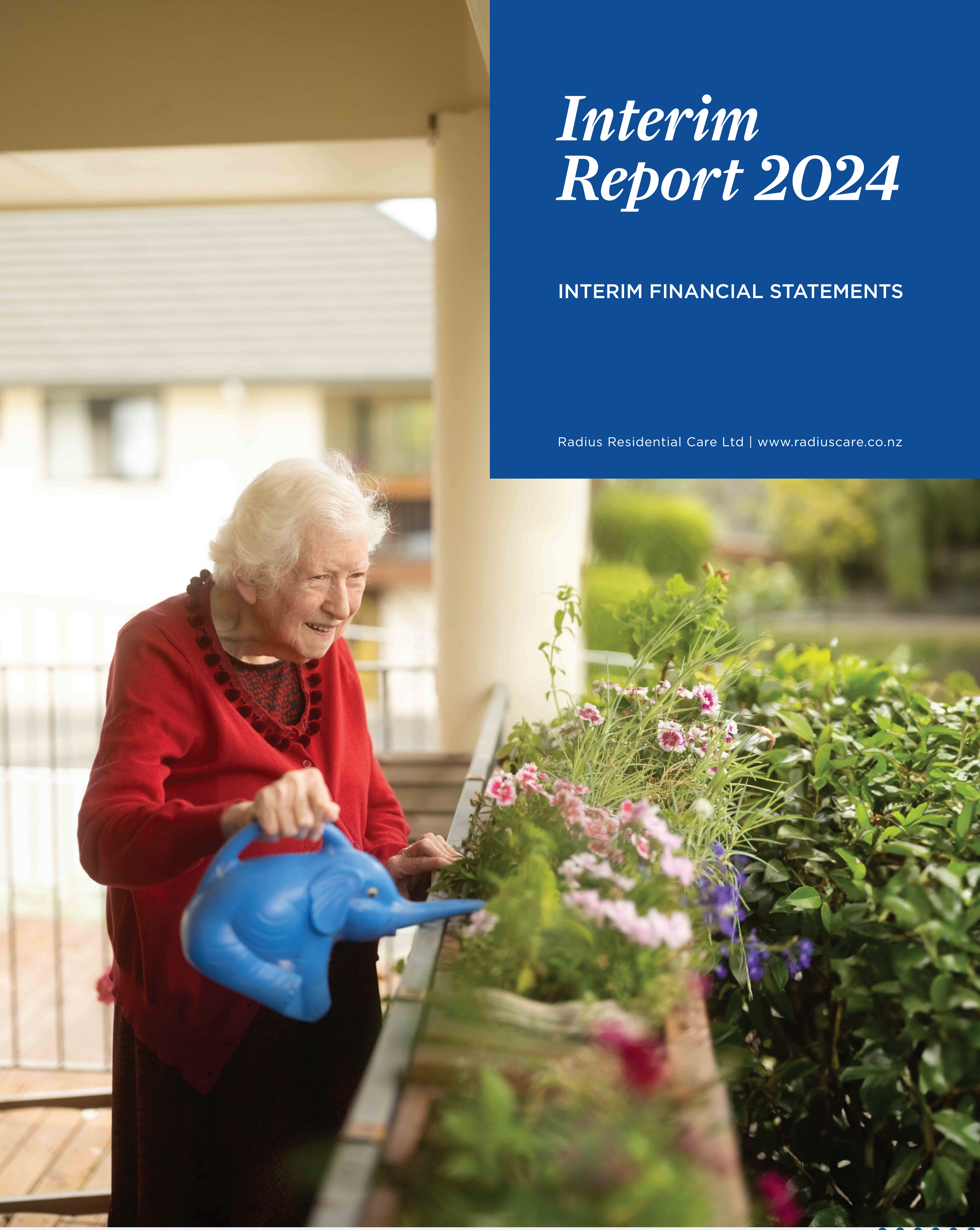


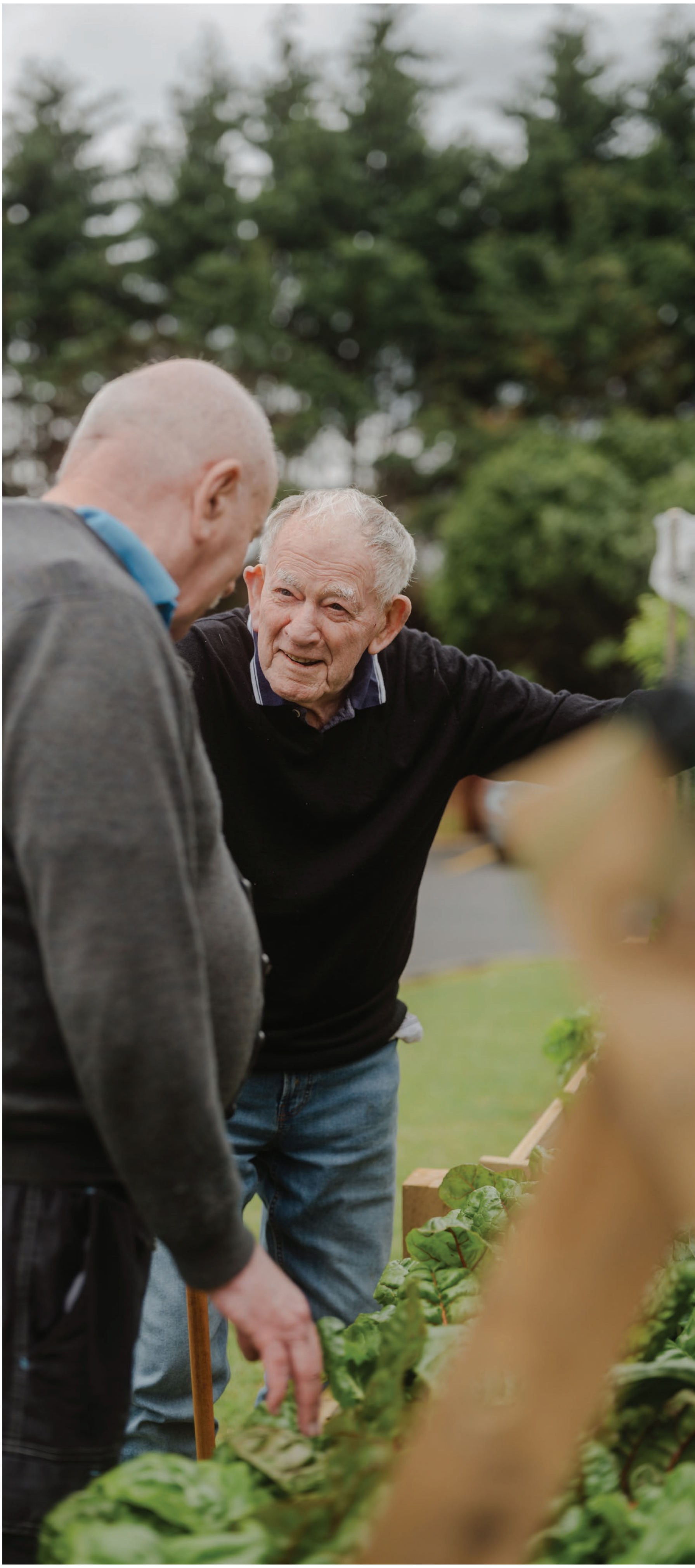
# *Interim Report 2024*

INTERIM FINANCIAL STATEMENTS

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

# Contents





# 1HY24 *Highlights*

50%
FROM $7.0M IN 1HY23
**$10.5M**
UNDERLYING EBITDA[1]

21%
FROM $69.9M IN 1HY23
**$84.5M**
TOTAL REVENUE

16%
FROM $2.5M IN 1HY23
**$2.9M**
AVAILABLE FUNDS FROM OPERATIONS (AFFO)[2]

-18%
FROM $1.7M IN 1HY23
**$1.4M**
NET PROFIT AFTER TAX

1300%
FROM $0.4M IN 1HY23
**$5.6M**
OPERATING CASH FLOW

31%
FROM $3.7M IN 1HY23
**$4.8M**
ACCOMMODATION SUPPLEMENTS

15%
FROM $10.6K IN 1HY23
**$12.2K**
UNDERLYING EBITDAR[3] PER CARE BED IN 1HY24

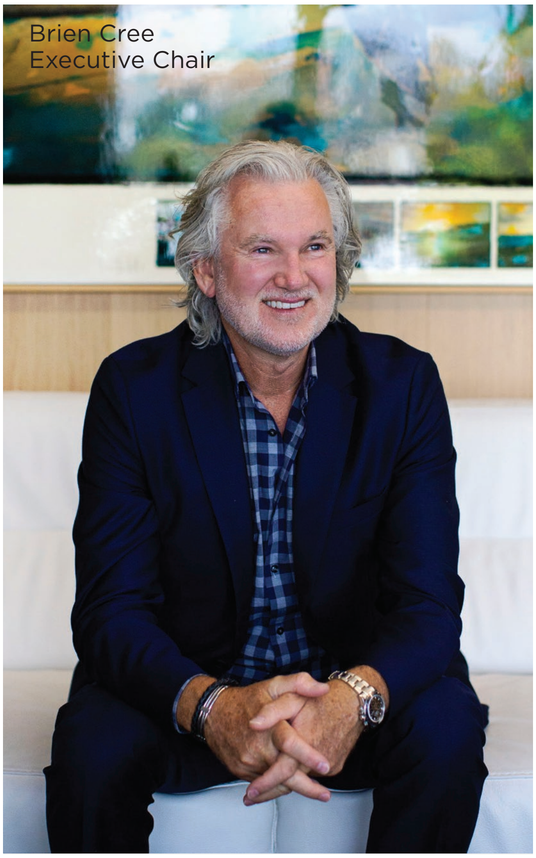
0%
FROM 67.8% IN 1HY23
**68.2%**
BEDS WITH ACCOMMODATION SUPPLEMENT

2%
FROM $72.9M IN FY23
**$74.3M**
NET ASSETS

0%
FROM $356.6M IN FY23
**$355.0M**
TOTAL ASSETS

1. *Earnings before interest, tax, depreciation and amortisation.*
2. *Underlying EBITDA and AFFO are non-GAAP (unaudited) financial measures which are reconciled to GAAP measures in the Investor Presentation dated 27 November 2023.*
3. *Earnings before interest, tax, depreciation, amortisation and rent.*

MESSAGE FROM



Brien Cree
Executive Chair

Andrew Peskett
Chief Executive

# *Delivering Strong Operating Performance and Profitability*

We are delighted to provide you with this update on Radius Care's business for the first six months of the 2024 financial year.

Radius Care delivered a strong operating performance for the half year, resulting in Underlying EBITDA of $10.5m, a 50% improvement over the same period last year.

We are a specialist care provider with a clear focus on our core business. This focus has once again delivered industry leading results and a strong financial performance, demonstrating our continued leadership in specialist care offerings.

Looking back over the six months to 30 September 2023 there were some very clear highlights:

- Our care homes being fully staffed following the successful establishment of industry-leading international recruitment channels.
- Establishment of RConnect, Radius Care's internal and external staffing bureau, allowing greater flexibility and efficiency in staff rostering.
- Rapid and successful execution of our 2023 business improvement plan, resulting in significantly streamlined operations and reduced headcount delivering $1.3m of recurrent cost savings.
- Improved commercial metrics, visible in strong occupancy, hospital mix, increased accommodation supplement revenue and settlement of significant numbers of vacant retirement village stock.

## *People*

Radius Care has Exceptional People delivering Exceptional Care. Our team have shown incredible resilience over the last few years to enable Radius Care to continue to be the market leader.

Our care homes are fully staffed. We intensified our overseas nurse recruitment programme last year and successfully recruited Internationally Qualified Nurses to fill all vacancies. These new team members have now completed their New Zealand accreditation as Registered Nurses and are leading the exceptional Radius Care provided to our residents.

Our successful recruitment drive has enabled the establishment of RConnect, our bureau that is now providing qualified staff for both internal and external customers. RConnect has been a critical factor in reducing our external staffing costs (down 66.3%/$1.0m compared to the same period last year).

Full staffing levels, with the support of RConnect, have provided a number of additional benefits. We are able to provide the care our residents expect at higher occupancy levels, including in high acuity hospital care. Stability in staffing leads to more efficient rosters and staff turnover has significantly reduced.

## *Operating Performance*

Our strong operating performance was assisted by staffing stability, reduced external staffing costs, improved mix and growth in occupancy levels. We also increased our accommodation supplement revenue for our premium rooms. New funding levels in place from 1 July 2023 boosted the second quarter and will continue for the remainder of this financial year.

We rapidly implemented our business improvement plan during the first half of FY24. This resulted in streamlined operations and reduced support office costs to counter the effect of increased costs in a high-inflation environment.

Due to a concerted sales effort, sales of retirement village units were very strong during the first half year.

## *Capital Management*

Progress has been achieved on the debt management programme to repay short term bridge facilities and enable the refinancing of loans funding the purchase of Matamata Country Lodge.

The Board has entered into a conditional sale and purchase agreement to sell one aged care home (Arran Court) as a going concern. This care home has little development potential and is not expected to materially impact on the Group's future earnings.

The net sale proceeds of approximately $19m will repay the majority of short-term bridge facilities held with ASB, with settlement due 16 January 2024. Repayment will strengthen Radius Care's balance sheet and will allow the Group to progress our planned growth strategy.

The Board is progressing the sale of a second care home, with the intention of further reducing debt.

## *Care Home Redevelopment Programme*

During the last two years, Radius Care has completed four large property transactions, acquiring the land and buildings of eight care homes that were previously leased, and the acquisition of two integrated care homes and retirement villages. These acquisitions have increased the opportunities for brownfield developments to expand these care homes without adding significant additional fixed overhead.

Planning, preparation and consenting has continued on brownfield developments at Taupaki Gables in West Auckland and Lexham Park in Katikati, which will extend these sites. Advance planning is also continuing for the previously announced full-service retirement village and care home in Belfast, Christchurch.

Execution of these plans will be enabled by a stronger capital structure.

## *FY24 Second Half Initiatives*

Board and Management's focus is to accelerate the momentum established in Radius Care's first half trading. Fully staffed care homes allow further improvements in service and care, supporting continued occupancy growth and improved bed mix. The team will also focus on continuing to increase the commercial intensity to drive increased accommodation supplement revenue and new business innovations.

It is the Board's intention that Radius Care will extend its care offering into other areas of the health sector over time.

A working group is preparing for the introduction of climate change reporting for the FY24 year and participating in sector wide initiatives to understand and mitigate the impact of climate change on Radius Care and the sector.

## *Outlook*

Radius Care expects the improved operating results and momentum in our first half results to continue for the remainder of the financial year.

The Board expects to resume dividend payments following completion of the debt management programme.

CONSOLIDATED STATEMENT OF

# *Comprehensive Income*

| **For the six months ended** *In thousands of New Zealand dollars* | NOTE | **Unaudited 30 Sep 23** | **Unaudited 30 Sep 22** |
|---|---|---|---|
| **REVENUE** | | | |
| Revenue | 4.4 | 83,308 | 69,101 |
| Deferred management fees | | 1,162 | 768 |
| **Total revenue** | | **84,470** | **69,869** |
| Change in fair value of investment property | 2.1 | 1,350 | 175 |
| Government subsidy received | | — | 154 |
| Interest income | | 33 | 50 |
| Gain on acquisition of previously leased property assets | 2.5 | — | 1,781 |
| Gain on business acquisition | | — | 927 |
| **Total revenue and other income** | | **85,853** | **72,956** |
| **EXPENSES** | | | |
| Employee costs | | (52,477) | (44,341) |
| Depreciation expense | 2.2 | (5,143) | (4,986) |
| Finance costs | | (8,008) | (5,344) |
| Other expenses | | (18,584) | (16,097) |
| **Total expenses** | | **(84,212)** | **(70,768)** |
| **Profit/(Loss) before income tax** | | **1,641** | **2,188** |
| Income tax expense | | (223) | (464) |
| **Profit for the period** | | **1,418** | **1,724** |
| **Other Comprehensive income for the period** | | | |
| *Items that will not be reclassified subsequently to profit and loss* | | | |
| Revaluation of land and buildings, net of tax | | — | — |
| **Other comprehensive income for the period** | | **—** | **—** |
| **Total comprehensive income** | | **1,418** | **1,724** |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (cents per share) | 3.2 | 0.50 | 0.64 |

*The accompanying notes form an integral part of these consolidated interim financial statements.*

CONSOLIDATED STATEMENT OF

# Changes in Equity

| For the six months ended *In thousands of New Zealand dollars* | NOTE | Contributed Equity | Asset Revaluation Reserve | Other Reserve | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| **Balance as at 1 April 2023[1]** | | 56,813 | 9,496 | 33 | 6,522 | 72,864 |
| Profit for the period | | — | — | — | 1,418 | 1,418 |
| Share based payments reserve | | — | — | 10 | (10) | — |
| Other comprehensive income for the period | | — | — | — | — | — |
| **Total comprehensive income for the period** | | **—** | **—** | **10** | **1,408** | **1,418** |
| *Transactions with owners* | | | | | | |
| Issue of share capital (net of transaction costs and tax) | 3.1 | 7 | — | — | — | 7 |
| Dividends paid | 3.1 | — | — | — | — | — |
| **Total transactions with owners** | | 7 | — | — | — | 7 |
| **Balance as at 30 September 2023[2]** | | **56,820** | **9,496** | **43** | **7,930** | **74,289** |
| **Balance as at 1 April 2022[1]** | | 51,732 | 6,812 | — | 11,544 | 70,088 |
| Profit for the period | | — | — | — | 1,724 | 1,724 |
| Share based payments | | — | — | 9 | — | 9 |
| Other comprehensive income for the period | | — | — | — | — | — |
| **Total comprehensive income for the period** | | — | — | **9** | **1,724** | **1,733** |
| *Transactions with owners* | | | | | | |
| Issue of share capital (net of transaction costs and tax) | 3.1 | 5,000 | — | — | — | 5,000 |
| Dividends paid | 3.1 | — | — | — | (1,481) | (1,481) |
| **Total transactions with owners** | | **5,000** | — | — | **(1,481)** | **3,519** |
| **Balance as at 30 September 2022[2]** | | **56,732** | **6,812** | **9** | **11,787** | **75,340** |

[1] *Audited*
[2] *Unaudited*

*The accompanying notes form an integral part of these consolidated interim financial statements.*

CONSOLIDATED STATEMENT OF

# *Financial Position*

| **As at 30 September 2023** *In thousands of New Zealand dollars* | NOTE | **Unaudited 30 Sep 23** | **Audited 31 Mar 23** |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 908 | 515 |
| Trade and other receivables | | 13,770 | 13,071 |
| Held for sale assets | 2.3 | 25,704 | 891 |
| Inventories | | 708 | 753 |
| Current tax assets | | – | 1,321 |
| Investment properties | 2.1 | 71,473 | 70,143 |
| Property, plant and equipment | 2.2 | 110,879 | 133,870 |
| Right-of-use assets | 2.5 | 112,321 | 112,464 |
| Intangible assets[1] | | 15,702 | 19,797 |
| Deferred tax assets | 4.1 | 3,551 | 3,770 |
| **Total assets** | | **355,016** | **356,595** |
| | | | |
| **Liabilities** | | | |
| Cash and cash equivalents (overdraft) | | – | 2,894 |
| Trade and other payables | | 17,235 | 20,543 |
| Borrowings | 3.3 | 97,687 | 97,687 |
| Deferred management fees | 2.4 | 7,586 | 6,973 |
| Refundable occupation right agreements | 2.4 | 35,764 | 34,104 |
| Lease liabilities | 2.5 | 122,454 | 121,530 |
| **Total liabilities** | | **280,726** | **283,731** |
| | | | |
| **Net assets** | | **74,289** | **72,864** |
| | | | |
| **Equity** | | | |
| Share capital | 3.1 | 56,820 | 56,813 |
| Reserves | 3.1 | 9,539 | 9,529 |
| Retained earnings | | 7,930 | 6,522 |
| **Total equity** | | **74,289** | **72,864** |

*[1] The movement in intangible assets relates to the reclassification of goodwill to held for sale assets following the proposed sale of two care homes detailed in note 2.3*

The Board of Directors of the Company authorised these consolidated interim financial statements for issue on 27 November 2023.

For and on behalf of the Board.

**Brien Cree** - Chair, Board of Directors

**Hamish Stevens** - Chair, Audit and Risk Committee

*The accompanying notes form an integral part of these consolidated interim financial statements.*

## CONSOLIDATED STATEMENT OF

# *Cash Flows*

| For the six months ended<br>*In thousands of New Zealand dollars* | NOTE | Unaudited<br>30 Sep 23 | Unaudited<br>30 Sep 22 |
|---|---|---|---|
| Receipts from residents for care fees and village fees | | 84,075 | 65,856 |
| Payments to suppliers and employees | | (76,479) | (60,039) |
| Proceeds from the sale of Refundable Occupation Right Agreements | | 6,204 | 1,335 |
| Payments for the repurchase of Refundable Occupation Right Agreements | | (1,789) | (855) |
| Interest received | | 32 | 50 |
| Interest paid - borrowings | | (4,766) | (2,286) |
| Interest paid - lease liabilities | | (2,991) | (3,046) |
| Income tax (expense)/benefit | | 1,313 | (615) |
| **Net cash provided by operating activities** | | **5,599** | **400** |
| Proceeds from the sale of property, plant and equipment | | 889 | 7 |
| Payments for the purchase of property, plant and equipment | | (1,404) | (53,032) |
| Payments for village developments | | (458) | (97) |
| Acquisition of subsidiaries, net of cash acquired | | — | (500) |
| **Net cash used in investing activities** | | **(973)** | **(53,622)** |
| Proceeds from bank borrowings | | — | 54,020 |
| Principal payments of lease liabilities | | (1,340) | (1,277) |
| Dividends paid | | — | (1,481) |
| **Net cash provided by/(used in) financing activities** | | **(1,340)** | **51,262** |
| Cash and cash equivalents at beginning of the year | | (2,379) | 2,088 |
| Net (decrease)/increase in cash and cash equivalents held | | 3,288 | (1,960) |
| **Cash and cash equivalents at end of period** | | **908** | **128** |

| For the six months ended<br>*In thousands of New Zealand dollars* | NOTE | Unaudited<br>30 Sep 23 | Audited<br>31 Mar 23 |
|---|---|---|---|
| Comprising of | | | |
| *Cash and cash equivalents* | | *908* | *515* |
| *Cash and cash equivalents (overdraft)* | | *—* | *(2,894)* |
| ***Cash and cash equivalents at end of period*** | | ***908*** | ***(2,379)*** |

*The accompanying notes form an integral part of these consolidated interim financial statements.*

CONSOLIDATED STATEMENT OF

# Cash Flows continued

| **For the six months ended**<br>*In thousands of New Zealand dollars* | **Unaudited 30 Sep 23** | **Unaudited 30 Sep 22** |
|---|---|---|
| **Reconciliation of profit for the period to net cash provided by operating activities** | | |
| Profit for the period | 1,418 | 1,724 |
| **Adjustments for non-cash items** | | |
| Depreciation | 5,143 | 4,988 |
| Share based payments | 10 | 9 |
| Net loss on disposal of property, plant and equipment | 52 | 13 |
| Gain on acquisition of previously leased property assets | — | (1,781) |
| Fair value adjustment to investment properties | (1,350) | (175) |
| Movement in deferred tax | (358) | 351 |
| Gain on business acquisition | — | (927) |
| **Changes in operating assets and liabilities** | | |
| - Trade and other receivables and other assets | (844) | (4,347) |
| - Inventories | 47 | 6 |
| - Trade and other payables and other liabilities | (2,072) | 1,467 |
| - Current tax liabilities | 1,894 | (502) |
| - Refundable Occupation Right Agreements | 1,659 | (426) |
| **Net cash provided by operating activities** | **5,599** | **400** |

*The accompanying notes form an integral part of these consolidated interim financial statements.*

# *Notes to the Consolidated Interim Financial Statements*

***For the six months ended 30 September 2023***

## 1. GENERAL INFORMATION

### 1.1. Basis of Preparation

#### 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.

#### 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 interim 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 interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), They comply with New Zealand equivalents to International Accounting Standard 34 Interim Financial reporting ('NZ IAS 34') and International Accounting Standard 34 Interim Financial Reporting ('IAS 34'). The Group is a Tier 1 for-profit entity in accordance with XRB A1 Application of the Accounting Standards Framework.

The accounting policies that materially affect the measurement of the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows have been applied on a basis consistent with those used in the audited consolidated financial statements for the year ended 31 March 2023. All new standards, amendments and interpretations to existing standards that came into effect during the current accounting period have been adopted in the current year. None of these have had a material impact on the Group.

The consolidated interim financial statements do not include all the notes of the type normally included in the consolidated annual financial statements. Accordingly, these consolidated interim financial statements are to be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2023, prepared in accordance with New Zealand Equivalents to the International Financial Reporting Standard ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

The consolidated interim financial statements for the six months ended 30 September 2023 and comparatives for the six months ended 30 September 2022 are unaudited, but reviewed. The consolidated annual financial statements for the year ended 31 March 2023 were audited and form the basis for the comparative figures for that period in these statements.

The consolidated interim 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. As at 30 September 2023, the Group's current assets were $41.2m and current liabilities[1] were $56.1m.

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.

#### 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.

#### Measurement Basis

These consolidated financial statements have been prepared under the historical cost convention, with the exception of investment properties (note 2.1) and land and buildings included within property, plant and equipment (note 2.2).

#### Material Uncertainty Around Going Concern

In the Group's annual financial statements for the year ended 31 March 2023, the Group disclosed a material uncertainty around going concern. As at 31 March 2023, $34.5m of borrowings were due for repayment within 12 months and the Group had reported a loss of $2.1m for the year ended 31 March 2023. In response, the Board and Management developed a debt management programme, identified and implemented a cost reduction programme intended to deliver a minimum of $1.3m recurrent cost savings, and entered into a number of agreements for unsold/vacant Occupation Right Agreement (ORA) stock. The Board and Management also began reviewing the Group's property asset portfolio with a focus on identifying non-core properties which were not considered essential to achieving the Group's longer term growth strategy.

Progress has been achieved on these programmes. The Group has reported a profit of $1.4m for the half year ended 30 September 2023 (year ended 31 March 2023: loss of $2.1m) and a net increase in cash and cash equivalents held of $3.3m (year ended 31 March 2023: decrease of $4.5m). As at 30 September 2023, there were 2 unsold/vacant units of ORA stock without conditional/unconditional agreements (31 March 2023: 10 units). The Board has entered into a conditional sale and purchase agreement to sell one aged

*1.This excludes occupation right agreements ('ORA') as a refundable occupation license 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 as disclosed in Note 2.4 'Refundable Occupation Right Agreements'.*

care home (Arran Court) as a going concern. This care home has little development potential and is not expected to materially impact on the Group's future earnings. The net sale proceeds of approximately $19m will repay the majority of short-term bridge facilities held with ASB Bank ('ASB'), with settlement due 16 January 2024. Repayment will significantly strengthen Radius Care's balance sheet and will allow the Group to progress our planned growth strategy. The Board is progressing the sale of a second care home, with the intention of further reducing debt.

As at 30 September 2023, the Group had current liabilities that exceeded current assets by $15m[1], had not drawn down its $4m overdraft facility (31 March 2023: $2.9m drawn) and had total borrowings of $97.7m (31 March 2023: $97.7m). The overdraft facility will decrease from $4m to $3.5m on 31 December 2023 and to $2m on 31 January 2024. $34.5m of borrowings are due for repayment within the next 12 months (refer note 3.3).

ASB has approved the plan to sell the two aged care homes, and on 29 September 2023, granted a further four-month extension relating to $23m of finance facilities (being the current portions of the Committed Money Market B and E facilities described in note 3.3). These two finance facilities currently have an expiry date of 31 January 2024. The facility agreements also include an 'event of review' that requires the Company to have unconditional sale and purchase agreements on or before 8 December 2023.

The Board and Management anticipate that completion of the debt management programme will enable the refinancing of the $11m of related party and MRFT Finance Limited loans currently due for repayment between 31 March 2024 and 30 April 2024, on more favourable terms.

While it is not currently anticipated that these loans can be repaid in full based on current cash flow projections, it will enable other options which include:

- Partial repayment and renegotiation of loan terms
- Refinancing the loan to another lender or the bank with a longer repayment term and more favourable lending terms

There has been no non-compliance with the Group's banking covenants to date and the Board and Management expect this to continue over the next 24 months.

The Board and Management are committed to undertaking all necessary steps to ensure the Group can meet its obligations. Should the Group not be able to successfully complete the above debt management programme or obtain further lending extensions, this would give rise to a material uncertainty in relation to the Group's ability to continue as a going concern. If the Group were unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the Statement of Financial Position. In addition, the Group may need to provide for future liabilities that might arise and to reclassify non-current liabilities as current liabilities in the Statement of Financial Position.

The Board and Management have concluded that the adoption of a going concern basis of accounting is appropriate based on reasonable expectations that the above debt management programme and continuation of profitable trading will enable the Group to continue operations at existing levels and meet its debts when they fall due for the foreseeable future and not less than 12 months from the signing of the consolidated interim financial statements. In making its assessment, Management has considered a range of factors and has made several significant judgments. This includes an evaluation of the Group's budget and forecasts for the 2024, 2025 and 2026 financial years, which project a continuation of profitable trading, positive operating cash flow, and a situation where the Group can meet its obligations.

The Board and Management have also assessed that the ASB will not immediately call the facilities due to the existing relationships and understanding of the Group's business model. This assumption, however, is reliant on the success of the Group's strategies and negotiations with ASB. However, these are material uncertainties and significant judgments. The ability of the Group to continue as a going concern is dependent on successful execution of the aforementioned plans, along with continued profitable trading and sector performance.

### Key Estimates and Judgements

The preparation of the consolidated interim financial statements conforms with NZ IAS 34 which requires the use of certain critical accounting estimates. It also requires the Board of Directors and Management to exercise their judgement in the process of applying the Group's accounting policies.

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 interim financial statements are described in the following notes:

- Material uncertainty around going concern (note 1.1)
- Valuation of investment properties (note 2.1)
- Valuation of land and buildings (note 2.2)
- Impairment testing of goodwill:
  The recoverability of the carrying value of goodwill is assessed at least annually to ensure that it is not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the cash-generating unit, which entails making judgements, including the expected rate of growth of revenues based on budgeted projections of occupancy levels, margins expected to be achieved, the level of future capital expenditure required to support these outcomes and the appropriate discount rate to apply when valuing future cash flows.

*1.This excludes occupation right agreements ('ORA') as a refundable occupation license 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 as disclosed in Note 2.4 'Refundable Occupation Right Agreements'.*

- Impairment testing of right-of-use assets (note 2.5)
- Recognition of deferred tax assets (note 4.1)
- Impairment of non-financial assets
  At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset or cash-generating units (CGU) may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the asset or CGU. Irrespective of whether there is any indication of impairment, the Group tests its intangible assets with an indefinite useful life, currently comprised of only goodwill, for impairment annually, at the end of the reporting period. In assessing whether there is any indication that an asset may be impaired, the Group considers external and internal sources of information. The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows expected to be derived from the asset or CGU are discounted to their present values. The discount rate reflects current market assessments of the time value of money and the risks specific to the assets or CGU, for which the estimates of future cash flows have not been adjusted. In assessing fair value less costs of disposal, the fair value is determined in accordance with the valuation approaches described in notes 2.1 for Investment properties, 2.2 for Land and buildings, and for Impairment testing of goodwill (above), taking into account an allowance for costs of disposal, being direct incremental costs to bring an asset or CGU into condition for sale.

Following on from the disclosures in the Group's annual financial statements for the year ended 31 March 2023 and interim financial statements for the period ended 30 September 2022, regarding the ongoing COVID-19 pandemic, the New Zealand Government maintained a range of public health and economic measures to mitigate the impact of the COVID-19 pandemic through the first half of the comparative period. These measures were gradually removed during the comparative period with the COVID-19 Protection Framework officially ending on 12 September 2022 and vaccine mandates being removed on 26 September 2022. The pandemic and subsequent health measures imposed did lower overall economic activity across New Zealand. The Group's revenue had not been significantly impacted, but the COVID-19 pandemic did increase the Group's expenditures since the outbreak began. In addition to the COVID-19 pandemic, unfavourable macro and micro economic conditions and adverse global events during the year, which include rapidly rising interest rates and inflation, skill shortages and the flow on effects from the conflict between Ukraine and Russia has had a significant impact on energy and financial markets across the globe which also further impacted the Group's expenditures. The Directors have assessed and taken into consideration the impact of these unfavourable macro and micro economic conditions and adverse global events on these key estimates and judgements. It is not possible to estimate the short and long-term effects that the above matters will have on operations.

As at the date of these interim financial statements, all reasonably known and available information with respect to these matters has been taken into consideration and all reasonably determinable adjustments have been made in preparing these consolidated interim financial statements.

### Market Capitalisation

At reporting date the market capitalisation of the Group (being the 30 September 2023 closing share price, as quoted on the NZX Main Board, multiplied by the number of shares on issue) was below the carrying amount of the Group's net assets. In considering the difference, the Group notes that over 85% of total assets at 30 September 2023 are either non-financial property assets carried at fair value (52%) assessed by the Group's independent external property valuers, or non-financial assets subject to annual impairment assessment (33%). The Group has undertaken an assessment of the recoverable amount of its assets/CGUs. Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the non-financial assets to be materially lower than their recoverable amount.

### New and Amended Accounting Standards and Interpretations

All mandatory new and amended standards and Interpretations have been adopted in the current year. None had a material impact on these financial statements. The Group has not early adopted any new standards, amendments or interpretations to existing standards that are not yet effective.

### 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 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.

# 2. PROPERTY ASSETS

## 2.1. 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 Agreements (ORAs). 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.

Rental income from investment properties, being deferred management fees, is accounted for as described in note 2.4.

| **For the six months ended**<br>*In thousands of New Zealand dollars* | NOTE | Unaudited<br>30 Sep 23 | Audited<br>31 Mar 23 |
|---|---|---|---|
| **Investment Properties** | | | |
| Opening carrying amount | | 70,143 | 46,014 |
| Acquisition of Matamata Retirement Village[1] | | — | 23,037 |
| Net fair value gain | | 1,350 | 765 |
| Occupation Right Agreements settled | | (5,312) | (2,919) |
| Occupation Right Agreements entered | | 5,312 | 2,919 |
| Purchases | | 438 | 327 |
| Unsold/vacant units | | — | — |
| Other adjustments | | (458) | — |
| **Closing carrying amount** | | **71,473** | **70,143** |

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 | | 25,036 | 22,821 |
| Refundable Occupation Right Agreements | 2.4 | 35,764 | 34,104 |
| Deferred management fees | 2.4 | 7,586 | 6,973 |
| Unsold/vacant units | | 692 | 3,850 |
| Residential properties | | 2,395 | 2,395 |
| | | **71,473** | **70,143** |

*1. On 29 September 2022, the Group acquired investment properties as part of the Matamata Retirement Village business combination, refer to note 5.6 of the Group's audited consolidated financial statements for the year ended 31 March 2023.*

### Valuation Process and Key Inputs

The Group's investment properties are valued on an annual basis. For the year ended 31 March 2023, the valuations were undertaken by LVC Limited (LVC) (prior year by CBRE Limited (CBRE) and Colliers), independent valuers. LVC are registered with the Property Institute of New Zealand, employs registered valuers and has appropriate recognised professional qualifications and recent experience in the location and category of properties being valued.

The valuation of investment property is adjusted for cash flows relating to refundable occupation licence payments, residents' share of resale gains and management fees receivable recognised separately on the Consolidated Statement of Financial Position and also reflected in the valuation model. As at 30 September 2023, Management has also confirmed with its valuers that there has not been any material changes or external indicators of impairment in the valuation of the properties.

### Unsold/Vacant Units

Any developed but not yet sold units (unsold/vacant 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/vacant 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 2023**

As at 31 March 2023, the valuer of all four investment properties has included a valuation uncertainty clause in their valuation reports noting that "The markets experienced strong growth throughout 2021 and much of 2022. However due to recent Government lending controls, global supply issues, abnormally high inflation and rapidly rising interest rates we have seen a slowdown in markets generally with declining asset values, and an economic downturn (recession) is seen as a risk going forward. Sales transaction volumes have decreased significantly as there is a disconnect between vendor expectation and the price purchasers are prepared to pay due to the large increase in interest rates over a short time frame. Therefore, less certainty and a higher degree of caution should be attached to our valuation than would normally be the case". Given the valuation uncertainty, the valuer has recommended in their reports that the valuations of the properties be reviewed periodically.

### Significant Unobservable Inputs

The significant unobservable input used in the fair value measurement of the Group's development land is the value per square meter assumption. Increases in the value per square meter 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 stabilised occupancy is a key driver of the LVC's valuation. A significant increase/(decrease) in the occupancy period would result in a significant lower/(higher) fair value measurement.

Current ingoing price, for subsequent resales of ORAs, is a key driver of the LVC's valuation. 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.

## 2.2. 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. 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 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.

| *In thousands of New Zealand dollars* | Land and Buildings | Motor Vehicles | Furniture, Fixtures and Fittings | Information Technology | Medical Equipment | Work in Progress | Total |
|---|---|---|---|---|---|---|---|
| **Unaudited - six months ended 30 September 2023** | | | | | | | |
| Opening net book value | 112,510 | 356 | 12,806 | 1,746 | 450 | 6,002 | 133,870 |
| Additions[1] | 105 | — | 664 | 9 | 52 | 528 | 1,358 |
| Transfers[2] | (19,861) | — | (1,683) | — | 1 | (17) | (21,560) |
| Disposals | — | — | — | (52) | — | — | (52) |
| Depreciation | (776) | (60) | (1,411) | (417) | (73) | — | (2,737) |
| **Closing net book value** | **91,978** | **296** | **10,376** | **1,286** | **430** | **6,513** | **110,879** |
| **Unaudited - Six month ended 30 September 2023** | | | | | | | |
| Cost[3] | 92,771 | 1,459 | 37,005 | 6,599 | 1,107 | 6,513 | 145,453 |
| Accumulated Depreciation | (793) | (1,163) | (26,629) | (5,312) | (677) | — | (34,574) |
| **Net book value** | **91,978** | **296** | **10,376** | **1,286** | **430** | **6,513** | **110,879** |

| *In thousands of New Zealand dollars* | Land and Buildings | Motor Vehicles | Furniture, Fixtures and Fittings | Information Technology | Medical Equipment | Work in Progress | Total |
|---|---|---|---|---|---|---|---|
| **Audited - Year ended 31 March 2023** | | | | | | | |
| Opening net book value | 56,066 | 293 | 10,999 | 2,120 | 289 | 4,072 | 73,839 |
| Additions[1] | 53,083 | 196 | 3,404 | 419 | 259 | 8,671 | 66,032 |
| Revaluation | 531 | — | — | — | — | — | 531 |
| Transfers | 5,007 | — | 1,224 | 78 | 14 | (6,323) | — |
| Disposals | (891) | (6) | (9) | — | — | (418) | (1,324) |
| Depreciation | (1,286) | (127) | (2,812) | (871) | (112) | — | (5,208) |
| **Closing net book value** | **112,510** | **356** | **12,806** | **1,746** | **450** | **6,002** | **133,870** |
| **Audited - Year ended 31 March 2023** | | | | | | | |
| Cost[3] | 112,527 | 1,459 | 38,024 | 6,667 | 1,054 | 6,002 | 165,733 |
| Accumulated Depreciation | (17) | (1,103) | (25,218) | (4,921) | (605) | — | (31,864) |
| **Net book value** | **112,510** | **356** | **12,806** | **1,746** | **450** | **6,002** | **133,870** |

1. *On 6 May 2022, the Group acquired four properties, previously leased from UCG Investments Limited for consideration of $46.7m. At the same time, a sale and purchase agreement for a fifth property from UCG Investments Limited was also entered into, however the Group entered into a separate nomination agreement to nominate its purchaser rights for the purchase of this one property, 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 UCG Investments Limited for the four other properties. The purchase of the four properties was funded from bank borrowings, refer to note 3.3. Subsequently on 29 September 2022, the Group acquired another property as part of the Matamata business combination at a fair value of $6.9m, refer to note 5.6 in the Group's audited consolidated financial statements for the year ended 31 March 2023.*

2. *Transfers of $21.6m relates to the reclassification of property plant and equipment to held for sale assets following the proposed sale of two care homes detailed in note 2.3*

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

### Valuations

#### *As at 31 March 2023*

The Group's thirteen properties included in land and buildings were revalued on 31 March 2023 to $112.5m from a carrying value immediately prior of $112m, resulting from a revaluation gain of $3.5m in Other Comprehensive Income and a revaluation loss of $3.0m in Profit and Loss. The fair values of the thirteen revalued land and buildings on freehold land have been determined by reference to independent valuations obtained as at 31 March 2023. These valuations were undertaken by a Property Institute of New Zealand registered valuer, LVC Limited. LVC, an external independent valuation company employing registered valuers, have appropriate recognised professional qualifications. As at 30 September 2023, Management has also confirmed with its valuers that there has not been any material changes or external indicators of impairment in the valuation of the properties.

### Valuation Uncertainty

As at 31 March 2023, the valuer of all thirteen properties has included a valuation uncertainty clause in their valuation reports noting that "The markets experienced strong growth throughout 2021 and much of 2022. However due to recent Government lending controls, global supply issues, abnormally high inflation and rapidly rising interest rates we have seen a slowdown in markets generally with declining asset values, and an economic downturn (recession) is seen as a risk going forward. Sales transaction volumes have decreased significantly as there is a disconnect between vendor expectation and the price purchasers are prepared to pay due to the large increase in interest rates over a short time frame. Therefore, less certainty and a higher degree of caution should be attached to our valuation than would normally be the case". Given the valuation uncertainty, the valuer has recommended in their reports that the valuations of the properties be reviewed periodically.

### Key Accounting Estimates and Judgements

Property measurements are categorised as Level 3 (2022: 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 rentals. A significant decrease/(increase) in the capitalisation rate would result in significantly higher/(lower) fair value measurement.

## 2.3. Held for Sale Assets

Non Current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probably that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and the fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property which continue to be measured in accordance with the Company's other accounting policies, Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

In September 2023, the Board and Management committed to a plan to sell two care homes which have subsequently been presented as held for sale. Efforts to sell the care homes have started and settlement is expected to occur during January 2024.

At reporting date, the Board has entered into a conditional sale and purchase agreement to sell one aged care home as a going concern.  The Board is also progressing the sale of a second care home, with the intention of further reducing debt.

No impairment losses have been recognised as the expected sale price of the care homes is in excess of the current carrying value of care home assets and associated goodwill.

At 30 September 2023, the care homes were stated at the lower of fair value less cost to sell and their carrying value and comprised the following assets.

| **For the six months ended**<br>*In thousands of New Zealand dollars* | **Unaudited 30 Sep 23** |
|---|---|
| Property, plant and equipment | 21,568 |
| Goodwill | 4,095 |
| Inventory | 41 |
| **Assets held for sale** | **25,704** |

## 2.4. 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;
- for Elloughton Grange Village Limited, to a maximum of 30% of the entry payment;
- for Clare House Village Limited, to a maximum of 30% of the entry payment;
- for Matamata 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.
- for Radius Matamata Retirement Village Limited, to a maximum of 4.0% 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. 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 to 9 years for villas and 3 to 4 years for serviced apartments (2022 : 8 to 8.6 years for villas and 3 to 4 years 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 license 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.

| For the six-months ended<br>*In thousands of New Zealand dollars* | NOTE | Unaudited<br>30 Sep 23 | Audited<br>31 Mar 23 |
|---|---|---|---|
| **Refundable Occupation Right Agreements** | | | |
| Refundable occupation licence payments | | 50,185 | 47,772 |
| Less: Management fee receivable (per contract) | | (14,421) | (13,668) |
| | | **35,764** | **34,104** |
| **Reconciliation of Management Fees recognised under NZ IFRS and per ORA** | | | |
| Management fee receivable (per contract) | | (14,421) | (13,668) |
| Deferred management fees | 2.1 | 7,586 | 6,973 |
| **Management fee receivable (per NZ IFRS)** | | **(6,835)** | **(6,695)** |
| Comprising of | | | |
| *Current deferred management fees* | | *1,905* | *1,900* |
| *Non-current deferred management fees* | | *5,681* | *5,073* |
| **Deferred management fees** | | **7,586** | **6,973** |

## 2.5. 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 has 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 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% (2022: 5%). No new leases were entered into during the period (2022: none) and no leases were cancelled during the period (2022: four leases were cancelled).

| **For the six-months ended** *In thousands of New Zealand dollars* | **Unaudited 30 Sep 23** | **Audited 31 Mar 23** |
|---|---|---|
| **(a) Right-of-use assets** | | |
| Land and buildings under lease | 132,816 | 130,552 |
| Accumulated depreciation | (20,495) | (18,088) |
| **Total carrying amount of right-of-use assets** | **112,321** | **112,464** |
| | | |
| **Reconciliations** | | |
| *Reconciliation of the carrying amount of right-of-use assets at the beginning and end of the financial year:* | | |
| LAND AND BUILDINGS | | |
| Opening carrying amount | 112,464 | 133,912 |
| Depreciation | (2,407) | (4,771) |
| Remeasurements | 2,264 | 10,428 |
| Disposals | — | (27,105) |
| **Closing carrying amount** | **112,321** | **112,464** |

On 6 May 2022, the Group acquired four properties, previously leased from UCG Investments Limited. On acquisition, the disposal of the related right-of-use assets and lease liabilities resulted in a gain on modification of $1.8m being recognised upon the cancelling lease and derecognition of the related Lease liabilities and Right of Use assets. Refer notes 3.2 and 4.1 of the Group's audited consolidated financial statements for the year ended 31 March 2023.

| | | |
|---|---|---|
| **(b) Lease liabilities** | | |
| CURRENT | | |
| Land and buildings | 2,428 | 2,428 |
| NON-CURRENT | | |
| Land and buildings | 120,026 | 119,102 |
| | **122,454** | **121,530** |

| | **Unaudited 30 Sep 23** | **Unaudited 30 Sep 22** |
|---|---|---|
| **(c) Lease expenses and cash flows** | | |
| Interest expense on lease liabilities | 2,991 | 3,046 |
| Depreciation expense on right-of-use assets | 2,407 | 2,449 |
| Cash outflow in relation to leases | 4,340 | 4,290 |
| Gain on acquisition of leased property assets | — | 1,781 |

| | **Unaudited 30 Sep 23** | **Audited 31 Mar 23** |
|---|---|---|
| **(d) Maturity analysis - contractual undiscounted cash flows** | | |
| Not later than 1 year | 8,695 | 8,536 |
| Later than 1 year and not later than 5 years | 34,620 | 34,245 |
| Later than 5 years | 185,748 | 186,242 |
| | **229,063** | **229,023** |

# 3. SHAREHOLDER EQUITY AND FUNDING

## 3.1. 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.

| | | Unaudited 30 Sep 23 | | Audited 31 Mar 23 |
|---|---|---|---|---|
| | Shares | $000 | Shares | $000 |
| **Share capital** | | | | |
| Authorised, issued and fully paid up capital | 284,876,742 | 56,820 | 284,848,644 | 56,813 |
| **Total contributed equity** | **284,876,742** | **56,820** | **284,848,644** | **56,813** |
| **Movements** | | | | |
| Opening balance of ordinary shares issued | 284,848,644 | 56,813 | 269,243,089 | 51,732 |
| Shares issued to Main Family Trust No. 2 | — | — | 15,328,019 | 5,000 |
| Shares issued to employees and service providers | 28,098 | 7 | 188,385 | 57 |
| Dividend reinvestment plan | — | — | 89,151 | 24 |
| **Closing balance of ordinary shares issued** | **284,876,742** | **56,820** | **284,848,644** | **56,813** |

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 no transaction costs issuing shares during the year (31 March 2023: Nil).

***Shares issued to Main Family Trust No. 2***

On 28 September 2022, allotment of 15,328,019 ordinary shares at $0.33 per to the trustees of the Main Family Trust No. 2 as part consideration for the purchase price payable for the acquisition of Matamata Country Lodge business combination as described in note 5.6 of the Group's audited consolidated financial statements for the year ended 31 March 2023.

The share issue was authorised in accordance with the Directors' resolution dated 30 August 2022.

***Dividends***

Dividend distributions to shareholders are recognised as a liability in the period in which dividends are declared.

| | | Unaudited 30 Sep 2023 | | Audited 31 Mar 2023 |
|---|---|---|---|---|
| | Cents per share | Total $000 | Cents per share | Total $000 |
| **Recognised amounts:** | | | | |
| Prior year final dividend | — | — | 0.76 | 1,481 |
| Interim dividend | — | — | 0.70 | 1,435 |
| | — | — | — | 2,916 |
| **Interim dividend declared** | — | — | — | — |

***Asset Revaluation Reserve***

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

***Other Reserve***

Other reserve is used to record the reserves arising in relation to share based payments by the Group.

## 3.2. 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 30 September 2023, there were no shares with a dilutive effect (2023: none) and therefore basic and diluted earnings per share were the same.

| *In thousands of New Zealand dollars* | Unaudited 30 Sep 23 | Unaudited 30 Sep 22 |
|---|---|---|
| Profit/(Loss) after tax | 1,418 | 1,724 |
| Weighted average number of ordinary shares outstanding ('000s) | 284,866 | 269,411 |
| **Cents per share** | **0.50** | **0.64** |

## 3.3. 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.

| *In thousands of New Zealand dollars* | NOTE | Unaudited 30 Sep 23 | Audited 31 Mar 23 |
|---|---|---|---|
| **Secured liabilities** | | | |
| *Current* | | | |
| Bank Loans | | 23,000 | 23,000 |
| Vendor Loan | 4.2 | 10,518 | 11,518 |
| Related Party Loan | 4.2 | 1,000 | — |
| *Non-current* | | | |
| Bank Loans | | 63,169 | 63,169 |
| | | **97,687** | **97,687** |

## Terms and Conditions and Assets Pledged as Security

| | Current $000 | Non-current $000 | Facility Limit $000 | Effective Interest Rate % | Expiry Date |
|---|---|---|---|---|---|
| **30 September 2023** | | | | | |
| Committed Money Market - A | — | 20,000 | 20,000 | 7.75% | 1 November 2026 |
| Committed Money Market - B | 15,000 | — | 15,000 | 7.28% | 31 January 2024 |
| Committed Money Market - B | — | 4,994 | 5,000 | 7.28% | 1 November 2026 |
| Committed Money Market - C | — | 14,500 | 14,500 | 7.26% | 1 November 2026 |
| Committed Money Market - D | — | 23,675 | 23,675 | 8.75% | 6 May 2027 |
| Committed Money Market - E | 8,000 | — | 8,000 | 9.05% | 31 January 2024 |
| Vendor Loan | 10,518 | — | 10,518 | 18.00% | 21 October 2023 |
| Related Party Loan | 1,000 | — | 1,000 | 18.00% | 21 October 2023 |
| | **34,518** | **63,169** | **97,693** | | |

| | Current $000 | Non-current $000 | Facility Limit $000 | Effective Interest Rate % | Expiry Date |
|---|---|---|---|---|---|
| **31 March 2023** | | | | | |
| Committed Money Market - A | — | 20,000 | 20,000 | 5.60% | 1 November 2026 |
| Committed Money Market - B | 15,000 | — | 15,000 | 5.28% | 6 October 2023 |
| Committed Money Market - B | — | 4,994 | 5,000 | 5.28% | 1 November 2026 |
| Committed Money Market - C | — | 14,500 | 14,500 | 4.98% | 1 November 2026 |
| Committed Money Market - D | — | 23,675 | 23,675 | 6.68% | 6 May 2027 |
| Committed Money Market - E | 8,000 | — | 8,000 | 6.70% | 6 October 2023 |
| Vendor Loan | 11,518 | — | 11,518 | 8.00% | 21 October 2023 |
| | **34,518** | **63,169** | **97,693** | | |

### Vendor Loan

The vendor loan is deferred consideration payable following the Matamata business acquisition. The amount represents a payable of $10.5m bearing interest at 18% per annum as at 30 September 2023. On 3 May 2023 the Company agreed to repay $1m of the vendor loan and a revised interest rate of 18% per annum from 1 April 2023 (30 September 2023: 8% per annum) until an extended maturity date of 21 October 2023. Interest of 12% per annum (of the total 18%) is payable monthly in arrears and 6% per annum is capitalised monthly and repayable at the end of the loan term. On 5 October 2023, prior to the expiry of the loan, $5.6m of the loan balance was repaid with an extension was granted for the remaining loan balance through to 30 April 2024 with a revised interest rate of 16% per annum in arrears at the end of each calendar month. The vendor loan is secured by a first ranking security over the land and building assets acquired as part of the Matamata acquisition.

### Related Party Loan

On 15 May 2023 the trustee of the Providence Trust, a related party of Executive Chairman Brien Cree, agreed to lend the Group subsidiary that owns the Matamata Country Lodge Business $1m at 18% per annum. The loan was subsequently repaid in full on 1 November 2023.

### 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 30 September 2023 the balance of the bank loans over which the properties are held as security is $86.2m (31 March 2023: $86.2m), the total commitment as at 30 September 2023 is $86.2m (31 March 2023: $86.2m).

### Overdraft Facility

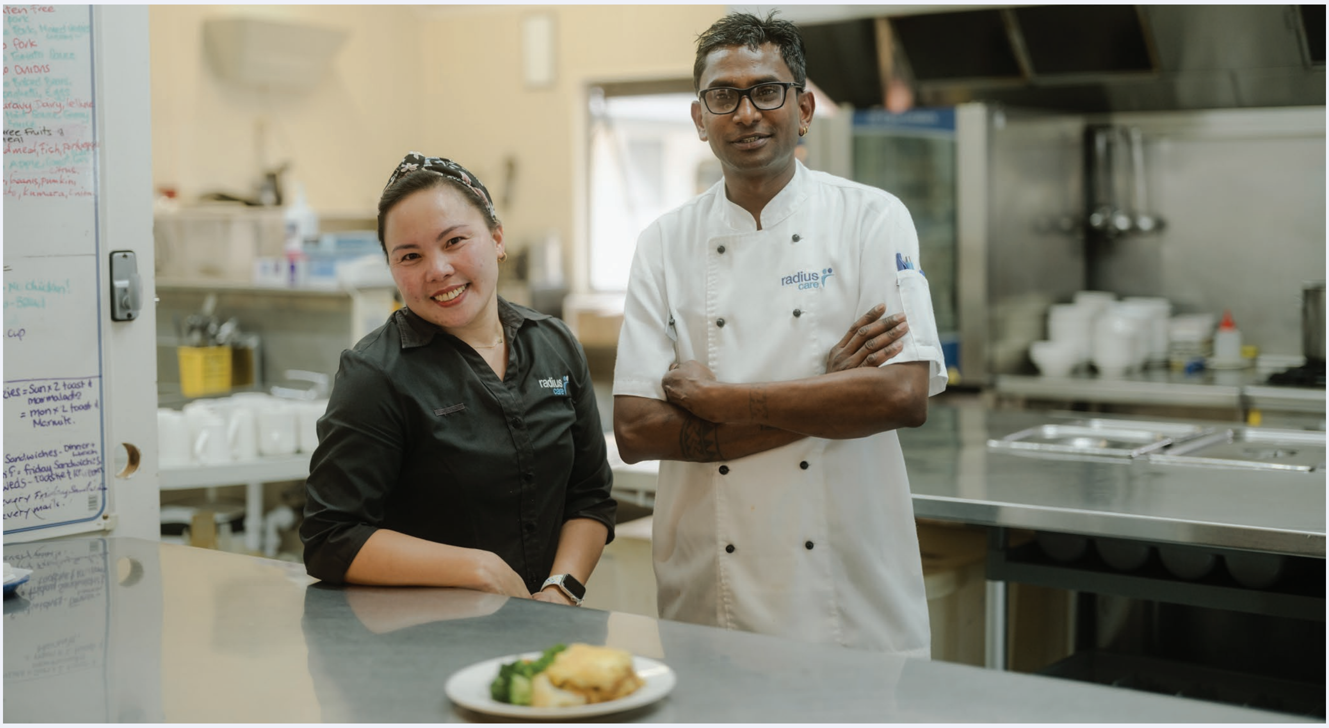
As at 30 September 2023, the Group has a Corporate Banking Overdraft Facility Agreement with ASB Bank Limited for $4m (31 March 2023: $5m) of which $0.5m is due to expire on 31 December 2023 with a further $1.5m due to expire on 31 January 2024. The remaining $2m is due to expire on 31 March 2049 (31 March 2023: $3m due to expire on 31 July 2023 with the remaining $2m due to expire on 31 March 2049). This facility bears interest at an effective interest rate of 8.70% (31 March 2023: 6.28%) and is secured over the assets of the Group and guaranteed by certain Group entities. At 30 September 2023 there was no amount drawn down of the facility (31 March 2023: $2.9m).

### 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 period ended 30 September 2023, the Group complied with all externally imposed banking covenant requirements to which it is subject (2023: complied with all). The Group has agreed with its bank 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 (2023: The Group has agreed with its bank 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). Following the Matamata business acquisition on 29 September 2022 it was agreed that the assets, liabilities and operating results arising from this acquisition would sit outside of the lending group and would therefore not be included in the calculation of any externally imposed banking covenants by ASB Bank Limited.

On 29 September 2023, a four-month extension was granted by ASB relating to $23m of finance facilities (being the current portions of the Committed Money Market B and E facilities above) that were originally put in place to enable settlement of the four previously leased land and buildings property assets from UCG Investments Limited. These finance facilities now need to be repaid on or before 31 January 2024. The amendments include a revised event of review that requires the Company to have received an unconditional sale and purchase agreement for the property and business of two care homes by 8 December 2023. The Board and management have subsequently updated the debt management programme which sets out the Group's intentions for the repayment of borrowings due for repayment by 31 January 2024. Further information in this can be found within note 1.1.

On 5 October 2023, the group subsidiary that owns the Matamata Country Lodge Business, entered into a six month funding agreement through to 31 March 2024 with MRFT Finance Limited for $6m to assist with the partial repayment of $5.6m of the Vendor Loan along with capitalised interest of $0.3m and associated lending fees. The agreement incurs interest of 12% per annum repayable at the expiry of the agreement and has a three month extension option which can be exercised by the Company by written notice through to 30 June 2024.



# 4. OTHER DISCLOSURE

## 4.1. 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 Deferred Management Fee (DMF) as provided by LVC, 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).

| **For the six-months ended** *In thousands of New Zealand dollars* | **Unaudited 30 Sep 23** | **Unaudited 30 Sep 22** |
|---|---|---|
| **(a) Components of tax expense** | | |
| Current tax | 4 | 113 |
| Deferred tax | 219 | 351 |
| | **223** | **464** |
| **(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% | 455 | 613 |
| Permanent differences | (317) | (217) |
| (Over)/Under provision for income tax in prior year | 85 | 3 |
| Other | — | 65 |
| **Income tax expense attributable to profit** | **223** | **464** |

| | **Unaudited 30 Sep 23** | **Audited 31 Mar 23** |
|---|---|---|
| **(c) Deferred tax** | | |
| Deferred tax relates to the following: | | |
| Non-current asset | | |
| *Deferred tax assets* | | |
| The balance comprises: | | |
| Lease liabilities | 34,287 | 34,028 |
| Provisions | 2,067 | 2,091 |
| Deferred management fee income | 1,177 | 1,281 |
| Tax losses | 27 | 539 |
| | **37,558** | **37,939** |
| *Deferred tax liabilities* | | |
| The balance comprises | | |
| Property, plant and equipment | 2,557 | 2,679 |
| Right-of-use assets | 31,450 | 31,490 |
| | **34,007** | **34,169** |
| **Net deferred tax assets** | **3,551** | **3,770** |

| | **Unaudited 30 Sep 23** | **Unaudited 30 Sep 22** |
|---|---|---|
| **(d) Deferred income tax revenue comprises:** | | |
| *Through profit included in income tax expense* | | |
| Decrease/(Increase) in deferred tax assets | 381 | 6,552 |
| Decrease in deferred tax liabilities | (162) | (6,101) |
| Increase in deferred tax liabilities as a result of acquisition | — | (100) |
| | **219** | **351** |
| *Through other comprehensive income* | | |
| Increase in deferred tax liabilities | — | — |
| | **219** | **351** |

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.

| | Unaudited 30 Sep 23 | Audited 31 Mar 23 |
|---|---|---|
| **(E) Imputation credits available for use in subsequent periods** | | |
| Balance at the beginning of the year | 6,016 | 6,735 |
| Dividends paid | — | (1,134) |
| New Zealand tax payments, net of refunds | — | 415 |
| **Balance at the end of the period** | **6,016** | **6,016** |

## 4.2. 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:

| Name of Entity | Principal Activities | Ownership Interests and Voting Rights Unaudited 30 Sep 23 | Ownership Interests and Voting Rights Audited 31 Mar 23 | Class of Shares |
|---|---|---|---|---|
| Radius Matamata Retirement Village Limited | Operating entity for Matamata Retirement Village | 100% | 100% | Ordinary |
| Radius SPV Limited | Property owning entity for Matamata Country Lodge and Matamata Retirement Village. | 100% | 100% | Ordinary |
| RConnect Limited | Staff placement company providing short term staffing solutions | 100% | 100% | Ordinary |
| Radius Arran Court Limited | Lessee entity for Radius Arran Court care home | 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, Elloughton Gardens, Heatherlea, Windsor Court, Taupaki Gables, Peppertree, Arran Court, St Joans and Fulton care homes | 100% | 100% | Ordinary |
| Clare House Retirement Village Limited | Operating entity for Clare House Retirement Village and property owning entity for the Clare House care home | 100% | 100% | Ordinary |
| Clare House Care Limited | Operating entity for Clare House Care | 100% | 100% | Ordinary |

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

### Key Management Personnel Compensation and Other Related Parties

Key management personnel are all  Directors and senior management 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) |
| Mary Gardiner | Director |
| Hamish Stevens | Director and Shareholder |
| Tom Wilson | Director and Shareholder |
| Wave Rider Holdings Limited | Shareholder |
| Takatimu Investments Limited | Shareholder |
| Cibus Catering Limited | Common Director (Brien Cree) |
| Providence Trust | Trustee (Brien Cree) |
| Valhalla Capital Limited | Common Director (Brien Cree) |
| Ohaupo Holdings Limited | Common Shareholder (Neil Foster) |
| Time Capital NZ Limited | Common Director and Shareholder (Tom Wilson) |
| Neil Foster | Shareholder |
| Warehouse Storage Limited | Common Shareholder (Neil Foster) |
| Main Family Trust No. 2 | Shareholder |

| **For the six-months ended** *In thousands of New Zealand dollars* | **Unaudited 30 Sep 23** | **Unaudited 30 Sep 22** |
|---|---|---|
| Directors' remuneration and expenses | 299 | 208 |
| Dividends to Director related entities | — | 559 |
| Key management personnel salaries and other short term employee benefits | 1,657 | 1,232 |
| Key management personnel dividends | — | 6 |
| | **1,956** | **2,005** |

| *In thousands of New Zealand dollars* | NOTE | **Unaudited 30 Sep 23** | **Audited 31 Mar 23** |
|---|---|---|---|
| **Other related parties** | | | |
| *Trade creditors* | | | |
| - Cibus Catering Limited | | 699 | 86 |
| *Trade debtors* | | | |
| - Cibus Catering Limited | | 18 | 14 |
| *Borrowings* | | | |
| - Main Family Trust No. 2 (vendor loan) | 3.3 | 10,518 | 11,518 |
| - Providence Trust (related party loan) | 3.3 | 1,000 | — |

| *In thousands of New Zealand dollars* | **Unaudited 30 Sep 23** | **Unaudited 30 Sep 22** |
|---|---|---|
| *Catering services* | | |
| - Cibus Catering Limited | 3,983 | 3,418 |
| *Consulting fees* | | |
| - Duncan Cook[1] | 104 | 395 |
| - Time Capital NZ Limited[2] | 8 | — |
| *Rent paid* | | |
| - Warehouse Storage Limited | 616 | 395 |
| *Rent received and utility recharges* | | |
| - Cibus Catering Limited | 32 | 41 |
| *Personal Guarantee fee* | | |
| - Brien Cree | 85 | 83 |
| *Business acquisition* | | |
| - Main Family Trust No. 2[3] | — | 17,018 |
| *Vendor loan interest* | | |
| - Main Family Trust No. 2[3] | 642 | — |
| *Related party loan interest* | | |
| - Providence Trust | 91 | — |

*1. Predominately relates to services provided in respect of his role as Legal Counsel for the Company. Prior period includes additional services provided during the Matamata Country Lodge acquisition and the UCG transaction.*

*2. Relates to services provided since Tom Wilson (Director of Time Capital NZ Limited) appointment as Director of Radius Residential Care Limited during August 2023.*

*3. Main Family Trust No. 2 became a related party after the purchase of the Matamata business and the issue of share capital described in note 3.1 as part of the consideration paid for this business.*

### 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, Mr Cree 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 was paid by Mr Cree during the 2021 financial year. On the date of settlement, being 16 April 2021, the Group paid Mr Cree $700k of which $400k was for the assignment of the agreement to purchase the land and $300k for the reimbursement of the deposit.

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 Mr Cree 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 mid 2024.

## 4.3. Long Term Incentive (LTI) Plan

On 18 July 2022 the Board approved a new Long Term Incentive Scheme for its senior executives ("LTI Scheme").

The LTI Scheme has been established to:

- provide an incentive to key executives to commit to Radius Care for the long term; and
- align these executives' interests with the interests of Radius' shareholders.

Participants in the Scheme will be granted Performance Share Rights ("PSRs") from time to time which will, on vesting, convert into an entitlement to receive ordinary shares. Vesting will depend on achievement of certain conditions relating to Radius Care share price.

PSRs become exercisable if the holder remains employed on the vesting date and conditions are met over the period from the commencement date to the measurement date, and in certain other exceptional circumstances.

On becoming exercisable, each PSR will entitle the holder to receive one fully paid ordinary share in Radius Care Limited, less an adjustment for tax paid on the holder's behalf for the benefit received under the Scheme.

The Share Rights have a nil exercise price.

### Performance Hurdles

All PSRs will vest into ordinary shares in Radius if the 10-day volume weighted average price ("VWAP"), for the 10 trading days immediately prior to (and not including) 18 July 2025, is equal to or greater than $1.081. This is three times the 10-day VWAP of 18 July 2022 ("Base Price").

If the 10-day VWAP is between $1.027 and $1.081 (being 95% and 100% of three times the Base Price), the Radius Care Board has discretion to scale the number of a Participant's PSRs that will vest.

### Recognition and Measurement

- On 18 July 2022, 4,164,844 share rights were issued for nil consideration and a nil exercise price in relation to the LTI Scheme.
- On 15 August 2022, 1,109,824 share rights were issued for nil consideration and a nil exercise price in relation to the LTI Scheme.

During the period, 1,387,281 share rights were forfeited and no share rights were exercised or expired during the period. The fair value of the share rights were determined using the Monte Carlo valuation approach.

## 4.4. Revenue

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.

For further information on the Group's Revenue accounting policies refer to note 2.1 of the Group's Consolidated Financial Statements for the year ended 31 March 2023.

| | Unaudited 30 Sep 23 | Unaudited 30 Sep 22 |
|---|---|---|
| Rest home, hospital and dementia fees | 71,003 | 59,565 |
| Accommodation supplement fees | 4,789 | 3,665 |
| Village service fees | 569 | 330 |
| Rental income | 79 | 48 |
| Other services provided to residents | 6,868 | 5,493 |
| | **83,308** | **69,101** |

## 4.5. Contingent Liabilities

There has been no change to contingent liabilities disclosed in the 2023 annual financial statements.

## 4.6. Commitments

At 30 September 2023, the Group has capital commitments of $34,165 (31 March 2023: $390,566).

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

## 4.7. Events Subsequent to Reporting Date

### New Banking Arrangements

The Group has entered into some amendments with respect to its borrowing arrangements as set out in Note 3.3.

### Repayment of Related Party Loan

On 1 November 2023, a $1m loan with Providence Trust, a related party of Executive Chairman Brien Cree was repaid in full.

### Other

There has been no other matter or circumstance which has arisen since 30 September 2023 that has significantly affected or may significantly affect:

a. the operations, in financial years subsequent to 30 September 2023, of the Group or
b. the results of those operations or
c. the state of affairs, in financial years subsequent to 30 September 2023, of the Group.

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STAPLES RODWAY

# INDEPENDENT AUDITOR'S REVIEW REPORT

## To the Shareholders of Radius Residential Care Limited

### Report on the review of the condensed consolidated interim financial statements

#### Conclusion

We have reviewed the condensed consolidated interim financial statements of Radius Residential Care Limited and its subsidiaries (together "the Group") on pages 7 to 32, which comprise the condensed consolidated interim statement of financial position at 30 September 2023, the condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the period then ended, and the notes to the condensed consolidated interim financial statements that include a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that these condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2023, and of its financial performance and its cash flows for the six-months ended on that date, in accordance with in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* ('NZ IAS 34') and International Accounting Standard 34: *Interim Financial Reporting* ('IAS 34').

This report is made solely to the Shareholders of Radius Residential Care Limited. Our review work has been undertaken so that we might state those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Radius Residential Care Limited and the Shareholders of Radius Residential Care Limited, for our review procedures, for this report, or for the conclusions we have formed.

#### Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity.* As the auditor of the Group, NZ SRE 2410 (Revised) requires that we comply with the ethical requirements relevant to the audit of the annual financial statements and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Other than in our capacity as auditor and provider of other assurance services, our firm carries out other assignments for the Group in the area of taxation compliance services. The firm has no other interest in the Group. The provision of these services has not impaired our independence as auditors of the Group.

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**Material Uncertainty Related to Going Concern Basis of Accounting**

We draw attention to Note 1.1 and 3.3 in the condensed consolidated interim financial statements, which states that as at 30 September 2023, the Group's current liabilities exceeded its current assets by $15.0m (excluding refundable occupation right agreements' related liabilities of $35.8m) and the Group has borrowings of $34.5m due for repayment within 12 months of reporting date. As stated in Note 1.1, these events and conditions, along with other matters as set forth in Note 1.1 and 3.3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. If the Group were unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the Statement of Financial Position. In addition, the Group may need to provide for future liabilities that might arise and to reclassify non-current liabilities as current liabilities in the Statement of Financial Position. Our opinion is not modified in respect of this matter.

**Emphasis of Matter – Valuation of Investment Properties and Freehold Land and Buildings**

We draw attention to Note 2.1 and 2.2 of the condensed consolidated interim financial statements, which describes as at 31 March 2023, the Group's independent external property valuer included a valuation uncertainty clause in the reports, stating that the property markets experienced strong growth throughout 2021 and much of 2022. However, due to recent Government lending controls, global supply issues, abnormally high inflation and rapidly rising interest rates, they have seen a slowdown in markets generally with declining asset values, and an economic downturn (recession) is seen as a risk going forward. Sales transaction volumes have decreased significantly as there is a disconnect between vendor expectation and the price purchasers are prepared to pay due to the large increase in interest rates over a short timeframe. Therefore, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. The valuer recommended that the valuations are revisited more frequently. This clause represents an increase in the significant estimation uncertainty in the valuation of investment properties and freehold land and buildings. Our conclusion is not modified in respect of this matter.

**Directors' Responsibilities**

The Directors are responsible, on behalf of the Group, for the preparation of these condensed consolidated interim financial statements in accordance with generally accepted accounting practice in New Zealand that give a fair presentation of the matters to which they relate, and for such internal control as the Directors determine is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibilities**

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34 and IAS 34.

A review of condensed consolidated interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

**Matters Relating to the Electronic Presentation of the Condensed Consolidated Interim Financial Statements**

This review report relates to the condensed consolidated interim financial statements of the Group for the six-month period ended 30 September 2023 included on the Group's website. The Directors of the Group are responsible for the maintenance and integrity of the Group's website. We have not been engaged to report on the integrity of the Group's website. We accept no responsibility for any changes that may have occurred to the condensed consolidated interim financial statements since they were initially presented on the website.

The review report refers only to the condensed consolidated interim financial statements named above. It does not provide a conclusion on any other information which may have been hyper linked to / from these condensed consolidated interim 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 review condensed consolidated interim financial statements and related auditor's review report dated 27 November 2023 to confirm the information included in the reviewed condensed consolidated interim financial statements presented on this website.

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

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

Baker Tilly Staples Rodway

**BAKER TILLY STAPLES RODWAY AUCKLAND**

**Auckland, New Zealand**

27 November 2023

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Caring is our calling


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