



ANNUAL REPORT 2022

Caring is our calling

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





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Bringing *care to communities*

Welcome to our 2022 Annual Report

Our annual report is geared toward our current and future investors, but we recognise there are other stakeholders who will be interested in Radius Care's performance and prospects.

We have outlined the Company's financial and non-financial performance for the 12 months to 31 March 2022, and illustrated how we are delivering our strategy.

We have divided the people section of the report into the three chapters of Home, Community and Care, to demonstrate how our staff care for our residents, families and communities in their day-to-day activities.

These groups breathe life into Radius Care's motto: **Caring is our calling.**

Radius Care is committed to expanding our environmental, social and governance activities. With our people we are building a programme of initiatives that is broadly defined as a sustainability programme. In this report we describe the foundations of this programme and where we will go over the next 12 months with the non-financial aspects of Radius Care's business operations.

This Annual Report and Financial Statements is part of a group of documents that describe our progress and activities in FY22. The 2022 Annual Results pack is available at the Investors section of the Radius Care website (www.radiuscare.co.nz). The 2022 Annual Meeting pack will also be available there once released.

We welcome your feedback, thoughts and suggestions. Please send any questions or comments to investors@radiuscare.co.nz.

This report is dated 28 June 2022. The report has been approved by the Board and is signed on behalf of Radius Residential Care Limited by Brien Cree, Executive Chair, and Hamish Stevens, Director.



Brien Cree



Hamish Stevens

Home is different for everyone. What makes a home is that intimate connection to who and what is around us.

Our *home* is their *home*

When a person moves into Radius Care, we welcome them to their new home. We provide our residents with medical and care support to keep them safe, warm and well. And we go above and beyond to enrich their lives by fostering new friendships, engaging them in new activities, and celebrating their achievements.



“Treating residents with respect comes with respecting their routines and their previous lives before coming here. We foster their family time and they bring their lives, their knick-knacks, their photos with them. If they’ve got small pets, we aim to look after them too. **It’s fitting in around the resident, not the resident fitting in around you.**”

- Emma Venables
Clinical Co-ordinator
Radius Taupaki Gables



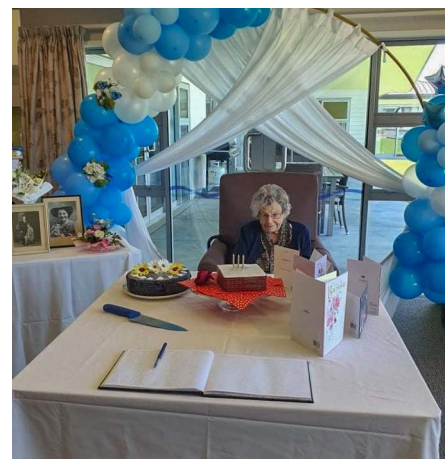
“When I visited the home and met the activities team, I knew then I had been directed to the right place. The room was wonderfully light and bright with a low window looking into the garden. My mother was reluctant at the age of 99 to move from her own home into care, however she adapted remarkably well within a short time - as she has done throughout her life. She is a treasure and the most wonderful role model at the age of 101.”

- Pauline Firth
Daughter of a Radius Care resident



Three women at Radius Baycare celebrated their 100th birthday together this year. Having formed strong friendships with one another while living at Baycare, all three were excited to celebrate this significant milestone together.





There are many examples of how residents get involved in day-to-day life. At many homes, baking and preparing food such as a warm winter soup allows the residents to participate in nourishing themselves and the others they live with. Together our residents celebrate one another's milestone birthdays and important wedding anniversaries - often crafting the decorations for the day.

Together, we build a true home for residents, full of comfort, security and pleasure.

Community

Central to human experience

Radius Care homes are deeply embedded in and supported by the local communities around them. We help our older and disabled Kiwis to not just live in their local community, but be a big part of it.





“The radio show is by, for and about the fabulous people at Radius Fulton and it's a fantastic expression of their talents and personalities. It's so important because **the hosts have so much wisdom and life experience to share**, often delivered with a cheeky sense of humour. And the music still sounds great! There's been so many changes in mainstream media in the past ten years that commercial stations no longer target older audiences. It's up to public media and Community Access Stations to provide entertainment and connection for our older citizens. It's a joy to listen to!”

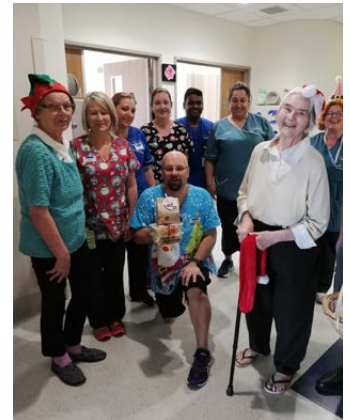
- Lesley Paris
Station Manager at Otago Access Radio



The Fulton Home Residents Show on OAR FM Dunedin has been regularly broadcast since 2005. Residents Jimmy and Kelvin are currently the show's main stars, specialising in playing music from the 40s, 50s, and 60s that many of the older generation miss.



Foodbank donations from Radius Althorp



From local schools and day cares, to community radio stations and vintage car clubs, each facility fosters rich relationships with its neighbourhood. This allows residents to have varied interactions with people from different walks of life as well as to experience the joy of playing with children, babies and animals. Staff benefit too, as being part of their local community keeps their work day engaging and meaningful.



“I believe the way I help is important because I have developed a friendship with many of the residents and their families. I can and do talk to family members who are having trouble adjusting to the situation they find themselves in. The families see that I am dealing with the same issues and therefore know how they feel. I find this really rewarding because I love seeing people enjoying themselves and using skills they used a long time ago. I really love being a part of the residents' lives.”

- Lyn Bridger

Volunteer at Radius Thornleigh Park, New Plymouth





The preschool wrote Valentine's Day cards for the residents of Radius St Helenas.



“Connecting to the wider community is very important to us. The staff at Radius St Helenas helped by meeting us halfway, despite the difficulties and limitations the pandemic has brought us. Seeing children is really good for the residents, because it brings back memories and builds new connections. It’s a very good brain activity, because it taps into experiences for the residents, like social exposure, communication opportunities, behaviour regulation, and recollection and reconnection exercises. **It makes their heart fill with joy and excitement.** The children also loved the preparation [of cards] and felt excited.”

– Maria Guia
Teacher at Little House Montessori, Christchurch.

Radius Care residents give back in many ways. Our residents knit blankets to donate to new mothers, they sort items for sale at the Salvation Army, and they sew bandanas to fundraise money for cancer research. Participating in fundraising and random acts of kindness promotes a deep sense of purpose.

Our full range of accommodation and care options offer residents the pathway to ‘age in place’ – keeping them part of their immediate and wider community.





Caring is our calling

It's a statement that defines the purpose for our team.

It's the reason we exist.

“A big thank you to all the staff who patiently and kindly take care of us. They give part of their lives so that our lives can be better than they would be.”

- Resident
Radius Fulton, Dunedin

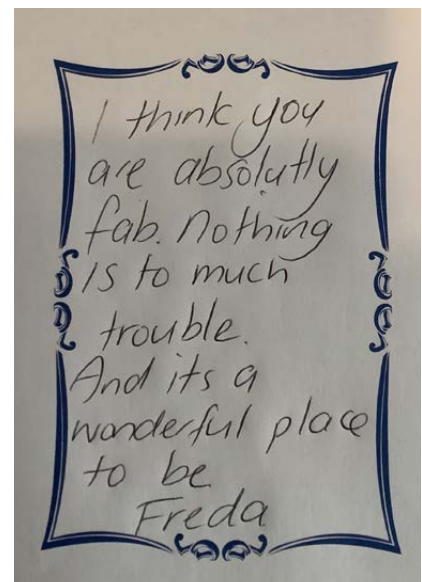


“We’re looking for people who value family and put the elderly above everyone else. People who are going to care for the residents as if they were caring for their own family member, and treat them with respect and the dignity that they deserve.”

- Laurel Winwood,
Facility Manager
Radius Taupaki Gables

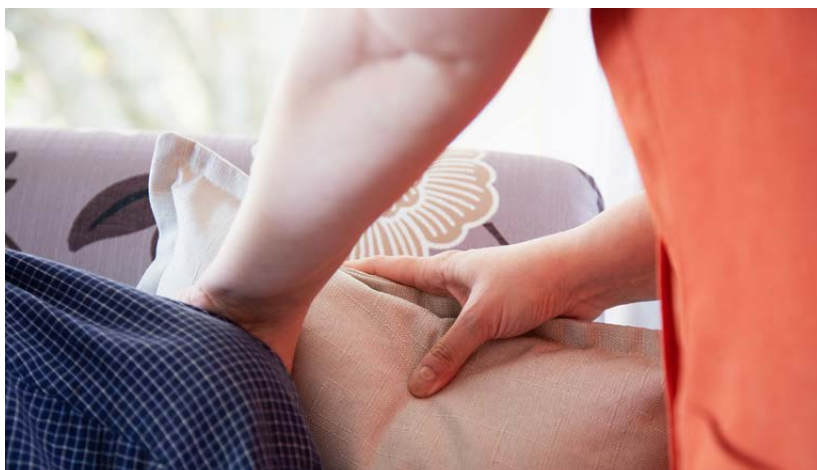


Residents at Radius Waipuna with their artworks, prior to the Waipuna Art Exhibition 2021



“Diversional Therapy is important as this helps improve the residents’ quality of life and allows the individuals to feel empowered. It enables them to continue to enjoy the activities they did before coming into an aged care facility or to try new opportunities. They can gain a feeling of self-worth, remain independent, feel successful in their achievements while being productive in the activities they enjoy or after trying a new activity.”

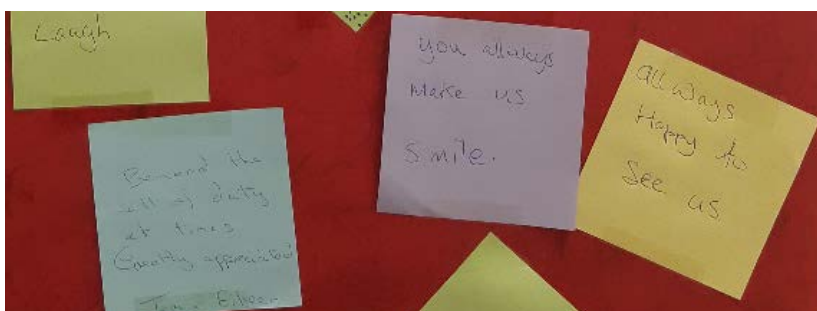
- Lee Heron
Diversional Therapist
Radius Elloughton Gardens



With a focus on high acuity and specialist care, our medical and non-medical staff work as a team, alongside families, to meet the specific needs of the individuals in our care.

Our services include hospital, dementia, psychogeriatric, physical and intellectual care, all of which are crucial to a country with an ageing population.

We care for younger New Zealanders with disabilities too, ensuring they have an excellent quality of life.





"I have a very high and warm opinion of the staff. The nurses are very thorough and astute. The staff by the same token are very responsive. They all display love and warm affection as they administer their duties. **They all show love and kindness and are very gentle with my sweetheart.**"

- **Tamati**
Partner of a Radius Care resident



Husband of a resident at Radius Elloughton Gardens who made thank you gifts for the staff.



"I had taken a photo of my mother and youngest daughters hands together and decided what a lovely idea for a Mothers Day gift, whether they were a mum or not. When I requested their [the residents'] photo, I told them it was going to be a surprise. Their gifts were laminated and given to them, and placed on their walls for family and friends to admire and read. Family members have loved the result and thanked me very much for the wonderful thought."

- **Lee Heron**
Diversional Therapist
Radius Elloughton Gardens

Letter from the Chair and the Chief Executive

Building on *strong* foundations

We are delighted to present the annual report for the year ended 31 March 2022 for Radius Residential Care Limited.

This is Radius Care's second annual report as a listed company. Given the turmoil that the past two years have presented to all of us we are delighted to report our company is in good heart. Much of the credit for this must go to our team who every day deliver wonderful care to our residents. Despite the ever-present concerns about Covid, illnesses wreaking havoc with rosters and our team members' personal situations often requiring them to also take care of family members, they're an incredible group of people. On behalf of the Board, we want to publicly acknowledge the dedication of each and every member of the Radius Care team. Thank you.

In the past several years, Radius Care's Board and management focus has been directed to building a property-based growth springboard. During the 2022 financial year the strong property theme was brought into stark focus with a very significant strategic shift delivering a step change for our business.

Three significant property transactions over a 10-month period have significantly strengthened our property portfolio and delivered a substantial boost to our development bank. These changes put Radius Care in a strong position for delivering an acceleration in growth in the medium term. By owning a majority of facilities we have been able to open the tap on a sizeable property development bank that had previously been out of our reach.

The year has also been notable for some key executive appointments being made. Andrew Peskett is our new Chief Executive and Wendy Jenkins will join us in July 2022 in the new role of Chief Financial Officer. Andrew and Wendy's significant sector and business experience will be of considerable benefit as they lead the delivery of Radius Care's strategy going forward.

People and Care

Our people

The 2022 financial year was one that can only be described as very challenging for our staff. Our people became experienced in the prior year in relation to nasal testing, wearing full PPE and isolating. In the 2022 financial year it became just plain hard work to continue to maintain high clinical standards and a calm demeanour in order to protect our residents and other staff members from COVID-19. It's a testament to our team and their dedication to caring for our residents that they continued to excel in their jobs irrespective of the various challenges provided by lockdowns. Rostering pressures as colleagues isolated and supply chain disruptions placed further pressures on the team. We're delighted to report that our residents and staff have come through the past 12 months having met the challenges and overcome them.



Brien Cree



Andrew Peskett

New Zealand labour market pressures

Alongside the pressures created by the relentless presence of COVID-19, the state of the New Zealand labour market imposed additional unnecessary burdens. With the country's borders closed, the New Zealand healthcare industry was unable to draw from the pool of well qualified immigrants wanting to move to New Zealand, on whom we have been able to rely for many years.

Even when the New Zealand Government finally announced a re-opening of the border from early July 2022, it was determined that only healthcare professionals with advanced qualifications would qualify for entry with a fast-track to residency. As an employer in need of well qualified and experienced healthcare staff, it is incredibly frustrating that the Government not only requires potential workers to wait for two years before applying for residency, but also requires that, should the person come to New Zealand with a partner, that partner will need to qualify for an Accredited Employer Work Visa in their own right.

Along with our industry peers, we are lobbying the Government to take another look at these decisions. The policy setting is neither helpful nor defensible in addressing the critical worker shortage Radius Care and the New Zealand aged care sector currently face. There is no clear logic to justify the Government's decisions.

Despite these challenges, we are in a relatively good position, welcoming staff from ten different countries who had already arrived in New Zealand, with others set to arrive in early July. We look forward to welcoming them and providing the support they will need when they move to New Zealand to join the Radius Care team.

Care funding

Like other aged care providers, we continue to express our concerns to the Ministry of Health about the level of funding provided to the industry. The aging profile of New Zealand's population has been well known for many years. In our view Government funding of the aged care sector is falling substantially short. Additional Government funding would help to recruit and retain our valuable work force.

Strategy

Market drivers

New Zealand's aging population and increasing levels of dependency are key drivers of demand for both aged care and retirement villages services. Whilst the 65 to 85 year age bracket (the retirement village demographic) is currently experiencing peak levels of population growth, the strongest growth is expected to be ahead for the 85+ year age bracket (the aged care demographic).

New Zealanders' average life expectancies continue to increase and between 1996 and 2013 advanced by 5.1 years for males and 3.5 years for females. The number of years with dependency over the same time period has also increased by 3.7 years for males and 3.4 years for females respectively.

Given the outlook for steady long-term market growth, Radius Care's strategy sees it well-placed to benefit from the market drivers. The strategy's four pillars guide everything that is undertaken at an asset optimisation level and builds on the track record that has been established over more than 18 years of providing aged care services.

“I want to acknowledge our 1,600+ team members who have gone above and beyond through this year, especially in response to the enormous challenges presented by COVID-19. Continuing to provide high quality care for our residents through such challenging times, recognising that our residents include some of New Zealand's highest needs patients, was exceptional. Thank you.”

– Andrew Peskett, Chief Executive

Strategic Pillars



Purchase strategically important facilities already operated but not owned, providing greater control to undertake value-enhancing initiatives.



Leverage our strong greenfield development capabilities, shifting to a model where Radius Care not only operates the new facilities but also funds the development and retains ownership of the land and buildings.



Leverage our strong brownfield development capabilities to undertake value accretive facility extensions and reconfigurations.



Continue our successful track record of undertaking opportunistic acquisitions of attractive aged care facilities and retirement villages, where Radius Care both operates and owns the acquired facilities and villages.

The three significant property transactions undertaken between mid-2021 and May 2022 were directly driven by our strategy.

Two of the transactions saw the acquisition of the land and buildings at leased facilities. All of the facilities offer Radius Care the opportunity to add additional care beds and, in some cases independent living units, to the existing property.

The third transaction was the acquisition of a fully operational facility from a third party, again with the potential to add additional care beds and units.

Property

Portfolio changes

Radius Care started the 2022 financial year with 22 facilities of which 3 were owned and 19 leased. Within the space of 10 months from the acquisition of the Ohaupo properties, the portfolio increased to 23 facilities of which 12 are owned and 11 leased.

We now have facilities between the Bay of Islands in the north and Invercargill in the south.

Our strategy sees us intentionally moving to owning the land and buildings of a very significant proportion of our facilities. Many of the properties in our portfolio offer the potential for additional rooms to be added and new wings built. Much of this development can be done without adding significant additional fixed overhead or non-contributing infrastructure, driving an increased margin earned on a facility.

Bed numbers

Our bed numbers increased to 1,784 from 1,715. In addition to these our development pipeline increased to 329 beds from 104.

Some 87% of Radius Care's beds are certified for high acuity care. This compares with an industry average of 61% being certified for high acuity and specialist care. In 2022, 68% of bed nights were used by high acuity patients compared with an industry average of around 53%.

Independent living units

Radius Care has traditionally been a provider of care beds rather than offering facilities with a fully integrated care offering. The independent living unit segment of our business has been a beneficiary of the property transactions undertaken during the year. With the purchase of Clare House in Invercargill, our inventory of units increased to 101 from 76. Our development bank has grown to 96 from 40 units.

Our intention is to increasingly move to our facilities offering care beds, care suites, apartments and villas.

Care Suites

We have previously signalled that a care suite product will be added to the range of room types we offer our residents. The care suite is an entirely new product and is based on the sale of an Occupation Rights Agreement to the resident.

Our target is that a majority of beds in our 329-bed development pipeline will be care suites. The first suites will be available in the second half of FY24 at Lexham Park in Katikati. Northwood, the new facility to be built at Belfast, Christchurch will also offer care suites. Some 165 care suites will be available at these two facilities. Another 80 to 100 suites will then progressively be made available initially at Arran Court, St Joans, Peppertree and Fulton.

Capital Management

Equity issue

The acquisition of the land and buildings from Ohaupo Holdings Limited in mid-2021 was funded through a share issue together with an increased banking facility with ASB.

The share issue raised approximately \$48.2m. A placement to institutional investors, high net worth investors and retail investors raised \$30m of the total, achieving a key objective of diversifying Radius Care's share register. The retail offer was oversubscribed by shareholders. Some \$10m of shares were issued to Ohaupo Holdings Limited shareholders, the vendor of the land and buildings.

Dividends

Radius Care's dividend policy is to target a pay-out ratio of 50% to 70% of full financial year available funds from operations (AFFO). An interim dividend is expected to be paid in December and a final dividend to be paid in June of each year. Each dividend will comprise approximately half of the expected full year dividend.

The Board has distributed 67.5% of FY22 AFFO as cash dividends. A gross final dividend of 0.76 cents per share has been paid, making a total gross dividend for FY22 of 1.46 cents per share. The dividend will be fully imputed.

Governance

Board and management

In February 2022, Tim Sumner retired from the Board, having joined in 2014 as Knox Investment Partners became a shareholder and appointed him as their representative.

Andrew Peskett was appointed Chief Executive in February 2022. Andrew joined us as Special Projects Lead in November 2021 and the Board was delighted to be able to then appoint him as CEO. Andrew had more than 14 years at Metlifecare in a variety

of roles, including as Acting CEO, and played a significant role in the transition of Metlifecare from listed to private ownership under its new owners, EQT.

Andrew has appointed Wendy Jenkins to the new role of Chief Financial Officer. Wendy will join us in July 2022 from ASB where she has been GM Management Information. She previously held GM roles at Genesis Energy and has an MBA from Macquarie Graduate School.

Outlook

Delivery of a strong performance in FY2023 is the Board's highest priority in order to generate benefits from the significant incremental changes that have been made to the Radius Care portfolio in the past 15 months.

Since June 2021, eight facilities that were previously leased have come under Radius Care ownership and an additional property has been secured to allow us to purchase it at a future time. Settlement of four of these properties took place on 6 May 2022.

We remain focused on executing our growth strategy. We will continue to ensure our residents receive exceptional care and ensure day-to-day operations are run efficiently and in line with contract requirements. Where opportunities to expand the business present themselves, they will be carefully assessed and vigorously pursued where they match our strategic criteria. The continued execution of our growth strategy is an exciting prospect for both the Executive Team and the Board.



Brien Cree
EXECUTIVE CHAIR



Andrew Peskett
CHIEF EXECUTIVE

“I would like to thank my fellow Directors, the Chief Executive and the management team for their exemplary contribution to the Company. To our Radius Care staff, thank you for your contribution and commitment to helping the delivery of Exceptional People, Exceptional Care.”

- Brien Cree, Executive Chair



At a Glance

Management Appointments



CEO
Andrew Peskett



CFO
Wendy Jenkins

May 2022

Settlement of UCG acquisition consisting of four strategic leased sites in Auckland, Hamilton, Palmerston North and Dunedin with an option to buy a fifth leased site in Hamilton.



 **1,780+**
Beds

 **1,600+**
Employees



August 2021

Settlement of Ohaupo acquisition consisting of four strategic leased sites in Auckland, Waikato, Taranaki and Canterbury.



November 2021

Acquisition of Clare House, an integrated care facility and retirement village with 69 care beds and 25 ORA units.



Due to be Completed by December 2022

Development of 24 Care Beds at Radius Thornleigh Park in New Plymouth on track.

Our value drivers

Innovation

Elevating our employee experience with Bamboo HR, Development of Florence check-in kiosk and new financial integration.

People

Upskilling, professional development, and training creates exceptional people. Identifying new talent, and retaining existing, leads to growth.

Sustainability

Utilising and creating technologies and the efficient use of resources reduces our carbon footprint.

Financial Capital and Resources

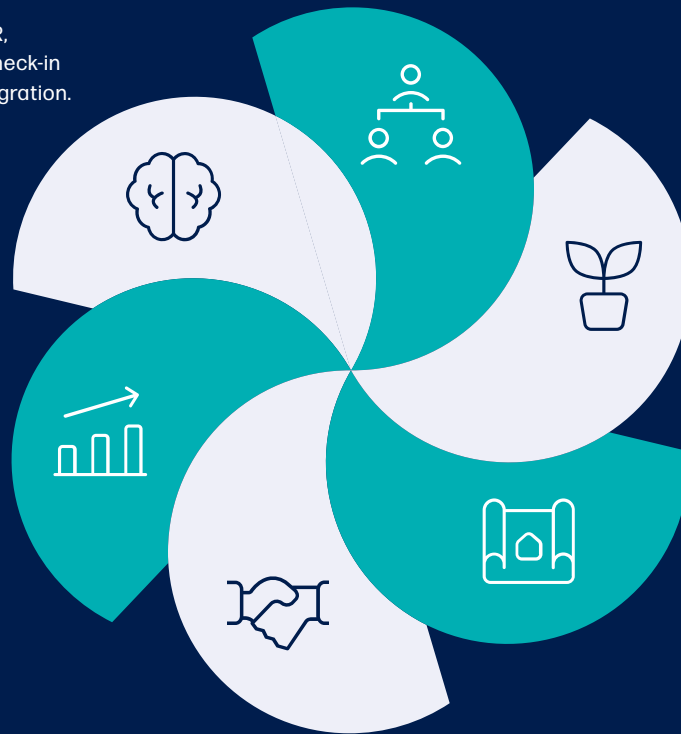
Maximising the effective use of our financial capital to deliver strong financial performance by having the right systems and the best people.

Assets and Development

Acquiring facilities, villages and leased properties, as well as the development of existing properties.

Customer and Stakeholder Relationships

Further strengthening relationships with families and residents, regulators and suppliers. Ensuring stakeholders share our values of courage, commitment and compassion.



Operating Statistics

AS AT 31 MARCH 2022 COMPARED TO 31 MARCH 2021



1,600+

TEAM

Up from 1,500+



1,784

AGED CARE BEDS¹

Up from 1,715



101

INDEPENDENT LIVING UNITS

Up from 76



8

12 as at 31 May 2022

OWNED FACILITIES

Up from 3



329

CARE BEDS PIPELINE

Up from 104



98

INDEPENDENT LIVING PIPELINE

Up from 40



92.5%

AVERAGE BED OCCUPANCY²

Up from 92.4%



199

CARE SUITES PIPELINE

Up from 30

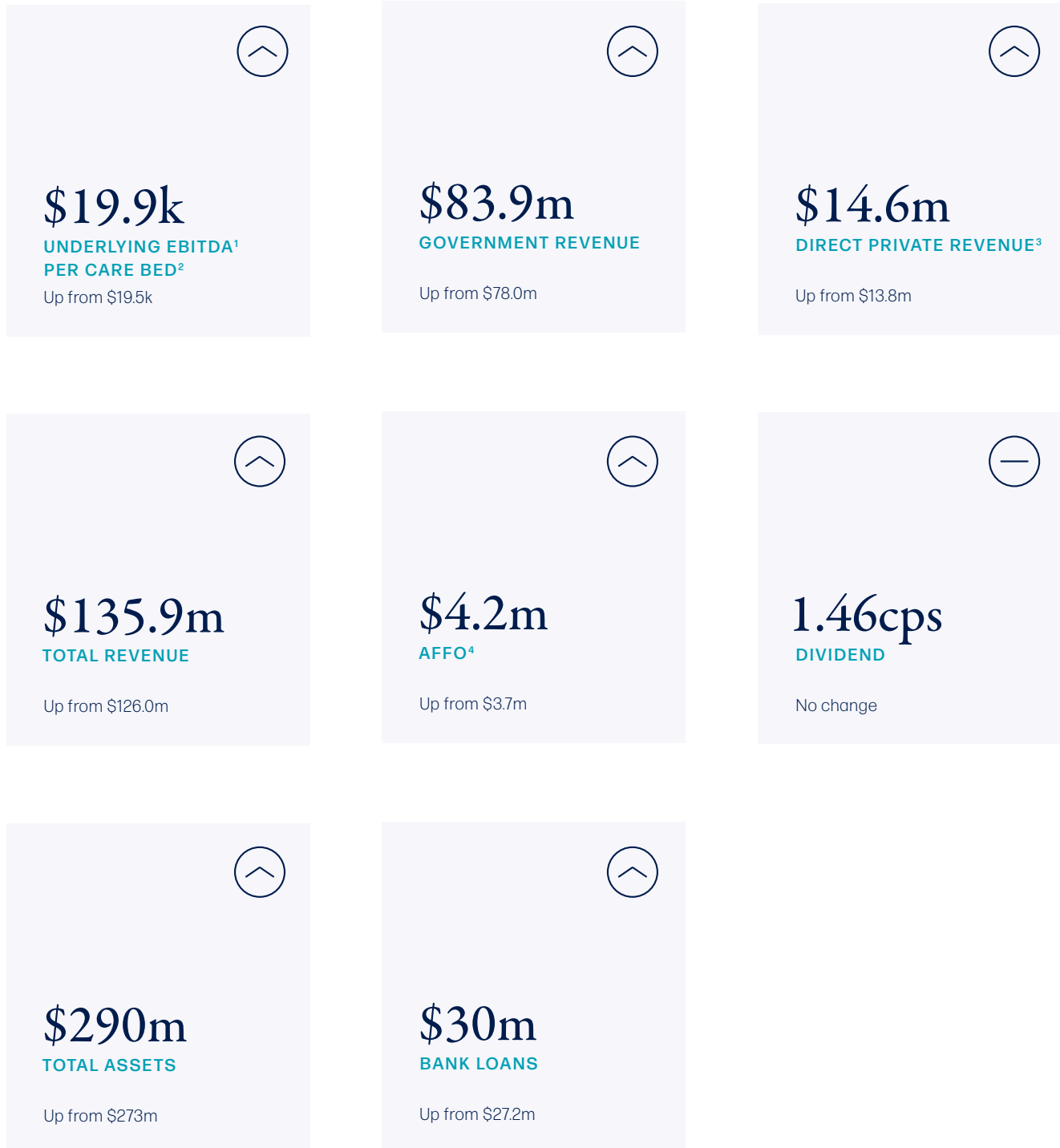
1. Comprises Care Beds occupied, available to be occupied or unavailable due to refurbishment.

2. Total occupied Care Bed days divided by total Care Bed days available during the period.



Financial Statistics

AS AT 31 MARCH 2022 COMPARED TO 31 MARCH 2021



1. Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-GAAP measure. The calculation of this measure is provided at pages 47-49 of this report.
2. Underlying EBITDA for aged care divided by average number of Care Beds occupied during the period.
3. Includes accommodation supplements, retirement village revenues, Radius Online Shop revenue and other privately paid revenue.
4. Available Funds From Operations is a non-GAAP measure. The calculation of this measure is provided on pages 47-49 of this report.

Financial Report

Excellent metrics achieved

Radius Care exceeded its prior year key metrics despite the challenges presented.

Financial performance

Radius Care's revenue is derived largely from providing care services to residents for which it receives contracted payments from district health boards (DHB) together with revenue paid directly by residents. Deferred management fees from Occupation Right Agreements comprise a relatively small proportion of overall revenue.

Total revenue for FY22 was \$135.9m, an increase of 7.8% over the prior year.

Accommodation supplements revenue was \$6.8m, up from \$5.6m in the prior year. Accommodation supplements are paid directly by residents for room features above the Government recommended minimum standard (e.g., larger room, ensuite, view or both).

Direct private revenue overall, which comprises accommodation supplements, retirement village revenues, Radius Care Online Shop revenue and other privately paid revenues, was \$14.6m, up from \$13.8m. It represented 10.8% of overall revenue compared with 11.0% in the prior year.

Total operating expenses including depreciation were \$132.9m, up from \$124.0m in the prior year. Labour continues to be the single biggest expense category. In FY22 employee costs were \$82.4m compared with \$74.5m for FY21.

Underlying EBITDA for the year was \$22.3m, slightly lower than the \$23.4m earned in FY21. It is a non-GAAP measure that provides an indication of the operating performance of the business by excluding depreciation, interest and tax.

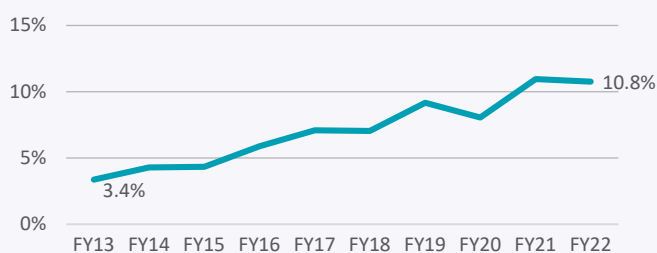
Profit after tax for the year was \$2.7m, a 57% increase on the \$1.7m reported for FY21.

Available funds from operations (AFFO) was \$4.2m compared with \$3.7m in the prior year. AFFO is a measure commonly used by property companies to provide an indicator of their ability to pay dividends to shareholders.

TOTAL REVENUE INCREASE

7.8%

DIRECT PRIVATE REVENUE





Balance sheet

Radius Care had total assets of \$290m as at 31 March 2022. Right-of-use assets, representing leased properties, totalled \$134m. Land and buildings owned by Radius Care are valued at \$56.1m, up from \$18.3m as at 31 March 2021.

Borrowings at 31 March 2022 were \$30m, up from \$27.2m at the end of the prior year.

The Ohaupo transaction was funded from the \$48.2m raised from the issue of new shares to shareholders in July 2021.

Cashflow

Net cash provided from operating activities was \$9.9m compared with \$14.5m in the prior year.

At \$52.8m, cash used in investing activities was substantially higher than in FY21 as a result of the Ohaupo and Clare House transactions.

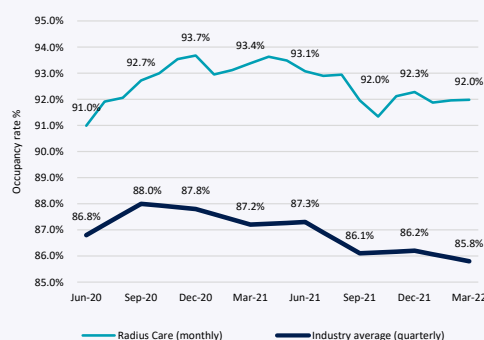
The equity issue that funded these transactions resulted in cash provided from financing activities increasing to \$42.2m.

The overall net change in cash for FY22 was a reduction of \$0.7m.

RADIUS OCCUPANCY

92%

versus the industry average of 86%



Operations Report

Many people, many roles

Inclusion and diversity

Radius Care celebrates the diversity of its staff, of which a large percentage join us from all over the world. We welcome new people into the our community by learning and sharing their customs as well as our own. Because healthcare workers from overseas are a large part of our workforce, our goal is to make every employee feel welcome in their new home.

Initiatives in this space include:

- Celebrating key cultural festivals including Matariki, Diwali and Chinese New Year. Our facilities hold celebrations and events where staff dress in their cultural attire, share food and even dance. This is a wonderful opportunity for our staff to share a special part of their identity, and educate residents and fellow employees on their culture.
- A pastoral care programme. The Radius Care People team developed a programme to help overseas employees feel welcome and enjoy what Radius Care has to offer. When it hires new people from overseas, the programme provides them with information and guidance to help them settle and connect with key cultural groups within their community.
- Progression. We want to ensure each employee is in the best possible position to excel and progress, which is why we have developed leadership and staff training modules. These focus on enhancing cross-cultural communication with employees from diverse backgrounds and fostering positive working relationships based on mutual trust and respect.

COVID-19

Radius Care has proudly risen to the challenges posed over the last year with COVID-19, and the lock downs in continuing its commitment to "Caring is our calling". Our staff, residents and families have worked together to manage through the strict infection control procedures and at times the need to pause visiting either a wing or the facility.

The team have had to work in personal protective equipment ranging from surgical masks, to N95 masks and full PPE when required. This in itself has added extra pressure on the staff. Needless to say, residents and their families have been very supportive and appreciative of how Radius has handled the pandemic. Regular communication with families was supported through communication tools such as WhatsApp, Skype and Zoom to enable, even though it never beats a real visit, families to keep in touch.



TRAINING AND UPSKILLING

185

STAFF COMPLETING
HEALTH & WELLBEING
QUALIFICATIONS

23

STAFF
COMPLETING
APPRENTICESHIPS

Regulatory developments

The new NZ Health and Disability Sector Standards (in place since February 2022) requires a full review of all policies and procedures over a period of 18 months to ensure that all aspects of the business reflects Te Tiriti o Waitangi. Our efforts and work focus on ensuring that we provide a partnership of care framework with families/whanau, residents and facilities on a platform of shared goals.

The End of Life Choice Act 2019 is also an area our team have had to understand and become familiar with. The Chief Ombudsman will also continue to monitor the rights of disabled people in dementia units ensuring they are respected and protected.



Rostering

Shift work can take its toll on wellbeing and family life. Through our employee satisfaction and pulse surveys, Radius Care discovered that rostering is the main area our team feel is directly linked to their wellbeing. We now create rosters that suit the lifestyle of each individual employee. We have partnered with a company that uses artificial intelligence to create rosters. These factor in business needs as well as individual preferences. It is a pilot programme, but we aim to have it implemented across all our facilities by the end of the year.

Recruiting Registered Nurses

Recruiting Registered Nurses is an area of priority due to the national nursing shortage. As a solution, Radius Care is working on a programme to bring in overseas Registered Nurses as healthcare assistants. We aim to provide them with a rewarding workplace and welcome support to enter and excel at Competency Assessment Programmes.

Wellbeing days

The past two years have been challenging for the Radius Care team, and the need to manage COVID-19 exacerbated the issue. We acknowledged our employees for going the extra mile by providing free healthy food options to support energy levels, direct support from leadership teams, and wellbeing days to give our team the chance to rest, relax and recuperate. Our people make Radius Care possible.

We are

EPEC

Exceptional People
Exceptional Care



Courageous



Caring



Compassionate

Developments

Growth and green spaces

Radius Care's ongoing success and future growth depend on our ability to provide rooms, beds and the care that our aging population needs. That all requires land and the development of that land into spaces and facilities that make life comfortable and enjoyable.

But it's not just about growth. There is a shortage of beds in New Zealand and many of those who would find comfort in having full time care are being left behind. Through this caring lens, we have focused our development efforts on increasing the number of care beds, as well as premium care suites, in both brownfield and greenfield developments.

Radius Care utilises a research and data led approach to land development and extensively investigates areas for demand. It makes its development decisions by also reviewing a local area's care needs.

Radius Lexham Park

Developments at Lexham Park are progressing and the securing of consents is ongoing. The development is on track and within budgetary expectations. The Katikati development will represent a significant addition of high-quality care beds to the area, where there is a shortage. When complete, 41 care suites will be added to the facility with delivery expected late 2023 to early 2024. The location is wonderful with sweeping views of the countryside, close proximity to the township and with enough space to retain manicured, landscaped grounds for all to enjoy.



CARE SUITES

Radius Care's premium care suites provide a greater level of amenities, rooms are larger and may even include a separate bedroom suite. Care suites provide residents an easier transition from their previous dwelling, and realise a continuity of care model where residents can have a higher level of amenity where possible.

Radius Taupaki Gables

Situated in West Auckland near the Waitakere Ranges, Taupaki Gables is a picturesque spot a mere 30 minutes' drive from Auckland's CBD. Its expected completion is late 2023 and the necessary council consents are under way.

We have identified that the community suffers from a shortage of high-quality care beds. Given the facility's strong occupancy and a great management team, it was a prime target for expansion. While Radius Taupaki Gables is a relatively small, boutique care facility, there's space to add another 20 beds to the facility while retaining its green spaces and landscaped grounds.

Greenfield Development Site - Northwood

Radius Care is also building a significant retirement village and aged care facility in Belfast. The project is in its early stages and is progressing in line with expectations and with the support of the local community. Resource consent is granted and building consents are progressing, its completion is currently set for 2025 though may be adjusted.

The retirement village site is located in a larger development with exceptionally close access to amenities including a supermarket, school, new residential properties and more. The site is close to The Groynes recreational area which has lots of walking tracks, picnic areas, playgrounds, dog exercise parks and is a relatively short drive to the airport or city centre. When complete, the Belfast retirement village will have 67 independent living villas and 27 apartments. The aged care facility will house 100 beds including 30 care suites.

Radius Care has several additional development projects under way with key milestones such as resource consents or ground works approaching in the next 12 months.

Lexham Park

KATIKATI

Due to commence
August 2022

41
Care Suites



Taupaki Gables

AUCKLAND

Due to commence
September 2022

20
Care Beds



Northwood

CHRISTCHURCH

Due to commence first
quarter 2023

67
Villas

27
Apartments

100
Care Beds

INCLUDING
30
Care Suites



Sustainability

A sustainable strategy

As a business that provides employment to over 1,600 people, buys goods and services from more than 3,500 businesses and, in the past twelve months, delivered care to more than 3,015 people, Radius Care has a responsibility to act as a good corporate citizen with an eye on ensuring long term sustainability.

We want to

Offer our residents' families and their friends a welcoming and safe environment when they visit.



Ensure our suppliers are paid on time for good quality products that meet our needs.



Offer our people a work environment where they feel safe and respected and where they have opportunities to develop and build a career.



Our residents will receive exceptional care whether they are in a care facility for a recovery period, their long-term living arrangements are in Radius Care's hands or they choose to live in one of our independent living units.

Over the next 12 months we want to introduce a specific focus on our sustainability initiatives. We are at a relatively early stage in our programme, however there is a deep level of commitment across the business. We are seeking to learn, to gather feedback and to find areas where we can improve our processes as we build a framework that will guide us as we go forward.

We will provide our wide group of stakeholders with information about where Radius Care sits in its sustainability journey and where, ultimately, we want to get to. Our immediate focus is on building a programme that over the next three to four years will see sustainability initiatives embedded throughout Radius Care. Over time our base level programme will continue to develop and evolve.

The initiatives that we put in place within Radius Care, and our reporting to you, will be influenced by frameworks such as the internationally-recognised United Nations Sustainable Development Goals and the sustainability reporting standard Global Reporting Initiative (GRI).

An in-house Sustainability Committee has been established and is tasked with providing guidance and feedback to the Board and management on Radius Care's sustainability framework. Having a Sustainability Manager as part of the operations team will see an acceleration in the implementation of initiatives across Radius Care. The team is drawing together a measurement and reporting framework.



Workstreams currently under way include:

- Development of a materiality matrix that identifies the economic, environmental, and social issues on which Radius Care has an impact, or by which it may be impacted.
- Measurement of Radius Care's greenhouse gas (GHG) emissions inventory.

A GHG measurement project is under way to quantify two years of emissions levels. We expect electricity to be our largest source of operational GHG emissions, followed by waste to landfill, natural gas and air travel. By the end of the first half of the FY23 year, the Sustainability Committee intends to have finalised the data sets that will enable us to quantify Radius Care's GHG emissions. The data will then be independently audited.

Our technical advisers will help us draw together a transition plan for implementation across Radius Care. With a three to four-year build-from-new programme under way, we are well placed to ensure the design incorporates proven green building elements and to install green star-rated materials. Achieving a high Green Star rating is an objective.

At an operational level we want to identify and implement quick wins.

Projects under way include:

Waste to landfill reduction

For the past several years the weight of waste removed from each facility has been recorded by Waste Management, our waste contractor. We are using this data as an input to our waste reduction programme together with identifying waste streams that can be replaced with recyclable or low carbon use items. We are working with Waste Management to introduce more effective waste sorting at each Radius Care facility.

Electricity use reduction

All of our facilities have energy efficient electric ovens installed. Gas stove tops provide a backup source of cooking. As facility upgrades are undertaken, incandescent light fittings are being replaced with LED bulbs. Double glazing and insulation are being installed together with heat pumps.

Radius Shop

Items sold in our Radius Shop are reviewed for long term usability and production from recycled or recyclable materials. Sustainability will be a focus over the next 12 months.

Inventory management

Electronic ordering allows for the purchase of pre-approved items only. Single-use plastic water cups have been removed from the purchase inventory.

Electronic documentation systems

The move to a paperless office is under way with Microsoft Dynamics 365 Business Central software rolled out across Radius Care together with software taking purchasing, payments and employment processes online.

Board of Directors

Our Board brings many years of experience in aged care, development and commerce alongside broader business experience in New Zealand and internationally.



Brien Cree

Executive Chair

Brien Cree is the founding shareholder of Radius Care and was the Managing Director from the company's inception in 2003. Brien has built the Radius Care's portfolio from nothing to its current 23 aged care facilities and three retirement villages. As Executive Chair, Brien is focused on the formulation and execution of Radius Care's strategic growth objectives.

Brien has more than 30 years' experience in the aged care sector. He is a Board member of the NZACA and past Board member of the Retirement Villages Association.



Duncan Cook

Executive Director

LLB

Duncan Cook has been a Director of Radius Care since 2010, and worked with Radius Care's founders to establish, structure and grow Radius Care's business. Duncan is a consultant at Sharp Tudhope Lawyers (Tauranga and Auckland) having been a partner in the firm for 31 years.

His key areas of practice are mergers and acquisitions with a focus on consolidating primary and secondary health services. Duncan is a member of the New Zealand Law Society, Institute of Directors New Zealand (Inc) and Restructuring Insolvency & Turnaround Association New Zealand Incorporated.

Duncan has governance experience across a range of industry sectors, including fishing, exports and housing construction. He has volunteered on the Boards of the Tauranga Chamber of Commerce and agencies associated with economic development in the Tauranga region.



Bret Jackson

Non Executive Director

BCom (Honours), MBA (Harvard Business School)

Bret Jackson has been a Director of Radius Care since 2014. He is an experienced business professional spanning all facets of business including entrepreneurship, leadership, private equity investment and governance (both private and public boards).

Bret held corporate roles at Mobil Oil New Zealand, as a management consultant at Boston Consulting Group (Sydney and London) and has founded and successfully operated his own private businesses.

He is also a past President of the Harvard Business School Alumni Association of New Zealand.



Mary Gardiner

Independent Director

BCom, FCA, FCIS, CMInstD

Mary Gardiner was appointed as an Independent Director of Radius Care in December 2020. She is an Independent Director and Chair of the Audit and Risk Committee of Southern Cross Pet Insurance, Chair of Netball Northern Zone and trustee of Mangere Mountain Education Trust, an Auckland Council-controlled organisation.

Mary has previously been Chair of Auckland Netball Centre and Badminton NZ. Her commercial experience includes roles as Chief Financial Officer of Instant Finance and Radius Health Group, and Governance Risk Manager at Air New Zealand, following a career focused primarily in financial services with KPMG in New Zealand, Germany and Australia.

Mary is a Chartered member of the Institute of Directors, Fellow of Governance New Zealand and is a New Zealand Fellow Chartered Accountant.



Hamish Stevens

Independent Director

MCom (Honours), MBA, CA, CFInstD

Hamish Stevens was appointed as an Independent Director of Radius Care in December 2020. Hamish is an Auckland-based Independent Director having held directorships in both the listed and private company sectors since 2010.

He is also currently Chair of Evolve Education Group, East Health Services and Pharmaco and a Director of Marsden Maritime Holdings, Northport and Counties Energy. Prior to his governance career, Hamish held senior finance positions with Heinz Wattie, Tip Top Ice Cream and DB Breweries.

Hamish is a qualified Chartered Accountant and a Chartered Fellow of the Institute of Directors.

Board of Directors

Skills Matrix

The Radius Care Board is structured to bring to a range of experience and skills relevant to the Company’s operations.

Creating Value

| | | | |
|--|--|-------|---|
| | <p>Sector Knowledge</p> <p>Well represented in care sector knowledge including representation on Aged Care Association Board.</p> | ★★★★★ | Balanced |
| | <p>Executive Leadership / Strategic thinking</p> <p>Former MD brings extensive leadership experience and strategic thinking.</p> | ★★★★★ | Balanced |
| | <p>Growth Implementation</p> <p>Extensive experience in industry consolidation M&A activity.</p> | ★★★★☆ | Balanced |
| | <p>Developments</p> <p>Experience in retirement village development and construction management.</p> | ★★★★☆ | Possible focus of future Board appointments |

Business Operations

| | | | |
|--|--|-------|---|
| | <p>Health, Clinical and Aged Care / Technology & IT</p> <p>Deep understanding of the critical elements and economic imperatives of the care business.</p> | ★★★★★ | Balanced |
| | <p>Marketing</p> <p>Brand well established by founder, experience in data driven marketing, digital sales and enhanced customer experience.</p> | ★★★★☆ | Possible focus of future Board appointments |



Key of Board members capabilities

★ High ★ Moderate ☆ Low

People and Values



Compensation / HR

Leadership in exceptional people, exceptional care. Significant experience in culture and reward in large organisations.



Balanced



Environmental and Sustainability

Evolving sustainability strategies, experience in solar energy sources.



Focus of future Board learning

Governance



Expertise

Experience in best practice and corporate governance.



Balanced



HSE (Health and Safety)

Experience in workplace health and safety including knowledge of legal obligations and regulations.



Possible focus of future Board appointments



Risk Management

Expertise in legal, regulatory, risk and compliance. Designated focus on cyber security.



Balanced



Finance, Accounting and Capital Markets

Former CFO representation on audit committee, and extensive knowledge of use of and return on capital.



Balanced

Senior Management



Andrew Peskett

Chief Executive Officer

BA (Hons), LLB

Andrew brings extensive experience in the retirement village and aged care industry, having previously been a senior executive at Metlifecare, a leading New Zealand retirement village operator with total assets in excess of \$4 billion. After several years working in large London law firms, Andrew returned to New Zealand and joined Metlifecare in 2007, holding roles including Acting Chief Executive Officer, GM Corporate Services, Acting GM Operations and General Counsel & Company Secretary.

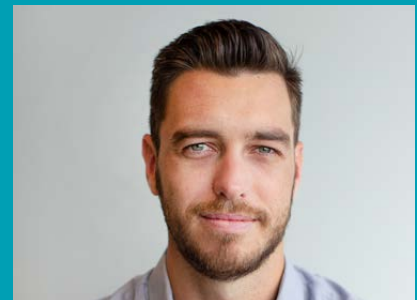


Jane Smart

Chief Operations Officer

BSc Physiotherapy, Dip.Business Administration, MBS

Jane Smart was appointed Chief Operations Officer of Radius Care in February 2011. She has over 30 years' experience in healthcare and extensive experience in the aged care sector.



Sam Carey

General Manager, Marketing, Sales and Retail

Bachelor of Business

Sam Carey completed a Bachelor of Business, majoring in Marketing and International Business at AUT in 2008.

In 2011 Sam was employed to start up in-house marketing at Radius. He now leads the branding, marketing strategy and public relations portfolios. In 2017, Sam started the Radius Shop as a way to connect with elderly New Zealanders prior to needing aged care.



Michelle Slabber*

General Manager, Finance

BCom (Hons), CA

Michelle Slabber joined Radius Care in 2016. Michelle has nearly 25 years' experience in finance roles in various industries including healthcare and financial services. Michelle trained with PricewaterhouseCoopers in South Africa and is a New Zealand Chartered Accountant.



Steven Heesen*

General Manager, Commercial Services

Bachelor of International Hospitality & Hotel Management (Hons)

Steven joined the aged care sector in 2003 and Radius Care in 2007. Trained in Europe, Steven has 20 years' experience in Hospitality Management and 16 years in the Aged Care Sector, Steven heads up the Radius commercial services team. Disciplines include all property matters, procurement and hospitality.



Trish Evers

General Manager, People

MSc in Applied Psychology

Trish has over 15 years' experience in the HR sector and has worked in various fields including government agencies, health and transportation. She joined Radius Care in 2017. Trish has a particular interest in the area of employee engagement and making sure that we get the best out of our team.



Gared Thomas

General Manager, Property Development

Bachelor of Business

Gared Thomas completed a Bachelor of Business, majoring in Management at AUT in 2010.

Gared has extensive experience in the construction sector.

Gared joined Radius Care in 2019 and is passionate about delivering our village and care home residents with high-quality, well designed, and enjoyable spaces to live.



Kayleen Currie

Information Systems Manager

Kayleen Currie joined Radius Care in 2019 and has over 20 years' experience leading technical support teams, implementing hardware and system upgrades across multiple platforms.

She is passionate about using technology to better the lives of our residents and Radius Care.

* Michelle and Steven have resigned and they finish working for the Company on 30 June 2022 and 8 July 2022 respectively.

Financial Statements

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|--|----|
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Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2022

| | NOTE | 2022 \$000 | 2021 \$000 |
|--|------|------------------|------------------|
| REVENUE | | | |
| Revenue from contracts with customers | 2.2 | 132,052 | 121,217 |
| Deferred management fees | 2.2 | 1,328 | 1,081 |
| Total revenue | | 133,380 | 122,298 |
| Change in fair value of investment property | 3.1 | 1,088 | 2,879 |
| Government subsidy received | | – | 794 |
| Interest income | | 62 | 71 |
| Gain on acquisition of previously leased property assets | | 1,403 | – |
| Total revenue and other income | | 135,933 | 126,042 |
| EXPENSES | | | |
| Employee costs | | (82,368) | (74,457) |
| Depreciation expense | 2.3 | (11,194) | (11,552) |
| Finance costs | 2.3 | (9,091) | (9,706) |
| Other expenses | 2.3 | (30,199) | (28,298) |
| Total expenses | | (132,852) | (124,013) |
| Profit before income tax | | 3,081 | 2,029 |
| Income tax expense | 5.1 | (408) | (324) |
| Profit for the year | | 2,673 | 1,705 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | | | |
| <i>Items that will not be reclassified subsequently to profit and loss</i> | | | |
| Revaluation of property, plant and equipment, net of tax | 3.2 | – | 1,104 |
| Other comprehensive income for the year | | – | 1,104 |
| Total comprehensive income | | 2,673 | 2,809 |
| EARNINGS PER SHARE | | | |
| Basic and diluted earnings per share (cents per share) | 4.2 | 1.13 | 0.97 |

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2022

| | NOTE | Contributed Equity \$000 | Asset Revaluation Reserve \$000 | Retained Earnings \$000 | Total \$000 |
|---|------|--------------------------------|--|-------------------------------|----------------|
| BALANCE AS AT 1 APRIL 2020 | | 4,736 | 5,708 | 10,376 | 20,820 |
| Profit for the year | | – | – | 1,705 | 1,705 |
| Other comprehensive income for the year | 3.2 | – | 1,104 | – | 1,104 |
| Total comprehensive income for the year | | – | 1,104 | 1,705 | 2,809 |
| <i>Transactions with owners</i> | | | | | |
| Issue of share capital (net of transaction costs and tax) | 4.1 | 1,196 | – | – | 1,196 |
| Dividends paid | 4.1 | – | – | (732) | (732) |
| Total transactions with owners | | 1,196 | – | (732) | 464 |
| Balance as at 31 March 2021 | | 5,932 | 6,812 | 11,349 | 24,093 |
| BALANCE AS AT 1 APRIL 2021 | | 5,932 | 6,812 | 11,349 | 24,093 |
| Profit for the year | | – | – | 2,673 | 2,673 |
| Other comprehensive income for the year | 3.2 | – | – | – | – |
| Total comprehensive income for the year | | – | – | 2,673 | 2,673 |
| <i>Transactions with owners</i> | | | | | |
| Issue of share capital (net of transaction costs and tax) | 4.1 | 45,800 | – | – | 45,800 |
| Dividends paid | 4.1 | – | – | (2,478) | (2,478) |
| Total transactions with owners | | 45,800 | – | (2,478) | 43,322 |
| Balance as at 31 March 2022 | | 51,732 | 6,812 | 11,544 | 70,088 |

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

Consolidated Statement of Financial Position

AS AT 31 MARCH 2022

| | NOTE | 2022 \$000 | 2021 \$000 |
|--|------|----------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents | | 2,088 | 2,761 |
| Trade and other receivables ^{1,2} | 5.3 | 9,882 | 7,181 |
| Inventories | | 768 | 548 |
| Investment properties | 3.1 | 46,014 | 31,675 |
| Property, plant and equipment ^{1,2} | 3.2 | 73,839 | 33,459 |
| Right-of-use assets | 3.4 | 133,912 | 177,170 |
| Intangible assets | 5.2 | 19,757 | 16,996 |
| Deferred tax assets | 5.1 | 3,885 | 3,635 |
| Total assets | | 290,145 | 273,425 |
| LIABILITIES | | | |
| Trade and other payables | 5.4 | 16,901 | 14,911 |
| Current tax liabilities | | 444 | 1,135 |
| Borrowings | 4.3 | 30,000 | 27,212 |
| Deferred management fee | 3.3 | 1,553 | 1,178 |
| Refundable occupation right agreements | 3.3 | 28,616 | 20,591 |
| Lease liabilities | 3.4 | 142,543 | 184,305 |
| Total liabilities | | 220,057 | 249,332 |
| NET ASSETS | | 70,088 | 24,093 |
| EQUITY | | | |
| Share capital | 4.1 | 51,732 | 5,932 |
| Asset revaluation reserve | 4.1 | 6,812 | 6,812 |
| Retained earnings | | 11,544 | 11,349 |
| Total equity | | 70,088 | 24,093 |

The Board of Directors of the Company authorised these consolidated financial statements for issue on 28 June 2022.

For and on behalf of the Board.



Brian Cree - Chair, Board of Directors



Hamish Stevens - Chair, Audit and Risk Committee

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

1. Comparative information relating to \$159k of SaaS arrangements under development have been reclassified from property, plant and equipment - work in progress to trade and other receivables - prepayments.

2. Comparative information relating to \$722k of development costs have been reclassified from trade and other receivables - prepayments to property, plant and equipment - work in progress.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2022

| | NOTE | 2022 \$000 | 2021 \$000 |
|---|------|-----------------|----------------|
| OPERATING ACTIVITIES | | | |
| Receipts from residents for care fees and village fees | | 129,796 | 122,337 |
| Receipts of government subsidy | | – | 1,210 |
| Payments to suppliers and employees ^{1,2} | | (111,696) | (101,161) |
| Proceeds from the sale of Refundable Occupation Right Agreements | | 4,726 | 3,927 |
| Payments for the repurchase of Refundable Occupation Right Agreements | | (1,766) | (464) |
| Interest received | | 62 | 71 |
| Interest paid - borrowings | | (1,436) | (883) |
| Interest paid - lease liabilities | | (7,655) | (8,823) |
| Income tax paid | | (2,154) | (1,744) |
| Net cash provided by operating activities | | 9,877 | 14,470 |
| INVESTING ACTIVITIES | | | |
| Proceeds from the sale of property, plant and equipment | | 50 | 54 |
| Acquisition of subsidiaries, net of cash acquired | 5.6 | (14,000) | – |
| Payments for the purchase of property, plant and equipment ^{1,2} | | (38,431) | (4,140) |
| Payments for village developments | | (411) | (965) |
| Net cash used in investing activities | | (52,792) | (5,051) |
| FINANCING ACTIVITIES | | | |
| Proceeds from issue of share capital | | 48,229 | – |
| Share issue transaction costs | | (2,429) | – |
| Proceeds from bank borrowings | | 2,788 | – |
| Repayment of bank borrowings | | – | (4,215) |
| Principal payments of lease liabilities | | (3,868) | (4,028) |
| Dividends paid | | (2,478) | (732) |
| Net cash provided by/(used in) financing activities | | 42,242 | (8,975) |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents at beginning of the year | | 2,761 | 2,317 |
| Net (decrease)/increase in cash and cash equivalents held | | (673) | 444 |
| Cash and cash equivalents at end of year | | 2,088 | 2,761 |

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Comparative information relating to \$159k of SaaS arrangements under development have been reclassified from payments for the purchase of property, plant and equipment to payments to suppliers and employees.

2. Comparative information to \$722k of development costs have been reclassified from payments to suppliers and employees to payments for the purchase of property, plant and equipment.

Consolidated Statement of Cash Flows continued

FOR THE YEAR ENDED 31 MARCH 2022

| NOTE | 2022 \$000 | 2021 \$000 |
|---|---------------|---------------|
| RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Profit for the year | 2,673 | 1,705 |
| ADJUSTMENTS FOR NON-CASH ITEMS | | |
| Depreciation | 11,194 | 11,552 |
| Share based payments | – | 1,196 |
| Net loss/(gain) on disposal of property, plant and equipment | 174 | (26) |
| Gain on acquisition of previously leased property assets | (1,403) | – |
| Fair value adjustment to investment properties | (1,088) | (2,879) |
| Movement in deferred tax | (923) | (1,831) |
| CHANGES IN OPERATING ASSETS AND LIABILITIES | | |
| - Trade and other receivables and other assets | (2,414) | 484 |
| - Inventories | (180) | (240) |
| - Trade and other payables and other liabilities | 1,172 | 798 |
| - Current tax liabilities | (692) | 412 |
| - Refundable Occupation Right Agreements | 1,364 | 3,299 |
| Net cash provided by operating activities | 9,877 | 14,470 |

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Liabilities arising from financing activities are liabilities for which cash flows are, or will be, classified as 'cash flows from financing activities' in the statement of cash flows.

| | Share Capital \$'000 | Borrowings \$'000 | Lease Liabilities \$'000 | Total \$'000 |
|--|-------------------------|----------------------|-----------------------------|-----------------|
| BALANCE AS AT 1 APRIL 2021 | 5,932 | 27,212 | 184,305 | 217,449 |
| - Proceeds from issue of share capital | 48,229 | 2,788 | – | 48,229 |
| - Share issue transaction costs | (2,429) | – | – | (2,429) |
| - Proceeds from bank borrowings | – | – | – | 2,788 |
| - Repayment of bank borrowings and lease liabilities | – | – | (3,868) | (3,868) |
| Total changes from financing cash flows | 45,800 | 2,788 | (3,868) | 44,720 |
| Non-cash changes | | | | |
| - Remeasurements | – | – | 794 | 794 |
| - Disposals | – | – | (38,688) | (38,688) |
| Balance as at 31 March 2022 | 51,732 | 30,000 | 142,543 | 224,275 |
| BALANCE AS AT 1 APRIL 2020 | 4,736 | 31,427 | 185,304 | 221,467 |
| - Repayment of bank borrowings and lease liabilities | – | (4,215) | (4,028) | (8,243) |
| Total changes from financing cash flows | – | (4,215) | (4,028) | (8,243) |
| Non-cash changes | | | | |
| - Share issue to employees | 1,196 | – | – | 1,196 |
| - Remeasurements | – | – | 3,029 | 3,029 |
| Balance as at 31 March 2021 | 5,932 | 27,212 | 184,305 | 217,449 |

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2022

1. GENERAL INFORMATION

1.1. BASIS OF PREPARATION

(i) Reporting entity

The consolidated financial statements are for Radius Residential Care Limited ('the Company') and its subsidiaries (together 'the Group').

The Group provides rest home and hospital care for the elderly along with development and operation of integrated retirement villages in New Zealand.

(ii) Statutory basis and statement of compliance

Radius Residential Care Limited is a limited liability company, incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993 and is a FMC Reporting Entity in terms of Part 7 of the Financial Markets Conduct Act 2013. The Company is listed on the NZX Main Board ("NZX"). The consolidated financial statements have been prepared in accordance with the requirements of the NZX and Part 7 of the Financial Markets Conduct Act 2013.

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), except for Note 2.1: Non-GAAP Underlying Net Profit after tax ("Underlying Profit") and Non-GAAP AFFO ("Available Funds from Operations"), which is presented in addition to NZ GAAP compliant information. They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), International Financial Reporting Standards ('IFRS') and other applicable New Zealand Financial Reporting Standards, as appropriate for for-profit entities. The Group is a Tier 1 for-profit entity in accordance with XRB A1 Application of the Accounting Standards Framework.

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The balance sheet for the Group is presented on the liquidity basis where the assets and liabilities are presented in the order of their liquidity. The Group has adopted the liquidity basis presentation to be consistent with its listed retirement village and aged care peers.

(iii) Functional and presentation currency

The consolidated financial statements are presented in New Zealand dollars which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(iv) Measurement basis

These consolidated financial statements have been prepared under the historical cost convention, with the exception of investment properties (note 3.1) and land and buildings included within property, plant and equipment (note 3.2).

(v) Key estimates and judgements

The Board of Directors and management are required to make judgements, estimates and assumptions in applying the accounting policies. The estimates and associated assumptions are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from the estimates, judgements and assumptions made by the Board of Directors and management.

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

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

- Valuation of investment properties (note 3.1)
- Valuation of land and buildings (note 3.2)
- Lease extension and termination options & incremental borrowing rates (note 3.4)
- Impairment testing of goodwill (note 5.2)
- Impairment testing of right-of-use assets (note 3.4)
- Recognition of deferred tax assets (note 5.1)

Following on from the disclosures in the Group's annual financial statements for the year ended 31 March 2021 regarding the ongoing COVID-19 pandemic, the New Zealand Government continues to implement a range of public health and economic measures to mitigate the impact of the COVID-19 pandemic. The pandemic and measures have lowered overall economic activity, revenue has not been materially impacted but COVID-19 has had

an impact on the Group's expenditure since the outbreak began and up to the date of these annual financial statements. The Directors have assessed the impact of the COVID-19 pandemic on these key estimates and judgements.

It is not possible to estimate the impact of the COVID-19 pandemic's short and long-term effects. As at the date of these annual financial statements, all reasonably known and available information with respect to the COVID-19 pandemic has been taken into consideration and all reasonably determinable adjustments have been made in preparing these annual financial statements.

(vi) New and amended accounting standards and Interpretations

In the current year, the Group adopted all mandatory new and amended standards and interpretations.

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

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

Software-as-a-Service ('SaaS') arrangements

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

During the year the Group reviewed the agreements supporting documentation for all capitalised software and associated projects. There were no material amounts relating to SaaS arrangements

recognised by the Group as at 1 April 2021 and as at 31 March 2021. However, in light of guidance from the IFRIC agenda decision, items of software under development and capitalised work-in progress as at 31 March 2021, amounting to \$159k, has been reclassified from property plant and equipment - work in progress (note 3.2) to trade and other receivables - prepayments (note 5.3)

(vii) Segment Reporting

An operating segment is a component of an entity that engages in business activities which earn revenue and incur expenses and where the chief operating decision maker reviews the operating results on a regular basis and makes decisions on resource allocation.

The Group operates in one operating segment being the provision of aged care in New Zealand. The chief operating decision maker, the Board of Directors, reviews the operating results on a regular basis and makes decisions on resource allocation based on the review of Group results and cash flows as a whole. The nature of the services provided and the type and class of residents have similar characteristics within the operating segment. The Ministry of Health is a significant customer of the Group as disclosed in note 2.2, as the Group derives care fee revenue in respect of eligible Government subsidised aged care residents. No other customers individually contribute a significant proportion of the Group's revenue. All revenue earned and assets held are in New Zealand.

1.2. ACCOUNTING POLICIES

Accounting policies which are relevant to understanding the consolidated financial statements are disclosed in each of the applicable notes. They have been applied on a consistent basis across all periods presented in these consolidated financial statements.

Other relevant policies are provided as follows:

(i) Goods and services tax (GST)

Revenue, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Inland Revenue Department. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement

of cash flows on a net basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(ii) Measurement of fair value

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Further information about the assumptions made in measuring fair values is included in notes 3.1, 3.2, 4.1 and 5.2.

(iii) Government Grants

Government grants and subsidies to the Group are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

2. OPERATING PERFORMANCE

2.1. NON-GAAP FINANCIAL MEASURES: NON-GAAP UNDERLYING NET PROFIT AFTER TAX (“UNDERLYING PROFIT”) AND NON-GAAP AVAILABLE FUNDS FROM OPERATIONS (“AFFO”)

Underlying Profit and AFFO are non-GAAP (non-Generally Accepted Accounting Practice) financial measures and differ from NZ GAAP, NZ IFRS and IFRS Net Profit after Tax and Net cash provided by Operating Activities, respectively. Underlying Profit and AFFO do not have a standardised meaning prescribed by NZ GAAP (Generally Accepted Accounting Practice in New Zealand) and so may not be comparable to similar financial information and measures presented by other entities. The Group uses Underlying Profit and AFFO, with other measures, to monitor financial performance and for shareholder dividend determination considerations. The Group uses these measures consistently across reporting periods.

The Group believes that these non-GAAP financial measures, which are not considered to be a substitute for or superior to NZ GAAP, NZ IFRS and IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The non-GAAP measures are consistent with how the business performance is planned and reported within the internal management reporting to the Board of Directors (being the chief operating decision maker as described in note 1.1 (vii)) and Audit and Risk Committee. Underlying Profit and AFFO are prepared in accordance with the basis of preparation described below.

Underlying Profit

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

Basis of preparation: Underlying Profit

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

Adjustments

Non-recurring or infrequent items

1. COVID-19 RELATED EXPENSES. As part of the response to COVID-19, the Group incurred additional expenses, including personal protective equipment (PPE) costs and expenses in relation to additional sick leave and isolation leave from April 2020 to September 2020 and from August 2021 to March 2022. The Group required staff to take a COVID-19 test before returning to work following any sick leave or isolation leave, to ensure the safety of residents and staff in the aged care facilities.
2. GOVERNMENT COVID-19 RELATED SUBSIDY. As with other aged care providers in New Zealand, the Group received funding during the year ended 31 March 2021 from the New Zealand Government in relation to the increased costs associated with COVID-19 which covered higher staff and PPE costs.
3. ONE-OFF LISTING COSTS. Costs incurred with the compliance listing on the NZX on 10 December 2020.
4. SHARE BASED PAYMENTS. Shares were issued to employees and service providers as part of the compliance listing (note 4.1).
5. ONE-OFF COSTS. Radius operated a laundry that supported four of the facilities in the South Island. This operation was stopped at the end of May 2021, and some of the laundry assets were sold. As this operation does not form part of the main activity of the Group, this is shown as a one-off cost.

Radius also incurred costs as part of a feasibility study on a business acquisition that did not proceed, as this was a major transaction that will not happen every year it is shown as a one-off cost.

Structural changes and other

1. NZ LISTED & OTHER LISTED ENTITY RELATED COSTS. In conjunction with its listing the Group incurred costs associated with operating in a listed environment in respect of Directors' fees (including the additional independent Directors), audit costs, listing fees, share registry fees, enhanced shareholder reporting costs and additional Director & Officer insurance costs. From the date of listing, the Group also incurred a fee of 3.5% per annum of annual rental and outgoings in relation to the personal guarantee in place with one landlord.
2. HISTORICAL GOVERNANCE COSTS. These relate to nonrecurring historical Directors, consulting and management fees previously incurred by the Group but now replaced by NZ Listed & other listed entity related costs.
3. GAIN ON ACQUISITION OF PREVIOUSLY LEASED PROPERTY ASSETS. On 5 August 2021, the Group acquired four properties, previously leased from Ohaupo Holdings Limited. On acquisition, the disposal of the related right-of-use assets and lease liabilities resulted in a gain on modification of \$1.4m being recognised upon the cancelling of lease and derecognition of the related Lease liability and Right of Use asset. This is further described in notes 3.2, 3.4 and 4.1.
4. INCOME TAX. Included is the potential income tax impact of the above adjustments (described under non-recurring or infrequent items and structural changes and other above). An effective tax rate of 28% has been assumed, where applicable.

Underlying adjustments

Underlying adjustments allow for direct comparison to other NZX listed aged care and retirement village operators and include:

- The removal of changes in the fair value of investment properties relating to the Group's owned retirement villages (Elloughton Grange Village, Windsor Lifestyle Estate Village and Clare House Retirement Village).
- Inclusion of realised development margins on the cash settlement of the first sale of new Occupation Right Agreements (ORA) Units following development.
- Inclusion of realised gains on Unit resales. Realised gains are calculated as the net cash flow received by the Group on the cash settlement of the resale of pre-existing ORA Units (i.e. the difference between the value of the ORA licence payment received from the incoming resident and the ORA licence payment previously received from the outgoing resident). Realised gains are net of incurred refurbishment costs. The margin on the repurchase of legacy units under a unit title subsequently sold under an ORA contract is also included. Note, no adjustment is made for differences between accrued deferred management fees (DMF) and actual cash DMF realised.
- Removal of deferred tax expenses including those related to the application of NZ IFRS 16 *Leases*, where applicable.

AFFO

AFFO is a non-GAAP measure of available cash used by the Group to determine the level of shareholder dividend it may pay.

Basis of preparation: AFFO

AFFO is calculated from Pre-NZ IFRS 16 Underlying Profit by removing Pre-NZ IFRS 16 depreciation and amortisation and instead including maintenance capital expenditure. Pre-NZ IFRS 16 Underlying Profit is used as the starting point for this calculation as it reflects the Pre-NZ IFRS 16 operating rental lease expense which largely represents the actual cash lease payment made, rather than the NZ IFRS 16 equivalent which instead includes depreciation on right-of-use assets and interest expense on lease liabilities, which materially exceed the actual cash operating rental lease expense payments.

Reconciliation of NZ GAAP financial measures to non-GAAP financial measures

| | 2022 | 2021 |
|--|---------------|---------------|
| | \$000 | \$000 |
| Profit for the year | 2,673 | 1,705 |
| ADJUSTMENTS | | |
| Non-recurring or infrequent items | | |
| Remove: COVID-19 related expenses | 730 | 653 |
| Remove: Government COVID-19 subsidy | – | (857) |
| Remove: One-off listing costs | – | 1,227 |
| Remove: Share based payments | – | 1,464 |
| Remove: One-off costs | 278 | – |
| Structural changes and other | | |
| Include: Listed & other company costs | – | (714) |
| Remove: Historical governance costs | – | 417 |
| Remove: Gain on acquisition of previously leased property assets | (1,403) | – |
| Include: Income tax impact of adjustments | (282) | (270) |
| UNDERLYING ADJUSTMENTS | | |
| Remove: Change in fair value of investment properties | (1,088) | (2,879) |
| Include: Realised development margins | 90 | 343 |
| Include: Realised gains on resales | 351 | 480 |
| Remove: Deferred tax expense | (923) | (1,831) |
| Underlying Net profit before tax | 426 | (262) |
| Remove: Depreciation | 11,194 | 11,552 |
| Remove: Net interest expense | 9,029 | 9,636 |
| Remove: Current tax expense | 1,331 | 2,155 |
| Remove: Income tax impact of adjustments | 282 | 270 |
| Underlying EBITDA | 22,262 | 23,351 |
| Include: Pre-NZ IFRS 16 operating lease expense | (11,522) | (12,850) |
| Pre-NZ IFRS 16 Underlying EBITDA | 10,740 | 10,501 |
| Include: Depreciation and amortisation (Pre-NZ IFRS 16) | (4,427) | (4,262) |
| Include: Net interest expense (Pre-NZ IFRS 16) | (1,374) | (812) |
| Include: Current tax expense | (1,331) | (2,155) |
| Include: Income tax impact of adjustments | (282) | (270) |
| Pre-NZ IFRS 16 Underlying Net profit after tax | 3,326 | 3,002 |
| Remove: Depreciation and amortisation (Pre-NZ IFRS 16) | 4,427 | 4,262 |
| Include: Maintenance capital expenditure | (3,574) | (3,543) |
| AFFO | 4,179 | 3,721 |

2.2. REVENUE

Revenue from contracts with customers

Revenue from care and village fees and recoveries income is recognised in accordance with NZ IFRS 15 Revenue from Contracts with Customers ("NZ IFRS 15"). Deferred management fees and rental income are considered leases under NZ IFRS 16 Leases ("NZ IFRS 16"), and are therefore excluded from the scope of NZ IFRS 15. None of the Group's revenue, as defined by NZ IFRS 15, contains significant financing components.

Care and village fees and recoveries income

The Group derives revenue from the provision of residential care and related services. Rest home, hospital and service fee charges are governed by the individual care admission agreement with each care resident. The resident incurs a daily care fee charged per the agreement, as set by the Government each year. Care fees are recognised net of any rebates to residents.

The Group derives care fee revenue in respect of eligible Government subsidised aged care residents who receive rest home, dementia or hospital level care. Government aged care revenue received from the Ministry of Health included in care fees and village services amounted to \$83,942,062 (2021: \$78,019,000).

There are no elements of variable consideration of significant financing component associated with care and village fees and recoveries income.

Village fees are detailed within each resident's Occupation Right Agreements (ORAs) and relate to the operating costs of the village. Revenue is recognised based on the daily or weekly fees charged, reflecting the period a resident has occupied a unit.

The performance obligation of providing the care and village services is satisfied over time, as the resident simultaneously receives and consumes the benefits of the service as it is provided. Billing and revenue recognition are generally done during the same period that the performance obligation is satisfied. Payments received in advance are recorded on the statement of financial position as a contract liability and subsequently recognised through profit or loss when the services are rendered.

Lease income

Deferred management fees

Occupation Right Agreements (ORAs) confer the right to occupancy of a retirement unit and are considered leases under NZ IFRS 16 *Leases*.

A management fee is payable by the residents of the Group's independent living units for the right to share in the use and enjoyment of common facilities. The management fee is calculated as a percentage of the ORA amount and accrues either daily, monthly or annually for a set period, based on the terms of the individual contracts. The current ORAs accrue management fees at rates ranging from 6.67% to 10% per annum.

The management fee is payable in cash by the resident at the time of repayment (to the resident) of the refundable ORA amount due. The Group has the right to set off of the refundable Occupation Right Agreement amount and the management fee receivable.

At year end, the management fee receivable that has yet to be recognised through profit or loss as management fee revenue is recognised as a deferred management fee liability in the statement of financial position.

Key accounting estimates and judgements

Deferred management fees are recognised as revenue on a straight-line basis. This requires management to estimate the period of occupancy for independent living units. The expected periods of tenure, being based on historical results, experience and industry averages, are estimated at 8 years (2021 : 8 years).

2.3. EXPENSES

Accounting policy

Operating expenses are recognised on an accrual basis.

Interest expense is measured in accordance with the effective interest method.

| | NOTE | 2022 \$000 | 2021 \$000 |
|--|------|---------------|---------------|
| DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT: | | | |
| - buildings | 3.2 | 432 | 249 |
| - motor vehicles | 3.2 | 133 | 140 |
| - furniture, fixtures and fittings | 3.2 | 3,003 | 3,037 |
| - information technology | 3.2 | 758 | 746 |
| - medical equipment | 3.2 | 101 | 90 |
| | | 4,427 | 4,262 |
| DEPRECIATION OF RIGHT-OF-USE ASSETS: | | | |
| - buildings | 3.4 | 6,767 | 7,290 |
| | | 6,767 | 7,290 |
| Total depreciation | | 11,194 | 11,552 |
| FINANCE COSTS: | | | |
| - interest - bank | | 1,436 | 883 |
| - interest - lease liabilities | | 7,655 | 8,823 |
| Total finance costs | | 9,091 | 9,706 |
| OTHER EXPENSES: | | | |
| Fees paid to Auditors | | | |
| Audit and review of consolidated financial statements | | 201 | 201 |
| Assurance engagement to report on the compilation of pro forma financial information included in a listing profile | | – | 21 |
| Tax compliance services | | 42 | 43 |
| Total fees paid to auditor | | 243 | 265 |
| Facility operating expenses | | 22,331 | 20,039 |
| Listing costs | | – | 1,227 |
| Operating rental expenses relating to low value and short-term leases | | 83 | 69 |
| Directors' fees | | 494 | 410 |
| Donations and sponsorships | | 5 | 14 |
| Loss/(gain) on sale of property, plant and equipment | | 174 | (26) |
| Other expenses (no items of individual significance) | | 6,869 | 6,300 |
| Total other expenses | | 30,199 | 28,298 |

3. PROPERTY ASSETS

3.1. INVESTMENT PROPERTIES

Accounting policy

Investment properties include completed freehold land and buildings, freehold land and buildings under development comprising retirement villages including common facilities, provided for use by residents under the terms of a Refundable Occupation Right Agreement (ORA). Investment properties are held for long term yields and to generate rental income.

Investment properties are initially recognised at cost. After initial recognition, investment properties are measured at fair value. Gains or losses arising from a change in the fair value of investment properties are recognised in profit or loss.

Land acquired with the intention of constructing investment properties is classified as investment properties from the date of acquisition.

Rental income from investment properties, being deferred management fees, is accounted for as described in note 2.2.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

| | NOTE | 2022 \$000 | 2021 \$000 |
|--|------|---------------|---------------|
| INVESTMENT PROPERTIES | | | |
| Opening carrying amount | | 31,675 | 27,831 |
| Acquisition of Clare House Retirement Village investment property ¹ | 5.6 | 12,840 | – |
| Development expenditure | | – | 338 |
| Net fair value gain | | 1,088 | 2,879 |
| Occupation Right Agreements settled | | (2,420) | (2,444) |
| Occupation Right Agreements entered | | 4,490 | 5,421 |
| Purchases | | 67 | 100 |
| Unsold units included in opening carrying amount | | (1,610) | (2,450) |
| Other adjustments | | (116) | – |
| Closing carrying amount | | 46,014 | 31,675 |

A reconciliation between the valuation and the amount recognised on the Consolidated Statement of Financial Position as investment properties is as follows:

| | | | |
|--|-----|---------------|---------------|
| Valuation of operator's interest | | 15,450 | 8,345 |
| Refundable Occupation Right Agreements | 3.3 | 28,616 | 20,591 |
| Deferred management fee | 3.3 | 1,553 | 1,178 |
| Unsold units | | 395 | 1,561 |
| | | 46,014 | 31,675 |

1. On 1 November 2021, the Group acquired investment properties as part of the Clare House business combination, refer to note 5.6.

Valuation process and key inputs

The Group's investment properties are valued on an annual basis by CBRE Limited (CBRE) and Colliers, independent valuers. CBRE and Colliers are registered with the Property Institute of New Zealand, employ registered valuers and have appropriate recognised professional qualifications and recent experience in the location and category of properties being valued.

Fair value as determined by CBRE and Colliers are adjusted for assets and liabilities already recognised in the Statement of Financial Position which are also reflected in the discounted cash flow model. The valuation of investment properties is then grossed up for cash flows relating to refundable Occupation Right Agreements, which are recognised separately in the Statement of Financial Position (refer also note 3.3).

Retirement villages under development

The cost of retirement villages includes directly attributable construction costs and other costs necessary to bring the retirement villages to working condition for their intended use. These other costs include professional fees and consents, borrowing costs during the build period and head office costs directly related to the construction of the retirement villages. Where costs are apportioned across more than one asset, the apportionment methodology is determined by considering the nature of the cost. The borrowing costs capitalised during the year was \$nil (2021: \$49k). The related borrowing costs were solely for the villages under development.

If the fair value of investment properties under development and construction cannot be reliably determined, but it is expected the fair value of the property can be reliably determined when construction is complete, then investment properties under construction will be measured as cost less any impairment, until either its fair value can be reliably determined or construction is complete. Impairment is determined by considering the value of work in progress and management's estimate of the value of the investment properties on completion.

Unsold units

Any developed but not yet sold units (unsold units) are valued based on recent comparable transactions, adjusted for disposal costs, holding costs and an allowance for profit and risk. This represents the fair value of the Group's interest in unsold units at reporting date.

Key accounting estimates and judgements

As the fair value of investment properties is determined using inputs that are significant and unobservable, the Group has categorised investment properties as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 Fair Value Measurement.

Valuation uncertainty

As at 31 March 2022

As at the 31 March 2022 valuation date, the valuers of two investment properties, CBRE have included a valuation uncertainty clause in their valuation reports as a result of the evolving situation with COVID-19, high and rising inflation and interest rates and their impact on the New Zealand economy, together with global macro events including elevated volatility in global financial markets, surging energy prices and the current ongoing conflict between Ukraine and Russia and its flow on effects. Given the valuation uncertainty, the valuers have recommended in their reports that the valuations of the properties be reviewed periodically.

The Valuers of one investment property, Colliers, have included a market risk clause noting that the ongoing social and economic impact of COVID-19, both domestically and on a global basis, is providing elevated market risk at the current time. In some markets there is more certainty regarding 'post-COVID pricing' than others due to the subsequent transactional evidence. However there is increased latent risk across all asset classes and property sectors due to the impact of the pandemic. They have noted that the current economic conditions and latent potential volatility should be considered and factored into future considerations.

As at 31 March 2021

As at the 31 March 2021 valuation date, the valuers, CBRE, have included a valuation uncertainty clause in their valuation reports as a result of the COVID-19 pandemic. This clause highlighted the difficulties in undertaking valuations due to the absence of, or limited relevant transactional evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution was attached to the point estimate valuations. This represented an increase in the significant estimation uncertainty in the valuation of investment properties. Given the valuation uncertainty, the valuers recommended in their reports that the valuations of the properties be kept under frequent review.

Significant unobservable inputs

The significant unobservable input used in the fair value measurement of the Group’s development land is the value per square metre assumption. Increases in the value per square metre rate result in the corresponding increases in the total valuation.

The significant unobservable inputs used in the fair value measurement of the Group’s portfolio of completed investment properties are the discount rate and the property growth rate.

The following assumptions have been used to determine fair value:

| Significant Input | Description | Inter-relationship Between the Key Inputs and Fair Value Measurement | 2022 | 2021 |
|---|--|--|----------------|----------------|
| Discount rate - villas and serviced apartments | The pre-tax discount rate | A significant increase/(decrease) in the discount rate would result in a significantly (lower)/higher fair value measurement. | 15.25% - 18.0% | 15.75% - 18.0% |
| Property price growth rate - villas | Anticipated annual property price growth over the cash flow period 0 - 4 years | A significant increase/(decrease) in the property price growth rate would result in a significantly higher/(lower) fair value measurement. | 0% - 3.0% | 2.0% - 2.5% |
| Property price growth rate - serviced apartments | | | 0% - 2.5% | N/A |
| Property price growth rate - villas | Anticipated annual property price growth over the cash flow period 5+ years | A significant increase/(decrease) in the property price growth rate would result in a significantly higher/(lower) fair value measurement. | 3.0% | 3.0% |
| Property price growth rate - serviced apartments | | | 2.5% | N/A |





Due to the valuation uncertainty (2021: valuation uncertainty) disclosed, the range of reasonably possible changes to key assumptions is uncertain and could be significantly greater than the ranges used in the sensitivity analysis.

Sensitivities

| | Adopted Value of Operator's Interest | Discount Rate | | Property Growth Rates | |
|----------------------------|--------------------------------------|---------------|--------------|-----------------------|--------------|
| As at 31 March 2022 | | +0.5% | -0.5% | +0.5% | -0.5% |
| Valuation \$NZ000's | 15,450 | | | | |
| Difference \$NZ000's | | (545) | 575 | 1,000 | (945) |
| Difference % | | -3.5% | 3.7% | 6.5% | -6.1% |
| As at 31 March 2021 | | +0.5% | -0.5% | +0.5% | -0.5% |
| Valuation \$NZ000's | 8,345 | | | | |
| Difference \$NZ000's | | (320) | 280 | 515 | (515) |
| Difference % | | -3.8% | 3.4% | 6.2% | -6.2% |

The occupancy period is a significant component of the CBRE valuations and is driven from a Monte Carlo simulation. The simulations are dependent on the demographic profile of the village (age and gender of residents) and the reason for departing a unit. Colliers undertake their own modelling of actual and comparables analysis to other similar villages. The resulting stabilised departing occupancy period is an estimate of the long run occupancy term for residents. An increase in the stabilised departing occupancy period will have a negative impact on the valuation and a decrease in the stabilised departing occupancy will have a positive impact on the valuation. The valuation calculates the expected cash flows for a 20 year period (2021: 20 years) with stabilised departing occupancy assumptions set out below.

| Significant Input | 2022 | 2021 |
|---|-------------------|-------------------|
| Stabilised occupancy period - villas | 8.0 yrs - 8.6 yrs | 8.4 yrs - 8.7 yrs |
| Stabilised occupancy period - serviced apartments | 3 yrs | N/A |

Current ingoing price, for subsequent resales of ORA's, is a key driver of the CBRE and Colliers valuations. A significant increase/(decrease) in the ingoing price (as driven by the property growth rates) would result in a significantly higher/(lower) fair value measurement.

3.2. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs are added to the carrying amount of an item of plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the profit or loss as an expense as incurred. The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land and buildings are measured at revalued amounts, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and any accumulated impairment losses. Independent valuations are performed with sufficient regularity to ensure that the carrying amount of freehold land and buildings does not differ materially from the assets' fair value at reporting date. At each reporting date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, independent valuations are performed and the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in equity. To the extent that the increase reverses a decrease of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same asset are recognised in other comprehensive income; all other decreases are recognised in profit or loss.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Land is not depreciated. The depreciable amount of all other property, plant and equipment is depreciated using the straight line method over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

| Category | Useful Life Range |
|------------------------------------|-------------------|
| - Buildings | 50 years |
| - Motor vehicles | 5 years |
| - Furniture, fixtures and fittings | 5 - 10 years |
| - Information technology | 4 years |
| - Medical equipment | 7 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. No depreciation is charged in the year of sale for all assets other than buildings in which case depreciation is charged to the earlier of the date of classification to be held for sale or the date of sale.

Assets are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is measured at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and is recognised in other comprehensive income to the extent that it does not exceed the amount in the revaluation surplus for the same asset.

Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount of the asset. These are included in the profit or loss.



| NZ\$000 | Land and Buildings | Motor Vehicles | Furniture, Fixtures and Fittings | Information Technology | Medical Equipment | Work in Progress | Total |
|---------------------------------|--------------------|----------------|----------------------------------|------------------------|-------------------|------------------|---------------|
| YEAR ENDED 31 MARCH 2022 | | | | | | | |
| Opening net book value | 18,326 | 361 | 11,336 | 1,473 | 256 | 1,707 | 33,459 |
| Additions ² | 37,641 | 65 | 3,404 | 1,115 | 134 | 3,122 | 45,481 |
| Transfers | 531 | – | (516) | 290 | – | (757) | (452) |
| Disposals | – | – | (222) | – | – | – | (222) |
| Depreciation | (432) | (133) | (3,003) | (758) | (101) | – | (4,427) |
| Closing net book value | 56,066 | 293 | 10,999 | 2,120 | 289 | 4,072 | 73,839 |

| | | | | | | | |
|---------------------------------|---------------|------------|---------------|--------------|------------|--------------|---------------|
| YEAR ENDED 31 MARCH 2022 | | | | | | | |
| Cost ³ | 56,512 | 1,277 | 35,902 | 6,170 | 782 | 4,072 | 104,715 |
| Accumulated Depreciation | (446) | (984) | (24,903) | (4,050) | (493) | – | (30,876) |
| Net book value | 56,066 | 293 | 10,999 | 2,120 | 289 | 4,072 | 73,839 |

| NZ\$000 | Land and Buildings | Motor Vehicles | Furniture, Fixtures and Fittings | Information Technology | Medical Equipment | Work in Progress | Total |
|---|--------------------|----------------|----------------------------------|------------------------|-------------------|------------------|---------------|
| YEAR ENDED 31 MARCH 2021 | | | | | | | |
| Opening net book value | 17,265 | 297 | 12,121 | 1,637 | 199 | 784 | 32,303 |
| Additions | 3 | 205 | 2,092 | 587 | 150 | 1,221 | 4,258 |
| Transfers | – | – | 181 | – | – | (298) | (117) |
| Net amount of revaluation increments less decrements ¹ | 1,307 | – | – | – | – | – | 1,307 |
| Disposals | – | (1) | (21) | (5) | (3) | – | (30) |
| Depreciation | (249) | (140) | (3,037) | (746) | (90) | – | (4,262) |
| Closing net book value | 18,326 | 361 | 11,336 | 1,473 | 256 | 1,707 | 33,459 |

| | | | | | | | |
|---------------------------------------|---------------|------------|---------------|--------------|------------|--------------|---------------|
| YEAR ENDED 31 MARCH 2021 | | | | | | | |
| Cost | 115 | 1,212 | 33,236 | 4,765 | 648 | 1,707 | 41,683 |
| Valuation ³ | 18,225 | – | – | – | – | – | 18,225 |
| Accumulated Depreciation | (14) | (851) | (21,900) | (3,292) | (392) | – | (26,449) |
| Net book value^{4,5,6} | 18,326 | 361 | 11,336 | 1,473 | 256 | 1,707 | 33,459 |

1. The revaluation noted in the Statement of Comprehensive Income differs from the above due to deferred tax.

2. On 5 August 2021, the Group acquired four properties, previously leased from Ohaupo Holdings Limited for consideration of \$31.4m. The purchase was funded from the fully underwritten placement and issue of share capital to Ohaupo Holdings Limited, refer to note 4.1. Subsequently on 1 November 2021, the Group acquired another property as part of the Clare House business combination, refer to note 5.6.

3. Refer to next page for commentary on valuations as at 31 March 2022 and 31 March 2021 for land and building valuations.

4. Comparative information relating to \$159k of SaaS arrangements under development have been reclassified from property plant and equipment - furniture and fittings to trade and other receivables - prepayments

5. Comparative information relating to \$722k of development costs have been reclassified from trade and other receivables - prepayments to property plant and equipment - work in progress.

6. Comparative information relating to \$784k (1 April 2020) and \$923k (31 March 2021) of capital work in progress have been reclassified from property, plant and equipment - furniture, fixtures and fittings to property, plant and equipment - work in progress.

Valuations

As at 31 March 2022

Management assessed that these freehold land and buildings had not experienced any significant and volatile changes in fair value necessitating a revaluation as at 31 March 2022 (including the consideration of the impact of the COVID-19 pandemic). This assessment was informed by advice provided by the Group's land and buildings Valuer, LVC Limited (LVC) (who provides valuation services to the Group) who provided a valuation update letter confirming that the carrying amounts of these freehold land and buildings did not differ materially from that which would be determined using fair value as at 31 March 2022. Of the eight properties owned by the Group, three were last revalued on 31 March 2021 at \$18,225k and the remaining five carried at \$37,641k were purchased during the year ended 31 March 2022 (four during August 2021 and one during November 2021). The purchase prices paid were informed by independent external valuation reports from LVC (four properties purchased during August 2021) and Colliers (the property acquired as part of the Clare House business combination per Note 5.6. As at the respective valuation dates (31 March 2021, 6 April 2021 and 22 August 2021), the Valuers had included a valuation uncertainty clause in their reports as a result of the COVID-19 pandemic. This clause highlights the difficulties in undertaking valuations due to the absence of or limited relevant transactional evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution, should be attached to the point estimate valuation.

As at 31 March 2021

The Group's three properties included in land and buildings were revalued on 31 March 2021 to \$18,225k from a carrying value as at 31 March 2020 of \$16,918k resulting in a revaluation gain of \$1,307k. The fair values of the three revalued land and buildings on freehold land have been determined by reference to independent valuations obtained as at 31 March 2021. These valuations were undertaken by a Property Institute of New Zealand registered valuer, LVC. LVC, an external independent valuation company employing registered valuers, have appropriate recognised professional qualifications

and recent experience in the location and category of properties being valued. LVC determined the fair value of land and buildings on freehold land using the direct comparison approach and capitalisation of market income approaches.

Valuation uncertainty

As at the 31 March 2021 valuation date, the valuers, LVC, have included a valuation uncertainty clause in their valuation reports as a result of the COVID-19 pandemic. This clause highlights the difficulties in undertaking valuations due to the absence of, or limited relevant transactional evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution should be attached to the point estimate valuation. This represents an increase in the significant estimation uncertainty in the valuation of the properties. Given the valuation uncertainty, the valuers have recommended in their reports that the valuations of the properties be kept under frequent review. As at 31 March 2022, the Group has obtained confirmation from LVC that similar valuation uncertainty clauses would be included if valuation reports were obtained as at 31 March 2022 for all of the Group's eight properties.

Key accounting estimates and judgements

Property measurements are categorised as Level 3 (2021: Level 3) of the fair value measurement hierarchy as the fair value is determined using inputs that are unobservable.

Significant unobservable inputs

The significant unobservable input used in the fair value measurement of the Group's land and buildings is the capitalisation rate applied to earnings. A significant decrease/(increase) in the capitalisation rate would result in significantly higher/(lower) fair value measurement.

Sensitivities

| | Adopted Value | Capitalisation Rate | |
|----------------------------|---------------|---------------------|---------|
| As at 31 March 2021 | | | |
| Valuation \$NZ000's | 18,225 | +0.5% | -0.5% |
| Difference \$NZ000's | | 1,318 | (1,318) |
| Difference % | | 7.2% | -7.2% |

3.3. REFUNDABLE OCCUPATION RIGHT AGREEMENTS

Accounting policy

Occupation Right Agreements (ORAs) confer the right to occupy a retirement unit and are considered leases under NZ IFRS 16 Leases.

A new resident is charged a refundable security deposit on being issued the right to occupy one of the Group's units, which is refunded to the resident subject to a new ORA for the unit being issued to an incoming resident, net of any amount owing to the Group. The Group has a legal right to set off any amounts owing to the Group by a resident against that resident's security deposit. Such amounts include management fees, rest home and hospital fees, service fees and village fees. As the refundable occupation right is repayable to the resident upon vacating the unit (subject to a new ORA for the unit being issued to an incoming resident), the fair value is equal to the face value, being the amount that can be refunded.

The right of residents to occupy the investment properties of the Group is protected by the Statutory Supervisor restricting the ability of the Group to fully control these assets without undergoing a consultation process with all affected parties.

A resident is charged a village contribution fee in consideration for the right to occupy one of the Group's units:

- for Windsor Lifestyle Estate Limited, to a maximum of 30% of the entry payment; and
- for Elloughton Grange Village Limited, to a maximum of 30% of the entry payment; and
- for Clare House Retirement Village Limited, to a maximum of 30% of the entry payment.

A resident is charged an administration fee for the right to occupy one of the Group's units:

- for Clare House Retirement Village Limited, to a maximum of 3.45% of the entry payment.

The village contribution is payable by the resident on termination of the ORA. Village contribution is recognised as deferred management fees, note 2.2. The management fee receivable is recognised in accordance with the terms of the resident's ORA.

The deferred management fee represents the difference between the management fees receivable under the ORA and the portion of the management fee accrued which is recognised on a straight-line basis over the longer of the term specified in a resident's ORA or the average expected occupancy for the relevant accommodation, i.e., 8 years for villas and 3 years for serviced apartments (2021: 8 years for villas and N/A for serviced apartments).

The management fee recognised in the Consolidated Statement of Comprehensive Income represents income earned in line with the average expected occupancy.

As a refundable occupation licence payment is repayable to the resident upon termination (subject to a new ORA being issued to an incoming resident), the fair value is equal to the face value, being the amount that can be demanded.

The expected maturity of the refundable obligations to residents is beyond 12 months.

| | NOTE | 2022 \$000 | 2021 \$000 |
|---|------|----------------|----------------|
| REFUNDABLE OCCUPATION RIGHT AGREEMENTS | | | |
| Refundable occupation licence payments | | 34,316 | 24,125 |
| Less: Management fee receivable (per contract) | | (5,700) | (3,534) |
| | | 28,616 | 20,591 |
| RECONCILIATION OF MANAGEMENT FEES RECOGNISED UNDER NZ IFRS AND PER ORA | | | |
| Management fee receivable (per contract) | | (5,700) | (3,534) |
| Deferred management fee | 3.1 | 1,553 | 1,178 |
| Management fee receivable (per NZ IFRS) | | (4,147) | (2,356) |

3.4. LEASES

Accounting policy

At the commencement date of a lease (other than leases of 12 months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Right-of-use assets

Right-of-use assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss. Right-of-use assets are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Right-of-use assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. Interest expense on lease liabilities is recognised in profit or loss (as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12 months or less and leases of low value assets

Lease payments made in relation to leases of 12 months or less and leases of low value assets (for which a lease asset and a lease liability have not been recognised) are recognised as an expense on a straight line basis over the lease term.

Key accounting estimates and judgements

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise the operational flexibility of contracts. The majority of extension and termination options are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that lead to an economic incentive to exercise an extension option or not exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease option is reasonably certain to be exercised. This assessment is reviewed if a significant event or significant change in circumstances occurs which affects this assessment and that is within the Group's control. All extension options have been assumed for the calculations of the Group's lease liabilities.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The weighted average incremental borrowing rates applied by the Group is 5% (2021: 5%). No new leases were entered into during the year (2021: none) and four leases were cancelled during the year (2021: none were cancelled or modified).



| | 2022 | 2021 |
|--|----------------|----------------|
| | \$000 | \$000 |
| (A) RIGHT-OF-USE ASSETS | | |
| Land and buildings under lease | 152,980 | 191,603 |
| Accumulated depreciation | (19,068) | (14,433) |
| Total carrying amount of right-of-use assets | 133,912 | 177,170 |
| RECONCILIATIONS | | |
| <i>Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year:</i> | | |
| Land and buildings | | |
| Opening carrying amount | 177,170 | 181,431 |
| Depreciation | (6,767) | (7,290) |
| Remeasurements | 794 | 3,029 |
| Disposals | (37,285) | – |
| Closing carrying amount | 133,912 | 177,170 |
| <p>On 5 August 2021, the Group acquired four properties, previously leased from Ohaupo Holdings Limited, refer notes 3.2 and 4.1. On acquisition, the disposal of the related right-of-use assets and lease liabilities resulted in a gain on modification of \$1.4m being recognised upon the cancelling lease and derecognition of the related Lease liability and Right of Use asset.</p> | | |
| (B) LEASE LIABILITIES | | |
| Current | | |
| Land and buildings | 4,023 | 4,051 |
| Non-current | | |
| Land and buildings | 138,520 | 180,254 |
| | 142,543 | 184,305 |
| (C) LEASE EXPENSES AND CASH FLOWS | | |
| Interest expense on lease liabilities | 7,655 | 8,823 |
| Depreciation expense on right-of-use assets | 6,767 | 7,290 |
| Cash outflow in relation to leases | 11,522 | 12,850 |
| (D) MATURITY ANALYSIS - CONTRACTUAL UNDISCOUNTED CASH FLOWS | | |
| - Not later than 1 year | 10,872 | 12,932 |
| - Later than 1 year and not later than 5 years | 43,620 | 52,035 |
| - Later than 5 years | 203,395 | 292,002 |
| | 257,887 | 356,969 |

4. SHAREHOLDER EQUITY AND FUNDING

4.1. SHAREHOLDER EQUITY AND RESERVES

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

The grant date fair value of equity settled share-based payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity.

| | 2022 | | 2021 | |
|--|--------------------|---------------|--------------------|--------------|
| | Shares | \$000 | Shares | \$000 |
| SHARE CAPITAL | | | | |
| Authorised, issued and fully paid up capital | 269,243,089 | 51,732 | 176,495,000 | 5,932 |
| Total contributed equity | 269,243,089 | 51,732 | 176,495,000 | 5,932 |
| MOVEMENTS | | | | |
| Opening balance of ordinary shares issued | 176,495,000 | 5,932 | 12,500,000 | 4,736 |
| Share split | – | – | 162,500,000 | – |
| Shares issued to employees and service providers | – | – | 1,495,000 | 1,196 |
| Fully underwritten placement | 57,692,307 | 30,000 | – | – |
| Shares issued to Ohaupo Holdings Limited | 19,230,768 | 10,000 | – | – |
| Retail offer | 15,825,014 | 8,229 | – | – |
| Share issuance costs | – | (2,429) | – | – |
| Closing balance of ordinary shares issued | 269,243,089 | 51,732 | 176,495,000 | 5,932 |

All ordinary shares are authorised and rank equally with one vote attached to each fully paid ordinary share. The shares have no par value. The Group incurred \$2.4m of transaction costs issuing the shares during the year (2021:\$nil).

Fully underwritten placement

On 27 July 2021 and 3 August 2021, 34,062,037 and 23,630,270 ordinary shares were issued under a placement, at a final price of \$0.52 per share (being \$0.02 above the underwritten floor price of \$0.50).

The share issue was authorised as per the Shareholders' resolution dated 23 July 2021.

Shares issued to Ohaupo Holdings Limited

On 5 August 2021, allotment of 19,230,768 ordinary shares were issued at \$0.52 to Ohaupo Holdings Limited's nominees as part consideration for the purchase price payable for the acquisition of land and buildings from Ohaupo Holdings Limited as described in note 3.2.

The share issue was authorised as per the Shareholders' resolution dated 23 July 2021.

Retail offer

On 13 August 2021, allotment of 15,825,014 ordinary shares were issued at \$0.52 under a retail offer.

The share issue was authorised as per the Shareholders' resolution dated 23 July 2021.

Share split

On 8 December 2020 the Group undertook a 14:1 split of existing ordinary shares prior to listing on the NZX.

Dividends

Dividend distributions to shareholders are recognised as a liability in the period in which dividends are declared. On 28 May 2021 a final dividend of 0.89 cents per share (fully imputed) was declared and was paid on 21 June 2021. On 29 November 2021 a dividend of 0.70 cents per share (fully imputed) was declared and was paid on 23 December 2021. (2021: On 5 February 2021 a dividend of \$0.58 cents per share (fully imputed) was declared and was paid on 26 February 2021.)

Asset Revaluation Reserve

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

4.2. EARNINGS PER SHARE

Basic and diluted

Basic earnings per share is calculated by dividing the profit after tax of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 March 2022, there were no shares with a dilutive effect (31 March 2021: none) and therefore basic and diluted earnings per share were the same.

| | 2022 \$000 | 2021 \$000 |
|--|---------------|---------------|
| Profit after tax | 2,673 | 1,705 |
| Weighted average number of ordinary shares outstanding ('000s) | 237,594 | 175,455 |
| Cents per share | 1.13 | 0.97 |

4.3. BORROWINGS

Accounting policy

Borrowings are initially recognised at fair value, including transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings, using the effective interest method.

Specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use. Other borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred. The borrowing costs capitalised during the period was \$nil (2021: \$49k). The related borrowing costs were solely for the villages under development (note 3.1).

| | 2022 \$000 | 2021 \$000 |
|----------------------------|---------------|---------------|
| SECURED LIABILITIES | | |
| Current | | |
| Bank Loans | – | 1,000 |
| Non-current | | |
| Bank Loans | 30,000 | 26,212 |
| | 30,000 | 27,212 |



Terms and conditions and assets pledged as security

| | Current \$000 | Non-current \$000 | Facility Limit \$000 | Effective Interest Rate % | Expiry Date |
|----------------------------|------------------|----------------------|-------------------------|---------------------------------|-----------------|
| 31 MARCH 2022 | | | | | |
| Committed Money Market - A | – | 15,500 | 20,000 | 3.30% | 1 November 2026 |
| Committed Money Market - B | – | 14,500 | 20,000 | 2.80% | 1 November 2026 |
| Committed Money Market - C | – | – | 20,000 | – | 1 November 2026 |
| | – | 30,000 | 60,000 | | |
| 31 MARCH 2021 | | | | | |
| Committed Cash Advance | – | 17,387 | 18,000 | 2.01% | 29 April 2023 |
| Committed Cash Advance | – | 9,825 | 9,825 | 1.76% | 29 July 2023 |
| | – | 27,212 | 27,825 | | |

Security

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

As at 31 March 2022 the balance of the bank loans over which the properties are held as security is \$30m (31 March 2021: \$9.8m), the total commitment as at 31 March 2022 is \$30m (31 March 2021: \$9.8m).

Other

The Group has a Corporate Banking Overdraft Facility Agreement with ASB Bank Limited for \$2m (31 March 2021: \$1.5m) that has an expiry date on 31 March 2049 (31 March 2021: 31 March 2049). This facility bears interest at an effective interest rate of 4.24% (31 March 2021: 3.57%) and is secured over the assets of the Group and guaranteed by certain Group entities. At reporting date this overdraft facility was not drawn (31 March 2021: \$Nil).

Financing arrangements

Under the Group's bank loan arrangements with ASB Bank Limited, the Group must comply with externally imposed banking covenants. These covenants are tested and reported to the ASB on a quarterly basis. During the year ended 31 March 2022, the Group complied with all externally imposed banking covenant requirements to which it is subject (2021: complied with all). The Group has agreed with its banks that the calculation of Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and Net Interest, for the purposes of the financial covenants, shall continue to be based on the accounting treatment in use before the introduction and adoption of NZ IFRS 16 Leases (2021: The Group has agreed with its banks that the calculation of Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and Net Interest, for the purposes of the financial covenants, shall continue to be based on the accounting treatment in use before the introduction and adoption of NZ IFRS 16 Leases.).





5. OTHER DISCLOSURE

5.1. INCOME TAX

Accounting policy

Current income tax expense or credit is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Key accounting estimates and judgements

Deferred tax on Investment Property

Deferred tax on investment property is assessed on the basis that the asset value will be realised through use ("Held for Use").

An initial recognition exemption has been applied to newly developed village sites in accordance with NZ IAS 12 *Income Taxes*.

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

In calculating deferred tax under the Held for Use methodology, the Group has made significant judgements to determine taxable temporary differences. The carrying value of the Group's investment property is determined on a discounted cash flow basis and includes cash flows that are both taxable and non-taxable in the future. The Group has recognised deferred tax on the cash flows with a future tax consequence being DMF as provided by CBRE, to the extent that it arises from depreciable components (i.e., buildings) of the investment property. The Group uses the valuers valuations to estimate the apportionment of cash flows arising from the depreciable (i.e., buildings) and non-depreciable components (i.e., land).



| | 2022 \$000 | 2021 \$000 |
|---|---------------|----------------|
| (A) COMPONENTS OF TAX EXPENSE | | |
| Current tax | 1,331 | 2,155 |
| Deferred tax | (923) | (1,831) |
| | 408 | 324 |
| (B) INCOME TAX RECONCILIATION | | |
| The prima facie tax payable on profit before tax is reconciled to the income tax expense as follows: | | |
| Prima facie income tax payable on profit before tax at 28.0% | 863 | 568 |
| Permanent differences | (138) | (443) |
| (Over)/Under provision for income tax in prior year | (317) | 223 |
| Other | – | (24) |
| Income tax expense attributable to profit | 408 | 324 |
| (C) DEFERRED TAX | | |
| Deferred tax relates to the following: | | |
| Non-current asset | | |
| <i>Deferred tax assets</i> | | |
| The balance comprises: | | |
| Lease liabilities | 39,912 | 51,605 |
| Provisions | 2,444 | 1,970 |
| Deferred management fee income | 1,025 | 765 |
| | 43,381 | 54,340 |
| <i>Deferred tax liabilities</i> | | |
| The balance comprises | | |
| Property, plant and equipment | 2,000 | 1,098 |
| Right-of-use assets | 37,496 | 49,607 |
| | 39,496 | 50,705 |
| Net deferred tax assets | 3,885 | 3,635 |
| (D) DEFERRED INCOME TAX REVENUE COMPRISES: | | |
| <i>Through profit included in income tax expense</i> | | |
| Decrease/(Increase) in deferred tax assets | 10,959 | (388) |
| Decrease in deferred tax liabilities | (11,209) | (1,443) |
| Increase in deferred tax liabilities as a result of acquisition | (673) | – |
| | (923) | (1,831) |
| <i>Through other comprehensive income</i> | | |
| Increase in deferred tax liabilities | – | 202 |
| | – | 202 |
| Increase in deferred tax liabilities | (923) | (1,629) |
| Deferred tax assets are recognised for deductible temporary differences as Management considers that it is probable that future taxable profits will be available to utilise those temporary differences. | | |
| (E) IMPUTATION CREDITS AVAILABLE FOR USE IN SUBSEQUENT PERIODS | | |
| Balance at the beginning of the year | 5,549 | 4,104 |
| Dividends paid | (963) | (285) |
| New Zealand tax payments, net of refunds | 2,149 | 1,744 |
| Other debits | – | (14) |
| Balance at the end of the year | 6,735 | 5,549 |

5.2. INTANGIBLE ASSETS

Accounting policy

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Goodwill is initially recognised at an amount equal to the excess of: (a) the aggregate of the consideration transferred, the amount of any non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in the case of a step acquisition), over (b) the net fair value of the identifiable assets acquired and liabilities assumed. For accounting purposes, such measurement is treated as the cost of goodwill at that date.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

| | NOTE | 2022 \$000 | 2021 \$000 |
|--|------|---------------|---------------|
| Goodwill at cost | | 16,996 | 16,996 |
| Purchase of Clare House companies ¹ | 5.6 | 2,761 | – |
| | | 19,757 | 16,996 |

1. On 1 November 2021, the Group acquired the shares in Clare House Care Limited and Clare House Retirement Village Limited as part of the Clare House business combination, refer to note 5.6.

Key accounting estimates and judgements

Goodwill has been assessed as having indefinite useful lives, as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflow for the Group.

Goodwill is allocated to 21 (2021: 20) individual CGUs within the residential care business (which are various individual residential care and village businesses acquired by the Group). Support office cash flows incurred by the Group is allocated to each CGU based on bed numbers.

The recoverable amount of CGUs as at reporting date has been determined based on its fair value less costs of disposal, determined using discounted cash flows that includes management's estimates based on past performance and its expectation for the future performance for up to 3 years. These estimates are based on budgeted projections of occupancy levels, sales

growth and changes to cost structures. Cash flows from performance thereafter are estimated using a standard growth rate deemed to be reasonable by management.

The key assumptions used for discounted cash flows calculations are as follows:

- The year 1, 2 and 3 forecast cash flows are based on management forecasts approved by the Board of Directors
- The cash flow period used in the calculations was 3 years (2021: 3 years)
- The pre-tax discount rate applied in the calculations was between 11.48% and 13.99% (2021: pre-tax between 12.6% and 13.3%)
- The terminal growth rate applied in the calculations was 2.0% (2021: 2.0%)
- Occupancy projections vary between CGU based on actual and expected occupancy rates.

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the goodwill to be materially lower than its recoverable amount.

Care CGUs Recoverable Amount

The recoverable amount of the individual care sites as at 31 March 2022 has been determined based on fair value less costs of disposal, determined using discounted cash flows. As the recoverable amount of individual care sites was determined using inputs that are significant and unobservable, the Group has categorised these inputs as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 Fair Value Measurement. The significant unobservable inputs used in the fair value measurement of the recoverable amount of the Group's individual care sites were as described above, year 1 to 3 forecast cash flows, a pre-tax discount rate, a terminal growth rate and occupancy projections based on actual and expected occupancy rates.

- A significant increase/(decrease) in the forecast cash flows, terminal growth rate, occupancy projections and rates assumptions would result in a significantly higher/(lower) fair value measurement.
- A significant increase/(decrease) in the pre-tax discount rate would result in a significantly (lower)/higher fair value measurement.

5.3. TRADE AND OTHER RECEIVABLES

Accounting policy

Trade receivables are amounts due from residents and Government agencies in the ordinary course of business, and are recognised initially at fair value being the transaction price plus any transaction costs. Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost using the effective interest method less impairment.

| | 2022 \$000 | 2021 \$000 |
|-----------------------------|---------------|---------------|
| CURRENT | | |
| Trade receivables | 9,151 | 6,945 |
| Allowance for credit losses | (694) | (722) |
| | 8,457 | 6,223 |
| NZX listing bond | 75 | 75 |
| Prepayments ^{1,2} | 1,144 | 681 |
| Accrued Income | 5 | 10 |
| Other receivables | 91 | 54 |
| | 9,772 | 7,043 |
| NON-CURRENT | | |
| Prepayments | 2 | 6 |
| Accrued Income | 108 | 132 |
| | 110 | 138 |
| | 9,882 | 7,181 |

1. Comparative information relating to \$159k of SaaS arrangements under development have been reclassified from property plant and equipment - work in progress to trade and other receivables - prepayments.

2. Comparative information relating to \$722k of development costs have been reclassified from trade and other receivables - prepayments to property plant and equipment - work in progress.



Recognition, measurement and judgements in applying accounting policies

When measuring expected credit losses ('ECL') the Group uses reasonable and supportable forward looking information, which is based on assumptions for future movement of different economic drivers and how these drivers will affect each other.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors and an analysis of the debtors' current financial positions, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group has the following financial assets subject to the application of the expected credit loss model:

- Trade receivables from care operations for the provision of care fees revenue for rest home and hospital fees. These are split between private amounts owed by residents and amounts due from agencies such as the Ministry of Health and Accident Compensation Corporation.
- Trade receivables from village operations for the provision of weekly service fees and occupation licence payment receivables. These are receivable from residents.

The following table provides information about the risk profile of trade receivables from contracts with residents and Government agencies using a provision matrix. The information in the below table does not distinguish between resident or product types as the Group's historical credit loss experience does not show different patterns for different resident or product types.

| | 12-month Expected Credit Losses Days Past Due | | | | Total |
|--|--|----------|-----------|-------------|------------|
| | Not Past Due | 31-60 | 61-90 | 91 and Over | |
| 2022 | | | | | |
| Estimated total gross carrying amount at default (\$000) | 5,190 | 860 | 462 | 2,639 | 9,151 |
| Expected credit loss rate (%) | 0.3% | 0.3% | 2.4% | 25.2% | 7.6% |
| Expected credit loss rate (\$000) | 14 | 3 | 11 | 666 | 694 |
| 2021 | | | | | |
| Estimated total gross carrying amount at default (\$000) | 5,152 | 434 | 246 | 1,113 | 6,945 |
| Expected credit loss rate (%) | 0.3% | 0.5% | 2.9% | 62.7% | 10.4% |
| Expected credit loss rate (\$000) | 15 | 2 | 7 | 698 | 722 |

5.4. TRADE AND OTHER PAYABLES

Accounting policy

Trade payables are recognised initially at fair value less transaction costs and subsequently measured at amortised costs using the effective interest method.

Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled.

(ii) Long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date.

When the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, those employee entitlements are presented as current. All other long-term employee benefit obligations are presented as non-current liabilities.

(iii) Retirement benefit obligations: Defined contribution superannuation plan

The Group makes superannuation contributions to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The Group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period.

| | 2022 | 2021 |
|-----------------------------------|---------------|---------------|
| | \$000 | \$000 |
| CURRENT | | |
| Unsecured liabilities | | |
| Trade creditors | 3,937 | 3,893 |
| GST payable | 811 | 713 |
| Other payables | 14 | 33 |
| Accrued expenses | 1,397 | 926 |
| Annual leave | 6,421 | 5,339 |
| Other employee entitlements | 4,321 | 3,846 |
| Deferred government grants income | — | 161 |
| | 16,901 | 14,911 |

5.5. RELATED PARTY TRANSACTIONS

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

All intercompany transactions and balances are eliminated. The subsidiaries are consolidated from the date the Group gains control until the date on which control ceases.



Subsidiaries

The following are the Group's subsidiaries

On 1 November 2021, the Company purchased the shares in the Clare House companies, see note 5.6 for the business combination.

All subsidiaries are incorporated in New Zealand and have a balance date of 31 March.

| Name of Entity | Principal Activities | Ownership Interests and Voting Rights | | Class of Shares |
|--|--|---------------------------------------|------|-----------------|
| | | 2022 | 2021 | |
| Radius Arran Court Limited | Lessee entity for Radius Arran Court facility | 100% | 100% | Ordinary |
| Windsor Lifestyle Estate Limited | Operating entity for Windsor retirement village | 100% | 100% | Ordinary |
| Radius Care Limited (non-trading) | Dormant | 100% | 100% | Ordinary |
| Elloughton Grange Village Limited | Operating entity for Elloughton retirement village | 100% | 100% | Ordinary |
| Radius Care Holdings Limited | Property owning entity for St Helenas, Thornleigh Park, Lexham Park, Windsor Court, Taupaki Gables, Elloughton Gardens and Heatherlea. | 100% | 100% | Ordinary |
| Clare House Retirement Village Limited | Operating entity for Clare House retirement village | 100% | N/A | Ordinary |
| Clare House Care Limited | Operating entity for Clare House Care | 100% | N/A | Ordinary |

Key management personnel compensation and other related parties

Key management personnel are all executives and Directors with the authority for the strategic direction and management of the Group.

| Related Party | Relationship |
|-------------------------------|---|
| Brien Cree | Director and Ultimate Shareholder (via Wave Rider Holdings Limited) |
| Duncan Cook | Director and Shareholder |
| Bret Jackson | Director and Ultimate Shareholder (via Takatimu Investments Limited) |
| Timothy Sumner | Director (until 25 February 2022) and Shareholder |
| Mary Gardiner | Director |
| Hamish Stevens | Director and Shareholder |
| Wave Rider Holdings Limited | Shareholder |
| Takatimu Investments Limited | Shareholder (The shares increased by 1,705,221 due to the distribution of the Knox Fund IV NZD LP and Fund IV AUD LP) |
| Sharp Tudhope Lawyers Limited | Consultant (Duncan Cook - ceased being a partner since 31 December 2020) |
| Cibus Catering Limited | Common Director (Brien Cree) |
| Valhalla Capital Limited | Common Director (Brien Cree) |
| Harmos Horton Lusk Limited | Shareholder (from 9 December 2020 to 1 February 2021) |
| Tom Wilson | Shareholder |
| Time Capital NZ Limited | Director (Tom Wilson) |
| Ohaupo Holdings Limited | Common Shareholder (Neil Foster) |
| Neil Foster | Shareholder |
| Warehouse Storage Limited | Common Shareholder (Neil Foster) |

| | 2022 | 2021 |
|--|--------------|--------------|
| | \$000 | \$000 |
| Directors' remuneration and expenses | 494 | 410 |
| Dividends to Director related entities | 1,316 | 523 |
| Key management personnel salaries and other short term employee benefits | 1,911 | 1,294 |
| Key management personnel dividends | 9 | 3 |
| | 3,730 | 2,230 |
| OTHER RELATED PARTIES | | |
| <i>Trade creditors</i> | | |
| - Cibus Catering Limited | 54 | 86 |
| <i>Trade debtors</i> | | |
| - Cibus Catering Limited | 14 | 7 |
| <i>Legal Fees</i> | | |
| - Sharp Tudhope Lawyers Limited | – | 149 |
| - Duncan Cook - Share based payments | – | 299 |
| - Harmos Horton Lusk Limited | – | 547 |
| - Harmos Horton Lusk Limited - Share based payments | – | 200 |
| <i>Catering services</i> | | |
| - Cibus Catering Limited | 5,886 | 4,777 |
| <i>Consulting fees</i> | | |
| - Time Capital NZ Limited (since Tom Wilson became a shareholder) | 100 | 33 |
| - Tim Sumner | 151 | – |
| - Duncan Cook | 200 | 124 |
| - Tom Wilson - Share based payments | – | 125 |
| <i>Purchase of property, plant and equipment</i> | | |
| - Ohaupo Holdings Limited | 31,400 | – |
| - Additional fees paid to directors associated with issue of shares | 60 | – |
| <i>Rent paid</i> | | |
| - Ohaupo Holdings Limited | 770 | 2,186 |
| <i>Personal Guarantee fee</i> | | |
| - Brien Cree ¹ | 170 | 85 |

1. FY21 payment relates to part year only.

Subsequent events

Refer to note 5.10 (subsequent events) for a disclosure of a transaction with Warehouse Storage Limited in May 2022.



Assignment of an agreement for the purchase of land from a Director

Brien Cree (Director) and the Group are party to an agreement ("the Assignment Agreement"), whereby Brien has agreed to assign to the Group his rights under an agreement for sale and purchase of real estate ("Land SPA"), to acquire a circa 4.3 hectare development property at Main North Road, Belfast, Christchurch ('the development property') from an unrelated third party.

The purchase price under the Land SPA is \$5.8m, of which a non-refundable deposit of \$300k had already been paid by Brien during the 2021 financial year. On the date of settlement, being 16 April 2021, the Group paid the remaining consideration of \$400k, net of the non-refundable deposit paid during the 2021 financial year, to Brien, consistent with the Assignment Agreement. A condition of the Assignment Agreement was approval of the transaction by the Board of the Group by 2 April 2021. On 2 April 2021 the Board (excluding Brien as an interested Director) exercised its right to approve the Assignment Agreement and the Group now holds the rights to acquire the development property.

The Board approved the Assignment Agreement on 2 April 2021 on the basis the Group had obtained:

- resource consent and funding for the development of an integrated aged care facility and retirement village on the property and
- an independent valuation had confirmed that the property's fair value after resource consent exceeded the purchase price of the property (including the additional \$400k consideration payable to Brien Cree).

The balance of the purchase price under the land sale and purchase agreement amounting to \$5.5m is payable to the third party vendor on settlement, which will be completed when the title of the property is issued. It is currently expected that title will be issued in early 2023.

5.6. BUSINESS COMBINATIONS

a. Summary of acquisition

On 1 November 2021 the Company acquired 100% of the issued share capital of Clare House Care Limited and Clare House Retirement Village Limited, provider of rest home and hospital care for the elderly and a retirement village.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

| | 2022 |
|--|---------------|
| | \$000 |
| | Fair values |
| Purchase consideration (refer to (b) below): | 14,500 |
| Cash paid | 14,500 |
| The assets and liabilities recognised as a result of the acquisition are as follows: | |
| Cash | 500 |
| Trade receivables | 281 |
| Inventories | 41 |
| Property, plant and equipment | 6,598 |
| Investment properties | 12,840 |
| Deferred tax liability | (673) |
| Trade payables | (381) |
| Refundable Occupation Right Agreements | (6,905) |
| Wage accruals | (137) |
| Employment benefit obligations | (294) |
| Income tax payable | (131) |
| | 11,739 |
| Add: Goodwill | 2,761 |
| | 14,500 |

The goodwill is attributable mainly to the work force and the synergies expected to be achieved from integrating the company into the Group's existing Aged Care and Retirement Village business.

There were no acquisitions in the year ending 31 March 2021.

Revenue and profit contribution

The acquired business contributed revenues of \$2.7m and profit before tax of \$0.5m to the group for the period from 1 November 2021 to 31 March 2022.

If the acquisition had occurred on 1 April 2021, consolidated pro-forma revenue and profit before tax for the year ended 31 March 2022 would have been \$6.2m and \$1.0m respectively. These amounts have been calculated using the subsidiaries' results and adjusting them for:

- differences in the accounting policies between the group and the subsidiaries, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 April 2021, together with the consequential tax effects.

b. Purchase consideration - cash outflow

| | 2022 |
|---|---------------|
| | \$000 |
| | Fair values |
| Outflow of cash to acquire subsidiaries, net of cash acquired | |
| Proceeds from bank borrowings | 14,500 |
| Less: Balances acquired | |
| Cash | 500 |
| Net outflow of cash - investing activities | 14,000 |

5.7. FINANCIAL RISK MANAGEMENT

The Group is exposed to the following financial risks in the normal course of business:

- a. Credit risk
- b. Liquidity risk
- c. Interest rate risk

The Board of Directors reviews and agrees on policies for managing each of these risks as summarised below:

| | NOTE | 2022 \$000 | 2021 \$000 |
|--|------|----------------|----------------|
| FINANCIAL ASSETS | | | |
| <i>Amortised cost</i> | | | |
| Cash and cash equivalents | | 2,088 | 2,761 |
| Trade and other receivables | 5.3 | 8,457 | 6,223 |
| Total assets | | 10,545 | 8,984 |
| FINANCIAL LIABILITIES | | | |
| <i>Amortised cost</i> | | | |
| Trade and other payables | 5.4 | 6,159 | 5,566 |
| Lease liabilities | 3.4 | 142,543 | 184,305 |
| Borrowings | 4.3 | 30,000 | 27,212 |
| Refundable Occupation Right Agreements | 3.3 | 28,616 | 20,591 |
| Total liabilities | | 207,318 | 237,674 |

(a) Credit risk

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

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from cash at bank, trade and other receivables.

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

The Group has no significant concentrations of credit risk. The Group's trade receivables represent distinct trading relationships with each of its residents and various Government agencies. The only large trade receivables relate to the Accident Compensation Corporation, residential care subsidies which are receivable in aggregate from various District Health Boards and Work and Income New Zealand. These entities are not considered a credit risk.

The Group does not have any material credit risk exposure to any single counterparty or group of counterparties under financial instruments entered into by the Group.

(i) Cash deposits and other receivables

Credit risk for cash deposits is managed by holding all cash deposits with high credit rating financial institutions, i.e., major registered New Zealand banks.

(ii) Trade receivables

Credit risk with respect to trade receivables is limited due to the large number of customers who qualify for Ministry of Health funding in relation to payment of our services. Amounts owed by the residents are generally unsecured. Credit risk is managed through the use of admission agreements for all residents, which gives contractual rights to the Group in relation to security and collection of debts in circumstances where there is no entitlement to Ministry of Health funding. All admissions are reviewed to ensure a duly completed admission agreement is available. The loss allowance for expected credit losses of trade receivables is provided in Note 5.3. As the Group undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

(b) Liquidity risk

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

The Group has liquidity risk with respect to its repayment obligations of financial liabilities.

The Group maintains a rolling 90 day forecast of daily cash flows to ensure it will have sufficient liquidity to meet its liabilities as they fall due. This is linked to a monthly rolling forecast which provides directional liquidity expectations for a minimum of a further twelve months.

The Group has a bank facility which is subject to certain covenant clauses, whereby it is required to meet certain key performance indicators. This bank facility is provided by the ASB Bank. Refer to note 4.3 for further information on the Group's banking facility and covenant compliance.

The following table outlines the Group's remaining contractual maturities for non-derivative financial instruments. The amounts presented in the table are the undiscounted contractual cash flows of the financial liabilities allocated to time bands based on the earliest date on which the Group can be required to pay.

| | Less than 1 Year \$000 | Between 1 and 2 Years \$000 | Between 2 and 5 Years \$000 | Over 5 Years \$000 |
|---|---------------------------|-----------------------------------|-----------------------------------|-----------------------|
| 2022 | | | | |
| Trade and other payables | 6,159 | – | – | – |
| Lease liabilities | 10,872 | 21,794 | 21,826 | 203,395 |
| Borrowings | – | – | 30,000 | – |
| Refundable Occupation Right Agreements ¹ | 28,616 | – | – | – |
| | 45,647 | 21,794 | 51,826 | 203,395 |
| 2021 | | | | |
| Trade and other payables | 5,566 | – | – | – |
| Lease liabilities | 12,933 | 12,988 | 39,047 | 292,002 |
| Borrowings | – | – | 27,212 | – |
| Refundable Occupation Right Agreements ¹ | 20,591 | – | – | – |
| | 39,090 | 12,988 | 66,259 | 292,002 |

1. The refundable ORAs are repayable to the resident on vacation of the unit or on the termination of the Occupation Right Agreement and subsequent resale of the unit. The expected maturity of the refundable ORAs is shown in note 3.3.



c. Interest rate risk

The Group is exposed to interest rate risk in relation to its interest earning cash deposits and its interest bank borrowings. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group manages its interest rate risk by maintaining a mix of variable rate and fixed rate borrowings.

Interest rates on cash at bank are subject to market risk in the event of changes in its interest rates. Interest rates on non-current bank borrowings are generally subject to review annually or at shorter intervals, and interest rates on current borrowings can be reviewed at the lender's discretion.

The following table outlines that Group's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities:

| 2022 | Interest Bearing \$000 | Non-interest Bearing \$000 | Total Carrying Amount \$000 | Weighted Average Effective Interest Rate |
|------------------------------|---------------------------|----------------------------------|-----------------------------------|--|
| FINANCIAL INSTRUMENTS | | | | |
| Financial assets | | | | |
| Cash | 2,088 | – | 2,088 | 0.0% Fixed |
| Financial liabilities | | | | |
| Bank and other loans | (30,000) | – | (30,000) | 3.06% Fixed ¹ |
| Lease liabilities | (142,543) | – | (142,543) | 5.0% Fixed |
| | (172,543) | – | (172,543) | |
| 2021 | | | | |
| FINANCIAL INSTRUMENTS | | | | |
| Financial assets | | | | |
| Cash | 2,761 | – | 2,761 | 0.0% Fixed |
| Financial liabilities | | | | |
| Bank and other loans | (27,212) | – | (27,212) | 1.9% Fixed ¹ |
| Lease liabilities | (184,305) | – | (184,305) | 5.0% Fixed |
| | (211,517) | – | (211,517) | |

1. The interest rate on the Group's bank loans is fixed for a relevant 'Interest period' (being either 30, 60, 90 or 180 days) and comprises the Base Rate (equal to the BKBM on the first day of the relevant Interest Period), plus a Margin and Line fee in accordance with the Group's agreement with the bank. The weighted average interest period term as at 31 March 2022 was 90 days (2021: 90 days).

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

Sensitivity

If interest rates were to increase/decrease by 100 basis points from the rates prevailing at the reporting date, assuming all other variables remain constant, then the impact on profit for the year and equity would be as follows:

| | 2022 \$000 | 2021 \$000 |
|-------------------------------|---------------|---------------|
| + / - 100 basis points | | |
| Impact on profit after tax | (300) | (272) |
| Impact on equity | (216) | (196) |

5.8. CONTINGENT LIABILITIES

Lester Heights business

On 26 June 2013, the Group entered into an agreement to sell the Lester Heights business. The sale was settled on 31 August 2013. One of the conditions of sale is that in the event that the new business owner defaults on the rental payments, the Group is required to guarantee the rent. For the years ended 31 March 2021 and 2022, no amounts were paid, and no amounts have been paid to date, but in the event that a default occurs, the potential cost to the Group is an annual rent of \$238,000 per annum until 2029. The Group will likely assume operations at this facility, in the event of a default. At reporting date the Group has assessed the likelihood of the new business owner defaulting on the rental payment as not probable.

Other

There were no other material contingent liabilities at reporting date (2021:Nil).

5.9. COMMITMENTS

At 31 March 2022, the Group has a commitment to develop and construct a certain site totaling \$4m (31 March 2021:nil). As at the date of these preliminary results, the development remains within the budgeted costs.

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

5.10. EVENTS SUBSEQUENT TO REPORTING DATE

Purchase of five leased property assets and concurrent nomination of the purchase of one (of the five purchases) to a related party

On 29 March 2022, the Group entered into a conditional agreement to purchase a further five properties they were leasing from UCG Investments Limited (being the Radius Arran Court, Radius Fulton, Radius Peppertree, Radius St Joans and Radius Kensington care facilities). These purchase transactions were conditional on Radius Residential Care Limited shareholder approval. On 14 April 2022, the Group issued a Notice of Special Meeting on 5 May 2022 along with additional documentation for shareholders to consider. At the Special Meeting shareholders approved the transactions which were settled on 6 May 2022 (subsequent to the 31 March 2022 reporting date). Also on 29 March 2022, the Group entered

into a separate nomination agreement to nominate its purchaser rights for the purchase of one of the properties, Radius Kensington, to a related party, Warehouse Storage Limited, related by virtue of common shareholder, (the Nomination). The Group has also been granted an option to acquire the property back from Warehouse Storage Limited from 24 May 2022 onwards, at a purchase price determined based on an agreed yield, calculated on the current market rent at the time the option is taken up. The Nomination and Option enabled the Group to execute the transaction quickly and efficiently with the vendor. As at 30 April 2022, the net of the right-of-use asset and lease liabilities attributable to the four purchased sites, Radius Arran Court, Radius Fulton, Radius Peppertree and Radius St Joans was \$1,759k lease liability. The purchase price attributable to the four purchased sites, Radius Arran Court, Radius Fulton, Radius Peppertree and Radius St Joans was \$46.7m. The purchase price attributable to the Radius Kensington site that was nominated to Warehouse Storage Limited was \$14.6m.

New banking arrangements

As noted above, the \$46.7m purchase price for the UCG Acquisition was fully funded by the following new and existing facilities provided by ASB Bank on 6 May 2022:

- a new \$23.7m term loan with a five-year term;
- an existing development facility that will be partially (as to \$15m) repurposed to support funding the UCG Acquisition for up to five months; and
- a new \$8m bridge facility with a five-month term.

Dividends

On 30 May 2022, the Board declared a final dividend of 0.76 cents per share (grossed up for imputation credits), that was paid on 22 June 2022.

Other

There has been no other matter or circumstance which has arisen since 31 March 2022 that has significantly affected or may significantly affect:

- a. the operations, in financial years subsequent to 31 March 2022, of the Group or
- b. the results of those operations or
- c. the state of affairs, in financial years subsequent to 31 March 2022, of the Group.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Radius Residential Care Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Radius Residential Care Limited and its subsidiaries ('the Group') on pages 39 to 78, which comprise the consolidated statement of financial position 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, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of the Group. Our audit work has been undertaken so that we might state to the Shareholders of the Group 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 Shareholders of the Group as a body, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor and provider of other assurance services, our firm carries out other assignments for Radius Residential Care Limited and its subsidiaries in the area of taxation compliance services. The provision of these other services has not impaired our independence.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How our audit addressed the key audit matter |
|--|---|
| <p>Impairment testing of goodwill</p> <p>As disclosed in Note 5.2 of the Group's consolidated financial statements, the Group has goodwill of \$19.8m (2021: \$17.0m) allocated across 21 (2021: 20) cash-generating units ('CGUs') as at 31 March 2022.</p> <p>Goodwill was significant to our audit due to the size of the asset and the subjectivity, complexity and uncertainty inherent in the measurement of the recoverable amount of these CGUs for the purpose of the required annual impairment test. The measurement of a CGUs' recoverable amount includes the assessment and calculation of its 'fair value less costs of disposal'.</p> <p>Management has completed the annual impairment test for all CGUs as at 31 March 2022.</p> <p>This annual impairment test involves complex and subjective estimation and judgement by Management on the future performance of the CGUs, discount rates applied to the future cash flow forecasts, the terminal growth rates, costs of disposal and future market and economic conditions.</p> <p>Management has also engaged an external valuation expert to assist in the annual impairment testing.</p> | <p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> • Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the recoverable value of the Group's CGUs. • Evaluating Management's determination of the Group's CGUs based on our understanding of the nature of the Group's business and the economic environment in which the segments operate. We also analysed the internal reporting of the Group to assess how CGUs are monitored and reported. • Evaluating the competence, capabilities, objectivity and expertise of Management's external valuation expert and the appropriateness of the expert's work as audit evidence for the relevant assertions. • Challenging Management's assumptions and estimates used to determine the recoverable value of the Group's CGUs, including those relating to forecasted revenue, costs, capital expenditure, discount rates, by adjusting for future events and corroborating the key market-related assumptions to external data (including considering the impact of the COVID-19 pandemic). <p>Procedures included:</p> <ul style="list-style-type: none"> ○ Evaluating the logic of the 'fair value less costs of disposal' calculations supporting Management's annual impairment test and testing the mathematical accuracy of these calculations; ○ Evaluating Management's process regarding the preparation and review of forecasts (balance sheet, income statement, and cash flow statement); ○ Comparing forecasts used in the calculations to Board approved forecasts; ○ Evaluating the accuracy of the Group's forecasting to actual historical performance; ○ Evaluating the forecast growth assumptions; ○ Evaluating the inputs to the calculation of the discount rates applied; ○ Engaging our own internal valuation experts to evaluate the logic of the 'fair value less costs of disposal' calculations and the inputs to the calculations of the discount rates applied; ○ Evaluating the forecasts, inputs and any underlying assumptions with a view to identifying Management bias; ○ Evaluating Management's sensitivity analysis for reasonably possible changes in key assumptions; and ○ Performing sensitivity analysis for reasonably possible changes in key assumptions, the two main assumptions being: the discount rate and forecast growth assumptions. <ul style="list-style-type: none"> • Evaluating the related disclosures (including the accounting policies and accounting estimates) about goodwill assets in the Group's consolidated financial statements. |

| Key Audit Matter | How our audit addressed the key audit matter |
|---|--|
| <p>Valuation of investment properties</p> <p>As disclosed in Note 3.1 of the Group's consolidated financial statements, as at 31 March 2022, the Group has investment properties (<i>operated by the Group as retirement villages</i>) totalling \$46.0m (2021: \$31.7m) (referred to, together as 'the properties').</p> <p>Investment properties were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in estimating the fair value of the investment properties.</p> <p>Management has engaged independent external valuers ('the Valuers') to determine the fair value of the Group's investment properties as at 31 March 2022. The Valuers performed their work in accordance with the International Valuation Standards and the Australia and New Zealand Valuation and Property Standards, NZ IFRS 13 <i>Fair Value Measurement</i> and NZ IAS 40 <i>Investment Property</i>. The Valuers engaged by the Group have appropriate experience in the sector in which the Group operates.</p> <p>For each investment property, the Valuers considered property specific information such as the income generated by departures and the re-sale of independent living units. They then applied assumptions in relation to, the timing of unit re-sale, the length of occupancy of existing residents, the price paid by new residents, price movements, type of Occupancy Right Agreement, discount rate, growth rate and terminal yield. The Valuers also considered the individual characteristics of each village, its location, its nature, its resident profile and the expected future cash flows for that particular village.</p> <p>The Group has adopted the assessed values determined by the Valuers.</p> <p>As at the 31 March 2022 valuation date, the Valuers for two of the properties, have included a valuation uncertainty clause in their reports as a result of the evolving situation with COVID-19, high and rising inflation and interest rates and its impact on the New Zealand economy, together with global macro events including elevated volatility in global financial markets, surging energy prices, and the current ongoing conflict between Ukraine and Russia and its flow on effects. The Valuers have recommended in their reports that the valuations of the properties be reviewed periodically. The Valuer of the one remaining investment property have included a market risk clause noting the ongoing social and economic impact of COVID-19, both domestically and on a global basis, is providing elevated market risk at the current time. In some markets there is more certainty regarding 'post-COVID pricing' than others due to the subsequent transactional evidence, however there is increased latent risk across all asset classes and property sectors due to the impact of the pandemic. They have noted that the current economic conditions and latent potential volatility should be considered and factored into future considerations. These clauses represent an increase in the significant estimation uncertainty in the valuation of investment properties.</p> | <p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> • Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the fair value of the Group's investment properties. • Reading and evaluating the external valuation reports for the Group's three investment properties as at 31 March 2022. • Confirming that the valuation approaches for these three investment properties were in accordance with NZ IFRS 13 and NZ IAS 40, and suitable for determining the fair value of the Group's investment properties as at 31 March 2022. • Evaluating the competence, capabilities, objectivity and expertise of Management's external valuation expert and the appropriateness of the expert's work as audit evidence for the relevant assertions. • Agreeing property related data provided by Management to the Valuers, to the Group's records. • Engaging our own external property valuation expert to assist in understanding and evaluating the following, based on their specialist knowledge from performing and reviewing valuations of similar properties, known relevant transactional evidence and available market data: <ul style="list-style-type: none"> ○ the work and findings of the Group's external valuation experts engaged by Management; ○ the Group's valuation methods and assumptions to assist us in challenging the appropriateness of valuation methods and assumptions used by Management; and ○ the acceptable range of values considered reasonable to evaluate Management's adopted valuation estimate. • Evaluating the selection of valuation methods, inputs and assumptions with a view to identifying Management bias. • Evaluating the related disclosures (including the accounting policies and accounting estimates) about the investment properties which are included in the Group's consolidated financial statements (including disclosure on the valuation uncertainties clauses included by Management's external valuation experts in their valuation reports). |

Key Audit Matter
How our audit addressed the key audit matter
Valuation of freehold land and buildings

As disclosed in Note 3.2 of the Group's consolidated financial statements, as at 31 March 2022, the Group has eight (2021: three) freehold land and buildings (*operated by the Group for provision of care services*) totalling \$56.0m (2021: \$18.2m) (referred to, together as 'the properties').

Freehold land and buildings were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in estimating the fair value of the freehold land and buildings.

Under the requirement of NZ IAS 16 *Property, Plant and Equipment*, revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of property, plant and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

For each of the eight freehold land and buildings, Management did not engage independent external valuers to provide valuations as at 31 March 2022. Management assessed that these freehold land and buildings had not experienced any significant and volatile changes in fair value necessitating a revaluation as at 31 March 2022 (including the consideration of the impact of the COVID-19 pandemic). This assessment was informed by advice provided by the Group's land and buildings Valuer, who advised that the carrying amounts of these freehold land and buildings did not differ materially from that which would be determined using fair value as at 31 March 2022.

This advice was predicated on the fact that: three of eight freehold land and building properties having been revalued by the Group as at 31 March 2021; and the remaining five land and building properties having been purchased by the Group during the year ended 31 March 2022 (*four during May 2021 and one during November 2021*). The purchase prices paid were informed by independent external valuation reports obtained by Management to inform the purchase price.

For each freehold land and building property, the Valuers considered property specific information such as capitalisation rates and earnings per care bed. The Valuers also considered the individual characteristics of each property, its location, and its nature.

As at the respective valuation dates (*31 March 2021, 6 April 2021 and 1 November 2021*), the Valuers had included a valuation uncertainty clause in their reports as a result of the COVID-19 pandemic. This clause highlights the difficulties in undertaking valuations due to the absence of or limited relevant transactional evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution, should be attached to the point estimate valuation. This represents an increase in the significant estimation uncertainty in the valuation of land and building properties. Given the valuation uncertainty, the Valuers have recommended in their reports that the valuations of land and building properties be kept under frequent review.

Our audit procedures among others included:

- Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the fair value of the Group's freehold land and buildings.
- Reading and evaluating the external valuation letter for the Group's eight freehold land and buildings as at 31 March 2022 and external valuation reports as at the respective valuation dates.
- For the Group's five newly acquired land and buildings, reading the sale and purchase agreement and related documentation (including any external valuation reports obtained by Management to inform their purchase price) to obtain an understanding of the acquired land and buildings and reviewing the acquisition journal entries.
- Confirming that the valuation approaches for these newly acquired land and buildings were in accordance with NZ IFRS 13 and NZ IAS 16, and suitable for determining the fair value of the Group's land freehold land and buildings as at the respective valuation dates.
- Evaluating the competence, capabilities, objectivity and expertise of Management's external valuation expert and the appropriateness of the expert's work as audit evidence for the relevant assertions.
- Agreeing property related data provided by Management to the Valuers, to the Group's records.
- Engaging our own external property valuation expert to assist in understanding and evaluating the following, based on their specialist knowledge from performing and reviewing valuations of similar properties, known relevant transactional evidence and available market data:
 - the work and findings of the Group's external valuation experts engaged by Management;
 - the Group's valuation methods and assumptions to assist us in challenging the appropriateness of valuation methods and assumptions used by Management; and
 - the acceptable range of values considered reasonable to evaluate Management's adopted valuation estimate.
- Evaluating the selection of valuation methods, inputs and assumptions with a view to identifying Management bias.
- Evaluating the related disclosures (including the accounting policies and accounting estimates) about the freehold land and buildings which are included in the Group's consolidated financial statements (including disclosure on the valuation uncertainties clauses included by Management's external valuation experts in their valuation reports).

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| <p>Acquisition accounting for Clare House Care Limited and Clare House Retirement Village Limited</p> <p>As disclosed in in Note 5.6 of the Group's consolidated financial statements, the Group acquired Clare House Care Limited and Clare House Retirement Village Limited ('Clare House') during the year ended 31 March 2022.</p> <p>The acquisition of the Clare House business was significant to our audit due to the size of the acquisition (consideration transferred of \$14.5m, solely in cash) and the subjectivity and complexity inherent in business acquisitions. Management has completed a process to identify the acquirer, determine the acquisition date, measure the consideration transferred, and allocate the consideration transferred to the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.</p> <p>Management calculated the fair values attributed to the consideration paid, the assets acquired and liabilities assumed are in accordance with NZ IFRS 3 <i>Business Combinations</i>.</p> <p>Management ensured that the initial measurement (also known as purchase price allocation process) is recognised at fair value in accordance with NZ IFRS 3 <i>Business Combinations</i>.</p> <p>This process involves complex and subjective estimation and judgement by Management on the following:</p> <ul style="list-style-type: none"> the accounting treatment of the acquisition; the determination of the acquisition date; identification of the assets acquired and liabilities assumed; the future performance of the acquired business; discount rates applied to future cash flow forecasts; and the valuation of acquired investment properties and freehold land and buildings. <p>Management engaged external experts to assist in:</p> <ul style="list-style-type: none"> the determination of the fair values of investment property and freehold land and building properties acquired; and tax due diligence and advice on the current and deferred tax liabilities related to the acquired investment property and freehold land and building properties. | <p>We reviewed Management's purchase price allocation in respect of the acquisition of the Clare House business at acquisition date and assessed the appropriateness of the fair values attributed to the consideration paid; and the fair values attributed to the assets acquired (including intangible assets) and liabilities assumed.</p> <p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the fair value of the Group's acquired business. Reading the sale and purchase and other agreements relating to the acquisition to understand key terms and conditions and confirming our understanding of the transaction with Management. Evaluating the measurement of the consideration transferred. Evaluating the identified assets and liabilities against the terms of the sale and purchase agreements. For the measurement of the identified assets and liabilities, evaluating: <ul style="list-style-type: none"> the fair values of the identified assets and liabilities at acquisition date; the competence, capabilities, objectivity and expertise of Management's external accounting and valuation experts and the appropriateness of their work as audit evidence for the relevant assertions. Evaluating the inputs and any underlying assumptions with a view to identifying Management bias. Evaluating the disclosures (including the accounting policies and accounting estimates) related to the acquisition of Clare House which are included in the Group's consolidated financial statements. |
| <p>Valuation and completeness of lease liabilities and right-of-use assets</p> <p>As disclosed in Note 3.4 of the Group's consolidated financial statements, the Group has lease liabilities of \$142.5m (2021: \$184.3m), and, right-of-use assets of \$133.9m (2021: \$177.2m) as at 31 March 2022.</p> <p>Lease liabilities and right-of-use assets were significant to our audit due to the size of the assets and liabilities and the subjectivity, complexity and uncertainty inherent in the application of NZ IFRS 16 <i>Leases</i> and the assumptions required by Management for the calculations of the lease balances and interest and depreciation expenses.</p> | <p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the expected term of the Group's leases and applicable incremental borrowing rates. Evaluating Management's process relating to the identification, recording, recognition and measurement of leases within the scope of NZ IFRS 16. For all leases: <ul style="list-style-type: none"> Agreeing key inputs in the lease calculation to the underlying lease agreement(s); |

| Key Audit Matter | How our audit addressed the key audit matter |
|--|---|
| <p>Management has completed calculations of the lease balances for all leases for the year ended, and as at 31 March 2022. These calculations require estimates regarding the lease term and the incremental borrowing rates. During the year ended 31 March 2022, no new leases were entered into and for four leases, the underlying land and building assets were purchased.</p> <p>Management has exercised their judgement in determining the recoverability of right-of-use assets. No impairment has been determined.</p> | <ul style="list-style-type: none"> ○ Recalculating the lease liability and right-of-use assets based on the key inputs noted above and comparing our recalculations to the balances recognised by the Group; and ○ Checking the appropriateness of the classification of the lease liability between current and non-current based on the remaining term of the lease. <ul style="list-style-type: none"> ● For all existing leases, evaluating Management’s calculations for the subsequent measurement of the leases, including lease modifications and rent revisions. ● For any leases where the underlying asset was purchased, evaluating Management’s calculations for the derecognition of the lease liability and right-of-use asset and resulting gain / (loss) on derecognition of lease. ● Evaluating the completeness of identified lease contracts by checking that all leased facilities were included in the calculation. ● Evaluating Management’s estimates regarding terms of the leases and Management’s consideration of options to extend or terminate the leases (including considering the impact of the COVID-19 pandemic). ● Evaluating Management’s assessment of the incremental borrowing rates applied to individual leases or portfolios of leases. ● Evaluating the inputs and any underlying assumptions with a view to identifying Management bias. ● Evaluating Management’s assessment of any indicators of impairment for the right-of-use assets in accordance with NZ IAS 36 <i>Impairment of Assets</i> (including considering the impact of the COVID-19 pandemic). <p>Evaluating the disclosures (including the accounting policies and accounting estimates) related to leases which are included in the Group’s consolidated financial statements.</p> |

Other Matter - Non-NZ GAAP financial measures

Note 1(ii) of the consolidated financial statements of Radius Residential Care Limited describes that the consolidated financial statements include the presentation of two non-NZ GAAP (*non-Generally Accepted Accounting Practice in New Zealand*) financial measures in Note 2.1, which are presented in addition to NZ GAAP (*Generally Accepted Accounting Practice in New Zealand*) financial measures. These two non-NZ GAAP financial measures are not defined under the requirements of NZ GAAP, NZ IFRS and IFRS. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 31 March 2022 (but does not include the consolidated financial statements and our auditor’s report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing 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 to cease operations, or have no realistic alternative but to do so.

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

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

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

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

Matters Relating to the Electronic Presentation of the Audited Consolidated Financial Statements

This audit report relates to the consolidated financial statements of Radius Residential Care Limited and its subsidiaries for the year ended 31 March 2022 included on Radius Residential Care Limited's website. The Directors of Radius Residential Care Limited are responsible for the maintenance and integrity of Radius Residential Care Limited's website. We have not been engaged to report on the integrity of Radius Residential Care Limited's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website.

The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyper linked to or from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 28 June 2022 to confirm the information included in the audited consolidated financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

The engagement partner on the audit resulting in this independent auditor's report is S N Patel.

A handwritten signature in black ink that reads "Baker Tilly Staples Rodway".

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

28 June 2022

Corporate Governance Statement

The Board of Radius Residential Care Limited (Radius Care, the Company) is committed to ensuring that the Company meets best practice governance principles and maintains the highest ethical standards by conducting our business safely and ethically and within the legal and regulatory framework. By doing this we can deliver the best outcomes for our residents, their families, shareholders, employees, customers and suppliers and the communities in which we operate.

This Corporate Governance Statement provides an overview of the Company's governance framework. It is structured to follow the NZX Corporate Governance Code (NZX Code) and discloses the practices relating to the NZX Code's recommendations.

The Board regularly reviews the Company's corporate governance structures against the recommendations in the NZX Code and considers that during the year ending 31 March 2022 its practices and procedures substantially met NZX Code recommendations. Any differences, where recommendations of the NZX Code have not been followed, are set out on page 100 of this Annual Report.

These documents are available at www.radiuscare.co.nz/investors-centre/governance

The Radius Care Board approved this Corporate Governance Statement on 28 June 2022 and is current as at that date.

THE COMPANY'S SUITE OF GOVERNANCE POLICIES COMPRISES:

CONSTITUTION

CHARTERS

Board Charter
Audit and Risk Committee Charter
Remuneration and People Committee Charter

POLICIES

External Auditor Independence Policy
Financial Product Trading Policy
Fraud Policy
Market Disclosure Policy
Whistleblower Policy
Code of Conduct
Diversity and Inclusion Policy
Privacy Policy
Remuneration Policy



PRINCIPLE 1.**CODE OF ETHICAL BEHAVIOUR**

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Code of Conduct

The Company's ethical standards are included in the Company's Code of Conduct and the Board Charter.

Radius Care commits to high ethical standards in all dealings undertaken by the group's Directors and employees. We are a New Zealand owned and operated company that is committed to providing quality rest home and private hospital care. Our business spans healthcare, cultural and regulatory boundaries and our Directors and management understand that high ethical standards deliver the best outcomes for our residents, their families, employees, shareholders, suppliers, customers and communities.

Our commitment to ethical dealings is captured by the Company's core brand attribute "Exceptional People, Exceptional Care" and in the Code of Conduct and Board Charter.

The Radius Care Code of Conduct and the Board Charter outline how Directors and employees are to consistently act with honesty and integrity.

Every new Director, employee and contractor is provided with a copy of the Code of Conduct and must confirm that they have read and understand the Code of Conduct.

The Code of Conduct will be reviewed by the Board every two years.

Whistleblower Policy

Any employee of Radius Care who becomes aware of a serious wrongdoing within the organisation is encouraged to report it. The procedure for advising the Company of a suspected breach is set out in the policy.

The policy is reviewed every two years. It was last reviewed in December 2020.

Trading in Financial Products

Radius Care has a Financial Product Trading Policy, prohibiting the direct or indirect dealing of the Company's financial products when holding inside information. All Directors, senior managers and employees of Radius Care and its subsidiaries must follow this policy where they intend to trade in Radius Care's quoted financial products. A duty of confidentiality is owed by these parties to protect the dissemination and use of confidential Company information.

The Financial Product Trading Policy also defines black-out periods during which certain restricted persons are prohibited in trading in Radius Care shares unless provided by a specific exemption by the Radius Care Chair or Chief Executive (CEO). Those periods are 30 days prior to Radius Care's half-year or year-end balance date, until the first trading day after the results for the period are released to NZX. In addition, Radius Care's CEO may notify Restricted Persons of additional "Black-Out" periods from time to time as directed by the Board.

The policy is reviewed every two years. It was last reviewed in December 2020.



PRINCIPLE 2. BOARD COMPOSITION AND PERFORMANCE

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Role and responsibilities of the Board

The Board has overall responsibility for all decision making within Radius Care. Day-to-day management of the Company, including being the Company's principal representative, is delegated to the CEO. The Board's functions are set out in the Board Charter and include:

- Ensuring that Radius Care's goals are clearly established and strategies are in place for achieving them.
- Establishing policies for strengthening the performance of Radius Care, including ensuring that management is proactively seeking to build the business through innovation, initiative, technology, new products, new services and the development of its business capital.
- Monitoring the performance of management.
- Appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment with Radius Care.
- Deciding on whatever steps are necessary to protect Radius Care's financial position and the ability to meet its debts and other obligations when they fall due and ensuring that such steps are taken.
- Ensuring Radius Care's financial statements are a fair representation of the financial position of Radius Care and otherwise conform with the law.
- Ensuring Radius Care has appropriate risk management/ regulatory compliance policies in place.

The Board has a statutory obligation to reserve responsibility for certain matters.

The Board monitors these matters by receiving reports and plans from management, maintaining an active programme of facility visits and through its annual work programme.

The Board uses committees to address certain issues that require detailed consideration by members of the Board who have specialist knowledge and experience. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

Details of the Radius Care Board's role, composition, responsibilities, operation, policies and committees are provided in the Board Charter.

Director nomination, appointment and reappointment

The Board is responsible for the process of appointment and reappointment of Directors, who are elected by shareholders. The Board identifies candidates to be nominated or re-elected as a Director through a procedure outlined in the Board Charter.

The Board is comprised of Directors who have a mix of skills, knowledge, experience and diversity to adequately discharge

its responsibilities and add value to Radius Care. The Board considers diversity can be demonstrated by, amongst other things, gender, ethnicity, thought, experiential and social diversity.

Using a Board skills matrix, the Board has determined that to operate effectively and to meet its responsibilities it requires competencies in disciplines including executive leadership and strategy, governance, aged care, marketing, compensation, health and safety, finance and capital markets, risk and compliance, legal and regulatory and people. A Board skills matrix has been included at pages 34-35.

The current mix of skills and experience is considered appropriate for the responsibilities and requirements of governing Radius Care.

The Board looks to strengthen its oversight of issues in all disciplines, as required, via expert advice. During the year expert advice was sought in many of the above disciplines.

Letter of appointment

All Directors have entered into a written agreement with Radius Care setting out the terms of their appointment.

Director profiles

As at 31 March 2022 and the date of this Annual Report, the Board comprised five Directors. The Board has considered which of the Directors are Independent Directors for the purposes of the NZX Listing Rules (the Rules). The factors relevant to determining whether a Director is an Independent Director are the criteria in the Rules for Director independence, having regard to the factors described in the NZX Code that may impact Director independence.

The Company's Constitution specifies that the Board shall have a minimum of three Directors; at least two Directors shall be ordinarily resident in New Zealand; and while the Company is listed, it shall have not less than the minimum number of Independent Directors prescribed by the Rules.

Brien Cree, Duncan Cook and Bret Jackson are non-independent Directors. Mary Gardiner and Hamish Stevens are Independent Directors. Brien Cree is also the Executive Chair.

The roles of Board Chair, Audit and Risk Committee Chair and CEO are not held by the same person. Hamish Stevens is the Chair of the Audit and Risk Committee. Duncan Cook is the Chair of the Remuneration and People Committee.

A profile of each Director is available at pages 32-33 of this Annual Report and is also provided on the Radius Care website. The profiles include information on the skills, experience and background of each Director.

Ownership of Radius Care shares by Directors is encouraged rather than being a requirement. Directors' ownership interests are disclosed at page 102 of this Annual Report.

At this stage the Board does not have a tenure policy however it is committed to a regular refreshment programme to introduce new perspectives, skills, attributes and experience. The aims of the process are to:

- Identify future Board requirements, in terms of skills, Director numbers and diversity;
- Conduct a broad search for candidates that match the determined requirements; and
- To ensure a smooth transition of new Directors.

The period of appointment of current Directors is as follows:

| | 0 – 3 years | 3 – 9 years | 9 years + |
|---------------------|-------------|-------------|-----------|
| Number of Directors | 2 | 1 | 2 |

Interests Register

The Board maintains an Interests Register. Any Director who is interested in a transaction with the Company must immediately disclose to the Board the nature, monetary value and extent of the interest. A Director who is interested in a transaction may attend and participate at a Board meeting at which the transaction is discussed but may not be counted in the quorum for that meeting or vote in respect of the transaction, unless it is one in respect of which Directors are expressly required by the Companies Act 1993 to sign a certificate. Particulars of entries made in the Interests Register for the year ended 31 March 2022 are included in the Director Disclosures section on pages 101-102.

Diversity

The Board seeks diversity in the skills, attributes, perspectives and experience of its members across a broad range of criteria so as to represent the diversity of shareholders, business types and regions in which it operates. Diversity, at Board level, among the management team and throughout the Company, is actively considered and reviewed by the Board.

Radius Care recruits, promotes and compensates on the basis of merit, regardless of gender, ethnicity, religion, age, nationality, sexual orientation, union membership or political opinion. A fundamental tenet of the Company's values is Exceptional People, Exceptional Care together with: Commitment: Leaders in care; Courage: Do the right thing; Compassion: Act with empathy.

Responsibility for workplace diversity and the setting of measurable objectives is held by the Remuneration and People Committee.

The following table reports gender composition of the Board and management team as at 31 March 2022.

| Gender | 31 March 2022 | | 31 March 2021 | |
|-----------------|---------------|--------|---------------|--------|
| | Male | Female | Male | Female |
| Directors | 4 | 1 | 5 | 1 |
| Management Team | 4 | 4 | 3 | 4 |

A formal Diversity and Inclusion Policy was adopted by the Board in July 2021 and is reviewed annually. Radius Care is monitoring and working on matters covered by its Diversity and Inclusion Policy. The Board is comfortable with the metrics and culture referred to in the policy and this is an area of continual improvement and focus.

Director training

The Board encourages Directors to undertake appropriate training to enable them to remain current on how best to discharge their responsibilities and keep up to date on changes and trends in areas relevant to their work. Directors are provided with industry information and receive copies of appropriate Company documents to enable them to perform their role. In addition, visits to Radius Care's facilities, briefing from senior management and key advisors to Radius Care are arranged for Directors. If Directors undertake training at the Company's expense, they are expected to give the Board an update.

The Board also ensures that new Directors are appropriately introduced to management, the care homes, the retirement villages and the online shop.

Board Performance Evaluation

The Board undertakes a regular assessment of Board, Director and committee performance. The Board will consider seeking assistance from external advisors as required. Through this regular assessment, the Board, committees and Directors have been found to have fulfilled all their duties and responsibilities for sound corporate governance as specified by the Board Charter.

Board composition

Two of the five Directors of Radius Care are Independent Directors.

Role of Chair

At Radius Care the roles of Chair of the Board and CEO are separated to ensure that a conflict of interest does not arise.

The Chair of the Board is an executive Director and not independent. The Chair is responsible for leading the Board, facilitating the effective contribution of all Directors and promoting constructive and respectful relations between Directors and between the Board and management. The Chair is also responsible for setting the agenda for meetings of the Board and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues.



PRINCIPLE 3 BOARD COMMITTEES

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

Board Committees

The Board currently has two committees - the Audit and Risk Committee and the Remuneration and People Committee. The Board may set up ad-hoc committees when required to efficiently and effectively carry out key governance functions, while retaining ultimate responsibility for all decisions and actions.

Each committee focuses on specific areas of governance and together they strengthen the Board's oversight of the Company. Committee membership is reviewed annually. Each committee has a written charter that sets out its mandate and is approved by the Board. The charters are reviewed at least every two years with any proposed changes recommended to the Board for approval.

Each committee has an annual work programme of matters to be addressed over the following 12-month period. Included in the work programme is an annual review of performance against the committee charter and objectives for the year. The committee's review findings are reported to the Board.

Attendance at Meetings

The table below sets out Director attendance at Board and committee meetings during the year ended 31 March 2022.

| | Eligible to attend | Board Attended | Audit and Risk Committee Eligible to attend | Attended | Remuneration and People Committee Eligible to attend | Attended |
|-------------------------|--------------------|-------------------|--|----------|---|----------|
| Brien Cree | 12 | 12 | | | | |
| Duncan Cook | 12 | 12 | | | 9 | 9 |
| Mary Gardiner | 12 | 11 | 6 | 6 | 9 | 9 |
| Bret Jackson | 12 | 12 | 1 | 1 | 9 | 9 |
| Hamish Stevens | 12 | 12 | 6 | 6 | | |
| Tim Sumner ¹ | 11 | 10 | 5 | 5 | | |

1. Resigned on 25 February 2022

Standing Committees of the Board

Audit and Risk Committee

| Composition | Roles | Members |
|---|---|---|
| <ul style="list-style-type: none"> At least three members of the Board; a majority of members must be independent. At least one member who has an accounting or financial background. Committee Chair appointed by the Board; must be an Independent Director; not the Chair of the Board. | Responsibility for: <ul style="list-style-type: none"> External financial reporting; Internal control environment; Business Assurance / Internal Audit and external audit functions; Risk management. | Hamish Stevens (Chair) Mary Gardiner Bret Jackson |

The role of the Audit and Risk Committee is to assist the Board to fulfill its responsibilities in relation to external financial reporting, internal controls, business assurance, internal and external audit functions and risk management.

Two members of the committee are Independent Directors. The committee's Chair, Hamish Stevens, is a qualified accountant and an Independent Director.

The Audit and Risk Committee met on six occasions during the year to 31 March 2022. The agenda items for each meeting generally relate to financial governance, external financial reporting, external audit, internal audit, risk management, compliance and insurance.

Remuneration and People Committee

| Composition | Roles | Members |
|---|--|--|
| <ul style="list-style-type: none"> At least three members of the Board. Committee Chair appointed by the Board; must be a non-executive Director; not the Chair of the Board. | Responsibility for: <ul style="list-style-type: none"> Establishment of remuneration policies and practices for the CEO, key management and Directors; Oversee remuneration-setting and review; and Oversee the management of human resources activities. | Duncan Cook (Chair) Mary Gardiner Bret Jackson |

The Remuneration and People Committee assists the Board with the establishment of remuneration policies and practices for the CEO, key management and Directors, as well as discharging the Board's responsibilities relative to remuneration-setting and review; and assisting the Board in overseeing the management of the Company's people.

The Remuneration and People Committee met on nine occasions during the year ended 31 March 2022.

Meeting Attendance by the Management Team

The management team and other employees attend committee meetings only at the invitation of the relevant committee.

The CEO and General Manager, Finance are regularly invited to attend Audit and Risk Committee meetings.

Other Committees

The Board has determined that at this point a separate Nomination Committee is not required. Director appointments are considered by the Board as a whole.

Takeover offer protocols

A Takeover Preparedness Manual has been prepared for the Company by external advisers and has been accepted by the Board. This manual sets out formal takeover offer protocols which help ensure the Company manages any takeover approach in accordance with the New Zealand Takeovers Code. In the event of a takeover approach a sub-committee of the Board would be formed, and a working group, legal advisers and other key advisers would be appointed.



PRINCIPLE 4 REPORTING AND DISCLOSURE

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Shareholder Communications and Market Disclosure

The Board is committed to providing timely, orderly, consistent, accurate and credible information in accordance with legal and regulatory requirements to enable orderly behaviour in the market. The Board believes objective disclosure is fundamental to building shareholder value and earning the confidence of the investment community.

The Company has in place a Market Disclosure Policy designed to ensure this occurs. The policy includes procedures intended to ensure that disclosure is made in a timely and balanced manner and in compliance with the Rules. This will assist the Board to fulfil its obligation to keep investors and the market informed through a timely, clear and balanced approach that communicates all information which may have a material effect on the price of Radius Care shares, whether it is positive or negative, in accordance with the Rules.

Procedures are set out in the Policy to guide Directors, the management team and employees on the appropriate steps to take if they become aware of any information that may be material that is not generally available to the market.

All NZX and media releases are subject to an agreed sign off procedure which requires approval from the Chair of the Board or CEO. Significant market announcements, including the preliminary announcement of the half-year and full-year results, the consolidated financial statements for those periods and any advice of a change in earnings forecast are approved by the Board.

Directors consider at the end of each Board meeting whether there is any material information that should be disclosed to the market.

Governance policy suite

Key governance documents are available to investors and stakeholders on the Radius Care website at www.radiuscare.co.nz/investor-centre.

Financial and Non-Financial Reporting

The Board is committed to ensuring integrity and timeliness in its financial reporting and in providing information to the market and shareholders. A programme of clear, meaningful, timely and effective communications with shareholders is centred around a comprehensive set of information regarding the Company's operations and results being available primarily in its six-monthly and full-year reports, in ad hoc releases lodged with NZX and also on its website.

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

All interim and full-year consolidated financial statements are prepared in accordance with relevant financial standards.

Both financial and non-financial disclosures are made at least annually. Radius Care's Board has initiated a project to ensure an enhanced focus on sustainability within the Company. Information on the early initiatives in this area are provided on pages 30-31.

PRINCIPLE 5 REMUNERATION

The remuneration of Directors and executives should be transparent, fair and reasonable.

Remuneration Overview

Radius Care aims to reward employees with a level of remuneration commensurate with their position and responsibilities, and to ensure total compensation is competitive by market standards. This overview provides details of Radius Care's approach to remuneration including incentive plans for executives that were in place or will be in place after the year ended 31 March 2022 and remuneration received by the CEO and the Directors for the year ended 31 March 2022.

Remuneration Principles

It is recognised that in order to support the business and its strategy, the Company must attract and retain people of a high calibre. Accordingly, the Board will set remuneration with regard to this and other business objectives.

Specifically, in relation to management, it is the policy of the Company to align executive remuneration with the performance of the Company and that executive remuneration should be comprised of both fixed and 'at risk' (or performance-based) elements. The purpose of this is to ensure that the interests of the management are aligned with the interests of the Company and its shareholders.

Remuneration Governance

Radius Care has a Remuneration and People Committee to assist the Board in the conduct of the Board's responsibility with regard to people and culture, including remuneration.

The Remuneration and People Committee Charter can be found at www.radiuscare.co.nz/investors-centre/governance.

| The Remuneration and People Committee is responsible for: | The Board is responsible for: |
|---|---|
| <ul style="list-style-type: none"> Reviewing and recommending changes to Radius Care's remuneration structure, people policies, procedures and practices, objectives and performance; Reviewing and recommending changes to the remuneration of the CEO and management, having regard to Radius Care's strategy, vision, values, business objectives and performance, the responsibilities and performance of executives and the general external market; and Reviewing and recommending changes to Directors' fees, taking into account the external market, work load, succession planning and the need to offer competitive fees to attract and retain non-executive Directors of a high calibre. | <ul style="list-style-type: none"> Approving changes to Radius Care's remuneration structure, people policies, procedures and practices, objectives and performance; Approving changes to the remuneration of the CEO and executives; and Recommending changes to non-executive Directors' remuneration, for approval by shareholders. |



CEO remuneration

The remuneration of the CEO currently comprises total fixed remuneration (TFR) that is based on the scale and complexity of the role, market relativities, qualifications and experience. The CEO's fixed annual salary is \$400,000. Other benefits, including KiwiSaver and a car park, are additional to the fixed salary.

CEO Remuneration paid for FY22

| | Salary ¹ | Benefits ² | STI ³ | Total remuneration |
|--------------------|---------------------|-----------------------|------------------|--------------------|
| Andrew Peskett* | \$60,000 | \$2,511 | – | \$62,511 |
| Stuart Bilbrough** | \$311,389 | \$13,049 | \$30,000 | \$354,437 |
| Brien Cree*** | \$920,136 | \$32,004 | – | \$952,140 |

CEO Remuneration paid for FY2021

| | Salary ¹ | Benefits ² | Sub-total | Share-based payments | Total remuneration |
|--------------------|---------------------|-----------------------|-----------|----------------------|--------------------|
| Stuart Bilbrough** | \$339,321 | \$14,577 | \$353,808 | \$150,000 | \$503,808 |
| Brien Cree*** | \$880,598 | \$29,981 | \$910,579 | – | \$910,579 |

1. Actual salary paid includes holiday pay paid as per NZ legislation and a car allowance where applicable.

2. Benefits include KiwiSaver and car park.

3. Stuart Bilbrough received a cash bonus of \$30,000 as a result of the EBITDA that was achieved for the FY21 year.

* Andrew Peskett was employed on 1 February 2022

** Stuart Bilbrough was employed on 8 June 2020. He received a one-off issue of 187,500 shares having a value of \$150,000 in connection with the successful listing of Radius Care in FY2021. Stuart Bilbrough resigned from the position of CEO effective 19 November 2021.

*** In his capacity as Managing Director of Radius Care.

STI Payment

For the FY23 financial year, the CEO may receive a STI payment of up to \$50,000. This will be dependent on achieving certain targets as follows:

- 50% is to be due on the Company achieving its budgeted pre IFRS 16 EBITDA target for FY23, normalised for any unbudgeted acquisitions or developments, with scaling to be applied at the discretion of the Board if the result comes within the range of 85% to 99.99% of the target; and
- 50% is to be allocated and scaled entirely at the discretion of the Board. Considerations are to be given to a range of factors including but not limited to:
 - Staff engagement and retention;
 - Stakeholder engagement;
 - Board engagement and reporting; and
 - Health and Safety.

LTI Payment

The Board is taking advice on a long term incentive plan for the CEO which aims to provide genuine incentive to achieve the Company's strategy and increase shareholder value.

Key terms of CEO employment contract

The table below sets out the key terms of the CEO's employment contract:

| Contract Duration | Notice Period - Company | Notice Period - CEO | Termination Provision (where notice provided) | Post-employment Restraint |
|--------------------------|---------------------------|---------------------|--|------------------------------|
| Ongoing until terminated | 6 months unless for cause | 6 months | 6 months | N/A |

Director Remuneration

In accordance with best practice corporate governance, the structure of Director remuneration is separate and distinct from the remuneration of the CEO and other officers and is reviewed on an annual basis.

The Board reviews Director remuneration annually to ensure that the Company's Directors are fairly remunerated for their services and that the level of skill and experience required to fulfil the role is recognised. They have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes.

Each Director receives a base fee for services as a Director of the Company and an additional fee is paid for being a member of the Board committees. The payment of an additional fee recognises the additional time commitment and specific skills required by each Director who serves on those committees. All Directors are also entitled to be reimbursed for costs associated with carrying out their duties. Directors do not qualify for the payment of any retirement benefits.

Fees paid to the Directors of the Company (in their capacity as Director) for the year ended 31 March 2022 were as follows:

| Directors | Board Fees | Audit and Risk Committee Fee | Remuneration and People Committee Fee | Total Remuneration |
|-----------------------------|------------|---------------------------------|--|--------------------|
| Duncan Cook ¹ | \$90,000 | – | \$12,000 | \$102,000 |
| Bret Jackson | \$90,000 | \$500 | \$6,000 | \$96,500 |
| Timothy Sumner ² | \$82,500 | \$5,500 | – | \$88,000 |
| Mary Gardiner | \$90,000 | \$6,000 | \$6,000 | \$102,000 |
| Hamish Stevens | \$90,000 | \$12,000 | – | \$102,000 |

1. An additional \$3,000 reimbursement of travel expenses was paid to Duncan Cook. This amount is not included in his Total Remuneration shown in the table above.

2. Timothy Sumner resigned as a Director with effect from 25 February 2022.



Board Fees

| Position | Fee Paid |
|----------------------------------|----------|
| Chair | Nil |
| Directors (other than the Chair) | \$90,000 |
| Committee Chair | \$12,000 |
| Committee members | \$6,000 |

Employees' Remuneration

The number of employees and former employees of Radius Care, not being a Director of Radius Care, who received remuneration and other benefits the value of which exceeded \$100,000 during the financial year ended 31 March 2022 is set out in the table of remuneration bands below.

The remuneration figures shown in the "Remuneration" column include all monetary payments actually paid during the course of the year ended 31 March 2022. The table does not include amounts paid after 31 March 2022 that relate to the year ended 31 March 2022.

| Remuneration | Number of Employees |
|------------------------|---------------------|
| \$100,000 to \$109,999 | 3 |
| \$110,000 to \$119,999 | 2 |
| \$120,000 to \$129,999 | 4 |
| \$130,000 to \$139,999 | 1 |
| \$140,000 to \$149,999 | 3 |
| \$150,000 to \$159,999 | 3 |
| \$160,000 to \$169,999 | 3 |
| \$170,000 to \$179,999 | 1 |
| \$190,000 to \$199,999 | 1 |
| \$210,000 to \$219,999 | 1 |
| \$310,000 to \$319,999 | 1 |
| \$350,000 to \$359,999 | 1 |
| \$950,000 to \$959,999 | 1 |
| TOTAL EMPLOYEES | 25 |

PRINCIPLE 6 RISK MANAGEMENT

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

The Board is responsible for ensuring that key business risks are identified and that appropriate controls and responses are in place to effectively manage those risks. The Board considers risk management an important governance function to protect stakeholders and optimise shareholder value.

The Board includes Directors with long-term experience in the care sector and with listed company governance experience. The Board's complementary skill set and understanding of the core business have allowed it to implement strategies to mitigate risk such as those associated with the COVID-19 pandemic.

The Board retains ultimate oversight of risk management, with the Audit and Risk Committee delegated with responsibility for ensuring that the Company's risk management framework is appropriate and that it appropriately identifies, assesses, manages and monitors risks.

The Audit and Risk Committee's responsibilities in relation to risk include:

- Assessing the effectiveness of and monitoring compliance with, the risk management framework;
- Identifying areas for thorough review on significant risks for inclusion in the agenda of the responsible Board and/or Board committee meeting;
- Reporting to the Board on progress with risk management work; and
- Reviewing and recommending policies for Board approval.

Risk management is an integral part of Radius Care's business. The Board requires management to prepare a risk management framework incorporating a risk register. This approach is intended to embed a comprehensive, holistic, group-wide culture of risk awareness in senior management and in decision makers across the business, supported by a consistent method of identifying, assessing, controlling, monitoring and reporting Radius Care's existing and potential risks.

The framework is used to identify those situations and circumstances in which the Company may be materially at risk and for which risk mitigation activities are appropriate. The objectives of the framework are to:

- Provide a consistent and structured way to identify, assess and manage risk across the Company;
- Ensure the Company manages the risks it faces in achieving its objectives; and
- Ensure staff and management are aware of and meet their responsibilities to identify, evaluate and treat the risks that may prevent or restrict the Company from achieving its objectives.

Risk management is a standing item on the agenda for Audit and Risk Committee meetings, with detailed reports provided by management.

Health and Safety Risk Management

Radius Care has a robust health and safety policy which requires all staff to be aware of safety in the workplace and to comply with all health and safety policies and procedures, bringing to the attention of their manager anything that poses a risk to any person. The Health and Safety plan is supported by policies and procedures for all levels of the organisation. Health and Safety is closely monitored through Radius Care's systems and followed up through regular reporting and monthly meetings held at facility, regional and national level to ensure that any identified risks are monitored and addressed in a timely manner. Ongoing resources and training are provided to enable a safe environment at Radius Care. The Operations team is responsible for leading and managing health and safety risks and reports on performance with the aim of continuous improvement.

Insurance

Radius Care has insurance policies in place covering most areas where risk to its assets and business can be insured at a reasonable cost.



PRINCIPLE 7 AUDITORS

The Board should ensure the quality and independence of the external audit process.

External auditor

Radius Care's Audit and Risk Committee Charter outlines the Company's commitment to an independent audit process that provides shareholders and the market with objective, robust, clear and timely financial reporting. The Audit and Risk Committee's responsibilities are to:

- Monitor the independence and effectiveness of the external auditors;
- Make recommendations to the Board on the appointment and termination of the external auditors;
- Approve the external audit terms of engagement, audit partner rotation and audit fee;
- Review the annual audit plan of the external auditors;
- Review and approve non-audit services performed by the external auditor in accordance with the External Auditor Independence Policy;
- Review the External Auditor Independence Policy on a regular basis; and
- Ensure the Key Audit Partner is rotated at least every five years.

The Audit and Risk Committee in consultation with management and the external auditor reviews the efficiency and effectiveness of the external audit process and provides a formal channel of communication between the Board, management and the external auditor. The Company's compliance with the External Auditor Independence Policy ensures that audit independence is maintained, both in fact and appearance.

Sachin Patel of Baker Tilly Staples Rodway began acting as the external audit engagement partner in the financial year ended 31 March 2021. Baker Tilly Staples Rodway commenced its appointment from the financial year ended 31 March 2013. It is a requirement that the engagement partner does not audit Radius Care for more than five years. Radius Care has not yet set a maximum term for the audit firm.

Baker Tilly Staples Rodway has confirmed independence to the Audit and Risk Committee and that its independence was not compromised during the reporting period.

The fees paid to the external auditor are included in note 2.3 of the Notes to the Consolidated Financial Statements. A total of \$201k was paid for audit and assurance-related services, \$42k was paid for tax compliance services. No other fees were paid to the external auditor.

All non-assurance services provided must have the prior approval of the Audit and Risk Committee.

The external auditor is regularly invited to meet with the Audit and Risk Committee including without management present. During the FY22 year the committee met with the auditor present four times.

The external auditor has been invited to attend the Annual Shareholders' Meeting and will be available to answer questions about the audit process and the independence of the auditor.

Internal audit

The Company does not have an in-house internal audit function. The internal control framework that Radius Care uses to manage risk is described in further detail under Principle 6 above. There are a number of internal controls overseen by the Audit and Risk Committee to ensure the integrity of key financial and operational data. Directors also pay attention to matters raised by Baker Tilly Staples Rodway, the external auditor.

PRINCIPLE 8 SHAREHOLDER RIGHTS AND RELATIONS

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

Shareholder relations

The Board is committed to maintaining open and transparent communications with investors and other stakeholders. The Company's website is an important channel through which key investor information is available. The annual report, NZX releases, governance policies and charters, transcripts of results briefings and a variety of corporate information are posted to the website.

Investor communications

The Board is committed to ensuring there is an active and high-quality investor relations programme in place. To achieve this Radius Care has engaged an external consultant to provide advice and support to the Board and management.

Shareholders have the option of receiving their communications electronically. Contact details for Radius Care's support office and its share registrar, Computershare, are available on the website.

Major decisions

The Market Disclosure Policy sets out Directors' commitment to timely and balanced disclosure and to advising shareholders on any major decisions. Where voting on a matter is required, the Board encourages investors to attend the meeting or to send in a proxy vote. Shareholders may raise matters for discussion at the Annual Shareholders' Meeting either in person or by emailing Radius Care with a question to be asked.

Radius Care will conduct voting at its shareholders' meetings by way of poll and on the basis of one share, one vote.

Additional equity

The Board acknowledges the principle that where additional equity is sought through capital raising the interests of all existing financial product holders should be considered. In assessing the options for raising capital to fund the acquisition in July 2021 of the land and buildings of four strategic facilities, the Board considered the merits of a pro rata offer to shareholders. Expanding the register to include more institutional and high net worth individuals was and continues to be a priority for the Company. The Board ultimately decided a non-pro rata offer was in the Company's best interests. The Board will again take NZX Code Recommendation 8.4 into account when considering any further equity issues to raise additional capital.

Availability of ASM / ESM notices of meeting

The Board is committed to ensuring that notices of meetings of shareholders are released to NZX and posted to Radius Care's website as soon as possible and, where practicable, at least 20 working days prior to the meeting. During the year to 31 March 2022, two shareholder meetings were held to approve significant transactions. In both cases the vendor was a private company. The settlement arrangements were such that Radius Care was not able to provide 20 working days' notice of the meeting. The Board will continue to take NZX Code Recommendation 8.5 into account when setting the timetable for any future shareholder meeting.

Practices that do not comply with the NZX Code

| NZX Code Principle | NZX Code Recommendation | Key Difference | Current Status |
|-------------------------------------|---|--|---|
| 2. Board Composition | Recommendation 2.8: A majority of the Board should be Independent Directors. | The majority of members are not Independent Directors. | Of the five Directors, two have been determined to be independent. ¹ |
| 3. Board Committees | Recommendation 3.3 Majority of the Remuneration Committee should be Independent Directors. | The majority of members are not Independent Directors. | Of the three members, one has been determined to be an Independent Director. ¹ |
| 8. Shareholder Rights and Relations | Recommendation 8.5 Notices of Meeting to be available at least 20 working days prior to the meeting. | On two occasions Notices of Meeting were available less than 20 working days prior to the meeting. | Settlement arrangements with non-NZX listed vendors did not allow for Radius Care to provide 20 working days' notice of either meeting. |

¹ The Board treats Bret Jackson as a non-executive Director, rather than independent, notwithstanding that Knox Fund IV has not been a Substantial Product Holder since December 2021.

Other Disclosures

INTERESTS REGISTER

Disclosure of Directors' Interests

The following are particulars of general disclosures of interest by directors holding office as at 31 March 2022, pursuant to section 140(2) of the Companies Act 1993. The director will be regarded as interested in all transactions between Radius Care and the disclosed entity. Changes to entries disclosed during the year to 31 March 2022 are noted for the purposes of section 211(1)(e) of the Companies Act 1993.

Brien Cree

| Entity | Nature of Interest |
|--------------------------|--------------------|
| Valhalla Capital Limited | Director |
| Naturobest Limited | Director |
| Cibus Catering Limited | Director |

Duncan Cook

| Entity | Nature of Interest |
|--|--------------------------|
| Purangi Gold Limited | Shareholder |
| Sharpac Management Limited | Director |
| Barefoot Crue Limited | Director and Shareholder |
| KFT International Limited | Shareholder |
| Barbara Fishing Company Limited | Shareholder |
| Beaver Fishing Company Limited | Shareholder |
| Woodland Kiwi Limited | Shareholder |
| MDC Fishing Limited | Shareholder |
| Beaury Store Limited | Director and Shareholder |
| InforME Limited | Director and Shareholder |
| Stallion Equipment Limited (ceased position during the year) | Shareholder |

Bret Jackson

| Entity | Nature of Interest |
|---|--------------------------|
| KIP Nominees Limited | Director |
| Knox General Partner Limited | Director |
| Tasman Advisory Limited | Director and Shareholder |
| Takatimu Holdings Limited | Director and Shareholder |
| SLP Mag Nation Limited | Director |
| Takatimu Investments Limited | Director and Shareholder |
| OPO Holdings Limited | Director and Shareholder |
| Knox Investment Partners Fund III NZD 2 Limited | Director |
| Knox Investment Partners Fund III NZD Limited | Director |
| Knox Investment Partners Limited | Director and Shareholder |
| Knox Investment Partners Fund III AUD Limited | Director |
| Knox Investment Partners Fund III AUD 2 Limited | Director |
| Knox Investment Partners Fund III AUD 3 Limited | Director |
| Knox Investment Partners Fund III Limited | Director |
| Knox Investment Partners Fund III NZD 5 Limited | Director |
| Knox Fund IV Carried Interest Partner Limited | Director |
| Bret Jackson Trustee Limited | Director and Shareholder |
| AAM Pty Limited (ceased position during the year) | Director |

Mary Gardiner

| Entity | Nature of Interest |
|--------------------------------------|--------------------------|
| Southern Cross Pet Insurance Limited | Director |
| Northern Netball Zone Incorporated | Chair |
| Mangere Mountain Education Trust | Trustee |
| Kidsen Limited | Director and Shareholder |

Hamish Stevens

| Entity | Nature of Interest |
|--|--------------------------|
| Marsden Maritime Holdings Limited | Director |
| Pharmaco NZ Limited | Director |
| Pharmaco House Limited | Director |
| Pharmaco (Australia) Limited | Director |
| The Kennedy's Limited | Director |
| Botany Health Hub Limited | Director |
| Northport Limited | Director |
| ECL Group Limited | Director |
| Counties Energy Limited | Director |
| Governance and Advisory Limited | Director and Shareholder |
| East Health Services Limited | Director |
| Ormiston Health Properties Limited | Director |
| Health Improvement Group Limited | Director |
| East Health Clinic Investments Limited | Director |
| Evolve Education Group Limited | Director |
| Evolve Management Group Limited | Director |
| Lollipops Educare Centres Limited | Director |
| Lollipops Educare Holdings Limited | Director |

NOTE: During the year Hamish Stevens ceased to be a director of Evolve ECEM Limited, Evolve Group 1 Limited, Evolve Group 2 Limited, Evolve Group 3 Limited, Evolve Group 4 Limited, Evolve Group 5 Limited, Evolve Group 6 Limited, Evolve Home Day Care Limited, Lollipops Educare (Birkenhead) Limited, Lollipops Educare (Hastings) Limited, and Lollipops Educare Limited due to company amalgamations. Counties Power Limited has changed its name to Counties Energy Limited.

SPECIFIC DISCLOSURES

See related party note 5.5 in the consolidated financial statements section for any disclosures made by Directors during the year ended 31 March 2022 of any interests in transactions with Radius Care or any of its subsidiaries.

USE OF COMPANY INFORMATION

During the year ended 31 March 2022, the Board did not receive any notices from Directors requesting use of Radius Care's or any of its subsidiaries' information.

DIRECTORS' INTERESTS

Directors of Radius Care have disclosed the following relevant interests in shares as at 31 March 2022:

| Director | Number of Shares in which Relevant Interest is Held |
|----------------|---|
| Brien Cree | 95,312,500 |
| Bret Jackson | 4,617,783 |
| Duncan Cook | 571,153 |
| Hamish Stevens | 75,000 |

SECURITIES DEALINGS OF DIRECTORS

Dealings by Directors in relevant interests in Radius Care's ordinary shares in the year ended 31 March 2022 as entered in the Interests Register:

| Director | Transaction | No. of Shares | Nature of Relevant Interest | Price per Share | Date of Transaction |
|----------------|--|---------------|---|-----------------|---------------------|
| Duncan Cook | 471,153 ordinary shares Acquisition of 96,153 ordinary shares in Radius Residential Care Limited under the Placement announced to the market on 8 July 2021. | 471,153 | Acquisition of shares as registered holder and beneficial owner. | 52¢ | 3 August 2021 |
| Hamish Stevens | 75,000 ordinary shares. | 75,000 | Acquisition of shares as registered holder and beneficial owner. | 55¢ | 17 August 2021 |
| Duncan Cook | 571,153 ordinary shares Acquisition of 100,000 ordinary shares in Radius Residential Care Limited under the Retail Offer announced to the market on 8 July 2021. | 571,153 | Acquisition of shares as registered holder and beneficial owner. | 56¢ | 18 August 2021 |
| Bret Jackson | 2,912,562 ordinary shares held by Takatimu Investments Limited. Acquisition by Takatimu Investments Limited as trustee of the Takatimu Investment Trust of 300,000 ordinary shares in Radius Residential Care Limited under the Retail Offer announced to the market on 8 July 2021. | 2,912,562 | Relevant interest in the shares held by Takatimu Investments Limited as trustee of the Takatimu Investment Trust, by virtue of being the sole shareholder and a Director of Takatimu Investments Limited. | 52¢ | 18 August 2021 |
| Bret Jackson | These shares were distributed to the funds' underlying investors - 26,822,028 ordinary shares held by Knox Fund IV NZD LP and Fund IV AUD LP. | – | – | – | 2 December 2021 |
| Bret Jackson | 4,617,783 ordinary shares held by Takatimu Investments Limited. The shares increased by 1,705,221 due to the distribution of the Knox Fund IV NZD LP and Knox Fund IV AUD LP funds. | 4,617,783 | Relevant interest in the shares held by Takatimu Investments Limited as trustee of the Takatimu Investment Trust, by virtue of being the sole shareholder and a Director of Takatimu Investments Limited. | – | 2 December 2021 |

INDEMNITY AND INSURANCE

Radius Care has granted indemnities, as permitted by the Companies Act 1993 and the Financial Markets Conduct Act 2013, in favour of each of its Directors. Radius Care also maintains Directors' and Officers' liability insurance for its Directors and officers.

SUBSIDIARY COMPANY DIRECTORS

Brien Cree and Duncan Cook are Directors of all Radius Care subsidiaries as at 31 March 2022. No extra remuneration is payable for any Directorship of a subsidiary.

OTHER INFORMATION

Auditor's Fees

Baker Tilly Staples Rodway is the external auditor of Radius Care and its subsidiaries. Total fees paid by Radius Care and its subsidiaries to Baker Tilly Staples Rodway in its capacity as auditor during the financial year ended 31 March 2022 were \$201k. Total fees paid to Baker Tilly Staples Rodway for other professional services (being taxation compliance services) during the financial year ended 31 March 2022 were \$42k. No other fees were paid to Baker Tilly Staples Rodway for other professional services.

Donations

For the year ended 31 March 2022, Radius Care and its subsidiaries paid a total of \$5k in donations. No donations were paid to political parties.

Stock Exchange Listings

Radius Care's shares are listed on the NZX. Radius Care is required to comply with the NZX Listing Rules. Radius Care confirms that it has complied with the NZX Listing Rules for the financial year ended 31 March 2022.

Waivers

In mid-2021 Radius Care entered into a transaction with Ohaupo Holdings Limited (Ohaupo HL) to acquire land and buildings at four leased sites in Auckland, Waikato, Taranaki and Canterbury for \$31.4 million (Ohaupo Acquisition). The purchase of these facilities was funded by a fully underwritten \$23 million placement (with the discretion to accept up to \$7 million of oversubscriptions) (Placement) and \$10 million of Radius Care shares issued to Ohaupo HL or its nominee/s (Ohaupo Share Issue). \$30 million was raised in the Placement.

In addition, Radius Care also carried out a non-underwritten retail offer (Retail Offer) of up to \$5 million (with the discretion to accept up to \$5 million of oversubscriptions) for debt repayment to create further headroom for potential future strategic growth initiatives. \$8.2 million was raised in the Retail Offer.

On 8 July 2021, NZX Regulation Limited (NZ RegCo) granted Radius Care a waiver from NZX Listing Rule 4.19.1 to allow Radius Care to allot shares under the Placement following its July special meeting of shareholders (Special Meeting). The waiver was provided on conditions that:

- a) the allotment of shares under the Placement occurred no later than eight business days after the Special Meeting; and
- b) the waiver and its conditions and implications are disclosed in this annual report.

Due to the Placement timetable Radius Care could not satisfy NZX Listing Rule 4.19.1 (which requires allotment to occur no later than 10 Business Days after the final closing date for an offer).

Also on 8 July 2021, NZ RegCo granted Radius Care a waiver from NZX Listing Rule 5.2.1 to allow Radius Care to undertake the Placement, the Ohaupo Share Issue and the Retail Offer (the Share Issues) without needing to obtain an ordinary resolution of Radius Care shareholders because of the involvement or potential involvement of certain related parties. The waiver was provided on conditions that:

- a. the Directors of Radius Care certify to NZ RegCo that:
 - ii) Radius Care was not unduly influenced in its decision to undertake the Share Issues by the Related Parties;
 - iii) the terms of the Ohaupo Share Issue, the Placement and the Retail Offer have been entered into, and negotiated, on an arm's length commercial basis;
 - iv) the terms of the Ohaupo Share Issue, the Placement and the Retail Offer are fair and reasonable to all Radius Care shareholders and in the best interests of Radius Care;
 - v) any participation by any Related Party in the Placement will be on the same terms, and for the same price, as all other participants in the Placement;
 - vi) any participation by any Related Party in the Retail Offer will be on materially the same terms, and for the same price, as all other participants in the Retail Offer;
 - vii) no Related Party that participates in the Placement will be involved in, or influence, any allocation decisions with respect to the Placement or the decision to set the Placement price; and
 - viii) no Related Party that participates in the Retail Offer will be involved in, or influence, any scaling decisions with respect to the Retail Offer;

(the above certification was provided); and

- b) Radius Care disclose the waiver and its conditions and implications in this annual report.

For the full waiver decision please go to: www.nzx.com/companies/RAD/announcements.

Credit Rating

Radius Care has no credit rating.

Shareholder Information

TWENTY LARGEST SHAREHOLDERS AS AT 31 MAY 2022

| Registered Shareholder | Number of shares | % Shares |
|--|--------------------|--------------|
| WAVE RIDER HOLDINGS LIMITED | 95,312,500 | 35.40 |
| NEIL JOHN FOSTER | 15,595,040 | 5.79 |
| AARON SNODGRASS & BRIAN MALTBY & SIMON CURRAN & FRANCES VALINTINE & PETER ALEXANDER & JONATHAN MASON | 10,866,430 | 4.04 |
| FORSYTH BARR CUSTODIANS LIMITED | 6,646,364 | 2.47 |
| PERPETUAL CORPORATE TRUST LIMITED - ACT PRIVATE EQUITY NO 3 FUND | 5,994,760 | 2.23 |
| PERPETUAL CORPORATE TRUST LIMITED - ROC ALTERNATIVE INVESTMENT A/C VI | 5,994,760 | 2.23 |
| PERPETUAL CORPORATE TRUST LIMITED - ROC ASIA PACIFIC CO-INVESTMENT FUND II | 5,994,760 | 2.23 |
| BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD | 5,603,493 | 2.08 |
| ACCIDENT COMPENSATION CORPORATION - NZCSD | 5,097,500 | 1.89 |
| NEW ZEALAND DEPOSITORY NOMINEE LIMITED | 4,839,333 | 1.80 |
| GLENN RAYMOND MILLER | 4,807,692 | 1.79 |
| TREVOR MAXWELL JONES | 4,807,692 | 1.79 |
| LEVERAGED EQUITIES FINANCE LIMITED | 4,735,630 | 1.76 |
| FNZ CUSTODIANS LIMITED | 4,665,597 | 1.73 |
| TAKATIMU INVESTMENTS LIMITED | 4,617,783 | 1.72 |
| CENTRAL LAKES DIRECT LIMITED | 4,434,102 | 1.65 |
| QUINTIN LOUIS PROCTOR | 4,326,924 | 1.61 |
| HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD | 3,890,836 | 1.45 |
| ANDREW JOHN CLARK | 3,066,502 | 1.14 |
| CUSTODIAL SERVICES LIMITED | 2,592,054 | 0.96 |
| TOTAL | 203,889,752 | 75.76 |

SPREAD OF HOLDINGS

AS AT 31 MAY 2022

| Size of Holding | Number of Shareholders | % | Number of Shares | % |
|------------------|------------------------|-------------|--------------------|------------|
| 1 - 1,000 | 148 | 10.57% | 96,418 | 0.04 |
| 1,001 - 5,000 | 461 | 32.93% | 1,168,735 | 0.43 |
| 5,001 - 10,000 | 211 | 15.07% | 1,777,890 | 0.66 |
| 10,001 - 100,000 | 449 | 32.07% | 15,219,232 | 5.65 |
| 100,001 and over | 131 | 9.36% | 250,980,814 | 93.22 |
| Total | 1,400 | 100% | 269,243,089 | 100 |

SUBSTANTIAL PRODUCT HOLDERS

According to Radius Care's records and notices given under the Financial Markets Conduct Act 2013, the following were substantial product holders of Radius Care as at 31 March 2022. The below shares may not represent the exact amount of shares currently held by these shareholders due to subsequent changes in shareholding after the lodging of the various Substantial Product Holder Notices.

| Substantial Product Holder | Number of Shares | % of Shares Held at Date of Notice | Date of Notice |
|--|------------------|------------------------------------|-------------------|
| Wave Rider Holdings Limited is the registered holder and beneficial owner of Shares as trustee for the Wave Rider Trust. As a result of Brien Cree having the right to appoint and remove trustees of the Wave Rider Trust, he has a relevant interest in Shares held by Wave Rider Holdings Limited as trustee for the Wave Rider Trust. | 95,312,500 | 35.40 | 22 September 2021 |
| ROC Capital Pty Limited is the manager of ACT Private Equity No.3 Fund, ROC Alternative Investment Trust VI and ROC Asia Pacific Co-Investment Fund II ("ROC Funds"). As a result of the management role performed by ROC Capital Pty Limited for the ROC Funds, ROC Capital Pty Limited has a relevant interest in the Shares held by Perpetual Corporate Trust Limited as custodian for the ROC Funds as follows: <ul style="list-style-type: none"> 5,994,760 Shares held on behalf of ACT Private Equity No.3 Fund; 5,994,760 Shares held on behalf of ROC Alternative Investment Trust VI; and 5,994,760 Shares held on behalf of ROC Asia Pacific Co-Investment Fund II | 17,984,280 | 10.19 | 10 December 2020 |
| Neil John Foster as registered holder and beneficial owner | 14,101,385 | 5.56 | 5 August 2021 |

The total number of ordinary shares (being the only class of quoted voting products) on issue in Radius Care as at 31 March 2022 was 269,243,089.



Corporate Directory

RADIUS RESIDENTIAL CARE LIMITED

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Auckland 1052

Postal address

PO Box 450
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Auckland

Phone

+64 9 304 1670

Website

www.radiuscare.co.nz

Investor Relations

investor@radiuscare.co.nz

SHARE REGISTRAR

Computershare Investor Services Limited

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Auckland 0622

Phone: +64 (9) 488 8700

Postal Address:

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Victoria Street West
Auckland 1142

Investor Enquiries:

09 488 8777
www.computershare.co.nz/investorcentre

BANKERS

ASB

ASB North Wharf
12 Jellicoe Street
Auckland 1010

AUDITORS

Baker Tilly Staples Rodway

Level 9
Tower Centre
45 Queen Street
Auckland 1010



Caring is our calling

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