Financial Statements 2024

radius care

CONSOLIDATED

Statement of Comprehensive Income

For the year ended *In thousands of New Zealand dollars*	NOTE	31 March 2024	31 March 2023
REVENUE			
Revenue	2.1	168,739	144,467
Deferred management fees	2.1	2,495	1,801
Total revenue		**171,234**	**146,268**
Change in fair value of investment property	3.1	2,703	765
Government subsidy received		–	189
Interest income		136	67
Gain on acquisition of previously leased property assets		–	1,781
Gain on business acquisition		–	927
Total revenue and other income		**174,073**	**149,997**
EXPENSES			
Employee costs		(105,744)	(93,097)
Depreciation expense	2.2	(9,942)	(9,979)
Finance costs	2.2	(15,637)	(12,479)
Loss on revaluation of land and buildings		–	(3,028)
Other expenses	2.2	(39,151)	(34,398)
Total expenses		**(170,474)**	**(152,981)**
Profit/(Loss) before income tax		**3,599**	**(2,984)**
Income tax refund/(expense)	5.1	(12,087)	878
Profit/(Loss) for the year		**(8,488)**	**(2,106)**
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Items that will not be reclassified subsequently to profit and loss			
Revaluation of land and buildings, net of tax	3.2	–	3,558
Income tax on other comprehensive income		–	(874)
Other comprehensive income for the year		–	**2,684**
Total comprehensive income/(loss)		**(8,488)**	**578**
EARNINGS PER SHARE			
Basic and diluted earnings/(loss) per share (cents per share)	4.2	(2.98)	(0.76)

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 2024 *In thousands of New Zealand dollars*	NOTE	Contributed Equity	Asset Revaluation Reserve	Other Reserve	Retained Earnings	Total
BALANCE AS AT 1 APRIL 2023		56,813	9,496	33	6,522	72,864
Profit/(Loss) for the year		—	—	—	(8,488)	(8,488)
Share based payments		7	—	49	—	55
Other comprehensive income for the year	3.2	—	—	—	—	—
Total comprehensive income for the year		**7**	—	**49**	**(8,488)**	**(8,432)**
Transactions with owners						
Dividends paid	4.1	—	—	—	—	—
Total transactions with owners		—	—	—	—	—
BALANCE AS AT 31 MARCH 2024		**56,820**	**9,496**	**82**	**(1,966)**	**64,432**
BALANCE AS AT 1 APRIL 2022		51,732	6,812	—	11,544	70,088
Profit/(Loss) for the year		—	—	—	(2,106)	(2,106)
Share based payments		—	—	33	—	33
Other comprehensive income for the year	3.2	—	2,684	—	—	2,684
Total comprehensive income for the year		—	**2,684**	**33**	**(2,106)**	**611**
Transactions with owners						
Issue of share capital (net of transaction costs and tax)	4.1	5,057	—	—	—	5,057
Dividends paid	4.1	24	—	—	(2,916)	(2,892)
Total transactions with owners		**5,081**	**—**	**—**	**(2,916)**	**2,165**
BALANCE AS AT 31 MARCH 2023		**56,813**	**9,496**	**33**	**6,522**	**72,864**

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

CONSOLIDATED
Statement of Financial Position

As at *In thousands of New Zealand dollars*	NOTE	31 March 2024	31 March 2023
ASSETS			
Cash and cash equivalents		2,350	515
Trade and other receivables	5.3	15,002	13,071
Held for sale assets		—	891
Inventories		554	753
Current tax assets		—	1,321
Investment properties	3.1	73,528	70,143
Property, plant and equipment	3.2	117,310	133,870
Right-of-use assets	3.4	109,906	112,464
Intangible assets	5.2	16,063	19,797
Deferred tax assets	5.1	—	3,770
Total assets		**334,713**	**356,595**
LIABILITIES			
Cash and cash equivalents (overdraft)		—	2,894
Trade and other payables	5.4	19,990	20,543
Current tax liabilities		1,621	—
Borrowings	4.3	75,869	97,687
Deferred management fees	3.3	7,608	6,973
Refundable occupation right agreements	3.3	37,425	34,104
Lease liabilities	3.4	121,086	121,530
Deferred tax liabilities	5.1	6,682	—
Total liabilities		**270,281**	**283,731**
NET ASSETS		**64,432**	**72,864**
EQUITY			
Share capital	4.1	56,820	56,813
Reserves	4.1	9,578	9,529
Retained earnings		(1,966)	6,522
Total equity		**64,432**	**72,864**

The Board of Directors of the Company authorised these consolidated financial statements for issue on 29 May 2024.

For and on behalf of the Board.

Brien Cree
Chair, Board of Directors

Hamish Stevens
Chair, Audit and Risk Committee

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

CONSOLIDATED
Statement of Cash Flows

For the year ended *In thousands of New Zealand dollars*	**31 March 2024**	**31 March 2023**
Receipts from residents for care fees and village fees	168,430	140,699
Receipts of Government subsidy	—	1,269
Payments to suppliers and employees	(147,285)	(124,697)
Proceeds from the sale of Refundable Occupation Right Agreements	10,938	3,715
Payments for the repurchase of Refundable Occupation Right Agreements	(4,072)	(2,847)
Interest received	136	67
Interest paid - borrowings	(9,388)	(6,506)
Interest paid - lease liabilities	(5,962)	(5,934)
Income tax benefit/(expense)	1,303	(1,729)
Net cash provided by operating activities	**14,100**	**4,037**
Proceeds from the sale of care home	18,300	—
Proceeds from the sale of property, plant and equipment	989	7
Acquisition of subsidiaries, net of cash acquired	—	(500)
Payments for the purchase of property, plant and equipment	(3,451)	(58,681)
Payments for village developments	(682)	(53)
Net cash provided by/(used in) investing activities	**15,156**	**(59,227)**
Proceeds from borrowings	18,500	—
Repayments of borrowings	(40,318)	56,169
Principal payments of lease liabilities	(2,709)	(2,554)
Dividends paid	—	(2,892)
Net cash provided by/(used in) financing activities	**(24,527)**	**50,723**
Cash and cash equivalents at beginning of the year	(2,379)	2,088
Net (decrease)/increase in cash and cash equivalents held	4,729	(4,467)
Cash and cash equivalents at end of year	2,350	(2,379)
COMPRISING OF		
Cash and cash equivalents	*2,350*	*515*
Cash and cash equivalents (overdraft)	—	*(2,894)*
Cash and cash equivalents at end of year	**2,350**	**(2,379)**

01. CONSOLIDATED FINANCIAL STATEMENTS

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 *In thousands of New Zealand dollars*	**31 March 2024**	**31 March 2023**
RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Profit/(Loss) for the year	(8,488)	(2,106)
ADJUSTMENTS FOR NON-CASH ITEMS		
Depreciation	9,942	9,979
Share based payments	55	88
Net loss/(gain) on disposal of property, plant and equipment	227	(1)
Gain on acquisition of previously leased property assets	—	(1,781)
Fair value adjustment to investment properties	(2,703)	(765)
Movement in deferred tax	10,452	(860)
Gain on business acquisition	—	(927)
Loss on revaluation of land and buildings	—	3,028
CHANGES IN OPERATING ASSETS AND LIABILITIES		
- Trade and other receivables and other assets	(1,970)	(3,157)
- Inventories	201	15
- Trade and other payables and other liabilities	125	7,132
- Current tax liabilities	2,938	(1,759)
- Refundable Occupation Right Agreements	3,321	(4,849)
Net cash provided by operating activities	**14,100**	**4,037**

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

CONSOLIDATED
Statement of Cash Flows (continued)

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.

In thousands of New Zealand dollars	Borrowings	Lease Liabilities	Total
BALANCE AS AT 1 APRIL 2023	97,687	121,530	219,217
- Proceeds from borrowings	18,500	—	18,500
- Repayment of borrowings and lease liabilities	(40,318)	(2,709)	(43,027)
Total changes from financing cash flows	**(21,818)**	**(2,709)**	**(24,527)**
Non-cash changes			
- Remeasurements	—	2,265	2,265
Balance as at 31 March 2024	**75,869**	**121,086**	**196,955**
BALANCE AS AT 1 APRIL 2022	30,000	142,543	172,543
- Proceeds from borrowings	56,169	—	56,169
- Repayment of borrowings and lease liabilities	—	(2,554)	(2,554)
Total changes from financing cash flows	**56,169**	**(2,554)**	**53,615**
Non-cash changes			
- Financing of the Matamata Business acquisition	11,518	—	11,518
- Remeasurements	—	18,685	18,685
- Disposals	—	(37,144)	(37,144)
Balance as at 31 March 2023	**97,687**	**121,530**	**219,217**

01. CONSOLIDATED FINANCIAL STATEMENTS

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

Notes

TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. Basis of Preparation

Reporting Entity

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

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

Statutory Basis and Statement of Compliance

Radius Residential Care Limited is a limited liability company, incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993 and is a FMC Reporting Entity in terms of Part 7 of the Financial Markets Conduct Act 2013. The Company is listed on the NZX Main Board ("NZX"). The consolidated 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 financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), International Financial Reporting Standards ('IFRS') and other applicable New Zealand Financial Reporting Standards, as appropriate for for-profit entities. The Group is a Tier 1 for-profit entity in accordance with XRB A1 Application of the Accounting Standards Framework.

The consolidated 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.

Functional and Presentation Currency

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

Measurement Basis

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

Legislative Changes Impacting the Consolidated Financial Statements

On 26 March 2024, the Government substantively enacted legislation which removes the deductibility of depreciation on commercial and industrial buildings for tax purposes. Effective from 1 April 2024, the tax depreciation rate will revert to 0%. The change in tax legislation effective from 1 April 2024 eliminates the tax base for these assets, thereby creating a temporary difference that leads to a deferred tax liability. The impact of this change has been recognised in the Group's consolidated financial statements for the year ended 31 March 2024, which includes a one-off non-cash deferred tax liability of $11.3m with a corresponding tax expense within the Statement of Comprehensive Income.

Key Estimates and Judgements

The Board of Directors and Management are required to make judgements, estimates and assumptions in applying the accounting policies. The assumptions, estimates and judgements applied are based on experience and relevant information the Board and Management believe are reasonable. Actual results may differ from the estimates, judgements and assumptions made by the Board of Directors and Management.

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

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

- Valuation of investment properties (note 3.1)
- Valuation of land and buildings (note 3.2)
- Impairment testing of right-of-use assets (note 3.4)
- Recognition of deferred tax assets and liabilities (note 5.1)
- Impairment testing of goodwill (note 5.2)

New and Amended Accounting Standards and Interpretations

All mandatory new and amended standards and interpretations have been adopted in the current year. The new and amended standards and interpretations that have had an impact on the Group have been described below. The Group has not early adopted any new standards, amendments or interpretations to existing standards that are not yet effective.

Climate-Related Disclosures

The XRB issued its first climate disclosure standards in December 2022. The standards are effective for annual reporting periods beginning on or after 1 January 2023. These disclosures do not form part of the financial statements but are rather contained in a separate standalone climate statement.

These standards affect entities known as Climate Reporting Entities (CREs), including:

- Large, listed companies with a market capitalisation of more than $60 million
- Listed issuers of quoted debt securities with a combined face value of quoted debt exceeding $60 million
- Large, licensed insurers, registered banks, credit unions, building societies and managers of investment schemes with more than $1 billion in assets
- Some Crown financial institutions (via letters of expectation).

CREs will be required to prepare an annual climate statement that discloses information about the effects of climate change on their business or any fund they manage. They will need to obtain independent assurance about the part of the climate statement that relates to the disclosure of greenhouse gas (GHG) emissions, generally in the second year of reporting.

The new Climate Standards issued are:

- **Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1)**
  This standard requires disclosures explaining how the entity manages its climate-related risks and opportunities. The disclosure requirements cover four key areas (Governance, Strategy, Risk Management and Metrics and Targets). Entities must obtain assurance over the GHG emissions disclosures.
- **Aotearoa New Zealand Climate Standard 2: Adoption of Aotearoa New Zealand Climate Standards (NZ CS 2)**
  This standard provides optional disclosure exemptions that entities may apply during the first few periods of climate reporting.
- **Aotearoa New Zealand Climate Standard 3: General Requirements for Climate-related Disclosures (NZ CS 3)**
  This standard includes the principles for climate-related disclosures (such as relevance, accuracy, and verifiability), general requirements for how the information is disclosed, and guidance on topics such as materiality and estimation uncertainty.

The Group does not meet the requirements of being a CRE due to the fact that in the two accounting periods immediately preceding the accounting period for which the Group is currently reporting (i.e. the year ended 31 March 2024), the Group did not have either quoted debt securities at any time with a total face value that exceeded $60 million; or equity securities (whether quoted or not) of more than $60 million as implied by its market price or fair value as at the 31 March 2024 balance date.

The Group has however decided to voluntarily prepare a climate statement as at 31 March 2024, which will be released prior to the end of July 2024. Independent assurance about the part of the climate statement that relates to the disclosure of GHG emissions will not be obtained in the first year in line with the assurance requirements of NZ CS 1.

Disclosure of Accounting Policies (Amendments to NZ IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2)

Entities are now required to disclose their ‘material’ accounting policies instead of ‘significant’ accounting policies.

The Group has adopted this new standard for the financial reporting period beginning 1 April 2023. The adoption of this new standard did not have a financial impact on the Group’s financial statements but has resulted in the update of accounting policies disclosed in the Group’s financial statements.

Definition of Accounting Estimates (Amendments to NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

The Group has adopted this new standard for the financial reporting period beginning 1 April 2023. The adoption of this new standard did not have a financial impact on the Group’s financial statements or the accounting estimates disclosed in the Group’s financial statements.

Segment Reporting

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 disclosed in note 2.1, 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.

1.2. Accounting Policies

Material accounting policies which are relevant to understanding the consolidated financial statements are disclosed in each of the applicable notes. They have been applied on a consistent basis across all periods presented in these consolidated financial statements.

One other relevant policy is provided as follows:

Measurement of Fair Value

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Further information about the assumptions made in measuring fair values is included in notes 3.1, 3.2, 4.1 and 5.6.

1.3. Climate Change Risk

As an aged care and retirement village operator, the Group recognises that climate change poses potential risks to its operations and financial performance. The Group operates 23 residential care facilities and homes (12 owned and 11 leased) and four retirement villages across New Zealand. The Group acknowledges that extreme weather events, such as flooding and storms, can occur in other areas and could impact the value and condition of its owned and leased properties. The Group has appropriate material damage and business interruption insurance coverage in place to mitigate potential risks. Additionally, the effects of climate change, including rising temperatures and increased precipitation, may lead to changes in zoning regulations or building codes, potentially affecting the Company's ability to develop or renovate its properties.

The Group is also aware of the potential for climate change to impact its supply chain and increase the costs of essential goods and services, such as medical supplies, food, and energy, which could have an adverse effect on its financial performance. The Group is proactively identifying and managing these risks by monitoring climate-related developments and assessing their potential impacts on its operations and financial performance.

Furthermore, the Group recognises the potential impact of climate change on its assets, including goodwill, property, plant and equipment, investment properties, and right-of-use assets. Climate-related factors, such as changes in market conditions or regulatory requirements, could result in impairment charges or adjustments to the carrying amount of these assets.

The Group is committed to monitoring and reporting on climate-related risks and opportunities in its financial statements and other public disclosures. The Group acknowledges that climate change is an ongoing and evolving issue and will continue to take appropriate steps to identify and manage potential impacts on its operations, financial performance, and financial assets.

1.4. Market Capitalisation

At balance date the market capitalisation of the Group (being the 31 March 2024 closing share price, as quoted on the NZX Main Board, multiplied by the number of shares on issue) was below the carrying amount of the Group's net assets and shareholders' funds. In considering the difference, the Group notes that over 86% (2023: 85%) of total assets at 31 March 2024 are either non-financial property assets carried at fair value 51% (2023: 52%) as assessed by the Group's independent external property valuers or nonfinancial assets subject to annual impairment assessment 35% (2023: 33%). The Group has undertaken an assessment of the recoverable amount of its assets/cash generating units. Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the non-financial assets to be materially lower than their recoverable amount.

2. OPERATING PERFORMANCE

2.1. Revenue

Revenue from Contracts with Customers

Revenue from care and village fees and recoveries income is recognised in accordance with NZ IFRS 15 Revenue from Contracts with Customers ("NZ IFRS 15"). Deferred management fees and rental income are considered leases under NZ IFRS 16 *Leases* ("NZ IFRS 16"), and are therefore excluded from the scope of NZ IFRS 15.

Care and Village Fees

The Group derives revenue from the provision of residential care and related services. Rest home, hospital and service fee charges (including accommodation supplements) are governed by the individual care admission agreement with each care resident. The resident incurs a daily care fee charged per the agreement, as set by the Government each year. Care fees are recognised net of any rebates to residents.

The Group derives care fee revenue in respect of eligible Government subsidised aged care residents who receive rest home, dementia or hospital level care. Government aged care subsidies received from the Ministry of Health/ Te Whatu Ora included in care fees and village services amounted to $101.7m (2023: $89.7m).

There are no elements of variable consideration or significant financing component associated with care and village fees and recoveries income.

Village fees are detailed within each resident's Occupation Right Agreement (ORA) and relate to the operating costs of the village. Revenue is recognised based on the daily or weekly fees charged, reflecting the period a resident has occupied a unit.

The performance obligation of providing the care and village services is satisfied over time, as the resident simultaneously receives and consumes the benefits of the service as it is provided. Billing and revenue recognition are generally done during the same period that the performance obligation is satisfied. Payments received in advance are recorded on the statement of financial position as a contract liability and subsequently recognised through profit or loss when the services are rendered.

For the year ended *In thousands of New Zealand dollars*	**31 March 2024**	**31 March 2023**
Rest home, hospital and dementia fees	142,209	124,364
Accommodation Supplements	9,795	7,931
Village service fees	1,173	793
Rental income	165	116
Other services provided to residents	15,397	11,263
	168,739	**144,467**

Deferred Management Fees

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

A management fee is payable by the residents of the Group's independent living units for the right to share in the use and enjoyment of common facilities. The management fee is calculated as a percentage of the ORA amount and accrues either daily, monthly or annually for a set period, based on the terms of the individual contracts. The current ORAs accrue management fees at rates ranging from 6.67% to 10% per annum.

The management fee is payable in cash by the resident at the time of repayment (to the resident) of the refundable ORA amount due. The Group has the right to set off of the refundable occupation right agreement amount and the management fee receivable.

At year end, the management fee receivable that has yet to be recognised through profit or loss as management fee revenue is recognised as a deferred management fee liability in the statement of financial position.

Key Accounting Estimates and Judgements

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. eight years for villas and three to four years for serviced apartments and villas (2023: eight years for villas and three to four years for serviced apartments).

2.2. Expenses

For the year ended *In thousands of New Zealand dollars*	NOTE	31 March 2024	31 March 2023
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT			
- buildings	3.2	1,424	1,286
- motor vehicles	3.2	115	127
- furniture, fixtures and fittings	3.2	2,704	2,812
- information technology	3.2	718	871
- medical equipment	3.2	159	112
		5,120	**5,208**
DEPRECIATION OF RIGHT-OF-USE ASSETS			
- buildings	3.4	4,822	4,771
		4,822	**4,771**
Total depreciation		**9,942**	**9,979**
FINANCE COSTS			
- interest - bank and vendor financing		9,675	6,505
- interest - lease liabilities	3.4	5,962	5,974
Total finance costs		**15,637**	**12,479**
OTHER EXPENSES			
Fees paid to Auditors			
Audit and review of consolidated financial statements		296	271
Tax compliance services		30	23
Total fees paid to auditor		326	294
Care home operating expenses		27,885	25,012
Operating rental expenses relating to low value and short-term leases		41	2
Directors' fees		579	408
Donations and sponsorships		12	25
Loss/(gain) on sale of property, plant and equipment		243	(1)
Other expenses (no items of individual significance)		10,065	8,658
Total other expenses		**39,151**	**34,398**

3. PROPERTY ASSETS

3.1. Investment Properties

Accounting Policy

Investment properties include completed freehold land and buildings, freehold land and buildings under development comprising retirement villages including common facilities, provided for use by residents under the terms of a Refundable Occupation Right Agreements (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.

Deferred management fees, are accounted for as described in note 2.1.

As at *In thousands of New Zealand dollars*	NOTE	31 March 2024	31 March 2023
INVESTMENT PROPERTIES			
Opening carrying amount		70,143	46,014
Acquisition of Matamata Retirement Village		—	23,037
Net fair value gain		2,703	765
Occupation Right Agreements settled		(9,158)	(2,919)
Occupation Right Agreements entered		9,158	2,919
Purchases		662	327
Other adjustments		20	—
Closing carrying amount		**73,528**	**70,143**

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

Valuation of operator's interest		25,500	22,821
Refundable Occupation Right Agreements	3.3	37,425	34,104
Deferred management fees	3.3	7,608	6,973
Unsold/vacant units		750	3,850
Residential properties		2,245	2,395
		73,528	**70,143**

Valuation Process and Key Inputs

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

The valuation of investment property are adjusted for cash flows relating to refundable ORA payments and management fees receivable recognised separately on the Consolidated Balance Sheet and also reflected in the valuation model.

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 31 March 2024

The Group's four investment properties were revalued on 31 March 2024 and included a valuation uncertainty clause in their valuation report, noting "The market over the past two years has been softening due to a combination of Government lending controls, global supply issues, abnormally high inflation and rapidly rising interest rates resulting in declining asset values. Sales transaction volumes decreased significantly with a disconnect between vendor expectation and the price purchasers were prepared to pay. The Official Cash Rate (OCR) was held in July, August, October, November 2023 and February 2024 to 5.50%. There are still inflationary pressures in the market while increases in the Banks cost of capital is impacting fixed rates. New Zealand is now in a recessionary state". Given the valuation uncertainty, the valuer has recommended in their reports that the valuations of the properties be reviewed periodically, noting reliance cannot be placed on their report beyond three months.

As at 31 March 2023

Refer to the published consolidated financial statements for the year ended 31 March 2023 for further information on prior year valuation uncertainty.

Significant Unobservable Inputs

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	2024	2023
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.	15.5% - 19.0%	13.5% - 17.0%
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% - 2.5%	0% - 3.0%
	Serviced apartments			0% - 2.5%	0% - 2.5%
	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.	2.25% - 2.50%	2.25% - 2.50%
	Serviced apartments			2.25%	2.25%

Due to the 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	
AS AT 31 MARCH 2024		+0.5%	-0.5%	+0.25%	-0.25%
Valuation $NZ000's	25,500				
Difference $NZ000's		(800)	850	1,150	(1,000)
Difference %		-3.1%	3.3%	4.5%	-3.9%
AS AT 31 MARCH 2023		+0.5%	-0.5%	+0.25%	-0.25%
Valuation $NZ000's	22,821				
Difference $NZ000's		(900)	1,000	900	(650)
Difference %		-3.3%	3.7%	3.3%	-2.4%

The occupancy period is a significant component of the valuations. LVC consider the demographic profile of the village (age and gender of residents) and the average occupancy period depending on the type of unit and averages within the industry. Subsequent changes in residents are then calculated based on the period of occupancy expected for each resident as at the date of the valuation. 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 with stabilised departing occupancy assumptions set out below.

Significant Input

As at	31 March 2024	31 March 2023
Stabilised occupancy period - villas	8.0 yrs - 9.0 yrs	8.0 yrs - 9.0 yrs
Stabilised occupancy period - serviced apartments	4 yrs	4 yrs

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

3.2. Property, Plant and Equipment

Accounting Policy

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

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

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.

Carrying Value of Assets at Historical Cost

The carrying amount at which both land and buildings would have been carried had the assets been measured under historical costs is as follows:

As at *In thousands of New Zealand dollars*	31 March 2024	31 March 2023
Land and buildings	91,322	106,399
Accumulated Depreciation	(2,785)	(1,735)
Total	**88,537**	**104,664**

In thousands of New Zealand dollars	Land and Buildings	Motor Vehicles	Furniture, Fixtures and Fittings	Information Technology	Medical Equipment	Work in Progress	Total
YEAR ENDED 31 MARCH 2024							
Opening net book value	112,510	356	12,806	1,746	450	6,002	133,870
Additions	—	113	1,818	202	452	868	3,453
Revaluation	—	—	—	—	—	—	—
Transfers	168	—	25	—	—	(193)	—
Disposals[1]	(13,608)	(7)	(1,146)	(107)	(25)	—	(14,893)
Depreciation	(1,424)	(115)	(2,704)	(718)	(159)	—	(5,120)
Closing net book value	**97,646**	**347**	**10,799**	**1,123**	**718**	**6,677**	**117,310**
AS AT 31 MARCH 2024							
Cost	99,004	1,479	38,306	6,585	1,456	6,677	153,507
Accumulated Depreciation	(1,358)	(1,132)	(27,507)	(5,462)	(738)	—	(36,197)
Net book value	**97,646**	**347**	**10,799**	**1,123**	**718**	**6,677**	**117,310**

In thousands of New Zealand dollars	Land and Buildings	Motor Vehicles	Furniture, Fixtures and Fittings	Information Technology	Medical Equipment	Work in Progress	Total
YEAR ENDED 31 MARCH 2023							
Opening net book value	56,066	293	10,999	2,120	289	4,072	73,839
Additions	53,083	196	3,404	419	259	8,671	66,032
Revaluation	531	—	—	—	—	—	531
Transfers	5,007	—	1,224	78	14	(6,323)	—
Disposals	(891)	(6)	(9)	—	—	(418)	(1,324)
Depreciation	(1,286)	(127)	(2,812)	(871)	(112)	—	(5,208)
Closing net book value	**112,510**	**356**	**12,806**	**1,746**	**450**	**6,002**	**133,870**
AS AT 31 MARCH 2023							
Cost[2]	112,527	1,459	38,024	6,667	1,054	6,002	165,734
Accumulated Depreciation	(17)	(1,103)	(25,218)	(4,921)	(605)	—	(31,864)
Net book value	**112,510**	**356**	**12,806**	**1,746**	**450**	**6,002**	**133,870**

1. On 16 January 2024, the Group disposed of one property for consideration of $19m. The funds from the transaction were subsequently used to repay bank borrowings, refer to note 4.3.

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

Valuation Uncertainty

As at 31 March 2024

The Group's twelve properties included in land and buildings were revalued on 31 March 2023 (refer below). Management assessed that these freehold land and buildings have not experienced any significant and volatile changes in fair value necessitating a revaluation as at 31 March 2024. 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 desktop valuation report 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 2023. LVC have noted reliance cannot be placed on their report beyond three months.

As at 31 March 2024 the valuer of all twelve properties has included a valuation uncertainty clause in their desktop valuation report noting "The market over the past two years has been softening due to a combination of Government lending controls, global supply issues, abnormally high inflation and rapidly rising interest rates resulting in declining asset values. Sales transaction volumes decreased significantly with a disconnect between vendor expectation and the price purchasers were prepared to pay. The Official Cash Rate (OCR) was held in July, August, October, November 2023 and February 2024 to 5.50%. There are still inflationary pressures in the market while increases in the Banks cost of capital is impacting fixed rates. New Zealand is now in a recessionary state". Given the valuation uncertainty, the valuer has recommended in their reports that the valuations of the properties be reviewed periodically, noting reliance can not be placed on their report beyond three months.

As at 31 March 2023

Refer to the published consolidated financial statements for the year ended 31 March 2023 for further information on prior year valuation uncertainty.

Key Accounting Estimates and Judgements

Property measurements are categorised as Level 3 (2023: Level 3) of the fair value measurement hierarchy as the fair value is determined using inputs that are unobservable.

Significant Unobservable Inputs

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

Sensitivities

	Adopted Value	Capitalisation Rate	
As at 31 March 2023			
Valuation $NZ000's	112,510	+0.5%	-0.5%
Difference $NZ000's		(7,900)	9,200
Difference %		(7.1%)	8.2%

3.3. 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 to a maximum of 30% of the entry payment.

Some residents may be charged an administration fee for the right to occupy one of the Group's units of between 3.45% and 4.0% of the entry payment.

The village contribution is payable by the resident on termination of the ORA. Village contribution is recognised as deferred management fees, note 2.1. 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. eight years for villas and three to four years for serviced apartments (2023: eight years for villas and three to four years for serviced apartments).

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

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

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

As at *In thousands of New Zealand dollars*	NOTE	31 March 2024	31 March 2023
REFUNDABLE OCCUPATION RIGHT AGREEMENTS			
Refundable occupation right agreements		52,572	47,772
Less: Management fee receivable (per contract)		(15,147)	(13,668)
Refundable Occupation Right Agreements		**37,425**	**34,104**
RECONCILIATION OF MANAGEMENT FEES RECOGNISED UNDER NZ IFRS AND PER ORA			
Management fee receivable (per contract)		(15,147)	(13,668)
Deferred management fees	2.1	7,608	6,973
Management fee receivable (per NZ IFRS)		**(7,539)**	**(6,695)**
COMPRISING OF			
Current deferred management fees		*1,918*	*1,900*
Non-current deferred management fees		*5,690*	*5,073*
Deferred management fees		**7,608**	**6,973**

3.4. Leases

Accounting Policy

Right-of-use Assets

Right-of-use 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 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. All extension options have been assumed for the calculations of the Group's lease liabilities.

The weighted average incremental borrowing rates applied by the Group is 5% (2023: 5%). No new leases were entered into during the year (2023: none) and no leases were cancelled or modified during the year (2023: four leases were cancelled and no leases were modified).

As at *In thousands of New Zealand dollars*	31 March 2024	31 March 2023
(A) RIGHT-OF-USE ASSETS		
Land and buildings under lease	132,816	130,552
Accumulated depreciation	(22,910)	(18,088)
Total carrying amount of right-of-use assets	**109,906**	**112,464**
RECONCILIATIONS		
Reconciliation of the carrying amount of right-of-use assets at the beginning and end of the financial year:		
Land and buildings		
Opening carrying amount	112,464	133,912
Depreciation	(4,822)	(4,771)
Remeasurements	2,264	10,428
Disposals	—	(27,105)
Closing carrying amount	**109,906**	**112,464**

On 6 May 2022, the Group acquired four properties that were previously leased. The disposal of the related right-of-use assets and lease liabilities resulted in a gain on modification of $1.8m being recognised upon the cancelling lease and derecognition of the related Lease liability and Right of Use asset.

(B) LEASE LIABILITIES		
Current		
Land and buildings	2,670	2,428
Non-current		
Land and buildings	118,416	119,102
	121,086	**121,530**

For the year ended *In thousands of New Zealand dollars*	31 March 2024	31 March 2023
(C) LEASE EXPENSES AND CASH FLOWS		
Interest expense on lease liabilities	5,962	5,974
Depreciation expense on right-of-use assets	4,822	4,771
Cash outflow in relation to leases	8,671	8,488
(D) MATURITY ANALYSIS - CONTRACTUAL UNDISCOUNTED CASH FLOWS		
- Not later than 1 year	8,702	8,536
- Later than 1 year and not later than 5 years	34,340	34,245
- Later than 5 years	181,677	186,242
	224,719	**229,023**

4. SHAREHOLDER EQUITY AND FUNDING

4.1. Shareholder Equity and Reserves

Accounting Policy

	2024 Shares	2024 $000	2023 Shares	2023 $000
SHARE CAPITAL				
Authorised, issued and fully paid up capital	284,876,742	56,820	284,848,644	56,813
Total contributed equity	**284,876,742**	**56,820**	**284,848,644**	**56,813**
MOVEMENTS				
Opening balance of ordinary shares issued	284,848,644	56,813	269,243,089	51,732
Shares issued for the Matamata business acquisition	—	—	15,328,019	5,000
Shares issued to employees and service providers	28,098	7	188,385	57
Dividend reinvestment plan	—	—	89,151	24
Closing balance of ordinary shares issued	**284,876,742**	**56,820**	**284,848,644**	**56,813**

All ordinary shares are authorised and rank equally with one vote attached to each fully paid ordinary share. The shares have no par value. The Group incurred no transaction costs issuing shares during the year (2023: Nil).

Dividends

Dividend distributions to shareholders are recognised as a liability in the period in which dividends are declared. On 22 April 2024 a final dividend of 0.97 cents per share (fully imputed) was declared in relation to the year ended 31 March 2024 and was paid on 16 May 2024. No dividends were declared during the year ended 31 March 2024.

	2024 Cents per share	2024 Total $000	2023 Cents per share	2023 Total $000
RECOGNISED AMOUNTS:				
Prior year final dividend	—	—	0.76	1,481
Interim dividend	—	—	0.70	1,435
	—	—	—	2,916
Final dividend declared	0.70	1,994	—	—

Asset Revaluation Reserve

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

Other Reserve

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

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 year. As at 31 March 2024, there were no shares with a dilutive effect (31 March 2023: none) and therefore basic and diluted earnings per share were the same.

For the year ended *In thousands of New Zealand dollars*	**31 March 2024**	**31 March 2023**
Profit/(Loss) after tax	(8,488)	(2,106)
Weighted average number of ordinary shares outstanding ('000s)	284,871	277,045
Cents per share	**(2.98)**	**(0.76)**

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 Statement of Comprehensive Income over the period of the borrowings, using the effective interest method.

As at *In thousands of New Zealand dollars*	**31 March 2024**	**31 March 2023**
SECURED LIABILITIES		
Current		
Bank Loans	—	23,000
Vendor Loan	—	11,518
Non-current		
Bank Loans	75,869	63,169
	75,869	**97,687**

Terms and Conditions and Assets Pledged as Security

	Current $000	Non-current $000	Facility Limit $000	Effective Interest Rate %	Expiry Date
31 MARCH 2024					
ASB Facility - A	—	16,500	20,000	7.80	1 November 2026
ASB Facility - B	—	9,694	9,700	7.33	1 November 2026
ASB Facility - C	—	14,500	14,500	7.30	1 November 2026
ASB Facility - D	—	23,675	23,675	8.80	6 May 2027
ASB Facility - F	—	11,500	11,500	8.69	28 March 2027
	—	**75,869**	**79,375**		
31 MARCH 2023					
ASB Facility - A	—	20,000	20,000	5.60	1 November 2026
ASB Facility - B	15,000	—	15,000	5.28	6 October 2023
ASB Facility - B	—	4,994	5,000	5.28	1 November 2026
ASB Facility - C	—	14,500	14,500	4.98	1 November 2026
ASB Facility - D	—	23,675	23,675	6.68	6 May 2027
ASB Facility - E	8,000	—	8,000	6.70	6 October 2023
Vendor Loan	11,518	—	11,518	8.00	21 October 2023
	34,518	**63,169**	**97,693**		

ASB Bank Limited Loans

Security

As at 31 March 2024, all group borrowings are held with ASB Bank Limited (“ASB”).

The Group's ASB facility loans and the Corporate Banking Overdraft Facility Agreement are guaranteed by Group subsidiaries and secured by mortgages over the Group's care centre freehold land and buildings. When the land and buildings are classified as investment property and investment property under development, these mortgages rank second behind the Statutory Supervisors’ interest.

As at 31 March 2024, the balance of the bank loans over which the properties are held as security is $75.9m (31 March 2023: $86.2m). The total facility limit as at 31 March 2024 is $79.4m (31 March 2023: $86.2).

As at 31 March 2024, the Group has a Corporate Banking Overdraft Facility Agreement with ASB for $2m (31 March 2023: $5m). This facility bears interest at an effective interest rate of 8.82% (31 March 2023: 6.28%). As at 31 March 2024, the overdraft was not drawn (31 March 2023: $2.9m drawn).

All facilities are interest bearing and repayable on the expiry date of the loan.

Financing Arrangements

Under the Group's bank loan arrangements with ASB, the Group must comply with banking covenants. These covenants are tested and reported to ASB on a quarterly basis. During the year ended 31 March 2024, the Group complied with all banking covenant requirements to which it is subject (2023: complied with all). For the purposes of the financial covenants, the Group has agreed with ASB that the calculation of Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and Net Interest shall continue to be based on the accounting treatment in use before the introduction and adoption of NZ IFRS 16 Leases (2023: The same definition of adjusted EBITDA applied).

ASB Facility B and Facility E

On 17 January 2024, net proceeds of $18.3m from the sale of a care home were applied to repay $8m of Facility E and $10.3m of Facility B, representing the completion of the debt management programme previously agreed with ASB as previously disclosed in the consolidated financial statements for the year ended 31 March 2023. Following repayment, ASB extended the expiry date of Facility B to 1 November 2026 (previously 31 January 2024). Facilities B and E were originally established to enable settlement of the four previously leased land and buildings property assets, and were subsequently extended on 31 March 2023 and 29 September 2023 with a final expiry date of 31 January 2024.

ASB Facility F

On 28 March 2024, ASB established a new loan facility (Facility F), with a facility limit of $11.5m and an expiry date of 28 March 2027. The facility was fully drawn on the establishment date with funds applied to fully repay the vendor loan of $5m and the MRFT Finance limited loan of $6m which had been secured by assets acquired with the Matamata business acquisition (acquired on 29 September 2022).

Vendor Loan

The vendor loan which related to the Matamata business acquisition was fully repaid on 28 March 2024. On 3 May 2023, $1m was repaid (of the original balance of $11.5m), and the interest rate was increased from 8% to 18% effective until the revised maturity date of 21 October 2023. Interest payments were split between 12% payable monthly and 6% capitalised monthly. Before this loan matured, $5.6m was repaid on 5 October 2023, and the remaining balance of $5m was extended to 30 April 2024 at a reduced rate of 16%, payable monthly.

MRFT Finance Loan

The MRFT Finance Limited Loan was fully repaid on 28 March 2024. On 5 October 2023, a loan facility of $6m was established with MRFT Finance Limited with an expiry date of 30 March 2024, and an option to extend initial expiry for three months. This facility was secured by assets acquired in the Matamata business acquisition with an interest rate of 12%, payable monthly. The facility was fully drawn on 5 October 2023 with funds applied to repay $5.6m of the Vendor loan plus capitalised interest.

Providence Trust Loan

On 15 May 2023, the Providence Trust, a related party of Executive Director Brien Cree, agreed to lend the Company $1m at 18% per annum. This was subsequently repaid in full on 1 November 2023.

5. OTHER DISCLOSURES

5.1. Income Tax

Accounting Policy

Removal of tax depreciation on commercial and industrial buildings

From the 2020/21 tax year, the Group has been depreciating its commercial and industrial buildings on a 2% diminishing value basis or a 1.5% straight-line basis, following the reinstatement of tax depreciation for buildings with a useful life of 50 years or more as part of the government's COVID-19: Economic Response Package. Effective from 1 April 2024, the tax depreciation rate will revert to 0%, impacting the tax value of buildings held from the 2024/25 tax year onwards.

The Group recognises deferred tax on temporary differences at the tax rates expected to apply when these differences reverse, using the tax rates enacted or substantively enacted at the balance sheet date. The change in tax legislation effective from 1 April 2024 eliminates the tax base of commercial and industrial buildings, thereby creating a temporary difference that leads to a deferred tax liability. This liability is recognised unless the initial recognition exemption (IRE) under NZ IAS 12 applies, which precludes the recognition of deferred tax on initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit and is a non cash item.

Key Accounting Estimates and Judgements

Deferred Tax on Investment Property

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

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

The Group’s ORAs comprise two distinct cash flows (being an ORA deposit upon entering the unit and the refund of this deposit upon exit). In determining the tax base of investment property, the Group considered whether taxable cash flows are received at the end of the ORA period (i.e. upon refund of the ORA deposit by way of set off on exit by a resident) or at the beginning of the ORA period (i.e. at time of the receipt of the ORA deposit). The Group has carefully evaluated all the available information and considers it appropriate to recognise and measure the tax base and associated deferred tax based on the taxable cash flows being receivable at the end of the ORA period as this best represents the Group’s contractual entitlement.

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

Deferred Tax on Buildings

The impact of the removal of tax depreciation on commercial and industrial buildings, which reduced the tax base to nil creating a significant taxable temporary difference for all of the Group’s care home buildings, classified as Property, Plant and Equipment, irrespective of their date of acquisition. The recognition of this temporary difference as a deferred tax liability depends on whether the buildings were acquired through business combination and whether the initial recognition exception (IRE) in NZ IAS 12 was previously applied.

For the year ended *In thousands of New Zealand dollars*	31 March 2024	31 March 2023
(A) COMPONENTS OF TAX EXPENSE		
Current tax	1,635	(18)
Deferred tax	10,452	(860)
	12,087	**(878)**
(B) INCOME TAX RECONCILIATION The prima facie tax payable on profit before tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before tax at 28.0%	1,008	(836)
Permanent differences	(264)	(70)
Under provision for income tax in prior year	85	3
Deferred tax impact from reversal of depreciation on buildings[1]	11,339	—
Other	(81)	25
Income tax expense attributable to profit	**12,087**	**(878)**

As at *In thousands of New Zealand dollars*	31 March 2024	31 March 2023
(C) DEFERRED TAX		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Lease liabilities	33,903	34,028
Provisions	2,696	2,091
Deferred management fee income	1,126	1,281
Tax losses	604	539
Total Deferred Tax Asset	**38,329**	**37,939**
Deferred tax liabilities		
The balance comprises:		
Property, plant and equipment	2,898	2,679
Right-of-use assets	30,774	31,490
Deferred tax impact from reversal of depreciation on buildings	11,339	—
Total Deferred Tax Liability	**45,011**	**34,169**
Net deferred tax assets/(liabilities)	**(6,682)**	**3,770**
(D) DEFERRED INCOME TAX REVENUE COMPRISES:		
Through profit included in income tax expense		
Decrease/(Increase) in deferred tax assets	(390)	5,442
Decrease in deferred tax liabilities	10,842	(6,202)
Increase in deferred tax liabilities as a result of acquisition	—	(100)
	10,452	**(860)**
Through other comprehensive income		
Increase in deferred tax liabilities	—	874
	—	**874**

Deferred Tax Impact From Reversal of Depreciation on Buildings

On 26 March 2024, the Government substantively enacted legislation which removes the deductibility of depreciation on commercial and industrial buildings for tax purposes. Effective from 1 April 2024, the tax depreciation rate will revert to 0%. The change in tax legislation effective from 1 April 2024 eliminates the tax base for these assets, thereby creating a temporary difference that leads to a deferred tax liability (DTL). As part of recognising the DTL, a one-off tax expense of $11.3m has been recognised within the year ended 31 March 2024.

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.

For the year ended *In thousands of New Zealand dollars*	31 March 2024	31 March 2023
(E) IMPUTATION CREDITS AVAILABLE FOR USE IN SUBSEQUENT PERIODS		
Balance at the beginning of the year	6,016	6,735
Dividends paid	—	(1,134)
New Zealand tax payments, net of refunds	1,012	415
Balance at the end of the year	**7,028**	**6,016**

5.2. Intangible Assets

Goodwill

As at *In thousands of New Zealand dollars*	31 March 2024	31 March 2023
Goodwill at cost	16,063	19,797
Total	**16,063**	**19,797**

On 16 January 2024, the Group sold one care home in West Auckland with associated goodwill of $3.7m. Further information is described in note 3.2.

Key Accounting Estimates and Judgements

Goodwill is allocated to 20 (2023: 21) 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 are allocated to each CGU based on bed numbers.

The recoverable amount of CGUs as at reporting date has been determined based on their 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 five 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 one through five of the forecast cash flows are based on the budget approved by the Board of Directors for year one, and forecast for subsequent years.
- The cash flow period used in the calculations was 5 years (2023: 5 years).
- The post-tax discount rate applied in the calculations was between 11.0% and 12.6% (2023: post-tax between 11.2% and 12.4%). The pre-tax discount rate applied in the calculations was between 14.3% and 16.6% (2023: pre-tax between 14.8% and 16.5%).
- The terminal growth rate applied in the calculations was 2.0% (2023: 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 2024 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 5 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.

5.3. Trade and Other Receivables

As at *In thousands of New Zealand dollars*	31 March 2024	31 March 2023
CURRENT		
Trade receivables	12,335	10,583
Allowance for credit losses	(522)	(489)
	11,813	**10,094**
NZX listing bond	75	75
Prepayments	2,816	2,629
Accrued Income	298	273
	3,189	**2,977**
	15,002	**13,071**

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.

	12-month Expected Credit Losses				
		Days Past Due			
	Not Past Due	31-60	61-90	91 and Over	Total
AS AT 31 MARCH 2024					
Estimated total gross carrying amount at default ($000)	7,862	1,109	716	2,126	11,813
Expected credit loss rate (%)	0.2%	0.3%	1.8%	23.0%	4.4%
Expected credit loss rate ($000)	**16**	**3**	**13**	**490**	**522**
AS AT 31 MARCH 2023					
Estimated total gross carrying amount at default ($000)	7,121	760	631	2,071	10,583
Expected credit loss rate (%)	0.2%	0.3%	1.9%	22.3%	5.2%
Expected credit loss rate ($000)	**13**	**2**	**12**	**462**	**489**

5.4. Trade and Other Payables and Provisions

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.

As at *In thousands of New Zealand dollars*	31 March 2024	31 March 2023
CURRENT		
Unsecured trade and other payables		
Trade creditors	4,312	4,281
GST payable	1,184	1,228
Other payables	31	309
Accrued expenses	2,251	2,596
Deferred government grants income	–	1,053
Provisions		
Annual leave	6,400	6,156
Other employee entitlements	5,812	4,920
	19,990	**20,543**

5.5. Related Party Transactions

Subsidiaries

The following are the Group's subsidiaries.

Name of Entity	Principal Activities	Ownership Interests and Voting Rights 2024	2023	Class of Shares
Radius Arran Court Limited	Dormant	100%	100%	Ordinary
Radius Matamata Retirement Village Limited	Operating entity for Matamata Retirement Village	100%	100%	Ordinary
Radius SPV Limited	Property owning entity for Matamata Country Lodge and Matamata Retirement Village.	100%	100%	Ordinary
R Connect Limited	Staff placement company providing short term staffing solutions	100%	100%	Ordinary
Clare House Retirement Village Limited	Operating entity for Clare House Retirement Village and property owning entity for the Clare House care home	100%	100%	Ordinary
Clare House Care Limited	Operating entity for Clare House Care	100%	100%	Ordinary
Windsor Lifestyle Estate Limited	Operating entity for Windsor retirement village	100%	100%	Ordinary
Radius Care Limited (non-trading)	Dormant	100%	100%	Ordinary
Elloughton Grange Village Limited	Operating entity for Elloughton retirement village	100%	100%	Ordinary
Radius Care Holdings Limited	Property owning entity for St Helenas, Thornleigh Park, Lexham Park, Elloughton Gardens, Heatherlea, Windsor Court, Taupaki Gables, Peppertree, St Joans and Fulton care homes	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 and Directors with the authority for the strategic direction and management of the Group.

Related Party	Relationship
Brien Cree	Director and Ultimate Shareholder (via Wave Rider Holdings Limited)
Duncan Cook	Director and Shareholder
Bret Jackson	Director and Ultimate Shareholder (via Takatimu Investments Limited)
Mary Gardiner	Director
Hamish Stevens	Director and Shareholder
Wave Rider Holdings Limited	Shareholder
Takatimu Investments Limited	Shareholder
Cibus Catering Limited	Common Director (Brien Cree)
Valhalla Capital Limited	Common Director (Brien Cree)
Neil Foster	Shareholder
Warehouse Storage Limited	Common Shareholder (Neil Foster)
Main Family Trust	Shareholder
Tom Wilson	Director and Shareholder
Time Capital NZ Limited	Common Shareholder (Tom Wilson)
Providence Trust	Trustee (Brien Cree)

For the year ended *In thousands of New Zealand dollars*	**31 March 2024**	**31 March 2023**
Directors' remuneration and expenses	579	416
Dividends to Director related entities	—	990
Key management personnel salaries and other short term employee benefits	3,132	2,806
Key management personnel dividends	—	4
Total Director and key management payments	**3,711**	**4,216**
OTHER RELATED PARTIES		
Catering services		
- Cibus Catering Limited	8,332	7,084
Consulting fees		
- Duncan Cook[1]	237	451
- Time Capital NZ Limited	10	—
Rent paid		
- Warehouse Storage Limited	1,239	1,040
Rent received and utility recharges		
- Cibus Catering Limited	84	67
Personal guarantee fee		
- Brien Cree	171	170
Business acquisition		
- Main Family Trust[2]	—	17,018
Vendor loan interest		
- Main Family Trust[2]	1,312	461
Related party loan interest		
- Providence Trust	109	—

As at *In thousands of New Zealand dollars*	**31 March 2024**	**31 March 2023**
Trade creditors		
- Cibus Catering Limited	703	86
Trade debtors		
- Cibus Catering Limited	5	14
Borrowings		
- Main Family Trust[2]	—	11,518

1. Predominately relates to services provided as Legal Counsel (2023: Predominately relates to services provided as Legal Counsel and services in respect of the UCG transaction and Matamata business acquisition).

2. Related to the consideration for the purchase of the Matamata business acquisition during the 2023 financial year.

Assignment of an Agreement for the Purchase of Land From a Director

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

The purchase price under the Land SPA is $5.8m, of which a non-refundable deposit of $300k was paid by Mr Cree during the 2021 financial year. On the date of settlement, being 16 April 2021, the Group paid Mr Cree $700k of which $400k was for the assignment of the agreement to purchase the land and $300k for the reimbursement of the deposit.

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

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

- resource consent and funding for the development of an integrated aged care home 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 paid to Mr Cree).

The balance of the purchase price under the Land 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 in early 2025 (2023: mid 2024). The balance of the purchase price will be funded from unused debt facilities and operating cash flow.

5.6. Long Term Incentive Plan (LTIP)

On 18 July 2022, the Board approved a new Long Term Incentive Plan for its senior executives.

Performance Hurdles

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

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

Recognition and Measurement

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

During the period, 1,387,281 share rights were forfeited and replaced by a new participant with the same number of share rights on the same terms and conditions. No share rights were exercised or expired during the period. The fair value of the share rights were determined using the Monte Carlo valuation approach.

5.7. Financial Risk Management

The Group is exposed to the following financial risks in the normal course of business:

a. Credit risk
b. Liquidity risk
c. Interest rate risk

The Board of Directors reviews and agrees on policies for managing each of these risks as summarised below:

As at *In thousands of New Zealand dollars*	NOTE	31 March 2024	31 March 2023
FINANCIAL ASSETS			
Amortised cost			
Cash and cash equivalents		2,350	515
Trade and other receivables	5.3	11,813	10,094
Total assets		**14,163**	**10,609**
FINANCIAL LIABILITIES			
Amortised cost			
Cash and cash equivalents overdraft		—	2,894
Trade and other payables	5.4	7,778	8,414
Lease liabilities	3.4	121,086	121,530
Borrowings	4.3	75,869	97,687
Refundable Occupation Right Agreements	3.3	37,425	34,104
Total liabilities		**242,158**	**264,629**

(a) Credit Risk

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

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

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

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

The Group does not have any material credit risk exposure to any single counterparty or group of counterparties under financial instruments entered into by the Group.

(i) Cash Deposits and Other Receivables

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

(ii) Trade Receivables

Credit risk with respect to trade receivables is limited due to the large number of customers which qualify for Ministry of Health/Te Whatu Ora funding in relation to payment of our services. Amounts owed by the residents are generally unsecured. Credit risk is managed through the use of admission agreements for all residents, which gives contractual rights to the Group in relation to security and collection of debts in circumstances where there is no entitlement to Ministry of Health/Te Whatu Ora funding. All admissions are reviewed to ensure a duly completed admission agreement is available. The loss allowance for expected credit losses of trade receivables is provided in Note 5.3. As the Group undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

(b) Liquidity Risk

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

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

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

The Group has a bank facility which is subject to certain covenant clauses, whereby it is required to meet certain key performance indicators. This bank facility is provided by the ASB Bank. Refer to note 4.3 for further information on the Group's banking facility and covenant compliance.

The following table outlines the Group's remaining contractual maturities for non-derivative financial instruments. The amounts presented in the table are the undiscounted contractual cash flows of the financial liabilities allocated to time bands based on the earliest date on which the Group can be required to pay.

In thousands of New Zealand dollars	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
AS AT 31 MARCH 2024				
Trade and other payables	7,778	—	—	—
Lease liabilities	8,702	8,703	25,637	181,677
Borrowings	—	—	75,869	—
Refundable Occupation Right Agreements[1]	37,425	—	—	—
	53,905	**8,703**	**101,506**	**181,677**
AS AT 31 MARCH 2023				
Cash and cash equivalents (overdraft)	2,894	—	—	—
Trade and other payables	8,414	—	—	—
Lease liabilities	8,536	8,549	25,695	186,242
Borrowings	34,518	—	63,169	—
Refundable Occupation Right Agreements[1]	34,104	—	—	—
	88,466	**8,549**	**88,864**	**186,242**

1. The refundable ORAs are repayable to the resident on vacation of the unit or on the termination of the occupation right agreement and subsequent resale of the unit. The expected maturity of the refundable ORAs is shown in note 3.3.

c. Interest Rate Risk

The Group is exposed to interest rate risk in relation to its interest earning cash deposits and its interest bank borrowings. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group manages it interest rate risk by maintaining a mix of variable rate and fixed rate borrowings.

Interest rates on cash at bank are subject to market risk in the event of changes to its interest rates. Interest rates on non-current bank borrowings are generally subject to review annually or at shorter intervals, and interest rates on current borrowings can be reviewed at the lender's discretion.

The following table outlines the Group's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities:

In thousands of New Zealand dollars	Interest Bearing	Non-interest Bearing	Total Carrying Amount	Weighted Average Effective Interest Rate
As at 31 March 2024				
FINANCIAL INSTRUMENTS				
Financial assets				
Cash	2,350	–	2,350	0.0% Fixed
Financial liabilities				
Bank and other loans	(75,869)	–	(75,869)	7.95%
Lease liabilities	(121,086)	–	(121,086)	5.0% Fixed
	(194,605)	**–**	**(194,605)**	
As at a 31 March 2023				
FINANCIAL INSTRUMENTS				
Financial assets				
Cash	515	–	515	0.0% Fixed
Financial liabilities				
Cash and cash equivalents (overdraft)	(2,894)	–	(2,894)	6.28%
Bank and other loans	(97,687)	–	(97,687)	6.08%
Lease liabilities	(121,530)	–	(121,530)	5.0% Fixed
	(221,596)	**–**	**(221,596)**	

The interest rate on the Group's bank loans is fixed for a relevant 'Interest period' (being either 30, 60, 90 or 180 days) and comprised of the Base Rate (equal to the BKBM on the first day of the relevant Interest Period), plus a Margin and Line fee in accordance with the Group's agreement with the bank. The weighted average interest period term as at 31 March 2024 was 30 days (2023: 30 days).

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

Sensitivity

If interest rates were to increase/decrease by 100 basis points from the rates prevailing at the reporting date, assuming all other variables remain constant, then the impact of profit for the year and equity would be as follows:

For the year ended *In thousands of New Zealand dollars*	31 March 2024	31 March 2023
+ / - 100 basis points		
Impact on profit after tax	(644)	(977)
Impact on equity	(180)	(274)

5.8. Contingent Liabilities

Lester Heights Business

On 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. 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 $286,210 (2023: $286,210) 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 (2023: not probable).

Other

There were no other material contingent liabilities at reporting date (2023:Nil).

5.9. Commitments

At 31 March 2024, the Group has a commitment to undertake $0.03m of asset development (2023: $0.4m).

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

At 31 March 2024, the Group is also has a $5.5m (2023: $5.5m) commitment to acquire a 4.3 hectare development property at Main North Road, Belfast, Christchurch as described in note 5.5. Related Party Transactions 'Assignment of an Agreement for the Purchase of Land From a Director'.

5.10. Events Subsequent to Reporting Date

Dividends

On 22 April 2024, the Board declared a final dividend of 0.97 cents per share (grossed up for imputation credits), that was paid on 16 May 2024.

Other

There has been no other matter or circumstance which has arisen since 31 March 2024 that has significantly affected or may significantly affect:

a. the operations, in financial years subsequent to 31 March 2024, of the Group; or

b. the results of those operations; or

c. the state of affairs, in financial years subsequent to 31 March 2024, of the Group.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Radius Residential Care Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Radius Residential Care Limited and its subsidiaries ('the Group') on pages 2 to 34, which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of the Group. Our audit work has been undertaken so that we might state to the Shareholders of the Group those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders of the Group as a body, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Impairment testing of goodwill

As disclosed in Note 5.2 of the Group's consolidated financial statements, the Group has goodwill of $16,1m (2023: $19.8m) allocated across 20 (2023: 21) cash-generating units ('CGUs') as at 31 March 2024.

Goodwill was significant to our audit due to the size of the asset and the subjectivity, complexity and uncertainty inherent in the measurement of the recoverable amount of these CGUs for the purpose of the required annual impairment test. The measurement of a CGUs' recoverable amount includes the assessment and calculation of its 'fair value less costs of disposal'.

Management has completed the annual impairment test for all CGUs as at 31 March 2024.

This annual impairment test involves complex and subjective estimation and judgement by Management on the future performance of the CGUs, discount rates applied to the future cash flow forecasts, the terminal growth rates, costs of disposal and future market and economic conditions.

Management has also engaged an external valuation expert to assist in the annual impairment testing.

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Our audit procedures, among others, included:

- Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the recoverable value of the Group's CGUs.
- Evaluating Management's determination of the Group's CGUs based on our understanding of the nature of the Group's business and the economic environment in which the segments operate. We also analysed the internal reporting of the Group to assess how CGUs are monitored and reported.
- Evaluating the competence, capabilities, objectivity and expertise of Management's external valuation expert and the appropriateness of the expert's work as audit evidence for the relevant assertions.
- Challenging Management's assumptions and estimates used to determine the recoverable value of the Group's CGUs, including those relating to forecasted revenue, costs, capital expenditure, discount rates, by adjusting for future events and corroborating the key market-related assumptions to external data.

  Procedures included:

  - Evaluating the logic of the 'fair value less costs of disposal' calculations supporting Management's annual impairment test and testing the mathematical accuracy of these calculations;
  - Evaluating Management's process regarding the preparation and review of forecasts (balance sheet, income statement, and cash flow statement);
  - Comparing forecasts used in the calculations to Board approved forecasts;
  - Evaluating the accuracy of the Group's forecasting to actual historical performance;
  - Evaluating the forecast growth assumptions;
  - Evaluating the inputs to the calculation of the discount rates applied;
  - Engaging our own internal valuation experts to evaluate the logic of the 'fair value less costs of disposal' calculations and the inputs to the calculations of the discount rates applied;
  - Evaluating the forecasts, inputs and any underlying assumptions with a view to identifying Management bias;
  - Evaluating Management's sensitivity analysis for reasonably possible changes in key assumptions; and
  - Performing sensitivity analysis for reasonably possible changes in key assumptions, the two main assumptions being: the discount rate and forecast growth assumptions.
- Evaluating the related disclosures (including the accounting policies and accounting estimates) about goodwill assets in the Group's consolidated financial statements.

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Key Audit Matter	How our audit addressed the key audit matter
Valuation of investment properties As disclosed in Note 3.1 of the Group's consolidated financial statements, as at 31 March 2024, the Group has investment properties *(operated by the Group as retirement villages)* totalling $73.5m (2023: $70.1m) (referred to, together as 'the investment properties'). Investment properties were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in estimating the fair value of the investment properties. Management has engaged an independent external valuer ('the Valuer') to determine the fair value of the Group's investment properties as at 31 March 2024. The Valuer performed their work in accordance with the International Valuation Standards and the Australia and New Zealand Valuation and Property Standards, NZ IFRS 13 *Fair Value Measurement* and NZ IAS 40 *Investment Property*. The Valuer engaged by the Group has appropriate experience in the sector in which the Group operates. For each investment property, the Valuer considered property-specific information such as the income generated by departures and the re-sale of independent living units. They then applied assumptions in relation to, the timing of unit re-sale, the length of occupancy of existing residents, the price paid by new residents, price movements, type of Occupancy Right Agreement, discount rate, growth rate and terminal yield. The Valuer also considered the individual characteristics of each village, its location, its nature, its resident profile and the expected future cash flows for that particular village. The Group has adopted the assessed values determined by the Valuer. As at the 31 March 2024 valuation date, the Valuer, has included a valuation uncertainty clause in their valuation report noting "The market over the past two years has been softening due to a combination of Government lending controls, global supply issues, abnormally high inflation and rapidly rising interest rates resulting in declining asset values. Sales transaction volumes decreased significantly with a disconnect between vendor expectation and the price purchasers were prepared to pay. The Official Cash Rate (OCR) was held in July, August, October, November 2023 and February 2024 to 5.50%. There are still inflationary pressures in the market while increases in the Banks cost of capital is impacting fixed rates. New Zealand is now in a recessionary state". Given the valuation uncertainty, the valuer has recommended in their reports that the valuations of the properties be reviewed periodically, noting reliance cannot be placed on their report beyond 3 months.	Our audit procedures, among others, included: • Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the fair value of the Group's investment properties. • Reading and evaluating the external valuation reports for the Group's investment properties as at 31 March 2024. • Confirming that the valuation approaches for the investment properties were in accordance with NZ IFRS 13 and NZ IAS 40, and suitable for determining the fair value of the Group's investment properties as at 31 March 2024. • Evaluating the competence, capabilities, objectivity and expertise of Management's external valuation expert and the appropriateness of the expert's work as audit evidence relevant to the valuation assertion. • Agreeing property-related data provided by Management to the Valuer, to the Group's records. • Engaging our own external property valuation expert to assist in understanding and evaluating the following, based on their specialist knowledge from performing and reviewing valuations of similar properties, known relevant transactional evidence and available market data: o the work and findings of the Group's external valuation expert engaged by Management; o the Group's valuation methods and assumptions to assist us in challenging the appropriateness of valuation methods and assumptions used by Management; and o the acceptable range of values considered reasonable to evaluate Management's adopted valuation estimate. This involved discussing and corresponding with Management, the Valuer engaged by the Group and our own external property valuation expert. • Evaluating the selection of valuation methods, inputs and assumptions with a view to identifying Management bias. • Evaluating the disclosures (including the accounting policies and accounting estimates) related to the investment properties which are included in the Group's consolidated financial statements (including disclosure on the valuation uncertainty clauses included by Management's external valuation expert in their valuation reports).

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<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
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Valuation of freehold land and buildings

As disclosed in Note 3.2 of the Group's consolidated financial statements, as at 31 March 2024, the Group has freehold land and buildings *(operated by the Group for provision of care services)* totalling $97.6m (2023: $112.5m) (referred to, together as 'the freehold land and buildings').

Freehold land and buildings were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in estimating the fair value of the freehold land and buildings.

Under the requirement of NZ IAS 16 *Property, Plant and Equipment*, revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of property, plant and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

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 2024. This assessment was informed by external desktop valuation report provided by the Group's land and buildings Valuer, who advised 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 2023.

For each freehold land and building property, the Valuer considered property-specific information such as capitalisation rates and earnings per care bed. The Valuer also considered the individual characteristics of each property, its location, and its nature.

As at the 31 March 2024 valuation date, the Valuer, has included a valuation uncertainty clause in their valuation report noting "The market over the past two years has been softening due to a combination of Government lending controls, global supply issues, abnormally high inflation and rapidly rising interest rates resulting in declining asset values. Sales transaction volumes decreased significantly with a disconnect between vendor expectation and the price purchasers were prepared to pay. The Official Cash Rate (OCR) was held in July, August, October, November 2023 and February 2024 to 5.50%. There are still inflationary pressures in the market while increases in the Banks cost of capital is impacting fixed rates. New Zealand is now in a recessionary state". Given the valuation uncertainty, the valuer has recommended in their reports that the valuations of the properties be reviewed periodically, noting reliance cannot be placed on their report beyond 3 months.

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Our audit procedures, among others, included:

- Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the fair value of the Group's freehold land and buildings.
- Understanding and evaluating the Group's internal controls relevant to monitoring the progress of land and buildings under development (including understanding and evaluating actual costs incurred to date vs. budgeted at a project milestone level, consideration of cost overruns and estimated project completion timelines and costs).
- Reading and evaluating the external desktop valuation reports for the Group's freehold land and buildings as at 31 March 2024 and external valuation reports as at the respective valuation dates.
- Evaluating the recoverability of each development by enquiring with the Group's key development / project personnel, inspecting the Group's internal and external reporting and reading any external valuation reports or advice.
- Confirming that the valuation approach for the properties is in accordance with NZ IFRS 13 and NZ IAS 16, and suitable for determining the fair value of the Group's freehold land and building properties as at 31 March 2024.
- Evaluating the competence, capabilities, objectivity and expertise of Management's external valuation expert and the appropriateness of the expert's work as audit evidence relevant to the valuation assertion.
- Agreeing property-related data provided by Management to the Valuer to the Group's records.
- Engaging our own external property valuation expert to assist in understanding and evaluating the following, based on their specialist knowledge from performing and reviewing valuations of similar properties, known relevant transactional evidence and available market data:
    - the work and findings of the Group's external valuation expert engaged by Management;
    - the Group's valuation methods and assumptions to assist us in challenging the appropriateness of valuation methods and assumptions used by Management; and
    - the acceptable range of values considered reasonable to evaluate Management's adopted valuation estimate.

  This involved discussing and corresponding with Management, the Valuer engaged by the Group and our own external property valuation expert.
- Evaluating the selection of valuation methods, inputs and assumptions with a view to identifying Management bias.
- Evaluating Management's income tax calculations used to determine the additional deferred tax liabilities and tax expenses due to the removal of tax depreciation on commercial buildings recognised as at reporting date.

  This involved discussing and corresponding with Management, examining advice provided by the tax accounting expert engaged by the Group and our own internal tax experts.
- Evaluating the disclosures (including the accounting policies and accounting estimates) related to the freehold land and buildings and income tax which are included in the Group's

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Key Audit Matter	How our audit addressed the key audit matter
Removal of tax depreciation on commercial buildings From 1 April 2024, tax depreciation on buildings will be 0% and will apply from the first day of the 2024/25 income tax year (i.e. 1 April 2024 for the Group). The change in tax legislation to remove depreciation deductions had a significant impact on the Group. The elimination of tax deductions for depreciation will reduce the tax base of the Group's building assets to nil. The removal of the tax base created a significant taxable temporary difference for all of the Group's freehold building assets. The recognition of this temporary difference as a deferred tax liability depended on the timing of acquisition, whether deferred tax was previously not recognised due to the application of the initial recognition exception (IRE) in NZ IAS 12 *Income taxes*, and the Group's tax accounting policies. The net impact of the newly recognised deferred tax is recognised in tax expense in the year of change, rather than through opening retained earnings. As a result, the Group has recognised additional deferred tax liabilities and tax expenses totalling $11.3m. This change in tax legislation was significant to our audit due to the size of the deferred tax liabilities and tax expenses and the subjectivity, complexity, and uncertainty inherent in the application of NZ IAS 12 and the assumptions required by Management for the calculations of the deferred tax balances and deferred tax expenses.	consolidated financial statements (including disclosure on the valuation uncertainty clauses included by Management's external valuation experts in their valuation reports).

Valuation and completeness of lease liabilities and right-of-use assets
 	
As disclosed in Note 3.4 of the Group's consolidated financial statements, the Group has lease liabilities of $109.9m (2023: $121.5m), and, right-of-use assets of $121.1m (2023: $112.5m) as at 31 March 2024.
 	
Lease liabilities and right-of-use assets were significant to our audit due to the size of the assets and liabilities and the subjectivity, complexity and uncertainty inherent in the application of NZ IFRS 16 *Leases* and the assumptions required by Management for the calculations of the lease balances and interest and depreciation expenses.
 	
Management completed calculations of the lease balances for all leases for the year ended, and as at, 31 March 2024. These calculations required estimates regarding the lease term and the incremental borrowing rates. During the year ended 31 March 2024, no new leases were entered into.
 	
Management has exercised their judgement in determining the recoverability of right-of-use assets. No impairment has been recognised.
	Our audit procedures, among others, included:
	
	• Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the expected term of the Group's leases and applicable incremental borrowing rates.
	
	• Evaluating Management's process relating to the identification, recording, recognition and measurement of leases within the scope of NZ IFRS 16.
	
	• For all leases:
	  o Agreeing key inputs in the lease calculation to the underlying lease agreement(s);
	  o Recalculating the lease liability and right-of-use assets based on the key inputs noted above and comparing our recalculations to the balances recognised by the Group; and
	  o Checking the appropriateness of the classification of the lease liability between current and non-current based on the remaining term of the lease.
	
	• For all existing leases, evaluating Management's calculations for the subsequent measurement of the leases, including lease modifications and rent revisions.
	
	• For any leases where the underlying asset was purchased, evaluating Management's calculations for the derecognition of the lease liability and right-of-use asset, and the resulting gain / (loss) on derecognition of the lease.
	
	• Evaluating the completeness of identified lease contracts by checking that all leased facilities were included in the calculation.

Key Audit Matter	How our audit addressed the key audit matter
	• Evaluating Management's estimates regarding the terms of the leases and Management's consideration of options to extend or terminate the leases. • Evaluating Management's assessment of the incremental borrowing rates applied to individual leases or portfolios of leases. • Evaluating the inputs and any underlying assumptions with a view to identifying Management bias. • Evaluating Management's assessment of any indicators of impairment for the right-of-use assets in accordance with NZ IAS 36 *Impairment of Assets*. • Evaluating the disclosures (including the accounting policies and accounting estimates) related to leases which are included in the Group's consolidated financial statements.

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:
https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

Matters Relating to the Electronic Presentation of the Audited Consolidated Financial Statements

This audit report relates to the consolidated financial statements of Radius Residential Care Limited and its subsidiaries for the year ended 31 March 2024 included on Radius Residential Care Limited's website. The Directors of Radius Residential Care Limited are responsible for the maintenance and integrity of Radius Residential Care Limited's website. We have not been engaged to report on the integrity of Radius Residential Care Limited's website.

We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website.

The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyper linked to or from these consolidated 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 audited consolidated financial statements and related audit report dated 29 May 2024 to confirm the information included in the audited consolidated financial statements presented on this website.

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

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

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

29 May 2024

Caring is our calling

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