Arvida Group Limited (ARV)
Annual Meeting
Chairman's and CEO's Addresses
19 AUGUST 2016

Chairman's Address

At our 2015 Annual Meeting I indicated we were on track to deliver our IPO forecast and that our stated objectives to create a corporate structure that captured the benefits of a larger group, identified opportunities for development in existing properties and addressed acquisitions, were all being actively pursued.

Your Board is pleased to deliver on each of these objectives.

This slide is page 3 of the Annual Report and is a good illustration of the considerable progress made and to have materially exceeded the forecast on each of these measures is reflective of a high quality effort from the management team.

Integration of 18 independent businesses is a challenging task and to achieve that and create a positive new culture across the Group is a credit to our CEO and his colleagues. The addition of a further three villages further tested our integration skills and this too was successfully accomplished, as was the integration of Lansdowne Park in Masterton acquired recently. We now have an established ability to continue our growth objectives knowing we have the experience and systems to deliver successful outcomes.

A good financial result is important. However, in this business success is about the level of care and wellbeing we can provide to our residents. Programmes to enhance the lives of our residents have been, and will continue to be, a primary focus of our staff with great leadership from our senior executives. Bill will speak to our plans in this area in his address.

The acquisition of the Aria villages has given us a presence in the important Auckland area. Now that we have the structure to address further growth opportunities, we are being presented with proposals that will be actively considered and we would expect to make further acquisitions in this financial year. Our criteria in terms of location, quality of assets and current management, opportunities for development and being earnings accretive are unchanged. We continue to see merit in being conservatively geared so growth will require shareholder support from time to time.

The expected improvement in earnings from new and refurbished facilities are now evident and we are on-track for an improved half year result to 30 September 2016.

We intend continuing our dividend policy of distributing approximately 70% of underlying profit on a quarterly basis. Shareholder returns have been rewarding over the last year and our current expectation is the present rate of distribution at 1.1 cents per share will continue for the 2016/2017 financial year.

We are mindful of external economic and political factors that could impact our economy and the concerns at the level of house price inflation and household debt in New Zealand. However, we believe our business is not unduly exposed to these factors and remain confident in our stated strategy.

I would like to acknowledge the outstanding contribution of our Management and Staff. The challenges to date have been met and exceeded and your Board has appreciated the leadership of Bill McDonald and Jeremy Nicoll in this regard.

Finally, I note the efforts of my Board colleagues over the last year. Much has been asked of them and given our objectives for growth – much has and will be asked of them again this year.

CEO's Address

Good morning ladies and gentlemen. I am pleased to address you at this year's AGM – being our first full financial year of operation as a group.

As Peter said, this has been a very busy year for all.

Since last year's AGM, we have made a number of appointments to our executive team – Denise Brett, Virginia Bishop, Kay Marshal, Tristan Saunders.

The leadership team is now complete with a depth of capability and expertise necessary for today and for our growth aspirations.

However, it is the other 1,300 members of the Arvida team not in the room that I must also acknowledge. They continue to make our residents' lives better each day. Their commitment will help us to transform the ageing experience. By taking a holistic, individual based approach to retirement living and aged care, we are creating a compelling offering for senior New Zealanders. One that is more individually focused with strongly developed links to the community.

We finished the year having met and exceeded the targets we set out to deliver at the time of our IPO in December 2014.

To recap on the milestones reported at the end of May...

- We acquired three high quality retirement villages and aged care facilities situated in prime Auckland locations – Aria Park, Aria Bay and Aria Gardens. This acquisition was a first step in delivering to our stated growth strategy. We also announced that we were acquiring Lansdowne Park in Masterton. We have now completed this acquisition and I am pleased to report a smooth transition. The acquisitions were all immediately accretive to earnings.

- Underlying profit was up 19% on IPO forecast. Underlying profit is a key financial measure of our business performance. Performance at both the original villages and the acquired Aria villages was strong.

- We have built sales momentum, with 68 sales in the first four months of this year generating $2.4 million of gains. The sell down of the new apartments in Glenbrae is also now underway.

- Integration tasks outlined at IPO were completed. We now have a solid business platform in place that will enable Arvida to meet its growth objectives while delivering a model of excellence in care and retirement living.

- Development activity in our villages is a key area for earnings enhancement going forward. We have a very active brownfield development programme ahead of us. During the year, Jonathan established project teams in both the North and South Islands to execute on those opportunities. We completed developments at Glenbrae, Park Lane and Aria Gardens adding a combination of 32 units and care beds in the 2016 financial year. 149 units were also refurbished for resale as well as 79 care beds at Aria Gardens, St Allisa and Glenbrae.

Brownfield development activity in progress will add 150 units and 37 care beds to our villages. This includes construction of 24 new apartments at Aria Bay in Auckland after attaining resource consent in May. Ground improvement works have also been underway at Park Lane in Christchurch in preparation for construction commencing later this year. Over 70 new apartments are to be added to this village.

More recently we were awarded resource consent last week for construction of 22 new villas on land acquired directly adjacent to Oakwoods Retirement Village in Nelson. Construction of these Villas will begin prior to Xmas. Yesterday we received resource consent for the proposed Rhodes on Cashmere development which entails 28 apartments and a combination of 33 care suites and care beds.

With the delivery of new care suites, we will be providing up to Hospital-level care in premium quality rooms. This will enable us to place an ORA over the bed, thereby reducing our capital invested and improving investment returns to shareholders. We are also starting the process to implement the care suite model on existing beds within the portfolio.

I was pleased to report that Arvida's net profit after tax of $24 million exceeded the IPO forecast profit. This was on total operating revenue of $82 million, which was 19% ahead of IPO forecast. $62 million was generated from care fees.

Our portfolio remains care focused, with over 80% of the offering that we can term needs based. Care fees provide a regular and defensible revenue stream. Our care facilities have performed strongly with a high occupancy rate of 94% being maintained across the group. We continue to see the rationale to develop a full continuum of care. Our approach is to ensure the qualities of our physical assets are aligned with the needs and desires of our residents, now and in the future.

A focus since listing has been driving operational efficiencies to the bottom line. Cost saving benefits realised from integration and synergy strategies have allowed increased reinvestment in our people and systems to ensure a high level of care, effective integration and a platform for future growth.

Remuneration in aged care continues to be an unresolved challenge for the industry. At this time there is no substantial update to provide from the New Zealand Aged Care Association in relation to the resolution of the equal-pay negotiations. We are hopeful that a satisfactory outcome will be reached soon.

Total assets grew to $461 million, representing an increase of more than $100 million over the financial year. Valuations completed by CBRE recorded a significant increase in fair values. The value increase represented a number of factors including the ageing demographic, house price inflation and specific initiatives at some sites such as pricing reviews and facility upgrades.

As we move into a business-as-usual phase, three core planks remain central to strategy: Operations; Development; and Acquisition.

During this coming year, our operational initiatives include:

- Firstly, investing in further improving the skills and expertise of village management and staff to enhance the care and services provided to residents; and

- Secondly, introducing further developments to our IT systems to underpin our continued growth. This includes, group wide resident management system, time and attendance and improved payroll systems, as well as HR Information systems & Business Intelligence modules.

While our systems and processes ensure consistency in service, they recognise that each of our villages is unique. Core to our model is retaining the individual culture and character of each of our villages. This will not be disrupted by the implementation of better systems and work practices. In fact, our villages are eagerly awaiting these changes as one of the key benefits the Arvida Group can offer.

Our recent village manager's forum highlighted the unity and increasing collaboration amongst the managers and villages generally. This is what we are looking for and continues to strengthen the business model. The sense of collaboration also makes it easier for new managers to enter the group, clearly understanding how to interact, seek and provide support to one another. We have seen this with Lansdowne Park most recently.

We now have a considerably larger business footprint having undertaken development activities within our existing villages plus the acquisition of the four villages.

As Peter indicated, we continue to see opportunities to add to our current footprint. Our transaction and integration skillset has been confirmed over the last period and is well placed to assess the relative merits of opportunities as they arise.

The dynamics of the New Zealand aged care and retirement living industry are compelling. Arvida is well placed to capitalise on opportunities as they emerge notwithstanding the external factors that could impact on our economy.

The business continues to trade well. Continued momentum in revenues and earnings is being delivered through development activity at our villages.

Before I hand back to Peter for the formal business and resolutions, I would like to sincerely thank the Arvida team for their hard work and dedication and importantly, helping build and embrace the Arvida Vision.

- ENDS -

For more information contact:
Bill McDonald, Chief Executive Officer, Arvida Group Limited
Telephone: 021-270-3669 or email: bill.mcdonald@arvida.co.nz

Jeremy Nicoll, Chief Financial Officer, Arvida Group Limited
Telephone: 021-403-665 or email: jeremy.nicoll@arvida.co.nz

About Arvida:
Arvida Group Limited (**Arvida**) is a retirement village group with an emphasis on providing a continuum of care from independent living through to high quality aged care services. Arvida has 22 villages across New Zealand comprising: Aria Bay, Aria Gardens and Aria Park, Auckland; Glenbrae, Bay of Plenty; Molly Ryan, New Plymouth; Lansdowne Park, Masterton; Olive Tree, Palmerston North; Waikanae Lodge, Waikanae; Oakwoods and The Wood, Nelson; Ashwood, Blenheim; Ilam, The Maples, Mayfair, Park Lane, Rhodes on Cashmere, St Albans, St Allisa and Wendover, Christchurch; and Bainlea House, Bainswood House and Bainswood on Victoria, Rangiora. Arvida's shares trade on the NZX Main Board under the code ARV. See **www.arvida.co.nz**