



Notice Of Special Meeting

5 MAY 2022

Radius Residential Care Limited | www.radiuscare.co.nz



Notice is hereby given that a Special Meeting of Shareholders of Radius Residential Care Limited will be held as follows:

Date of Meeting: Thursday 5 May 2022

Time: Commencing at 10.30am

Online: meetnow.global/nz

Physical meeting (subject to Government restrictions and to the extent otherwise practicable): **Eden Park** (Enter via Gate G), World Cup Lounge West, Level 4, South Stand, Reimers Avenue, Kingsland, Auckland Venue (with entry to the meeting room available from 10.00am).



Message from Brien Cree



Dear Shareholder,

We are pleased to invite you to attend a Special Meeting of Shareholders of Radius Residential Care Limited (**Radius Care**), which will be held at Eden Park (Enter via Gate G), World Cup Lounge West, Level 4, South Stand, Reimers Avenue, Kingsland, Auckland (and online at meetnow.global/nz) commencing at 10.30am on 5 May 2022 (the **Special Meeting**).

BACKGROUND AND OVERVIEW OF UCG TRANSACTION

On 30 March 2022, Radius Care announced the acquisition of the land and buildings at four strategically important leased sites from one of Radius Care's largest landlords, UCG Investments Limited (**UCG**), for an aggregate acquisition price of \$46.7 million (the **UCG Acquisition**), being an amount equal to independent valuations undertaken by Colliers in the period November 2021 to January 2022. The UCG Acquisition will be settled using debt funding provided under new and existing facilities to be provided by Radius Care's banking partner, ASB Bank Limited (**ASB Facilities**).

Radius Care currently leases five sites from UCG. Concurrent with the UCG Acquisition, Radius Care (through its wholly owned subsidiary Radius Care Holdings) has also entered into an agreement to acquire the land and buildings at the fifth leased site from UCG for an acquisition price of \$14.6 million (the **Kensington Acquisition**), together with a separate agreement to nominate a third party, Warehouse Storage Limited (**WSL**), to acquire that fifth site in place of Radius Care (the **WSL Nomination**).



UCG and Radius Care agreed that sale and purchase agreements for all five of the sites owned by UCG and leased to Radius Care be entered into, and settle, concurrently. As Radius Care is not in a position to suitably fund both the UCG Acquisition and the Kensington Acquisition (the aggregate acquisition price for the UCG Acquisition and Kensington Acquisition would be \$61.3 million), Radius Care agreed with WSL for WSL to complete the Kensington Acquisition, with WSL agreeing to grant Radius Care an option to purchase that fifth site in the future, should Radius Care elect to do so.

The transactions comprising the UCG Acquisition, the Kensington Acquisition and the WSL Nomination (together with the ASB Facilities, the **UCG Transaction**) are conditional on shareholder approval, which will be sought at the Special Meeting.

ALIGNMENT OF THE UCG TRANSACTION WITH STRATEGY

As outlined in Radius Care’s December 2020 Listing Profile, Radius Care’s growth strategy includes the purchase of strategically important facilities already operated (but not owned) by Radius Care, to provide greater control to undertake value enhancing initiatives, particularly developments.

The UCG Transaction demonstrates execution of this important limb of Radius Care’s strategy. The acquisition of the four sites from UCG increases Radius Care’s owned portfolio by 342 Beds at four sites across Auckland, Hamilton, Palmerston North and Dunedin. The acquisition also:

- Increases Radius Care’s development pipeline – providing ownership of spare land at the four sites to be able to build an additional 80 to 100 care home units on this land, to increase profitability of the sites. The timing and funding requirements for such development are being assessed by the Board but it is anticipated that it will be funded, at least in part, by the development facility with ASB Bank.
- Increases Radius Care’s ability to optimise profitability of existing care home units on the four sites by, for example, making alterations to existing rooms to enable greater levels of accommodation-supplement charging.
- Enables Radius Care to introduce Occupation Right Agreements over care home units at the four sites.

In addition, the acquisition of an option to purchase the fifth site currently owned by UCG, through the WSL Nomination, will give Radius Care the ability to acquire that site in the future should it wish to do so. The key terms of that option are set out in the explanatory notes that form part of this Notice of Meeting.

FUNDING

The \$46.7 million purchase price for the UCG Acquisition (and related transaction costs) will be fully funded by the following new and existing facilities provided by ASB Bank:

- a new \$23.675 million loan with a five-year term;

- an existing development facility that will be partially (\$15 million) repurposed to support funding the UCG Acquisition for up to five months; and
- a new \$8 million bridge facility with a five-month term.

Radius Care intends to undertake a capital raising within five months of settlement of the UCG Transaction to repay the \$23 million of funding to be provided under the existing development facility and the bridge facility. The key terms of the new facilities to be provided by ASB Bank are set out in the explanatory notes that form part of this Notice of Meeting.

SHAREHOLDER APPROVAL REQUIRED

Radius Care will hold the Special Meeting to consider the approval by shareholders to the UCG Transaction.

The Resolution to approve the UCG Transaction is an ordinary resolution, requiring a simple majority of the votes of those shareholders who are eligible to vote and voting to pass.

Accompanying this Notice of Meeting is an independent appraisal report on the UCG Transaction prepared by Calibre Partners (**Independent Report**).

Ahead of the Special Meeting, the directors encourage you to carefully read this Notice of Meeting and the Independent Report before making a voting decision.

RECOMMENDATIONS

The Board considers the UCG Transaction to be consistent with Radius Care’s growth strategy, which includes the purchase of strategically important facilities already operated by Radius Care, allowing greater control to undertake value enhancing initiatives. It is on this basis that the Board recommends shareholders vote in favour of the Resolution to approve the UCG Transaction.

Radius Care’s largest shareholder, Wave Rider Holdings Limited, has informed the company that it intends to vote in favour of the resolution to approve the UCG Transaction.

Further details on how to vote and where to return your proxy form are included on the proxy form itself, as well as in this Notice of Meeting.

On behalf of the Board, thank you for your continued support and we welcome your consideration of, and participation in, the Special Meeting on 5 May 2022.

Yours sincerely,

Brien Cree
Executive Chairman



Notice of Special Meeting of Shareholders

NOTICE is given that a Special Meeting of Shareholders of Radius Residential Care Limited (Radius Care) will be held on 5 May 2022 commencing at 10.30am:

- a. online at meetnow.global/nz; and
- b. at Eden Park (Enter via Gate G), World Cup Lounge West, Level 4, South Stand, Reimers Avenue, Kingsland, Auckland.

Capitalised terms in this Notice of Meeting have the meanings set out in the Glossary.

ORDER OF BUSINESS

A. Chair's Introduction and Address

B. Consideration of and Voting on the Resolution

To consider and, if thought fit, pass the following ordinary resolution:

Resolution - Approval of UCG Transaction

That the entry into and performance of the UCG Transaction be approved for all purposes, including Listing Rule 5.11 and Listing Rule 5.2.1.

By order of the Board

Brien Cree

Executive Chairman

14 April 2022



Explanatory Notes

Explanatory Notes relating to the Resolution

Details of the UCG Transaction

The Resolution provides for Shareholders to consider and, if thought fit, approve the UCG Transaction. The UCG Transaction comprises:

- the UCG Acquisition;
- the Kensington Acquisition;
- the WSL Nomination; and
- the ASB Facilities.

Each of these components of the UCG Transaction are described below.

UCG ACQUISITION

On 29 March 2022, Radius Care's wholly owned subsidiary Radius Care Holdings entered into four conditional sale and purchase agreements (the UCG Agreements) with UCG to acquire for a total purchase price of \$46.7 million four properties that are currently owned by UCG and leased by Radius Care. Those properties (the UCG Properties) comprise:

- Radius Arran Court at 85 McLeod Road, Te Atatu South, Auckland;
- Radius St Joans at 371 Peachgrove Road, Fairfield, Hamilton;
- Radius Peppertree at 107 Roberts Line, Kelvin Grove, Palmerston North; and
- Radius Fulton, Dunedin at 530 Hillside Road, Caversham, Dunedin.

Each of the UCG Properties are currently leased by Radius Care on 10-year leases (with between 2.7 and 7.3 years remaining to renewal) and with a further right of renewal for 10-year terms each in favour of Radius Care. Accordingly, final expiry of the current leases, if all rights of renewal are exercised by Radius Care, would be as set out in the table below.

The purchase price for the acquisition of the UCG Properties pursuant to the UCG Agreements is \$46.7 million in aggregate, allocated across the individual properties. This price is supported by individual independent valuations undertaken by Colliers as set out in the table below:

	Valuation Date	Valuation	Current remaining lease term	Right of renewal	Final expiry
Radius Arran Court	6 January 2022	\$14,185,000	7.3 yrs	1 x 10 yrs	July 2039
Radius St Joans	5 January 2022	\$11,000,000	3.1 yrs	1 x 10 yrs	May 2035
Radius Peppertree	17 November 2021	\$7,840,000	2.7 yrs	1 x 10 yrs	December 2034
Radius Fulton	24 January 2022	\$13,650,000	3.5 yrs	1 x 10 yrs	October 2035
Total		\$46,675,000			

The above independent valuations of the UCG Properties, as well as the independent valuation of Radius Kensington described below, were commissioned by UCG from Colliers for first mortgage purposes and provided to Radius Care to assist its decision making in whether to acquire the UCG Properties and enter into the UCG Transaction. The valuations were prepared as market valuations on a freehold 'as is' basis. Although the valuation date for Radius Peppertree is earlier than for the other UCG Properties, the Board considers that the fundamental assumptions on which this valuation was based have not materially changed and therefore the value of this property is unlikely to have materially changed since the date of the valuation. The Board considers that the cash and time costs incurred in arranging a more recent valuation report outweigh any benefits that an updated valuation report would provide to shareholders.



Radius Care has operated and leased each of the UCG Properties for at least 15 years and, accordingly, has a high degree of familiarity with and knowledge of these properties. On this basis, the Board was comfortable proceeding with the UCG Acquisition without any additional reports or due diligences beyond the Colliers valuations described above.

The purchase price is an amount equal to the aggregate independent valuation of the UCG Properties. The Board considers a purchase price equal to the independent valuation of the UCG Properties to be a fair and reasonable price for the properties given that the acquisition:

- is in line with Radius Care’s growth strategy to acquire strategically important facilities already operated (but not owned) by Radius Care, to provide greater control to undertake value enhancing initiatives, particularly developments;
- increases Radius Care’s development pipeline by providing ownership of spare land at the four sites to be able to build an additional 80 to 100 care home units on this land, to increase profitability of the sites;
- increases Radius Care’s ability to optimise profitability of existing care home units on the four sites by, for example, making alterations to existing rooms to enable greater levels of accommodation-supplement charging; and
- enables Radius Care to introduce Occupation Right Agreements over care home units at the four sites.

The purchase price is to be funded by drawdown under the ASB Facilities as described under the heading “ASB Facilities” below.

The UCG Agreements are conditional on Radius Care obtaining shareholder approval to the UCG Acquisition and the Kensington Acquisition, which will be sought as part of the approval of the UCG Transaction at the Special Meeting.

There are no connections between Radius Care and UCG other than in relation to UCG’s position as landlord of the UCG Properties and Radius Kensington.

The UCG Agreements have each been entered into on the Auckland District Law Society and the Real Estate Institute of New Zealand’s template Agreement for Sale and Purchase of Real Estate (11th edition) as amended and supplemented by further terms of sale. Those further terms of sale include the following key terms:

- Each of the UCG Agreements and the Kensington Agreement must become unconditional or none may proceed.
- Settlement of each of the UCG Agreements and the Kensington Agreement are interdependent and all of the UCG Agreements and the Kensington Agreement must be settled at the same time.

- If settlement of any of the UCG Agreements or the Kensington Agreement does not take place on settlement date because of the default of one of the parties, that party will be deemed, where relevant, to be also in default under all of those agreements.
- To the extent any of the UCG Agreements or the Kensington Agreement are terminated or cancelled by either party (in accordance with its right to do so under the relevant agreement), then all of those agreements will terminate automatically, unless otherwise agreed between the parties.

If shareholders approve the Resolution at the Special Meeting, it is anticipated that settlement will occur on 6 May 2022.

The key dates of the UCG Acquisition are as follows:

UCG Agreements entered into	29 March 2022
Special Meeting	5 May 2022
Settlement occurs under the UCG Agreements (assuming the Resolution is approved at the Special Meeting)	6 May 2022





KENSINGTON ACQUISITION AND WSL NOMINATION

Concurrently with the entry into of the UCG Agreements, Radius Care Holdings has entered into a conditional sale and purchase agreement (**Kensington Agreement**) with UCG for Radius Care Holdings (or its nominee) to acquire for a total purchase price of \$14.6 million the other property (in addition to the UCG Properties) that is currently owned by UCG and leased by Radius Care, being Radius Kensington at 135 Maeroa Road, Maeroa, Hamilton (**Radius Kensington**).

Radius Kensington is currently leased by Radius Care on a 10-year lease (with 2.1 years remaining to renewal) and a further right of renewal for a 10-year term in favour of Radius Care. The purchase price is supported by (and equal to) an independent valuation undertaken by Colliers as set out in the table below:

	Valuation Date	Valuation	Current remaining lease term	Right of renewal	Final expiry
Radius Kensington	5 January 2022	\$14,600,000	2.1 yrs	1 x 10 yrs	May 2034

UCG and Radius Care agreed that sale and purchase agreements for all of the properties owned by UCG and leased to Radius Care (being the UCG Properties and Radius Kensington) be entered into, and settle, concurrently. Accordingly, in order to be able to acquire the UCG Properties, Radius Care Holdings entered into the Kensington Agreement at the same time as the UCG Agreements. As Radius Care will not be in position to suitably fund the purchase of Radius Kensington (in addition to the purchase of the UCG Properties) as to do so, in the Board's opinion, would cause Radius Care to incur an imprudent level of debt and possibly on terms more onerous than those of the ASB Facilities as described under the heading "ASB Facilities" below, Radius Care Holdings has entered into a separate agreement (**WSL Nomination**) with Warehouse Storage Limited (**WSL**) and Neil John Foster (as guarantor of WSL's obligations under the WSL Nomination) to nominate WSL to acquire Radius Kensington under the Kensington Agreement. As at the date of this Notice of Meeting, Neil John Foster holds 5.79% of the shares in Radius Care.

The Kensington Agreement is conditional on Radius Care obtaining shareholder approval to the UCG Acquisition and the Kensington Acquisition, which will be sought as part of the approval of the UCG Transaction at the Special Meeting.

Like the UCG Agreements, the Kensington Agreement has been entered into on the Auckland District Law Society and the Real Estate Institute of New Zealand's template Agreement for Sale and Purchase of Real Estate (11th edition) as amended and supplemented by further terms of sale, which include the further key terms set out under the heading "UCG Acquisition" above.

Under the terms of the WSL Nomination:

- WSL agrees to complete the purchase of Radius Kensington on the terms set out in the Kensington Agreement.
- WSL agrees that it will not take any action within the period of six months following settlement occurring under the Kensington Agreement that would trigger the first right of refusal under Radius Care's lease of Radius Kensington (the first right of refusal would be triggered if WSL wished to sell Radius Kensington).
- With effect from settlement under the Kensington Agreement, Radius Care's lease of Radius Kensington shall be varied as follows:

- WSL as landlord will grant Radius Care an option to purchase Radius Kensington on the following key terms:
 - the option may be exercised at any time between 24 May 2022 and the date of final expiry of the lease (other than any period commencing 35 business days before and 10 business days after a rent review date in the lease); and
 - the purchase price will be the value derived from applying a yield of 6.25% to the annual rental under the lease at the time of exercise of the option (for example, if the annual rental under the lease at the time of exercise of the option was \$912,605, the purchase price would be \$14,601,680 (being \$912,605 divided by 6.25%);
- Radius Care will exercise its right of renewal to extend the term of the lease to 22 May 2034;
- WSL will grant Radius Care a further 10-year right of renewal, extending the final expiry date of the lease to 22 May 2044;
- the lease will be amended to provide for annual CPI rental adjustments; and
- Radius Care will assume all responsibility for building related issues and maintenance of Radius Kensington.

The WSL Nomination is conditional on Radius Care obtaining shareholder approval to the UCG Acquisition which will be sought as part of the approval of the UCG Transaction at the Special Meeting.

Shareholders are not being asked to approve the exercise of the option to purchase Radius Kensington included in the WSL Nomination at the Special Meeting. If Radius Care does elect to exercise that option in the future, it will consider whether shareholder approval is required at that time.



ASB FACILITIES

As noted above, the \$46.7 million purchase price for the UCG Acquisition (and related transaction costs) will be fully funded by the following new and existing facilities to be provided by ASB Bank:

- a new \$23.675 million term loan with a five-year term;
- an existing development facility that will be partially (as to \$15 million) repurposed to support funding the UCG Acquisition for up to five months; and
- a new \$8 million bridge facility with a five-month term,

(together the “ASB Facilities”).

The key terms of the new facilities to be provided by ASB Bank are set out in the table below:

	New term loan facility	New bridge facility
Term	Five years	Five months
Principal sum of the loan	\$23.675 million	\$8 million
Ordinary interest rate	Bid settlement rate quoted on the Reuters Monitor System Page BKBM on the first day of the relevant interest period plus 3.20% per annum	Bid settlement rate quoted on the Reuters Monitor System Page BKBM on the first day of the relevant interest period plus 3.20% per annum
Penalty interest rate	2% above the ordinary interest rate	2% above the ordinary interest rate
Interest payable from	Settlement	Settlement
Interest payments	Monthly in arrears	Monthly in arrears
Repayment	Interest only payments are required during the term with the facility repayable in full at the end of the term	Interest only payments are required during the term with the facility repayable in full at the end of the term
Financial covenants	Fixed charges cover ratio: The ratio of (a) EBIT plus rental expenses to (b) fixed charges for the Group for the last 12 months must be greater than or equal to 1.30 times Equity ratio: The ratio of total shareholders’ funds to total assets of the Group must be not less than 30% until the earlier of (i) 30 September 2022 and (ii) an equity raising by Radius Care, and thereafter must be not less than 40% Leverage ratio: The ratio of senior debt to EBITDA of the Group for the last 12 months must not be greater than 6.50 times until the earlier of (i) 30 September 2022 and (ii) an equity raising by Radius Care, and thereafter must be less than 5.50 times	
Other covenants	Radius Care must complete an equity raising of not less than \$23,000,000 (net proceeds) and apply the net proceeds of that equity raising within 5 months of settlement of the UCG Acquisition in repayment of the new bridge facility and partial repayment of the existing development facility that will be repurposed to fund the UCG Acquisition.	
Security	First ranking mortgage over each of the UCG Properties in addition to existing security held by ASB Bank	

In respect of the existing development facility, as noted above \$15 million of the \$20 million facility is to be repurposed to support funding the UCG Acquisition for up to five months.

GROUP DEBT STRUCTURE

The following table sets out summary information in respect of the current drawn down facilities with ASB Bank and the proposed facilities on settlement of the UCG Transaction:

	Available Facility	Current Loan Values	Interest Rate	Term (Months)	Repayable
CURRENT DRAWDOWN FACILITIES					
Facility A - General commercial & development facility	\$20,000,000	\$15,500,000	Floating	60	Interest Only
Facility B - Development facility	\$20,000,000	–	Floating	60	Interest Only
Facility C - Acquisition facility	\$20,000,000	\$14,500,000	Floating	60	Interest Only
	\$60,000,000	\$30,000,000			
PROPOSED FACILITIES ON SETTLEMENT OF THE UCG TRANSACTION					
Facility A - General commercial & development facility	\$20,000,000		Floating	60	Interest Only
Facility B - Development facility (amended)	\$5,000,000		Floating	60	Interest Only
Facility B - Re-purposed acquisition facility (amended)	\$15,000,000		Floating	5	Interest Only
Facility C - Acquisition facility	\$20,000,000		Floating	60	Interest Only
Facility D - Term loan facility (new)	\$23,675,000		Floating	60	Interest Only
Facility E - Bridge facility (new)	\$8,000,000		Floating	5	Interest Only
	\$91,675,000				

Following completion of the UCG Transaction and based on the last completed valuations of Radius Care's properties (which are between 8 and 12 months old) and the valuation of the UCG Properties referred to above:

- Radius Care will own properties of an aggregate value of \$96.2 million and will have total debt finance of \$76.7 million representing 80% of the aggregate valuations. Currently, Radius Care owns properties of an aggregate value of \$49.5 million and has a total debt finance of \$30 million representing 61% of the aggregate valuations.
- Radius Care will have total assets of \$333.4 million and will have total debt finance of \$76.7 million representing a debt to total assets ratio of 23%. As at 28 February 2022 Radius Care had total assets of \$286.8 million and total debt finance of \$30 million representing a debt to total assets ratio of 10%.

As at 28 February 2022, Radius Care's total debt finance was \$30 million and its debt to revenue ratio (based on Radius Care's total revenue for the 11 months to 28 February 2022) was approximately 24%. Following completion of the UCG Transaction Radius Care's total debt finance is expected to be \$76.7 million. Had the UCG Transaction completed on 28 February 2022, and on the basis of Radius Care's total revenue for the 11 months to 28 February 2022, Radius Care would have had a debt to revenue ratio of 62% on that date.

The Board has decided to finance the UCG Acquisition through the ASB Facilities rather than raise new capital due to various considerations including tight timing to complete the transaction and current capital market conditions. It also considers that the flexibility of a capital raise in the five-month period following settlement of the UCG Acquisition may provide the opportunity for a more orderly and successful capital raise.

As noted in the letter from the Chair, and as is required as a covenant in the ASB Facilities, Radius Care intends to undertake a capital raising within five months of settlement of the UCG Transaction to repay the \$23 million of funding to be provided under the existing development facility and the new bridge facility. Following the successful completion of such capital raising the existing development facility will return to its current facility limits and terms. The structure and timing (within the five months following settlement) of this capital raising has yet to be determined. Further information regarding the capital raising will be provided to Shareholders, in accordance with Radius Care's continuous disclosure obligations, once a decision on structure and timing has been made.



FINANCIAL IMPACT OF THE UCG TRANSACTION

The following information sets out the cash and non-cash monthly costs of leasing the UCG Properties against the anticipated monthly costs of owning the UCG Properties, together with the increased monthly cost of leasing Radius Kensington under the WSL Nomination:

	Arran Court	Peppertree	Fulton	St Joans	Total	Kensington
Yearly lease payment	\$815,659	\$470,459	\$819,523	\$712,536	\$2,818,177	\$912,605
Monthly lease payment	\$67,972	\$39,205	\$68,294	\$59,378	\$234,848	\$76,050
IMPACT ON NET PROFIT BEFORE TAX						
Monthly lease payment	\$67,972	\$39,205	\$68,294	\$59,378	\$234,848	\$76,050
IFRS 16 profit & loss lease reporting						
Monthly depreciation of right of use asset	\$42,666	\$27,564	\$46,689	\$41,037	\$157,957	\$53,738
Monthly interest cost on lease	\$38,991	\$18,671	\$34,013	\$28,857	\$120,532	\$34,941
Monthly lease related costs charged to P&L	\$149,629	\$85,440	\$148,996	\$129,272	\$513,336	\$164,730
AFTER ACQUISITION						
<i>Expected monthly increase in the lease:</i> Monthly lease payment						\$7,301
<i>Expected monthly loan interest costs are as follows:</i>						
ASB Finance	\$14,185,000	\$7,840,000	\$13,650,000	\$11,000,000	\$46,675,000	
Interest rate	4%	4%	4%	4%	4%	
<i>Estimated monthly interest costs</i>	\$47,283	\$26,133	\$45,500	\$36,667	\$155,583	
<i>Incremental depreciation on buildings</i>						
Purchase price	\$14,185,000	\$7,840,000	\$13,650,000	\$11,000,000	\$46,675,000	
Government valuation of land	\$5,248,450	\$1,332,800	\$3,276,000	\$3,080,000	\$12,937,250	
Estimated value of buildings	\$8,936,550	\$6,507,200	\$10,374,000	\$7,920,000	\$33,737,750	
Estimated monthly depreciation over 50 years	\$14,894	\$10,845	\$17,290	\$13,200	\$56,230	
Total estimated interest cost plus depreciation	\$62,178	\$36,979	\$62,790	\$49,867	\$211,813	
Estimated reduction in reported expenses	\$87,451	\$48,462	\$86,206	\$79,405	\$301,523	
Estimated increase in reported expenses						\$7,301

Under IFRS rules the current leases of the UCG Properties are capitalised as right of use assets (“ROU”) with a corresponding lease liability. The ROU assets are then depreciated and interest, associated with the lease liabilities, is charged on a monthly basis. These two items generate a charge to Radius Care’s profit and loss of \$278,489 per month in respect of the UCG Properties. This compares to the monthly lease cash cost for the UCG Properties of \$234,848 (plus GST) per month. As a result of the variations to the lease of Radius Kensington under the terms of the WSL Nomination, the monthly lease cash cost for Radius Kensington is expected to increase by \$7,301 (plus GST) per month.



The following information sets out the anticipated balance sheet adjustments that will arise following the UCG Transaction. The impact on ROU and lease liability as a result of the variations to the lease of Radius Kensington under the terms of the WSL Nomination are not reflected in this table it is unable to be determined at this stage, however, the impact is not expected to be material to Radius Care:

IMPACT ON BALANCE SHEET	Arran Court	Peppertree	Fulton	St Joans	Total	Kensington
<i>Current Balance Sheet as at 28 February 2022</i>						
Right of Use Asset	\$9,468,063	\$4,545,398	\$8,189,614	\$6,957,620	\$29,160,695	\$8,493,361
Right of Use Asset - Accumulated depreciation	-\$469,327	-\$303,208	-\$513,581	-\$451,407	-\$1,737,523	-\$591,119
	\$8,998,736	\$4,242,190	\$7,676,033	\$6,506,212	\$27,423,172	\$7,902,241
Lease Liability	-\$9,522,366	-\$4,504,940	-\$8,157,695	-\$6,911,350	-\$29,096,351	-\$8,364,415
Net Liability	-\$523,630	-\$262,750	-\$481,662	-\$405,137	-\$1,673,179	-\$462,174
AFTER ACQUISITION						
Land and Buildings (at purchase cost)	\$14,185,000	\$7,840,000	\$13,650,000	\$11,000,000	\$46,675,000	
Debt on acquisition (at a Group level)	-\$14,185,000	-\$7,840,000	-\$13,650,000	-\$11,000,000	-\$46,675,000	
	–	–	–	–	–	
Net increase in assets	\$5,186,264	\$3,597,810	\$5,973,967	\$4,493,788	\$19,251,828	
Net increase in liabilities	-\$4,662,634	-\$3,335,060	-\$5,492,305	-\$4,088,650	-\$17,578,649	
Net improvement in reported net asset position relating to transaction	\$523,630	\$262,750	\$481,662	\$405,137	1,673,179	

If Radius Care purchases the UCG Properties, operating costs will reduce by approximately \$301,523 (excluding Radius Kensington) per month (difference between IFRS accounting for the lease when compared to the loan interest costs plus building depreciation). From a cash perspective operating cash flow will improve by approximately \$79,265 (excluding Radius Kensington) per month (difference between lease cost and interest on loans). These amounts will vary following the repayment (or refinancing) of \$23 million of the ASB Facilities that are due to mature five months after settlement of the UCG Transaction. The remaining facilities with ASB Bank (including principal amounts thereunder) are expected to be refinanced on terms to be agreed before the expiry of those facilities. The facilities with ASB Bank are 'interest only' facilities (that is, principal is only repayable at the end of the term of the facility with only interest payable during the term). The Board considers such facilities to be common in the aged care sector and appropriate for Radius Care.

Radius Care also expects there to be a further uplift to EBITDA in the medium- to long-term following the purchase of the UCG Properties, due to savings of cumulative CPI rent increases that would otherwise have to be paid on the UCG Properties.





IMPLICATIONS OF THE RESOLUTION NOT BEING APPROVED

If the Resolution is not passed:

- Radius Care will not be able to satisfy the shareholder approval condition in the UCG Agreements and the Kensington Agreement and, accordingly, will not be able to complete the UCG Acquisition and nor will WSL be able to complete the Kensington Agreement. In such circumstances, absent an alternative agreement being reached with UCG that is viable for Radius Care, Radius Care would need to cancel the UCG Agreements and the Kensington Agreement and the UCG Transaction would not proceed. Neither the UCG Agreements nor the Kensington Agreement require Radius Care to pay UCG (or WSL) any money in that circumstance.
- Radius Care will continue to lease the UCG Properties and Radius Kensington from UCG.
- Radius Care may not have another opportunity to acquire the UCG Properties and Radius Kensington for some time.
- The development opportunities provided by the UCG Acquisition would not be able to be completed.
- Radius Care will incur sunk costs of approximately \$300,000 in having pursued the UCG Acquisition through legal fees, independent adviser fees, registry fees, regulatory fees, financing fees and reimbursement of certain UCG transaction costs.

KEY RISKS

The key risks associated with the UCG Transaction are:

- The \$23 million of funding to be provided by ASB Bank under the existing development facility and the new bridge facility has a term of five months from settlement of the UCG Acquisition, within which Radius Care must repay it from the proceeds of a capital raising or, failing that (and with the approval of ASB Bank), refinance it or repay it from the proceeds of asset sales. While Radius Care is confident, based in discussions with its investment bank advisors, that it can raise \$23 million of net proceeds from a capital

raising within that timeframe, there is no assurance that it will be able to successfully raise \$23 million of net proceeds through a capital raising or asset sales, or that that funding can be refinanced in that timeframe. If Radius Care is unable to repay the \$23 million of funding through a capital raise within five months from settlement of the UCG Acquisition but is able to secure refinancing of that funding with the approval of ASB Bank (either with ASB Bank or another debt provider), there is a risk that such replacement funding will be on less favourable terms to Radius Care, which may result in increased interest rate costs and/or more onerous financial covenants to Radius Care.

- The interest rate on each of the ASB Facilities to be utilised to fund the UCG Acquisition is a floating rate. Market consensus is that interest rates are expected to rise over the near term in line with increases in the Official Cash Rate. Any interest rate increases on the ASB Facilities will increase Radius Care’s cash outgoings and reduce net profit after tax.
- If WSL (as nominee) fails to settle, and Neil Foster (as guarantor of WSL’s obligations under the WSL Nomination) fails to procure that WSL settles, the Kensington Agreement, then Radius Care Holdings as the party named as the purchaser in that agreement will be liable to UCG for that failure to settle. If that failure subsists following expiry of a settlement notice served by UCG, then UCG may sue Radius Care Holdings for specific performance or cancel the Kensington Agreement and sue Radius Care Holdings for damages. If the Kensington Agreement is cancelled, then the UCG Agreements will terminate automatically and the UCG Acquisition will not take place, unless the parties agree otherwise. Under the WSL Nomination, Neil Foster has indemnified Radius Care Holdings against all losses that Radius Care Holdings may incur directly or indirectly from WSL’s default in payment of the purchase price under the WSL Nomination or Kensington Agreement or in the performance of any other obligations of WSL under the WSL Nomination (which includes WSL’s obligations as purchaser under the Kensington Agreement). Radius Case considers the risk of such a WSL default to be low.





LISTING RULE REQUIREMENTS

Shareholder approval is required for the Resolution by Listing Rules 5.1.1(b) and 5.2.1.

Listing Rule 5.1.1(b) provides that, except with the prior approval by an ordinary resolution (or a special resolution if approval by way of special resolution is required under section 129 of the Companies Act 1993) or conditional upon such approval, Radius Care may not enter into any transaction or series of transactions to acquire, sell, exchange, or otherwise dispose of assets of Radius Care in respect of which the gross value is above 50% of the average market capitalisation of Radius Care.

The UCG Transaction constitutes a 'transaction' under Listing Rule 5.1.1(b) as it involves Radius Care (through its wholly owned subsidiary Radius Care Holdings) entering into a transaction (being the entry into the UCG Agreements and the Kensington Agreement which are taken into account together for the purposes of Listing Rule 5.1.1(b), notwithstanding that WSL will acquire Radius Kensington pursuant to the WSL Nomination, as the agreements were all entered into at the same time by Radius Care Holdings with UCG) to acquire assets having a gross value that exceeds 50% of the average market capitalisation of Radius Care in that Radius Care's average market capitalisation at 30 March 2022 (being the date that Radius Care announced the UCG Transaction through the NZX) was approximately \$103.7 million and the aggregate purchase price for the UCG Properties and Radius Kensington is \$61.3 million. The UCG Transaction does not constitute a major transaction for Radius Care for the purposes of section 129 of the Companies Act 1993.

Listing Rule 5.2.1 provides that, except with the prior approval by an ordinary resolution (or a special resolution if approval by way of special resolution is required under section 129 of the Companies Act 1993) or conditional upon such approval, Radius Care may not enter into a 'Material Transaction' with a 'Related Party'. A Material Transaction includes a transaction or related series of transactions that involves Radius Care acquiring or disposing of assets of Radius Care in respect of which the aggregate net value (being the greater of the net tangible assets value or market value) is above 10% of the average market capitalisation of Radius Care. A Related Party includes an 'Associated Person' of Radius Care and an 'Associated Person' includes a person acting jointly or in concert with Radius Care.

The UCG Transaction constitutes a 'Material Transaction' as it involves Radius Care (through its wholly owned subsidiary Radius Care Holdings) entering into a related series of transactions (being the entry into the UCG Agreements, the Kensington Agreement and the WSL Nomination) to acquire assets having an aggregate net value that exceeds 10% of the average market capitalisation of Radius Care in that Radius Care's average market capitalisation at 30 March 2022 (being the date that Radius Care announced the UCG Transaction through the NZX) was approximately \$103.7 million and the aggregate purchase price for the UCG Properties and Radius Kensington is \$61.3 million.

WSL is a 'Related Party' of Radius Care as it is an 'Associated Person' of Radius Care as, for the purposes of Listing Rule 5.2.1, Radius Care and WSL are considered to be acting jointly and in concert in respect of the UCG Transaction as Radius Care Holdings would not have entered into the UCG Agreements and the Kensington Agreement had it not also entered into the WSL Nomination with WSL.

Listing Rule 7.8.8(b) requires an appraisal report to be prepared where a meeting of shareholders will consider a resolution required by Listing Rule 5.2.1 (as is the case with the entry into of the UCG Agreements, the Kensington Agreement and the WSL Nomination). The Independent Report prepared by Calibre Partners that accompanies this Notice of Meeting constitutes an appraisal report for the purposes of the Listing Rules. The appointment of Calibre Partners was approved by NZ RegCo. Taking into account the key issues noted in section 1.3 of the Independent Report, Calibre Partners consider that the terms and conditions of the UCG Transaction are fair to shareholders.

The Board recommends that shareholders vote in favour of the Resolution.



Procedural Notes and Other Information

EXPLANATORY NOTES

Explanatory Notes relating to the Resolution are attached to and form part of this Notice of Meeting.

ATTENDANCE

All Shareholders who are registered as at 5.00pm (New Zealand time) on 3 May 2022 are entitled to attend online or in person and vote at the Special Meeting.

Attendance online

To attend the Special Meeting online please go to <https://meetnow.global/nz>. To access the Special Meeting, click GO under the Radius Care meeting and then click JOIN MEETING NOW. Select 'shareholder' on the login screen and enter your CSN or holder number (which can be found on the proxy form attached to this Notice of Meeting) and mailing address post code (if in New Zealand) or, if outside New Zealand, choose your country from the drop-down list. The Computershare Online Meeting Platform enables shareholders to view the Special Meeting and presentations as well as providing the opportunity to vote and ask questions. Instructions on how to participate are available in the Virtual Meeting Guide accompanying this Notice of Meeting.

Attendance in person

The venue for the Special Meeting for those Shareholders attending in person is Eden Park (Enter via Gate G), World Cup Lounge West, Level 4, South Stand, Reimers Avenue, Kingsland, Auckland (with entry to the meeting room available from 10.00am on 5 May 2022).

Radius Care may, in its sole discretion, elect to hold the Special Meeting as an online only meeting if it considers there are potential risks to the health of meeting attendees or if an in-person meeting is prohibited by law, as a result of developments in the COVID-19 situation in New Zealand and restrictions on the size of public gatherings. In such circumstances, Radius Care will provide Shareholders with as much notice as is reasonably practicable by way of an announcement to NZX and on Radius Care's website at www.radiuscare.co.nz.

PROXIES AND REPRESENTATIVES

If you are unable to attend the Special Meeting in person or online, you may appoint a proxy or representative (in the case of a corporate shareholder) to attend and vote on your behalf. The notice appointing a proxy or representative must be received by Computershare Investor Services Limited not later than 10.30am (New Zealand time) on 3 May 2022 by any of the following means:



Online

Visit www.investorvote.co.nz and follow the instructions or, if you have a Smartphone, by scanning the QR code on the first page of the proxy form attached to this Notice of Meeting and following the prompts



Email

Email corporateactions@computershare.co.nz with "Radius Care proxy" in the subject line



Delivery

Deliver your completed form to:
Computershare Investor Services Limited,
Level 2, 159 Hurstmere Road, Takapuna,
Auckland 0622



Mail

Post your completed form to
Computershare Investor Services Limited,
Private Bag 92119, Victoria Street West,
Auckland 1142

A proxy or representative need not be a Shareholder and may be appointed by completing the proxy form attached to this Notice of Meeting.

The appointment of a proxy or representative does not preclude a Shareholder from attending and voting in person or online at the Special Meeting. However, please note that your proxy will not be able to vote at the Special Meeting unless you have provided a voting direction or discretion. If you do not provide



an election in respect of the Resolution, your direction is to abstain. If you make more than one election in respect of the Resolution your vote will be invalid on the Resolution.

If you do not name a person as your proxy, or your named proxy does not attend the meeting, but have indicated on the proxy form how you wish to vote, the Chair of the Special Meeting will vote in accordance with your express instructions.

You may appoint the Chair of the Special Meeting as your proxy. If you appoint the Chair of the Special Meeting as your proxy and elect to give him discretion on how to vote, then he intends to vote your shares in favour of the Resolution.

ORDINARY RESOLUTION

The Resolution must be passed by an ordinary resolution of Shareholders, i.e. by a simple majority of the votes of those Shareholders entitled to vote and voting on the Resolution in person or by proxy.

VOTING RESTRICTIONS

In accordance with Listing Rule 6.3.1, Radius Care will disregard any votes cast in favour of the Resolution by WSL and its Associated Persons (including Neil John Foster). Any discretionary proxies given to persons disqualified from voting under Listing Rule 6.3.1 will not be valid. Such persons may, however, vote non-discretionary proxies where the relevant Shareholder has indicated on the proxy form how the Shareholder wishes that person (as proxy) to vote

NZ REGCO NO OBJECTION

This Notice of Meeting has been reviewed by NZ RegCo. NZ RegCo has confirmed that it has no objection to this Notice of Meeting. However, NZ RegCo takes no responsibility for any statement in this Notice of Meeting.





Glossary

ASB Bank	ASB Bank Limited
ASB Facilities	The new and existing facilities to be provided by ASB Bank to fund the UCG Acquisition, as further described under the heading “ASB Facilities” in the Explanatory Notes
Associated Person	Has the meaning given to that term in the Listing Rules
Board	The Board of Directors of Radius Care
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Explanatory Notes	The explanatory notes on the Resolution attached to, and forming part of, this Notice of Meeting
Group	Radius Care and its subsidiaries
Independent Report	The independent appraisal report prepared by Calibre Partners, a copy of which accompanies this Notice of Meeting
Kensington Agreement	The agreement for sale and purchase of real estate in respect of Radius Kensington between Radius Care Holdings Limited and UCG and dated 29 March 2022
Listing Rules	The listing rules of the NZX Main Board
Notice of Meeting	This notice of special meeting, including the Explanatory Notes
NZX	NZX Limited
NZX Main Board	The main board equity security market operated by NZX
Radius Care	Radius Residential Care Limited
Radius Care Holdings	Radius Care Holdings Limited, a wholly-owned subsidiary of Radius Care
Radius Kensington	The property located at 135 Maeroa Road, Maeroa, Hamilton
Resolution	The resolution set out in this Notice of Meeting
Shareholders	Those persons recorded on the Radius Care share register as a shareholder of Radius Care
Special Meeting	The special meeting of Shareholders to be hold on 5 May 2022, starting at 10.30am
UCG	UCG Investments Limited
UCG Acquisition	The acquisition of the UCG Properties in accordance with the UCG Agreements as described in the Explanatory Notes



UCG Agreements	The agreements for sale and purchase of real estate in respect of the UCG Properties between Radius Care Holdings Limited and UCG and dated 29 March 2022
UCG Properties	The properties located at: <ul style="list-style-type: none">• 85 McLeod Road, Te Atatu South, Auckland• 371 Peachgrove Road, Fairfield, Hamilton• 107 Roberts Line, Kelvin Grove, Palmerston North• 30 Hillside Road, Caversham, Dunedin
UCG Transaction	The UCG Acquisition, the Kensington Acquisition, the WSL Nomination and the ASB Facilities, each as further described in the Explanatory Notes
WSL	Warehouse Storage Limited
WSL Nomination	The deed of nomination between Radius Care Holdings Limited, WSL and Neil John Foster and dated 29 March 2022





Caring is our calling

Radius Residential Care

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