(399)
Net cash from operating activities	1,040	1,550

11.Taxation

11.1. Income tax recognised in profit or loss relating to continuing operations

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax expense comprises:

	2022 \$000	2021 \$000
Current income tax	438	537
Deferred income tax	(50)	(26)
Prior period adjustment	-	1
Total income tax expense recognised in the current year	388	512

Third Age Health Services Limited
Notes to the Consolidated Financial Statements
For the year ended 31 March 2022

Income tax expense for the year can be reconciled to the accounting profit as follows:

	2022	2021
	\$000	\$000
Profit before tax from continuing operations	<u>1,561</u>	<u>1,553</u>
Income tax expense/(benefit) calculated at 28%	437	435
Effect of non-deductible expenses	18	76
Tax credit on share based payments	(67)	-
Prior period adjustments	-	1
Income tax expense recognised in profit or loss relating to continuing operations	<u>388</u>	<u>512</u>

11.2. Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Third Age Health Services Limited
Notes to the Consolidated Financial Statements
For the year ended 31 March 2022

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liability

Deferred tax liability is made up of the following deferred tax assets and liabilities.

	2022	2021
	\$000	\$000
Deferred tax asset	279	83
Deferred tax liability	(528)	(168)
	<u>(249)</u>	<u>(85)</u>
Deferred tax assets relate to:		
Provisions and accruals	32	18
Lease liabilities	223	65
Share based payments	24	-
	<u>279</u>	<u>83</u>
Deferred tax liabilities relate to:		
Right-of-use-assets	(218)	(63)
Intangible assets	(310)	(105)
	<u>(528)</u>	<u>(168)</u>

The movement on deferred tax is summarised as follows.

		Provisions and accruals	Right-of- use-assets	Leases	Share based payments	Intangible assets	Totals
	Notes	\$000	\$000	\$000	\$000	\$000	\$000
Opening net deferred tax asset/(liability)		18	(63)	65	-	(105)	(85)
Additions through acquisitions	19.2	-	-	-	-	(223)	(223)
Recognised in the profit and loss	11.1	(14)	154	(157)	(15)	(18)	(50)
Recognised in the share based payments reserve		-	-	-	(9)	-	(9)
Closing net deferred tax asset/(liability)		<u>32</u>	<u>(217)</u>	<u>222</u>	<u>24</u>	<u>(310)</u>	<u>(249)</u>

11.3. Imputation credits

The Group had New Zealand imputation credits of \$710,493 (2021: \$340,423) available for use in subsequent periods.

Third Age Health Services Limited
Notes to the Consolidated Financial Statements
For the year ended 31 March 2022

12.Dividends

	Cents per share	\$000
Dividends paid during the year ended 31 March 2022:		
Interim dividend	4.52	450
Final dividend for the year ended 31 March 2021	3.91	381
		831
Dividends paid during the year ended 31 March 2021:		
Interim dividend	4.12	400
Special dividend	10.26	1,000
		1,400

13.Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Reconciliation of earnings used in calculating earnings per share

	2022 \$000	2021 \$000
Net profit attributable to the ordinary shareholders of the Group	1,173	1,041
Earnings used in the calculation of basic earnings per share from continuing operations	1,173	1,041

Weighted average number of shares used as the denominator

	2022 Shares 000's	2021 Shares 000's
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	9,832	9,388
Adjustments for calculation of diluted earnings per share:		
Employee share options	74	39
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	9,906	9,427

Excludes shares held by the Third Age Employee Purchase Plan Share Trust (note 23).

Third Age Health Services Limited
Notes to the Consolidated Financial Statements
For the year ended 31 March 2022

14. Cash and cash equivalents

	2022 \$000	2021 \$000
Cash on hand and at bank	1,124	1,829
	1,124	1,829

15. Trade and other receivables

Current

	2022 \$000	2021 \$000
Trade receivables	343	315
Prepayments and other receivables	43	10
	386	325

As at 31 March 2022 94% of the Group's trade receivables are current (2021: 99%).

Non-current

	2022 \$000	2021 \$000
Deposit with NZX	20	20
	20	20

16. Loan receivable

	2022 \$000	2021 \$000
Current		
Third Age Digital Health Limited Loan Note	313	59
Non-current:		
Third Age Digital Health Limited Loan Note	-	297
	313	356

Interest has been charged at rates between 5.73% - 6.54% for the year ended 31 March 2022 (2021:6.35%) and the Group has recognised interest income of \$19,332 (2021: \$21,010).

In May 2021 monthly principal repayments commenced in line with the loan agreement with a total \$62,414 paid during the year. Repayments were ceased by Third Age Digital Health Limited (TADH) in March 2022 in a breach of the loan agreement.

The loan was set up to be repaid through monthly instalments by 31 March 2026 with early repayment permitted. Following failure of TADH to maintain the monthly payments the Company is now seeking full settlement, so the loan is considered to be current.

Third Age Health Services Limited

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

While the loan to TADH is unsecured the Board of TADH provided the Company with a warranty that it had received legally binding assurances of financial support from its major shareholders such that in the borrower's opinion (acting reasonably and in good faith) TADH would make all repayments.

Michael Haskell is the Director of TADH, and its major shareholders are Michael Haskell & Associates Limited and Bevan Walsh, both major shareholders of the Company. As such the loan is considered a related party loan (note 25.2).

The Independent Directors of the Company are seeking to enforce the warranties provided by TADH including the potential appointment of a liquidator to TADH, and therefore remain of the view that the loan will be recovered in full.

17. Right of use assets and lease liabilities

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received.
- any initial direct costs, and
- restoration costs.

17.1. Extension and termination options

Extension options are included in the Group's lease agreement. Extension options held are exercisable by both the Group and by the respective lessor.

17.2. Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods

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after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

17.3. Key judgements

Hawkes Bay Wellness Centre Limited, a subsidiary of the Company, lease the premises at 536 Kennedy Road, Napier, New Zealand. The lease is for a term of 5 years with one right of renewal of 5 years and a final expiry date of 31 March 2030. Initially, the 5-year right of renewal was excluded from the lease term on the basis it was not reasonably certain to be exercised. As at reporting date the Group are now reasonably certain to exercise the right of renewal given substantial renovations have been carried out on the premises in the last 6 months. As a result, the Group have reassessed the lease liability as at the reporting date. The reassessment has resulted in a modification to the lease and an increase to the right-of-use asset and lease liability of \$334,087.

As a result of the acquisition of Belmont Medical Centre Limited practice on 11 October 2021 (note 19), the Group entered into a lease of the premises at 3 Williamson Avenue, Belmont, Auckland, 0622. The lease had an initial term of five years with a single right of renewal of a further 5 years. Given the practice has long been established at that location it is regarded as reasonably certain that the lease will be renewed.

With the acquisition of the business of Ponsonby Medical Centre (note 19.2) on 31 March 2022 the Group entered into a 6-year lease of the premises at 1 Vermont Street, Ponsonby, Auckland 1011. There are no rights of renewal.

Amounts recognised in the balance sheet

Right-of-use assets	2022	2021
	\$000	\$000
Opening balance	227	-
Additions	606	284
Lease reassessment	334	-
Depreciation	(74)	(57)
Closing balance	1,093	227
Lease liabilities	2022	2021
	\$000	\$000
Opening balance	233	-
Additions	583	284
Lease reassessment	334	-
Interest	23	10
Repayments	(85)	(61)
Closing balance	1,088	233

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Current	111	53
Non-current	977	180
	1,088	233

Amounts recognised in the statement of profit or loss

	2022	2021
	\$000	\$000
Depreciation of right-of-use assets property	74	57
Interest expense (included in finance cost)	23	10

The total cash outflow for leases in the 12-month period ended March 2022 was \$94,342 (2021: \$77,646).

18. Intangible assets

		2022	2021
	Notes	\$000	\$000
Goodwill	18.1	796	408
Intangibles	18.3	1,106	374
		1,902	782

18.1. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

		2022	2021
	Note	\$000	\$000
Goodwill			
Opening balance		408	408
Additions	19.2	388	0
Closing balance		796	408
Goodwill impairment			
Opening balance		-	-
Accumulated Impairment losses		-	-
Closing balance		-	-
Net carry amount of goodwill		796	408

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

18.2. Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Goodwill has been allocated for impairment testing purposes to Hawkes Bay Wellness Centre (HBWC) Limited and the General Practice businesses acquired during the current financial year, Belmont Medical Centre Limited (BMC) and Ponsonby Medical (Third Age Health) Limited (PMC). Each are considered a Cash Generating Unit (CGU).

The allocation of goodwill for each CGU is as follows.

	2022	2021
	\$000	\$000
Hawkes Bay Wellness Centre Limited	408	408
Belmont Medical Centre Limited	13	-
Ponsonby Medical (Third Age Health) Limited	375	-
	<u>796</u>	<u>408</u>

For the 2022 reporting period, the recoverable amount of the cash-generating units was determined based on value-in-use calculations which require the use of assumptions. The calculation uses cash flow projections based on a financial forecast covering a five-year period.

A forecast was generated to model the expected growth of the three CGUs. The following table sets out key assumptions within the forecast:

Cash generating unit	HBWC	BMC	PMC
Discount Rate	15%	15%	15%
Terminal growth rate	2%	2%	2%
EBITDA Growth	15%	10%	10%

In 2021 an assessment was undertaken for HBWC only using the same key assumptions.

The value-in-use is estimated to exceed the carrying amount of HBWC by \$4.1 million of BMC by \$0.3 million and PMC by \$0.9 million. As such, there has been no impairment of the asset during the year.

The Directors do not believe that a reasonably possible change in a key assumption (described above) would cause the carrying value of the CGUs to exceed their recoverable amount.

18.3. Other intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their

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estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

As a result of the acquisition of general practices, separately identified Intangible assets have been recognised from the patient enrolled database of the general practices and an ongoing funding agreement with the Primary Health Organisations (PHOs).

	Note	Patient database \$000	PHO agreement \$000	Total \$000
Cost:				
Balance at 31 March 2021		208	326	534
Additions	19.2	336	460	796
Balance at 31 March 2022		544	786	1,330
Accumulated depreciation:				
Balance at 31 March 2021		(62)	(98)	(160)
Amortisation expense		(24)	(39)	(63)
Balance at 31 March 2022		(86)	(137)	(223)
Carrying amount at 31 March 2022		458	649	1,107
Carrying amount at 31 March 2021		146	228	374

The patient database and PHO agreement are amortised on a straight-line basis over ten years.

19. Business Combinations

19.1. Group composition

The parent entity is Third Age Health Services Limited, a company incorporated in New Zealand.

The Group had the following subsidiaries as at 31 March 2022:

Subsidiary name	Country of incorporation	Ownership 2022	Ownership 2021
Hawkes Bay Wellness Centre Limited (HBWC)	New Zealand	100%	100%
Belmont Medical Centre Limited	New Zealand	100%	-
Ponsonby Medical (Third Age Health) Limited	New Zealand	100%	-
Third Age Employee Share Purchase Plan Trust	New Zealand	100%	100%

19.2. Acquisitions

During the financial year ended 31 March 2022 the Company completed two acquisitions of general practices, to support the Group's future growth strategy, which revolves around providing a consistent primary health service as people move from community living into the aged care setting. The acquisition of local general

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practices plays an essential part in this, to expand Third Age Health's offer to people in the local community and those living independently in retirement villages.

Belmont Medical Centre

The Group acquired Belmont Medical Centre (BMC) on 11 October 2021 for an acquisition price of \$0.17 million by acquiring the share capital of the practice. The results of the practice since acquisition are included in these Consolidated Financial Statements for the year ended 31 March 2022, contributing \$276,808 to Group revenues and \$6,889 to Group EBITDA.

If the acquisition of BMC had occurred at the beginning of the reporting period, it is estimated that revenues of \$0.6 million would have been included in the Consolidated Statement of Comprehensive Income. NZ IFRS accounting matters identified post-acquisition make it impractical to ascertain the profit/loss that would have resulted if the acquisition had occurred at the beginning of the reporting period.

Ponsonby Medical (Third Age Health) Limited

The Group acquired the assets and business of Ponsonby Medical Centre (PMC) on 31 March 2022, through a new wholly owned Group entity. As the acquisition was completed on 31 March 2022 there is no material impact on the results for the current year. Given the short timeframe since acquisition date and the complexity involved, the accounting for the business combination under NZ IFRS 3 *Business Combinations* has not been finalised as at the date of this report.

The Company will report the impact of the acquisition on the Group in the Annual Consolidated Financial Statements for the year ending 31 March 2023.

If the acquisition of PMC had occurred at the beginning of the reporting period, it is estimated that revenues of \$1.0 million would have been included in the Consolidated Statement of Comprehensive Income. NZ IFRS accounting matters identified post-acquisition make it impractical to ascertain the profit/loss that would have resulted if the acquisition had occurred at the beginning of the reporting period.

Details of the fair value of identifiable assets and liabilities acquired purchase consideration and goodwill are as follows:

	Belmont Medical Centre \$000	Ponsonby Medical Centre \$000	Total \$000
Consideration transferred			
Cash	171	800	971
Total consideration transferred	171	800	971
	\$000	\$000	\$000
Current assets			
Cash and receivables	40	-	40
			45

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	Belmont Medical Centre \$000	Ponsonby Medical Centre \$000	Total \$000
Non-current assets			
Property, plant and equipment	7	5	12
Intangible Assets	212	584	796
Total assets acquired	259	589	848
Non-current liability			
Accruals and employee benefits	(42)	-	(42)
Non-current liability			
Deferred tax liability	(59)	(164)	(223)
Total net assets acquired	158	425	583
Goodwill	13	375	388

An assessment of goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, (note 18.2). Legal expenses reported in note 9 include \$30,342 in respect of acquisition activity during the year ended 31 March 2022 (2021: Nil).

20. Trade and other payables

Current

	2022 \$000	2021 \$000
Trade payables	340	333
GST payable	109	103
Withholding tax payable	10	-
Accruals and other payables	209	156
	668	592

Non-current

	Note	2022 \$000	2021 \$000
Liability for cash settled options	24.2	7	-
Accruals and other payables		22	-
		29	-

Current trade payables are typically paid within 30 days of the invoice date or on the 20th of the month following the invoice date.

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21. Financial instruments

Financial assets	Notes	2022 \$000	2021 \$000
<u>Financial assets at amortised cost</u>			
Cash and cash equivalents	14	1,124	1,829
Trade receivables	15	343	314
Loan receivable	16	313	356
Financial liabilities			
<u>Financial liabilities at amortised cost</u>			
Trade payables and accruals	20	549	489
Employee share purchase loans	24.1	75	345

21.1. Fair value measurements

As at 31 March 2022 and 2021, the Group has no financial assets nor liabilities measured at fair value.

22. Financial risks

This note presents information about the Group's exposure to each financial risk and how those risks are managed.

22.1. Market risk

The Group has no material exposure to foreign currency risk nor interest rate risk as the Group has no borrowings at this time.

22.2. Credit risk

Credit risk is the risk of the failure of a debtor or counterparty to honour its contractual obligation resulting in financial loss to the Group.

Financial assets, which potentially subject the Group to credit risk, consist principally of cash and cash equivalents, trade and other receivables, and loan receivables. The maximum credit risk at 31 March 2022 is the carrying value of these assets on the balance sheet. The directors consider the Group's exposure to credit risk from cash and cash equivalents and trade and other receivables to be minimal given that

- The Group's cash and cash equivalents are held with Westpac, BNZ, ASB and Kiwibank. Westpac, BNZ and ASB are all rated AA- based on rating agency Standard & Poors. Standard & Poors no longer rate Kiwibank, but rating from Moody's Investor Services and Fitch Ratings are A1 and AA respectively
- Following a review of banking services, the Group will be transitioning its major banking arrangements to the ANZ during the year ending 31 March 2023. Standard & Poors rating for ANZ is AA-.
- The Group's customers are typically low credit risk and, historically, there has been minimal bad debt expense recorded.

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There is a higher credit risk associated with the Loan Receivable due from Third Age Digital Health Limited (note 16).

22.3. Liquidity risk

The Group manages liquidity to ensure that it has sufficient liquidity to meet its liabilities when due. Ultimate responsibility for liquidity risk management rests with the board of directors. The Group manages liquidity risk through continuous cash management and monitoring of forecast and actual cash flows.

22.4. Maturity profile

The following table details the Group's exposure to liquidity risk.

Contractual maturity dates

		On demand \$000	Less than one year \$000	Greater than one year \$000	Total \$000
Financial liabilities as at 31 March 2022:	Notes				
Trade and other payables	20	-	668	-	668
Employee share purchase plan deposits	24.1	75	-	-	75
Lease liabilities	17	-	111	977	1,088
		75	779	977	1,831
Financial liabilities as at 31 March 2021:	Notes				
Trade and other payables	20	-	592	-	592
Employee share purchase plan deposits	24.1	345	-	-	345
Lease liabilities	17	-	53	180	233
		345	645	180	1,170

Employee share purchase plan deposits relate to deposits received on partially repaid share plans (note 24.1). The Group classifies these amounts as on demand as in the event that an employee leaves or is made redundant or a contractor ceases to provide services then any repayments that have been made are returned.

22.5. Capital risk management

The Group manages its capital (comprising of cash and cash equivalents) to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group is funded through existing cash reserves at this time. Management's current expectation is additional investments will be funded through existing cash reserves or external borrowing. For the year ended 31 March 2022, the Group was not subject to any externally imposed capital requirements. Subsequent to year end the Company entered into a \$3 million debt facility with ANZ Bank Limited (note 27.3)

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23. Share Capital

Ordinary shares

All ordinary shares rank equally with one vote attached to each fully paid share. Total issued share capital is 10,000,000 ordinary shares. As at 31 March 2022, of the total number of issued shares, 50,000 (2021: 250,000) were held in trust for specific participants under the Employee Share Purchase Plan (ESPP, note 24.1). Accordingly, the shares are not tradeable on the NZX until they vest.

Third Age Employee Share Purchase Plan Trust

The Company has established a Share Trust, the Third Age Employee Share Purchase Plan Trust. The Share Trust holds shares in the Company on trust for participants in the Employee Share Purchase Plan (ESPP). The Share Trust is controlled by the Company and is therefore consolidated in these Consolidated Financial Statements.

Treasury shares and shares held in Trust

At 1 April 2020, the Company held 152,600 ordinary shares as Treasury Shares which were all re-issued during the year ended 31 March 2021 as part of a share placements that year, prior to the Company joining the NZX. Shares held by the Share Trust are treated as treasury stock and not included within the Group number of shares on issue.

At 1 April 2020 there were 838,804 shares held, 508,804 in a pool and 330,000 held for specific participants of the Third Age Employee Share Purchase Plan Trust ("**Trust**"). During the year ended 31 March 2021, all 508,804 shares held in the pool were issued to shareholders and 80,000 shares were issued to a Trust participant prior to the Company joining the NZX. Further details of the shares held and the movements in respect of Trust participants are provided in note 24.1.

24. Share Based Payments

24.1. Employee share purchase plan (ESPP)

The Company operates an employee share purchase plan ('ESPP') for certain employees and contractors ('participants'). Under the SPP, participants are provided with a "loan" to purchase an agreed number of shares in the Company at a share price established by the Board. The share price is estimated by the Board based on their assessment of the fair value of the Company at the time. The loans are typically for a 36- or 60-month term, interest free with monthly repayments. They are secured against the shares. The shares are held on trust by the Third Age Employee Share Purchase Plan Trust until such time as the loans are fully repaid. Participants are permitted to repay the loans at any time. In the event that an employee leaves or is made redundant or a contractor ceases to provide services then any repayments that have been made are returned and the allotted shares are returned to the pool.

Under NZ IFRS 2 Share-based payment, this type of arrangement is accounted for as an 'in substance' share option - an equity settled share-based payment. The loans are not recognised as assets of the Company as they are only secured against the underlying shares and are considered limited in recourse. Instead, the fair value of the arrangement is calculated at grant date and is recognised over the vesting period of the arrangement as a share-based payment expense in profit or loss and accumulated in the share-based payment

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reserve. The share options vest immediately as there are no service or performance conditions and participants are able to repay their loans in full at any time and have their shares issued. Partial repayments made under the loans are recorded as a liability until such time as the loan is repaid in full at which time the shares are issued, and amounts are recognised as share capital in equity.

	2022	2021
	\$000	\$000
Deposits received on partially repaid share plans	75	345
	75	345

Movements in shares held on behalf of participants during the year

	Number of shares	Weighted average share purchase price
	000's	\$
Balance at 1 April 2021	250	1.67
Fully paid and issued during the year	(200)	1.71
Balance at 31 March 2022	50	1.51
Balance at 1 April 2020	330	1.65
Fully paid and issued during the year	(80)	1.57
Balance at 31 March 2021	250	1.67

In November 2021 200,000 shares priced at \$1.71 vested. As a result the deposits received in respect of those shares was transferred to share capital and the 200,000 shares were transferred from the Third Age Employee Share Purchase Plan Trust in to the name of the participant.

The share purchase price for shares held on behalf of participants at 31 March 2022 was \$1.51 (2021: \$1.51 - \$1.71). There were no share rights granted under the ESSP during the year ended 31 March 2022 (2021: Nil). As at 31 March 2022 50,000 options remain unvested (2021: 250,000 options).

24.2. Employee Share Option Plan (ESOP)

On the 4 September 2021 (grant date) the Board approved the offer of 300,000 options under a Company Employee Share Option Plan (ESOP) to the CEO, Tony Wai on the following terms:

- The options were issued at an exercise price of \$2.36, based on the Volume Weighted Average Price (VWAP) for the Company's shares on the NZX for the 20 Business Days prior to 27 September 2021 (the date the CEO commenced employment).
- The Options will vest in three tranches, 60,000, 90,000 and 150,000.
- Vesting is subject to continued employment and agreed performance targets achieved by 27 September 2024, 27 September 2025, and 27 September 2026.
- the expiry date of the options will be one year after the date of vesting.

Under the terms of the ESOP there is an option to settle a portion of option in cash, primarily to offset any income tax liability arising at the time the employee exercises their options. Given current income tax rates it

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has been concluded a 39% tax rate will apply. Based on that assumption it is assumed that 39% of each tranche of options should be treated as cash settled, the remainder will be equity settled.

Equity-settled options

The total number of equity-settled options is 183,000, which were valued at grant date using the Monte Carlo simulation valuation model. The fair value of the equity settled options is \$43,920 which will be expensed over the vesting periods for each tranche. The weighted average fair value of the equity settled options is \$0.24.

Key estimates and judgements at grant date

The value was calculated using the following significant inputs into the model.

- A share price of \$2.24 at the grant date.
- An exercise price simulated to determine a VWAP for the 20 days to 27 September 2021.
- A share volatility of 32.5%, based on daily share price movements since the Company listed on 15 February 2021.
- A dividend yield based on actual dividends issued and assuming a 15% growth rate.
- A risk-free interest rate of 1.45%.

The total amount of fair value recognised in the Consolidated Statement of Comprehensive Income up to 31 March 2022 was \$6,275 with the corresponding entry in the Share Based Payments Reserve.

The weighted average contractual life of the equity-settled options on 31 March 2022 is 67 months.

Cash-settled options

The total number of cash-settled options is 117,000 which were valued at grant date using the same inputs as with the equity settled options. The value at grant date was \$28,080, with a weighted average fair value of \$0.24.

Under NZ IFRS for cash-settled options, the Company shall remeasure the fair value of the liability to settle the options for cash at the end of each full year and half year reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The fair value of the cash-settled options was remeasured under the Monte Carlo Method as of 31 March 2022. The value at that date was \$46,332, with the weighted average fair value of the equity settled options being \$0.396.

Key estimates and judgements as of 31 March 2022

The remeasured value was calculated using the following significant inputs into the model.

- The valuation date of 31 March 2022.
- A share price at valuation date of \$2.84.
- An exercise price of \$2.36 being the exercise price of 27 September 2021.
- A share volatility of 29.7%, based on daily share price movements since the Company listed on 15 February 2021.
- A dividend yield based on actual dividends issued and assuming a 15% growth rate.
- A risk-free interest rate of 3.16%.

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The total amount of fair value recognised in the Consolidated Statement of Comprehensive Income up to 31 March 2022 was \$6,501 with the corresponding entry for the liability under Trade and other payables (non-current) (note 20).

The weighted average contractual life of the cash-settled options on 31 March 2022 is 67 months.

24.3. Share based payments expense

	2022 \$000	2021 \$000
Employee share option plan:		
Share based payments expense equity-settled	6	-
Share based payments expense cash-settled	7	-
Employee share purchase plan	-	-
	13	-

25. Related party transactions

25.1. Group composition

The Group is comprised of the following entities:

Subsidiary name	Country of incorporation	2022	2021
Hawkes Bay Wellness Centre Limited (HBWC)	New Zealand	100%	100%
Belmont Medical Centre Limited	New Zealand	100%	-
Ponsonby Medical (Third Age Health) Limited	New Zealand	100%	-
Third Age Employee Share Purchase Plan Trust	New Zealand	100%	100%

Investments

The Group's ownership interest in all subsidiaries and investments is equal to its proportion of voting rights held. The Group has no restrictions relating to its ability to access or use the assets and settle the liabilities of the Group. Devonport Family Medicine (Third Age Health) Limited was incorporated on 12 April 2022 as a wholly owned subsidiary of Third Age Health Services Limited (note 27.2).

25.2. Related party transactions

Name of related party	Nature of relationship	Transaction	2022 \$000	2021 \$000
Michael Haskell, CEO (resigned 30 September 2021)	Shareholder	Contractor fee	132	261
		Bonus accruals	(23)	123
		Shares	-	100
Bevan Walsh	Director & Shareholder	Director fees	12	12
John Fernandes	Director & Shareholder	Director fees	40	18
Norah Barlow	Director & Shareholder	Director fees	38	18

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Name of related party	Nature of relationship	Transaction	2022 \$000	2021 \$000
Wayne Williams (appointed 10 June 2021)	Director	Director fees	29	-
Diane Budres (appointed 14 September 2021)	Director & Shareholder	Director fees	7	-
David Kerr (resigned 29 October 2020)	Director & Shareholder	Director fees	-	12

Directors' fees for John Fernandes, Norah Barlow and Wayne Williams for the year ended 31 March 2022 also includes fees as members of the Audit Committee. John Fernandes, Chair receives a fee of \$5,000 per annum, while Norah Barlow and Wayne Williams each receive a fee of \$2,500 per annum. The amounts to Norah Barlow and Wayne Williams remained unpaid as of 31 March 2022.

Directors' fees for the year ended 31 March 2021 of \$59,500 for services rendered during the period includes \$36,000 of shares in the Parent in compensation for services rendered during the period.

Loan receivable from Third Age Digital Health Limited (TADH) (note 16)

Bevan Walsh (Director and Shareholder), Michael Haskell (former CEO, resigned 30 September 2021 and Shareholder) and Diane Budres (Director and Shareholder) are all shareholders of TADH which has a loan due to Company (see note 16). Michael Haskell is also a Director of TADH. Bevan Walsh resigned as a director of TADH on 20 December 2021.

25.3. Key management personnel compensation

	2022 \$000	2021 \$000
Short term benefits:		
CEO remuneration		
Tony Wai	151	-
Michael Haskell (resigned 30 September 2021)	110	483
	261	483
Other key management personnel	436	182
	697	665

CEO remunerations in 2022 includes remuneration for Tony Wai, CEO and former CEO Michael Haskell who resigned on 30 September 2021.

In 2021 Directors' remuneration of \$59,500 was included in Other key management personnel. This number is now disclosed under Related Party Transactions (note 25.2).

CEO long term incentive

On 4 September 2021, the Company entered into a long-term employee share option plan with CEO, Tony Wai (note 24.2). The costs attributable to the options during the financial year are disclosed in note 24.3.

26. Contingent liabilities and contingent assets

The Group has no contingent liabilities or contingent assets as at 31 March 2022 (2021: Nil).

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27. Subsequent events

27.1. Final dividend declared

On 30 May 2022 the Board declared a final dividend for the year of 4.05 cents per share taking the total dividend for the year to 8.57 cents per share.

27.2. Acquisition of Devonport Family Medicine

On 2 May 2022 the Company acquired the business and assets of Devonport Family Medicine (DFM) for cash consideration of \$0.4 million and was acquired as a continuation of the Group's growth strategy, a key acquisition which will enable the Company to continue to develop the model of healthcare for older people.

Given the short timeframe since acquisition date and the complexity involved, the accounting for the business combination under NZ IFRS 3 Business Combinations has not been finalised as at the date of this report. The Company will report the impact of the acquisition on the Group in the Interim Financial Statements for the six months ending 30 September 2022.

The acquisition of DFM has no impact on the results presented in these Consolidated Financial Statements for the year ended 31 March 2022, given the acquisition occurred after the end of the reporting period.

27.3. ANZ loan facility

Subsequent to year end the Company entered into a \$3 million debt facility with ANZ Bank New Zealand Limited to provide capital to support the Group's planned acquisition strategy.

Key terms of the facility are:

- Amount: \$3 million.
- Lender: ANZ Bank New Zealand Limited.
- Borrower: Third Age Health Services Limited.
- Guarantors: Third Age Health Services Limited and Group trading companies
- Term: 2 years.
- Covenants: A Debt-to-EBITDA (based on 12 "months" results) is capped at two times, tested at each reporting date.
- Security: a first ranking security over the borrower and guarantors which includes cross guarantee and indemnity of debt.

The loan was drawn to fund the acquisition of Devonport Family Medicine and will be utilised for future acquisitions.

No other matter or circumstances has occurred subsequent to year end that has significantly affected or may affect, the operations of the Group, the results of those operations or the state of affairs of the entity in subsequent financial years.



**Building a better
working world**

Independent auditor's report to the Shareholders of Third Age Health Services Limited

Opinion

We have audited the financial statements of Third Age Health Services Limited ("the Company") and its subsidiaries (together "the Group") on pages 22 to 54, which comprise the consolidated statement of financial position of the Group as at 31 March 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 22 to 54 present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2022 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). 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 Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 interest in, the Company or any of its subsidiaries. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of

material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue

Why significant

Revenue is a key focus of shareholders and management in measuring the Group's progress towards its growth objectives.

The Group's principal revenue stream, the provision of consultation services, continues to be recognised at the point in time at which the service is provided.

The Group's other significant revenue stream, the provision of capitation services, is recognised over time as the service is provided. As billing takes place on a monthly basis there is no deferral of revenues.

Disclosures in relation to the Group's revenue are included in Note 5 to the consolidated financial statements.

How our audit addressed the key audit matter

In obtaining our audit evidence we:

- ▶ considered management's assessment of the Group's contracts with customers, the related performance obligations and the resultant revenue recognition approach;
- ▶ assessed the Group's revenue recognition accounting policies and procedures against the requirements of NZ IFRS 15 *Revenue from Contracts with Customers*;
- ▶ analysed the correlation between the Group's recorded revenue and movements in accounts receivable and cash using data analysis techniques;
- ▶ selected a sample of revenue transactions recorded around period end and assessed whether they had been recorded in the correct period; and
- ▶ evaluated whether the disclosures in relation to revenue were in compliance with the disclosure requirements of NZ IFRS 15 *Revenue from Contracts with Customers*.

Information other than the financial statements and auditor's report

The Directors of the company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of 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 consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon 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 for the financial statements

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

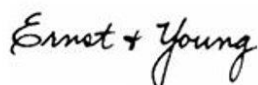
In preparing the consolidated financial statements, the Directors are responsible for assessing on behalf of the entity the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing (New Zealand) 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 consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Bennett

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Chartered Accountants
Auckland
17 June 2022



Third Age Health Services Limited

Corporate Governance

The objective of the Board of Third Age Health Services Limited (“the Company”) is to enhance shareholder value. The Board considers there is a strong link between good corporate governance and the achievement of this objective.

The company seeks to follow the best-practice recommendations for listed companies to the extent that it is appropriate to the size and nature of the Company’s operations. The best practice principles which the Company considers in its governance approach are the New Zealand Exchange (NZX) Listing Rules relating to corporate governance, and the NZX Corporate Governance Code (NZCGC), and the Financial Market Authority’s Corporate Governance Principles and Guidelines, (altogether “Principles”).

The Board considers that its corporate governance framework complies with NZCGC recommendation, except as stated within this report. This report is presented by addressing the eight principles and the associated recommendations of the NZCGC.

The information in this report is current as at the date of release of the Annual Report for the year ended 31 March 2022 and has been approved by the Board.

The key corporate governance documents referred to in this report are available under the investors section of the Company’s website at <https://www.thirdagehealth.co.nz>

Principle 1 – Code of Ethical Behaviour

Recommendation 1.1

“The Board should document minimum standards of ethical behaviour to which the issuer’s directors and employees are expected to adhere (a code of ethics).

The code of ethics and where to find it should be communicated to the issuer’s employees. Training should be provided regularly. The standards may be contained in a single policy document or more than one policy.

The code of ethics should outline internal reporting procedures for any breach of ethics, and describe the issuer’s’ expectations about behaviour, namely that every director and employee:

- a. acts honestly and with personal integrity in all actions;*
- b. declares conflicts of interest and proactively advises of any potential conflicts;*
- c. undertakes proper receipt and use of corporate information, assets and property;*
- d. in the case of directors, give proper attention to the matters before them;*
- e. acts honestly and in the best interest of the issuer, as required by law, and takes account of interests of shareholders and other stakeholders;*
- f. adheres to any procedures around giving and receiving gifts (for example where gifts are given that are of value in order to influence employees and directors, such gifts should not be accepted);*
- g. adheres to any procedures about whistle blowing (for example, where actions of a whistle blower have complied with the issuer’s procedures, an issuer should protect and support the, whether or not action is taken); and*
- h. manages breaches of the code”*

The Company complies with this recommendation, though the Code of Ethics was published in March 2022. Directors observe and foster high ethical standards. The Company expects its Directors, officers, and employees to act legally, to maintain high ethical standards, and to act with integrity consistent with the Company’s policies, guiding principles and values. The Company adopts policies to ensure it maintains high standards of performance and behaviour when dealing with the Company’s customers, suppliers, shareholders

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and staff. The specific governance policies in place throughout the year were a Diversity and Inclusion policy, Market Disclosure Policy and the Financial Products Trading policy.

The Code of Ethics can be found on the investor section of the Company's website (<https://www.thirdagehealth.co.nz>).

Recommendation 1.2

"An issuer should have a financial product dealing policy which applies to employees and directors."

The Company complies with this recommendation. The Financial Products Trading Policy can be found on the investor section of the Company's website (<https://www.thirdagehealth.co.nz/>).

Principle 2 - Board composition & Performance

Recommendation 2.1

"The board of the issuer should operate under a written charter which set out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management."

The Company complies with this recommendation, with the board operating under a Board charter which is available on the investor section of the Company's website (<https://www.thirdagehealth.co.nz>).

Recommendation 2.2

"Every issuer should have a procedure for the nomination and appointment of directors to the board."

The Company complies with this recommendation. The Board has decided that these functions will be carried out by the main board within the terms of reference of this Board Charter. A copy of the Board Charter is available on the investor section on the Company's website (<https://www.thirdagehealth.co.nz>).

Recommendation 2.3

"An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment."

The Company complies with this recommendation. All current Directors and senior executives have entered into written agreements with the Company setting out the terms of their appointment. In accordance with the NZX Listing Rules, all Directors are required to retire (though may be re-elected) not later than the third annual meeting following the Director's appointment, or after three years, whichever is longer. Any Directors appointed by the Board since the previous annual meeting must also retire and are eligible for election.

Recommendation 2.4

"Every issuer should disclose information about each director in its annual report or on its website, including profile of experience, length of service, independence and ownership interest and director attendance at Board meetings."

The Company complies with this recommendation. The biographies of the Directors are available in this Annual Report and on the Company's website (<https://www.thirdagehealth.co.nz>).

With regard to Board meeting attendance, the Board meets as often as it deems appropriate, including sessions to review the performance of the business, to consider the strategic direction and to approve annual

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budgets. As is common nowadays, video conferences are mostly used which also suits the dispersed nature of the Board and management.

The table below sets out Director attendance at Board meetings during FY22, including meetings to approve strategic plans, budgets and the release of annual and half year results.

Director	Number of meetings eligible to attend	Number of meetings attended
Bevan John Walsh	9	9
John Samuel Ronny Fernandes	9	9
Norah Kathleen Barlow	9	9
Wayne Geoffrey Williams (appointed 10 June 2021)	8	8
Diane Lynn Budres (appointed 14 September 2021)	5	5

Recommendation 2.5

“An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which at a minimum should address gender diversity) and to assess annually both the objectives and the entity’s progress in achieving them. The issuer should disclose the policy or a summary of it.”

The company complies with this recommendation, though is still developing measurable diversity and inclusion objectives that it can review and report against annually. A written policy can be found on the investor section of the Company’s website (<https://www.thirdagehealth.co.nz>).

NZX listed issuers are required to report quantitative data on the gender breakdown of Directors and Officers at the financial year end. The policy behind the rule is to provide information to allow investors to maintain an informed view of diversity as a factor relevant to an Issuer’s expected performance.

As at 31 March 2022 the mix of male and female of the Board and Company’s Key Management Personnel (the CEO and persons that report to the CEO) was as follows:

	2022		2021	
	Male	Female	Male	Female
Non-executive Directors	3	2	2	1
Key Management Personnel	4	5	2	2

Recommendation 2.6

“Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.”

Members of the Board undertake regular professional training to remain current on how best to perform their duties. The Company encourages all Directors to undertake appropriate training and education so that they may best perform their duties. This may include attending presentations on changes in governance, legal and regulatory frameworks; attending technical and professional development courses; site visits and briefings from key executives; and attending presentations from industry experts and key advisers.

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Recommendation 2.7

“The Board should have a procedure to regularly assess director, board, and committee performance.”

The Board have introduced an assessment process to enable an annual assessment of the Directors, and the Board plus senior executives. The Board considers individual and collective performance, together with the skill sets, training and development and succession planning required to govern the business.

Recommendation 2.8

“A majority of the Board should be independent directors.”

The Company complies with this recommendation. In determining directors’ independence, the Board has applied factors outlined in the commentary to Corporate Governance Code recommendation 2.4.

The Board currently comprises five Directors, three of whom are independent:

- Bevan John Walsh, Chairman, Non-independent Director.
- John Samuel Ronny Fernandes, Independent Director.
- Norah Kathleen Barlow, Independent Director.
- Wayne Williams, Independent Director (appointed 10 June 2021).
- Diane Budres, Non-independent Director (appointed 14 September 2021).

Directors’ interests disclosed for the financial year ended 31 March 2022 are provided in the Shareholder and Statutory Information section of this Annual Report.

Recommendation 2.9

“An issuer should have an independent chair of the Board. If the chair is not independent, the chair and the CEO should be different people.”

During the year ended 31 March 2022, the Company partly complied with this recommendation noting that the chair is not independent, but the chair and CEO are different people. The Board has determined that Bevan John Walsh (Chair) is not independent by virtue of his significant shareholding. However, the Board considers that the skills and experience provided by Mr. Walsh and the alignment of interests with other shareholders outweigh any benefits of the recommendation that the chair be independent. The Board further considers that despite Mr. Walsh being non independent the majority of the other Directors are independent non-executive Directors and so there is sufficient openness and challenging of opinions to ensure a diversity of views are considered by the Board, and the Chairman’s independent decision making is not compromised.

It was announced to the NZX on 30 May 2022 that Bevan Walsh will be stepping down as Chair and that John Fernandes (Independent Director) will be appointed as Chair at the conclusion of the forthcoming Annual General Meeting.

Principle 3 – Board Committees

Recommendation 3.1

“An issuer’s audit committee should operate under a written charter. Membership on the audit committee should be a majority of independent directors and comprise solely on non-executive directors of the issuer. The Chair of the audit committee should be an independent director and not the chair of the board.”

The Company complies with this recommendation. The board operates an Audit Committee which provides a forum for the effective communication between the Board and external auditors. The Committee reviews the

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annual and half-yearly financial statements, prior to their approval by the Board, the effectiveness of internal control, the Company finance function, information systems, and the efficiency and effectiveness of the audit function.

During the year ended 31 March 2022 the Committee comprised of John Fernandes (Chair and Independent Director), Norah Barlow (Independent Director) and Wayne Williams (Independent director), appointed following his appointment to the Board on 10 June 2021. Bevan Walsh (Non-independent Director) resigned from the Committee on 18 October 2021. The Audit Committee Charter can be found on the investors section of the Company's website (<https://www.thirdagehealth.co.nz>).

It was announced to the NZX on 30 May 2022 that John Fernandes (Audit Committee Chair and Independent Director) will be appointed as Chair of the Board at the conclusion of the forthcoming Annual General Meeting. Wayne Williams (Independent Director) will take over as Audit Committee Chair and John Fernandes will remain a member of the Committee.

The table below sets out Director's attendance at Audit Committee meetings during FY22.

Director	Number of meetings eligible to attend	Number of meetings attended
John Samuel Ronny Fernandes	3	3
Norah Kathleen Barlow	3	3
Wayne Geoffrey Williams (appointed 10 June 2021)	3	3
Bevan John Walsh (resigned 18 October 2021)	1	1

Recommendation 3.2

"Employees should only attend the audit committee at the invitation of the audit committee."

The Company complies with this recommendation. Employees and other non- members of the committee only attend by invitation.

Recommendation 3.3

"An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors".

Given the size and nature of the Board there is no standing committees for remuneration, but the Board has decided that these functions will be carried out by the main Board within the terms of reference of the Board Charter. A copy of the Board Charter is available on the investors section of the Company's website (<https://www.thirdagehealth.co.nz>).

Recommendation 3.4

"An issuer should establish a nominations committee to recommend director appointments to the Board (unless this is carried out by the whole Board) which should operate under a written charter. At least a majority of the nominations committee should be independent directors."

Given the size and nature of the Board there is no standing committees for nominations, but the Board has decided that these functions will be carried out by the main board within the terms of reference of the Board Charter. A copy of the Board Charter is available on the investor section of the Company's website (<https://www.thirdagehealth.co.nz>).

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Recommendation 3.5

“An issuer should consider whether it is appropriate to have any other board committees as standing committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.”

The Board will continue to assess the requirements for further standing committees. The Board will use standing committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

Recommendation 3.6

“The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. The board should disclose the scope of independent advisory reports to shareholder. These protocols should disclose the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.”

In the case of a takeover offer, the Company will form an Independent Takeover Committee to oversee disclosure and response and engage expert legal and financial advisors to provide advice on procedure. The Company does not have a formal Takeover Response Policy at this stage and so is not compliant with this recommendation.

Principle 4 - Reporting and disclosure

Recommendation 4.1

“The issuer’s board should have written continuous disclosure policy.”

The Company complies with this recommendation. The Company’s directors are committed to keeping investors and the market informed of all material information about the Company and its performance, in a timely manner. The company has adopted a Market Disclosure Policy to ensure that material information is identified, reported, assessed and, where required, disclosed to the market in a timely manner. A copy of the Policy is available on the investors section of the Company’s website (<https://www.thirdagehealth.co.nz>).

Recommendation 4.2

“An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.”

The Company complies with this recommendation. Published policies and charters are found the investor section of the Company’s website (<https://www.thirdagehealth.co.nz>).

Recommendation 4.3

“Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosures at least annually, including considering environmental, economic, and social factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.”

In addition to all information required by law, the Company also seeks to provide meaningful information to ensure stakeholders and investors are well informed, including financial and non-financial information.

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Financial Information

Senior Management is responsible for implementing and maintaining appropriate accounting and financial reporting principles, policies, and internal controls designed to ensure compliance with accounting standards and applicable laws and regulations.

The Board's Audit Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews the Company's full and half year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit.

For the financial year ended 31 March 2022, the Directors believe that proper accounting records have been kept that enable the determination of the Company's financial position with reasonable accuracy and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Company's full and half year financial statements are available on the investor section of the Company's website (<https://www.thirdagehealth.co.nz>).

Non-financial information

The Company sets out, reports against and discusses its strategic objectives in a variety of communications including the Chair and CEO's commentary in reports to shareholders.

Principle 5 – Remuneration

Recommendation 5.1

"An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report."

The Company complies with this recommendation. Remuneration of Directors and senior executives is a key responsibility of the Board. The Board ensures that remuneration is benchmarked to the market for, Director and Board positions.

Recommendation 5.2

"An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration component and relevant performance criteria."

The Company complies with this recommendation.

Director remuneration

The total remuneration pool available for Directors was fixed at listing at \$150,000 per annum for all non-executive Directors. This was applied to four directors and following the appointment of a fifth director on 14 September 2021 the pool was increased to \$185,000 under Listing Rule 2.11.3. The Board determines the level of remuneration paid to Directors from that pool. Directors also receive reimbursement for reasonable travelling, accommodation and other expenses incurred in the course of performing their duties.

Third Age Health Services Limited

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Any proposed increases in pool of fees for non-executive Director fees and remuneration will be put to shareholders for approval. If independent advice is sought by the Board, it will be disclosed to shareholders as part of the approval process.

Board role approved remuneration

The fees payable to a non-executive Chair currently amount to \$12,000 per annum plus a performance-based fee of \$23,000 payable on achievement of agreed growth targets. The fees payable to the Independent Directors is \$35,000 per annum. The Chair of the Audit Committee receives \$5,000 per annum while members receive \$2,500 per annum.

Executive remuneration

In general, executive remuneration comprises a fixed base salary, an at-risk short-term incentive payable annually linked to business performance and incentives linked to longer term share growth. At-risk incentives are paid against targets agreed with executives at the commencement of the period and are based on financial measures, mainly earnings targets.

Recommendation 5.3

“An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of base salary, short term incentives and long-term incentives and the performance criteria used to determine performance-based payments.”

The Company complies with this recommendation. The CEO remuneration is detailed under note 25.3 of the Consolidated Financial Statements.

Principle 6 - Risk Management

Recommendation 6.1

“An issuer should have a risk management framework for its business and the issuer’s board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed.”

The Board has overall responsibility for the Company’s system of risk management and internal control. The Board delegates day-to-day management of the risk to the CEO. In addition, the Audit Committee provides an additional and more specialised oversight of the Company’s risks in addition to the oversight provided by the Board.

Risk Identification

The senior management team is required to regularly identify the major risks affecting the business and develop structures, practices, and processes to manage and monitor these risks. The CEO provides an updated risk register at each Board meeting.

Insurance

The Company maintains insurance policies that it considers adequate to meet its insurable risks.

Recommendation 6.2

“An issuer should disclose how it manages its health and safety risks and should report on its health and safety risks, performance and management.”

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The Company complies with this recommendation, with formal reporting to the board on its health and safety risks, performance and management at Board meetings.

Principle 7 – Auditors

Recommendation 7.1

“The board should establish a framework for the issuer’s relationship with its external auditors. This should include

- a. For sustaining communication with the issuer’s external auditors;*
- b. To ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be conceived to be impaired;*
- c. To address what, if any services (whether by type or level) other than their statutory audit roles may be provided by the auditors to the issuer: and*
- d. To provide for the monitoring and approval by the issuer’s audit committee of any service provided to the issuer other than in their statutory audit role.”*

The Company complies with this recommendation. The Board is committed to ensuring audit independence, both in fact and appearance, so that the Company’s external financial reporting is viewed as being highly objective and without bias. The Audit Committee reviews the quality and cost of the audit undertaken by the Company’s external auditors and provides a formal channel of communication between the Board, senior management, and external auditors.

The Audit Committee approves the auditor’s terms of engagement, audit partner rotation (at least every five years) and audit fee and reviews and provides feedback in respect of the annual audit plan. The Audit Committee periodically has time with the external auditor without management present. The Committee also assesses the auditor’s independence on an annual basis.

All audit work of the Company is fully separated from non-audit services to ensure that appropriate independence is maintained. There were no other services provided by EY in FY22. The amount of fees paid to EY for audit and non-audit work are identified on note 9 of the Consolidated Finance Statements.

EY has provided the Committee with written confirmation that, in its view, it was able to operate independently during the year.

Recommendation 7.2

“The external auditor should attend the issuer’s Annual Meeting to answer questions from shareholders in relation to the audit.”

The Company complies with this recommendation. EY will be invited to attend the FY22 Annual Shareholders’ Meeting and will be available to answer questions from shareholders at the meeting.

Recommendation 7.3

“Internal audit functions should be disclosed.”

The Company has a number of internal controls which are overseen by the Audit Committee and/or the Board. These include controls for business continuity management, insurance, health and safety, conflicts of interest, and prevention and identification of fraud. Given the size of the business the Company does not have an

Third Age Health Services Limited

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internal audit function but last year engaged professional advisors Deloitte to undertake a review of internal controls and will consider undertaking further reviews in the future.

Principle 8 – Shareholder rights and relations

Recommendation 8.1

‘An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.’

The Company complies with this recommendation. The Company’s website can be found at <https://www.thirdagehealth.co.nz>.

Recommendation 8.2

‘An issuer should allow investors the ability to easily communicate with the issuer, including the option to receive communications from the issuer electronically.’

The Company complies with this recommendation. The Board is committed to open and regular dialogue and engagement with shareholders. The Company seeks to ensure that investors understand its activities by communicating effectively with them and giving them access to clear and balanced information.

The Company has a calendar of communications and events for shareholders, including but not limited to:

- Half and full Year Results Announcements and Annual Report.
- Market announcements.
- Annual Shareholders’ Meeting.
- Scheduled and ad hoc investor presentations to institutional investors and retail brokers.
- Easy access to information through the Company’s website (<https://www.thirdagehealth.co.nz>).
- Access to management and the Board via a dedicated email address, investors@thirdagehealth.co.nz.

Recommendation 8.3

‘Quoted equity security holders have the right to vote on major decisions which may change the nature of the issuer in which they are invested.’

The Company complies with his recommendation. Shareholders are actively encouraged to attend the Annual Shareholders’ Meeting and may raise matters for discussion at this event and may vote on major decisions that affect the Company. Voting is by poll, upholding the ‘one share, one vote’ philosophy.

In accordance with the Companies Act 1993, the Company’s Constitution and the NZX Main Board Listing Rules, the Company refers major decisions that may change the nature of the Company to shareholders for approval. All shareholders are given the option to elect to receive electronic communications from the Company. In addition to shareholders, the Company has a wide range of stakeholders and maintains open channels of communication for all audiences, including brokers, the investing community, regulators, staff, customers and suppliers.

Recommendation 8.4

‘If seeking additional equity capital, issuers of quoted securities should offer further equity securities to existing equity security holders of the same class on a pro rata basis and no less favourable before further equities are offered to other investors.’

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In the event that the Company will seek additional equity capital, the Company will seek to offer further equity securities to existing equity security holders of the same class on a pro rata basis and no less favourable before further equities are offered to other investors.

Recommendation 8.5

“The board should ensure that the notices of annual or special meetings of quoted equity security holders is posted on the issuer’s website as soon as possible and at least 20 working days prior to the meeting.”

The Company has complied with this recommendation.

Third Age Health Services Limited

Shareholder and statutory information

1. Additional information required under the NZX Listing Rules

Twenty largest registered shareholders as of 31 May 2022

The Company has one class of equities, Ordinary Shares listed on the NZX Main Board under the ticker code TAH.

The following table shows the names and holdings of the 20 largest registered holdings of listed ordinary shares of the Company on 31 May 2022.

Shareholders	Shares held at 31 May 2022	% of listed capital
Bevan John Walsh	4,329,617	43.51%
Michael Haskell & Associates Limited	2,557,123	25.70%
Timothy Grant Livingstone & Robert Peter Webber <W. W. Flaunty Family A/C>	820,500	8.25%
New Zealand Depository Nominee <1 A/C>	336,956	3.39%
Diane Lynn Budres	248,392	2.50%
Terence De Silva	200,500	2.02%
Lenore Deirdre Bauer	156,500	1.57%
Brian Hezelton Walsh	126,379	1.27%
Jiahuan Fu	114,490	1.15%
FNZ Custodians Limited	101,480	1.02%
JSRF Limited	81,506	0.82%
Custodial Services Limited <4 A/C>	41,000	0.41%
Bruce John Mccullagh	37,000	0.37%
Dellow Nominees Limited	33,400	0.34%
Gore Holdings Limited	25,000	0.25%
John Franich & Sarah Franich <Franich Family A/C>	25,000	0.25%
Norah Kathleen Barlow & Robert Noel Barlow <Kensington A/C>	24,490	0.25%
Dean Neil Edgerton & Nicole Tonnile Edgerton & William Desmond Edgerton <Edgerton Family A/C>	24,000	0.24%
Arthur Smethurst & Brenda Smethurst & Leigh Smethurst <Excalibur A/C>	23,000	0.23%
Brett Hiirini Shepherd	20,000	0.20%
	9,326,333	93.73%

The total number of voting securities of the Company at 31 March 2022 was 10 million ordinary shares of which 9,950,000 are listed on the NZX and 50,000 are held on Trust registered to Bevan John Walsh & T A Wai <Third Age Health (ESOP Holding) A/C> for The Employee Share Trust. The Employee Share Trust grants options to acquire ordinary shares to Third Age Health employees and their associated entities.

Third Age Health Services Limited

Shareholder and statutory information

Spread of shareholders as at 31 May 2022

The following table is the spread of listed shareholders as of 31 May 2022

Shareholder size	Number of Holders	Total Shares listed	% of listed capital
1-1,000	90	46,792	0.5%
1,001-5,000	64	194,871	2.0%
5,001-10,000	23	194,121	2.0%
10,001-50,000	22	440,773	4.4%
50,001-100,000	1	81,506	0.8%
Greater than 100,000	10	8,991,937	90.4%
	210	9,950,000	100.0%

Shareholding of Directors as of 31 March 2022

Director	2022 Shares	2021 Shares
Bevan John Walsh	4,329,617	4,332,731
John Samuel Ronny Fernandes	91,168	91,168
Norah Kathleen Barlow	24,490	24,490
Wayne Geoffrey Williams (appointed 10 June 2021)	-	-
Diane Lynn Budres (appointed 14 September 2021)	248,392	248,392

Michael Haskell resigned as a director on 23 May 2021. On 31 March 2021 he held 3,372,711 shares. He remains a Substantial Shareholder.

2. Additional information required under the Financial Markets Conduct Act 2013

Substantial Security Holders

Information on Substantial Security Holders is provided pursuant to section 293 of the Financial Markets Conduct Act 2013 (the "Act") and details the Substantial Security Holders in the Company and their relevant interests in the Company's shares as of 31 March 2022. A person has a substantial holding for the purposes of the Act if the person has a relevant interest in quoted voting products that comprise 5% or more of a class of quoted voting products of the listed issuer.

Investor name	Shares held at 31 March 2022	% of issued capital
Bevan John Walsh	4,329,617	43.51%
Michael Haskell & Associates Limited	3,051,258	30.67%
Lenore Deirdre Bauer		
Beneficial ownership ¹	1,514,972	
Direct ownership	156,500	
	<u>1,671,472</u>	16.80%

- This relates to an informal agreement relating to the beneficial ownership of a share of the shares held by Bevan John Walsh, the exercise of voting rights attaching to those Share, and any acquisition or disposal of those Shares

Third Age Health Services Limited

Shareholder and statutory information

3. Additional information required under the Companies Act 1993

Directors' remuneration and other benefits

The names of the directors of the Company who held office and the details of their remuneration and value of other benefits received for services to Third Age Health Services Limited for the year ended 31 March 2022 were:

	Board Fees	Audit Committee Fees
	\$	\$
Bevan John Walsh	12,000	-
John Samuel Ronny Fernandes	35,000	5,000
Norah Kathleen Barlow	35,000	2,500
Wayne Geoffrey Williams (appointed 10 June 2021)	26,833	2,500
Diane Lynn Budres (appointed 14 September 2021)	7,000	-
	115,833	10,000

The amounts to Norah Barlow and Wayne Williams remained unpaid as of 31 March 2022.

Former CEO, Michael Haskell resigned as a director on 23 May 2021. Michael Haskell resigned as CEO on 30 September 2021, his remuneration is disclosed in note 25.3 of the Consolidated Financial Statements.

Interests register

Directors have given notices disclosing interests pursuant to section 140(1) of the Companies Act 1993.

Particulars of entries recorded in the Company's Interests Register during the financial year ended 31 March 2022 are set out in the following table.

Director	Nature of disclosure
Bevan John Walsh	1 Bevan Walsh is a major shareholder of The Company TAH and Third Age Digital Health Limited (TADH). Bevan Walsh resigned as a director of TADH on 20 December 2021. The Company is owned money from TADH. Details of the loan are provided in note 16 of the Consolidated Financial Statements.
	2 Indemnified to the extent allowed by the Companies Act 1993 and the company constitution.
	3 Directors and Officers insurance cover provided by the Company
John Samuel Ronny Fernandes	1 Indemnified to the extent allowed by the Companies Act 1993 and the company constitution.
	2 9,662 Shares (0.10%) in the Company, held as registered and beneficial owner
	3 81,506 Shares (0.82%) in the Company held by JSRF Limited, in which John Fernandes has a relevant interest as sole director and shareholder.

Third Age Health Services Limited

Shareholder and statutory information

Director	Nature of disclosure
	<ol style="list-style-type: none"> 4 JSRF Limited (a company owned 100% by John Fernandes) holds an option to purchase a further 100,000 Shares (1.03%) held by another shareholder (who is not a director or senior manager) at \$2.15 per Share. That option can be exercised in part or in full at any time until 30 June 2024. 5 Directors and Officers insurance cover provided by the Company
Norah Kathleen Barlow	<ol style="list-style-type: none"> 1 Norah Barlow holds a position as CEO of a client of the Company 2 24,490 (0.25%) shares in the Company held by Norah Kathleen Barlow and Robert Noel Barlow in their capacities as trustees of a family trust associated with Norah Barlow 3 Indemnified to the extent allowed by the Companies Act 1993 and the company constitution. 4 Directors and Officers insurance cover provided by the Company
Wayne Geoffrey Williams (appointed 10 June 2021)	<ol style="list-style-type: none"> 1 Indemnified to the extent allowed by the Companies Act 1993 and the company constitution. 2 Directors and Officers insurance cover provided by the Company
Diane Lynn Budres (appointed 14 September 2021)	<ol style="list-style-type: none"> 1 Indemnified to the extent allowed by the Companies Act 1993 and the company constitution. 2 Directors and Officers insurance cover provided by the Company
Michael Bruce Haskell (resigned as a Director on 23 May 2021)	<ol style="list-style-type: none"> 1 Michael Haskell (the former Company CEO) provides services to the Company under a commercially negotiated contractor arrangement. 2 Michael Haskell is a shareholder of both the Company and Third Age Digital Health Limited (TADH). The Company is owed money from TADH. Details of the loan are provided in note 16 of the Consolidated Financial Statements 3 Indemnified to the extent allowed by the Companies Act 1993 and the company constitution. 4 Directors and Officers insurance cover provided by the Company

Indemnity and insurance

The Company has entered into deeds of indemnity in favour of all its directors. The Company has insured all its directors against liabilities and costs in accordance with section 162(5) of the Companies Act 1993.

Third Age Health Services Limited

Shareholder and statutory information

Employees' remuneration

The number of employees or former employees, not being Directors of the Group, who received remuneration and other benefits in their capacity as employees, the value of which exceeds \$100,000 is set out below:

	2022 Number	2021 Number
\$160,000 - \$169,999	1	-

Amount payable to auditors

The amount payable to our auditor is \$56,650 (2021: \$46,760).

Donations

The Company made no donations during the year ended 31 March 2022.

Third Age Health Services Limited

Corporate directory

Registered office

536 Kennedy Road
Greenmeadows Napier

New Zealand Company number

3189884

Directors

Bevan John Walsh (Chairman, Non-independent)
John Samuel Ronny Fernandes (Independent)
Norah Kathleen Barlow (Independent)
Wayne Geoffrey Williams (Independent), appointed 10 June 2021
Diane Lynn Budres (Non-Independent), appointed 14 September 2021

Auditors

Ernst & Young
EY Building, 2 Takutai Square
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Auckland 1010
New Zealand

Registry

Link Market Services Securities Registrar
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**Third Age
Health**

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