



# *Interim Report 2022*

INTERIM FINANCIAL STATEMENTS

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









# Interim Financial Statements Contents

For the six months ended 30 September 2021

Consolidated statement of comprehensive income	4
Consolidated statement of changes in equity	5
Consolidated statement of financial position	6
Consolidated statement of cash flows	7
Notes to the consolidated interim financial statements	9
Independent auditor's review report	34



CONSOLIDATED

# Statement of Comprehensive Income

For the six months ended 30 September 2021

	NOTE	Unaudited Six Months 30-Sep-21 \$'000	Unaudited Six Months 30-Sep-20 \$'000
<b>REVENUE</b>			
Revenue from contracts with customers		64,458	59,471
Deferred management fees		449	389
<b>Total revenue</b>		<b>64,907</b>	<b>59,860</b>
Fair value movement of investment properties	3.1	(65)	716
Government subsidy received		-	794
Interest income		32	30
Gain on acquisition of leased property assets	3.4	1,403	-
<b>Total revenue and other income</b>		<b>66,277</b>	<b>61,400</b>
<b>EXPENSES</b>			
Employee costs		(39,292)	(35,645)
Depreciation expense		(5,746)	(5,728)
Finance costs		(4,590)	(4,998)
Other expenses		(14,987)	(12,406)
<b>Total expenses</b>		<b>(64,615)</b>	<b>(58,777)</b>
<b>Profit before income tax</b>		<b>1,662</b>	<b>2,623</b>
Income tax expense	5.1	(328)	(558)
<b>Profit for the period</b>		<b>1,334</b>	<b>2,065</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>			
<b>Total comprehensive income</b>		<b>1,334</b>	<b>2,065</b>
<b>EARNINGS PER SHARE</b>			
Basic and diluted earnings per share (cents per share)	4.2	0.64	1.18

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





CONSOLIDATED

# Statement of Changes in Equity

For the six months ended 30 September 2021

	NOTE	Contributed equity \$'000	Asset revaluation reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>BALANCE AS AT 1 APRIL 2020<sup>1</sup></b>		<b>4,736</b>	<b>5,708</b>	<b>10,376</b>	<b>20,820</b>
Profit for the period		-	-	2,065	2,065
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>2,065</b>	<b>2,065</b>
<b>Transactions with owners</b>					
Dividends paid		-	-	-	-
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 30 September 2020<sup>2</sup></b>		<b>4,736</b>	<b>5,708</b>	<b>12,441</b>	<b>22,885</b>
<b>BALANCE AS AT 1 APRIL 2021<sup>1</sup></b>		<b>5,932</b>	<b>6,812</b>	<b>11,349</b>	<b>24,093</b>
Profit for the period		-	-	1,334	1,334
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>1,334</b>	<b>1,334</b>
<b>Transactions with owners</b>					
Net proceeds from issue of shares	4.1	45,825	-	-	45,825
Dividends paid	4.1	-	-	(1,128)	(1,128)
<b>Total transactions with owners</b>		<b>45,825</b>	<b>-</b>	<b>(1,128)</b>	<b>44,697</b>
<b>Balance as at 30 September 2021<sup>2</sup></b>		<b>51,757</b>	<b>6,812</b>	<b>11,555</b>	<b>70,124</b>

<sup>1</sup> Audited

<sup>2</sup> Unaudited

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



CONSOLIDATED

# Statement of Financial Position

As at 30 September 2021

	NOTE	Unaudited 30-Sep-21 \$'000	Audited 31-Mar-21 \$'000
<b>ASSETS</b>			
Cash and cash equivalents		6,741	2,761
Trade and other receivables		10,502	7,744
Inventories		629	548
Investment properties	3.1	31,773	31,675
Property, plant and equipment	3.2	64,247	32,896
Right-of-use assets	3.4	137,038	177,170
Intangible assets		16,996	16,996
Deferred tax assets	5.1	3,636	3,635
<b>Total assets</b>		<b>271,562</b>	<b>273,425</b>
<b>LIABILITIES</b>			
Trade and other payables		15,230	14,911
Current tax liabilities		197	1,135
Borrowings	4.3	18,712	27,212
Deferred management fee	3.3	1,399	1,178
Refundable occupation right agreements	3.3	21,534	20,591
Lease liabilities	3.4	144,366	184,305
<b>Total liabilities</b>		<b>201,438</b>	<b>249,332</b>
<b>Net assets</b>		<b>70,124</b>	<b>24,093</b>
<b>EQUITY</b>			
Share capital	4.1	51,757	5,932
Asset revaluation reserve	4.1	6,812	6,812
Retained earnings		11,555	11,349
<b>Total equity</b>		<b>70,124</b>	<b>24,093</b>

The Board of Directors of the Company authorised these consolidated interim financial statements for issue on 29 November 2021.

For and on behalf of the Board.

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

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

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





CONSOLIDATED

# Statement of Cash Flows

For the six months ended 30 September 2021

	Unaudited Six Months 30-Sep-21 \$'000	Unaudited Six Months 30-Sep-20 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from residents for care fees and village fees	62,670	60,788
Receipts of Government subsidy	-	353
Payments to suppliers and employees	(54,899)	(48,875)
Proceeds from the sale of Refundable Occupation Right Agreements	1,610	1,656
Settlement of Refundable Occupation Right Agreements	-	(290)
Interest received	32	30
Interest paid - borrowings	(421)	(468)
Interest paid - lease liabilities	(4,169)	(4,530)
Income tax paid	(1,268)	(1,351)
<b>Net cash provided by operating activities</b>	<b>3,555</b>	<b>7,313</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of property, plant and equipment	47	-
Payments for the purchase of property, plant and equipment	(33,771)	(1,451)
Payments for village developments	(98)	(841)
<b>Net cash used in investing activities</b>	<b>(33,822)</b>	<b>(2,292)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Gross proceeds from issue of shares	48,229	-
Repayment of bank borrowings	(8,500)	(839)
Repayment of lease liabilities	(1,950)	(1,871)
Share issue costs	(2,404)	-
Dividends paid	(1,128)	-
<b>Net cash provided by /(used in) financing activities</b>	<b>34,247</b>	<b>(2,710)</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of the period	2,761	2,317
Net increase in cash held	3,980	2,311
<b>Cash and cash equivalents at end of the period</b>	<b>6,741</b>	<b>4,628</b>

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



CONSOLIDATED

# Statement of Cash Flows continued

For the six months ended 30 September 2021

	Unaudited Six Months 30-Sep-21 \$'000	Unaudited Six Months 30-Sep-20 \$'000
<b>RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Profit for the period	1,334	2,065
<b>ADJUSTMENTS FOR NON-CASH ITEMS</b>		
Depreciation	5,746	5,728
Net loss/(gain) on disposal of property, plant and equipment	174	(4)
Gain on acquisition of leased property assets	(1,403)	-
Fair value adjustment to investment properties	-	(716)
Movement in deferred tax	(1)	(1,143)
<b>CHANGES IN OPERATING ASSETS AND LIABILITIES</b>		
- Trade and other receivables and other assets	(2,754)	200
- Inventories	(81)	(246)
- Trade and other payables and other liabilities	316	108
- Current tax liabilities	(939)	350
- Refundable Occupation Rights Agreements	1,163	971
<b>Net cash provided by operating activities</b>	<b>3,555</b>	<b>7,313</b>





# Notes to the Consolidated Interim Financial Statements

For the six months ended 30 September 2021

## 1. GENERAL INFORMATION

### 1.1. Basis of Preparation

#### (i) Reporting Entity

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

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

#### (ii) Statutory Basis and Statement of Compliance

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

These consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), except for Note 2.1: Non-GAAP Underlying Net Profit after tax ("Underlying Profit") and Non-GAAP AFFO ("Available Funds from Operations"), which is presented in addition to NZ GAAP compliant information. They comply with New Zealand equivalents to International Accounting Standard 34 Interim Financial reporting ('NZ IAS 34') and International Accounting Standard 34 Interim Financial Reporting ('IAS 34'). The Group is a Tier 1 for-profit entity in accordance with XRB A1 Application of the Accounting Standards Framework.

The accounting policies and methods of computation that materially affect the measurement of the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and the Consolidated Cash Flow Statement have been applied on a basis consistent with those used in the audited consolidated financial statements for the year ended 31 March 2021. All new standards, amendments and interpretations to existing standards that came into effect during the current accounting period have been adopted in the current year. None of these have had a material impact on the Group.

The consolidated interim financial statements do not include all the notes of the type normally included in the consolidated annual financial statements. Accordingly,

these consolidated interim financial statements are to be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2021, prepared in accordance with New Zealand Equivalents to the International Financial Reporting Standard ('NZ IFRS').

The consolidated interim financial statements for the six months ended 30 September 2021 and comparatives for the six months ended 30 September 2020 are unaudited, but reviewed. The consolidated annual financial statements for the year ended 31 March 2021 were audited and form the basis for the comparative figures for that period in these statements.

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

The balance sheet for the Group is presented on the liquidity basis where the assets and liabilities are presented in the order of their liquidity.

#### (iii) Functional and Presentation Currency

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

#### (iv) Measurement Basis

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

#### (v) Key Estimates and Judgements

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

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

## Notes to the Consolidated Interim Financial Statements continued

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

- Valuation of investment properties (note 3.1)
- Valuation of land and buildings (note 3.2)
- Lease extension and termination options and incremental borrowing rates (note 3.4)
- Impairment testing of right-of-use assets (note 3.4)
- Recognition of deferred tax (note 5.1)
- Impairment testing of goodwill:  
The recoverability of the carrying value of goodwill is assessed at least annually to ensure that it is not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the cash-generating unit, which entails making judgements, including the expected rate of growth of revenues based on budgeted projections of occupancy levels, margins expected to be achieved, the level of future capital expenditure required to support these outcomes and the appropriate discount rate to apply when valuing future cash flows.

In March 2020, the World Health Organization declared an ongoing global outbreak of a novel coronavirus ('COVID-19') as a pandemic. In response, the New Zealand Government implemented a range of public health and economic measures to mitigate the impact of the COVID-19 pandemic. Whilst the COVID-19 pandemic and measures implemented have lowered overall economic activity, the Group's earnings, cash flow and financial position have not been impacted since the outbreak began and up to the date of the signing of these consolidated interim financial statements. The Directors have assessed the impact of COVID-19 on these judgements and estimates and concluded that limited changes are necessary. This is primarily due to the Group being classified as a provider of essential services. This also takes into consideration the most recent lockdown which began on 17 August 2021 and has been ongoing since then up to the signing of these consolidated interim financial statements.

It is not possible to estimate the impact of the COVID-19 pandemic's short and long-term effects. As at the date of the signing of these consolidated interim 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 consolidated interim financial statements.

### (vi) Comparative Information

During the current year, Management has simplified the consolidated interim financial statements to provide more relevant information that is easier to understand. Consequently, certain comparative information has been re-ordered, re-labelled; or where considered non-essential or immaterial, has been removed.

In the 2020 consolidated interim financial statements:

- the Group presented segment reporting information, however, this was not in accordance with the way which operating results are reported to the Group's chief operating decision maker, and was included for consistency with retirement village and aged care listed peers in New Zealand; and
- Cash flows from the sale and repurchase from refundable occupation right agreements are now included as part of cash flows from operating activities instead of cash flows from investing activities.

The 2021 annual financial statements also reflected the above changes

### (vii) Segment Reporting

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

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





## 2. OPERATING PERFORMANCE

### 2.1. Non-GAAP financial measures: Non-GAAP Underlying Net Profit after tax ("Underlying Profit") and Non-GAAP Available Funds from Operations ("AFFO")

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

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

#### Underlying Profit

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

#### Basis of preparation: Underlying Profit

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

#### Adjustments

##### Non-recurring or infrequent items

- COVID-19 related expenses.** As part of the response to COVID-19, the Group incurred additional expenses, including personal protective equipment (PPE) costs and expenses in relation to additional sick leave and isolation leave from April 2020 to September 2020 and from August to September 2021. The Group required staff to take a COVID-19 test before returning to work following any sick leave or isolation leave, to ensure the safety of residents and staff in the aged care facilities.
- Government COVID-19 related subsidy.** As with other aged care providers in New Zealand, the Group received funding during the year ended 31 March 2021 from the New Zealand Government in relation to the increased costs associated with COVID-19 which covered higher staff and PPE costs.
- One-off costs.** Radius operated a laundry that supported four of the facilities in the South Island. This operation was stopped at the end of May 2021, and some of the laundry assets were sold. As this operation does not form part of the main activity of the Group, this is shown as a one-off cost.

##### Structural changes and other

- NZ Listed & other listed entity related costs.** In conjunction with its listing the Group incurred costs associated with operating in a listed environment in respect of Directors' fees (including the additional independent Directors), audit costs, listing fees, share registry fees, enhanced shareholder reporting costs and additional Director & Officer insurance costs. From the date of listing, the Group also incurred a fee of 3.5% per annum of annual rental and outgoings in relation to the personal guarantee in place with one landlord.
- Historical governance costs.** These relate to non-recurring historical Directors, consulting and management fees previously incurred by the Group but now replaced by NZ Listed & other listed entity related costs.

## Notes to the Consolidated Interim Financial Statements continued

- 3. Gain on acquisition of leased property assets.** On 5 August 2021, the Group acquired four properties, previously leased from Ohaupo Holdings Limited. On acquisition, the disposal of the related right-of-use assets and lease liabilities resulted in a gain of \$1.4m being recognised. This is further described in notes 3.2 and 4.1.
- 4. Income tax.** Included is the potential income tax impact of the above adjustments (described under non-recurring or infrequent items and structural changes and other above). An effective tax rate of 28% has been assumed, where applicable.

### Underlying adjustments

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

1. The removal of changes in the fair value of investment properties relating to the Group's owned retirement villages (Elloughton Grange Village and Windsor Lifestyle Estate Village).
2. Inclusion of realised development margins on the cash settlement of the first sale of new Refundable Occupation Right Agreements (ORA) Units following development.
3. Inclusion of realised gains on Unit resales. Realised gains are calculated as the net cash flow received by the Group on the cash settlement of the resale of pre-existing ORA Units (i.e. the difference between the value of the ORA licence payment received from the incoming resident and the ORA licence payment previously received from the outgoing resident).
4. Removal of deferred tax expenses including those related to the application of NZ IFRS 16 Leases, where applicable.

Realised gains are net of incurred refurbishment costs. The margin on the repurchase of legacy units under a unit title subsequently sold under an ORA contract is also included. Note, no adjustment is made for differences between accrued deferred management fees (DMF) and actual cash DMF realised.

### AFFO

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

### Basis of preparation: AFFO

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







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

	Unaudited Six Months 30-Sep-21 \$'000	Unaudited Six Months 30-Sep-20 \$'000
Profit for the period	1,334	2,065
<b>ADJUSTMENTS</b>		
<b>Non-recurring or infrequent items</b>		
Remove: COVID-19 related expenses	331	653
Remove: Government COVID-19 Subsidy	-	(857)
Remove: One-off costs	174	-
<b>Structural changes and other</b>		
Include: Listed & other company costs	-	(553)
Remove: Historical governance costs	-	341
Remove: Gain on acquisition of leased property assets	(1,403)	-
Include: Income tax impact from adjustments	(141)	116
<b>Underlying Adjustments</b>		
Remove: Change in fair value of investment properties	65	(716)
Include: Realised development margins	90	190
Include: Realised gains on resales	-	10
Remove: Deferred tax expense	(1)	(1,143)
<b>Underlying Net profit before tax</b>	<b>449</b>	<b>106</b>
Remove: Depreciation	5,746	5,728
Remove: Net interest expense	4,558	4,968
Remove: Current tax expense	329	1,701
Remove: Income tax impact from adjustments	141	(116)
<b>Underlying EBITDA</b>	<b>11,223</b>	<b>12,387</b>
Include: Pre-NZ IFRS 16 operating lease expense	(6,118)	(6,400)
<b>Pre-NZ IFRS 16 Underlying EBITDA</b>	<b>5,105</b>	<b>5,987</b>
Include: Depreciation and amortisation (Pre-NZ IFRS 16)	(2,200)	(2,094)
Include: Net interest expense (Pre-NZ IFRS 16)	(389)	(438)
Include: Current tax expense	(329)	(1,701)
Include: Income tax impact from adjustments	(141)	116
<b>Pre-NZ IFRS 16 Underlying Net profit after tax</b>	<b>2,046</b>	<b>1,870</b>
Remove: Depreciation and amortisation (Pre-NZ IFRS 16)	2,200	2,094
Include: Maintenance capital expenditure	(1,944)	(1,613)
<b>AFFO</b>	<b>2,302</b>	<b>2,351</b>



## Notes to the Consolidated Interim Financial Statements continued

### 3. PROPERTY ASSETS

#### 3.1. Investment Properties

##### Accounting policy

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

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

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

Rental income from investment properties is accounted for as deferred management fees as described in note 3.3.

	NOTE	Unaudited 30-Sep-21 \$'000	Audited 31-Mar-21 \$'000
<b>INVESTMENT PROPERTIES</b>			
<b>Opening carrying amount</b>		31,675	27,831
Development expenditure		-	338
Net fair value (loss)/gain		(65)	2,879
Refundable Occupation Right Agreements settled		-	(2,444)
Refundable Occupation Right Agreements entered		1,610	5,421
Purchases		163	100
Unsold units included in Opening carrying amount		(1,610)	(2,450)
<b>Closing carrying amount</b>		<b>31,773</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		8,840	8,345
Refundable Occupation Right Agreements	3.3	21,534	20,591
Deferred management fee	3.3	1,399	1,178
Unsold units		-	1,561
		<b>31,773</b>	<b>31,675</b>



### Valuation process and key inputs

The Group's investment properties are valued on an annual basis by CBRE Limited (CBRE), an independent valuer. CBRE is 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 is adjusted for assets and liabilities already recognised (being Refundable Occupation Right Agreements, management fee receivable and deferred management fees as described in note 3.3) in the Consolidated 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 Consolidated Statement of Financial Position (refer also note 3.3).

### Retirement villages under development

The cost of retirement villages includes directly attributable construction costs and other costs necessary to bring the retirement villages to working condition for their intended use. These other costs include professional fees and consents, borrowing costs during the build period and head office costs directly related to the construction of the retirement villages. Where costs are apportioned across more than one asset, the apportionment methodology is determined by considering the nature of the cost. The borrowing costs capitalised during the period was \$nil (31 March 2021: \$49k). The related borrowing costs were solely for the villages under development.

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

### Unsold units

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

### Key accounting estimates and judgements

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

### Valuation uncertainty

As at 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 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 valuations. This represents an increase in the significant estimation uncertainty in the valuation of investment properties. Given the valuation uncertainty, the valuers have recommended in their reports that the valuations of the properties be kept under frequent review.

Management has also confirmed with its valuers as at 30 September 2021 that there has not been any material changes or external indicators of impairment in the valuation of the properties.

### Significant unobservable inputs

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

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

The stabilised occupancy is a key driver of the CBRE's valuation. A significant increase/(decrease) in the occupancy period would result in a significant lower/(higher) fair value measurement.

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



## Notes to the Consolidated Interim Financial Statements continued

### 3.2. Property, Plant and Equipment

#### Accounting policy

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

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

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

Freehold land and buildings are measured at revalued amounts, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and any accumulated impairment losses. At each reporting date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, 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	10 - 50 years
- Motor vehicles	3 - 5 years
- Furniture, fixtures and fittings	5 - 10 years
- Information technology	3 - 4 years
- Medical equipment	5 - 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.



\$'000	Land and Buildings	Motor vehicles	Furniture, fixtures and fittings	Information technology	Medical equipment	Total
<b>UNAUDITED - SIX MONTH ENDED 30 SEPTEMBER 2021</b>						
Opening net book value	18,326	361	12,480	1,473	256	32,896
Additions	31,337	-	2,037	323	74	33,771
Disposals	-	-	(227)	-	-	(227)
Depreciation	(170)	(70)	(1,522)	(381)	(50)	(2,193)
<b>Closing net book value</b>	<b>49,493</b>	<b>291</b>	<b>12,768</b>	<b>1,415</b>	<b>280</b>	<b>64,247</b>
<b>UNAUDITED - SIX MONTH ENDED 30 SEPTEMBER 2021</b>						
Cost (Land at valuation)	49,677	1,212	36,190	5,088	722	92,889
Accumulated Depreciation	(184)	(921)	(23,422)	(3,673)	(442)	(28,642)
<b>Net book value</b>	<b>49,493</b>	<b>291</b>	<b>12,768</b>	<b>1,415</b>	<b>280</b>	<b>64,247</b>
\$'000	Land and Buildings	Motor vehicles	Furniture, fixtures and fittings	Information technology	Medical equipment	Total
<b>AUDITED - YEAR ENDED 31 MARCH 2021</b>						
Opening net book value	17,265	297	12,905	1,637	199	32,303
Additions	3	205	2,633	587	150	3,578
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>12,480</b>	<b>1,473</b>	<b>256</b>	<b>32,896</b>
<b>AUDITED - YEAR ENDED 31 MARCH 2021</b>						
Cost	115	1,212	34,380	4,765	648	41,120
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>12,480</b>	<b>1,473</b>	<b>256</b>	<b>32,896</b>

\* The revaluation noted in the Statement of Comprehensive Income differs from the above due to deferred tax, refer to note 5.1.

## Notes to the Consolidated Interim Financial Statements continued

### Valuations

Three of the Group's properties: St Helenas, Thornleigh Park and Lexham Park, which are 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.

There has not been any material changes or external indicators of impairment in the valuation of the properties as at 30 September 2021.

On 5 August 2021, the Group acquired the land and buildings at four leased sites in Auckland, Waikato, Taranaki and Canterbury from Ohaupo Holdings Limited for consideration of \$31.4m. The acquisition was funded from the fully underwritten placement and issue of shares to Ohaupo Holdings Limited - see note 4.1.

### Valuation uncertainty

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

### Key accounting estimates and judgements

Property measurements are categorised as Level 3 (31 March 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.

## 3.3. Refundable Occupation Right Agreements

### Accounting policy

Refundable 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 21% of the entry payment; and
- for Elloughton Grange Village Limited, to a maximum of 30% 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 (31 March 2021 : 8 years.)

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.

	Unaudited 30-Sep-21 \$'000	Audited 31-Mar-21 \$'000
<b>REFUNDABLE OCCUPATION RIGHT AGREEMENTS</b>		
Refundable occupation license payments	25,735	24,125
Less: Management fee receivable (per contract)	(4,201)	(3,534)
	<b>21,534</b>	<b>20,591</b>
<b>RECONCILIATION OF MANAGEMENT FEES RECOGNISED UNDER NZ IFRS AND PER ORA</b>		
Management fee receivable (per contract)	(4,201)	(3,534)
Deferred management fee	1,399	1,178
<b>Management fee receivable (per NZ IFRS)</b>	<b>(2,802)</b>	<b>(2,356)</b>

### 3.4. Leases

#### Accounting policy

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



## Notes to the Consolidated Interim Financial Statements continued

### **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 effects 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% (31 March 2021: 5%). No new leases were entered into during the period (31 March 2021: none) and four leases were cancelled as these properties were acquired by the Group during the period (31 March 2021: none was cancelled or modified).



	Unaudited 30-Sep-21 \$'000	Audited 31-Mar-21 \$'000
<b>(A) RIGHT-OF-USE ASSETS</b>		
Land and Buildings under lease	154,387	191,603
Accumulated depreciation	(17,349)	(14,433)
<b>Total carrying amount of right-of-use assets</b>	<b>137,038</b>	<b>177,170</b>

#### RECONCILIATIONS

Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year/period:

<b>Land and Buildings</b>		
Opening carrying amount	177,170	181,431
Additions	-	-
Depreciation	(3,546)	(7,290)
Remeasurements	700	3,029
Disposals	(37,286)	-
<b>Closing carrying amount</b>	<b>137,038</b>	<b>177,170</b>

The Group leased four properties from Ohaupo Holdings Limited. On 5 August 2021, the Group acquired the four properties, this is further described in notes 3.2 and 4.1. On acquisition of these properties, disposal of the related right-of-use assets and lease liabilities, a gain of \$1.4m was recognised.

#### (B) LEASE LIABILITIES

<b>Current</b>		
Land and Buildings	3,886	4,051
<b>Non-current</b>		
Land and Buildings	140,480	180,254
	<b>144,366</b>	<b>184,305</b>



## Notes to the Consolidated Interim Financial Statements continued

	Unaudited Six Months 30-Sep-21 \$'000	Unaudited Six Months 30-Sep-20 \$'000
<b>(C) LEASE EXPENSES AND CASH FLOWS</b>		
Interest expense on lease liabilities	4,169	4,529
Depreciation expense on right-of-use assets	3,546	3,635
Cash outflow in relation to leases	6,118	6,400
Gain on acquisition of leased property assets	1,403	-
	Unaudited 30-Sep-21 \$'000	Audited 31-Mar-21 \$'000
<b>(D) MATURITY ANALYSIS - CONTRACTUAL UNDISCOUNTED CASH FLOWS</b>		
- Not later than 1 year	10,826	12,932
- Later than 1 year and not later than 5 years	43,534	52,035
- Later than 5 years	208,819	292,002
	<b>263,179</b>	<b>356,969</b>





## 4. SHAREHOLDER EQUITY AND FUNDING

### 4.1. Shareholder Equity and Reserves

#### Accounting policy

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

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

	Unaudited 30-Sep-21		Audited 31-Mar-21	
	Shares	\$'000	Shares	\$'000
<b>SHARE CAPITAL</b>				
Authorised, issued and fully paid up capital	269,243,089	51,757	176,495,000	5,932
<b>Total contributed equity</b>	<b>269,243,089</b>	<b>51,757</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	-	-
Ohaupo shares issued	19,230,768	10,000	-	-
Retail offer	15,825,014	8,229	-	-
Share issuance costs	-	(2,404)	-	-
<b>Closing balance of ordinary shares issued</b>	<b>269,243,089</b>	<b>51,757</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 period (31 March 2021:\$nil).

#### Fully underwritten placement

On 27 July 2021 and 3 August 2021, 34,062,037 and 23,630,270 ordinary shares were allotted 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.

## Notes to the Consolidated Interim Financial Statements continued

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

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

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

### **Retail offer**

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

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

### **Dividends**

Dividend distributions to shareholders are recognised as a liability in the period in which dividends are declared. On 25 May 2021 a dividend of 0.89 cents per share (fully imputed) was declared and was paid on 21 June 2021 (2021: On 5 February 2021 a dividend of 0.58 cents per share (fully imputed) was declared and was paid on 26 February 2021 ). On 29 November 2021 a dividend of 0.70cents per share (fully imputed) was declared and will be paid on 23 December 2021.

### **Asset Revaluation Reserve**

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

## **4.2. Earnings per share**

### **Basic and diluted**

Basic earnings per share is calculated by dividing the profit after tax of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 30 September 2021, there were no shares with a dilutive effect (31 March 2021: none) and therefore basic and diluted earnings per share were the same.

	Unaudited Six Months 30-Sep-21	Unaudited Six Months 30-Sep-20	Unaudited Six Months 30-Sep-20*
<b>Profit/ (loss) after tax</b>	1,334	2,065	2,065
Weighted average number of ordinary shares outstanding ('000s)	207,025	12,500	175,000
<b>Cents per share</b>	<b>0.64</b>	<b>16.52</b>	<b>1.18</b>

*\*As described in the 2021 Annual Financial Statements a share split took place on 8 December 2020, the Group has also presented the basic earnings per share for the six months ended 30 September 2020 taking into consideration this share split.*





### 4.3. Borrowings

#### Accounting policy

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

Specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use. Other borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred. The borrowing costs capitalised during the period was \$nil (31 March 2021: \$49k). The related borrowing costs were solely for the villages under development (note 3.1).

	Unaudited 30-Sep-21 \$'000	Audited 31-Mar-21 \$'000
<b>SECURED LIABILITIES</b>		
<b>Current</b>		
Bank Loans	1,000	1,000
<b>Non-current</b>		
Bank Loans	17,712	26,212
	<b>18,712</b>	<b>27,212</b>

#### Terms and conditions and assets pledged as security

	Current \$'000	Non-current \$'000	Facility Limit \$'000	Effective Interest rate %	Expiry date
<b>UNAUDITED AS AT 30 SEPTEMBER 2021</b>					
Committed Cash Advance	-	8,887	18,000	2.01%	29 April 2023
Committed Cash Advance	-	9,825	9,825	1.76%	29 July 2023
	-	<b>18,712</b>	<b>27,825</b>		
<b>AUDITED AS AT 31 MARCH 2021</b>					
Committed Cash Advance	-	17,387	18,000	2.01%	29 April 2023
Committed Cash Advance	-	9,825	9,825	1.76%	29 July 2023
	-	<b>27,212</b>	<b>27,825</b>		



## Notes to the Consolidated Interim Financial Statements continued

### Security

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

As at 30 September 2021 the balance of the bank loans over which the properties are held as security is \$9,825k (31 March 2021: \$9,825k), the total commitment as at 30 September 2021 is \$9,825k (31 March 2021: \$9,825k).

### Other

The Group has a Corporate Banking Overdraft Facility Agreement with ASB Bank Limited for \$1,500k (31 March 2021: \$1,500k) that has an expiry date on 31 March 2049 (31 March 2021: 31 March 2049). This facility bears interest at an effective interest rate of 3.55% (31 March 2021: 3.75%) and is secured over the assets of the Group and guaranteed by certain Group entities. At reporting date this overdraft facility was not drawn (31 March 2021: \$Nil).

### Financing arrangements

Under the Group's bank loan arrangements with ASB Bank Limited, the Group must comply with externally

imposed banking covenant. These covenants are tested and reported to the ASB on a quarterly basis. During the six months ended 30 September 2021, the Group complied with all externally imposed banking covenant requirements to which it is subject (31 March 2021: complied with all). The Group has agreed with its banks that the calculation of Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and Net Interest, for the purposes of the financial covenants, shall continue to be based on the accounting treatment in use before the introduction and adoption of NZ IFRS 16 *Leases*.

On 29 October 2021 the Group entered into a new \$62 million 5 year senior facility agreement with its banking partner ASB.

The agreement is structured to provide:

- a \$20 million facility to fund existing developments and for general corporate purposes;
- a \$20 million development finance facility to support new and existing developments; and
- a \$20 million acquisition funding facility to support new acquisitions





## 5. OTHER DISCLOSURE

### 5.1. Income Tax

#### Accounting policy

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

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

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

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

#### Key accounting estimates and judgements

##### *Deferred tax on Investment Property*

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

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

The Group's Refundable ORAs comprise two distinct cash flows (being an ORA deposit upon entering the unit and the refund of this deposit upon exit). In determining the tax base of investment property, the Group considered whether taxable cash flows are received at the end of the ORA period (i.e. upon refund of the ORA deposit by way of set off on exit by a resident) or at the beginning of the ORA period (i.e. at time of the receipt of the ORA deposit).

The Group has carefully evaluated all the available information and considers it appropriate to recognise and measure the tax base and associated deferred tax based

on the taxable cash flows being receivable at the end of the ORA period as this best represents the Group's contractual entitlement.

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

## Notes to the Consolidated Interim Financial Statements continued

	Unaudited Six Months 30-Sep-21 \$'000	Unaudited Six Months 30-Sep-20 \$'000
<b>(A) COMPONENTS OF TAX EXPENSE</b>		
Current tax	329	1,701
Deferred tax	(1)	(1,143)
	<b>328</b>	<b>558</b>
<b>(B) INCOME TAX RECONCILIATION</b>		
The prima facie tax payable on profit before tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before tax at 28.0%	465	734
Permanent differences	180	(176)
Over provision for income tax in prior year	(317)	-
<b>Income tax expense attributable to profit</b>	<b>328</b>	<b>558</b>
	Unaudited 30-Sep-21 \$'000	Audited 31-Mar-21 \$'000
<b>(C) DEFERRED TAX</b>		
Deferred tax relates to the following:		
<b>Non-current asset</b>		
<i>Deferred tax assets</i>		
The balance comprises:		
Lease liabilities	40,423	51,605
Provisions	1,815	1,970
Deferred management fee income	862	765
	<b>43,100</b>	<b>54,340</b>
<i>Deferred tax liabilities</i>		
The balance comprises		
Property, plant and equipment	1,093	1,098
Right-of-use assets	38,371	49,607
	<b>39,464</b>	<b>50,705</b>
<b>Net deferred tax assets</b>	<b>3,636</b>	<b>3,635</b>





	Unaudited 30-Sep-21 \$'000	Audited 31-Mar-21 \$'000
<b>(D) DEFERRED INCOME TAX REVENUE COMPRISES:</b>		
<i>Through profit / (loss) included in income tax expense</i>		
Decrease / (Increase) in deferred tax assets	11,240	(388)
Decrease in deferred tax liabilities	(11,241)	(1,443)
	<b>(1)</b>	<b>(1,831)</b>
<i>Through other comprehensive income</i>		
Increase in deferred tax liabilities	-	202
<b>Through other comprehensive income included in revaluation of property, plant and equipment</b>	<b>-</b>	<b>202</b>
Increase in deferred tax liabilities	<b>(1)</b>	<b>(1,629)</b>

Deferred tax assets are recognised for deductible temporary differences as Management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

	Unaudited 30-Sep-21 \$'000	Audited 31-Mar-21 \$'000
<b>(E) IMPUTATION CREDITS AVAILABLE FOR USE IN SUBSEQUENT PERIODS</b>		
Balance at the beginning of the year / period	5,549	4,104
Dividends paid	(439)	(285)
New Zealand tax payments, net of refunds	1,263	1,744
Other debits	-	(14)
<b>Balance at the end of the year / period</b>	<b>6,373</b>	<b>5,549</b>



## Notes to the Consolidated Interim Financial Statements continued

### 5.2. Related Party Transactions

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

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

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

#### Subsidiaries

The following are the Group's subsidiaries

Name of Entity	Principal Activities	Ownership interests and voting rights		Class of Shares
		Unaudited 30-Sep-21	Audited 31-Mar-21	
Radius Arran Court Limited	Lessee entity for Radius Arran Court facility	100%	100%	Ordinary
Windsor Lifestyle Estate Limited	Operating entity for Windsor retirement village	100%	100%	Ordinary
Radius Care Limited (non-trading)	Dormant	100%	100%	Ordinary
Elloughton Grange Village Limited	Operating entity for Elloughton retirement village	100%	100%	Ordinary
Radius Care Holdings Limited	Property owning entity for St Helenas, Thornleigh Park, Lexham Park, Elloughton, Heatherlea, Windsor Court and Taupaki Gables facilities	100%	100%	Ordinary

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



## Key Management Personnel Compensation and Other Related Parties

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

Related Party	Relationship
Brien Cree	Director and Ultimate Shareholder
Duncan Cook	Director & Shareholder
Bret Jackson	Director and Ultimate Shareholder
Timothy Sumner	Director and Ultimate Shareholder
Mary Gardiner	Director
Hamish Stevens	Director & Shareholder
Wave Rider Holdings Limited	Shareholder
Knox Fund IV AUD LP	Shareholder
Knox Fund IV NZD LP	Shareholder
Sharp Tudhope Lawyers Limited	Consultant (Duncan Cook)
Cibus Catering Limited	Common Director (Brien Cree)
Valhalla Capital Limited	Common Director (Brien Cree)
Tom Wilson	Shareholder
Time Capital NZ Limited	Director (Tom Wilson)
Ohaupo Holdings Limited	Shareholder (Neil Foster, Trevor Jones, Glen Miller)

	Unaudited Six Months 30-Sep-21 \$'000	Unaudited Six Months 30-Sep-20 \$'000
Directors' remuneration and expenses	251	161
Dividends to director related entities	806	-
Key Management personnel Salaries and other short term employee benefits	789	590
Key Management personnel dividends	5	-
	<b>1,851</b>	<b>751</b>



## Notes to the Consolidated Interim Financial Statements continued

### OTHER RELATED PARTIES

	Unaudited 30-Sep-21 \$'000	Audited 31-Mar-21 \$'000
<i>Trade creditors</i>		
- Cibus Catering Limited	-	86
- Time Capital NZ Limited	10	-
	<b>10</b>	<b>86</b>
<i>Trade debtors</i>		
- Cibus Catering Limited	<b>43</b>	<b>7</b>
	Unaudited Six Months 30-Sep-21 \$'000	Unaudited Six Months 30-Sep-20 \$'000
<i>Legal Fees</i>		
- Sharp Tudhope Lawyers Limited	107	19
<i>Catering services</i>		
- Cibus Catering Limited	2,763	2,689
<i>Consulting fees</i>		
- Time Capital NZ Limited	50	-
- Tim Sumner	27	-
- Duncan Cook associated with issue of shares	150	-
<i>Purchase of property, plant and equipment</i>		
- Ohaupo Holdings Limited	31,400	-
- Additional fees paid to directors associated with issue of shares	60	-
<i>Rent Paid</i>		
- Ohaupo Holdings Limited	770	1,094
<i>Personal Guarantee Fee</i>		
- Brien Cree	85	-



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

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

The purchase price under the Land SPA is \$5.8m, of which a non-refundable deposit of \$300k had already been paid by Brien during the 2021 financial year. On the date of settlement, being 16 April 2021, the Group paid the remaining consideration of \$400k, net of the non-refundable deposit paid during the 2021 financial year, to Brien, consistent with the Assignment Agreement.

A condition of the Assignment Agreement was approval of the transaction by the Board of the Group by 2 April 2021. On 2 April 2021 the Board (excluding Brien as an interested director) exercised its right to approve the Assignment Agreement and the Group now holds the rights to acquire the development property.

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

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

The balance of the purchase price under the land sale and purchase agreement amounting to \$5.5m is payable to the third party vendor on settlement, which will be completed when the title of the property is issued. It is currently expected that title will be issued prior to 1 August 2022.

### **5.3. Contingent Liabilities**

There has been no changes to contingent liabilities disclosed in the 2021 annual financial statements.

### **5.4. Commitments**

There were no material commitments at reporting date (31 March 2021:Nil).

### **5.5. Events subsequent to reporting date**

#### **Acquisition of Clare House**

The Group acquired Clare House, an integrated care facility and retirement village in Waikiwi, Invercargill with 69 care beds and 25 ORA units. The acquisition includes all the land, buildings and operations of Clare House as well as two adjoining residential properties at 71 and 83 Durham Street. The purchase price is \$14.5m being a 3% discount to the independent valuation performed by Colliers and settled on 1 November 2021. The Group is yet to complete a purchase price allocation for the acquisition as at the date of signing of these consolidated interim financial statements.

#### **Interim Dividend**

See note 4.1

#### **New banking arrangements**

See note 4.3

#### **Other**

There have been no other significant events after balance date that materially impact the results reported.



## INDEPENDENT AUDITOR'S REVIEW REPORT

### To the Shareholders of Radius Residential Care Limited

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

##### Conclusion

We have reviewed the condensed consolidated interim financial statements of Radius Residential Care Limited and its subsidiaries (together "the Group") on pages 4 to 33, which comprise the condensed consolidated interim statement of financial position at 30 September 2021, the condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the period then ended, and the notes to the condensed consolidated interim financial statements that include a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that these condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2021, and of its financial performance and its cash flows for the six-months ended on that date, in accordance with in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* ('NZ IAS 34') and International Accounting Standard 34: *Interim Financial Reporting* ('IAS 34').

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

##### Basis for Conclusion

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

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

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

We draw attention to Note 3.1 and 3.2 of the condensed consolidated interim financial statements, which describes the Group's independent external property valuers have included a valuation uncertainty clause in their reports as a result of the COVID-19 pandemic as at valuation date. This clause highlights the difficulties in undertaking valuations due to the reduction of relevant transactional evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution, should be attached to the point estimate valuation. This represents an increase in the significant estimation uncertainty in the valuation of investment properties and freehold land and buildings. Our conclusion is not modified in respect of this matter.

**Other Matter - Non-NZ GAAP financial measures**

Note 1.1 of the condensed consolidated interim financial statements describes that the condensed consolidated interim financial statements include the presentation of two non-NZ GAAP (*non-Generally Accepted Accounting Practice in New Zealand*) financial measures in Note 2.1, which are presented in addition to NZ GAAP (*Generally Accepted Accounting Practice in New Zealand*) financial measures. These two non-NZ GAAP financial measures are not defined under the requirements of NZ GAAP, NZ IFRS and IFRS. Our conclusion is not modified in respect of this matter.

**Directors' Responsibilities**

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

**Auditor's Responsibilities**

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

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

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

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

This review report relates to the condensed consolidated interim financial statements of the Group for the six-month period ended 30 September 2021 included on the Group's website. The Directors of the Group are responsible for the maintenance and integrity of the Group's website. We have not been engaged to report on the integrity of the Group's website. We accept no responsibility for any changes that may have occurred to the condensed consolidated interim financial statements since they were initially presented on the website.

The review report refers only to the condensed consolidated interim financial statements named above. It does not provide a conclusion on any other information which may have been hyper linked to / from these condensed consolidated interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication, they should refer to the published hard copy of the review condensed consolidated interim financial statements and related auditor's review report dated 29 November 2021 to confirm the information included in the reviewed condensed consolidated interim financial statements presented on this website.

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

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

**BAKER TILLY STAPLES RODWAY AUCKLAND****Auckland, New Zealand**

29 November 2021



Caring is our calling

## Radius Residential Care

### ADDRESS

Level 4, 56 Parnell Road, Parnell, Auckland

### PHONE

+64 9 304 1670

### EMAIL

[investor@radiuscare.co.nz](mailto:investor@radiuscare.co.nz)