

**Radius Residential Care
Limited and its Subsidiaries**

Consolidated financial statements
For the year ended 31 March 2019

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RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
Revenue and other income			
Revenue from contracts with customers	3	108,095	99,085
Deferred management fees	3	573	400
Gain on fair value movement in investment properties	3	<u>1,442</u>	<u>684</u>
Total revenue and other income	3	<u>110,110</u>	<u>100,169</u>
Less: expenses			
Employee benefits expense		(64,683)	(58,361)
Facility operating expense		(18,146)	(16,445)
Operating rental expense		(12,596)	(12,039)
Administration expense		(1,487)	(1,184)
Depreciation expense	5	(3,583)	(2,962)
Net finance costs	5	(805)	(543)
Other expenses	5	<u>(3,575)</u>	<u>(3,524)</u>
Total expenses		<u>(104,875)</u>	<u>(95,058)</u>
Profit before income tax expense		5,235	5,111
Income tax expense	6	<u>(1,052)</u>	<u>(1,336)</u>
Net profit from continuing operations		<u>4,183</u>	<u>3,775</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>4,183</u></u>	<u><u>3,775</u></u>

The accompanying notes form part of these financial statements.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	Contributed equity \$ '000	Retained earnings \$ '000	Total equity \$ '000
Group				
Balance as at 1 April 2017		4,736	7,099	11,835
Profit for the year		<u>-</u>	<u>3,775</u>	<u>3,775</u>
Total comprehensive income for the year		<u>-</u>	<u>3,775</u>	<u>3,775</u>
Transactions with owners in their capacity as owners:				
Dividends		<u>-</u>	<u>(900)</u>	<u>(900)</u>
Total transactions with owners in their capacity as owners		<u>-</u>	<u>(900)</u>	<u>(900)</u>
Balance as at 31 March 2018		<u>4,736</u>	<u>9,974</u>	<u>14,710</u>
Balance as at 1 April 2018 (i)		4,736	9,849	14,585
Profit for the year		<u>-</u>	<u>4,183</u>	<u>4,183</u>
Total comprehensive income for the year		<u>-</u>	<u>4,183</u>	<u>4,183</u>
Transactions with owners in their capacity as owners:				
Dividends		<u>-</u>	<u>(900)</u>	<u>(900)</u>
Total transactions with owners in their capacity as owners		<u>-</u>	<u>(900)</u>	<u>(900)</u>
Balance as at 31 March 2019		<u>4,736</u>	<u>13,132</u>	<u>17,868</u>

(i) As described in Note 1 (x), the Group has restated its opening balance sheet on 1 April 2018, as a result of the adoption of NZ IFRS 9. The impact of the change in impairment methodology on the Group's retained earnings as at 1 April 2018 was \$124,873. See Note 23.

The accompanying notes form part of these financial statements.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
Current assets			
Cash and cash equivalents	8	4,236	1,768
Receivables	9	6,549	7,406
Inventories	10	168	181
Other assets	11	<u>772</u>	<u>757</u>
Total current assets		<u>11,725</u>	<u>10,112</u>
Non-current assets			
Other assets	11	192	191
Investment properties	12	23,727	20,058
Property, plant and equipment	13	18,886	17,836
Intangible assets	14	16,996	16,996
Deferred tax assets	6	<u>1,812</u>	<u>1,531</u>
Total non-current assets		<u>61,613</u>	<u>56,612</u>
Total assets		<u>73,338</u>	<u>66,724</u>
Current liabilities			
Payables	16	6,122	5,141
Provisions	18	7,123	6,556
Current tax liabilities		504	904
Borrowings	17	5,070	5,067
Other financial liabilities	19	42	92
Refundable occupation right agreements	20	15,531	11,532
Other liabilities	21	<u>521</u>	<u>324</u>
Total current liabilities		<u>34,913</u>	<u>29,616</u>
Non-current liabilities			
Borrowings	17	20,465	22,285
Other liabilities	21	<u>92</u>	<u>113</u>
Total non-current liabilities		<u>20,557</u>	<u>22,398</u>
Total liabilities		<u>55,470</u>	<u>52,014</u>
Net assets		<u>17,868</u>	<u>14,710</u>

The accompanying notes form part of these financial statements.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
Equity			
Share capital	22	4,736	4,736
Retained earnings		<u>13,132</u>	<u>9,974</u>
Total equity		<u><u>17,868</u></u>	<u><u>14,710</u></u>

Signed on behalf of the board of directors, dated 27 June 2019.

Director: 
B H CREE

Director: 
T J D SUMNER

The accompanying notes form part of these financial statements.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
Cash flow from operating activities			
Receipts from customers		109,407	96,344
Payments to suppliers and employees		(98,943)	(90,296)
Interest received		49	47
Interest paid		(854)	(590)
Income tax paid		<u>(1,734)</u>	<u>(962)</u>
Net cash provided by operating activities	24(a)	<u>7,925</u>	<u>4,543</u>
Cash flow from investing activities			
Proceeds from the sale of property, plant and equipment		32	223
Proceeds from the sale of licenses to occupy		4,860	3,795
Payments for the repurchase of licenses to occupy		(740)	-
Payments for the purchase of plant and equipment		(4,604)	(4,544)
Payments relating to the development of the Elloughton Grange Village		<u>(2,325)</u>	<u>(1,471)</u>
Net cash used in investing activities		<u>(2,777)</u>	<u>(1,997)</u>
Cash flow from financing activities			
Net repayment of borrowings		(1,780)	(2,402)
Dividends paid		<u>(900)</u>	<u>(900)</u>
Net cash used in financing activities		<u>(2,680)</u>	<u>(3,302)</u>
Reconciliation of cash			
Cash at beginning of the financial year		1,768	2,524
Net increase / (decrease) in cash held		<u>2,468</u>	<u>(756)</u>
Cash at end of financial year		<u><u>4,236</u></u>	<u><u>1,768</u></u>

The accompanying notes form part of these financial statements.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Radius Residential Care Limited ('the Company') and its Subsidiaries (collectively referred to as 'the Group') have been prepared in accordance with the Financial Reporting Act 2013 and the Companies Act 1993.

The Company is incorporated and domiciled in New Zealand, and registered under the Companies Act 1993.

The Company is a reporting entity for the purposes of the Financial Reporting Act 2013.

The Group is a for-profit entity.

The principal activity of the Group is the care of the elderly including accommodation, meals and medical needs.

The following is a summary of the material accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

Compliance with IFRS

These 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 Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS').

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies below.

(b) Going concern

The financial statements have been prepared on a going concern basis.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity ('the Group'), comprising the financial statements of Radius Residential Care Limited and its Subsidiaries.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred by the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised either through profit or loss or other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Functional and presentation currency

The financial statements of each entity within the consolidated Group is measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in New Zealand dollars which is the Group's functional and presentation currency. All financial information has been rounded to the nearest thousand dollars.

(e) Goods and services tax (GST)

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

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(f) Revenue

Revenue from contracts with customers

The Group recognises revenue from contracts with customers when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time or over time. For a performance obligation satisfied over time, the Group will select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Revenue is measured at the fair value of the consideration received or receivable. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Care Fees & recoveries income

Care fees is recognised over the period in which the service is rendered. The performance obligation of providing the service is satisfied over time, since the customer would simultaneously receive and consume the benefits of the service provided. Billing and revenue recognition are generally done during the same period that the performance obligation is satisfied. Payments received in advance are recorded on the statement of financial position as contract liability and subsequently recognised through profit or loss when the services are rendered.

In terms of recoveries income, the Group is deemed as a principal instead of an agent. This service fee is recognised as revenue in the same way as care fees.

There is no elements of variable consideration of significant financing component associated with care fees & recoveries income.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other income

Deferred management fees

The Group issues occupation right agreements (ORAs) to licensees to live in a dwelling, which is usually an attached unit. The licence entitles the resident to live in the dwelling in consideration of a capital payment. Upon termination of an ORA and the dwelling being resold, a refund of the capital payment is made to the outgoing licensee. This is made from the proceeds of the resale settlement and after the deduction of deferred management fees and for some ORAs, deferred administration fees, is made by the Group. The issue of any new ORA licences complies with the Retirement Villages Act 2003. Revenues from ORA licence village contributions and expenses are recognised as normal operating revenue and expenses in profit or loss. Over the period of each licence, the Group becomes entitled to a proportion of the capital payment at the date of cessation of the licence, subject to a specified maximum deferred management fee (DMF) and for some ORAs a deferred administration fee (DAF). Monies received from the issue of all licences are classified as liabilities and are reduced by the DMF and DAF. The income is recognised over the average term that the village resident occupies the unit based on the current occupancy tenure, estimated at 8 years (2018: 8 years).

Interest income

Interest revenue is measured in accordance with the effective interest method (also refer significant accounting policy (h) below).

All revenue is measured net of the amount of goods and services tax (GST).

(g) Expenses

Expenses are recognised as incurred in profit or loss on an accrual basis.

(h) Interest income and interest expense

Interest income and interest expense is recognised in profit or loss as they accrue, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability. The application of the method has the effect of recognising income and expense on the financial asset or liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income tax

Income tax on net profit for the period comprises current and deferred tax. Income tax is recognised in profit or loss except when it relates to items recognised outside profit or loss (equity or other comprehensive income), in which case it is also recognised outside profit or loss.

Current income tax 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 attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised for all 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. Deferred income tax liabilities are recognised when tax deductions have exceeded accounting expenditure for temporary differences and depreciation. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Group classifies its financial assets into one of the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ('FVTPL');
- those to be measured subsequently at fair value through other comprehensive income ('FVTOCI'); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset that meets the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments (Continued)

Despite the above, the Group may make the following irrevocable designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Group has no financial assets classified at FVTOCI or FVTPL.

Financial assets measured at amortised cost

At initial recognition financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Group's financial assets measured at amortised cost consists of cash and cash equivalents, trade and other receivables.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses ('ECL') is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Group always recognises lifetime ECL for trade receivables and other receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments (Continued)

Financial liabilities

The Group classifies its financial liabilities into one of the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ('FVTPL'); and
- those to be measured at amortised cost.

Financial liabilities measured at fair value through profit or loss

At initial recognition financial liabilities at FVTPL are measured at fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. Subsequently, the financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss.

The Group's financial liabilities measured at FVTPL consists of interest rate swaps.

Financial liabilities measured at amortised cost

At initial recognition financial liabilities at amortised cost are measured at fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

The Group's financial liabilities measured at amortised cost consists of trade payables, other payables and refundable occupation right agreements liabilities.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(l) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling costs.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Property, plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The carrying amount of property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Initial recognition

Items of property, plant and equipment are measured at cost less accumulated depreciation and 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

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.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Class of fixed asset	Useful lives	Depreciation basis
Buildings at cost	10 - 50 years	Straight line
Motor vehicles at cost	3 - 5 years	Straight line
Furniture, fixtures and fittings at cost	5 - 10 years	Straight line
Information technology at cost	3 - 4 years	Straight line
Medical equipment at cost	5 - 7 years	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investment property

Investment property, which is held to earn rental income or for capital appreciation or for both, comprises land and buildings intended to be held for the long term (relating to independent living units and common facilities in the retirement village), and land and buildings under construction.

Investment property is measured at cost on initial recognition, and thereafter at fair value with any change therein recognised in profit or loss. The fair value of investment properties is determined by a qualified independent external valuer using a discounted cash flow model. As required by NZ IAS 40 Investment Property, the fair value as determined by the independent valuer is adjusted for assets and liabilities already recognised in the balance sheet which are also reflected in the discounted cash flow model. These adjustments to derive the carrying value of investment properties are disclosed in note 12.

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

If the fair value of investment property under development and construction cannot be reliably determined but it is expected the fair value of the property can be reliably determined when construction is complete, then investment property under construction will be measured as cost until either its fair value can be reliably determined or construction is complete.

(o) Intangibles

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill has been assessed to be an indefinite useful life intangible.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ('CGUs'), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment, and is carried at cost less accumulated impairment losses. The impairment test involves comparing the carrying value of goodwill to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(q) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the consolidated statement of profit or loss and other comprehensive income. Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(s) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which are not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

(ii) Long-term employee benefit obligations (continued)

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

Defined contribution superannuation plan

The Group makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

(t) Share capital

Share capital is classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

(u) Distributions

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are paid.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(w) Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the expenses and the related costs for which the grants are intended to compensate.

Government grants are deferred where there are unfulfilled conditions or other contingencies attached to these grants.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Adoption of new and amended accounting standards that are first operative

The Group has adopted the following new or revised standards, amendments and interpretations that became effective for the year beginning 1 April 2018.

The Group has adopted NZ IFRS 9 'Financial Instruments' and NZ IFRS 15 'Revenue from Contracts with Customers' respectively, from 1 April 2018. In accordance with the transitional provisions of these standards the Group has applied the cumulative effect method and therefore the comparative information presented in these financial statements has not been restated and continues to be reported under NZ IAS 39 'Financial Instruments: Recognition and Measurement', and NZ IAS 18 'Revenue', respectively.

NZ IFRS 9, 'Financial instruments'

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in NZ IAS 39, 'Financial Instruments: Recognition and Measurement', that relates to the classification and measurement of financial instruments.

NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ('OCI'); and fair value through profit and loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The impact of the adoption of NZ IFRS 9 on the Group's financial statements:

The Group's financial instruments included only those measured at amortised cost and at fair value through profit or loss and therefore the classification, measurement, presentation and disclosure of the Group's financial instruments remain unchanged under NZ IFRS 9. The Group's incurred credit losses from its financial assets have historically not been material and the introduction of the expected credit losses impairment model has not had a material impact on the measurement of the Group's financial assets. However, the Group has restated its opening balance sheet on 1 April 2018, and the impact of the change in impairment methodology on the Group's retained earnings and total equity as at 1 April 2018 was \$124,873.

The adoption of NZ IFRS 9 also resulted in changes to the Group's accounting policies with respect to the recognition and measurement of impairment of the Group's financial assets. These new accounting policies are set out in the 'financial instruments' accounting policy above.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Adoption of new and amended accounting standards that are first operative (Continued)

NZ IFRS 15 'Revenue from Contracts with Customers'

NZ IFRS 15 'Revenue from Contracts with Customers' replaces NZ IAS 18 'Revenue'.

The core principle of NZ IFRS 15 is that an entity recognises revenue to present the transfer of promised goods or services to customers reflecting the consideration to which the entity expects to be entitled in exchange for those goods or services.

NZ IFRS 15 introduces a five-step model to be applied to the recognition of revenue arising from contracts with customers:

1. identify the contract with the customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognise revenue when (or as) the entity satisfies a performance obligation.

NZ IFRS 15 also introduces new disclosures requirements about the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers.

Under NZ IFRS 15 the Group recognises revenue when (or as) it satisfies a performance obligation by transferring a promised service to a customer. A performance obligation may be satisfied at a point in time or over time. For a performance obligation satisfied over time, the Group selects an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

The impact of the adoption of NZ IFRS 15 on the Group's financial statements:

Adoption of NZ IFRS 15 has not had a material impact on the recognition or measurement of revenue by the Group. Care fees & recoveries income will continue to be recognised as the services are provided. Deferred management fees is outside the scope of NZ IFRS 15, and will continue to be measured under NZ IAS 17 *Leases*. Interest income is outside the scope of NZ IFRS 15, and will continue to be measured using the effective interest method under NZ IFRS 9 *Financial Instruments*.

The adoption of NZ IFRS 15, did however, result in changes to the Group's accounting policies with respect to the recognition revenue from its contracts with customers. These new accounting policies are set out in the 'revenue' accounting policy above.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) New and amended accounting standards that are not yet effective and not early adopted

New standards, amendments and interpretations issued but not yet effective for the current financial period ended and not early adopted by the Group

NZ IFRS 16 Leases

NZ IFRS 16 will replace NZ IAS 17 *Leases*. NZ IFRS 16 eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their Statements of Financial Position.

The main changes affect lessee accounting only – lessor accounting is mostly unchanged from NZ IAS 17.

NZ IFRS 16 introduces the following:

- ☐ Use of a control model for the identification of leases:
This model distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.
- ☐ Distinction between operating and finance leases removed:
Assets (a right-of-use asset) and liabilities (a lease liability reflecting future lease payments) will now be recognised in respect of all leases, with the exception of certain short-term leases and leases of low value assets.

NZ IFRS 16 supersedes NZ IAS 17 and associated interpretative guidance.

The effective date is annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted, if NZ IFRS 15 *Revenue from Contracts with Customers* has also been adopted.

The indicative impacts of implementing NZ IFRS 16 are as follows:

The adoption of NZ IFRS 16 is expected to have a material impact on the Group's financial statements. The Group has completed its preliminary assessment of the impacts of adopting this standard and the following is noted:

Operating leases

Based on the operating lease commitments of approximately \$132.3m, as set out in Note 28, the Group expects the following impacts:

- ☐ Initial recognition and measurement as at 1 April 2019:
 - ☐ Recognition of a right of use ('ROU') asset. Initial measurement of the ROU asset would equal to the initial measurement of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The Group expects \$184.4m of ROU assets to be recognised; and
 - ☐ Recognition of a lease liability, which would reflect the initial measurement of the present value of lease payments, including reasonably certain renewal. The Group expects \$184.4m of lease liabilities to be recognised.
 - ☐ A net movement in deferred tax of \$nil (comprised as an increase in deferred tax assets and deferred tax liabilities of \$51.6m).

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) New and amended accounting standards that are not yet effective and not early adopted

Subsequently, the ROU asset would be depreciated based on NZ IAS 16 *Property, Plant and Equipment*. The lease liability would be increased by interest, calculated based on the effective interest method using the discount rate determined at lease commencement (unless the discount rate is required to be reassessed during lease modifications and certain lease reassessments), and decreased by payments made.

- ☐ For the year ending 31 March 2020, the following changes in the Group's consolidated statement of profit or loss and other comprehensive income:
 - ☐ A decrease in operating rental expense of \$12.7m;
 - ☐ An increase in depreciation expense of \$7.1m;
 - ☐ An increase in net finance costs of \$8.9m.
- ☐ For the year ending 31 March 2020, the following changes in the Group's consolidated statement of cash flows:
 - ☐ A decrease in payments to suppliers and employees (operating activities) of \$12.7m;
 - ☐ An increase in interest paid (operating activities) of \$8.9m;
 - ☐ An increase in payments towards lease liabilities (financing activities) of \$3.7m.

The significant difference between the initial measurement of lease liabilities under NZ IFRS 16 and the total lease commitments under NZ IAS 17 is due to the following difference in accounting treatment:

- ☐ Historically under NZ IAS 17, upon the inception of the facility leases, it was not reasonably certain that the Group would exercise the options to renew the leases. As a result, the applicable lease terms for such facility leases did not extend to the final expiry dates of these leases (being the applicable lease end date if all renewal options are exercised). NZ IAS 17 subsequently does not require the reassessment of these lease terms.
- ☐ Upon adoption of NZ IFRS 16, the Group reassessed under NZ IFRS 16 that it is reasonably certain that the renewal options on these facility leases will be exercised. As a result, the reassessed lease terms extend to the final expiry dates of these leases, increasing the number and value of total expected lease payments, which is then used as an input for initially measuring the lease liabilities, being the present value of the minimum lease payments, including reasonably certain renewal.

Occupation right agreements

Occupation right agreements confer the right to occupancy of a retirement unit and are considered leases under NZ IFRS 16. There is no change to the recognition nor measurement of occupation right agreements and the associated deferred management fees revenue. The deferred management fees revenue will continue to be recognised on a straight-line basis in the consolidated statement of profit or loss and other comprehensive income over the average expected length of stay of residents (8 years). Amendments to disclosures and presentation will however be required.

The Group will adopt NZ IFRS 16 no later than the accounting period beginning 1 April 2019, using the retrospective approach with the cumulative effect of initially applying NZ IFRS 16 recognised at the date of initial application, without restating comparative information.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of NZ IFRS and IFRS, the Board of Directors and management are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from the estimates, judgements and assumptions made by the Board of Directors and management.

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

Judgements made by management in the application of NZ IFRS and IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

In particular, information about significant areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is outlined below:

(a) Impairment 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, 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. Refer also Note 14.

(b) Valuation of investment properties

The fair value of completed investment properties have been determined by an independent qualified valuer. Note 12 sets out the valuation processes, key assumptions and sensitivity analysis. The fair value of investment properties and care facilities is subjective and changes to the assumptions can have a significant impact on profit and the fair value.

(c) Calculation of loss allowance

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

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors and an analysis of the debtors' current financial positions, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Refer also Note 9.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Current and deferred income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made. Refer also Note 6.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest forecasts of future earnings of the Group. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. Refer also to Note 6.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
NOTE 3: REVENUE AND OTHER INCOME			
Revenue from contracts with customers			
Care fees		107,569	98,598
Recoveries income		<u>526</u>	<u>487</u>
		<u>108,095</u>	<u>99,085</u>
Other income			
Deferred management fees		<u>573</u>	<u>400</u>
		<u>573</u>	<u>400</u>
Gain on fair value adjustments			
Gain on revaluation of investment properties			
- Windsor Lifestyle Estate Village	12	354	652
- Elloughton Grange Village	12	<u>1,088</u>	<u>32</u>
		<u>1,442</u>	<u>684</u>
Total revenue and other income		<u>110,110</u>	<u>100,169</u>

NOTE 4: REMUNERATION OF AUDITORS

Remuneration of auditors for:

Baker Tilly Staples Rodway Auckland

Audit and assurance services

- Audit of financial statements	48	47
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Other non-audit services

- Compilation of financial statements	4	4
- Tax compliance services	<u>34</u>	<u>44</u>
	<u>86</u>	<u>95</u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
NOTE 5: EXPENSES			
Depreciation expense:			
- buildings	13	117	119
- motor vehicles	13	173	158
- furniture, fixtures and fittings	13	2,515	2,152
- information technology	13	713	475
- medical equipment	13	65	58
Total depreciation		<u>3,583</u>	<u>2,962</u>
Net finance costs:			
Finance income:			
- interest - bank		(49)	(47)
Total finance income		<u>(49)</u>	<u>(47)</u>
Finance costs:			
- interest - bank		854	590
Total finance costs		<u>854</u>	<u>590</u>
Net finance costs		<u>805</u>	<u>543</u>
Other expenses:			
Audit and assurance services	4	52	51
Charges to loss allowance	9	6	4
Directors' fees	25	44	44
Donations and sponsorships		10	12
Loss on sale of property, plant and equipment		38	25
Gain on derivative financial instruments		(50)	(21)
Other		3,475	3,409
Total other expenses		<u>3,575</u>	<u>3,524</u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
NOTE 6: INCOME TAX			
(a) Components of tax expense			
Current tax		771	872
Deferred tax		<u>281</u>	<u>464</u>
		<u><u>1,052</u></u>	<u><u>1,336</u></u>
(b) Prima facie tax payable			
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:			
Prima facie income tax payable on profit before income tax at 28.0%		1,465	1,431
- Permanent differences		(333)	(108)
- (Over)/Under provision for income tax in prior year		<u>(80)</u>	<u>13</u>
Income tax expense attributable to profit		<u><u>1,052</u></u>	<u><u>1,336</u></u>
(c) Deferred tax			
Deferred tax relates to the following:			
<i>Deferred tax assets</i>			
The balance comprises:			
Property, plant and equipment		171	114
Provisions		<u>1,754</u>	<u>1,467</u>
		<u><u>1,925</u></u>	<u><u>1,581</u></u>
<i>Deferred tax liabilities</i>			
The balance comprises:			
Investment properties		<u>113</u>	<u>50</u>
		<u><u>113</u></u>	<u><u>50</u></u>
Net deferred tax assets		<u><u>1,812</u></u>	<u><u>1,531</u></u>
(d) Deferred income tax (revenue) / expense included in income tax expense comprises			
Decrease in deferred tax assets		(344)	(470)
Increase in deferred tax liabilities		<u>62</u>	<u>6</u>
		<u><u>(282)</u></u>	<u><u>(464)</u></u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
NOTE 7: IMPUTATION CREDIT ACCOUNT			
Balance as at the beginning of the year		2,025	1,440
Dividends paid		(350)	(350)
New Zealand tax payments, net of refunds		<u>1,705</u>	<u>935</u>
Balance as at the end of the year		<u><u>3,380</u></u>	<u><u>2,025</u></u>
NOTE 8: CASH AND CASH EQUIVALENTS			
Cash on hand	4		5
Cash at bank		<u>4,232</u>	<u>1,763</u>
		<u><u>4,236</u></u>	<u><u>1,768</u></u>
NOTE 9: RECEIVABLES			
CURRENT			
Trade debtors		6,807	7,615
Loss allowance		<u>(340)</u>	<u>(209)</u>
		6,467	7,406
Other receivables		<u>82</u>	<u>-</u>
		<u><u>6,549</u></u>	<u><u>7,406</u></u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTE 9: RECEIVABLES (CONTINUED)

Impairment of trade receivables

Trade receivables are non-interest bearing with 60 days terms. The loss allowance is made up of the lifetime expected credit losses based on assessment of trade receivables as described in Note 1(j). The impairment losses have been included within administration expenses within profit or loss.

On that basis, the closing loss allowance for trade receivables as at 31 March 2018 reconcile to the opening loss allowance as follows:

	Note	2019 \$ '000	2018 \$ '000
Closing balance at 31 March (calculated under NZ IAS 39)		209	205
Amounts restated through opening retained earnings (i)		<u>125</u>	<u>-</u>
Opening loss allowance at 1 April 2018 (calculated under NZ IFRS 9)		334	-
Increase in loss allowance recognised in profit or loss during the year		<u>6</u>	<u>4</u>
Closing balance at 31 March		<u>340</u>	<u>209</u>

(i) As described in Note 1 (x), the Group has restated its opening balance sheet on 1 April 2018, as a result of the adoption of NZ IFRS 9. The impact of the change in impairment methodology on the Group's retained earnings as at 1 April 2018 was \$124,873. See Note 23.

The loss allowance as at 31 March 2019 and 1 April 2018 (on adoption of NZ IFRS 9) was determined as follows for trade receivables:

	Current \$	31 - 60 Days \$	61 - 90 Days \$	91 Days & Over \$	Total \$
31 March 2019					
Expected loss rate	0.5%	0.7%	5.3%	26.1%	
Gross carrying amount	<u>4,670</u>	<u>708</u>	<u>303</u>	<u>1,126</u>	<u>6,807</u>
Loss allowance	<u>25</u>	<u>5</u>	<u>16</u>	<u>294</u>	<u>340</u>
1 April 2018					
Expected loss rate	0.5%	0.8%	5.6%	18.1%	
Gross carrying amount	<u>4,931</u>	<u>656</u>	<u>516</u>	<u>1,512</u>	<u>7,615</u>
Loss allowance	<u>27</u>	<u>5</u>	<u>29</u>	<u>273</u>	<u>334</u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
NOTE 10: INVENTORIES			
Inventories		<u>168</u>	<u>181</u>
		<u>168</u>	<u>181</u>
NOTE 11: OTHER ASSETS			
CURRENT			
Prepayments		624	634
Accrued income		20	37
Development costs:			
- Other facilities		<u>128</u>	<u>86</u>
		<u>772</u>	<u>757</u>
NON-CURRENT			
Prepayments		22	29
Accrued income		<u>170</u>	<u>162</u>
		<u>192</u>	<u>191</u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 \$ '000	2018 \$ '000
NOTE 12: INVESTMENT PROPERTIES			
<i>Investment properties</i>			
Opening carrying amount		20,058	17,746
Development expenditure - Elloughton Grange Village		2,325	2,302
Development expenditure transfer - Elloughton Grange Village		(4,150)	(3,537)
Net fair value gain - Elloughton Grange Village		1,088	32
Occupation right agreements settled - Elloughton Grange Village		(390)	-
Occupation right agreements entered - Elloughton Grange Village		4,510	3,555
Transferred to property, plant and equipment		(68)	(848)
Net fair value gain - Windsor Lifestyle Estate Village		354	411
Occupation right agreements settled - Windsor Lifestyle Estate Village		(350)	(405)
Occupation right agreements entered - Windsor Lifestyle Estate Village		350	802
Closing carrying amount		<u>23,727</u>	<u>20,058</u>

(a) Details for measurement of fair value

Windsor Lifestyle Estate Village:

The Windsor Lifestyle Estate Village investment property was valued at reporting date by a Property Institute of New Zealand registered valuer, CBRE Limited. CBRE Limited, an external independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's Windsor Lifestyle Estate Village investment property on an annual basis. Fair values have been determined using a discounted cash flow model applied to the expected future cash flows generated by the properties. The valuation calculates the expected cash flows for a period of 20 years based on an average occupancy turnover of 8 years (2018: 8 years) for independent living units. The cash flows are extrapolated at a growth rate from 0.0% - 3.0% (2018: 0.0% - 3.0%) and discounted to present value at a pre-tax discount rates of 18.0% (2018: 18.0%). The net Group's interest in the investment properties were \$1,080k (2018: \$1,030k). The valuation of investment properties is then grossed up for cash flows relating to refundable occupation right agreements, which are recognised separately in the Statement of Financial Position (refer also Note 20).

Elloughton Grange Village:

The Group is currently developing a retirement village in Marchwiell, Timaru. There are three stages to the development, being stages 1, 2 and 3.

As at 31 March 2019, construction was still underway. Stage 1 of the village was completed in the prior financial year, Stage 2 and 5 out of 18 Stage 3 units were completed by 31 March 2019. Stage 1, Stage 2 and the Stage 3 completed villas were valued at reporting date by a Property Institute of New Zealand registered valuer, CBRE Limited, an external independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair values of Stage 1, Stage 2 and the completed villas in Stage 3 have been determined using a discounted cash flow model applied to the expected future cash flows generated by these villas. The valuation calculates the expected cash flows for a period of 20 years (2018: 20 years) based on an average

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTE 12: INVESTMENT PROPERTIES (CONTINUED)

(a) Details for measurement of fair value (Continued)

occupancy turnover of 8 years (2018: 8 years) for independent living units. The cash flows are extrapolated at a growth rate from 0.0 - 3.0% (2018: 0.0 - 3.0%) and discounted to present value at a pre-tax discount rates of 16.00% (2018: 16.00%).

The fair value of the unused land relating to Stage 3 has been determined on there being the equivalent of 13 undeveloped villa sites available, referenceable market subdivisional costs and returns and having regard to the intensity of development in a retirement village situation, underpinned by subdivisional land sales. The fair value of the remaining villas to be constructed in Stage 3 could not be reliably determined. Accordingly, development costs relating to these Stage 3 work in progress were measured at cost.

Fair value hierarchy

The fair values of the investment properties represent the estimated price for which a property could be sold on the date of valuation in an orderly transaction between market participants. The valuation techniques and inputs are summarised above.

Investment property measurements are categorised as level 3 in the following fair value measurement hierarchy:

- ☐ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ☐ Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- ☐ Level 3: inputs for the asset or liability that are not based on observable market data.

During the year there were no transfers of investment properties between levels of the fair value hierarchy.

(i) Windsor Lifestyle Estate Village

The sensitivity analysis in the valuation report shows that a change in the discount rate applied by +/- 0.5% would (decrease)/increase the total fair value of investment property and profit or loss by (\$35,000) / \$25,000 (2018: (\$20,000) / \$20,000).

(ii) Elloughton Grange Village

The sensitivity analysis in the valuation report shows that a change in the key assumptions would (decrease)/increase the total fair value of Stages 1 and 2 and Stage 3 unused land as follows:

A change in the discount rate applied by +/- 0.5% would increase/(decrease) the total fair value and profit or loss by (\$170,000) / \$180,000 (2018: (\$140,000) / \$140,000).

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 12: INVESTMENT PROPERTIES (CONTINUED)

	2019	2018
	\$ '000	\$ '000
(b) Investment properties		
Windsor Lifestyle Estate Village:		
- Valuation of operator's interest	1,080	1,030
- Refundable occupancy right agreements	<u>2,537</u>	<u>2,233</u>
	<u>3,617</u>	<u>3,263</u>
Elloughton Grange Village:		
- Valuation of operator's interest - Stages 1, 2 & 3	5,373	5,394
- Refundable occupancy right agreements - Stages 1, 2 & 3	12,994	9,299
- Development/excess land - fair value	620	1,000
- Investment property under development - at cost	<u>1,123</u>	<u>1,102</u>
	<u>20,110</u>	<u>16,795</u>
Total investment properties	<u><u>23,727</u></u>	<u><u>20,058</u></u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
NOTE 13: PROPERTY, PLANT AND EQUIPMENT			
Buildings			
At cost		4,602	4,498
Accumulated depreciation		<u>(648)</u>	<u>(531)</u>
		<u>3,954</u>	<u>3,967</u>
Plant and equipment			
Motor vehicles at cost		1,320	1,260
Accumulated depreciation		<u>(806)</u>	<u>(641)</u>
		514	619
Furniture, fixtures and fittings at cost		29,775	26,053
Accumulated depreciation		<u>(17,308)</u>	<u>(14,760)</u>
		12,467	11,293
Information technology at cost		4,373	3,827
Accumulated depreciation		<u>(2,599)</u>	<u>(2,085)</u>
		1,774	1,742
Medical equipment at cost		419	392
Accumulated depreciation		<u>(242)</u>	<u>(177)</u>
		177	215
Total plant and equipment		<u>14,932</u>	<u>13,869</u>
Total property, plant and equipment		<u>18,886</u>	<u>17,836</u>

(a) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the financial year:

<i>Land and buildings</i>		
Opening carrying amount	3,967	547
Additions	104	67
Depreciation expense	(117)	(119)
Transferred from investment properties under development	-	656
Transferred from assets held for sale	<u>-</u>	<u>2,816</u>
Closing carrying amount	<u>3,954</u>	<u>3,967</u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)			
(a) Reconciliations (Continued)			
<i>Motor vehicles</i>			
Opening carrying amount		619	459
Additions		68	437
Disposals		-	(119)
Depreciation expense		<u>(173)</u>	<u>(158)</u>
Closing carrying amount		<u>514</u>	<u>619</u>
<i>Furniture, fixtures and fittings</i>			
Opening carrying amount		11,293	10,249
Additions		3,644	3,009
Disposals		(23)	(5)
Depreciation expense		(2,515)	(2,152)
Transferred from investment properties under development		<u>68</u>	<u>192</u>
Closing carrying amount		<u>12,467</u>	<u>11,293</u>
<i>Information technology</i>			
Opening carrying amount		1,742	756
Additions		767	1,468
Disposals		(22)	(7)
Depreciation expense		<u>(713)</u>	<u>(475)</u>
Closing carrying amount		<u>1,774</u>	<u>1,742</u>
<i>Medical equipment</i>			
Opening carrying amount		215	159
Additions		28	114
Disposals		(1)	-
Depreciation expense		<u>(65)</u>	<u>(58)</u>
Closing carrying amount		<u>177</u>	<u>215</u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
NOTE 14: INTANGIBLE ASSETS			
Goodwill at cost		<u>16,996</u>	<u>16,996</u>

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

<i>Goodwill at cost</i>			
Opening balance		<u>16,996</u>	<u>16,996</u>
Closing balance		<u>16,996</u>	<u>16,996</u>

(b) Impairment loss

Impairment losses in relation to intangible assets are included within depreciation and amortisation expense in the consolidated statement of profit or loss and other comprehensive income. The Directors have assessed goodwill for impairment at reporting date and have determined that no adjustment to goodwill is required for the current year (2018: \$Nil).

For those CGU's not requiring impairment, the preparation of a monthly financial analysis for each CGU ensures management is in a position to identify those that are not performing satisfactorily and put in place a proactive response to improve.

(c) Impairment tests for goodwill and intangible assets with indefinite useful lives

The following intangibles have been assessed as having indefinite useful lives:

- ☐ goodwill allocated to individual CGU's within the residential care business

These assets have been determined to have indefinite useful lives as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflow for the Group.

Goodwill and intangibles with indefinite useful lives are allocated to the following cash generating units (CGU):

- individual CGU's within the residential care business	<u>16,996</u>	<u>16,996</u>
	<u>16,996</u>	<u>16,996</u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 14: INTANGIBLE ASSETS (CONTINUED)

(c) Impairment tests for goodwill and intangible assets with indefinite useful lives (Continued)

Individual CGU's within the residential care business

Goodwill is allocated to individual CGU's within the residential care business (various acquired residential care facilities). Corporate office cash flows incurred by the Group as a whole cannot be allocated to individual CGU's on a reasonable basis. Therefore, these cashflows and related corporate assets are impairment tested at the overall Group level.

The recoverable amount of business goodwill as at reporting date is determined using a value-in-use cash flow projection that includes Management's estimates based on past performance and its expectation for the future performance for up to 5 years. These estimates are based on budgeted projections of occupancy levels, sales growth and changes to cost structures. Cash flows from performance thereafter are estimated using a standard growth rate deemed to be reasonable by management.

The key assumptions used for value in use calculations are as follows:

- ☐ The year 1 forecast cashflows are based on Management forecasts approved by the Board
- ☐ The cash flow period growth rate used in the calculations was 3.0% (2018: 3.0%)
- ☐ The cash flow period used in the calculations was 5 years (2018: 5 years)
- ☐ The pre-tax discount rate applied in the calculations was 18.1% (2018: 18.1%)
- ☐ The terminal growth rate applied in the calculations was 2.0% (2018: 2.0%)
- ☐ Occupancy projections vary between CGU.

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

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 15: INTERESTS IN SUBSIDIARIES

(a) Subsidiaries

The following are the Group's subsidiaries:

	Country of incorporation	Ownership interest held by the group	
		2019 %	2018 %
Subsidiaries of Radius Residential Care Limited:			
Radius Arran Court Limited	New Zealand	100	100
Ownership interest are the same as voting rights.			
Radius Health Limited	New Zealand	100	100
Ownership interest are the same as voting rights.			
Windsor Lifestyle Estate Limited	New Zealand	100	100
Ownership interest are the same as voting rights.			
Glenbrae Lifestyle Estate Limited	New Zealand	100	100
Ownership interest are the same as voting rights.			
Radius Care Limited (non-trading)	New Zealand	100	100
Ownership interest are the same as voting rights.			
Seaview Park Limited	New Zealand	100	100
Ownership interest are the same as voting rights.			
Elloughton Grange Village Limited	New Zealand	100	100
Ownership interest are the same as voting rights.			

All of the entities above have a balance date of 31 March, which is consistent with that of the Group.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
NOTE 16: PAYABLES			
CURRENT			
<i>Unsecured liabilities</i>			
Trade creditors		5,000	3,592
GST payable		693	819
Other payables		15	12
Accrued expenses		<u>414</u>	<u>718</u>
		<u><u>6,122</u></u>	<u><u>5,141</u></u>
NOTE 17: BORROWINGS			
CURRENT			
<i>Secured liabilities</i>			
Shareholder loans		5,030	5,030
Finance lease liability		<u>40</u>	<u>37</u>
		<u><u>5,070</u></u>	<u><u>5,067</u></u>
NON-CURRENT			
<i>Secured liabilities</i>			
Bank loans		20,345	22,125
Finance lease liability		<u>120</u>	<u>160</u>
		<u><u>20,465</u></u>	<u><u>22,285</u></u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTE 17: BORROWINGS (CONTINUED)

(a) Terms and conditions and assets pledged as security relating to the above financial instruments

Bank loans comprise the following facilities with ASB Bank Limited:

	Current \$	Non-Current \$	Facility Limit \$	Effective Interest Rate %	Expiry Date
31 March 2019					
Committed Cash Advance	-	17,900	22,900	3.42%	29 Apr 2021
Revolving Committed Cash Advance - EGV	-	2,445	7,000	3.41%	3 Jun 2021
	<u>-</u>	<u>20,345</u>	<u>29,900</u>		
31 March 2018					
Committed Cash Advance	-	17,900	17,900	3.46%	29 Apr 2020
Revolving Committed Cash Advance - EGV	-	4,225	7,000	3.30%	3 Jun 2020
	<u>-</u>	<u>22,125</u>	<u>24,900</u>		

All of these ASB Bank Limited loan facilities are secured over the assets of the Group and guaranteed by certain Group entities.

Shareholder loans are comprised as follows:

There were shareholder loans to a total of \$5.03m as at 31 March 2019 (2018: \$5.03m). The loans relate to net dividends that the shareholders have unanimously agreed be held as loans. The shareholders have irrevocably agreed that each loan shall not accrue any interest or other form of accumulated benefit. The shareholder loans can only be repaid under certain conditions set out in the "Loan Agreement" between the Group and each of the shareholders, that requires a unanimous decision. One of these conditions has the effect of enabling the shareholders to demand the loans at any time, accordingly these loans have been classified as being on demand. The balances owing to each shareholder are as follows: Wave Rider Holdings Limited \$2.72m (2018: \$2.72m) and Knox Radius L. P. \$2.31m (2018: \$2.31m).

Other

The Group entered into a Corporate Banking Overdraft Facility Agreement with ASB Bank New Zealand on 19 December 2013 for \$1.5m (2018: \$1.5m) that has an expiry date on 31 March 2049 (2018: 31 March 2049). This loan bears interest at an effective interest rate of 5.21% (2018: 5.21%) and is secured over the assets of the Group and guaranteed by certain Group entities. At reporting date this overdraft facility was not drawn (2018: \$Nil).

(b) Defaults and breaches

During the year the Group complied with all externally imposed banking covenant requirements to which it is subject (2018: complied with all).

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 \$ '000	2018 \$ '000
NOTE 18: PROVISIONS			
CURRENT			
Annual leave		3,873	3,598
Other employee entitlements		<u>3,250</u>	<u>2,958</u>
		<u>7,123</u>	<u>6,556</u>

NOTE 19: OTHER FINANCIAL LIABILITIES

CURRENT

Other derivative instruments at fair value through profit and loss

Interest rate	<u>42</u>	<u>92</u>
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All financial liabilities at fair value through profit and loss are held for trading.

The Group's interest rate swaps measurements are categorised as level 2 in the following fair value measurement hierarchy:

- ☐ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ☐ Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- ☐ Level 3: inputs for the asset or liability that are not based on observable market data.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 \$ '000	2018 \$ '000
NOTE 20: REFUNDABLE OCCUPATION RIGHT AGREEMENTS			
Windsor Lifestyle Estate Limited		2,537	2,233
Elloughton Grange Village Limited		<u>12,994</u>	<u>9,299</u>
		<u>15,531</u>	<u>11,532</u>

Windsor Lifestyle Estate Limited

A resident is charged a village contribution fee in consideration for the right to occupy one of the Company's units or apartments, to a maximum of 20% of the entry payment. The village contribution is payable by the resident on termination of the occupancy right agreement. Village contribution is recognised as deferred management fees revenue in accordance with the accounting policy on revenue recognition (Note 1(f)). Amounts which are payable under occupation right agreements, which are firm monetary obligations are shown in the statement of financial position as other liabilities. Licence fees are refundable to the residents on vacating the unit or apartment, or on termination of the licence to occupy (subject to new licence rights being issued). The estimate for the established length of stay for the Group's units is 8 years (2018: 8 years). Therefore, the fair value is equal to the face value of the amount being demanded. The expected maturity of the refundable obligations to residents is beyond 12 months.

Elloughton Grange Village Limited

A resident is charged a village contribution fee in consideration for the right to occupy one of the Company's units or apartments, to a maximum of 30% of the entry payment. No administration fee is charged (2018: an administration fee of 5% of the entry payment is also charged). The village contribution is payable by the resident on termination of the occupancy right agreement. Village contribution is recognised as deferred management fees revenue in accordance with the accounting policy on revenue recognition (Note 1(f)). Amounts which are payable under occupation right agreements, which are firm monetary obligations are shown in the statement of financial position as other liabilities. Licence fees are refundable to the residents on vacating the unit or apartment, or on termination of the licence to occupy (subject to new licence rights being issued). The estimate for the established length of stay for the Group's units is 8 years (2018: 8 years). Therefore, the fair value is equal to the face value of the amount being demanded. The expected maturity of the refundable obligations to residents is beyond 12 months.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$ '000	2018 \$ '000
NOTE 21: OTHER LIABILITIES			
CURRENT			
Deferred management fee income:			
- unit titles - Windsor Lifestyle Estate Limited		18	24
Deferred management fee income:			
- occupancy right agreements - Windsor Lifestyle Estate Limited		24	33
Deferred lease incentive		302	267
Deferred government grants income		<u>177</u>	<u>-</u>
		<u>503</u>	<u>300</u>
		<u>521</u>	<u>324</u>
NON-CURRENT			
Deferred management fee income:			
- unit titles - Windsor Lifestyle Estate Limited		31	49
Deferred management fee income:			
- occupancy right agreements - Windsor Lifestyle Estate Limited		<u>61</u>	<u>64</u>
		<u>92</u>	<u>113</u>

NOTE 22: SHARE CAPITAL

Issued and paid-up capital

Ordinary Shares	(a)	<u>4,736</u>	<u>4,736</u>
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	2019		2018	
	Number	\$ '000	Number	\$ '000
(a) Ordinary Shares				
Opening balance	<u>12,500,000</u>	<u>4,736</u>	<u>12,500,000</u>	<u>4,736</u>
At reporting date	<u>12,500,000</u>	<u>4,736</u>	<u>12,500,000</u>	<u>4,736</u>

Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTE 22: SHARE CAPITAL (CONTINUED)

Capital management

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cashflows.

The total dividend proposed or declared before the financial statements were authorised for issue and recognised as a distribution to owners during the period was \$900,000 (2018: \$900,000).

	Note	2019 \$ '000	2018 \$ '000
NOTE 23: RETAINED EARNINGS			
Retained earnings at 31 Mar as originally presented		9,974	7,099
Change in accounting policy (i)		(125)	-
Restated retained earnings at 1 April		9,849	7,099
Net profit		4,183	3,775
Dividends paid		(900)	(900)
		<u>13,132</u>	<u>9,974</u>

(i) As described in Note 1 (x), the Group has restated its opening balance sheet on 1 April 2018, as a result of the adoption of NZ IFRS 9. The impact of the change in impairment methodology on the Group's retained earnings as at 1 April 2018 was \$124,873.

NOTE 24: CASH FLOW INFORMATION

(a) Reconciliation of cash flow from operations with profit after income tax

Profit from ordinary activities after income tax	4,183	3,775
Adjustments and non-cash items		
Depreciation of property, plant and equipment	3,583	2,962
Revaluation of investment properties	(1,442)	(443)
Loss on disposal of property, plant and equipment	38	(20)
Revaluation of interest rate swaps	(50)	(21)
Movement in deferred tax	(282)	(464)
Changes in assets and liabilities		
(Increase) / decrease in receivables and other assets	713	(3,036)
(Increase) in inventories	13	(16)
Increase in payables and other liabilities	1,606	910
Increase / (decrease) in income tax payable	(400)	838
Increase / (decrease) in finance lease liability	(37)	58
Cash flows from operating activities	<u>7,925</u>	<u>4,543</u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTE 25: RELATED PARTY TRANSACTIONS AND BALANCES

The Group had dealings with the following related parties during the year:

Related Party	Relationship
Radius Arran Court Limited	Subsidiary company
Radius Health Limited	Subsidiary company
Windsor Lifestyle Estate Limited	Subsidiary company
Glenbrae Lifestyle Estate Limited	Subsidiary company
Seaview Park Limited	Subsidiary company
Elloughton Grange Village Limited	Subsidiary company
Duncan Robert COOK	Director
Brien Herbert CREE	Director
Bret Paul JACKSON	Director
Timothy James Duncan SUMNER	Director
Wave Rider Holdings Limited	Shareholder
Knox Radius LP	Shareholder
Sharp Tudhope Lawyers Limited	Common director (Duncan Robert COOK)

(a) Balances with shareholders

		2019 \$ '000	2018 \$ '000
Shareholder loans			
- Wave Rider Holdings Limited	17	2,720	2,720
- Knox Radius LP	17	<u>2,310</u>	<u>2,310</u>
	17	<u>5,030</u>	<u>5,030</u>

(b) Transactions with directors

Directors fees			
- Duncan Robert COOK		44	44
Legal fees			
- Sharp Tudhope Lawyers Limited		<u>109</u>	<u>182</u>

(c) Related party transactions

Management fee expense:			
- Knox Radius LP		<u>250</u>	<u>250</u>

During the years ended 31 March 2018 and 2019, the Group undertook no other transactions with Directors in their personal capacity other than the payment of items noted above and key management personnel compensation (refer Note 26).

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Note	2019 \$ '000	2018 \$ '000
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NOTE 26: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the Group
- short-term employee benefits

<u>1,070</u>	<u>1,198</u>
<u>1,070</u>	<u>1,198</u>

Key management personnel include the Managing Director and the General Manager of Operations. Compensation includes base salaries and bonuses.

The names of Directors who have held office during the year are:

Name

Duncan Robert COOK
Brien Herbert CREE
Bret Paul JACKSON
Timothy James Duncan SUMNER

NOTE 27: FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks comprising:

- (a) Credit risk
- (b) Liquidity risk
- (c) Interest rate risk
- (d) Fair values compared with carrying amounts

The board of directors have overall responsibility for identifying and managing operational and financial risks.

The Group holds the following financial instruments:

Financial assets

Cash and cash equivalents	8	4,236	1,768
Receivables	9	<u>6,549</u>	<u>7,406</u>
		<u>10,785</u>	<u>9,174</u>

Financial liabilities

Bank and other loans	17	25,375	27,155
Payables	16	5,002	3,592
Finance leases	17	<u>160</u>	<u>197</u>
		<u>30,537</u>	<u>30,944</u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 27: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

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

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

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

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

(i) Cash deposits and other receivables

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

(ii) Trade receivables

Credit risk with respect to trade receivables is limited due to the large number of customers which qualify for Ministry of Health funding in relation to payment of our services. Amounts owned by trade receivables are generally unsecured.

Credit risk is managed through the use of admission agreements for all residents, which gives contractual rights to the Group in relation to security and collection of debts in circumstances where there is no entitlement to Ministry of Health funding. All admissions are reviewed to ensure a duly completed admission agreement is available.

Outstanding receivables are regularly monitored for payment in accordance with credit terms.

The loss allowance for expected credit losses of trade receivables is provided in Note 9. As the Group undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

(iii) Other receivables

Credit risk for trade receivables is managed by dealing exclusively with high credit rating counterparties. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 27: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

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

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

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

The Group has a bank facility which is subject to certain covenant clauses, whereby it is required to meet certain key performance indicators. This bank facility is provided by the ASB Bank.

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial instruments and management's expectation for settlement of undiscounted maturities.

Year ended 31 March 2019	< 6 months \$ '000	6-12 months \$ '000	1-5 years \$ '000	Total contractual cash flows \$ '000	Carrying amount \$ '000
Payables	5,002	-	-	5,002	5,002
Borrowings	5,030	-	20,345	25,375	25,375
Finance leases	<u>20</u>	<u>20</u>	<u>120</u>	<u>160</u>	<u>160</u>
Total	<u>10,052</u>	<u>20</u>	<u>20,465</u>	<u>30,537</u>	<u>30,537</u>
 Year ended 31 March 2018					
Payables	3,592	-	-	3,592	3,592
Borrowings	-	-	27,155	27,155	27,155
Finance leases	<u>18</u>	<u>19</u>	<u>160</u>	<u>197</u>	<u>197</u>
Net maturities	<u>3,610</u>	<u>19</u>	<u>27,315</u>	<u>30,944</u>	<u>30,944</u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 27: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Group's exposure to interest rate risk arises mainly from its interest earning cash deposits and its interest bank borrowings. The Group is exposed to interest rate risk to the extent that it invests for a fixed term at fixed rates or borrows for a fixed term at fixed rates. The Group's policy is to obtain the most favourable term and interest rate available.

Interest rates on cash at bank are subject to market risk in the event of changes in interest rates. As these securities are carried at net market value, the effective interest rate is reflected in the market price.

Interest rates on non-current bank borrowings are generally subject to review annually or at shorter intervals and interest rates on current borrowings can be reviewed at the lender's discretion.

The Group's exposure to interest rate risk in relation to future cashflows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2019

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	\$ '000	\$ '000	\$ '000	
<i>Financial assets</i>				
Cash	<u>4,236</u>	<u>-</u>	<u>4,236</u>	0.9 % Fixed
<i>Financial liabilities</i>				
Bank and other loans	(20,345)	(5,030)	(25,375)	2.7 % Fixed
Finance leases	<u>(160)</u>	<u>-</u>	<u>(160)</u>	8.3 % Fixed
	<u>(20,505)</u>	<u>(5,030)</u>	<u>(25,535)</u>	

2018

<i>Financial assets</i>				
Cash	<u>1,768</u>	<u>-</u>	<u>1,768</u>	0.9 % Fixed
<i>Financial liabilities</i>				
Bank and other loans	(22,125)	(5,030)	(27,155)	2.8 % Fixed
Finance leases	<u>(197)</u>	<u>-</u>	<u>(197)</u>	8.3 % Fixed
	<u>(22,322)</u>	<u>(5,030)</u>	<u>(27,352)</u>	

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

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 27: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

Sensitivity

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2019	2018
	\$ '000	\$ '000
+ / - 100 basis points		
Impact on profit after tax	(203)	(254)
Impact on equity	(146)	(183)

(d) Fair values compared with carrying amounts

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in consolidated statement of financial position and notes to financial statements.

NOTE 28: CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable		
- not later than one year	12,194	12,297
- later than one year and not later than five years	45,583	43,302
- later than five years	<u>74,509</u>	<u>82,266</u>
	<u>132,286</u>	<u>137,865</u>

Contingent rental expenses

The Group leases various residential facilities under operating lease agreements. The lease terms are between 3 and 30 years, and the majority of lease agreements are renewable at the end of the lease at market rates.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 \$ '000	2018 \$ '000
NOTE 28: CAPITAL AND LEASING COMMITMENTS (CONTINUED)			
(b) Capital expenditure commitments contracted for:			
Capital expenditure projects		597	267
Payable			
- not later than one year		<u>597</u>	<u>267</u>
		<u>597</u>	<u>267</u>
Capital expenditure commitments contracted for related to expenditure committed at reporting date but not reflected in the financial statements.			

NOTE 29: CONTINGENT LIABILITIES

Lester Heights business

On 26 June 2013, the Radius Residential Care Limited entered into an agreement to sell the Lester Heights business. The sale was settled on the 31 August 2013. One of the conditions of sale is that in the event that the new business owner defaults on the rental payments, the Group is required to guarantee the rent. For the years ended 31 March 2018 and 2019, no amounts were paid, but in the event that a default occurs, the potential cost to Radius Residential Care Limited is an annual rent of \$237,744 per annum until 2029.

Other

There were no other material contingent liabilities at reporting date (2018: Nil).

NOTE 30: CONTINGENT ASSETS

There were no material contingent assets at reporting date (2018: Nil).

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

NOTE 31: EVENTS SUBSEQUENT TO REPORTING DATE

Repayment of shareholder loans

As noted in Note 17 the facility limit of the Committed Cash Advance increased by \$5,000,000 from 2018 to 2019. This facility was drawn after reporting date, and the funds were used to repay in full the shareholder loans of \$5,030,000 on 8 May 2019.

Purchase of Lexham Park property

On 8 May 2019, an Agreement of Sale and Purchase of Real Estate was signed to purchase the Lexham Park property. The purchase price is \$6,925,000 and the settlement date is 31 July 2019. The purchase became unconditional on the 22 May 2019, when the Radius Residential Care Limited Board approved the purchase and a deposit of \$400,000 was paid.

There has been no matter or circumstance, which has arisen since 31 March 2019 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 March 2019, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 March 2019, of the Group.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Radius Residential Care Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Radius Residential Care Limited and its subsidiaries ('the Group') on pages 1 to 52, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS').

Our report is made solely to the Shareholders of Radius Residential Care Limited, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Radius Residential Care Limited and the Shareholders of Radius Residential Care Limited, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

<https://xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>



BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

27 June 2019