calibre partners

Radius Residential Care Limited

Independent Appraisal Report in relation to the proposed UCG Transaction

14 April 2022

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1. Executive summary

1.1 Introduction

Radius Residential Care Limited (**Radius** or **the Company**) is a New Zealand incorporated company listed on the NZX Main Board. Radius provides health and aged care services for elderly persons. It has a nationwide presence, operating 23 aged care facilities and 3 retirement villages, offering a full range of accommodation and care options.

On 30 March 2022, Radius announced that it had entered into conditional sale and purchase agreements with UCG Investments Limited (**UCG**) to acquire the land and buildings of four aged care facilities currently operated by Radius (**UCG Acquisition**). The total consideration for the four properties is $46.7 million and is based on independent valuations of the land and buildings prepared Colliers.[1]

Contemporaneous with the UCG Acquisition, Radius entered into an agreement with Warehouse Storage Limited (**WSL**), whereby Radius nominated WSL (**WSL Nomination**) to acquire a fifth site from UCG, in place of Radius, for a consideration of $14.6 million (**Kensington Acquisition**). Pursuant to the terms of the WSL Nomination, Radius will continue to lease the fifth site from WSL and is granted an option to acquire the site between 24 May 2022 and the final expiry of the lease in 2044.

UCG and Radius have agreed that the sale and purchase agreements for all five properties will be entered into and settle concurrently. In other words, either all the properties will be sold to Radius and WSL, or none at all. The UCG Acquisition, the WSL Nomination and the Kensington Acquisition are collectively referred to as the **UCG Transaction**.

1.2 Potential outcomes

The UCG Transaction is conditional upon shareholder approval. Radius shareholders are being asked to vote to approve or reject the UCG Transaction by ordinary resolution. Radius's largest shareholder, Wave Rider Holdings Limited (35.4%), has indicated its intention to vote in favour of the transaction.

The possible outcomes are:

- **Shareholders approve the UCG Transaction**

  If Radius shareholders vote to approve the UCG Transaction, then the UCG Acquisition, the WSL Nomination and Kensington Acquisition will be executed and settled. Radius will acquire four properties from UCG and enter into a lease agreement with WSL for the fifth site, with the option to purchase the property.

- **Shareholders reject the UCG Transaction**

  If Radius shareholders vote to reject the UCG Transaction, then none of the UCG Acquisition, the WSL Nomination or Kensington Acquisition will be executed. If the properties are not acquired by Radius, UCG may market the properties for sale more broadly and they may be acquired by a new landlord. These properties may not become available for sale again for several years.

[1] Valuations prepared by CVAS (WLG) Limited, trading as Colliers.

1.3 Key issues to be considered by shareholders

For shareholders deciding whether to approve or reject the UCG Transaction, key issues to be considered include:

Benefits

- The UCG Transaction is in line with Radius's strategy and provides future development opportunities.
- The purchase consideration for the UCG properties is based on independent valuations for each of the properties, performed by Colliers. The property valuations are based on a market value definition of value which is broadly similar to other definitions of value premised on market participants acting in their economic best interests.
- The acquisition of the properties is accretive to EBITDA (excluding the impact of NZ IFRS 16).
- The annual lease payment for Radius Kensington will initially increase by approximately $87,000 at the three yearly CPI review due 22 May 2022. The existing lease will continue on the same terms, subject only to the variations noted at Section 6.5 of this report, including the grant to Radius by WSL of an option, at Radius' discretion, to acquire the property of Radius Kensington in the future. This provides Radius with future flexibility.
- The current cost of debt to fund the acquisition is lower than the rental yield on the properties.
- The UCG Transaction reduces operating cash flow risk and volatility by removing a fixed cost from the cost base.

Risks

- The UCG Transaction will initially be fully debt funded, and partially debt funded for either three or five years. The introduction of debt increases the financial leverage of the business. While the credit margin is fixed, the base rate is floating and exposes Radius to interest rate risk.
- Radius plans to raise equity capital of approximately $23 million within the next 5 months. Equity markets are inherently uncertain and can be volatile for a prolonged period of time. This may influence the amount that can be raised through a capital raise and / or the number of shares that need to be issued to raise $23 million. A capital raise will have a dilutive effect on existing shareholders to the extent they do not participate in the event in proportion to their existing shareholding.
- There are likely to be incremental costs of ownership, for example expenditure on large capital items which Radius currently does not pay for as a tenant.

Taking account of the above key issues, we consider the terms and conditions of the UCG Transaction is fair to Radius shareholders.

The above should be read in conjunction with our analysis of the UCG Transaction at Section 6 of this Report.

Voting on the UCG Transaction is a matter for individual shareholders based on their own views, circumstances, and investment objectives. It is therefore not possible to prescribe or advise what action an individual should take in respect to the UCG Transaction. Our advice is necessarily general in nature and is intended to assist each shareholder to form their own opinion as to what action they should take given their specific circumstances.

2. Background

2.1 Current situation

Prior to its listing on the NZX in December 2020, Radius leased the land and buildings of the majority (approximately 80%) of its aged care facilities. Since December 2020, in line with its strategic objectives, Radius has pivoted towards increased facility ownership in instances where ownership will provide Radius with greater control to undertake value accretive growth initiatives. Radius currently operates 23 aged care facilities, of which it owns 8 and leases 15. It also owns and operates three retirement villages.

Radius's leases are typically long term in nature with the average remaining lease term across the portfolio being 9.7 years until the next renewal date (or 23.8 years until final expiry). The leases are subject to periodic rental reviews, either linked to inflation or independently assessed market rent reviews. In terms of the lease agreements most are triple net lease agreements, meaning that Radius bears the cost of maintenance, pays for the building warrant of fitness and outgoings.

At the time of listing Radius communicated its growth strategy, part of which is to:

- Purchase strategically important facilities already operated (but not owned) by Radius, providing greater control to undertake value enhancing activities; and
- To leverage its brownfield development capabilities to undertake value accretive facility extensions and reconfigurations.

2.2 The UCG Transaction

Radius is proposing a series of transactions, summarised as follows:

The UCG Acquisition

Radius, through its wholly owned subsidiary Radius Care Holdings Limited (**Radius Holdings**) has entered into conditional sale and purchase agreements with UCG to acquire the land and buildings of four aged care facilities currently leased by Radius.

The properties subject to the UCG Acquisition are:

Table 1: Four UCG Acquisition sites

Facility	Location	Current care beds	Purchase price	Passing initial yield
Radius Arran Court	Te Atatu South, Auckland	102	$14,185,000	5.75%
Radius Fulton	Caversham, Dunedin	93	$13,650,000	6.00%
Radius Peppertree	Kelvin Grove, Palmerston North	62	$7,840,000	6.00%
Radius St Joans	Fairfield, Hamilton	85	$11,000,000	6.50%

The total purchase price for the properties is $46.675 million, which is based on independent property valuations prepared by Colliers for each property.

The UCG Acquisition will initially be 100% debt funded, utilising Radius's new and existing facilities with ASB Bank Limited (**ASB**). Radius intends to raise $23 million in equity capital later in 2022 to partially repay the bank debt.

Each site presents development opportunities. Radius has indicated that it will be able to add between 80 and 100 additional care beds to its portfolio should it pursue further development at the four sites.

The Nomination and the Kensington Acquisition

The same as for the UCG Acquisition, Radius Holdings has entered into conditional sale and purchase agreement with UCG, to acquire the land and buildings of fifth property already leased by Radius, the 'Radius Kensington' site in Hamilton.

Radius has stated that it is not in a position to suitably fund both the UCG Acquisition and the acquisition of the Kensington site. It has therefore entered into a separate agreement with WSL, whereby:

- Radius will nominate WSL to acquire the land and buildings of Radius Kensington. WSL is wholly owned by Neil John Foster, who is also a shareholder of Radius, holding 5.79% of the shares on issue.
- Radius and WSL will enter into a lease agreement with the following terms:
  - The current lease term expires in May 2024. Radius will exercise its right to extend the term of the lease to 22 May 2034 and WSL will grant Radius a further 10-year right of renewal, extending the final expiry date to 22 May 2044.
  - The lease payments will be indexed to inflation on an annual basis.
  - Radius will assume responsibility for all building related issues and maintenance of Radius Kensington.
  - WSL will grant Radius and option to acquire Radius Kensington at any time between 24 May 2022 and the final expiry of the lease in 2044. The purchase price will be determined based on a yield of 6.25% calculated on the annual rent at the time the option is exercised. The yield of 6.25% is the yield used by Colliers in its independent valuation of the Radius Kensington property.

2.3 Purpose of the Report and regulatory requirements

Radius has engaged Calibre Partners to prepare this Appraisal Report (**the Report**) pursuant to the NZX Listing Rules.

NZX Listing Rule 5.2.1

The UCG Transaction (which includes the UCG Acquisition, the WSL Nomination and the Kensington Acquisition) is subject to Rule 5.2.1(b) of the NZX Listing Rules, which states that an Issuer must not enter into a Material Transaction if a Related Party is, or is likely to become a direct party to the transaction, unless the transaction is approved by Ordinary Resolution, or the transaction is conditional upon such approval.

A Material Transaction includes a transaction or related series of transactions that involves Radius acquiring assets in respect of which the Aggregate Net Value (being the greater of the net tangible assets value of market value) is above 10% of the Average Market Capitalisation of Radius.

A Related Party includes an Associated Person which includes a person acting jointly or in concert with Radius.

The UCG Transaction is expected to be a Material Transaction as it will exceed 10% of Radius's Average Market Capitalisation. As Radius and WSL will be acting jointly and in concert in respect of the UCG Transaction, and because of WSL's association with Neil Foster, WSL is expected to be an Associated Person, and therefore also a Related Party of Radius for the purposes of Listing Rule 5.2.1.

Purpose of the report

NZX Listing Rule 7.8.8(b) requires that a notice of meeting for the purposes of Rule 5.2.1 must be accompanied by an Appraisal Report.

Calibre Partners was approved by NZX Regulation Limited (**NZRegCo**) on 31 March 2022 to provide an Appraisal Report related to the UCG Transaction.

Calibre Partners issues this report to the directors of Radius for the benefit of non-associated shareholders, to assist them in forming their own opinion on whether to vote for or against the resolution in respect of the UCG Transaction.

2.4 Other

The sources of information we have had access to and relied upon are set out in Appendix 1.

This Report should be read in conjunction with the statements and declarations set out in Appendix 2 regarding our independence, qualifications, general disclaimer and indemnity, as well as restrictions on the use of this Report.

References to '$', 'NZD' or dollars are to New Zealand dollars, unless specified otherwise. When referring to Radius, references to financial years or 'FY' mean Radius's financial years ending 31 March.

Tables may not add due to rounding.

3. Industry overview

3.1 Overview

The aged care residential services industry has changed over the last five years as facilities have progressively moved to high-care or hospital level models in line with increased resident acuity levels. The industry previously relied on institutionalised care however a growing number of market participants have been rolling out more contemporary integrated living options across aged residential care, retirement living and home care[2].

Over the past five years there has been an increase in the number of elderly people with higher functional dependency needs which has supported industry performance, which is expected to have grown at an annualised rate of 6.3% for the five years ending 2021-22. New Zealand's ageing population and the increasing proportion of the population aged over 70 will continue to drive industry expansion.

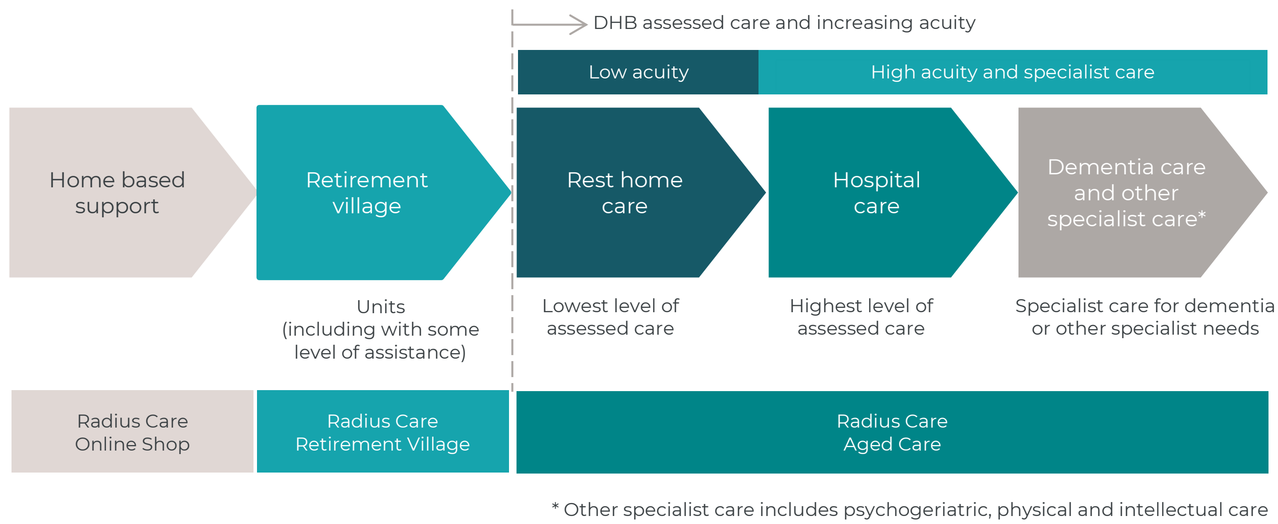
The continuum of care

There are three related sectors providing accommodation, support and care which together provide a full continuum of care options to meet individual needs.

- **Home based support:** this is part of the Government's strategy to encourage and assist people to remain supported in their own homes.
- **Retirement villages:** cater for individuals who can live independently or require low levels of assistance.
- **Aged care:** covers low acuity care (rest homes) and high acuity and specialist care (hospital, dementia, psychogeriatric, physical and intellectual care). Care is provided under a Ministry of Health (**MoH**) certification[3].

Figure 1 illustrates the typical movement of a resident through the continuum of care as they age, and greater assistance is needed.

Figure 1: Continuum of accommodation and care



Source: Radius Residential Care Limited NZX listing profile, December 2020

[2] Aged Care Residential Services in New Zealand report by IBISWorld, May 2021.
[3] Radius Residential Care Limited NZX listing profile, December 2020.

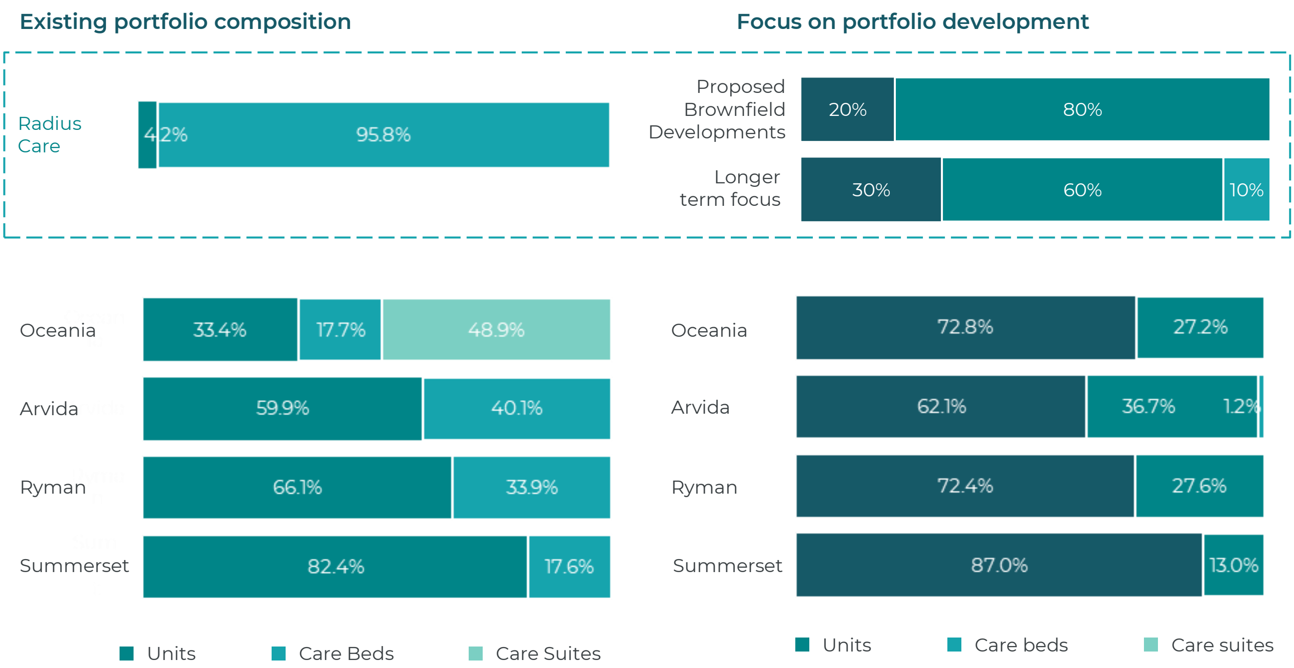
Industry participants and portfolio mix

Within the broader industry, the largest market participants are predominantly NZX-listed companies (Radius, Ryman Healthcare, Summerset Group, Oceania Healthcare and Arvida Group). The other significant operators are Metlifecare and global healthcare and insurance company, Bupa.

Radius is distinct from the other listed operators in that it is predominantly focussed on rest home, and in particular, specialist high acuity care. It offers residents 24 hour-a-day certified hospital, dementia or rest home care services. Staff, including qualified nurses, provide residents with complex nursing care and assist residents with their daily activities.

Figure 2 shows the accommodation mix in each NZX-listed operator's portfolio.

Figure 2: Aged care and retirement village operators' portfolios by accommodation type



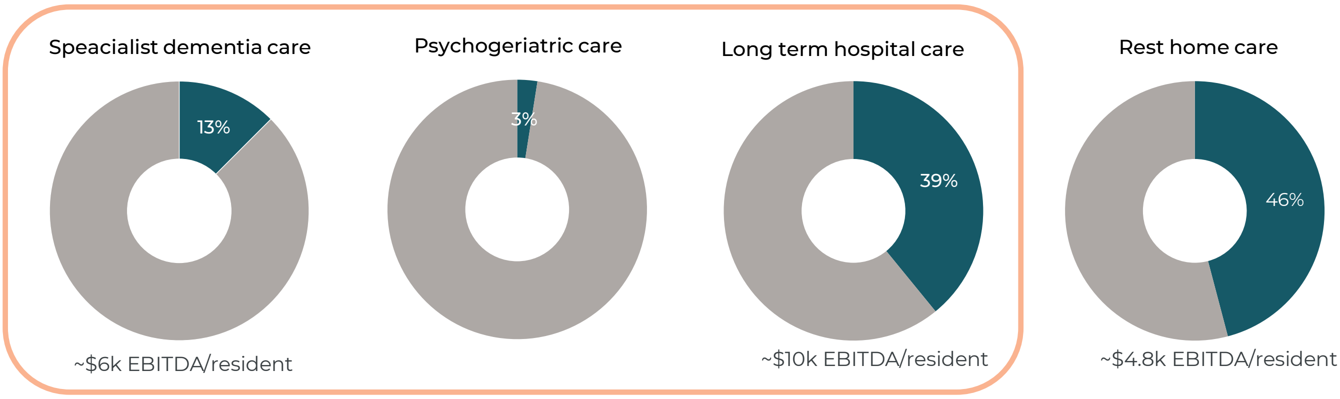
Source: Radius Residential Care Limited NZX listing profile, December 2020.

Entry into a rest home is usually prompted by deteriorating health or family support no longer being able to meet the required level of care. Residents can access a rest home from either a retirement village or directly from the community. To enter a rest home, a resident requires an independent assessment by a District Health Board Needs Assessor. Work and Income New Zealand provides means-tested subsidies to support rest home residents with care fees.

Product and services segmentation

Figure 3 shows the industry product segmentation and relative profitability. The industry is segmented into dementia care, psychogeriatric care, long term hospital care and rest home care. Each segments' revenue as a proportion of total industry revenue is shown in figure 3, together with relative profitability (measured as $EBITDA per resident). Radius's portfolio is oriented towards high acuity and specialist care, the highest margin segment in the industry with high barriers to entry, supported by strong expected demand levels.

Figure 3: Aged care residential services industry segmentation



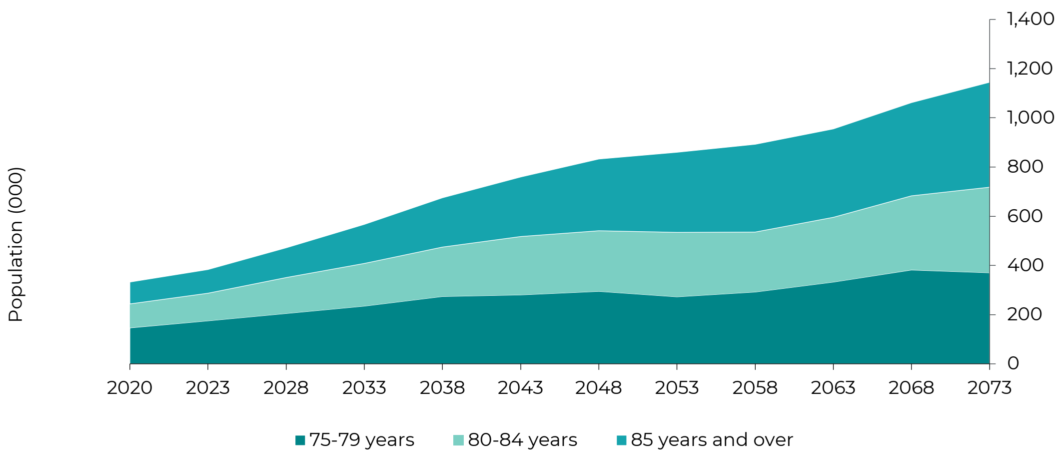
Source: Radius Residential Care Limited NZX listing profile, December 2020, IBISWorld

3.2 Key industry drivers

3.2.1 Ageing population

New Zealand's ageing population and increasing levels of dependency are key drivers of demand for both aged care and retirement villages services. As shown in Figure 4, it is estimated that the New Zealand population aged 75+ years will grow at 3.3% per annum over the next 28 years, increasing from 332,000 to 833,000 by 2048. The growth rate is expected to slow after 2043 and increase again in 2063.[4]

Figure 4: Population aged 75+ years



Source: Statistics New Zealand

[4] Statistics New Zealand

People aged 75+ years currently represent 7% of New Zealand's population and this is expected to increase to 14% by 2048.

In combination with the ageing demographic, life expectancy and the number of years dependency has increased. Demand for age-appropriate accommodation is anticipated to increase due to forecast growth in both the absolute and relative number of elderly people in New Zealand, particularly in the cohort aged 85 and over. As people age, they become more susceptible to a range of age-related and degenerative conditions, which results in the need for ongoing assistance with their everyday activities and personal care.[5] Compared to previous generations, elderly people moving into full-care residential facilities are older and have more complex needs.

3.2.2 Regulation and Government funding

Aged care residential services

Government funding plays a significant role in the aged care services sector.

Residential aged care facilities are required to be certified by the MoH under the Health and Disability Services (Safety) Act 2001. Aged care is provided by the District Health Boards (**DHBs**), which receive funding from the government under the Residential Care and Disability Support Services Act 2018[6]. DHBs have a contract in place with certified aged care providers, in the form of the MoH's national age-related residential care contract (**ARRC Contract**) to provide residential care to eligible residents. Funding under the ARRC contracts is set each year following a national review.

Care beds are funded by the government or can be privately funded through resident contributions. Approximately two thirds of residential aged-care residents receive a means-tested partial or full subsidy through funding from DHBs[7].

Over the next five years, the incidence of complex and chronic conditions among the elderly is anticipated to increase, contributing to rising demand for aged care services and government funding. In particular, rates of dementia are expected to continue rising[4].

Retirement villages

Retirement villages make up a smaller proportion of Radius's portfolio. Retirement village operators must comply with the Retirement Villages Act and appoint a statutory supervisor to protect the financial interests of the residents. Units in retirement villages are privately funded with incoming residents acquiring the right to occupy a unit under an Occupational Rights Agreement (**ORA**). Retirement village operators typical earn revenue through Deferred Management Fees (**DMF**), movements in the fair value of investment property and weekly service fees[8].

Retirement village operators generally price their units with reference to prevailing house prices in the area surrounding a village. Under the ORA ownership model, operators will generally capture capital gains for the units if house prices in the area appreciate in value.

Over the last 10 years, New Zealand residential property prices have experienced strong growth. The Housing Price Index (**HPI**), which is a measure of property values in New Zealand, increased by 141% over this period. In absolute terms, New Zealand's median house price increased from $354,000 to $880,000 between January 2012 and January 2022.

[5] Aged Care Residential Services in New Zealand report by IBISWorld, May 2021

[6] Total government expenditure on aged care services report by IBISWorld, September 2021

[7] Aged Care Residential Services in New Zealand report by IBISWorld, May 2021

[8] Radius Residential Care Limited NZX listing profile, December 2020.

Prior to 2022, the growth in house prices has been driven by a combination of:

- Natural population growth and strong net migration;
- The construction of new homes historically lagging demand for housing; and
- A historically low interest rate environment since 2008/2009.

The above factors have historically provided a highly supportive environment for house price appreciation. Since late 2021 however, many economists have signalled the expectation of a tightening real estate market in the near to medium term.

4. Radius overview

4.1 Background and history

Established in 2003, Radius is a New Zealand owned and operated company providing specialist and aged care services with a portfolio of 23 aged care facilities, comprising more than 1,700 beds and approximately 1,700 employees. It also owns three retirement villages with a total of 101 units. Radius is headquartered in Auckland.

While Radius provides some low acuity rest home level care, its aged care offering is focussed on the high acuity and specialist care segment of the market (being hospital, dementia, psychogeriatric, physical and intellectual care). The high acuity and specialist care segments have the strongest expected demand growth, the highest care bed EBITDA margins, as well as strong barriers to entry[9].

Radius was brought into New Zealand ownership in 2010. The current Executive Chairman, Brien Cree led a management buyout of the company in early 2010.

On 10 December 2020, Radius Care listed its 176 million ordinary shares on NZX at $0.80 each (implying a market capitalisation of $141 million). All shares were fully subscribed by existing owners, staff and others.

A timeline of key events since Radius's listing is shown in Figure 5 below.

Figure 5: Timeline of key events

December 2020	Radius is listed on the NZX. 176 million shares issued at a share price of $0.80 per share.
April 2021	Radius exercised its right to acquire development land in Christchurch. Resource consent was granted to build a facility totalling 70 care beds, 30 care suites and 94 retirement village units.
July 2021	Radius announces a fully subscribed $30 million placement at $0.52 per share. Proceeds to be used to fund the cash component of the $31.4 million acquisition of four strategically important sites **(the Ohaupo acquisition)**. Shares worth $10 million issued to Ohaupo as part payment for the properties.
August 2021	Oversubscribed retail offer raises $8.2 million. Shares issued at $0.52 per share.
October 2021	Radius announce the acquisition of Clare House for $14.5m, being a 3% discount to the independent valuation prepared by Colliers.
March 2022	Radius announces the UCG Transaction.

Source: NZX announcements

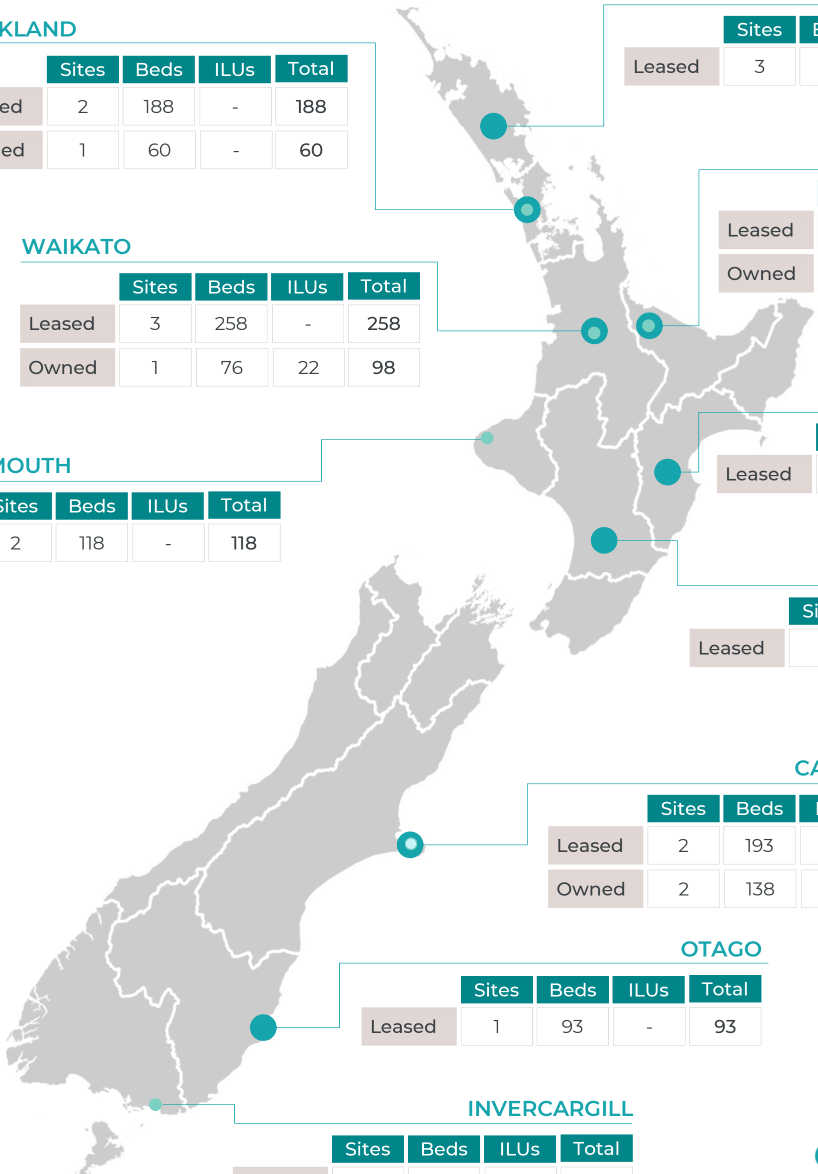
[9] Aged Care Residential Services in New Zealand report by IBISWorld, May 2021

4.2 Operations

Radius operates a nationwide portfolio of aged care facilities with a focus on key urban and regional centres. It also operates three retirement villages in Waikato, Timaru and Invercargill.

The geographic distribution of Radius's aged care facilities is shown in Figure 6

Figure 6: Radius geographic coverage



NORTHLAND

	Sites	Beds	ILUs	Total
Leased	3	155	-	155

AUCKLAND

	Sites	Beds	ILUs	Total
Leased	2	188	-	188
Owned	1	60	-	60

BAY OF PLENTY

	Sites	Beds	ILUs	Total
Leased	2	266	-	266
Owned	1	63	-	63

WAIKATO

	Sites	Beds	ILUs	Total
Leased	3	258	-	258
Owned	1	76	22	98

NAPIER

	Sites	Beds	ILUs	Total
Leased	1	45	-	45

NEW PLYMOUTH

	Sites	Beds	ILUs	Total
Owned	2	118	-	118

PALMERSTON NORTH

	Sites	Beds	ILUs	Total
Leased	1	62	-	62

CANTERBURY

	Sites	Beds	ILUs	Total
Leased	2	193	-	193
Owned	2	138	54	192

OTAGO

	Sites	Beds	ILUs	Total
Leased	1	93	-	93

INVERCARGILL

	Sites	Beds	ILUs	Total
Owned	1	69	25	94

Denotes leasehold sites

Denotes leasehold sites

Source: Radius Residential Care Limited

4.3 Share ownership

Radius has a total of 269,243,089 shares on issue. As at 28 March 2022, the top 20 shareholders accounted for 75.7% of the ordinary shares on issue.

Table 1: Share Register as at 28 March 2022

Shareholder		Shares	Percentage
1	Wave Rider Holdings Limited	95,312,500	35.40%
2	Neil John Foster	15,595,040	5.79%
3	Aaron Snodgrass & Brian Maltby & Simon Curran & Frances Valintine & Peter Alexander & Jonathan Mason	10,866,430	4.04%
4	Forsyth Barr Custodians Limited	6,671,364	2.48%
5	Perpetual Corporate Trust Limited (Act Private Equity No 3 Fund)	5,994,760	2.23%
6	Perpetual Corporate Trust Limited (Roc Alternative Investment A/C VI)	5,994,760	2.23%
7	Perpetual Corporate Trust Limited (Roc Asia Pacific Co Investment Fund II)	5,994,760	2.23%
8	BNP Paribas Nominees (NZ) Limited	5,603,493	2.08%
9	Accident Compensation Corporation	5,097,500	1.89%
10	Glenn Raymond Miller	4,807,692	1.79%
11	Trevor Maxwell Jones	4,807,692	1.79%
12	Leveraged Equities Finance Limited	4,735,630	1.76%
13	New Zealand Depository Nominee Limited	4,708,162	1.75%
14	FNZ Custodians Limited	4,691,726	1.74%
15	Takatimu Investments Limited	4,617,783	1.72%
16	Central Lakes Direct Limited	4,434,102	1.65%
17	Quintin Louis Proctor	4,326,924	1.61%
18	HSBC Nominees (New Zealand) Limited	3,761,196	1.40%
19	Andrew John Clark	3,066,502	1.14%
20	Custodial Services Limited	2,632,023	0.98%
Top 20 shareholders		**203,720,039**	**75.66%**
Remaining shareholders		65,523,050	24.34%
Total		**269,243,089**	**100.00%**

Source: Computershare data, which looks through shares held by New Zealand Central Securities Depository as a bare trustee custodian

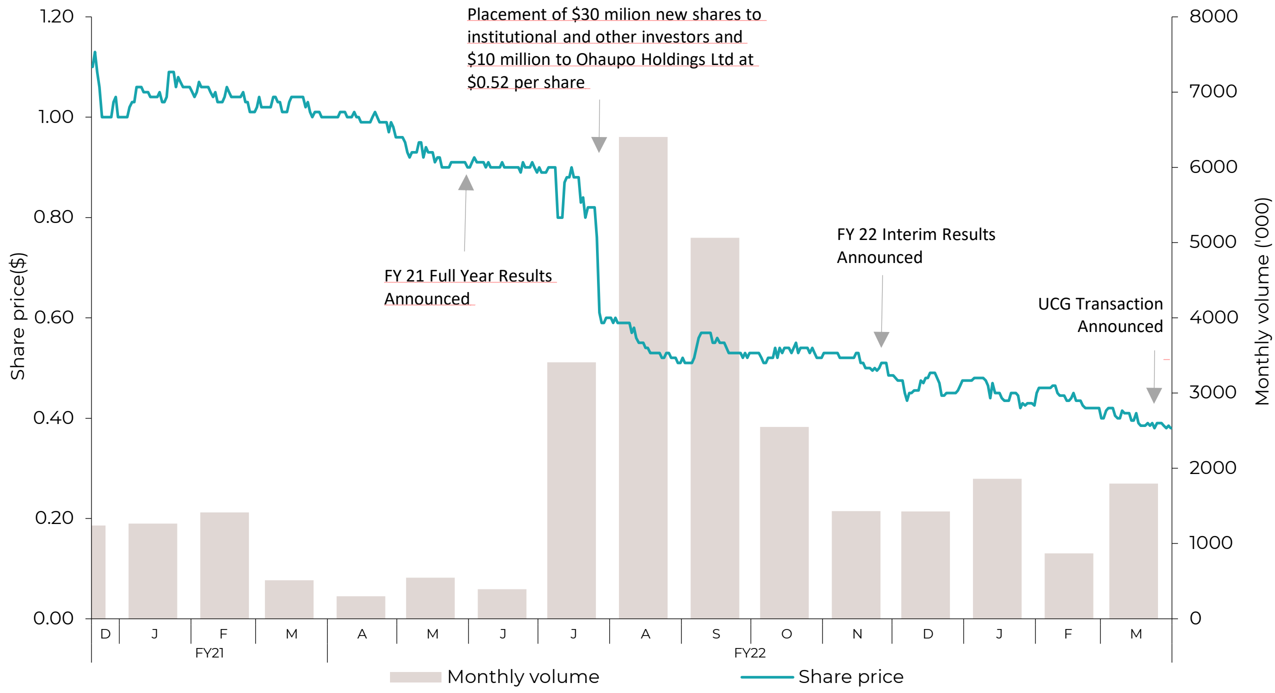
The majority shareholder is Wave Rider Holdings Limited with 35.4% shareholding. Brien Cree has the power to control the exercise of the rights attaching to the shares held by Wave Rider Holdings Limited.

Other than Wave Rider, the shares are widely held by institutional and retail investors.

4.4 Share price performance

Figure 7 presents the prices and volume of the shares traded in Radius since 20 December 2020 (listed on 10 December 2020).

Figure 7: Share Price and volume traded on NZX Main Board



Following the listing, Radius's share price initially rose to $1.09, however between January 2021 and early July 2021 it gradually declined to $0.89 per share. This was largely attributed to the uncertainty surrounding the COVID-19 pandemic. The share prices of competing aged healthcare services companies recorded a similar decline over the period.

On 9 July 2021, Radius announced an equity capital raise of $40 million, issuing new shares at $0.52 per share. The funds were used to purchase land and buildings of four sites from Ohaupo Holdings Limited (**Ohaupo**) and to pay down existing debt. Shares worth $30 million were issued to institutional shareholders, high net worth investors and retail investors, the remaining $10 million dollars' worth of shares were issued to Ohaupo as partial consideration for the property acquisition.

Since July 2021, the share price has declined further to $0.38 per share immediately prior the UCG transaction announcement.

5. Financial overview

5.1 Financial performance

Table 2 summarises Radius's earnings for the years ending 31 March 2018 to 2021 and the interim period ending 30 September 2021. The financial statements below are based on Radius's management accounts, with a reconciliation to the audited statutory accounts. The financials exclude abnormal/non-recurring amounts.

Table 2: Profit and loss summary ($000)

	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	H1FY22 Actual
Residential Care Fee Income	99,085	108,095	113,359	121,217	64,458
Deferred Management Fees	400	573	671	1,081	449
Total operating income	**99,485**	**108,668**	**114,030**	**122,298**	**64,907**
Employee Costs	(58,361)	(64,683)	(70,852)	(73,479)	(39,292)
Facility Expenses	(24,425)	(26,553)	(27,152)	(27,882)	(21,105)[10]
Overhead Expenses	(8,768)	(9,251)	(10,148)	(12,570)	
EBITDA	**7,931**	**8,181**	**5,878**	**8,368**	**4,510**
Depreciation and amortisation	(2,962)	(3,583)	(3,700)	(4,263)	(2,200)
Earnings before Fair Value Movements	**4,969**	**4,598**	**2,178**	**4,106**	**2,310**
Net Interest Expense	(543)	(805)	(1,134)	(812)	(389)
Fair Value Movement of Investment properties	684	1,442	(649)	2,879	(65)
Underlying Profit	**5,110**	**5,235**	**395**	**6,172**	**1,856**
Tax Expense	(1,336)	(1,052)	500	(324)	(328)
Net Profit/(Loss)	3,775	4,183	895	5,848	1,528
One-off adjustments					
Add: Government Subsidy			353	794	-
Less: Share Based Payments			-	(1,664)	-
Add: Gain on acquisition of leased property assets			-	-	1,403
Net IFRS 16 Adjustments			(4,081)	(3,274)	(1,597)
Per audited statutory accounts			**(2,833)**	**1,704**	**1,334**

Source: S&P Capital IQ and Radius management accounts

The management accounts do not reflect certain NZ IAS and NZ IFRS adjustments. Most notably the impact of NZ IFRS 16 *Leases* (**NZ IFRS 16**) is not shown in the management accounts. Radius uses certain non-GAAP measures such as 'Underlying Profit', which are discussed in Section 6.6. A reconciliation to the net profit after tax per the audited financial statements is included in the table above.

Revenue

Radius principally derives its revenue from residential care and related services. Rest home, hospital and service fee charges are governed by the individual care admission agreement with each resident. The resident incurs a daily charge fee stipulated in the agreement and is set by the Government each year.

The majority (approximately 64%) of Radius's revenue is Government funded revenue provided under the ARRC Contracts. Government aged care subsidies received from the MoH, and included in care fees and village services, amounted to $78.0 million in FY21 (FY20: $72.5 million). Radius is focussed on increasing the proportion of revenues derived from non-Government sources, particularly increasing resident

[10] Facility Expenses include other overhead expenses in H1FY22.

adoption of privately funded accommodation supplements and increasing retirement village revenues. The proportion of government funded revenue as percentage of total revenue has decreased from 65.8% in FY20 to 63.8% in FY21.

Residential care fee income increased from $99 million to $121 million between FY18 and FY21, representing a compound annual growth rate of 6.9%. Growth over this period is as a result of improved occupancy, more specialised bed offerings and additional accommodation supplements.

Deferred Management Fees (**DMF**) are related to the Occupation Right Agreements (**ORA**) for the retirement units. DMF is only received when residents exit their units. The accounting for DMF is sensitive to the expected turnover of residents, because DMF is recognised on a straight-line (accrual) basis over the expected occupancy period for residents.

Operating expenses

Employee costs account for the largest proportion of total expenses incurred by Radius. It increased from $58.4 million (58.7% of revenue) in FY18 to $73.5 million (60.1% of revenue) in FY21. The primary reasons for the higher employee costs as a proportion of revenue are wage inflation (increased further due to border related supply constraints), hiring more people into senior management roles ahead of the NZX listing and expansion of Radius's village and residential care operations requiring more support staff. Radius also incurred additional Covid-19 related costs during FY20 and FY21 for protective equipment, additional sick leave and isolation leave and other health and safety expenses related to Covid-19.

Facility expenses relate to the amount spent on maintenance and upkeep of facilities. Other overhead expenses include general admin, information technology, professional services etc. Between FY18 and FY21 these combined costs have increased in absolute terms, however at a slower rate compared to revenue. In line with its communications at the time of listing, management has focussed on maximising cost efficiencies where possible.

5.2 Financial position

Table 3 shows Radius's financial position as at 31 March for the years ending 2018 to 2021 and as at 30 Sep 2021 based on management accounts and audited financial statements.

Table 3: Historical Financial Position ($000) [11]

	Mar 18	Mar 19	Mar 20	Mar 21	Sep 21
Cash	1,768	4,236	2,317	2,761	6,741
Trade receivables	7,406	6,549	7,648	7,744	10,502
Inventory	181	168	308	548	629
Property, plant and equipment	17,836	18,886	32,303	32,896	64,247
Investment properties	20,058	23,727	27,831	31,675	31,773
Right-of-use assets	–	–	181,431	177,170	137,038
Intangible assets	16,996	16,996	16,996	16,996	16,996
Other assets	2,479	2,776	2,006	3,635	3,636
Total assets	**66,724**	**73,338**	**270,840**	**273,425**	**271,562**
Trade and other payables	11,697	13,245	14,086	14,911	15,230
Refundable ORA	11,532	15,531	17,518	20,591	21,534
Loans - Bank	22,285	20,465	31,427	27,212	18,712
Lease liabilities	–	–	185,304	184,305	144,366
Shareholder loans	5,067	5,070	–	–	–
Other liabilities	1,433	1,159	1,685	2,313	1,596
Total liabilities	**52,014**	**55,470**	**250,020**	**249,332**	**201,438**
Net assets	**14,710**	**17,868**	**20,820**	**24,093**	**70,124**

Source: S&P Capital IQ and audited financial statements

Property, plant and equipment and Investment properties are significant assets on Radius's balance sheet.

Property, plant and equipment (**PP&E**) includes acquired land and buildings and furniture, fixtures and fittings. The significant increase in the PP&E balance in recent years has been driven by Radius's growth strategy. PP&E increased from $32.9 million in March 2021 to $64.3 million in September 2021 following the Ohaupo acquisition in July 2021 for $31.4 million.

Investment properties include completed freehold land and buildings, freehold development land, and buildings under development. This consists of independent living units and common facilities, provided for use by residents under the terms of an ORA. Investment properties are valued on an annual basis by CBRE Limited (**CBRE**).

Historically Radius has funded its acquisitions and development through mix of debt and equity. It targets a debt-to-equity ratio of approximately 30%.

The refundable ORA's are repayable when the resident vacates the unit or upon the termination of the ORA and subsequent resale of the unit. The amount repayable has increased over the years with development of new units and subsequent sales.

The increase in the net assets between March and September 2021 is due to a $35 million capital raise used to partially fund the Ohaupo acquisition and pay down debt. A further $10 million worth of shares were issued as part payment for the Ohaupo properties.

[11] The presented financial position statement includes the impact of *NZ IFRS 16*

5.3 Capital expenditure

Radius's historical capital expenditure is summarised in Table 4. Radius incurs capital expenditure on asset replacements, land and building acquisitions and development of retirement villages. Radius has a strong pipeline of greenfield and brownfield developments.

Table 4: Capital expenditure ($000)

	FY17	FY18	FY19	FY20	FY21
Total capital expenditure	8,803	6,015	6,929	15,028	4,542

Total capital expenditure (**capex**) includes maintenance capex as well as development capex. Maintenance capex (which is used in the available funds from operations calculation) is in the region of $4 million per annum. No incremental maintenance capex is expected from the UCG Transaction (excluding future developments).

Radius expects to add an additional 124 care beds and 42 independent living units through brownfield development pipeline (excluding the UCG Transaction).

5.4 Dividends

Radius's dividend policy is to target a pay-out ratio of 50% to 70% of a full financial year available funds from operations (**AFFO**) with an interim dividend to be paid in December and a final dividend to be paid in June of each year.

Radius declared a fully imputed interim dividend of $0.70 per share for H1FY22 up 20% on prior comparative period. This was paid to shareholders on 23 December 2021.

Radius's interim and final dividend for FY21 and FY22 are shown below. All dividends have been fully imputed.

Financial Year	Interim Div.	Final Div.
FY22	0.70	
FY21	0.58	0.89

6. Evaluation of the UCG transaction

6.1 Bases of evaluation

NZX Listing Rule 7.10.2 requires an Appraisal Report to consider whether the terms and conditions of the UCG transaction is fair to the Non-associated Shareholders.

As there is no legal definition for the term 'fair' in the NZX Listing Rules or in any New Zealand statute dealing with securities or commercial law, we consider the UCG transaction is fair to Non-associated Shareholders if:

- The price paid for the UCG properties is reasonable; and
- The terms and conditions of the proposed agreement with WSL to lease the facilities of Radius Kensington, and the option to acquire the property, are fair.

We have evaluated the fairness of the UCG transaction by reference to:

- The rationale for the UCG transaction.
- The consideration paid for the UCG acquisition properties.
- The terms and conditions of the UCG acquisition.
- The terms and conditions of the Radius Kensington lease and option agreement with WSL.
- The impact of the UCG transaction on Radius's performance and financial position.
- The implications of the resolution not being approved.
- Other factors that we consider relevant to shareholders.

We set out each of these issues below.

6.2 Rationale for the UCG transaction

Part of Radius's stated growth strategy is to:

- Purchase strategically important facilities already operated (but not owned) by Radius, providing greater control to undertake value enhancing activities; and
- Leverage its brownfield development capabilities to undertake value accretive facility extensions and reconfigurations.

Radius purchases properties in the following instances:

- There is a clear development opportunity which may be currently constrained by the landlord;
- The landlord has the financial capacity to fund development however the rental increase is not attractive;
- It provides an enhanced legal position through direct ownership, allowing the ORA product to be offered;
- It gives Radius greater control over larger capital items; and/or
- There is a financial benefit if the cost of debt funding is lower than the annual rent charge.

Radius has already started executing on this strategy with the development of Glaisdale and Windsor Court and the acquisition of Thornleigh Park, Lexham Park and four Ohaupo properties prior to 2022. The UCG Acquisition will increase Radius's owned portfolio by 342 beds, as well as:

- Acquire nearly one third of its remaining legacy leasehold properties which may not become available for sale again for several years. If successful, following the UCG Transaction, Radius will own 12 of its 23 aged care residential facilities and an option to acquire another;
- Increase Radius's development pipeline. With the exception of Radius Kensington, there is vacant land at each of the sites, presenting future development and growth opportunities;
- While Radius Kensington is not being acquired by Radius it is part of the portfolio of UCG properties offered for sale. The terms of the UCG offer is that the portfolio of properties is sold. Either all five properties are sold to Radius and WSL, or none. Therefore, the WSL Nomination to acquire the property is key to securing the remaining four UCG properties;
- The UCG Acquisition and Kensington properties are individually profitable sites and Radius has historically been responsible for repairs and maintenance and minor capital improvements. The properties have therefore been maintained to a high standard and no incremental maintenance or operational costs are anticipated with ownership of the facilities; and
- Radius will continue to lease the Radius Kensington facilities with the option to acquire it in the future.

6.3 Consideration paid for the UCG Acquisition properties

The purchase price for the UCG Acquisition is based on independent valuations performed by Colliers for each of the properties. The valuations were carried out between November 2021 and January 2022. UCG instructed Colliers to prepare the valuations for Westpac New Zealand Limited for first mortgage purposes. Colliers does not disclose any potential conflicts of interest it may have by acting on UCG's instructions.

We are not specialist property valuers however we have reviewed the valuation reports and note the following:

Definition of value

The valuer's definition of value is market value which it defines as follows:

> *"Market value is the estimated amount for which an asset or liability should be exchanged on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".*

This definition is broadly similar to other definitions of value premised on independent market participants, not acting under compulsion or duress, but acting in their economic best interests when pricing an asset.

Qualifications and experience

The valuer confirms that the valuations have been undertaken in accordance with the requirements of the International Valuation Standards (effective 31 January 2020) and the Australia and New Zealand Valuation and Property Standards and Guidance Papers for Valuers & Professionals. The signatory to the reports is stated as being experienced in the location and category of the properties valued.

Methodology

The properties have been valued as investment properties with leases in place rather than a freehold going concern. As a primary valuation methodology, Colliers has adopted a 'direct capitalisation of passing income' approach as its primary valuation approach. To do this it capitalises an assumed market rental for the subject property by a market yield (or capitalisation rate).

The current rental of each property is compared to the rental observed for other aged care facilities to establish whether it is reflective of a market rental and can be used in the valuation. In all instances the current rental paid by Radius is deemed to be consistent with a market rent, albeit the range observed is wide.

The yield (or capitalisation rate) at which the rental payment is capitalised is based on the yield observed across a number of comparable transactions of aged care facilities. Generally, the sales reflect a broad range of implied yields, which reflects the specifics of each transaction such as the value of the underlying land, the physical characteristic of the buildings, rent relative to market, length of the lease in place etc. Colliers considers the transaction evidence, the characteristics of the subject property and applies professional judgement and experience in its conclusion on the capitalisation rate it applies.

Market risk

Colliers highlights the increased latent risk across all asset classes and property sectors due to COVID-19. The risk relates to how the future will play out over the coming weeks, months and years. As such, it considers this is a variable that cannot be explicitly priced. Colliers notes its market value is determined as at valuation date and is based on events and circumstances up to that date and reflects sentiment at that point in time. The valuations were performed between November 2021 and January 2022.

6.4 Terms and conditions of the UCG Acquisition

In total, the UCG Acquisition consideration is $46.675 million. Initially the purchase price will be 100% debt funded using the following existing and new facilities provided by ASB.

- New ASB loan facility: $23.675 million with a term of up to five years.
- Existing development facility: $15 million will be repurposed to fund the UCG Acquisition for five months.
- Bridging facility: $8 million with a term of five months.

Radius intends to raise approximately $23 million in equity capital to pay down the existing development and bridging facilities within 5 months of acquiring the properties. The decision to delay a public capital raise was due to the recent volatility in equity markets.

6.5 Terms and conditions of Radius Kensington lease and option agreement with WSL

As part of the Kensington Acquisition and WSL Nomination, Radius and WSL will enter into a variation of the lease on the following terms:

- The current lease term expires in May 2024. Radius will exercise its right to extend the term of the lease to 22 May 2034 and WSL will grant Radius a further 10-year right of renewal, extending the final expiry date to 22 May 2044.
- The annual lease payment will be revised from $912,605 to $1,000,215. The current lease payment to UCG is based on the last rental renewal, the increase under the WSL agreement is effectively resetting the lease payment in line with CPI increases since the last rent review.
- The lease payments will be adjusted annually for inflation.
- Radius will assume responsibility for all building related costs and maintenance of Radius Kensington.
- WSL will grant Radius an option to acquire Radius Kensington at any time between 24 May 2022 and the final expiry of the lease. The purchase price will be determined based on a yield of 6.25% calculated on the rent at the time the option is exercised.
- The yield of 6.25% is the yield used by Colliers in its independent valuation of the Radius Kensington property and derived on the same basis described in Section 6.3.

6.6 Impact of the UCG Transaction on Radius's financial statements

Reporting measures

The impact of the UCG Transaction on the financial performance and position is based on the impact it will have on EBITDA, Underlying Profit and AFFO which are non-GAAP financial measures.

Underlying Profit and AFFO do not have a standardised meaning prescribed by NZ GAAP. Radius uses Underlying Profit and AFFO, with other measures, to monitor financial performance and for determining dividends. Radius uses these measures consistently across reporting periods, and management believes these non-GAAP financial 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 internal management reporting.

Underlying Profit is a measure that excludes the impact of NZ IFRS 16. It reflects the actual lease rental expense rather than the NZ IFRS 16 equivalent, which instead includes depreciation on the right of use asset and interest expense on the lease liabilities.

AFFO is calculated from Underlying Profit and is adjusted to exclude depreciation and amortisation and include (i.e. deduct) maintenance capital expenditure.

We have described the outcome of our analysis below. Our analysis was performed on the FY22 results (11 months actual plus one-month budget) and board approved FY23 budget. We are unable to include our analysis showing the FY22 and FY23 numbers as these are not publicly available (Radius expects to announce its FY22 results by 30 May 2022). We have therefore presented our analysis describing the incremental effect on earnings and cash flows.

Impact on financial performance (excluding NZ IFRS 16)

Based on the current rental expense and anticipated inflation adjustments, the acquisition of the UCG properties will provide an incremental $2.8 million to FY23 EBITDA (excluding the impact of NZ IFRS 16). This is net of the annual increase in the Radius Kensington lease.

The transaction will result in additional depreciation and interest charges of $0.6 million and $1.1 million, respectively in FY23. The interest charge assumes a capital raise is successful in, or around, July 2022. Following the expected paydown of debt, the interest charge related to the UCG Transaction will decrease to $0.94 million in FY24. The equity capital raise will incur transaction costs, estimated in our analysis to be in the region of $1.2 million.

The cumulative rental saving over a five-year period, including inflation adjustments, is $13.8 million (net of the Radius Kensington lease impact), in comparison to the cumulative cost of debt across the same period being $5.7 million (including establishment fees) and $1.2 million capital raise transaction costs.

The per share impact has not been included as the terms of the future capital raise are not yet known, however it will increase the number of shares on issue and create a dilutive impact on the per share measures.

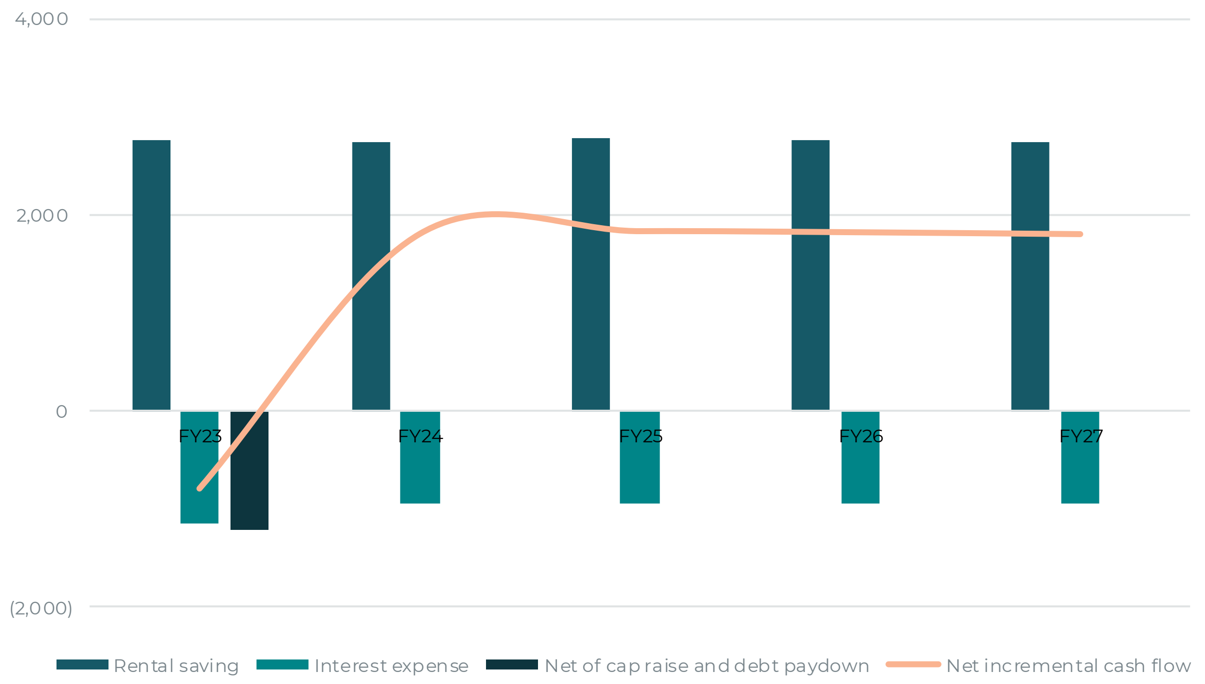
Impact on AFFO and dividends

Radius targets a dividend pay-out ratio of 50% to 70% of the full financial year AFFO. The impact on AFFO is expected to be accretive, in line with the increase in EBITDA, however adjusted for higher associated depreciation and interest costs.

Radius bears the cost of maintenance capex at its facilities regardless of whether they are leased or owned. Therefore, no incremental maintenance capex is expected as a consequence of the UCG Transaction.

The net impact of the incremental cash flows related to the UCG Transaction is positive over a five-year period, as shown in figure 7. Note this does not factor in the potential acquisition of Radius Kensington, the proposed capital raise of repayment of the ASB facility ($23.675 million) at the end of either three or five years.

Figure 7: Incremental cash flow



Impact on Radius's financial position of the proposed transaction

The UCG transaction (and future proposed capital raise) will increase Radius's total assets, debt and equity. Our analysis of the impact on Radius's financial position is based on the balance sheet as at 28 February 2022. We have used this as a proxy for the financial position at the time the transaction concludes on 29 April 2022.

The equity ratio, measured as the *'book value of total shareholders' funds'* divided by *'total assets'*, remains above the minimum of 30% as required by the ASB covenants for the period prior to the capital raise, and is greater than the minimum 40% required by ASB following the proposed capital raise.

We consider the definition of value adopted by Colliers to be broadly consistent with other definitions of value premised on market participants acting in their economic best interests. Colliers are professional property valuers with the necessary skill and experience to value the subject properties.

Summary of the impact on Radius' financial performance

The Radius Kensington lease agreement will increase by approximately $87,000 per annum at the time of the transaction. This is to reset the lease terms in line with inflationary increases since the last rent review. The remaining terms of the lease agreement with WSL are substantially consistent with the terms of the original UCG lease agreement and considered representative of a market related commercial agreement.

The yield at which Radius can acquire the Radius Kensington property is fixed and based on current market yields for comparable properties. As Radius has the option to acquire the property at its discretion, should 6.25% become unfavourable relative to market yields in the future Radius need not exercise its option and can continue leasing the property. The option provides future flexibility to Radius.

The UCG Transaction will be accretive to both EBITDA and AFFO (excluding the impact of NZ IFRS 16) and provides positive incremental net operating cash flows over the next five years.

6.7 Implications of the resolution not being approved

If Radius shareholders vote to reject the UCG Transaction, then none of the UCG Acquisition, the WSL Nomination or Kensington Acquisition will be executed. If the properties are not acquired by Radius, UCG may market the properties for sale more broadly and they may be acquired by a new landlord. These properties may not become available for sale again for several years.

6.8 Other factors relevant to shareholders

Other factors the shareholders may consider in making their decision include:

Benefits

- The UCG Transaction is in line with the company's stated strategy and provides future development opportunities.
- The current cost of debt to fund the acquisition is lower than the rental yield on the properties.
- Reduce operating cash flow risk and volatility by removing a fixed cost from the cost base.

Risks

- The UCG Transaction will initially be fully debt funded, and partially debt funded for either three or five years. The introduction of debt increases the financial leverage of the business. While the credit margin is fixed, the base rate is floating and exposes Radius to interest rate risk.
- Radius plans to raise equity capital of approximately $23 million within the next 5 months. Equity markets are inherently uncertain and can be volatile for a prolonged period of time. This may influence amount that can be raised through a capital raise and / or the number of shares that need to be issued to raise $23 million. A capital raise will have a dilutive effect on existing shareholders to the extent they do not participate in the event in proportion to their existing shareholding.
- There are likely to be incremental costs of ownership, for example expenditure on large capital items which Radius currently does not pay for as a tenant.

Appendix 1: Sources of information

Documents relied upon

Key information sources we have used and relied on, without independent verification, in preparing this Report include the following:

- Radius Residential Care Limited NZX listing profile dated 10 December 2020.
- Radius Residential Care Limited, 2021 Annual Report.
- Radius Residential Care Limited, 2022 Interim Financial Statements.
- Radius Residential Care Limited, 2021 and 2022 Interim Results Presentations.
- Radius Care UCG Investments Limited Properties purchase & development paper dated 23 March 2022.
- Five-year forecast model prepared by Radius management.
- Management reconciliation of management accounts to statutory financial statements.
- Signed Deed of nomination for Radius Kensington.
- Radius Care ASB term sheet.
- Colliers valuation report, Radius Peppertree, 17 November 2021.
- Colliers valuation report, Radius Arran Court, 6 January 2022.
- Colliers valuation report, Radius Fulton, 24 January 2022.
- Colliers valuation report, Radius St Joans, 5 January 2022.
- Lease agreements for Arran Court, Fulton, Peppertree, St Joans and Kensington.
- Aged Care Residential Services in New Zealand report by IBISWorld, May 2021.
- Total government expenditure on aged care services report by IBISWorld, September 2021.
- Statistics New Zealand.
- Reserve Bank of New Zealand website.
- S & P Capital IQ.
- NZX Announcements.
- Other publicly available information.

We have also had discussions with Radius's management in relation to the nature of Radius's business operations, the known risks and opportunities for the company in the foreseeable future, and the UCG Transaction.

In our opinion, the information contained in this Report, together with the information set out in the Notice of Meeting circulated to shareholders with this Report, is sufficient to enable the Non-associated Shareholders to make an informed decision with respect to the subject matter of the UCG Transaction.

In accordance with NZX Listing Rule 7.10.2(f), all material assumptions on which our appraisal opinion is based are contained in this Report. The key material assumption we made when preparing this independent appraisal report is what will occur if shareholders reject the UCG Transaction. We refer to Sections 1.2 and 6.7 of this Report.

Reliance upon information

In forming our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Radius and its advisers. We have no reason to believe any material facts have been withheld and we believe that we have been provided with or obtained all information needed to prepare this Report.

We have evaluated that information through analysis, enquiry and examination for the purposes of forming our opinion, but we have not verified the accuracy or completeness of any such information. We have not carried out any form of due diligence or audit on the accounting or other records of Radius. We do not warrant that our enquiries would reveal any matter that an audit, due diligence review or extensive examination might disclose.

Appendix 2: Qualifications and declarations

Qualifications

Calibre Partners is an independent New Zealand Chartered Accounting practice. The firm has established its reputation nationally through the provision of professional financial consultancy services with a corporate advisory and insolvency emphasis, and because we have no audit or tax divisions, we avoid potential conflicts of interest that may otherwise arise. This allows Calibre Partners to regularly act as an independent adviser and prepare independent reports.

The persons responsible for preparing and issuing this Report are Grant Graham (BCom, CA), Shaun Hayward (BCom, BProp, CFA) and Gillian Andrews (BCom, BSc, CA(SA)). All have significant experience in providing corporate finance advice on mergers, acquisitions and divestments, advising on the value of shares and undertaking financial investigations.

Disclaimers

This Report should not be used or relied upon for any purpose other than as an expression of Calibre Partners' opinion as to merits of the proposed transaction. Calibre Partners expressly disclaims any liability to any Radius shareholder that relies, or purports to rely, on this Report for any other purpose and to any other party who relies, or purports to rely, on the Report for any purpose.

This Report has been prepared by Calibre Partners with care and diligence, and the statements and opinions given by Calibre Partners in this Report are given in good faith and in the belief, on reasonable grounds, that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Calibre Partners or any of its officers or employees for errors or omissions however arising (including as a result of negligence) in the preparation of the Report, provided that this shall not absolve Calibre Partners from liability arising from an opinion expressed recklessly or in bad faith.

Indemnity

Radius has agreed that, to the extent permitted by law, it will indemnify Calibre Partners and its partners, employees and officers in respect of any liability suffered or incurred as a result of, or in connection with, the preparation of the Report. This indemnity does not apply in respect of any negligence, misconduct or breach of law. Radius has also agreed to indemnify Calibre Partners and its partners, employees and officers for time incurred and any costs in relation to any inquiry or proceeding initiated by any person, except where Calibre Partners or its partners, employees and officers are guilty of negligence, misconduct or breach of law, in which case Calibre Partners shall reimburse such costs.

Independence

Calibre Partners and the persons responsible for the preparation of this Report do not have at the date of this Report, and have not had, any shareholding in, or other relationship, or conflict of interest with Radius that could affect their ability to provide an unbiased opinion in relation to this transaction. Calibre Partners will receive a fee for the preparation of this Report. This fee is not contingent on the success or implementation of the proposed transaction or any transaction complementary to it.
Calibre Partners and the persons responsible for the preparation of this Report have no direct or indirect pecuniary interest or other interest in this transaction. We note for completeness that a draft of this Report was provided to Radius and its advisers, solely for the purpose of verifying the factual matters contained in this Report. While minor changes were made to the drafting, no material alteration to any part of the substance of this Report, including the methodology or conclusions, were made as a result of issuing the draft.

Consent

Calibre Partners consents to the issuing of the Report, in the form and context in which it is included, in the information to be sent to Radius shareholders. Neither the whole nor any part of the Report, nor any reference thereto, may be included in any other document without the prior written consent of Calibre Partners as to the form and context in which it appears.