Radius Residential Care Limited and its Subsidiaries

Consolidated financial statements
For the year ended 31 March 2020

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RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 $ '000	2019 $ '000
Revenue and other income			
Revenue from contracts with customers	3	113,712	108,095
Other revenue	4	671	573
Other income	4	(649)	1,442
		113,734	110,110
Less: expenses			
Employee benefits expense		(70,852)	(64,683)
Facility operating expense		(18,967)	(18,146)
Operating rental expense		(53)	(12,596)
Administration expense		(1,665)	(1,487)
Depreciation expense	6	(10,911)	(3,583)
Net finance costs	6	(10,534)	(805)
Other expenses	6	(4,085)	(3,575)
		(117,067)	(104,875)
(Loss) / profit before income tax expense		(3,333)	5,235
Income tax (expense) / benefit	7	500	(1,052)
(Loss) / profit from continuing operations		(2,833)	4,183
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Revaluation of property, plant and equipment, net of tax		5,708	-
		5,708	-
Other comprehensive income for the year		5,708	-
Total comprehensive income		2,875	4,183
Basic earnings per share (cents per share)	25	(23)	33
Diluted earnings per share (cents per share)	25	(23)	33

The accompanying notes form part of these financial statements.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Note	Contributed equity $ '000	Reserves $ '000	Retained earnings $ '000	Total equity $ '000
Balance as at 1 April 2018		4,736	-	9,974	14,710
Adjustment on change in accounting policy (adoption of NZ IFRS 9)	26	-	-	(125)	(125)
Restated balance as at 1 April 2018		4,736	-	9,849	14,585
Balance as at 1 April 2018		4,736	-	9,849	14,585
Profit for the year		-	-	4,183	4,183
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	4,183	4,183
Transactions with owners in their capacity as owners:					
Dividends		-	-	(900)	(900)
Total transactions with owners in their capacity as owners		-	-	(900)	(900)
Balance as at 31 March 2019		4,736	-	13,132	17,868
Balance as at 1 April 2019		4,736	-	13,132	17,868
Adjustment on change in accounting policy (adoption of NZ IFRS 16)	26	-	-	302	302
Restated balance as at 1 April 2019		4,736	-	13,434	18,170
Balance as at 1 April 2019		4,736	-	13,434	18,170
Profit/(loss) for the year		-	-	(2,833)	(2,833)
Other comprehensive income for the year		-	5,708	-	5,708
Total comprehensive income for the year		-	5,708	(2,833)	2,875
Transactions with owners in their capacity as owners:					
Dividends		-	-	(225)	(225)
Total transactions with owners in their capacity as owners		-	-	(225)	(225)
Balance as at 31 March 2020		4,736	5,708	10,376	20,820

The accompanying notes form part of these financial statements.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	2020 $ '000	2019 $ '000
Current assets			
Cash and cash equivalents	9	2,317	4,236
Receivables	10	6,762	6,549
Inventories	11	308	168
Other assets	12	719	772
Total current assets		10,106	11,725
Non-current assets			
Other assets	12	194	192
Investment properties	13	27,831	23,727
Property, plant and equipment	14	32,303	18,886
Right-of-use assets	15	181,431	-
Intangible assets	16	16,996	16,996
Deferred tax assets	7	2,006	1,812
Total non-current assets		260,761	61,613
Total assets		270,867	73,338
Current liabilities			
Payables	18	5,885	6,122
Provisions	20	8,041	7,123
Current tax liabilities		723	504
Lease liabilities	15	3,907	-
Borrowings	19	-	5,070
Other financial liabilities	21	-	42
Refundable occupation right agreements	22	18,406	15,531
Other liabilities	23	205	521
Total current liabilities		37,167	34,913
Non-current liabilities			
Lease liabilities	15	181,397	-
Borrowings	19	31,427	20,465
Other liabilities	23	56	92
Total non-current liabilities		212,880	20,557
Total liabilities		250,047	55,470
Net assets		20,820	17,868

The accompanying notes form part of these financial statements.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	2020 $ '000	2019 $ '000
Equity			
Share capital	24	4,736	4,736
Reserves	27	5,708	-
Retained earnings	26	10,376	13,132
Total equity		20,820	17,868

Signed on behalf of the board of directors, dated 21 October 2020.

Director: ______________________ Director: ______________________
B H CREE T J D SUMNER

The accompanying notes form part of these financial statements.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 $ '000	2019 $ '000
Cash flow from operating activities			
Receipts from customers		113,282	109,407
Payments to suppliers and employees		(95,436)	(98,943)
Interest received		49	49
Interest paid		(1,183)	(854)
Interest paid - lease liabilities		(9,400)	-
Income tax paid		(814)	(1,734)
Net cash provided by operating activities	28(a)	6,498	7,925
Cash flow from investing activities			
Proceeds from the sale of property, plant and equipment		114	32
Proceeds from the sale of licenses to occupy		3,705	4,860
Payments for the repurchase of licenses to occupy		-	(740)
Payments for the purchase of plant and equipment		(11,305)	(4,604)
Payments relating to the development of the Elloughton Grange Village		(3,723)	(2,325)
Net cash used in investing activities		(11,209)	(2,777)
Cash flow from financing activities			
Net proceeds/(repayment) of bank borrowings		11,082	(1,780)
Repayment of shareholder loans		(5,030)	-
Principal portion of lease payments		(3,035)	-
Dividends paid		(225)	(900)
Net cash provided by / (used in) financing activities		2,792	(2,680)
Reconciliation of cash			
Cash at beginning of the financial year		4,236	1,768
Net (decrease) / increase in cash held		(1,919)	2,468
Cash at end of financial year		2,317	4,236

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are general purpose financial statements that have been prepared in accordance with the Companies Act 1993, the Financial Reporting Act 2013 and New Zealand Accounting Standards, Interpretations and other applicable authoritative pronouncements of the New Zealand External Reporting Board ('XRB').

These financial statements cover Radius Residential Care Limited ('the Company') and its consolidated entities (together 'the Group'). Radius Residential Care Limited is a company limited by shares, incorporated and domiciled in New Zealand and registered under the Companies Act 1993. Radius Residential Care Limited is a for-profit entity for the purpose of preparing the financial statements.

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

These financial statements were approved by the directors on 21 October 2020.

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

(a) Basis of preparation of the financial report

Compliance with NZ IFRS and IFRS

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), International Financial Reporting Standards ('IFRS') and other applicable New Zealand Financial Reporting Standards, as appropriate for for-profit entities. The Group is a Tier 2 for-profit entity in accordance with XRB *A1 Application of the Accounting Standards Framework* ('XRB A1'), however, has elected to prepare its financial statements in accordance with Tier 1 for-profit entity requirements XRB A1, with all necessary modifications as if the Group were an FMC reporting entity with a higher level of public accountability as defined the Financial Market Conduct Act 2013.

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Fair value measurement

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial report (Continued)

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.

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the Group's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the financial statements.

(b) Going concern

The financial report has 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 Directors have determined that the Group's application of the going concern basis of accounting remains appropriate.

(c) Significant events and transactions

During the year, the ongoing outbreak of a novel coronavirus, known as 'coronavirus disease 2019' ('COVID 19') was declared a pandemic on 11 March 2020. Older people (generally over 70 years old) are more vulnerable to COVID-19, particularly if they have any underlying health issues.

The rapid spread of COVID 19 has seen an unprecedented global response by governments, regulators and numerous industry sectors. Governments and regulators worldwide (including in New Zealand) have and continue to implement a range of:

- Public health and social measures to prevent and contain the transmission of COVID-19; and
- Economic responses to provide financial stimulus and welfare support to mitigate the economic impacts of the COVID-19 pandemic.

The pandemic and these public health and social measures implemented have lowered overall economic activity and confidence, due to a reduced ability for many businesses to operate, reduced demand for many goods and services, and resulted in significant volatility and instability in the financial markets.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group is in the business of care of the elderly and under the public health and social measures implemented in New Zealand, the Group was classified as a provider of essential services and was able to undertake its normal business activities in the ordinary course of business during the more restrictive phases of New Zealand's public health and social responses during March 2020 to June 2020 and August 2020 to September 2020.

Certain key judgements and estimates are applied in the annual financial statements. The Directors have assessed the impact of COVID-19 on these judgements and estimates and concluded that limited changes are necessary. This is primarily due to the Group being classified as a provider of essential services. The following key matters were considered and undertaken with regards to the financial impact of COVID-19 on the 31 March 2020 consolidated financial statements;

- The Group's independent valuers, CBRE Limited undertook a valuation as at 31 March 2020. CBRE Limited concluded their valuation on the basis of "material valuation uncertainty". In the current extraordinary circumstances there is a higher degree of uncertainty than would otherwise be the case however the valuation can still be relied upon. The full scale of the impact as at the point of time of the valuation was currently unknown and will largely depend on the scale and longevity of the pandemic and the consequential ongoing impact on the economy with limited market evidence since the outbreak. As a result, although the methodology applied in the valuation is consistent with prior years, certain key estimates have been adjusted. Further details are included in note 13;
- The Group received subsidies from the Government under the COVID-19 Essential Workers Leave Support Scheme which have been accounted for as government grants and offset against the expenses to which they relate and no application for the COVID-19 Government Wage Subsidy was made, and,
- No changes were required to the methodology or input estimates into the Group's expected credit loss assessment. This is a result of continued strong collection levels in respect of private care fees.

Management has considered and reaffirmed the Group's application of the going concern basis of accounting remains appropriate as at date of the signing of these financial statements.

It is not possible to estimate the impact of the COVID-19 pandemic's short and long-term effects, or the New Zealand Government's efforts to combat the outbreak and support businesses. As such, it is not practicable to provide further quantitative or qualitative estimates of the potential impact of this outbreak on the Group at this time.

These financial statements have been prepared based upon conditions existing as at 31 March 2020 and consider those events occurring subsequent to that date that provide evidence of conditions that existed at the end of the reporting date. As the outbreak of the COVID-19 pandemic occurred before 31 March 2020 its impacts are considered an event that is indicative of conditions that arose prior to reporting period. Accordingly, as at the date of signing these financial statements, all reasonably known and available information with respect to the COVID-19 pandemic has been taken into consideration in the critical accounting estimates and judgements applied by Management (refer note 2 below) and all reasonably determinable adjustments have been made in preparing these financial statements. The Group has concluded there has been an overall increase in the level of inherent uncertainty in these significant accounting estimates and judgements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Principles of consolidation

The consolidated financial statements are those of the consolidated entity ("the Group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The Group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entity to affect the amount of its returns.

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

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is obtained by the Group and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of comprehensive income and the consolidated statement of financial position respectively.

(e) Functional and presentation currency

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

(f) Goods and services tax (GST)

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Revenue from contracts with customers

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

The Group derives revenue from the provision of residential care and related services.

Care and village fees & recoveries income

Rest home, hospital and service fee charges are governed by the individual care admission agreements of each care resident. Revenue is recognised based on the daily fees charged, which reflects the point in time the goods or services are provided to the care resident.

Village fees are detailed within each resident's occupation right agreement 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, since the customer would simultaneously receive and consume the benefits of the service provided. Billing and revenue recognition are generally done during the same period that the performance obligation is satisfied. Payments received in advance are recorded on the statement of financial position as contract liability and subsequently recognised through profit or loss when the services are rendered.

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

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

Receivables from contracts with customers

A receivable from a contract with a customer represents the Group's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment.

Contract assets

A contract asset represents the Group's right to consideration (not being an unconditional right recognised as a receivable) in exchange for goods or services transferred to the customer. Contract assets are measured at the amount of consideration that the Group expects to be entitled in exchange for goods or services transferred to the customer.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other revenue and other income

Deferred management and administration fees

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

A management and/or administration 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 and administration fees at rates of 1.67% per annum for a maximum of three years.

The management and administration fees are recognised on a straight-line basis through profit or loss over the average expected length of stay of residents, which is 8 years for independent living units (2019: 8 years).

The management and administration 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 of 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 and administration fee revenue is recognised as a deferred management fee liability in the statement of financial position.

Interest

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

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

(i) Expenses

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

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

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale.

(j) Interest income and interest expense - the effective interest method

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Government grants

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to depreciable assets are credited to deferred income and are recognised in profit or loss over the period and in the proportions in which depreciation expense on those assets is recognised.

(l) Income tax

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

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

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

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

(m) Financial instruments

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

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

Financial assets

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (Continued)

A financial asset that meets the following conditions is measured subsequently at amortised cost:

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

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

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

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

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

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

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

Financial assets measured at amortised cost

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

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

Impairment of financial assets

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (Continued)

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

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

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

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

Financial liabilities

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

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

Financial liabilities measured at fair value through profit or loss

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

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

Financial liabilities measured at amortised cost

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

The Group's financial liabilities measured at amortised cost consists of trade payables, other payables and refundable Occupation Right Agreements liabilities.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Cash and cash equivalents

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

(o) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(p) Property, plant and equipment

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

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

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

Property

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

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

Depreciation

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Property, plant and equipment (Continued)

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

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

(q) Investment properties

Investment properties comprises land and buildings intended to be held for the long term (relating to independent living units and common facilities in the retirement village), and land and buildings under development and construction held for the purpose of earning rental income (deferred management fees) or for capital appreciation, or both.

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

The cost of retirement villages includes directly attributable construction costs and other costs necessary to bring the retirement villages to working condition for their intended use. These other costs include professional fees and consents, interest during the build period and head office costs directly related to the construction of the retirement villages. Where costs are apportioned across more than one asset, the apportionment methodology is determined by considering the nature of the cost.

Land acquired with the intention of constructing investment property on it is classified as investment property from the date of acquisition.

The fair value of investment properties is determined by a qualified independent registered valuer using a discounted cash flow model. As required by NZ IAS 40 *Investment Property*, the fair value as determined by the independent valuer is adjusted for assets and liabilities already recognised in the balance sheet which are also reflected in the discounted cash flow model. As the fair value of investment property is determined using inputs that are unobservable, the Group has categorised investment property as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 *Fair Value Measurement*.

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

Rental income from investment property, being deferred management fees, is accounted for as described in policy (h) above.

Depreciation is not charged on investment property.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Investment properties (Continued)

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

(r) Intangible assets

Goodwill

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

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

(s) Leases

<u>Accounting policy applied to the information presented for the current period under NZ IFRS 16 Leases:</u>

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

Right-of-use assets

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

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Leases (Continued)

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented 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.

Accounting policy applied to the information presented for the prior period under NZ IAS 17 Leases:

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

Finance leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the group are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease, if this is practicable to determine; if not, the group's incremental borrowing rate is used. Interest expense on finance leases is included in finance costs in the statement of profit or loss and other comprehensive income. Lease assets are depreciated on a straight line basis over their estimated useful lives where it is likely the group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period in accordance with the effective interest method.

Operating leases

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

Each lease is classified as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Underlying assets subject to operating leases are presented in the statement of financial position according to the nature of the underlying asset.

Lease payments from operating leases are recognised as income on either a straight line basis or another systematic basis (if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Leases (Continued)

Finance leases

At the commencement date of a finance lease, the group recognises a receivable (for assets held under the finance lease) at an amount equal to the net investment in the lease. The net investment in finance leases is the sum of the lease payments receivable by the group under the finance lease and the estimated unguaranteed residual value of the underlying asset at the end of the lease term, discounted at the interest rate implicit in the lease.

Finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment in finance leases.

(t) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash-generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash-generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds the asset's or cash-generating unit's recoverable amount. The recoverable amount of an asset or cash-generating unit is defined as the higher of its fair value less costs to sell and value in use (where 'value in use' is determined as the present value of the future cash flows expected to be derived from an asset or cash-generating unit).

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. Impairment losses in respect of cash-generating units are allocated first against the carrying amount of any goodwill attributed to the cash-generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash-generating unit.

A reversal of an impairment loss for an asset measured at cost is recognised in profit or loss. A reversal of an impairment loss for an asset measured at a revalued amount is treated as a revaluation increase and is recognised in other comprehensive income, except to the extent that an impairment loss on the same asset was previously recognised in profit or loss, in which case a reversal of that impairment loss is also recognised in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Provisions

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

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(v) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the consolidated statement of financial position.

(ii) Long-term employee benefit obligations

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

Other long-term employee benefit obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the consolidated statement of financial position.

(iii) Retirement benefit obligations

Defined contribution superannuation plan

The Group makes superannuation contributions to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The Group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the consolidated statement of financial position.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Share capital

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

(x) Distributions

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

(y) Comparatives

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

(z) Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial report is authorised for issue.

The amounts recognised in the financial statements reflect events after the reporting period that provide evidence of conditions that existed at the reporting date. Whereas, events after the reporting period that are indicative of conditions that arose after the reporting period (i.e., which did not exist at the reporting date), are excluded from the determination of the amounts recognised in the financial statements.

(aa) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is measured at its acquisition date fair value.

Goodwill is initially recognised at an amount equal to the excess of: (a) the aggregate of the consideration transferred, the amount of any non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in the case of a step acquisition), over (b) the net fair value of the identifiable assets acquired and liabilities assumed. For accounting purposes, such measurement is treated as the cost of goodwill at that date.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Business combinations (Continued)

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the amount of any non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in profit or loss. Acquisition related costs are expensed as incurred.

(ab) New and revised accounting standards effective at 31 March 2020

The Group has applied all new and revised accounting standards that apply to annual reporting periods beginning on or after 1 April 2019, the following new or revised standards, amendments and interpretations that became effective for the year beginning 1 April 2019.

NZ IFRS 16 Leases

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

NZ IFRS 16 introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

(a) Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis in accordance with NZ IAS 16 *Property, Plant and Equipment*, unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

   i. investment property; the lessee applies the fair value model in NZ IAS 40 *Investment Property* to the right-of-use asset, or,

   ii. property, plant or equipment; the revaluation model in NZ IAS 16 *Property, Plant and Equipment* is applied to all of the right-of-use assets that relate to that class of property, plant and equipment, and,

(b) Lease liabilities are accounted for on a similar basis to other financial liabilities, using the effective interest method, using a discount rate determined at lease commencement *(as long as a lease reassessment or modification and a change in the discount rate have not occurred)* whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

(c) Payments to suppliers no longer includes operating lease payments, unless payments are for short-term or low value leases. Operating lease payments are now split between their principal and interest elements and presented as 'principal amounts of lease payments' under cash flows from financing activities and 'interest paid' under cash flows from operating activities.

NZ IFRS 16 substantially carries forward the lessor accounting requirements of the predecessor standard, NZ IAS 17. Accordingly, under NZ IFRS 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under NZ IAS 17.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) New and revised accounting standards effective at 31 March 2020 (Continued)

In accordance with the transition requirements of NZ IFRS 16, the Group has elected to apply NZ IFRS 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect, if any, of initially applying the new standard recognised as an adjustment to opening retained earnings at the date of initial application (i.e., at 1 April 2019). Accordingly, comparative information has not been restated.

The Group has also elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- to recognise each right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to adjust each right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application;
- to exclude initial direct costs from the measurement of each right-of-use asset at the date of initial application, and,
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Occupation Right Agreements (ORAs) confer the right to occupancy of a unit or serviced apartment and are considered leases under NZ IFRS 16. There is no change to the recognition or measurement of ORAs and the associated deferred management and/or administration fees revenue. Deferred management and/or administration fee revenue continues to be recognised on a straight-line basis through profit or loss over the period of service, being the greater of the expected period of tenure (average expected length of stay of residents, which is 8 years for independent living units) or the contractual right to revenue (which is 3 years).

The application of NZ IFRS 16 resulted in the recognition of right-of-use assets with an aggregate carrying amount of $192,205,000 and corresponding lease liabilities with an aggregate carrying amount of $191,903,000. The difference of $302,000 has been recognised as an adjustment to retained earnings at the date of initial application. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 5.00%.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) New and revised accounting standards effective at 31 March 2020 (Continued)

The following is a reconciliation of non-cancellable operating lease commitments disclosed at the end of the prior reporting period (i.e., at 31 March 2019) to the aggregate carrying amount of lease liabilities recognised at the date of the initial application (i.e., at 1 April 2019):

	$ '000
Aggregate non-cancellable operating lease commitments at 31 March 2019	132,286
Plus: lease payments included in the measurement of lease liabilities and not previously included in non-cancellable operating lease commitments	250,553
Less: impact of discounting lease payments to their present value at 1 April 2019	(190,936)
Carrying amount of lease liabilities recognised at 1 April 2019	191,903

Further details of the Group's accounting policy in relation to accounting for leases under NZ IFRS 16 are contained in Note 1(s) .

Statement of cash flows

The application of NZ IFRS 16 has an impact on the consolidated statement of cash flows of the Group.

Under NZ IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by NZ IAS 7 *Statement of Cash Flows* (the Group has opted to include interest paid as part of operating activities, consistent with its presentation of interest paid on financial liabilities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

Under NZ IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities.

Consequently, the net cash generated by operating activities has increased by $3,035m, being the lease payments, and net cash used in financing activities has increased by the same amount.

The adoption of NZ IFRS 16 did not have an impact on net cash flows.

The impact of the application of NZ IFRS 16 on basic and diluted earnings per share was 33 cents per share.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) New and revised accounting standards effective at 31 March 2020 (Continued)

Impact of the adoption of NZ IFRS 16 on the Consolidated Statement of Financial Position as at 1 April 2019

	31 March 2019	1 April 2019 IFRS 16 adjustments	1 April 2019 Restated
	$ '000	$ '000	$ '000
Current assets			
Cash and cash equivalents	4,236	-	4,236
Receivables	6,549	-	6,549
Inventories	168	-	168
Other assets	772	(387)	385
Total current assets	11,725	(387)	11,338
Non-current assets			
Other assets	192	-	192
Investment properties	23,727	-	23,727
Property, plant and equipment	18,886	-	18,886
Right-of-use assets	-	192,205	192,205
Intangible assets	16,996	-	16,996
Deferred tax assets	1,812	85	1,897
Total non-current assets	61,613	192,290	253,903
Total assets	73,338	191,903	265,241
Current liabilities			
Payables	6,122	-	6,122
Provisions	7,123	-	7,123
Current tax liabilities	504	-	504
Lease liabilities	-	3,035	3,035
Borrowings	5,070	-	5,070
Other financial liabilities	42	-	42
Refundable occupation right agreements	15,531	-	15,531
Other liabilities	521	(302)	219
Total current liabilities	34,913	2,733	37,616

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) New and revised accounting standards effective at 31 March 2020 (Continued)

Impact of the adoption of NZ IFRS 16 on the Consolidated Statement of Financial Position as at 1 April 2019 (Continued)

	31 March 2019	1 April 2019 IFRS 16 adjustments	1 April 2019 Restated
	$ '000	$ '000	$ '000
Non-current liabilities			
Lease liabilities	-	188,868	188,868
Borrowings	20,465	-	20,465
Other liabilities	92	-	92
Total non-current liabilities	20,557	188,868	209,425
Total liabilities	55,470	191,601	247,071
Net assets	17,868	302	18,170
Equity			
Share capital	4,736	-	4,736
Reserves	-	-	-
Retained earnings	13,132	302	13,434
Total equity	17,868	302	18,170

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) New and revised accounting standards effective at 31 March 2020 (Continued)

Presentation of the Consolidated Statement of Comprehensive Income for the year ended 31 March 2020 as if NZ IFRS 16 had not been adopted

	31 March 2020 As reported with adopting NZ IFRS 16	NZ IFRS 16 Adjustments and Reclassifications	31 March 2020 Without adopting NZ IFRS 16
	$ '000	$ '000	$ '000
Revenue and other income			
Revenue from contracts with customers	113,712	-	113,712
Other revenue	671	-	671
Other income	(649)	-	(649)
	113,734	-	113,734
Less: expenses			
Employee benefits expense	(70,852)	-	(70,852)
Facility operating expense	(18,967)	-	(18,967)
Operating rental expense	(53)	(12,435)	(12,488)
Administration expense	(1,665)	-	(1,665)
Depreciation expense	(10,911)	7,211	(3,700)
Net finance costs	(10,534)	9,400	(1,134)
Other expenses	(4,085)	-	(4,085)
	(117,067)	4,176	(112,891)
(Loss) / profit before income tax expense	(3,333)	4,176	843
Income tax (expense) / benefit	500	(1,169)	(669)
(Loss) / profit from continuing operations	(2,833)	3,007	174
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Revaluation of property, plant and equipment, net of tax	5,708	-	5,708
	5,708	-	5,708
Other comprehensive income for the year	5,708	-	5,708
Total comprehensive income	2,875	3,007	5,882

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) New and revised accounting standards effective at 31 March 2020 (Continued)

Presentation of the Consolidated Statement of Financial Position as at 31 March 2020 as if NZ IFRS 16 had not been adopted

	31 March 2020 As reported with adopting NZ IFRS 16	NZ IFRS 16 Adjustments and Reclassifications	31 March 2020 Without adopting NZ IFRS 16
	$ '000	$ '000	$ '000
Current assets			
Cash and cash equivalents	2,317	-	2,317
Receivables	6,762	-	6,762
Inventories	308	-	308
Other assets	719	-	719
Total current assets	10,106	-	10,106
Non-current assets			
Other assets	194	-	194
Investment properties	27,831	-	27,831
Property, plant and equipment	32,303	-	32,303
Right-of-use assets	181,431	(181,431)	-
Intangible assets	16,996	-	16,996
Deferred tax assets	2,006	(1,169)	837
Total non-current assets	260,761	(182,600)	78,161
Total assets	270,867	(182,600)	88,267
Current liabilities			
Payables	5,885	-	5,885
Provisions	8,041	-	8,041
Current tax liabilities	723	-	723
Lease liabilities	3,907	(3,907)	-
Borrowings	-	-	-
Other financial liabilities	-	-	-
Refundable occupation right agreements	18,406	-	18,406
Other liabilities	205	-	205
Total current liabilities	37,167	(3,907)	33,260

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) New and revised accounting standards effective at 31 March 2020 (Continued)

Presentation of the Consolidated Statement of Financial Position as at 31 March 2020 as if NZ IFRS 16 had not been adopted (Continued)

	31 March 2020 As reported with adopting NZ IFRS 16 $ '000	NZ IFRS 16 Adjustments and Reclassifications $ '000	31 March 2020 Without adopting NZ IFRS 16 $ '000
Non-current liabilities			
Lease liabilities	181,397	(181,397)	-
Borrowings	31,427	-	31,427
Other liabilities	56	-	56
Total non-current liabilities	212,880	(181,397)	31,483
Total liabilities	250,047	(185,304)	64,743
Net assets	20,820	2,704	23,524
Equity			
Share capital	4,736	-	4,736
Reserves	5,708	-	5,708
Retained earnings	10,376	2,704	13,080
Total equity	20,820	2,704	23,524

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) New and revised accounting standards effective at 31 March 2020 (Continued)

NZ IFRIC 23 *Uncertainty over Income Tax Treatments*

This Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments.

The Interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group (depending on which approach gives a better prediction of the resolution of the uncertainty), and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

If it is probable a tax authority will accept the treatment, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

Otherwise, the entity should reflect the effect of uncertainty in determining its accounting tax position by estimating the tax payable (or receivable), using either the most likely amount or the expected value method.

The adoption of this standard had no material impact on the Group as it has not taken any uncertain tax positions.

Other standards and amendments adopted

Other standards and amendments adopted include Amendments to NZ IFRS 9 Prepayment Features with Negative Compensation; the Annual Improvements to NZ IFRS Standards *2015–2017 Cycle*, which include amendments to four Standards, NZ IAS 12 *Income Taxes*, NZ IAS 23 *Borrowing Costs*, NZ IFRS 3 *Business Combinations*, and NZ IFRS 11 *Joint Arrangements*. These standards amendments while adopted, either had no material impact or relate to standards not currently applied by the Group.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

(a) Impairment testing of goodwill (Note 16).

The recoverability of the carrying value of goodwill is assessed at least annually to ensure that it is not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the cash-generating unit, which entails making judgements, including the expected rate of growth of revenues, margins expected to be achieved, the level of future capital expenditure required to support these outcomes and the appropriate discount rate to apply when valuing future cash flows.

(b) Valuation of investment properties (Note 13)

The fair value of completed investment properties have been determined by independent registered valuers. Note 13 sets out the valuation methods, key assumptions and sensitivity analysis. The fair value of investment properties and care facilities is subjective and changes to the assumptions can have a significant impact on profit and the fair value.

As at the 31 March 2020 valuation date, the valuers have included a material valuation uncertainty clause in their valuation reports as a result of the COVID-19 pandemic (refer Note 1(c)). This clause highlights the difficulties in undertaking valuations due to the absence of relevant transnational evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution, should be attached to the point estimate valuation. This represents an increase in the significant estimation uncertainty in the valuation of investment properties. Given the material valuation uncertainty, the valuers have recommended in their reports that the valuations of the properties be kept under frequent review.

(c) Income tax (Note 7)

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Calculation of expected credit losses allowance (Note 10)

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.

(e) Lease extension and termination options & incremental borrowing rates (Note 15)

Extension and termination options

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Incremental borrowing rates

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Lease extension and termination options & incremental borrowing rates (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing (currently, the Group's sole term facility provider, ASB Bank Limited) received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Group subsidiaries, which does not have recent third party financing, and,
- makes adjustments specific to the lease, e.g. term, location, and security.

(f) Valuation of land and buildings (Note 14)

The fair value of land and buildings have been determined by an independent registered valuer. Note 14 sets out the valuation methods, key assumptions and sensitivity analysis. The fair value of land and buildings is subjective and changes to the assumptions can have a significant impact on profit and the fair value.

As at the 31 March 2020 valuation date, the valuers have included a material valuation uncertainty clause in their valuation reports as a result of the COVID-19 pandemic (refer Note 1(c)). This clause highlights the difficulties in undertaking valuations due to the absence of relevant transnational evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution should be attached to the point estimate valuation. This represents an increase in the significant estimation uncertainty in the valuation of investment properties. Given the material valuation uncertainty, the valuers have recommended in their reports that the valuations of the properties be kept under frequent review.

(g) Applicability of the going concern basis of accounting (Note 1)

Whilst the COVID-19 pandemic and the public health, social and economic measures have lowered overall economic activity and confidence (as described in Note 1 above), the Directors and management have assessed and determined that the Group's application of the going concern basis of accounting remains appropriate in light of this event. In assessing whether the Group's application of the going concern basis of accounting remains appropriate, the Directors and management have applied judgement, having undertaken the responses and considerations described in Note 1 in response to the COVID-19 pandemic, and the public health, social and economic measures to reaffirm the Group's application of the going concern basis of accounting remains appropriate.

	Note	2020 $ '000	2019 $ '000

NOTE 3: REVENUE FROM CONTRACTS WITH CUSTOMERS

	Note	2020 $ '000	2019 $ '000
Revenue from contracts with customers			
Care and village fees		113,141	107,569
Recoveries income		571	526
		113,712	108,095

NOTE 4: OTHER REVENUE AND OTHER INCOME

	Note	2020 $ '000	2019 $ '000
Other revenue			
Deferred management and administration fees		671	573
Other income			
(Loss)/gain on revaluation of investment properties:			
- Windsor Lifestyle Estate Village	13	(80)	354
- Elloughton Grange Village	13	(569)	1,088
		(649)	1,442
		(649)	1,442

NOTE 5: REMUNERATION OF AUDITORS

	Note	2020 $ '000	2019 $ '000
Remuneration of auditors for:			
Baker Tilly Staples Rodway Auckland			
Audit and assurance services			
- Audit of financial statements		60	48
Other non-audit services			
- Compilation of financial statements		-	4
- Tax compliance services		41	34
		101	86

	Note	2020 $ '000	2019 $ '000
NOTE 6: EXPENSES			
Depreciation expense:			
Depreciation of property, plant and equipment:			
- buildings	14	33	117
- motor vehicles	14	155	173
- furniture, fixtures and fittings	14	2,703	2,515
- information technology	14	737	713
- medical equipment	14	72	65
		3,700	3,583
Depreciation of right-of-use assets:			
- buildings	15	7,211	-
		7,211	-
Total depreciation		10,911	3,583
Net finance costs:			
Finance income:			
- interest - bank		(49)	(49)
Total finance income		(49)	(49)
Finance costs:			
- interest - bank		1,183	854
- interest - lease liabilities	15	9,400	-
Total finance costs		10,583	854
Net finance costs		10,534	805
Other expenses:			
Audit and assurance services	5	60	52
Changes to expected credit loss allowance	10	-	6
Directors' fees	29	107	44
Donations and sponsorships		14	10
Loss on sale of property, plant and equipment		91	38
Gain on derivative financial instruments		(42)	(50)
Other		3,855	3,475
Total other expenses		4,085	3,575

	Note	2020 $ '000	2019 $ '000

NOTE 7: INCOME TAX

(a) Components of tax (benefit)/expense

Current tax	(306)	770
Deferred tax	(194)	282
	(500)	1,052

(b) Income tax reconciliation

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

Prima facie income tax payable on profit before income tax at 28.0%	(933)	1,465
- Permanent differences	268	(333)
- Under/(Over) provision for income tax in prior year	165	(80)
Income tax expense attributable to profit	(500)	1,052

(c) Deferred tax

Deferred tax relates to the following:

Deferred tax assets

The balance comprises:

Tax losses carried forward	14	-
Property, plant and equipment	-	71
Leases	1,084	-
Provisions	1,394	1,258
Deferred management fee income	659	483
	3,151	1,812

Deferred tax liabilities

The balance comprises:

Property, plant and equipment	1,145	-
	1,145	-
Net deferred tax assets	2,006	1,812

(d) Deferred income tax (revenue) / expense included in income tax expense comprises

(Increase) / decrease in deferred tax assets	(1,339)	344
Increase in deferred tax liabilities	1,145	(62)
	(194)	282

	Note	2020 $ '000	2019 $ '000
NOTE 8: IMPUTATION CREDIT ACCOUNT			
Balance as at the beginning of the year		3,380	2,025
Dividends paid		(88)	(350)
New Zealand tax payments, net of refunds		812	1,705
Balance as at the end of the year		4,104	3,380
NOTE 9: CASH AND CASH EQUIVALENTS			
Cash on hand		6	4
Cash at bank		2,311	4,232
		2,317	4,236
NOTE 10: RECEIVABLES			
CURRENT			
Receivables from contracts with customers		7,097	6,807
Allowance for credit losses		(688)	(340)
		6,409	6,467
Grant receivable		353	-
Other receivables		-	82
		6,762	6,549

Impairment of receivables from contracts with customers and other receivables

The following table provides a reconciliation from the opening balance to the closing balance of the loss allowance for receivables from contracts with customers and other receivables:

	Lifetime expected credit losses		
	Receivables from contracts with customers $ '000	Other receivables $ '000	Total $ '000
Loss allowance at 1 April 2018	334	-	334
Increase / decrease from changes in expected cash flows	6	-	6
Loss allowance at 31 March 2019	340	-	340
Increase / decrease from changes in expected cash flows	348	-	348
Loss allowance at 31 March 2020	688	-	688

NOTE 10: RECEIVABLES (CONTINUED)

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

	12-month expected credit losses Days past due				
	Not past due $ '000	31 - 60 $ '000	61 - 90 $ '000	91 and over $ '000	Total $ '000
2020					
Estimated total gross carrying amount at default	4,280	754	357	1,706	7,097
Expected credit loss rate	0.43 %	0.50 %	3.61 %	38.28 %	
Expected credit loss	18	4	13	653	688
2019					
Estimated total gross carrying amount at default	4,670	708	303	1,126	6,807
Expected credit loss rate	0.50 %	0.70 %	5.30 %	26.10 %	
Expected credit loss	25	5	16	294	340

	Note	2020 $ '000	2019 $ '000
NOTE 11: INVENTORIES			
Inventories		308	168
		308	168
NOTE 12: OTHER ASSETS			
CURRENT			
Prepayments		492	624
Accrued income		20	20
Development costs		207	128
		719	772
NON-CURRENT			
Prepayments		16	22
Accrued income		178	170
		194	192

NOTE 13: INVESTMENT PROPERTIES

	Note	2020 $ '000	2019 $ '000
Investment properties			
Opening carrying amount		23,727	20,058
Development expenditure - Elloughton Grange Village		3,057	2,325
Development expenditure transfer - Elloughton Grange Village		(3,221)	(4,150)
Net fair value (loss)/gain - Elloughton Grange Village		(569)	1,088
Occupation Right Agreements settled - Elloughton Grange Village		-	(390)
Occupation Right Agreements entered - Elloughton Grange Village		3,215	4,510
Purchases of Investment Property - Elloughton Grange Village		56	-
Transferred from / (to) property, plant and equipment		1,025	(68)
Net fair value (loss)/gain - Windsor Lifestyle Estate Village		(80)	354
Occupation Right Agreements settled - Windsor Lifestyle Estate Village		-	(350)
Occupation Right Agreements entered - Windsor Lifestyle Estate Village		490	350
Purchases of Investment Property - Windsor Lifestyle Estate		131	-
Closing carrying amount		27,831	23,727

(a) Details for measurement of fair value

Investment properties

Investment properties include completed freehold land and buildings, freehold development land and buildings under development comprising independent living units and common facilities, provided for use by residents under the terms of the Occupation Right Agreement. Investment properties are held for long-term yields.

Windsor Lifestyle Estate Village is a retirement village in Ohaupo, South Waikato.

Elloughton Grange Village is a retirement village in Marchwiel, Timaru developed by the Group. There were three stages to the development, being stages 1, 2 and 3. As at 31 March 2020, construction was still underway on the last three villas. Stage 1 of the village was completed in the 2018 financial year, Stage 2 in 2019, and 15 out of 18 Stage 3 units were completed by 31 March 2020.

Valuation processes

The Group's investment properties were valued at reporting date by a Property Institute of New Zealand registered valuer, CBRE Limited. CBRE Limited, an external independent valuation company employing registered valuers, having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued, value the Group's investment properties on an annual basis.

Fair value as determined by CBRE is adjusted for assets and liabilities already recognised in the Statement of Financial Position which are also reflected in the discounted cash flow model. The valuation of investment properties is then grossed up for cash flows relating to refundable Occupation Right Agreements, which are recognised separately in the Statement of Financial Position (refer also Note 22).

NOTE 13: INVESTMENT PROPERTIES (CONTINUED)

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

Development land

Development land is comprised of a standalone title and/or part of the principal site. Where the development land is a standalone title CBRE has ascribed a value which can be captured independently, if desired, from the overall village. Where the development land is part of the principal site, CBRE has identified if there is potential, be it planning or economic, to expand the village and has assessed a value accordingly. This latter value, whilst identified as surplus land value, cannot be independently captured. Development land is valued based on recent comparable transactions. As a general rule, CBRE has treated units in the early stages of construction, land with approvals and other vacant land clearly identified for future development as land for development in its highest and best use.

Elloughton Grange Village:

As at 31 March 2019, the fair value of the unused land relating to Stage 3 has been determined on there being the equivalent of 13 undeveloped villa sites available, referenceable market subdivisional costs and returns and having regard to the intensity of development in a retirement village situation, underpinned by subdivisional land sales. The Group's land values were determined at a rate of $119 per square metre (psm) An increase (decrease) in the psm rate would result in a higher (lower) fair value of development land.

Retirement villages under development

Where the staged development still requires substantial work such that practical completion will not be achieved at or close to reporting date, or the fair value of investment properties under development cannot be reliably determined at this point in time, the carrying amount of cost less any impairment is considered to be the fair value. Impairment is determined by considering the value of work in progress and management's estimate of the asset value on completion.

Elloughton Grange Village:

As at 31 March 2020, the fair value of the remaining villas to be constructed could be reliably measured, whereas at March 2019, the fair value of the remaining villas to be constructed in Stage 3 could not be reliably determined. Accordingly, development costs relating to these Stage 3 work in progress were measured at cost.

Unsold stock

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

Retirement villages

To assess the market value of the Group's interest in a retirement village, CBRE has undertaken a cash flow analysis to derive a net present value. 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*.

NOTE 13: INVESTMENT PROPERTIES (CONTINUED)

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

The following significant assumptions have been used to determine the fair value:

Windsor Lifestyle Estate Village:

The valuation calculates the expected cash flows for a period of 20 years based on an average occupancy turnover of 8 years (2019: 8 years) for independent living units.

The cash flows are extrapolated using a nominal growth rate - anticipated annual property price growth over the cash flow period 0 - 5 years between -2.0% - 3.0% (2019: 0.0% - 3.0%), nominal compound growth rate - anticipated annual property price growth over the cash flow period > 5 years of 3% (2019: 2.5%) and discounted to present value at a pre-tax discount rates of 18.25% (2019: 18.0%).

Elloughton Grange Village:

The valuation calculates the expected cash flows for a period of 20 years (2019: 20 years) based on an average occupancy turnover of 8 years (2019: 8 years) for independent living units.

The cash flows are extrapolated at a nominal growth rate - anticipated annual property price growth over the cash flow period 0 - 5 years between -2.0% - 3.0% (2019: 0.0% - 3.0%), nominal compound growth rate - anticipated annual property price growth over the cash flow period > 5 years of 3% (2019: 3.0%) and discounted to present value at a pre-tax discount rates of 16.0% (2019: 16.0%).

Material valuation uncertainty clause included by the Group's valuers as at 31 March 2020

As at the 31 March 2020 valuation date, the valuers, CBRE Limited, have included a material valuation uncertainty clause in their valuation reports as a result of the COVID-19 pandemic (refer Note 1(c)). This clause highlights the difficulties in undertaking valuations due to the absence of relevant transnational evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution should be attached to the point estimate valuations. This represents an increase in the significant estimation uncertainty in the valuation of investment properties. Given the material valuation uncertainty, the valuers have recommended in their reports that the valuations of the properties be kept under frequent review.

Fair value hierarchy

Investment property measurements are categorised as level 3 of fair value measurement hierarchy.

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

The relationship of these unobservable inputs to fair value are as follows:

- An increase / (decrease) in the growth rates would result in an increase / (decrease) fair value.
- An increase / (decrease) in the discount rates would result in a decrease / (increase) fair value.

The sensitivity analysis in the valuation report shows that a change in the:

NOTE 13: INVESTMENT PROPERTIES (CONTINUED)

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

Windsor Lifestyle Estate Village

- growth rate applied by +/- 0.5% would increase/(decrease) the total fair value of investment property and profit or loss by $70,000 / ($80,000) (2019: $70,000 / ($70,000)).
- discount rate applied by +/- 0.5% would (decrease)/increase the total fair value of investment property and profit or loss by ($30,000) / $30,000 (2019: ($35,000) / $25,000).

Elloughton Grange Village

- growth rate applied by +/- 0.5% would increase/(decrease) the total fair value of investment property and profit or loss by $328,000 / ($344,000) (2019: $341,000 / ($333,000)).
- discount rate applied by +/- 0.5% would increase/(decrease) the total fair value and profit or loss by ($210,000) / $220,000 (2019: ($170,000) / $180,000).

	2020 $ '000	2019 $ '000
(b) Investment properties		
Windsor Lifestyle Estate Village:		
- Valuation of operator's interest	1,090	1,080
- Refundable Occupancy Right Agreements	2,776	2,537
- Unsold units	435	-
Sub-total	4,301	3,617
Elloughton Grange Village:		
- Valuation of operator's interest	5,125	3,673
- Refundable Occupancy Right Agreements	15,630	12,994
- Development/excess land - fair value	-	620
- Investment property under development - at cost	-	1,123
- Unsold units	2,775	1,700
Sub-total	23,530	20,110
	27,831	23,727

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

Land and buildings

	2020	2019
At valuation	17,277	4,602
Accumulated depreciation	(12)	(648)
	17,265	3,954

	Note	2020 $ '000	2019 $ '000

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Plant and equipment

Motor vehicles at cost		1,282	1,320
Accumulated depreciation		(985)	(806)
		297	514
Furniture, fixtures and fittings at cost		31,772	29,775
Accumulated depreciation		(18,867)	(17,308)
		12,905	12,467
Information technology at cost		4,183	4,373
Accumulated depreciation		(2,546)	(2,599)
		1,637	1,774
Medical equipment at cost		500	419
Accumulated depreciation		(301)	(242)
		199	177
Total plant and equipment		15,038	14,932
Total property, plant and equipment		32,303	18,886

(a) Reconciliations

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

Land and buildings			
Opening carrying amount		3,954	3,967
Additions		104	104
Additions through purchase of new land and buildings		6,925	-
Net amount of revaluation increments less decrements		7,047	-
Depreciation expense		(33)	(117)
Transferred from investment properties under development		(732)	-
Transferred (to) / from investment properties		-	-
Closing carrying amount		17,265	3,954
Motor vehicles			
Opening carrying amount		514	619
Additions		101	68
Disposals		(163)	-
Depreciation expense		(155)	(173)
Closing carrying amount		297	514

	Note	2020 $ '000	2019 $ '000

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliations (Continued)

	2020 $ '000	2019 $ '000
Furniture, fixtures and fittings		
Opening carrying amount	12,467	11,293
Additions	3,448	3,644
Disposals	(14)	(23)
Depreciation expense	(2,703)	(2,515)
Transferred (to) / from investment properties	(293)	68
Closing carrying amount	12,905	12,467
Information technology		
Opening carrying amount	1,774	1,742
Additions	633	767
Disposals	(33)	(22)
Depreciation expense	(737)	(713)
Closing carrying amount	1,637	1,774
Medical equipment		
Opening carrying amount	177	215
Additions	94	28
Disposals	-	(1)
Depreciation expense	(72)	(65)
Closing carrying amount	199	177

(b) Valuations

Two of the Group's properties, St Helenas and Thornleigh Park, which are included in land and buildings were revalued on 31 March 2020 to $10,225,000 from a carrying value as at 31 March 2020 of $3,178,000 resulting in a revaluation gain of $7,047,000. The remaining property included in land and buildings, Lexham Park, was purchased on 31 July 2019 for $6,925,000.

The fair values of the two revalued land and buildings on freehold land have been determined by reference to independent valuations obtained as at 31 March 2020. These valuations are performed on a fair value basis, being the amounts for which the assets could be exchanged between market participants in an arm's length transaction at the valuation date. These valuations were undertaken by a Property Institute of New Zealand registered valuer, LVC Limited. LVC Limited, an external independent valuation company employing registered valuers, have appropriate recognised professional qualifications and recent experience in the location and category of properties being valued. LVC Limited determined the fair value of land and buildings on freehold land using the direct comparison approach and capitalisation of market income approaches.

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The same valuer was involved in providing valuation services for the purchase of Lexham Park. The valuer has confirmed that the purchase price as at 31 July 2019 is materially consistent with its fair value as at 31 March 2020.

Material valuation uncertainty clause included by the Group's valuers as at 31 March 2020

As at the 31 March 2020 valuation date, the valuers, LVC Limited, have included a material valuation uncertainty clause in their valuation reports as a result of the COVID-19 pandemic (refer Note 1(c)). This clause highlights the difficulties in undertaking valuations due to the absence of relevant transnational evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution should be attached to the point estimate valuation. This represents an increase in the significant estimation uncertainty in the valuation of the properties. Given the material valuation uncertainty, the valuers have recommended in their reports that the valuations of the properties be kept under frequent review.

Fair value hierarchy

Property measurements are categorised as Level 3 of the fair value measurement hierarchy.

During the year there were no transfers of property, plant and equipment between levels of the fair value hierarchy.

The significant unobservable inputs used in the fair value measurement of the Group's portfolio of land buildings are the capitalisation rates applied against market rent. An increase / (decrease) in the capitalisation rate would result in an increase / (decrease) in fair value.

St Helenas

- capitalisation rate applied by +/- 0.5% would increase/(decrease) the total fair value of investment property and profit or loss by $382,000 / (382,000).

Thornleigh Park

- capitalisation rate applied by +/- 0.5% would increase/(decrease) the total fair value of investment property and profit or loss by $302,000 / ($302,000).

Lexham Park

- capitalisation rate applied by +/- 0.5% would increase/(decrease) the total fair value of investment property and profit or loss by $532,700 / ($532,700).

	Note	2020 $ '000	2019 $ '000

NOTE 15: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Lease arrangements (31 March 2020)

The following information relates to the current reporting period only, and is presented in accordance with NZ IFRS 16 *Leases* (which was applied by the Group for the first time in the current reporting period).

(a) Lease assets

		2020 $ '000	2019 $ '000
Buildings			
Under lease		188,574	-
Accumulated depreciation		(7,143)	-
		181,431	-
Total carrying amount of lease assets		181,431	-

Reconciliations

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

		2020 $ '000	2019 $ '000
Buildings			
Opening carrying amount		192,205	-
Additions		1,393	-
Depreciation		(7,211)	-
Remeasurements		1,861	-
Disposals		(6,817)	-
Closing carrying amount		181,431	-

(b) Lease liabilities

		2020 $ '000	2019 $ '000
CURRENT			
Buildings		3,907	-
NON CURRENT			
Buildings		181,397	-
Total carrying amount of lease liabilities		185,304	-

(c) Lease expenses and cashflows

		2020 $ '000	2019 $ '000
Interest expense on lease liabilities		9,400	-
Depreciation expense on right-of-use assets		7,211	-
Cash outflow in relation to leases		12,435	-

NOTE 15 : RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

	31 March 2020 $'000	1 April 2019 $'000
(d) Maturity analysis - contractual undiscounted cashflows:		
- Not later than 1 year	12,710	12,376
- Later than 1 year and not later than 5 years	51,105	51,745
- Later than 5 years	300,654	318,718
	364,469	382,839

	2020 $'000	2019 $'000

(e) Future minimum lease payments to be made:

The following information relates to non-cancellable operating lease arrangements of the prior reporting period only, and is presented in accordance with the predecessor accounting standard NZ IAS 17 *Leases*.

	2020 $'000	2019 $'000
- Not later than 1 year	-	12,194
- Later than 1 year and not later than 5 years	-	45,583
- Later than 5 years	-	74,509
	-	132,286

NOTE 16: INTANGIBLE ASSETS

Goodwill at cost	16,996	16,996

(a) Reconciliations

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

Goodwill at cost		
Opening balance	16,996	16,996
Closing balance	16,996	16,996

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

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

Goodwill and intangibles with indefinite useful lives are allocated to the following cash generating units (CGU):		
- individual CGU's within the residential care business	16,996	16,996

NOTE 16: INTANGIBLE ASSETS (CONTINUED)

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

Individual CGUs within the residential care business

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

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

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

- The year 1 forecast cash flows are based on management forecasts approved by the Board of Directors
- The cash flow period growth rate used in the calculations was 3.0% (2019: 3.0%)
- The cash flow period used in the calculations was 5 years (2019: 5 years)
- The pre-tax discount rate applied in the calculations was 18.1% (2019: 18.1%)
- The terminal growth rate applied in the calculations was 2.0% (2019: 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.

NOTE 17: INTERESTS IN SUBSIDIARIES

(a) Subsidiaries

The following are the Group's subsidiaries:

Subsidiaries of Radius Residential Care Limited:	Country of incorporation	Ownership interest held by the group	
		2020	2019
		%	%
Radius Arran Court Limited	New Zealand	100	100
Radius Health Limited	New Zealand	100	100
Windsor Lifestyle Estate Limited	New Zealand	100	100
Radius Care Limited (non-trading)	New Zealand	100	100
Elloughton Grange Village Limited	New Zealand	100	100
Radius Care Holdings Limited	New Zealand	100	100

The balance date of all subsidiaries above is 31 March, consistent with that of the Group.

	Note	2020 $ '000	2019 $ '000
NOTE 18: PAYABLES			
CURRENT			
Unsecured liabilities			
Trade creditors		4,574	5,000
GST payable		690	693
Other payables		11	15
Accrued expenses		610	414
		5,885	6,122
NOTE 19: BORROWINGS			
CURRENT			
Secured liabilities			
Shareholder loans		-	5,030
Finance lease liability	(a)	-	40
		-	5,070
NON-CURRENT			
Secured liabilities			
Bank loans		31,427	20,345
Finance lease liability	(a)	-	120
		31,427	20,465

(a) On the initial application of NZ IFRS 16 *Leases*, as at 1 April 2019, the carrying amount of finance lease liabilities was reclassified from 'borrowings' to 'lease liabilities'. Refer to Note 15 for further information about the Group's lease liabilities.

NOTE 19: BORROWINGS (CONTINUED)

(b) Terms and conditions and assets pledged as security relating to the above borrowings

Bank loans comprise the following facilities with ASB Bank Limited:

	Current $	Non-current $	Facility limit $	Effective interest rate %	Expiry date
31 March 2020					
Committed Cash Advance	-	19,583	19,583	2.10%	29 April 2021
Revolving Committed Cash Advance - EGV	-	2,019	3,000	2.18%	3 June 2021
Committed Cash Advance	-	9,825	9,825	2.56%	29 July 2022
	-	31,427	32,408		
31 March 2019					
Committed Cash Advance	-	17,900	22,900	3.42%	29 April 2021
Revolving Committed Cash Advance - EGV	-	2,445	7,000	3.41%	3 June 2021
	-	20,345	29,900		

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

Shareholder loans are comprised as follows:

There were shareholder loans to a total of $5.03m as at 31 March 2019. The shareholder loans were repaid in full in the current year.

Other

The Group entered into a Corporate Banking Overdraft Facility Agreement with ASB Bank Limited on 19 December 2013 for $1.5m (2019: $1.5m) that has an expiry date on 31 March 2049 (2019: 31 March 2049). This loan bears interest at an effective interest rate of 4.04% (2019: 5.21%) and is secured over the assets of the Group and guaranteed by certain Group entities. At reporting date this overdraft facility was not drawn (2019: $Nil).

(c) Defaults and breaches

During the year ended 31 March 2020, the Group complied with all externally imposed banking covenant requirements to which it is subject (2019: complied with all).

	Note	2020 $ '000	2019 $ '000

NOTE 20: PROVISIONS

CURRENT			
Annual leave		4,219	3,873
Other employee entitlements		3,822	3,250
		8,041	7,123

NOTE 21: OTHER FINANCIAL LIABILITIES

CURRENT			
Other derivative instruments at fair value through profit and loss			
Interest rate swaps		-	42

All financial liabilities at fair value through profit and loss are held for trading.

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

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

NOTE 22: REFUNDABLE OCCUPATION RIGHT AGREEMENTS

Windsor Lifestyle Estate Limited		2,776	2,537
Elloughton Grange Village Limited		15,630	12,994
		18,406	15,531

Occupation Right Agreements (ORAs) confer the right to occupancy of 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/hospital fees, service fees and village fees. As the refundable occupation right is repayable to the resident upon vacation (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 are 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.

NOTE 22: REFUNDABLE OCCUPATION RIGHT AGREEMENTS (CONTINUED)

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

- for Windsor Lifestyle Estate Limited, to a maximum of 21% of the entry payment; and
- for Elloughton Grange Village Limited, to a maximum of 30% of the entry payment. No administration fee has been charged since February 2018. Prior to this, an administration fee of 5% of the entry payment was also charged.

The village contribution is payable by the resident on termination of the Occupancy Right Agreement. Village contribution is recognised as deferred management fees revenue in accordance with the accounting policy on revenue recognition (Note 1(g)).

Amounts which are payable under Occupation Right Agreements, which are firm monetary obligations are shown in the statement of financial position as other liabilities (Note 23). Licence fees are refundable to the residents on vacating the unit, or on termination of the licence to occupy (subject to new licence rights being issued).

The estimate for the established length of stay for the Group's units is 8 years (2019: 8 years). Therefore, the fair value is equal to the face value of the amount being demanded. The expected maturity of the refundable obligations to residents is beyond 12 months.

	2020 $ '000	2019 $ '000
NOTE 23: OTHER LIABILITIES		
CURRENT		
Deferred management fee income: - unit titles - Windsor Lifestyle Estate Limited	13	18
Deferred management fee income: - Occupancy Right Agreements - Windsor Lifestyle Estate Limited	32	24
Deferred lease incentive	-	302
Deferred government grants income	160	177
	192	503
	205	521
NON-CURRENT		
Deferred management fee income: - unit titles - Windsor Lifestyle Estate Limited	15	31
Deferred management fee income: - Occupancy Right Agreements - Windsor Lifestyle Estate Limited	41	61
	56	92

	Note	2020 $ '000	2019 $ '000
NOTE 24: SHARE CAPITAL			
Issued and paid-up capital			
Ordinary Shares	(a)	4,736	4,736

	2020		2019	
	Number	$ '000	Number	$ '000
(a) Ordinary Shares				
Opening balance	12,500,000	4,736	12,500,000	4,736
At reporting date	12,500,000	4,736	12,500,000	4,736

Rights of each type of share

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

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

Capital management

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

The total dividend proposed or declared before the financial statements were authorised for issue and recognised as a distribution to owners during the period was $225,000 (2019: $900,000).

	Note	2020 $ '000	2019 $ '000

NOTE 25: EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the (loss)/profit after tax of the Group by the weighted average number of ordinary shares outstanding during the year.

	2020	2019
(Loss) / Profit after tax	(2,833)	4,183
Weighted average number of ordinary shares outstanding ('000s)	12,500	12,500
Basic earnings per share (cents per share)	(23)	33

	Note	2020 $ '000	2019 $ '000

Note 25: EARININGS PER SHARE (CONTINUED)

Dilutive

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 March 2020, there were no shares with a dilutive effect (31 March 2019: none).

		2020 $ '000	2019 $ '000
(Loss) / Profit after tax		(2,833)	4,183
Diluted weighted average number of ordinary shares outstanding ('000s)		12,500	12,500
Diluted earnings per share (cents per share)		(23)	33

NOTE 26: RETAINED EARNINGS

	Note	2020 $ '000	2019 $ '000
Retained earnings at 31 March as originally presented		13,132	9,974
Change in accounting policy	(i)	302	(125)
Restated retained earnings at 1 April		13,434	9,849
Net profit		(2,833)	4,183
Dividends paid		(225)	(900)
		10,376	13,132

(i) As described in Note 1 (ab), the Group has restated opening retained earnings on 1 April 2019, as a result of the adoption of NZ IFRS 16. The impact of the change on the Group's retained earnings as at 1 April 2019 was $302,000 (2019: the Group has restated its opening retained earnings on 1 April 2018, as a result of the adoption of NZ IFRS 9. The impact of the change in impairment methodology on the Group's retained earnings as at 1 April 2018 was $124,873).

NOTE 27: RESERVES

	2020 $ '000	2019 $ '000
Asset revaluation reserve	5,708	-
	5,708	-

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

NOTE 28: CASH FLOW INFORMATION

	Note	2020 $ '000	2019 $ '000
(a) Reconciliation of cash flow from operations with profit after income tax			
(Loss)/profit from ordinary activities after income tax		(2,833)	4,183
Adjustments and non-cash items			
Depreciation		10,911	3,583
Net loss on disposal of property, plant and equipment		91	38
Fair value adjustment to investment properties		648	(1,442)
Fair value adjustment to financial instruments		(42)	(50)
Movement in deferred tax		(194)	(282)
Changes in operating assets and liabilities			
(Increase) / decrease in receivables and other assets		(465)	713
(Increase) / decrease in inventories		(140)	13
(Decrease) / increase in payables, provisions and other liabilities		(199)	1,606
Increase / (decrease) in income tax payable		220	(400)
Increase in deferred taxes		(1,339)	-
Decrease in finance lease liability		(160)	(37)
Cash flows from operating activities		6,498	7,925

(b) Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows are, or will be, classified as 'cash flows from financing activities' in the statement of cash flows. Changes in the carrying amount of such liabilities, which comprise bank borrowings and lease liabilities, are summarised below.

	2020 $ '000	2019 $ '000
Balance at the beginning of the year	25,375	27,155
Interest accrued on borrowings	1,183	854
Principal payments made on borrowings	(5,030)	(1,780)
Interest payments made on borrowings	(1,183)	(854)
Other changes	11,082	-
Recognition of lease liabilities at 1 April 2019	191,903	-
Interest accrued on lease liabilities	9,400	-
Principal payments made on lease liabilities	(3,035)	-
Interest payments made on lease liabilities	(9,400)	-
Remeasurement of lease liabilities	(3,564)	-
Balance at the end of the year	216,731	25,375

NOTE 29: RELATED PARTY TRANSACTIONS AND BALANCES

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

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

(a) Balances with shareholders/directors

		2020 $ '000	2019 $ '000
Shareholder loans			
- Wave Rider Holdings Limited	19	-	2,720
- Knox Radius LP	19	-	2,310
Trade creditors			
- Cibus Catering Limited	18	54	50
		54	5,080

(b) Transactions with directors

	2020 $ '000	2019 $ '000
Directors fees		
- Duncan Robert COOK	107	44
Legal fees		
- Sharp Tudhope Lawyers Limited	63	109
	170	153

NOTE 29: RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Related party transactions

	2020 $ '000	2019 $ '000
Management fee expense:		
- Knox Radius LP	83	250
Catering Services		
- Cibus Catering Limited	4,872	4,380
Purchase of property, plant and equipment		
-Valhalla Capital - Ashburton Laundry assets	550	-
	5,505	4,630

During the years ended 31 March 2019 and 2020, the Group undertook no other transactions with Directors in their personal capacity other than the payment of items noted above and key management personnel compensation (refer Note 30).

NOTE 30: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the Group		
- short-term employee benefits	1,086	1,070

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

NOTE 31: FINANCIAL RISK MANAGEMENT

The Group is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

(a) Credit risk

(c) Interest rate risk

(b) Liquidity risk

(d) Fair values compared with carrying amounts

The Board of Directors have overall responsibility for identifying and managing operational and financial risks.

NOTE 31: FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group holds the following financial instruments:

		2020 $ '000	2019 $ '000
Financial assets			
Amortised cost			
- Cash and cash equivalents	9	2,317	4,236
- Receivables	10	6,762	6,549
		9,079	10,785
Financial liabilities			
Amortised cost			
- Payables	18	5,885	6,122
- Borrowings	19	31,427	25,375
- Lease liabilities	15	185,304	-
- Finance leases	19	-	160
- Refundable Occupation Right Agreements	22	18,406	15,531
		241,022	47,188
Derivative financial liabilities (measured at fair value)			
- Interest rate swaps		-	41
		-	41

(a) Credit risk

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

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

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

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

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.

NOTE 31: FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Trade receivables

Credit risk with respect to trade receivables is limited due to the large number of customers which qualify for Ministry of Health funding in relation to payment of our services. Amounts owned by trade receivables are generally unsecured. Credit risk is managed through the use of admission agreements for all residents, which gives contractual rights to the Group in relation to security and collection of debts in circumstances where there is no entitlement to Ministry of Health funding. All admissions are reviewed to ensure a duly completed admission agreement is available. The loss allowance for expected credit losses of trade receivables is provided in Note 10. As the Group undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

(iii) Other receivables

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

(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.

NOTE 31: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

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.

2020	< 6 months	6-12 months	1-5 years	Total Contractual cash flows	Carrying amount
	$ '000	$ '000	$ '000	$ '000	$ '000
Payables	5,885	-	-	5,885	5,885
Borrowings	-	-	31,427	31,427	31,427
Lease liabilities	1,917	1,990	181,397	185,304	185,304
Refundable Occupation Right Agreements	-	-	18,406	18,406	18,406
Total	7,802	1,990	231,230	241,022	241,022
2019					
Payables	6,122	-	-	6,122	6,122
Borrowings	5,030	-	20,345	25,375	25,375
Other financial liabilities	20	20	120	160	160
Refundable Occupation Right Agreements	-	-	15,531	15,531	15,531
Net maturities	11,172	20	35,996	47,188	47,188

The following table outlines the Group's remaining contractual maturities for derivative financial liabilities. The amounts presented in the table are the undiscounted contractual cash flows of the derivative instruments, allocated to time bands based on the earliest date on which the Group can be required to pay. Where amounts payable or receivable are not fixed, the amounts disclosed in the below table are determined on the basis of projected rates at the reporting date.

2020	< 1 month	1 -3 months	3 months to 1 year	Total contractual cash flows
	$ '000	$ '000	$ '000	$ '000
Interest rate swaps	-	-	-	-
	-	-	-	-
2019				
Interest rate swaps	41	-	-	41
	41	-	-	41

NOTE 31: FINANCIAL RISK MANAGEMENT (CONTINUED)

(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, and by utilising interest rate swap contracts.

Interest rates on cash at bank are subject to market risk in the event of changes in interest rates. As these securities are carried at net market value, the effective interest rate is reflected in the market price. Interest rates on non-current bank borrowings are generally subject to review annually or at shorter intervals, and interest rates on current borrowings can be reviewed at the lender's discretion.

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

2020

Financial instruments	**Interest bearing**	**Non-interest bearing**	**Total carrying amount**	**Weighted average effective interest rate**
	$ '000	**$ '000**	**$ '000**	
Financial assets				
Cash	2,317	-	2,317	0.0 % Fixed
Financial liabilities				
Bank and other loans	(31,427)	-	(31,427)	2.3 % Fixed
Lease liabilities	(185,304)	-	(185,304)	5.0 % Fixed
	(216,731)	-	(216,731)	

2019

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

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

NOTE 31: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

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:

	2020	2019
+ / - 100 basis points	$ '000	$ '000
Impact on profit after tax	(314)	(203)
Impact on equity	(226)	(146)

(d) Fair values compared with carrying amounts

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

NOTE 32: OPERATING SEGMENTS

The Group's chief operating decision maker is the Board of Directors.

The operating segments have been determined based on information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance. The assets and liabilities of the Group are reported to the chief operating decision maker in total not by operating segment.

The Group operates in New Zealand and comprises three segments; aged care operations, village operations and group support.

	Aged Care	**Village**	**Group support**
Product	Includes traditional care beds.	Includes independent living.	N/A
Services	The provision of accommodation, care and related services to Radius' aged care residents. Includes the provision of services such as meals and care packages to independent living residents.	The provision of accommodation and related services to independent residents in the Group's retirement villages.	Provision of support services to the Group (including administration, marketing and operations). It also includes the Radius online shop.
Recognition of Operating Revenue and Expenses	The Group derives Operating Revenue from the provision of care and accommodation. The daily fee is set annually by the Ministry of Health. In relation to the provision of superior accommodation above the Government specification, the Group derives revenue from Accommodation Supplements. Operating Expenses primarily include staff costs, resident welfare expenses and overheads.	The Group derives Operating Revenue from weekly service fees. Operating Revenue also includes DMF accrued over the expected occupancy period for the relevant accommodation – 8 years. Operating Expenses include village property maintenance, sales and marketing, and administration related expenses.	Includes support office and corporate related expenses. Finance costs relate to the cost of bank debt acquired for the purchase of facilities and development of the Elloughton village.

NOTE 32: OPERATING SEGMENTS (CONTINUED)

	Aged Care	Village	Group support
Recognition of Fair Value movements on New Developments	N/A	Fair value movements are recognised in comprehensive income (i.e profit or loss).	Fair value increases or decreases are recognised in other comprehensive income (i.e not in profit or loss) for the fair value movement above historical cost.
Asset Categorisation	Assets, used, or, in the case of developments, to be used, in the provision of care are recognised as property, plant and equipment.	Assets used for village operations are recognised as investment property.	Support office assets are recognised as property, plant and equipment. Assets include intangibles (e.g. software)

Information regarding the operations of each reportable segment is included below. Amongst other criteria, performance is measured based on segmental earnings before interest, tax, depreciation and amortisation ("EBITDA"), which is the most relevant measure in evaluating the performance of segments relative to other entities that operate within the aged care and retirement village industries.

2020 **$'000**	**Aged Care**	**Village**	**Group Support**	**Total**
Revenue	112,551	419	742	113,712
Change in fair value of investment property	-	(649)	-	(649)
Other income	-	671	-	671
Total income	112,551	441	742	113,734
Operating expenses	(86,434)	(747)	(8,441)	(95,622)
Segment EBITDA	26,117	(306)	(7,699)	18,112
Interest income	41	-	8	49
Finance costs	(9,400)	-	(1,183)	(10,583)
Depreciation (right-of-use-assets)	(7,211)	-	-	(7,211)
Depreciation	(3,463)	(4)	(233)	(3,700)
(Loss)/Profit before tax	6,084	(310)	(9,115)	(3,333)
Income tax	(1,704)	112	2,092	500
(Loss)/Profit for the year attributable to shareholders	4,380	(198)	(7,023)	(2,833)
Other comprehensive income				
Gain on revaluation of property, plant and equipment for the year, net of tax	-	-	5,708	5,708
Total comprehensive income for the year attributable to shareholders of the parent	4,380	(198)	(1,315)	2,875

NOTE 32: OPERATING SEGMENTS (CONTINUED)

2019 **$'000**	**Aged Care**	**Village**	**Group Support**	**Total**
Revenue	107,326	308	461	108,095
Change in fair value of investment property	-	1,442	-	1,442
Other income	-	573	-	573
Total income	107,326	2,323	461	110,110
Operating expenses	(92,535)	(739)	(7,213)	(100,487)
Segment EBITDA	14,791	1,584	(6,752)	9,623
Interest income	20	1	28	49
Finance costs	(88)	-	(766)	(854)
Depreciation (right-of-use-assets)	-	-	-	-
Depreciation	(3,230)	(86)	(267)	(3,583)
(Loss)/Profit before tax	11,493	1,499	(7,757)	5,235
Income tax	(3,218)	49	2,117	(1,052)
(Loss)/Profit for the year attributable to shareholders	8,275	1,548	(5,640)	4,183
Other comprehensive income				
Gain on revaluation of property, plant and equipment for the year, net of tax	-	-	-	-
Total comprehensive income for the year attributable to shareholders of the parent	8,275	1,548	(5,640)	4,183

	Note	2020 $ '000	2019 $ '000
NOTE 33: COMMITMENTS			
(a) Capital expenditure commitments contracted for:			
- Acquisition of plant and equipment		259	597
Payable			
- not later than one year		259	597
		259	597

NOTE 34: CONTINGENT LIABILITIES

Lester Heights business

On 26 June 2013, Radius Residential Care Limited entered into an agreement to sell the Lester Heights business. The sale was settled on 31 August 2013. One of the conditions of sale is that in the event that the new business owner defaults on the rental payments, the Group is required to guarantee the rent. For the years ended 31 March 2019 and 2020, no amounts were paid, but in the event that a default occurs, the potential cost to Radius Residential Care Limited is an annual rent of $237,744 per annum until 2029.

Other

There were no other material contingent liabilities at reporting date (2019: Nil).

NOTE 35: CONTINGENT ASSETS

There were no material contingent assets at reporting date (2019: Nil).

NOTE 36: EVENTS SUBSEQUENT TO REPORTING DATE

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

On 20 December 2019, a Director, Brien Cree ("the Purchaser" / "the Assignor") and an unrelated party ("the Vendor") entered into a now unconditional sale and purchase agreement for land ("SPA"). The consideration payable under the SPA comprised a deposit of $300k (paid by the Assignor in May 2020) and a remaining amount of $5.5m payable on the date of settlement, being 16 April 2021.

Subsequently, on 23 June 2020, as amended by on 19 October 2020 and 20 October 2020, the Group entered into a conditional agreement for the assignment of the SPA ("Assignment Agreement"). The condition in the Assignment Agreement is approval of the transaction by the Board of the Group by 2 April 2021. Under the Assignment Agreement, the Group will, if the condition is satisfied, become the Purchaser under the SPA and will have a commitment to pay the remaining consideration of $5.5m to the Vendor of the land on the later of 2 April 2021 or the issue of title to the land.

NOTE 36: EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

If by the date of settlement under the Assignment Agreement, the Assignor has settled the purchase of the land, the Assignor will procure the delivery of the land to the Group on the same terms as if the Group had settled under the Assignment Agreement. Under the Assignment Agreement the Group has paid the Assignor a non-refundable deposit of $300k in July 2020.

The Assignment Agreement also requires the Group to pay the Assignor an additional $400k on 16 April 2021 for preserving the development opportunity for the Group and for taking the risk on resource consent being obtained at a time that it was not able to respond to the opportunity the land presented. At balance date the Group has also capitalised additional costs of $100k relating to legal and consulting fees for the potential development of this property. These costs would be unrecoverable if the agreement is not approved by the Board.

Other

There has been no other matters or circumstances, which has arisen since 31 March 2020 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 March 2020, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 31 March 2020, of the Group.

Level 9, 45 Queen Street, Auckland 1010
PO Box 3899, Auckland 1140
New Zealand

T: +64 9 309 0463
F: +64 9 309 4544
E: auckland@bakertillysr.nz
W: www.bakertillysr.nz

bakertilly
STAPLES RODWAY

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Radius Residential Care Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Radius Residential Care Limited and its subsidiaries ('the Group') on pages 1 to 67, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, 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 (Revised) *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' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Emphasis of Matter – Increased level of inherent uncertainty arising from COVID-19

We draw attention to Note 1(c) of the consolidated financial statements, which describes the impact of the ongoing global pandemic of the novel coronavirus disease 2019 ('COVID-19') and Management's assessment of, and responses to, this pandemic. Since March 2020 the COVID-19 pandemic has lowered overall economic activity and confidence, resulting in significant volatility and instability in financial markets and economic uncertainty. Consequently, there has been an increase in the level of inherent uncertainty in the critical accounting estimates and judgements applied by Management in the preparation of these consolidated financial statements, described in Note 2, of the consolidated financial statements. As at the date of signing these consolidated financial statements, all reasonably known and available information with respect to the COVID-19 pandemic has been taken into consideration in the critical accounting estimates and judgements applied by Management, and all reasonably determinable adjustments have been made in preparing these consolidated financial statements.

Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Emphasis of Matter* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Impairment testing of Goodwill As disclosed in Note 16 of the Group's consolidated financial statements, the Group has goodwill of $17.0m allocated across 20 cash-generating units ('CGUs') as at 31 March 2020. 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 CGU's for the purpose of the required annual impairment test. The measurement of a CGU's recoverable amount includes the assessment and calculation of its 'value-in-use'. Management has completed the annual impairment test for all CGUs as at 31 March 2020. This annual impairment test involves complex and subjective estimation and judgement by Management on the future performance of the CGU's, discount rates applied to the future cash flow forecasts and future market and economic conditions. As described in our *Emphasis of Matter* paragraph and Note 1(c) of the Group's consolidated financial statements, as a result of the ongoing COVID-19 pandemic, there has been an increase in the level of inherent uncertainty in the critical accounting estimates and judgements (described in Note 2) applied by Management in the preparation of these financial statements.	Our audit procedures among others included: ▪ 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. ▪ Challenging Management's assumptions and estimates used to determine the recoverable value of the Group's CGU's, 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 (including considering the impact of the COVID-19 pandemic). Procedures included: o Evaluating the logic of the 'value-in-use' calculations supporting Management's annual impairment test and testing the mathematical accuracy of these calculations; o Evaluating Management's process regarding the preparation and review of forecasts (balance sheet, income statement, and cash flow statement); o Comparing forecasts used in the calculations to Board approved forecasts; o Evaluating the accuracy of the Group's forecasting to actual historical performance; o Evaluating the forecast growth assumptions;

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
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Evaluating the inputs to the calculation of the discount rates applied;
Engaging our own internal valuation experts to evaluate the logic of the value-in-use calculation and the inputs to the calculations of the discount rates applied;
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) about goodwill assets in the Group's consolidated financial statements.

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Adoption of NZ IFRS 16 Leases
As disclosed in Note 1(ab) of the Group's consolidated financial statements, the Group has adopted NZ IFRS 16 Leases from 1 April 2019, using the modified retrospective approach. This resulted in the recognition of right-of-use assets and a lease liability of $192.0m as at 1 April 2019.
As disclosed in Note 15 of the Group's consolidated financial statements, the Group has right-of-use assets of $181.4m and lease liabilities of $185.3m as at 31 March 2020.
NZ IFRS 16 removes the distinction between operating and finance leases and brings all leases onto the balance sheet apart from short term or small ticket leases. The standard introduces new disclosures on leases.
The adoption of NZ IFRS 16 was significant to our audit due to the size of the assets and liabilities recognised, the complexity of applying the new standard and the assumptions required by Management for the calculations of the lease balances and interest and depreciation expenses.
Management has completed calculations of the lease balances for all leases as at 1 April 2019 (adoption date), and as at 31 March 2020.
These calculations require estimates regarding the lease term and the incremental borrowing rates. In addition, Management has exercised their judgement in determining the recoverability of right-of-use assets. No impairment has been determined.
</td><td>
Our audit procedures among others included:

Assessing Management's process relating to the identification, recording, recognition and measurement of leases within the scope of NZ IFRS 16;
Assessing Management's judgements made in applying allowable practical expedients against the requirements of NZ IFRS 16;
Assessing Management's estimates of the expected terms of leases (including considering the impact of the COVID-19 pandemic)
Evaluating the key assumptions used by Management, including the incremental borrowing rates applied to the lease portfolio;
Assessing the completeness of identified lease contracts by checking that all leased facilities were included in the calculation;
For all leases:

Agreeing key inputs in the lease calculation to the underlying lease agreement(s);
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
Checking the appropriateness of the classification of the lease liability between current and non-current based on the remaining term of the lease.

Assessing Management's estimates of any impairment of right-of-use assets (including considering the impact of the COVID-19 pandemic); and
Evaluating the disclosures (including the accounting policies) related to leases which are included 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 13 of the Group's consolidated financial statements, the Group has investment properties totalling $27.8m as at 31 March 2020. 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 independent external valuers ('the Valuers') to determine the fair value of the Group's investment properties as at 31 March 2020. The Valuers 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 Valuers engaged by the Group have appropriate experience in the sector in which the Group operates. For each property, the Valuers took into account property specific information such as the income generated by departures and the re-sale of independent living units. They then apply 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 considers 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 Valuers. As described in our *Emphasis of Matter* paragraph and Note 1(c) of the Group's consolidated financial statements, as a result of the ongoing COVID-19 pandemic, there has been an increase in the level of inherent uncertainty in the critical accounting estimates and judgements (described in Note 2) applied by Management in the preparation of these financial statements. As at valuation date, the Valuers have included a material valuation uncertainty clause in their reports as a result of the COVID-19 pandemic. This clause highlights the difficulties in undertaking valuations due to the reduction of relevant transactional evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution, should be attached to the point estimate valuation. This represents an increase in the significant estimation uncertainty in the valuation of investment properties. Given the material valuation uncertainty, the Valuers have recommended in their reports that the valuations of the investment properties be kept under frequent review.	Our audit procedures among others included: ▪ Reading the external valuation reports for the Group's investment properties as at 31 March 2020; ▪ Confirming that the valuation approaches for the 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 at 31 March 2020; ▪ 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; ▪ Evaluating the selection of valuation methods and assumptions with a view to identifying Management bias; and ▪ Evaluating the related disclosures (including the accounting policies) about the investment properties which are included in the Group's consolidated financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 March 2020 (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed , we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent fairly the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2020 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 30 September 2020 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 D I Searle.

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

21 October 2020

CORPORATE GOVERNANCE

This section of the Annual Report provides information on Directors' independence, policies, remuneration and statutory disclosures.

Radius Residential Care Limited has the following documents:

Constitution

Charters

- Board Charter
- Audit Committee Charter

Policies

- Health and Safety Policy

Director Independence

As at 31 March 2020 and the date of this Annual Report, the Board comprised the following four directors:

Brien Herbert Cree	Chair, Executive Director	Appointed in August 2003
Duncan Robert Cook	Executive Director	Appointed in July 2010
Bret Paul Jackson	Non-Executive Director	Appointed in September 2014
Timothy James Duncan Sumner	Non-Executive Director	Appointed in September 2014

Remuneration Report

Employees' Remuneration

All employees are employed by Radius Residential Care Limited. The number of employees and former employees, not being a Director of Radius Residential Care Limited, who received remuneration and other benefits the value of which exceeded $100,000 during the financial year ended 31 March 2020 is set out in the table of remuneration bands below.

The remuneration figures shown in the "Remuneration" column include all monetary payments actually paid during the course of the year ended 31 March 2020. The table does not include amounts paid after 31 March 2020 that relate to the year ended 31 March 2020.

Remuneration	Number of employees
$290,000 - $300,000	1
$190,000 to $200,000	1
$160,000 to $170,000	1
$140,000 to $150,000	4
$130,000 to $140,000	3
$120,000 to $130,000	6
$110,000 to $120,000	3
$100,000 to $110,000	8

CORPORATE GOVERNANCE (CONTINUED)

Statutory disclosures

Directors disclosed, under section 140(2) of the Companies Act 1993, the following interests during the year ended 31 March 2020:

Director	Entity	Nature of Interest
Brien Herbert Cree	Valhalla Capital Limited (5732188)	Director
	Naturobest Limited (4716719)	Director
	Cibus Catering Limited (979813)	Director
Duncan Robert Cook	Purangi Gold Limited (2366126)	Shareholder
	Sharpac Management Limited (2336336)	Director and Shareholder
	Barefoot Crue Limited (1767798)	Director and Shareholder
	KFT International Limited (1377447)	Shareholder
	Stallion Equipment Limited (1651057)	Shareholder
	Barbara Fishing Company Limited (1006554)	Shareholder
	Beaver Fishing Company Limited (977295)	Shareholder
	M G Hill Trustee Limited (893186)	Director
	New Horizons Limited (817914)	Shareholder
	Woodland Kiwi Limited (869076)	Shareholder
	M D C Fishing Limited (553166)	Shareholder
	Landscape Supplies 15th Ave Limited (359738)	Shareholder
	Sharp Tudhope Protector Services Limited (4256858)	Director
	Sharp Tudhope Trustee Holdings Limited (4054358)	Director and Shareholder
	Sharp Tudhope Trustee Services Limited (983930)	Director
	Sharp Tudhope Trustee Services No 2 Limited (1111271)	Director
	Sharp Tudhope Trustee Services No 3 Limited (1181261)	Director
	Sharp Tudhope Trustee Services No 4 Limited (1270303)	Director
	Sharp Tudhope Trustee Services No 5 Limited (1351204)	Director
	Sharp Tudhope Trustee Services No 6 Limited (1508441)	Director
	Sharp Tudhope Trustee Services No 7 Limited (1561789)	Director
	Sharp Tudhope Trustee Services No 8 Limited (1604884)	Director
	Sharp Tudhope Trustee Services No 9 Limited (1635198)	Director
	Sharp Tudhope Trustee Services No 10 Limited (1679348)	Director

CORPORATE GOVERNANCE (CONTINUED)

Director	Entity	Nature of Interest
Duncan Robert Cook	Sharp Tudhope Trustee Services No 11 Limited (1717925)	Director
	Sharp Tudhope Trustee Services No 12 Limited (1820871)	Director
	Sharp Tudhope Trustee Services No 13 Limited (1855176)	Director
	Sharp Tudhope Trustee Services No 14 Limited (1855177)	Director
	Sharp Tudhope Trustee Services No 15 Limited (1913909)	Director
	Sharp Tudhope Trustee Services No 16 Limited (1913910)	Director
	Sharp Tudhope Trustee Services No 17 Limited (1960679)	Director
	Sharp Tudhope Trustee Services No 18 Limited (1960680)	Director
	Sharp Tudhope Trustee Services No 19 Limited (684346)	Director
	Sharp Tudhope Trustee Services No 20 Limited (2015477)	Director
	Sharp Tudhope Trustee Services No 21 Limited (2015465)	Director
	Sharp Tudhope Trustee Services No 22 Limited (2134745)	Director
	Sharp Tudhope Trustee Services No 23 Limited (2134731)	Director
	Sharp Tudhope Trustee Services No 24 Limited (2191487)	Director
	Sharp Tudhope Trustee Services No 25 Limited (2191471)	Director
	Sharp Tudhope Trustee Services No 26 Limited (2261447)	Director
	Sharp Tudhope Trustee Services No 27 Limited (2261448)	Director
	Sharp Tudhope Trustee Services No 28 Limited (2391808)	Director
	Sharp Tudhope Trustee Services No 29 Limited (2391772)	Director
	Sharp Tudhope Trustee Services No 30 Limited (3093125)	Director
	Sharp Tudhope Trustee Services No 31 Limited (3093245)	Director
	Sharp Tudhope Trustee Services No 32 Limited (3269929)	Director
	Sharp Tudhope Trustee Services No 33 Limited (3271068)	Director

CORPORATE GOVERNANCE (CONTINUED)

Director	Entity	Nature of Interest
Duncan Robert Cook	Sharp Tudhope Trustee Services No 34 Limited (3353770)	Director
	Sharp Tudhope Trustee Services No 35 Limited (3357133)	Director
	Sharp Tudhope Trustee Services No 36 Limited (3738677)	Director
	Sharp Tudhope Trustee Services No 37 Limited (3738715)	Director
	Sharp Tudhope Trustee Services No 38 Limited (4009318)	Director
	Sharp Tudhope Trustee Services No 39 Limited (4009418)	Director
	Sharp Tudhope Trustee Services No 40 Limited (4397411)	Director
	Sharp Tudhope Trustee Services No 41 Limited (4397487)	Director
	Sharp Tudhope Trustee Services No 42 Limited (4397488)	Director
	Beauty Store Limited (6023207)	Director and shareholder
	InforME Limited (6167168)	Director and shareholder
Timothy James Duncan Sumner	KNOX INVESTMENT PARTNERS FUND III AUD LIMITED (1912098)	Director
	KNOX INVESTMENT PARTNERS FUND III NZD LIMITED (1912100)	Director
	KNOX INVESTMENT PARTNERS FUND III LIMITED (1912188)	Director
	KNOX INVESTMENT PARTNERS FUND III NZD 5 LIMITED (1912158)	Director
	SLP MAG NATION LIMITED (1767661)	Director
	KNOX INVESTMENT PARTNERS FUND III AUD 2 LIMITED (1940187)	Director
	KNOX INVESTMENT PARTNERS FUND III NZD 2 LIMITED (1912149)	Director
	KNOX INVESTMENT PARTNERS LIMITED (1567213)	Shareholder and Director
	KNOX GENERAL PARTNER LIMITED (3043769)	Director
	KIP NOMINEES LIMITED (3043910)	Director
	SUMNER INVESTMENT HOLDINGS LIMITED (4298198)	Director and shareholder
	KNOX FUND IV CARRIED INTEREST PARTNER LIMITED (4914420)	Director

CORPORATE GOVERNANCE (CONTINUED)

Director	Entity	Nature of Interest
Bret Paul Jackson	KIP NOMINEES LIMITED (3043910)	Director
	KNOX GENERAL PARTNER LIMITED (3043769)	Director
	TASMAN ADVISORY LIMITED (1537605)	Shareholder and Director
	TAKATIMU HOLDINGS LIMITED (1766453)	Shareholder and Director
	SLP MAG NATION LIMITED (1767661)	Director
	TAKATIMU INVESTMENTS LIMITED (1513954)	Shareholder and Director
	OPO HOLDINGS LIMITED (1538513)	Shareholder and Director
	KNOX INVESTMENT PARTNERS FUND III NZD 2 LIMITED (1912149)	Director
	KNOX INVESTMENT PARTNERS FUND III NZD LIMITED (1912100)	Director
	KNOX INVESTMENT PARTNERS LIMITED (1567213)	Shareholder and Director
	KNOX INVESTMENT PARTNERS FUND III AUD LIMITED (1912098)	Director
	KNOX INVESTMENT PARTNERS FUND III LIMITED (1912188)	Director
	KNOX INVESTMENT PARTNERS FUND III NZD 5 LIMITED (1912158)	Director
	KNOX INVESTMENT PARTNERS FUND III AUD 3 LIMITED (1940190)	Director
	KNOX INVESTMENT PARTNERS FUND III AUD 2 LIMITED (1940187)	Director
	KNOX FUND IV CARRIED INTEREST PARTNER LIMITED (4914420)	Director
	AAM Pty Limited	Director
	Bret Jackson Trustee Limited (6724056)	Shareholder and Director

Indemnity and Insurance

Radius Residential Care Limited has granted indemnities, as permitted by the Companies Act 1993 and the Financial Markets Conduct Act 2013, in favour of each of its Directors. Radius also maintains Directors' and Officers' liability insurance for its Directors and officers.

Donations

For the year ended 31 March 2020, Radius paid a total of $14,314 in donations.

Credit Rating

Radius has no credit rating.

Subsidiary Company Directors

Brien Herbert Cree and Duncan Robert Cook are Directors of all Radius's subsidiaries as at 31 March 2020, with the exception of:

Radius Care Holdings Limited and Radius Arran Court Limited (the Director of which is Brien Herbert Cree). No extra remuneration is payable for any directorship of a subsidiary.