

**Radius Residential Care Limited
and its Subsidiaries**

Consolidated interim report

For the six months ended 30 September
2020

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RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Unaudited Six months 30 Sep 2020 \$'000	Unaudited Six months 30 Sep 2019 \$'000
Revenue and other income			
Revenue from contracts with customers		59,979	55,683
Other revenue		675	635
Other income	4	716	(369)
Total revenue and other income		61,370	55,949
Less: expenses			
Employee benefits expense		(35,645)	(34,621)
Facility operating expenses		(9,687)	(9,722)
Operating rental expense		(32)	(24)
Administration expense		(764)	(793)
Depreciation expense		(5,728)	(5,480)
Net finance costs		(4,968)	(5,140)
Other expenses		(1,923)	(1,820)
		(58,747)	(57,600)
Profit/(Loss) before income tax expense		2,623	(1,651)
Income tax (expense)/benefit	3	(558)	118
Profit/(loss) after income tax expense		2,065	(1,533)
Other comprehensive income		-	-
Total comprehensive income/(loss)		2,065	(1,533)
Basic earnings per share (cents per share)	9	17	(12)
Diluted earnings per share (cents per share)	9	17	(12)

The accompanying notes form part of these financial statements

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Contributed Equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 April 2019 ⁽¹⁾	4,736	-	13,434	18,170
Loss for the six month period	-	-	(1,533)	(1,533)
Other comprehensive income for the six month period	-	-	-	-
Total comprehensive income for the six month period	-	-	(1,533)	(1,533)
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 30 September 2019 ⁽²⁾	4,736	-	11,676	16,412
Balance as at 1 April 2020 ⁽¹⁾	4,736	5,708	10,376	20,820
Profit for the six month period	-	-	2,065	2,065
Other comprehensive income for the six month period	-	-	-	-
Total comprehensive income for the six month period	-	-	2,065	2,065
Transactions with owners in their capacity as owners				
Dividends	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-
Balance as at 30 September 2020 ⁽²⁾	4,736	5,708	12,441	22,885

⁽¹⁾ Audited

⁽²⁾ Unaudited

The accompanying notes form part of these financial statements

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	Note	Unaudited 30 Sep 2020 \$'000	Audited 31 Mar 2020 \$'000
Current assets			
Cash and cash equivalents		4,628	2,317
Receivables		5,914	6,762
Inventories		553	308
Other assets		1,413	719
Total current assets		12,508	10,106
Non-current assets			
Other assets		150	194
Investment properties	4	29,390	27,831
Property, plant and equipment	5	31,664	32,303
Right-of-use assets	6	179,392	181,431
Intangible assets		16,996	16,996
Deferred tax assets	3	3,149	2,006
Total non-current assets		260,741	260,761
Total assets		273,249	270,867
Current liabilities			
Payables		5,261	5,885
Provisions		8,784	8,041
Current tax liabilities		1,074	723
Lease liabilities	6	3,900	3,907
Borrowings	7	1,472	-
Refundable occupation right agreements	8	19,390	18,406
Other liabilities		183	205
Total current liabilities		40,064	37,167
Non-current liabilities			
Lease liabilities	6	181,129	181,397
Borrowings	7	29,116	31,427
Other liabilities		55	56
Total non-current liabilities		210,300	212,880
Total liabilities		250,364	250,047
Net assets		22,885	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 30 SEPTEMBER 2020

	Note	Unaudited 30 Sep 2020 \$'000	Audited 31 Mar 2020 \$'000
Equity			
Share Capital	9	4,736	4,736
Reserves		5,708	5,708
Retained earnings		12,441	10,376
Total equity		22,885	20,820

Signed on behalf of the board of directors, dated 2 November 2020.



BH Cree

Director



TJD Sumner

Director

The accompanying notes form part of these financial statements

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30
SEPTEMBER 2020

	Note	Unaudited Six months 30 Sep 2020 \$'000	Unaudited Six months 30 Sep 2019 \$'000
Cash flows from operating activities			
Receipts from customers		61,138	55,769
Payments to suppliers and employees		(48,872)	(47,719)
Interest received		30	30
Interest paid		(468)	(636)
Interest paid – lease liabilities		(4,530)	(4,539)
Income tax paid		(1,351)	(818)
Net cash provided by operating activities	10	5,947	2,087
Cash flow from investing activities			
Proceeds from the sale of licenses to occupy		1,656	1,995
Payments for the purchase of plant and equipment		(1,451)	(9,521)
Payment for the repurchase of licenses to occupy		(290)	-
Payments relating to the development of the Elloughton land and village		(841)	(1,802)
Net cash inflow from investing activities		(926)	(9,328)
Cash flow from financing activities			
Net (repayment)/proceeds of bank borrowings		(839)	11,489
Repayment of shareholder loan		-	(5,030)
Principal portion of lease payments		(1,871)	(1,149)
Dividends paid		-	(225)
Net cash (used in)/ provided by financing activities		(2,710)	5,085
Reconciliation of cash			
Cash at beginning of the period		2,317	4,236
Net increase/(decrease) in cash held		2,311	(2,156)
Cash at end of period		4,628	2,080

The accompanying notes for part of these financial statements

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

(a) Basis of preparation of the financial report

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 Accounting Standard 34 Interim Financial reporting ('NZ IAS 34') and International Accounting Standard 34 Interim Financial Reporting ('IAS 34'). 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 by the Financial Market Conduct Act 2013.

The accounting policies that materially affect the measurement of the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and the Consolidated Cash Flow Statement have been applied on a basis consistent with those used in the audited consolidated financial statements for the year ended 31 March 2020.

The consolidated interim financial statements do not include all the notes of the type normally included in the consolidated annual financial statements. Accordingly, these consolidated interim financial statements are to be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2020, prepared in accordance with New Zealand Equivalents to the International Financial Reporting Standard ('NZ IFRS').

The consolidated interim financial statements for the six months ended 30 September 2020 and comparatives for the six months ended 30 September 2019 are unaudited. The consolidated annual financial statements for the year ended 31 March 2020 were audited and form the basis for the comparative figures for that period in these statements. They are presented in New Zealand dollars which is the Group's presentation currency.

The consolidated interim financial statements have been prepared in accordance with the going concern basis of accounting, which assumes that the Group will be able to realise its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

Key Estimated and Judgements

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements are disclosed in note 2

New and Amended Standards Adopted by the Group

The Group has not early adopted any standards, amendments or interpretations to existing standards that are not yet effective.

Measurement of Fair value

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.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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.

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 statement.

These financial statements have been prepared based upon conditions existing as at 30 September 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 30 September 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

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

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

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 4)

The fair value of completed investment properties have been determined by independent registered valuers. Note 4 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 30 September 2020 and 31 March 2020 valuation dates, the valuers have included a material valuation uncertainty clause in their valuation reports as a result of the COVID-19 pandemic. This clause highlights the difficulties in undertaking valuations due to the absence of 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.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Income tax (Note 3)

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.

(d) Calculation of expected credit losses allowance

When measuring expected credit losses ('ECL') the Group uses reasonable and supportable forward looking information, which is based on assumptions for future movement of different economic drivers and how these drivers will affect each other. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors and an analysis of the debtors' current financial positions, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

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.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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.

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

The fair value of land and buildings have been determined by an independent registered valuer. 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 30 September 2020 and 31 March 2020 valuation dates, the valuers have included a material valuation uncertainty clause in their valuation reports as a result of the COVID-19 pandemic. This clause highlights the difficulties in undertaking valuations due to the absence of 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.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020**

	Note	Unaudited 30 Sep 2020 \$'000	Unaudited 30 Sep 2019 \$'000
NOTE 3: INCOME TAX			
(a) Components of tax expense/(benefit)			
Current tax		1,701	495
Deferred tax		(1,143)	(613)
		558	(118)
 (b) Prima facie tax payable			
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:			
Prima facie income tax payable on profit before income tax at 28.0%			
		734	(462)
-Permanent differences		(176)	292
-Over/(Under) provision for income tax in prior year		-	52
Income tax expense attributable to profit		558	(118)
		558	(118)
		Unaudited 30 Sep 2020 \$'000	Audited 31 Mar 2020 \$'000
(c) Deferred tax			
Deferred tax relates to the following:			
<i>Deferred tax assets</i>			
The balance comprises:			
Tax losses carried forward		-	14
Leases		1,582	1,084
Provisions		1,831	1,394
Deferred management fee income		756	659
		4,169	3,151
 Deferred tax liability			
The balance comprises:			
Property, plant and equipment		1,020	1,145
		1,020	1,145
Net deferred tax asset		3,149	2,006
 (d) Deferred income tax revenue included in income tax expense comprises			
Increase in deferred tax assets		(1,018)	(1,339)
(Decrease)/increase in deferred tax liabilities		(125)	1,145
		(1,143)	(194)

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

	Note	Unaudited 30 Sep 2020 \$'000	Audited 31 Mar 2020 \$'000
NOTE 4: INVESTMENT PROPERTIES			
Opening carrying amount		27,831	23,727
Development expenditure - Elloughton Grange Village		300	3,057
Development expenditure transfer - Elloughton Grange Village		(850)	(3,221)
Net fair value gain/(loss) - Elloughton Grange Village		403	(569)
Occupation Right Agreements entered into - Elloughton Grange Village		850	3,215
Purchases of Investment Property - Elloughton Grange Village		18	56
Transferred from / (to) property, plant and equipment		-	1,025
Net fair value gain/(loss) - Windsor Lifestyle Estate Village		313	(80)
Occupation Right Agreements settled - Windsor Lifestyle Estate Village		(290)	-
Occupation Right Agreements entered into - Windsor Lifestyle Estate Village		806	490
Purchases of Investment Property - Windsor Lifestyle Estate		9	131
Closing carrying amount		29,390	27,831

(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.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

NOTE 4: INVESTMENT PROPERTIES (Continued)

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

Investment properties (Continued)

Elloughton Grange Village is a retirement village in Marchwiell, Timaru developed by the Group. There were three stages to the development, being stages 1, 2 and 3. As at 30 September 2020, construction was completed. Stage 1 of the village was completed in the 2018 financial year, Stage 2 in 2019, and Stage 3 was completed by 30 September 2020.

Valuation process

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 values, 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 and half year 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.

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.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

NOTE 4: INVESTMENT PROPERTIES (Continued)

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

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*.

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 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 0% - 3.0% (31 March 2020: -2.0% - 3.0%), nominal compound growth rate - anticipated annual property price growth over the cash flow period > 5 years of 2.5% (31 March 2020: 3%) and discounted to present value at a pre-tax discount rates of 18.0% (31 March 2020: 18.25%).

Elloughton Grange Village:

The valuation calculates the expected cash flows for a period of 20 years based on an average occupancy turnover of 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 0% - 3.0% (31 March 2020: -2.0% - 3.0%), nominal compound growth rate anticipated annual property price growth over the cash flow period > 5 years of 2.5% (31 March 2020: 3%) and discounted to present value at a pre-tax discount rates of 16.0% (31 March 2020: 16.0%).

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

NOTE 4: INVESTMENT PROPERTIES (Continued)

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

Material valuation uncertainty clause included by the Group's valuer as at 30 September 2020 and 31 March 2020

As at the 30 September 2020 and 31 March 2020 valuation dates, the valuer, CBRE Limited, have included a material valuation uncertainty clause in their valuation reports as a result of the COVID-19 pandemic. This clause highlights the difficulties in undertaking valuations due to the absence of 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 valuer 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 period there were no transfers of investment properties between levels of the fair value hierarchy.

Unaudited	Audited
30 Sep	31 Mar
2020	2020
\$'000	\$'000

(c) Investment properties

Windsor Lifestyle Estate Village:

• Valuation of operator's interest	1,445	1,090
• Refundable Occupancy Right Agreements	3,238	2,776
• Unsold units	455	435
	5,138	4,301

Elloughton Grange Village Limited

• Valuation of operator's interest	5,425	5,125
• Refundable Occupation Right Agreements	16,152	15,630
• Unsold units	2,675	2,775
	24,252	23,530
	29,390	27,831

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

	Unaudited	Audited
	30 Sep	31 Mar
	2020	2020
	\$'000	\$'000
Land and buildings		
At valuation	17,277	17,277
Accumulated depreciation	(135)	(12)
	<u>17,142</u>	<u>17,265</u>
Plant and equipment		
Motor vehicles at cost	1,203	1,282
Accumulated depreciation	(853)	(985)
	<u>350</u>	<u>297</u>
Furniture, fixtures and fittings at cost	32,873	31,772
Accumulated depreciation	(20,364)	(18,867)
	<u>12,509</u>	<u>12,905</u>
Information technology at cost	4,328	4,183
Accumulated depreciation	(2,907)	(2,546)
	<u>1,421</u>	<u>1,637</u>
Medical equipment at cost	587	500
Accumulated depreciation	(345)	(301)
	<u>242</u>	<u>199</u>
Total plant and equipment	<u>14,522</u>	<u>15,038</u>
Total property, plant and equipment	<u>31,664</u>	<u>32,303</u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

Note	Unaudited 30 Sep 2020 \$'000	Audited 31 Mar 2020 \$'000
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NOTE 6: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Lease arrangements

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 31 March 2020 financial year).

(a) Lease assets

Buildings		
Under lease	190,170	188,574
Accumulated depreciation	(10,778)	(7,143)
	179,392	181,431
Total carrying amount of lease assets	179,392	181,431

Reconciliations

Reconciliation of the carrying amount of lease at the beginning and end of the reporting period:

Buildings		
Opening carrying amount	181,431	192,205
Additions	-	1,393
Depreciation	(3,635)	(7,211)
Remeasurements	1,596	1,861
Disposals	-	(6,817)
Closing carrying amount	179,392	181,431

(b) Lease liabilities

CURRENT		
Buildings		
	3,900	3,907
NON CURRENT		
Buildings	181,129	181,397
Total carrying amount of lease liabilities	185,029	185,304

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

	Note	Unaudited 30 Sep 2020 \$'000	Unaudited 30 Sep 2019 \$'000
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NOTE 6: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES
(CONTINUED)

(c) Lease expenses and cashflows

Interest expense on lease liabilities		4,529	4,535
Depreciation expense on right-of-use assets		3,635	3,638
Cash outflows in relation to leases		6,400	5,688

		Unaudited 30 Sep 2020 \$'000	Audited 31 Mar 2020 \$'000
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(d) Maturity analysis – contractual undiscounted cashflows

• Later than 1 year		12,820	12,710
• Later than 1 year and not later than 5 years		51,562	51,105
• Later than 5 year		297,087	300,654
		361,469	364,469

NOTE 7: BORROWINGS

CURRENT

Secured liabilities

Bank loans		1,472	-
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NON CURRENT

Secured liabilities

Bank loans		29,116	31,427
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RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

NOTE 7: BORROWINGS (CONTINUED)

a) **Terms and conditions and assets pledged as security relating to the borrowings**

Bank loans comprise the following facilities with ASB Bank Limited:

	Current \$'000	Non- Current \$'000	Facility Limit \$'000	Effective Interest Rate %	Expiry Date
30 September 2020					
Committed Cash Advance	-	19,291	19,416	2.02%	29 April 2022
Revolving Committed Cash Advance - EGV	1,472	-	3,000	2.02%	3 June 2021
Committed Cash Advance	-	9,825	9,825	1.78%	29 July 2023
	1,472	29,116	32,241		
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		

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

Other

The Group entered into a Corporate Banking Overdraft Facility Agreement with ASB Bank Limited on 19 December 2013 for \$1.5m that has an expiry date of 31 March 2049. This loan bears interest at an effective interest rate of 4.04% (4.04%: 31 March 2020) and is secured over the assets of the Group and guaranteed by certain Group entities. At reporting date this overdraft facility was not drawn.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020**

	Note	Unaudited 30 Sep 2020 \$'000	Audited 31 Mar 2020 \$'000
NOTE 8: REFUNDABLE OCCUPATION RIGHT AGREEMENTS			
Windsor Lifestyle Estate Limited		3,238	2,776
Elloughton Grange Village Limited		16,152	15,630
		19,390	18,406

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.

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

- for Windsor Lifestyle Estate Limited, to a maximum of 30% of the entry payment; 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 Occupation Right Agreement. Village contribution is recognised as deferred management fees revenue.

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

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

NOTE 8: REFUNDABLE OCCUPATION RIGHT AGREEMENTS (CONTINUED)

The estimate for the established length of stay for the Group's units is 8 years (8 years: 31 March 2020). 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

Unaudited	Audited
30 Sep	31 Mar
2020	2020
\$'000	\$'000

NOTE 9: SHARE CAPITAL

Issued and paid up capital

Ordinary shares	(a)	<u>4,736</u>		<u>4,736</u>
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	Unaudited		Audited	
	30 Sep 2020		31 March 2020	
	Number	\$'000	Number	\$'000
(a) Ordinary Shares				
Opening balance	<u>12,500,000</u>	<u>4,736</u>	<u>12,500,000</u>	<u>4,736</u>
At reporting date	<u>12,500,000</u>	<u>4,736</u>	<u>12,500,000</u>	<u>4,736</u>

Rights of each type of share

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

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

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

Note	Unaudited 30 Sep 2020 \$'000	Unaudited 30 Sep 2019 \$'000
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NOTE 9: SHARE CAPITAL (CONTINUED)

Capital management

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

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 \$Nil (30 September 2019: \$225,000).

EARNINGS PER SHARE

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

Profit/(loss) after tax	2,065	(1,533)
Weighted average number of ordinary shares outstanding ('000s)	12,500	12,500
Basic earnings per share (cents per share)	17	(12)

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 30 September 2020, there were no shares with a dilutive effect (30 September 2019: None)

Profit/(loss) after tax	2,065	(1,533)
Diluted weighted average number of ordinary shares outstanding ('000s)	12,500	12,500
Diluted earnings per share (cents per share)	17	(12)

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

	Note	Unaudited 30 Sep 2020 \$'000	Unaudited 30 Sep 2019 \$'000
NOTE 10: CASH FLOW INFORMATION			
(a) Reconciliation of cash flow from operations with profit after income tax			
Profit/(Loss) from ordinary activities after income tax		2,065	(1,533)
Adjustments and non-cash items			
Depreciation		5,728	5,480
Net profit on disposal of property, plant and equipment		(4)	-
Fair value adjustments to investment properties		(716)	369
Fair value adjustments to financial instruments		-	(46)
Movement in deferred tax		(1,142)	(613)
Changes in assets and liabilities			
Decrease/(Increase) in receivables and other assets		198	(1,093)
(Increase)/decrease in inventories		(246)	(13)
(Decrease)/Increase in payables, provisions and other liabilities		(286)	20
Increase/(decrease) in income tax payable		350	(324)
Increase in deferred taxes		-	-
Decrease in finance lease liability		-	(160)
Cash flows from operating activities		5,947	2,087

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

NOTE 11: 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 Deferred Management Fee 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.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

NOTE 11: 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 underlying 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.

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020**

NOTE 11: OPERATING SEGMENTS (CONTINUED)

30 September 2020				
\$'000	Aged Care	Village	Group Support	Total
Revenue	58,712	242	1,025	59,979
Change in fair value of investment property	-	716	-	716
Other income	286	389	-	675
Total income	58,998	1,347	1,025	61,370
Operating expenses	(43,031)	(444)	(4,576)	(48,051)
Segment EBITDA	15,967	903	(3,551)	13,319
Interest income	30	-	-	30
Finance costs	(4,529)	(7)	(462)	(4,998)
Depreciation (right-of-use-assets)	(3,635)	-	-	(3,635)
Depreciation	(1,780)	(2)	(311)	(2,093)
(Loss)/Profit before tax	6,053	894	(4,324)	2,623
Income tax	(1,695)	13	1,124	(558)
(Loss)/Profit for the year attributable to shareholders	4,358	907	(3,200)	2,065
<i>Other comprehensive income</i>				
Gain on revaluation of property, plant and equipment for the period, net of tax	-	-	-	-
Total comprehensive income for the period attributable to shareholders of the parent	4,358	907	(3,200)	2,065

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020**

NOTE 11: OPERATING SEGMENTS (CONTINUED)

30 September 2019				
\$'000	Aged Care	Village	Group Support	Total
Revenue	55,226	214	243	55,683
Change in fair value of investment property	-	(369)	-	(369)
Other income	285	350	-	635
Total income	55,511	195	243	55,949
Operating expenses	(42,781)	(352)	(3,847)	(46,980)
Segment EBITDA	12,730	(157)	(3,604)	8,969
Interest income	22	-	8	30
Finance costs	(4,535)	-	(635)	(5,170)
Depreciation (right-of-use-assets)	(3,638)	-	-	(3,638)
Depreciation	(1,718)	(3)	(121)	(1,842)
(Loss)/Profit before tax	2,861	(160)	(4,352)	(1,651)
Income tax	(801)	67	852	118
(Loss)/Profit for the year attributable to shareholders	2,060	(93)	(3,500)	(1,533)
<i>Other comprehensive income</i>				
Gain on revaluation of property, plant and equipment for the period, net of tax	-	-	-	-
Total comprehensive income for the period attributable to shareholders of the parent	2,060	(93)	(3,500)	(1,533)

Unaudited	Audited
30 Sep	31 Mar
2020	2020
\$'000	\$'000

NOTE 12: COMMITMENTS

(a) Capital expenditure commitments contracted for:

- Acquisition of plant and equipment Payable	698	259
- not later than one year	698	259
	<u>698</u>	<u>259</u>

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

NOTE 12: COMMITMENTS (CONTINUED)

(b) 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 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. 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 \$187k 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.

NOTE 13: 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 six months ended 30 September 2020 and year ended 31 March 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 (31 March 2020: Nil).

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020**

NOTE 14: CONTINGENT ASSETS

There were no material contingent assets at reporting date (31 March 2020: Nil).

NOTE 15: RELATED PARTY TRANSACTIONS

(a) Directors

The names of persons who were directors of the Group during the period are Brien Herbert Cree, Duncan Robert Cook, Bret Paul Jackson and Timothy James Duncan Sumner. Directors' fees were paid to all directors and are borne by the Company.

(b) Transactions with related parties

	Unaudited 30 Sep 2020 \$'000	Audited 31 Mar 2020 \$'000
Balances with shareholders/directors		
Trade creditors		
-Cibus Catering Limited	26	54
	26	54
	Unaudited 30 Sep 2020 \$'000	Unaudited 30 Sep 2019 \$'000
Transactions with related parties		
Directors fees		
- Duncan Robert Cook	64	43
- Brien Herbert Cree	31	-
- Timothy James Duncan Sumner	31	-
- Bret Paul Jackson	31	-
 Legal Fees		
- Sharp Tudhope Lawyers Limited (Common director – Duncan Robert Cook)	19	32
	176	75
 Management fee expense:		
- Knox Radius LP (Shareholder)	-	83
Catering Services		
- Cibus Catering Limited (Common director – Brien Herbert Cree)	2,689	2,221
	2,689	2,304

RADIUS RESIDENTIAL CARE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER
2020

NOTE 15: RELATED PART TRANSACTIONS (CONTINUED)

During the periods ended 30 September 2020 and 30 September 2019, the Group undertook no transactions with Directors in their personal capacity other than the payment of items noted above and the payment made to a director for the assignment of an agreement for the purchase of land (refer Note 12).

NOTE 16: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 September 2020 that has significantly affected or may significantly affect:

- a) the operations, in financial years subsequent to 30 September 2020, of the Group, or
- b) the results of those operations, or
- c) the state of affairs, in financial years subsequent to 30 September 2020, of the Group.

INDEPENDENT REVIEW REPORT

To the Shareholders of Radius Residential Care Limited

Report on the condensed consolidated interim financial statements

We have reviewed the condensed consolidated interim financial statements of Radius Residential Care Limited and its subsidiaries (together "the Group") on pages 1 to 31, which comprise the condensed consolidated interim statement of financial position at 30 September 2020, the condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the period then ended, and the notes to the condensed consolidated interim financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibilities

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

Auditor's Responsibilities

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* ('NZ IAS 34') and International Accounting Standard 34: *Interim Financial Reporting* ('IAS 34'). As the auditor of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

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

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on the interim financial statements.

Our firm carries out other assignments for the Group in the area of taxation compliance services. The firm has no other interest in the Group. These services have not impaired our independence as auditors of the Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2020, and of its financial performance and its cash flows for the six-months ended on that date, in accordance with NZ IAS 34 and IAS 34.

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

Emphasis of Matter – Increased level of inherent uncertainty arising from the ongoing global pandemic of coronavirus disease 2019

We draw attention to Note 1(a) of the condensed consolidated interim 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 on the Group. 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 condensed consolidated interim financial statements, described in Note 2, of the condensed consolidated interim financial statements. As at the date of the signing of these condensed consolidated interim 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 condensed consolidated interim financial statements. Our conclusion is not modified in respect of this matter.

Emphasis of Matter – Valuation of Investment Properties

We draw attention to Note 2(b) and Note 2(f) of the condensed consolidated interim financial statements, which describes the Valuers have included a material valuation uncertainty clause in their reports as a result of the COVID-19 pandemic as at valuation date. This clause highlights the difficulties in undertaking valuations due to the reduction of relevant transactional evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution, should be attached to the point estimate valuation. This represents an increase in the significant estimation uncertainty in the valuation of investment properties. Our conclusion is not modified in respect of this matter.

Other Matter

The condensed consolidated interim financial statements of the Group for the period ended 30 September 2019 were not reviewed or audited. No conclusion is expressed on the comparative financial information of the Group presented in these condensed consolidated interim financial statements for the period ended 30 September 2019.



BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

2 November 2020