



# *Preliminary Results*

YEAR END 31 MARCH 2022

Radius Residential Care Ltd | [www.radiuscare.co.nz](http://www.radiuscare.co.nz)



## Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2022

	NOTE	2022 \$'000	2021 \$'000
<b>REVENUE</b>			
Revenue from contracts with customers		132,052	121,217
Deferred management fees		1,328	1,081
<b>Total revenue</b>		<b>133,380</b>	<b>122,298</b>
Change in fair value of investment property	2.1	1,088	2,879
Government subsidy received		–	794
Interest income		62	71
Gain on acquisition of previously leased property assets		1,403	–
<b>Total revenue and other income</b>		<b>135,933</b>	<b>126,042</b>
<b>EXPENSES</b>			
Employee costs		(82,368)	(74,457)
Depreciation expense		(11,194)	(11,552)
Finance costs		(9,091)	(9,706)
Other expenses		(30,199)	(28,298)
<b>Total expenses</b>		<b>(132,852)</b>	<b>(124,013)</b>
<b>Profit before income tax</b>		<b>3,081</b>	<b>2,029</b>
Income tax expense		(408)	(324)
<b>Profit for the year</b>		<b>2,673</b>	<b>1,705</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>			
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Revaluation of property, plant and equipment, net of tax	2.2	–	1,104
<b>Other comprehensive income for the year</b>		<b>–</b>	<b>1,104</b>
<b>Total comprehensive income</b>		<b>2,673</b>	<b>2,809</b>
<b>EARNINGS PER SHARE</b>			
Basic and diluted earnings per share (cents per share)	3.2	1.13	0.97

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



## Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2022

	NOTE	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>BALANCE AS AT 1 APRIL 2020</b>		4,736	5,708	10,376	20,820
Profit for the year		—	—	1,705	1,705
Other comprehensive income for the year	2.2	—	1,104	—	1,104
<b>Total comprehensive income for the year</b>		<b>—</b>	<b>1,104</b>	<b>1,705</b>	<b>2,809</b>
<b>Transactions with owners</b>					
Issue of share capital (net of transaction costs and tax)	3.1	1,196	—	—	1,196
Dividends paid	3.1	—	—	(732)	(732)
<b>Total transactions with owners</b>		<b>1,196</b>	<b>—</b>	<b>(732)</b>	<b>464</b>
<b>Balance as at 31 March 2021</b>		<b>5,932</b>	<b>6,812</b>	<b>11,349</b>	<b>24,093</b>
<b>BALANCE AS AT 1 APRIL 2021</b>		5,932	6,812	11,349	24,093
Profit for the year		—	—	2,673	2,673
Other comprehensive income for the year	2.2	—	—	—	—
<b>Total comprehensive income for the year</b>		<b>—</b>	<b>—</b>	<b>2,673</b>	<b>2,673</b>
<b>Transactions with owners</b>					
Issue of share capital (net of transaction costs and tax)	3.1	45,800	—	—	45,800
Dividends paid	3.1	—	—	(2,478)	(2,478)
<b>Total transactions with owners</b>		<b>45,800</b>	<b>—</b>	<b>(2,478)</b>	<b>43,322</b>
<b>Balance as at 31 March 2022</b>		<b>51,732</b>	<b>6,812</b>	<b>11,544</b>	<b>70,088</b>

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



## Consolidated Statement of Financial Position

AS AT 31 MARCH 2022

	NOTE	2022 \$'000	2021 \$'000
<b>ASSETS</b>			
Cash and cash equivalents		2,088	2,761
Trade and other receivables*,**	4.2	9,882	7,181
Inventories		768	548
Investment properties	2.1	46,014	31,675
Property, plant and equipment*,**	2.2	73,839	33,459
Right-of-use assets	2.4	133,912	177,170
Intangible assets	4.1	19,757	16,996
Deferred tax assets		3,885	3,635
<b>Total assets</b>		<b>290,145</b>	<b>273,425</b>
<b>LIABILITIES</b>			
Trade and other payables	4.3	16,901	14,911
Current tax liabilities		444	1,135
Borrowings		30,000	27,212
Deferred management fee	2.3	1,553	1,178
Refundable occupation right agreements	2.3	28,616	20,591
Lease liabilities	2.4	142,543	184,305
<b>Total liabilities</b>		<b>220,057</b>	<b>249,332</b>
<b>NET ASSETS</b>			
		<b>70,088</b>	<b>24,093</b>
<b>EQUITY</b>			
Share capital	3.1	51,732	5,932
Asset revaluation reserve	3.1	6,812	6,812
Retained earnings		11,544	11,349
<b>Total equity</b>		<b>70,088</b>	<b>24,093</b>

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

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

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



## Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2022

	NOTE	2022 \$'000	2021 \$'000
<b>OPERATING ACTIVITIES</b>			
Receipts from residents for care fees and village fees		129,796	122,337
Receipts of government subsidy		–	1,210
Payments to suppliers and employees*,**		(111,696)	(101,161)
Proceeds from the sale of Refundable Occupation Right Agreements		4,726	3,927
Payments for the repurchase of Refundable Occupation Right Agreements		(1,766)	(464)
Interest received		62	71
Interest paid - borrowings		(1,436)	(883)
Interest paid - lease liabilities		(7,655)	(8,823)
Income tax paid		(2,154)	(1,744)
<b>Net cash provided by operating activities</b>		<b>9,877</b>	<b>14,470</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from the sale of property, plant and equipment		50	54
Acquisition of subsidiaries, net of cash acquired	4.4	(14,000)	–
Payments for the purchase of property, plant and equipment**,**		(38,431)	(4,140)
Payments for village developments		(411)	(965)
<b>Net cash used in investing activities</b>		<b>(52,792)</b>	<b>(5,051)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		48,229	–
Share issue transaction costs		(2,429)	–
Proceeds from bank borrowings		2,788	–
Repayment of bank borrowings		–	(4,215)
Principal payments of lease liabilities		(3,868)	(4,028)
Dividends paid		(2,478)	(732)
<b>Net cash provided by/(used in) financing activities</b>		<b>42,242</b>	<b>(8,975)</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the year		2,761	2,317
Net (decrease)/ increase in cash and cash equivalents held		(673)	444
<b>Cash and cash equivalents at end of year</b>		<b>2,088</b>	<b>2,761</b>

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

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

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



## Consolidated Statement of Cash Flows continued

FOR THE YEAR ENDED 31 MARCH 2022

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

### RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in the carrying amount of such liabilities, which comprise bank borrowings and lease liabilities, are summarised below.

	Borrowings \$'000	Lease Liabilities \$'000	Total \$'000
<b>BALANCE AS AT 1 APRIL 2021</b>	27,212	184,305	211,517
- Proceeds from bank borrowings	2,788	–	2,788
- Repayment of lease liabilities	–	(3,868)	(3,868)
<b>Total changes from financing cash flows</b>	<b>2,788</b>	<b>(3,868)</b>	<b>(1,080)</b>
Non-cash changes			
- Remeasurements	–	794	794
- Disposals	–	(38,688)	(38,688)
<b>Balance as at 31 March 2022</b>	<b>30,000</b>	<b>142,543</b>	<b>172,543</b>
<b>BALANCE AS AT 1 APRIL 2020</b>	31,427	185,304	216,731
- Repayment of bank borrowings and lease liabilities	(4,215)	(4,028)	(8,243)
<b>Total changes from financing cash flows</b>	<b>(4,215)</b>	<b>(4,028)</b>	<b>(8,243)</b>
Non-cash changes			
- Remeasurements	–	3,029	3,029
<b>Balance as at 31 March 2021</b>	<b>27,212</b>	<b>184,305</b>	<b>211,517</b>

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





# Selected Notes from the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2022

## 1. GENERAL INFORMATION

### 1.1. BASIS OF PREPARATION

#### (i) Reporting entity

These are the preliminary results and the selected statements and notes from the consolidated financial statements for Radius Residential Care Limited ('the Company') and its subsidiaries (together 'the Group').

These preliminary results and the selected statements and notes from the consolidated financial statements have been extracted from the annual consolidated financial statements and do not constitute general purpose financial statements.

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

#### (ii) Statutory basis and statement of compliance

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

These preliminary results and the selected statements and notes from the consolidated financial statements for the year ended 31 March 2022 have been audited and have been prepared to satisfy the Group's NZX preliminary reporting obligations.

#### (iii) Functional and presentation currency

These preliminary results and the selected statements and notes from the consolidated financial statements are presented in New Zealand dollars which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

#### (iv) Key estimates and judgements

Following on from the disclosures in the Group's annual financial statements for the year ended 31 March 2021 regarding the ongoing COVID-19 pandemic, the New Zealand Government continues to implement a range of public health and economic measures to mitigate the impact of the COVID-19 pandemic. The pandemic and measures have lowered overall economic activity, revenue has not been materially impacted but COVID-19 has had an impact on the Group's expenditure since the outbreak began and up to the date of these preliminary results and the selected statements and notes from the consolidated financial statements. The Directors have assessed the impact of the COVID-19 pandemic on these estimates.

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

### 1.2. ADOPTING NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

These preliminary results and the selected statements and notes from the consolidated financial statements have been prepared under the same accounting policies and basis as those used in the interim and prior year's annual consolidated financial statements.

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

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

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

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

During the year the Group reviewed the agreements supporting documentation for all capitalised software and associated projects. There were no material amounts relating to SaaS arrangements recognised by the Group as at 1 April 2021 and as at 31 March 2021. However in light of guidance from the IFRIC agenda decision, items of software under development and capitalised work-in progress as at 31 March 2021, amounting to \$159k, has been reclassified from property plant and equipment - work in progress (note 2.2) to trade and other receivables - prepayments (note 4.2).

## 2. PROPERTY ASSETS

### 2.1. INVESTMENT PROPERTIES

#### Accounting policy

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

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

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

Rental income from investment properties, being deferred management fees, is accounted for as described in the 31 March 2021 consolidated financial statements.

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

	NOTE	2022 \$'000	2021 \$'000
<b>INVESTMENT PROPERTIES</b>			
Opening carrying amount		31,675	27,831
Acquisition of Clare House Retirement Village investment property *	4.4	12,840	–
Development expenditure		–	338
Net fair value gain		1,088	2,879
Occupation Right Agreements settled		(2,420)	(2,444)
Occupation Right Agreements entered		4,490	5,421
Purchases		67	100
Unsold units included in opening carrying amount		(1,610)	(2,450)
Other adjustments		(116)	–
<b>Closing carrying amount</b>		<b>46,014</b>	<b>31,675</b>

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

Valuation of operator's interest		15,450	8,345
Refundable Occupation Right Agreements	2.3	28,616	20,591
Deferred management fee	2.3	1,553	1,178
Unsold units		395	1,561
		<b>46,014</b>	<b>31,675</b>

\*\*On 1 November 2021, the Group acquired investment properties entered as part of the Clare House business combination, refer to note 4.4





### Valuation process and key inputs

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

Fair value as determined by CBRE and Colliers are adjusted for assets and liabilities already recognised in the Statement of Financial Position which are also reflected in the discounted cash flow model. The valuation of investment properties is then grossed up for cash flows relating to refundable Occupation Right Agreements, which are recognised separately in the Statement of Financial Position (refer also note 2.3).

### Retirement villages under development

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

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

### Unsold units

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

### Key accounting estimates and judgements

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

### Valuation uncertainty

#### *As at 31 March 2022*

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

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

#### *As at 31 March 2021*

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

### Significant unobservable inputs

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

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

The following assumptions have been used to determine fair value:

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

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

#### Sensitivities

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

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

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

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



## 2.2. PROPERTY, PLANT AND EQUIPMENT

### Accounting policy

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

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

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

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

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

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

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

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

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

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

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

NZ\$'000	Land and Buildings	Motor vehicles	Furniture, fixtures and fittings	Information technology	Medical equipment	Work in progress	Total
<b>YEAR ENDED 31 MARCH 2022</b>							
Opening net book value	18,326	361	11,336	1,473	256	1,707	33,459
Additions**	37,641	65	3,404	1,115	134	3,122	45,481
Transfers	531	–	(516)	290	–	(757)	(452)
Disposals	–	–	(222)	–	–	–	(222)
Depreciation	(432)	(133)	(3,003)	(758)	(101)	–	(4,427)
<b>Closing net book value</b>	<b>56,066</b>	<b>293</b>	<b>10,999</b>	<b>2,120</b>	<b>289</b>	<b>4,072</b>	<b>73,839</b>

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

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

<b>YEAR ENDED 31 MARCH 2021</b>							
Cost	115	1,212	33,236	4,765	648	1,707	41,683
Valuation***	18,225	–	–	–	–	–	18,225
Accumulated Depreciation	(14)	(851)	(21,900)	(3,292)	(392)	–	(26,449)
<b>Net book value ****, *****, *****</b>	<b>18,326</b>	<b>361</b>	<b>11,336</b>	<b>1,473</b>	<b>256</b>	<b>1,707</b>	<b>33,459</b>

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

\*\* On 5 August 2021, the Group acquired four properties, previously leased from Ohaupo Holdings Limited for consideration of \$31.4m. The purchase was funded from the fully underwritten placement and issue of share capital to Ohaupo Holdings Limited, refer to note 3.1. Subsequently on 1 November 2021, the Group acquired another property as part of the Clare House business combination, refer to note 4.4.

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

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

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

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



## Valuations

### As at 31 March 2022

Management assessed that these freehold land and buildings had not experienced any significant and volatile changes in fair value necessitating a revaluation as at 31 March 2022 (including the consideration of the impact of the COVID-19 pandemic). This assessment was informed by advice provided by the Group's land and buildings Valuer, LVC Limited (LVC) (who provides valuation services to the Group) who provided a valuation update letter confirming that the carrying amounts of these freehold land and buildings did not differ materially from that which would be determined using fair value as at 31 March 2022. Of the eight properties owned by the Group, three were last revalued on 31 March 2021 at \$18,225k and the remaining five carried at \$37,655k were purchased during the year ended 31 March 2022 (four during August 2021 and one during November 2021). The purchase prices paid were informed by independent external valuation reports from LVC (four properties purchased during August 2021) and Colliers (the property acquired as part of the Clare House business combination per Note 4.4) obtained by Management to inform the purchase price. As at the respective valuation dates (31 March 2021, 6 April 2021 and 22 August 2021), the Valuers had included a valuation uncertainty clause in their reports as a result of the COVID-19 pandemic. This clause highlights the difficulties in undertaking valuations due to the absence of or limited relevant transactional evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution, should be attached to the point estimate valuation.

### As at 31 March 2021

The three of the Group's properties included in land and buildings were revalued on 31 March 2021 to \$18,225,000 from a carrying value as at 31 March 2020 of \$16,918,000 resulting in a revaluation gain of \$1,307,000. The fair values of the three revalued land and buildings on freehold land have been determined by reference to independent valuations obtained as at 31 March 2021. These valuations were undertaken by a Property Institute of New Zealand registered valuer, LVC. LVC, an external independent

valuation company employing registered valuers, have appropriate recognised professional qualifications and recent experience in the location and category of properties being valued. LVC determined the fair value of land and buildings on freehold land using the direct comparison approach and capitalisation of market income approaches.

### Valuation uncertainty

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

### Key accounting estimates and judgements

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

### Significant unobservable inputs

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

## Sensitivities

	Adopted value	Capitilisation rate	
As at 31 March 2021			
Valuation \$NZ000's	18,225	+0.5%	-0.5%
Difference \$NZ000's		1,318	(1,318)
Difference %		7.2%	-7.2%

## 2.3. REFUNDABLE OCCUPATION RIGHT AGREEMENTS

### Accounting policy

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

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

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

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

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

maximum of 30% of the entry payment.

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

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

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

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

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

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

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

	NOTE	2022 \$'000	2021 \$'000
<b>REFUNDABLE OCCUPATION RIGHT AGREEMENTS</b>			
Refundable occupation license payments		34,316	24,125
Less: Management fee receivable (per contract)		(5,700)	(3,534)
		<b>28,616</b>	<b>20,591</b>
<b>RECONCILIATION OF MANAGEMENT FEES RECOGNISED UNDER NZ IFRS AND PER ORA</b>			
Management fee receivable (per contract)		(5,700)	(3,534)
Deferred management fee	2.1	1,553	1,178
<b>Management fee receivable (per NZ IFRS)</b>		<b>(4,147)</b>	<b>(2,356)</b>





## 2.4. LEASES

### Accounting policy

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

### Right-of-use assets

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

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

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

### Lease liabilities

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

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

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

### *Leases of 12-months or less and leases of low value assets.*

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

### Key accounting estimates and judgements

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

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

	2022 \$'000	2021 \$'000
<b>(A) RIGHT-OF-USE ASSETS</b>		
Land and Buildings under lease	152,980	191,603
Accumulated depreciation	(19,068)	(14,433)
<b>Total carrying amount of right-of-use assets</b>	<b>133,912</b>	<b>177,170</b>
<b>RECONCILIATIONS</b>		
<i>Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year:</i>		
<b>Land and Buildings</b>		
Opening carrying amount	177,170	181,431
Depreciation	(6,767)	(7,290)
Remeasurements	794	3,029
Disposals	(37,285)	–
<b>Closing carrying amount</b>	<b>133,912</b>	<b>177,170</b>
<p>On 5 August 2021, the Group acquired four properties, previously leased from Ohaupo Holdings Limited, refer notes 2.2 and 3.1. On acquisition, the disposal of the related right-of-use assets and lease liabilities resulted in a gain on modification of \$1.4m being recognised upon the cancelling lease and derecognition of the related lease liability and right of use asset.</p>		
<b>(B) LEASE LIABILITIES</b>		
<b>Current</b>		
Land and Buildings	4,023	4,051
<b>Non-current</b>		
Land and Buildings	138,520	180,254
	<b>142,543</b>	<b>184,305</b>
<b>(C) LEASE EXPENSES AND CASH FLOWS</b>		
Interest expense on lease liabilities	7,655	8,823
Depreciation expense on right-of-use assets	6,767	7,290
Cash outflow in relation to leases	11,522	12,850
<b>(D) MATURITY ANALYSIS - CONTRACTUAL UNDISCOUNTED CASH FLOWS</b>		
- Not later than 1 year	10,872	12,932
- Later than 1 year and not later than 5 years	43,620	52,035
- Later than 5 years	203,395	292,002
	<b>257,887</b>	<b>356,969</b>



### 3. SHAREHOLDER EQUITY AND FUNDING

#### 3.1. SHAREHOLDER EQUITY AND RESERVES

##### Accounting policy

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

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

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

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

##### *Fully underwritten placement*

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

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

##### *Shares issued to Ohaupo Holdings Limited*

On 5 August 2021, allotment of 19,230,768 ordinary shares were issued at \$0.52 to Ohaupo Holdings Limited's nominees as part consideration for the purchase price payable for the acquisition of land and buildings from Ohaupo Holdings Limited as described in note 2.2.

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

##### *Retail offer*

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

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

##### *Share split*

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

##### *Dividends*

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

##### *Asset Revaluation Reserve*

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



### 3.2. EARNINGS PER SHARE

#### *Basic and diluted*

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

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





## 4. OTHER DISCLOSURE

### 4.1. INTANGIBLE ASSETS

#### Accounting policy

##### Goodwill

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

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

	NOTE	2022 \$'000	2021 \$'000
Goodwill at cost		16,996	16,996
Purchase of Clare House companies*	4.4	2,761	–
		<b>19,757</b>	<b>16,996</b>

\*On 1 November 2021, the Group acquired the shares in Clare House Care Limited and Clare House Retirement Village Limited as part of the Clare House business combination, refer to note 4.4.

#### Key accounting estimates and judgements

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

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

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

are estimated using a standard growth rate deemed to be reasonable by Management.

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

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

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

#### Care CGUs recoverable amount

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

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



## 4.2. TRADE AND OTHER RECEIVABLES

### Accounting policy

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

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

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

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

### Recognition, measurement and judgements in applying accounting policies

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

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

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

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

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





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

#### 4.3. TRADE AND OTHER PAYABLES

##### Accounting policy

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

##### Employee benefits

###### (i) Short-term employee benefit obligations

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

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

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

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

###### (iii) Retirement benefit obligations: Defined contribution superannuation plan

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

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

#### 4.4. BUSINESS COMBINATIONS

##### a. Summary of acquisition

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

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

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

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

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

##### Revenue and profit contribution

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

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

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

##### b. Purchase consideration - cash outflow

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



#### 4.5. CONTINGENT LIABILITIES

##### Lester Heights business

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

##### Other

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

#### 4.6. COMMITMENTS

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

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

#### 4.7. EVENTS SUBSEQUENT TO REPORTING DATE

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

On 2 April 2021 the Board (excluding Brien Cree) exercised its right to approve an Assignment Agreement between the Group and Brien Cree and now holds the rights under an agreement for sale and purchase of real estate to acquire 4.3 hectare development property for a purchase price of \$5.8m. The balance of the purchase price under the SPA amounting to \$5.5m is payable to the third party vendor on settlement, which will be completed when the title of the property is issued. It is currently expected that title will be issued prior to 31 March 2023.

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

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

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

#### **New banking arrangements**

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

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

#### **Dividends**

On 30 May 2022, the Board declared a final dividend of 0.76 cents per share (fully imputed), that will be paid on 22 June 2022.

#### **Other**

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

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



Caring is our calling

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