



*Arvida
group*

**LIFESTYLE
+ CARE**

**INVESTMENT STATEMENT
INITIAL PUBLIC OFFERING
OF ORDINARY SHARES IN
ARVIDA GROUP LIMITED**

DATED 17 NOVEMBER 2014

**ARRANGER AND
LEAD MANAGER**

 **FORSYTH BARR**

IMPORTANT INFORMATION

(The information in this section is required under the Securities Act 1978.)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

This document is an investment statement. The purpose of an investment statement is to –

- Provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to subscribe for securities; and
- Bring to the attention of such a person the fact that other important information about the securities is available to that person in other documents.

For more information to assist you in deciding whether or not to purchase the Shares offered to you, you are recommended to read the Prospectus which has been prepared in respect of this Offer.

THE FINANCIAL MARKETS AUTHORITY REGULATES CONDUCT IN FINANCIAL MARKETS

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets.

For more information about investing, go to <http://www.fma.govt.nz>

FINANCIAL ADVISERS CAN HELP YOU MAKE INVESTMENT DECISIONS

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check:

- The type of adviser you are dealing with;
- The services the adviser can provide you with;
- The products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at <http://www.fspr.govt.nz>

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

IMPORTANT NOTICE

This document (*Investment Statement*) is for an initial public offer ("Offer") of Shares in Arvida Group Limited (the "Company" or "Arvida"). A description of the Offer and the Shares is set out in section 8: "Terms of the Offer".

This document is an investment statement for the purposes of the Securities Act and Securities Regulations and is prepared as at, and dated, 17 November 2014. It has been prepared in compliance with the Securities Act 1978 and Securities Regulations 2009, as modified by the Securities Act (Form and Content of Investment Statement for Equity Securities Offers) Exemption Notice 2014 and the Securities Act (Hercules Limited) Exemption Notice 2014. There is a registered

prospectus containing an offer of securities to which this Investment Statement relates.

The Prospectus, which includes Arvida's 31 March 2014 audited financial statements and its unaudited interim financial statements (being the most recent financial statements relating to the Company), can be obtained, free of charge:

- By downloading it from www.arvida.co.nz; or
- By calling (09) 488 8777 and requesting a copy be sent to you; or
- From the Companies Office website at www.business.govt.nz/companies.

This Investment Statement is an important document and you should read all of this Investment Statement carefully before deciding whether or not to participate in this Offer.

No person is authorised to give any information, or make any representation, in connection with this Offer which is not contained in the Prospectus, this Investment Statement or in other communications from the Directors. Any information or representation not so contained may not be relied upon as having been authorised by the Company.

If you are in any doubt as to any aspect of the Offer you should consult your financial or legal adviser or an NZX Firm.

You should seek your own taxation advice on the implications of an investment in the Shares.

NO GUARANTEE

No person guarantees the Shares offered under this Investment Statement. No person warrants or guarantees the performance of the Shares or any return on any investments made pursuant to this Investment Statement.

SELLING RESTRICTIONS

The Offer is being made to eligible persons under the Priority Pool Offer, New Zealand resident clients of NZX Firms who receive a firm allocation of Shares and to selected NZX Firms and Institutional Investors. No person may offer, sell (including resell) or deliver, or invite any other person to so offer, sell (including resell) or deliver, any Shares or distribute any documents (including this Investment Statement) in relation to the Shares to any person outside New Zealand except in accordance with the legal requirements of the relevant jurisdiction.

Unless otherwise agreed with Arvida, any person or entity subscribing for Shares in the Offer will, by subscribing, be deemed to represent that he, she or it is not in a jurisdiction which does not permit the making to him, her or it of an offer or invitation of the kind described in this Investment Statement (and is not acting for the account or benefit of a person within such jurisdiction). No person accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

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IMPORTANT INFORMATION (CONTINUED)

FORWARD LOOKING STATEMENTS

This Investment Statement contains certain statements which relate to the future including, in particular, the information set out in section 7: "Overview of Financial Information". Forward looking statements should be read together with the other information in this Investment Statement, including the risk factors in section 6: "What are my Risks?" and the assumptions and sensitivity analysis set out in Appendix 1: "Prospective Financial Information" of the Prospectus.

Such forward looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Arvida Group and which may cause actual results, performance or achievements of the Group to differ materially from those expressed or implied by such statements.

The Directors and the Company disclaim any responsibility to update any such risk factors or publicly announce the results of any revisions to any of the forward looking statements contained in this Investment

Statement to reflect developments or events, except to the extent required by law or the NZX Main Board Listing Rules.

Given these uncertainties, you are cautioned not to place undue reliance on any forward looking statements contained in this Investment Statement. Under no circumstances should you regard the inclusion of forward looking statements as a representation or warranty by the Company or the Directors or any other person referred to in this Investment Statement with respect to the achievement of the results set out in any such statement, or that the underlying assumptions used will in fact be realised.

DEFINITIONS

Capitalised terms used in this Investment Statement have the specific meaning given to them in the Glossary.

Unless otherwise indicated, \$ or NZ\$ refers to New Zealand Dollars and all references to time are to time in New Zealand.

LETTER FROM THE CHAIRMAN



Dear Investor,

On behalf of the Board, I am delighted to offer you the opportunity to become a Shareholder in Arvida.

Arvida is combining 17 retirement village and aged care operations ("Portfolio Facilities") across New Zealand and, in so doing, has created one of the larger industry participants. Arvida now intends to list on the NZX Main Board to create an opportunity for Shareholders to participate in a quality, care focused business with earnings yield and growth characteristics.

The Group will comprise 952 aged Care Beds, 450 serviced apartments, 16 apartments and 346 villas providing care services and accommodation to over 1,800¹ residents across the 17 Portfolio Facilities. The aggregate of the CBRE market valuations of the Portfolio Facilities is approximately \$227 million. Each of these facilities is a well-established, sound business unit with excellent local management who provide a high level of personalised care to residents.

There are significant opportunities for growth in the aged care sector in New Zealand, underpinned by an ageing population with increasing care needs.

Following the completion of the Offer, Arvida will have:

- A scalable, geographically diverse portfolio of quality village assets with a history of providing a range of accommodation options and a high level of care to residents;
- A care focused model that is supported by favourable current Government aged care policies;
- A favourable occupancy level of approximately 94%,² indicating the quality of Arvida's current offering;
- A range of Brownfield Development opportunities within Arvida's existing portfolio;
- A highly capable senior management team, led by CEO Bill McDonald who has held a number of senior positions with Stockland and ING where he has developed and operated retirement villages and aged care facilities and CFO Jeremy Nicoll who has held a number of senior executive finance and operational positions within ING and ANZ;
- Operating Cash Flows that Arvida anticipates will provide capacity for quarterly dividends.

Importantly, the key rationale for the Offer is to facilitate the Aggregation of the Portfolio Facilities and to list on the NZX Main Board³. Accordingly, the current owners are supporting the creation of Arvida and Aggregation of the portfolio and will be exchanging over 90% of their current investment for Shares in Arvida. These Shares will be subject to escrow arrangements until 31 May 2016.

This Offer will raise up to \$80 million of new capital, which will initially be used to repay debt, provide a modest liquidity pool to enable existing interests to reduce a small portion of their investment (see further details at section 2: "Offer at a Glance") and pay for the costs of the Offer. The IPO provides Arvida with the capacity to operate, develop and enhance its portfolio. Arvida is targeting a dividend payout ratio of between 60% and 80% of Underlying Profit per annum, resulting in an indicative cash dividend yield of between 4.2% and 4.7% in FY16 assuming a 70% payout ratio and based on the Indicative Price Range.

Existing investors in the Portfolio Facilities are expected to hold between 138.4 and 138.8 million Shares following the completion of the Offer, representing between 58.9% and 62.7% of the total Shares⁴. This reflects their ongoing support for Arvida and their desire to invest in Arvida alongside new investors. In addition, a total of approximately 2.3 million Shares are being issued to GA Village Management (an entity involved in the establishment of Arvida) and to current and former members of the Board and the senior management team on completion of the IPO, with up to approximately 1.2 million of "at risk" Shares to be issued on 31 May 2016 only if the volume weighted average market price of Shares around that time reaches 1.25 times the Final Price⁵.

This Investment Statement contains detailed information about the Offer, New Zealand's retirement village and aged care sector, and Arvida's forecast operating and financial performance. Like any business Arvida is subject to a range of risks. Should material risks eventuate these may have an adverse impact on Arvida and/or its earnings. I encourage you to read this Investment Statement carefully (and, in particular, section 6: "What are my Risks?", which includes certain risks associated with the Aggregation, Arvida's business and portfolio and the retirement sector generally) before making your investment decision.

The Board and management team are excited about the future of Arvida. On behalf of the Board, I look forward to welcoming you as a Shareholder.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Peter Wilson".

Peter Wilson
Chairman

1 THESE FIGURES ARE AS AT 31 MARCH 2014.

2 CBRE ESTIMATE OF PRO FORMA OCCUPANCY RATE AS AT 31 MARCH 2014.

3 SEE FURTHER DETAIL IN SECTION 2: "OFFER AT A GLANCE" UNDER THE HEADING "PURPOSE OF THE OFFER AND USE OF PROCEEDS".

4 ASSUMING AN OFFER SIZE OF \$80 MILLION OF SHARES AND BASED ON THE INDICATIVE PRICE RANGE. THIS EXCLUDES ANY FURTHER SHARES THAT FACILITY INVESTORS MAY SUBSCRIBE FOR UNDER THE IPO (WHETHER UNDER THE PRIORITY POOL OFFER OR OTHERWISE).

5 SEE FURTHER DETAIL IN SECTION 5: "ABOUT ARVIDA" UNDER THE HEADING "ESTABLISHMENT FEE AND SHARE ALLOCATIONS TO DIRECTORS AND SENIOR MANAGEMENT".

SECTION 1:

ARVIDA AT A GLANCE

Arvida has been established to own and operate a quality portfolio of retirement villages and aged care facilities. Upon IPO, it will be one of the larger operators in the retirement village and aged care sector in New Zealand.

Arvida has regional coverage through its 17 retirement villages and aged care facilities.

KEY STATISTICS AS AT 31 MARCH 2014

RESIDENTS	Over 1,800
STAFF	Approximately 1,000 including casual staff
FACILITIES	17 retirement villages and aged care facilities
CARE BEDS	952
RETIREMENT UNITS	812

Following a period of consolidation of its portfolio and operating business, Arvida intends to further enhance and develop its portfolio through the acquisition and development of appropriate retirement village and aged care facilities. Additionally, there are a number of opportunities to further develop assets within the existing portfolio.

ESTABLISHMENT OF ARVIDA

Arvida was incorporated on 17 January 2014 in order to combine the Portfolio Facilities through the Aggregation (as described further in section 5: "About Arvida" of the Prospectus) and undertake the Offer.

The descriptions of Arvida / the Arvida Group and its business in this Prospectus generally assume that the Aggregation has occurred. However, investors should note that the Aggregation will actually occur on the Allotment Date.

Further information about Arvida's business and strategies can be found in section 5: "About Arvida" of the Prospectus.

OFFER AT A GLANCE

WHAT IS THIS?

This is an initial public offer of Shares in Arvida. All Shares offered will rank equally in all respects with existing ordinary shares in Arvida, including in relation to voting and dividend entitlements.

KEY DATES

PROSPECTUS REGISTERED	17 November 2014
BOOKBUILD, PRICING AND ALLOCATION OUTCOME ANNOUNCED	21 November 2014
BROKER FIRM OFFER AND PRIORITY POOL OFFER OPENING DATE	27 November 2014
PRIORITY POOL OFFER CLOSING DATE	8 December 2014
BROKER FIRM OFFER CLOSING DATE	15 December 2014
ALLOTMENT DATE	17 December 2014
QUOTATION AND TRADING OF SHARES EXPECTED TO COMMENCE ON THE NZX MAIN BOARD	18 December 2014
MAILING OF HOLDING STATEMENTS	No later than 22 December 2014
ANTICIPATED DATE OF FIRST DIVIDEND	Late May 2015

These dates are indicative only and may be amended. Arvida reserves the right to vary or extend the dates of the Offer, withdraw the Offer at any time before allotment occurring on the Allotment Date and accept late Applications (either generally or in individual cases).

KEY OFFER STATISTICS

FINAL PRICE ¹	\$0.95 per Share
TOTAL GROSS PROCEEDS FROM THE OFFER	\$80 million
NUMBER OF SHARES BEING OFFERED	84.2 million (37.3% of all Shares)
NUMBER OF SHARES HELD BY FACILITY INVESTORS AND SHARES ISSUED TO DIRECTORS, SENIOR MANAGEMENT AND GA VILLAGE MANAGEMENT ²	141.3 million (62.7% of all Shares)
TOTAL NUMBER OF SHARES ON ISSUE UPON COMPLETION OF THE OFFER	225.5 million

¹ THE FINAL PRICE WAS DETERMINED ON 20 NOVEMBER 2014.

² THESE SHARES ARE SUBJECT TO ESCROW RESTRICTIONS SET OUT IN SECTION 8: "TERMS OF THE OFFER". THIS EXCLUDES ANY FURTHER SHARES THAT FACILITY INVESTORS MAY SUBSCRIBE FOR UNDER THE IPO (WHETHER UNDER THE PRIORITY POOL OFFER OR OTHERWISE). FOR FURTHER DETAIL ON SHARES TO BE ISSUED TO DIRECTORS, SENIOR MANAGEMENT AND GA VILLAGE MANAGEMENT, SEE SECTION 5: "ABOUT ARVIDA", UNDER THE HEADING "ESTABLISHMENT FEE AND SHARE ALLOCATIONS TO DIRECTORS AND SENIOR MANAGEMENT".

SELECTED FINANCIAL INFORMATION

The following table presents both pro forma and statutory financial information.

The Pro Forma Financial Information has been included to enable better comparison of Arvida Group financial information over time and reflects the underlying operating activities of the 17 facilities to be acquired by Arvida, assuming they had been part of the Arvida Group for the entirety of the financial periods presented.

The statutory information reflects the basis on which the Arvida Group will report its results for those years. It incorporates the capital structure and head office costs of Arvida from the Allotment Date (assumed to be 17 December 2014). For a full explanation of the basis of preparation of pro forma and statutory information please refer to section 7: "Overview of Financial Information".

To aid comparability of the financial information:

- Pro Forma Financial Information is presented to the level of operating profit before financing, transaction and IPO costs in order to remove the impact of the capital structure of each facility prior to acquisition as well as transaction and IPO costs that are to be incurred. As each facility operated with its own capital structure prior to acquisition it is not possible to include a meaningful comparison of net profit after tax or Underlying Profit for FY13-FY15 and any such inclusion could be misleading.
- Pro Forma Financial Information for FY15 is presented in the table because it incorporates the operations of each village to be acquired for a full financial year. For statutory financial reporting purposes, the FY15 operations of the villages are incorporated for a part financial year commencing at acquisition date. For completeness, FY15 statutory financial information is included in section 7: "Overview of Financial Information".

PRO FORMA EARNINGS AND CASH FLOW INFORMATION

	Historical		Prospective	
	Unaudited FY13 Historical Pro Forma	Unaudited FY14 Historical Pro Forma	FY15 Prospective Pro Forma	FY16 Prospective Statutory ²
12 months ending 31 March (NZ\$000)				
Care and village service fees	47,589	56,571	59,105	61,417
Deferred management fees	3,951	4,336	5,369	6,914
Other revenue	1,452	1,464	930	973
Total revenue	52,992	62,371	65,403	69,304
Fair value movement of investment property	3,110	30,431	986	1,226
Total income	56,102	92,802	66,389	70,530
Operating expenses	(39,821)	(47,805)	(50,252)	(54,860)
Depreciation, amortisation and impairment losses	(2,555)	(5,029)	(1,109)	(1,288)
Total expenses	(42,376)	(52,835)	(51,361)	(56,148)
OPERATING PROFIT BEFORE FINANCING, TRANSACTION AND IPO COSTS	13,726	39,967	15,028	14,383
Net financing costs				(175)
Offer costs				-
PROFIT BEFORE INCOME TAX				14,207
Income taxation				(3,635)
NET PROFIT AFTER TAX				10,573
NET CASH FLOW FROM OPERATING ACTIVITIES				23,490
UNDERLYING PROFIT¹				13,298

¹ Underlying Profit represents the Board's adjustment to net profit after tax to replace the fair value adjustment in investment property values, with the Board's estimate of realised components of movements in investment property value, and to eliminate deferred tax charges or credits. The Board believes that Underlying Profit is the measure which most accurately represents the profitability of Arvida's retirement village and aged care operations.

² Includes \$3.2 million of corporate overhead costs, which are not included in the Pro Forma Financial Information.

RECONCILIATION BETWEEN NET PROFIT AFTER TAX AND UNDERLYING PROFIT

	FY16 Statutory (NZ\$000)
NET PROFIT AFTER TAX	10,573
LESS: CHANGE IN FAIR VALUE OF INVESTMENT PROPERTY	(1,226)
ADD: TOTAL CAPITAL GAINS	3,532
ADD: DEVELOPMENT MARGIN ON NEW UNITS¹	132
ADD: DEFERRED TAX	288
UNDERLYING PROFIT	13,298

6

1 SELLING PRICE OF ORAS FOR NEW UNITS LESS DEVELOPMENT COSTS. DEVELOPMENT COSTS CONSIST OF THE COST FOR THE LAND AND THE COST TO CONSTRUCT BUILDINGS.

BALANCE SHEET INFORMATION

As at 31 March (NZ\$000)	Historical		Prospective	
	Unaudited FY13 Pro Forma	Unaudited FY14 Pro Forma	FY15 Statutory	FY16 Statutory
Investment property	177,643	207,541	216,460	226,245
Property plant and equipment	75,274	83,280	83,499	89,398
Total assets	268,206	309,351	349,573	364,990
Total liabilities	193,903	205,871	152,965	166,747
Net debt ²	65,351	64,964	979	1,360

2 CALCULATED AS INTEREST-BEARING LOANS AND BORROWINGS LESS CASH AND CASH EQUIVALENTS.

INVESTMENT METRICS BASED ON PROSPECTIVE FINANCIAL PERFORMANCE

\$80 million Offer size

Indicative Market Capitalisation ¹	\$214.2 million
Pro Forma Net Debt ²	\$7.8 million
Indicative Enterprise Value (EV) ³	\$222.0 million
Market Value of Portfolio Facilities ⁴	\$227.5 million
EV / Market Value of Portfolio Facilities ⁵	0.98x
Price / FY16 Net Operating Cash Flow ⁶	9.1x
Price / FY16 Underlying Profit ⁶	16.1x
FY16 Cash Dividend Yield ⁷	4.3%
FY16 Gross Dividend Yield ⁸	5.9%

1 Calculated as the estimated total number of Shares on issue upon completion of the Offer, multiplied by the Final Price (see "Key offer statistics" in this section).

2 Calculated as pro forma net interest-bearing debt of Arvida as at the date of this Investment Statement (see section 7: "Overview of Financial Information") adjusted to include the expected Offer proceeds to be retained by Arvida after payment of Offer costs and settlement of the liquidity pool.

3 Calculated as Indicative Market Capitalisation plus Pro forma Net Debt.

4 CBRE market valuation of the operator's interest in the Portfolio Facilities as at 31 March 2014. The Portfolio Facilities have been valued on an individual basis and not as a portfolio of assets. For further details of the valuation refer to section 9: "Statutory Information" of the Prospectus under the heading "Other material matters".

5 Indicative EV divided by market value of the Portfolio Facilities.

6 Indicative Market Capitalisation divided by forecast FY16 Net Operating Cash Flow or FY16 Underlying Profit.

7 Total cash dividends anticipated to be declared in FY16 divided by Indicative Market Capitalisation. Arvida's current dividend policy is to distribute 60% to 80% of its Underlying Profit per annum. For the purposes of calculating a cash dividend yield, Arvida has assumed the midpoint of this range (i.e. 70% per annum).

8 Total cash dividends anticipated to be declared in FY16 plus imputation credits attached to cash dividends declared in FY16 divided by Indicative Market Capitalisation.

DIVIDEND POLICY

Arvida's current dividend policy is to distribute between 60% and 80% of Underlying Profit per annum. Dividends are intended to be paid on a quarterly basis.

Based on current earnings forecasts, Arvida intends to pay a first dividend of approximately \$2.3 million in late May 2015 for the financial quarter ended 31 March 2015.

Arvida intends to attach imputation credits to the extent they are available. However, no guarantee can be given about the level or payment of dividends, the level of imputation of such dividends or the payout ratios as these matters depend upon the future profits of Arvida and its financial and taxation position at that time.

PURPOSE OF THE OFFER AND USE OF PROCEEDS

The proposed transaction involves the IPO of Arvida Shares. The Facility Investors are supporting the creation of Arvida and Aggregation of the portfolio and will effectively be exchanging over 90% of their current investment for Shares in Arvida on the Allotment Date. However, neither the Facility Investors nor any other person guarantees the Shares offered or any returns on them.

The primary purpose of the Offer is to complete the proposed Aggregation of the Portfolio Facilities, achieve a listing on the NZX Main Board and raise new capital of up to \$80 million to partially repay debt, fund a small amount of liquidity for Facility Investors and meet the costs of the Offer.

USE OF OFFER PROCEEDS

Repayment of debt	\$70.40 million
Liquidity for Facility Investors	\$5.25 million
Costs of Offer	\$4.35 million
Total	\$80 million

The repayment of existing Portfolio Facilities' bank debt will provide Arvida with additional capacity to operate, develop and enhance its portfolio. Arvida expects to enter into new centralised debt facilities to replace the individual banking arrangements held by Portfolio Facilities.

As part of the IPO, Arvida is providing a modest liquidity pool of approximately \$3.0 million for Facility Investors to realise a small portion of their overall investment in Arvida at the Final Price. These investors will, to the extent of their participation in the pool, receive cash instead of Shares in exchange for their investment in the applicable facilities. Certain other Facility Investors will be repaid shareholder advances of a total of \$2.2 million. In total, this represents less than 10% of the total economic interest held by Facility Investors.

The total costs attributable to the Aggregation and Offer amount to \$8.20 million (as set out in further detail in section 9: "Statutory Information"). Of these costs, Arvida has funded \$3.85 million through contributions from Portfolio Facilities and initial share capital from Arvida's founding Shareholders, with the remaining \$4.35 million being funded from the proceeds of the Offer (as shown in the table above).

On completion of the Offer, Facility Investors will own a minimum of approximately 58.9% of the total Shares on issue between them (excluding any additional Shares they may subscribe for under the IPO).

OFFER STRUCTURE

The Offer comprises:

- The Retail Offer, consisting of:
 - A Broker Firm Offer, which is available only to New Zealand resident clients of NZX Firms who have received an allocation from that NZX Firm; and
 - A Priority Pool Offer, which is available to any resident in New Zealand who Arvida determines is an employee or independent contractor of, or a resident or intending resident in a village of, or a Facility Investor of a Portfolio Entity, Arvida or any of its intended subsidiaries as at the Opening Date, up to a maximum of \$5 million of Shares (being 5.0 to 5.9 million Shares based on the Indicative Price Range or 6.3% of the Shares offered).
- The Institutional Offer, which consists of an invitation to bid for Shares, made to selected Institutional Investors.

There is no general public pool under which you may subscribe for Shares.

The allocation of Shares between the Institutional Offer and the Retail Offer (and within the Retail Offer between the Broker Firm Offer and the Priority Pool Offer) will be determined by Arvida.

For further detail on how to apply for Shares, refer to section 10: "How do I apply?".

ESCROW ARRANGEMENTS

Shares issued to Facility Investors and Shares issued in respect of the Directors and the senior management team (as detailed in section 5: "About Arvida", under the heading "Establishment Fee and Share allocations to Directors and senior management") will be subject to escrow arrangements which expire on 31 May 2016.

Please see section 8: "Terms of the Offer" under the heading "Escrow Arrangements" for further details regarding the escrow arrangements.

DETERMINATION OF THE FINAL PRICE

The Final Price for the Shares will be determined following a 'bookbuild' managed by the Arranger.

The bookbuild is a process through which information is collated about the demand for Shares by selected Institutional Investors participating in the Institutional Offer, and NZX Firms seeking firm allocations in the Broker Firm Offer, submitting bids for the number of Shares they wish to be allocated at a range of prices. That information is then used to assist with the determination of the pricing and allocation of Shares. The bookbuild will take place on or about 20 November 2014.

The Final Price will be determined by Arvida in consultation with the Arranger and may be within, above or below the Indicative Price Range of \$0.85 to \$1.00 per Share.

The Final Price is expected to be announced and posted on www.arvida.co.nz on or about 21 November 2014.

The Application Form requires that you apply for a specified number of Shares at the Final Price. The minimum Application amount for the Retail Offer is 2,000 Shares, and must be multiples of 500 Shares thereafter. Arvida reserves the right to accept Applications for less than 2,000 Shares.

INQUIRIES

This Investment Statement, and other information about the Offer not contained in this Investment Statement is available in electronic form at www.arvida.co.nz. All inquiries in relation to this Investment Statement should be directed to the Share Registrar on (09) 488 8777, whose contact details are set out in the Directory, or by contacting the Arranger or your usual NZX Firm.

If you are in any doubt as to any aspect of the Offer, you should consult your financial or legal adviser or an NZX Firm.



SECTION 3

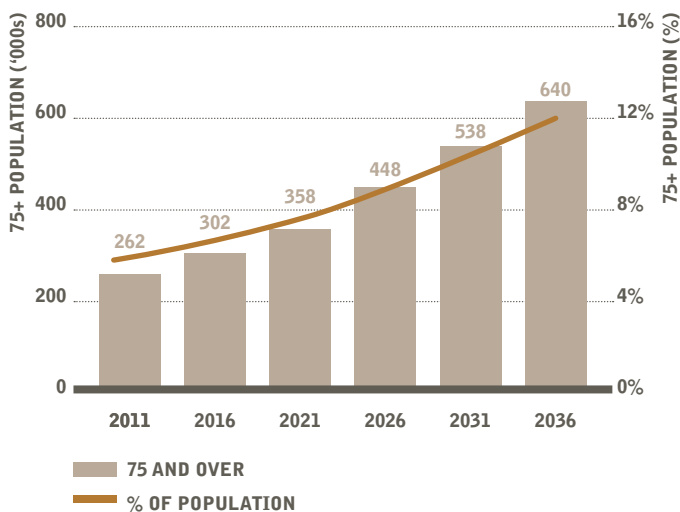
**INVESTMENT
HIGHLIGHTS**

INVESTMENT HIGHLIGHTS

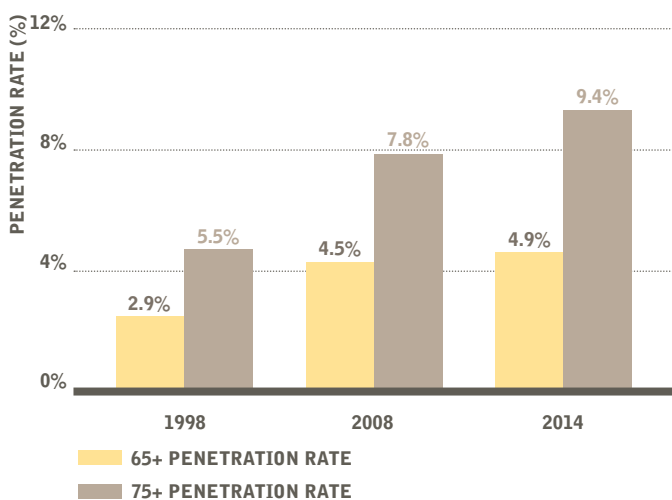
3.1 ATTRACTIVE INDUSTRY STRUCTURE

New Zealand's ageing population and rising demand for quality retirement village accommodation and aged care services are driving an increase in market Penetration Rates.

POPULATION GROWTH – 75 YEARS AND OVER



PENETRATION RATES¹



SOURCE: STATISTICS NZ (MEDIAN ESTIMATES) AS AT AUGUST 2014, CBRE AS AT AUGUST 2014.

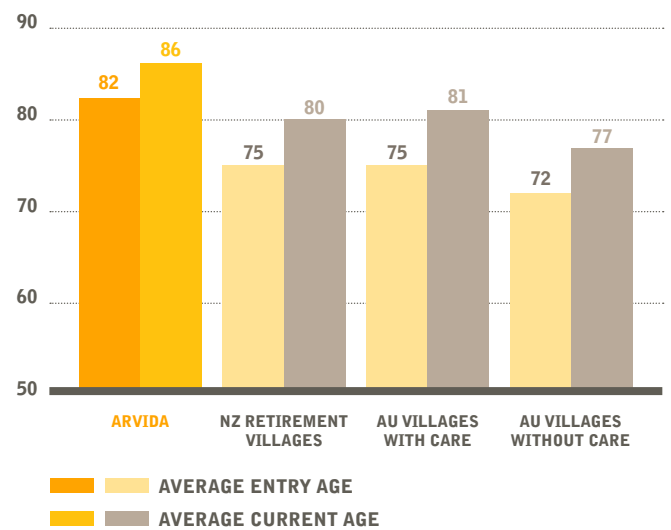
¹ 65+ PENETRATION RATE ASSUMES 100% OF RESIDENTS LIVING IN RETIREMENT VILLAGES ARE 65 YEARS AND OVER. 75+ PENETRATION RATE ASSUMES 80% OF RESIDENTS LIVING IN RETIREMENT VILLAGES ARE 75 YEARS AND OVER.

3.2 QUALITY, WELL MANAGED PORTFOLIO OF VILLAGES

Arvida's retirement village portfolio has higher average resident ages and occupancy rates relative to the broader sector.

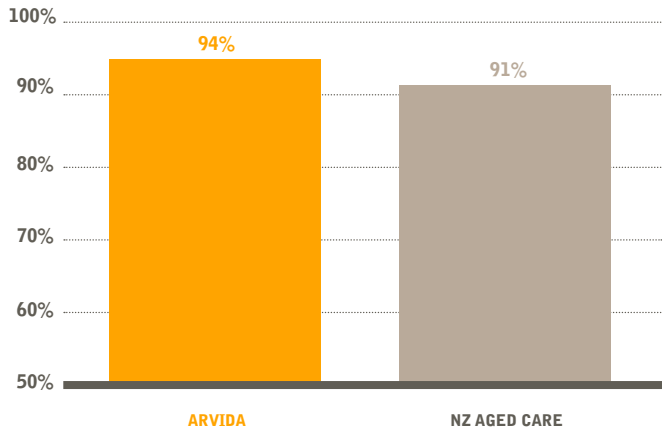
- The Arvida portfolio comprises well performing and mainly established retirement villages and offers residents a continuum of care through the integration of care facilities within villages resulting in a higher average resident age relative to the broader sector;
- Arvida's care facilities are well maintained, exhibit high occupancy rates with many Care Beds attracting premium rates.

RETIREMENT VILLAGE RESIDENT AGES²



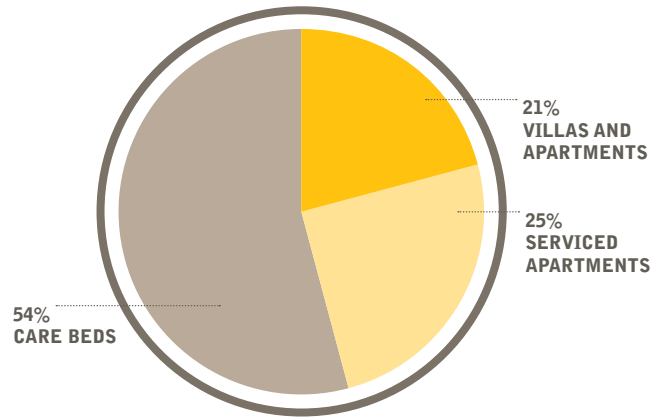
² CBRE AS AT AUGUST 2014, GRANT THORNTON RVA RETIREMENT LIVING SURVEY JANUARY 2011 (AUSTRALIA).

AGED CARE FACILITIES OCCUPANCY RATE¹

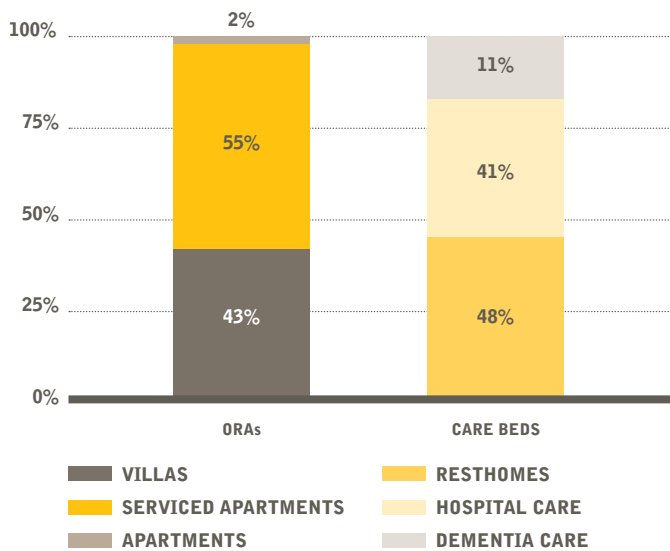


¹ CBRE AS AT 31 MARCH 2014, NZACA AS AT MARCH 2014.

CARE FOCUSED PORTFOLIO



PRODUCT MIX



3.3 DIFFERENTIATED, CARE FOCUSED INVESTMENT OPPORTUNITY

Approximately 54% of Arvida's initial portfolio is dedicated to providing Care Beds and a further 25% to providing care services within serviced apartments.

A strong care focus makes Arvida materially different from its listed peers in New Zealand in its proposition for investors and residents.

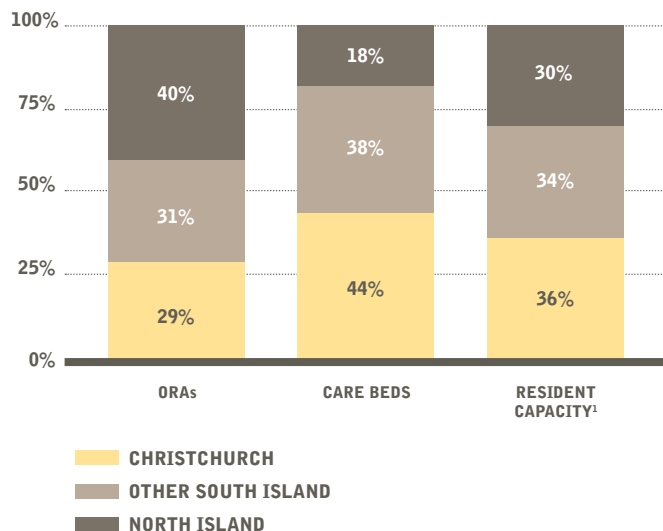
3.4 PORTFOLIO FACILITIES WITH A HISTORY OF STRONG RECURRING CASH FLOWS

The Arvida portfolio comprises retirement villages and aged care facilities with established track records of sound operational performance and stable Operating Cash Flow.

Following the completion of the Offer, Arvida will provide a product mix with a strong focus on high quality care both within its serviced apartments and Care Beds with approximately 79% of the portfolio providing care services.

- The initial mix between ORAs and Care Beds provides Arvida with the opportunity for more resilient cash flows and resident demand through economic cycles;
- Arvida’s Embedded Value⁶ was approximately \$49 million as at 31 March 2014 underpinning future cash flow generation from resales of Retirement Units;
- Arvida anticipates that the nature and strength of its cash flows should enable it to pay quarterly dividends.

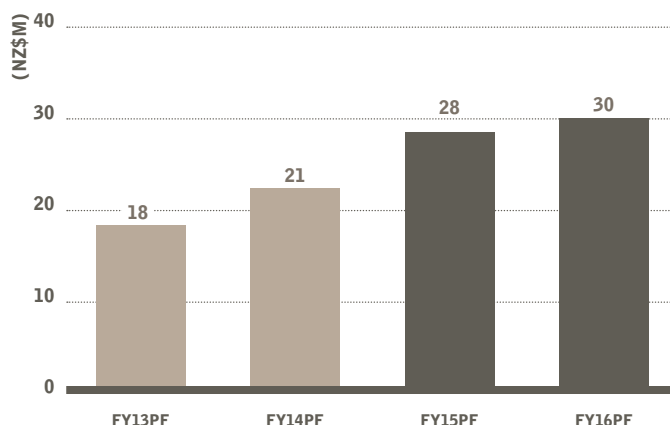
GEOGRAPHICAL MIX AS AT 31 MARCH 2014



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¹ RESIDENT CAPACITY AS AT 31 MARCH 2014 IS ESTIMATED AS THE SUM OF TOTAL ORAs ASSUMING 1.3 RESIDENTS PER ORA AND TOTAL CARE BEDS.

PRO FORMA HISTORICAL AND FORECAST OPERATING CASH FLOWS BEFORE FINANCING AND TAX²



² PRESENTED BEFORE FINANCING AND TAX DUE TO THE DIFFERENT CAPITAL STRUCTURE IN PLACE PRE AND POST-IPO. SEE SECTION 7: "OVERVIEW OF FINANCIAL INFORMATION" UNDER "OVERVIEW OF CONSOLIDATED CASH FLOWS".

⁶ EMBEDDED VALUE IS THE ESTIMATED QUANTUM OF CONTRACTUALLY ACCRUED DEFERRED MANAGEMENT FEES AND OTHER UNREALISED GAINS THAT WOULD BE RECEIVED IN CASH IF ALL OF ARVIDA'S ORAs WERE TERMINATED, RESOLD AND SETTLED AT THAT VALUATION DATE. THIS REPRESENTS AN ESTIMATE OF THE VALUE THAT WILL BE RECEIVED AS CASH IN THE FUTURE. THIS REFERENCE DOES NOT, THEREFORE, REFLECT THE PRESENT VALUE OF FUTURE CASH FLOWS FROM THE TERMINATION OF ORAs.

3.5 OPPORTUNITIES FOR GROWTH

Over the next 10 to 20 years, Arvida expects the retirement sector in New Zealand to benefit from favourable demographic trends that will drive increased demand for retirement village and aged care services. Arvida has identified three key growth opportunities in the retirement sector, and is well positioned to take advantage of these opportunities:

1 BROWNFIELD DEVELOPMENT

- Arvida has an existing planned or consented development pipeline of 168 Retirement Units and aged care beds (see further detail in the table under the heading "Brownfield development opportunities" in section 5: "About Arvida");
- Other potential brownfield opportunities have been identified within the Group.

2 ACQUISITIONS

- Post listing, Arvida would potentially be a primary acquirer in a fragmented market;
- Unlike most or all of its key peers, a core element of Arvida's growth strategy is to actively acquire appropriate retirement villages and aged care facilities that will complement its existing portfolio;
- Due to the scale and capacity required to successfully execute an acquisition strategy, limited opportunities exist for private owners to release capital through sale of their assets of any significant scale.

3 GREENFIELD DEVELOPMENT

- In-house greenfield development capabilities to be developed;
- Greenfield development pipeline to be established over time.

The Offer allows Arvida to repay \$70.4 million of the Portfolio Facilities' interest bearing debt, maintain capacity to develop brownfield sites and to pursue other growth initiatives considered to be value enhancing for Shareholders.

The reduction of debt and an intended new group bank facility should provide Arvida with flexibility to fund existing brownfield opportunities. Arvida intends to establish a group development team to oversee and manage village developments. It is anticipated that Arvida will use existing skills and expertise within the Portfolio Facilities and seek to appoint additional senior development personnel to undertake this process.

3.6 CONSOLIDATION BENEFITS

Arvida's corporate support structure will help to deliver:

- A single group strategy and brand to establish Arvida as a recognised retirement and aged care provider;
- Integration of centralised support functions to improve the current operating efficiency and allow village managers to focus on running their village and/or facility;
- Increased staff retention and development through a larger retirement village and aged care network that is able to provide improved career path, training and progression;
- Procurement cost savings through economies of scale, with a large retirement village/aged care facility group to source goods and services at better rates than smaller operators; and
- Group compliance that will allow sharing of actions and programmes, and standardisation of documentation and policies.

While the costs of establishing and operating Arvida's corporate support structure have been included in the PFI, Arvida's prospective financial statements contained in section 7: "Overview of Financial Information" do not include any of the potential benefits associated with the integration due to uncertainty as to their timing and quantum.



SECTION 4

**INDUSTRY
OVERVIEW**

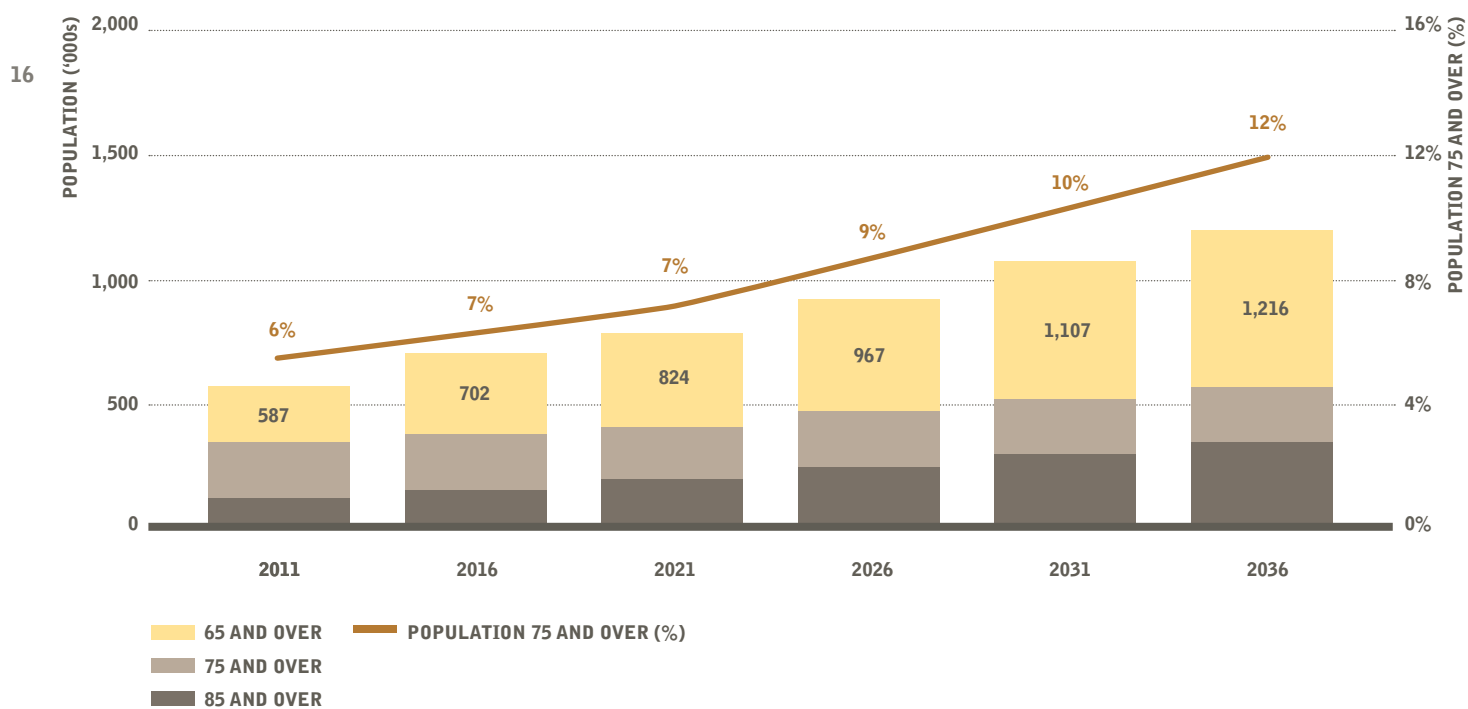
INDUSTRY OVERVIEW

4.1 MARKET DEMOGRAPHICS

The retirement village and aged care sector in New Zealand is benefitting from the ageing population and growing acceptance and popularity of retirement village living. From 2011 to 2036:

- New Zealand's population aged 65 and over is projected to increase from 587,000 to 1,216,200;
- The population aged 75 and over is projected to increase from 261,600 to 639,600 representing 12% of New Zealand's population; and
- The population aged 85 and over is projected to increase from 73,100 to 195,000.

POPULATION GROWTH OVER TIME



SOURCE: STATISTICS NEW ZEALAND AS AT AUGUST 2014.

4.2 NEW ZEALAND'S RETIREMENT AND AGED CARE INDUSTRY

The retirement industry provides accommodation and a range of care options for retired New Zealanders. The industry broadly comprises three key sectors (retirement villages, residential aged care and home based care) and differ based on the extent of care services provided.

- Retirement villages provide residential alternatives to a house or apartment and typically cater for younger residents with little to no care services requirements;
- Integrated retirement villages provide various accommodation and care support options;
- Aged care providers generally cater to older residents and offer accommodation and a continuum of personal care, nursing and other healthcare services and support; and
- Home based care operators provide healthcare services to the elderly who wish to continue to reside in their home.

LIFETIME ACCOMMODATION SPECTRUM

KEY: ■ ARVIDA OFFERING

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Arvida is an operator of integrated retirement villages and aged care facilities in New Zealand. It provides independent living and various services to residents seeking a range of residential options.

Arvida also provides accommodation and a wide spectrum of care services to residents who are no longer able to live independently due to health reasons but who do not require acute hospital care. Arvida does not provide home based care services.

Over the past decade, the retirement and aged care industry has grown significantly, spurred to a large extent by continued growth in the number of New Zealanders aged 65 and over. Development of the industry has seen some retirement villages and aged care facilities that were traditionally run by specialist operators progressively integrated over time.

The following section provides an overview of certain key features of the retirement village and aged care sectors. The listed operators that have a similar integrated operating model to Arvida (and that also cover both sectors) are Ryman, Summerset and Metlifecare.

4.3 RETIREMENT VILLAGE SECTOR

SECTOR SNAPSHOT

CATEGORY	DESCRIPTION
INDUSTRY SIZE	Over 450 retirement villages and over 27,000 Retirement Units as at August 2014. ¹
SECTOR FUNDAMENTALS	<p>Between 2011 to 2036, the number of New Zealanders aged 65 and over and 75 and over are expected to grow by 629,200 (107%) and 378,000 (144%) respectively.²</p> <p>Historically, nationwide Penetration Rates for retirement villages have risen from 2.9% in 1998 to 4.9% in 2014 for population aged 65 and over and from 5.5% to 9.4% over the same period for population aged 75 and over (see section 4: "Industry Overview" under the heading "Key retirement sector trends").</p>
COMPETITIVE ENVIRONMENT	<p>The 10 largest retirement village operators represent approximately 57% of the market (by number of Retirement Units), with the balance of the market being relatively fragmented (i.e. with a large number of smaller operators).¹</p> <p>Corporate operators comprise approximately 53% of the total market while private operators and not-for-profit providers represent approximately 31% and 16% of the total market respectively.¹</p>
FUNDING	<p>Villas and apartments are entirely privately funded on a "user pays" basis through ORAs, DMFs and resident levies.</p> <p>Serviced apartments are funded by a mixture of Government and private funding. Government funding is provided by local DHBs for those who qualify for financial assistance.</p> <p>See below under "Aged Related Residential Care Contract" for further information on Government funding.</p>
REGISTRATION	All Arvida retirement villages are registered with the Registrar of Retirement Villages and a statutory supervisor has been appointed to supervise each village. See section 4 of the Prospectus under the heading "Regulatory environment" for further information on the regulatory regime governing Arvida's retirement village operations.

1 CBRE DATA AS AT AUGUST 2014.

2 STATISTICS NZ AS AT AUGUST 2014.

TYPES OF RETIREMENT VILLAGE ACCOMMODATION

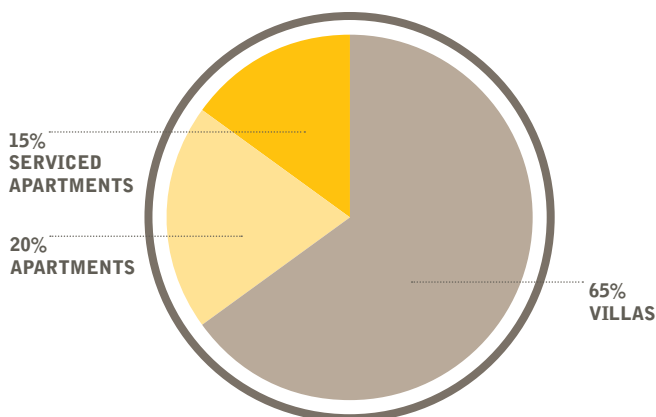
There are three main types of retirement village units – villas, apartments and serviced apartments – which provide resident accommodation and various levels of care and other services.

CATEGORY	DESCRIPTION
VILLAS	Independent living units, typically with one or two bedrooms. Villas within Arvida's portfolio range from approximately 80-160 square metres with spacious living areas, single or double internal garaging and full amenities.
APARTMENTS	One to two bedroom apartments with full kitchen, bathroom and living areas. Apartments generally offer around 50-90 square metres of living area that open out onto a private balcony or patio.
SERVICED APARTMENTS	Generally a fully self-contained, one bedroom apartment with a kitchenette, laundry and ensuite. Serviced apartments incorporate a range of additional support services to residents. Some of these apartments have been certified to provide Government funded care.

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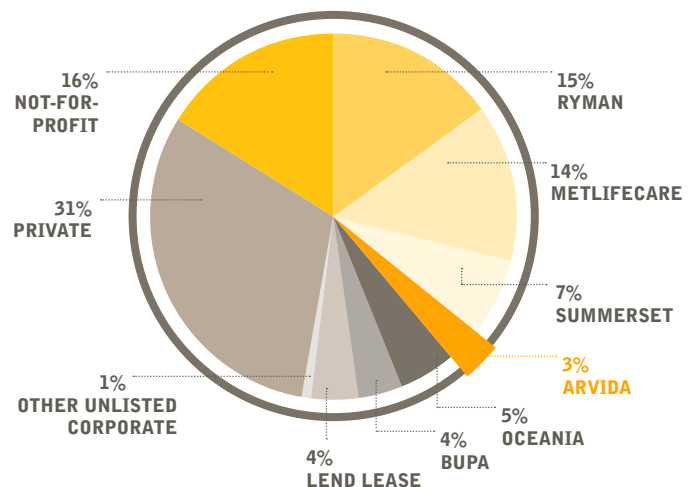
RETIREMENT VILLAGE SECTOR CHARACTERISTICS

STOCK MIX OF NEW ZEALAND RETIREMENT VILLAGE UNITS



SOURCE: CBRE DATA AS AT AUGUST 2014.

RETIREMENT VILLAGE MARKET SHARE



Arvida's market share accounts for an estimated 3% of the market by number of Retirement Units. Collectively, Arvida and the three existing listed operators comprise 40% of the market by the number of Retirement Units. Outside of the listed operators, the retirement sector remains fragmented. Arvida believes this represents a significant opportunity for Arvida to capture earnings and portfolio growth through targeted acquisitions that are complementary to the portfolio.

SOURCES OF REVENUE

Retirement villages are privately funded by residents through ORAs, DMFs and other charges for additional services or the use of certain facilities.

REVENUE	DESCRIPTION
OCCUPATION RIGHT AGREEMENT/ORAs	<p>An ORA entitles the resident to live in a Retirement Unit and have access to the village facilities and services. ORAs can be structured as a licence to occupy, unit title, lease or rental right.</p> <p>ORAs are the most common form of occupational right that is offered by retirement village operators. Under the ORA model, the resident makes an initial lump sum payment to reflect the capital cost of the unit.</p> <p>Retirement village operators enter into an ORA with each resident under which it grants the resident a licence to occupy a villa, apartment or serviced apartment together with the right to use and enjoy common areas and facilities at the retirement village in return for a licence payment. An ORA does not grant the resident any proprietary right in the Retirement Unit to which the ORA relates or in any of the land and buildings comprising the village.</p> <p>Each resident agrees to make a lump sum interest free payment to the village operator under the ORA, which is repaid on termination of the contract as long as certain conditions are satisfied. In particular, operators generally require a new ORA to be entered into with a new resident before it repays the previous resident.</p>
DEFERRED MANAGEMENT FEES/DMF	<p>Residents are generally charged a DMF to reflect the margin and cost of running a retirement village, which is paid at the beginning and deducted during the term of a resident's ORA. This fee is generally capped at 20% – 30% of the amount paid by the resident for the ORA (accruing at a rate per annum, over a number of years).</p> <p>On repayment, the resident or their estate receives the initial cost of the ORA plus the resident's share of any capital gains (if applicable) less an amount for the accrued DMF. The operator generally retains the majority (if not all) of the gains realised on the resale of an ORA to a new resident.</p>
ADDITIONAL CHARGES	<p>Weekly charges contribute to a resident's living expenses (such as for meals, laundry, heating/cooling and other basic services) and the cost of running the village on a day to day basis.</p> <p>Additional charges are made for a range of other care packages.</p>

RESIDENTIAL PROPERTY MARKET

The state of the local property market is an important driver for the performance of retirement villages. Many prospective residents will sell an existing residential property in order to fund the purchase of an ORA. In addition, the price of an ORA is influenced by local residential property prices.

Many retirement sector operators have benefited from the strength of the New Zealand residential property market over the past decade.

Aged care facilities generally produce recurring cash flows. Therefore, to the extent that there is slower growth or a decline in property prices, retirement sector operators with a higher proportion of care revenue and mature retirement villages or a growth strategy that is less reliant on new developments are often partially insulated.

KEY RETIREMENT VILLAGE SECTOR TRENDS

RESIDENT PROFILE

Retirement villages offer alternative accommodation arrangements for older New Zealanders with residents 75 and over comprising approximately 80% of retirement village residents.

Prospective residents generally consider access to care, a maintenance-free home, security, quality, affordability, companionship and the location of the village (including proximity to family and friends) as key factors when choosing a retirement village.

PENETRATION RATES

The number of New Zealanders aged 65 and over living in retirement villages has grown steadily since 1998. National Penetration Rates have grown from 2.9% in 1998 to 4.9% in 2014 for the population aged 65 and over and from 5.5% to over 9.4% for the population aged 75 and over for the same period.

The rise in Penetration Rates has been driven by various factors including the increase in the number of purpose built retirement villages and aged care facilities as well as a greater acceptance by New Zealanders to live in these facilities as an accommodation alternative.

Retirement villages generally attract 80% of prospective residents from within 5-10km of a village. Certain parts of the country exhibit higher Penetration Rates where there have traditionally been a higher number of retirement villages. There are also other parts of the country where there is an undersupply of modern, purpose built retirement villages and aged care facilities. As retirement villages are built within regions that are relatively underserved, Penetration Rates are likely to rise in these areas.

Further increases in national Penetration Rates are also likely to be supported by the high rates of home ownership amongst prospective residents coming into retirement villages. Of the population aged 75 and over, around 78% are estimated to own their own home. This provides prospective residents with the ability to sell their property to purchase an ORA at a retirement village.

4.4 AGED CARE SECTOR

SECTOR SNAPSHOT

CATEGORY	DESCRIPTION
INDUSTRY SIZE	Over 670 certified aged care facilities and approximately 35,000 aged Care Beds as at August 2014. ¹
SECTOR FUNDAMENTALS	Arvida anticipates that between 12,000 and 20,000 extra residents will require aged residential care by 2026. This will require an increase in between 78% to 110% in new beds to accommodate increased demand and to replace ageing facilities. ²
COMPETITIVE ENVIRONMENT	The 10 largest operators represent approximately 43% of the market. ¹ Corporate operators comprise approximately 39% of the total market by number of Care Beds. Private operators comprise approximately 38% while not-for-profit providers comprise 23% of the market. ¹
FUNDING	Aged care services are funded via a mixture of Government and private funding. Government funded care is provided by local DHBs for those who require financial assistance. See below under "Aged Related Residential Care Contract" for further information on Government funding.
CERTIFICATION	The Ministry of Health requires that all residential care facilities must be certified before services can be provided in them. See section 4: "Industry Overview" of the Prospectus under the heading "Regulatory environment" for further information.

¹ CBRE DATA AS AT AUGUST 2014.

² AGED RESIDENTIAL CARE SERVICE REVIEW SEPTEMBER 2010.

TYPES OF CARE

There are three main types of Care Beds – resthome, hospital and dementia – which provide resident accommodation and various levels of care and other services.

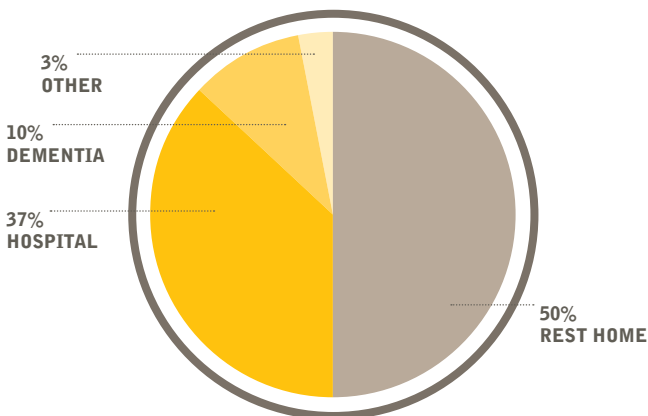
In August 2014, around 50% of all New Zealand Care Beds were classified as resthome care, 37% were hospital care and 10% were dementia care while 3% were classified as other care (such as psycho-geriatric care). Many aged care facilities operate ‘swing bed’ policies which allow them to alter their resident mix between resthome and hospital beds to reflect demand, thereby maximising occupancy levels.

CATEGORY	DESCRIPTION
RESTHOME	Resthome beds generally consist of rooms with a single bed and either a private or shared full ensuite, heating and a wardrobe. Care staff are available on call.
HOSPITAL	Hospital beds are similar to resthome beds, except with a higher level of care services provided. Care facilities which operate a ‘swing bed’ policy can alter the resthome and hospital bed mix to suit resident requirements.
DEMENTIA	Secured care facilities with the ability to cater for special behavioural needs are required to provide dementia level care.

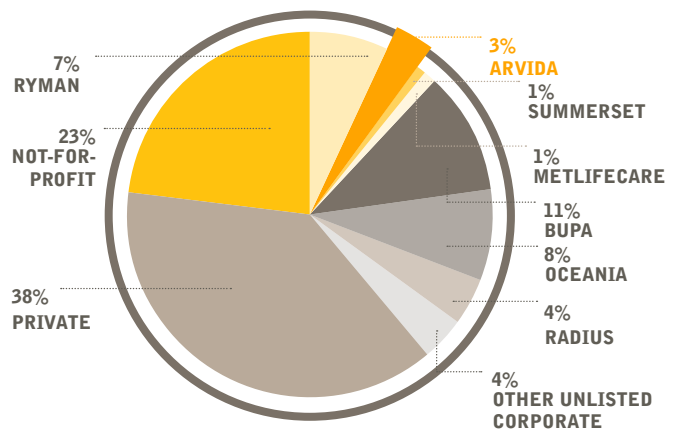
AGED CARE SECTOR CHARACTERISTICS

Arvida’s market share accounts for an estimated 3% of the market by number of Care Beds. The largest 10 operators (including Arvida) represent approximately 43% of the market (by number of Care Beds). However, unlike the retirement village sector where Arvida and the three existing listed operators comprise 40% of the market (by number of Retirement Units), Arvida and the existing listed operators only comprise 12% of the aged care sector.

STOCK MIX OF NEW ZEALAND CARE BEDS



AGED CARE MARKET SHARE



SOURCE: CBRE DATA AS AT AUGUST 2014.

The average care facility size in New Zealand is 52 Care Beds. Arvida anticipates that, over time, certain small-scale operators in the sector may close or become acquisition targets for larger, more efficient operators that offer a continuum of care. Overall, the aged care sector remains highly fragmented (i.e. with a large number of smaller operators) as shown by the table below. Arvida believes this represents a significant opportunity for Arvida to grow through targeted acquisitions.

SOURCES OF REVENUE

The aged care sector is funded:

- privately by residents, through individual contributions, and
- publically, through Government funding.

AGED RELATED RESIDENTIAL CARE CONTRACT

To receive Government funding, a prospective resident must satisfy the Government's income and asset testing requirements and select a care provider that has a contract with the relevant DHB.

In most cases, DHB's contract with local service providers under a nationwide contract, the Aged Related Residential Care Contract (ARRC Contract). ARRC Contracts are negotiated between local service providers and the relevant DHB and are intended to cover specified services including accommodation, meals, pharmaceuticals, medical supplies and certain ancillary services.

Government funding is paid directly to the provider to cover the costs of care. Operators may charge for additional services that are not covered by an ARRC Contract and not provided by the relevant DHB directly. See section 5: "About Arvida" of the Prospectus under the heading "Arvida's Business Model" for details of the proportion of Arvida's care revenue that is funded through Government funding.

If a prospective resident does not satisfy the eligibility criteria for Government funded care, or wishes to receive care in a rest home or hospital that does not have a contract with the relevant DHB, they must meet the costs of care themselves. Residents with assets over a certain threshold pay the cost of their care, up to a specified maximum amount. Their DHB pays for the additional cost of dementia, hospital or psycho-geriatric care.

Residents with assets below the threshold qualify for Government support. They pay all their income (including their New Zealand Superannuation), towards the cost of their care, apart from a personal allowance. DHBs make up the difference between the amount the resident pays and the cost of their care.⁷

The aged care sector derives its revenue from two key sources:

- Weekly charges to residents based on the level of care they receive; and
- Additional charges for ancillary services provided.

REVENUE	DESCRIPTION
WEEKLY CHARGES	Varies based on a resident's care requirements (resthome, hospital and dementia level care) and the ARRC Contract with the relevant DHB. Covers housing/accommodation, meals, pharmaceuticals, medical supplies and carer services for assistance with the activities of daily living, recreation and other socialisation needs.
ADDITIONAL CHARGES	Residents who enjoy premium standards of accommodation or extra services are charged additional fees over and above the rate set by their regional DHB. Extra charges relating to ancillary services are not covered by the weekly charges.

⁷ PEOPLE AGED 50-64 WHO HAVE A PARTNER AND/OR A DEPENDENT CHILD RECEIVE A FULL SUBSIDY OF THEIR COSTS UNTIL THEY REACH 65. SINGLE PEOPLE AGED 50-64 WHO DO NOT HAVE CHILDREN ARE NOT ASSET TESTED BUT ARE OTHERWISE SUBJECT TO THE SAME RULES AS THOSE AGED 65 AND OVER.

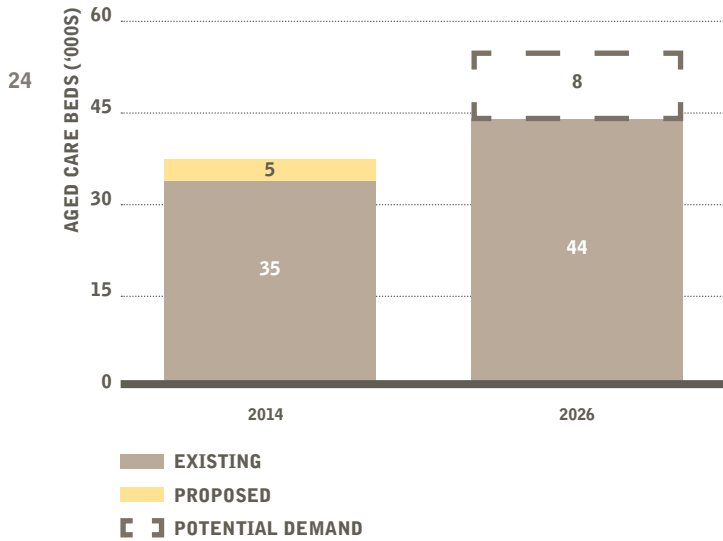
KEY SECTOR TRENDS

DEMAND FOR AGED CARE SERVICES

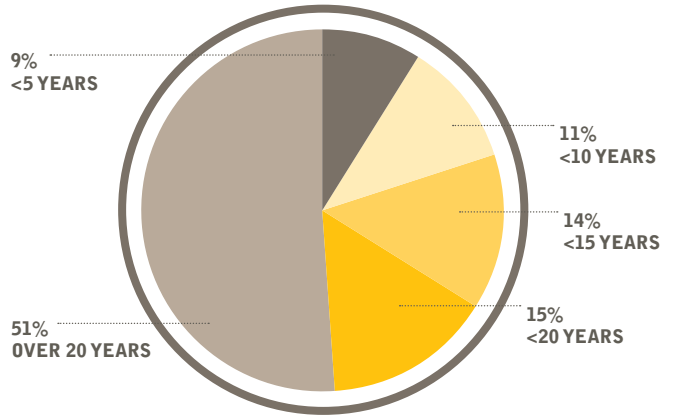
As the average age of the New Zealand population grows, the demand for care should change toward hospital and dementia care. Research suggests that from 2010 to 2026, between 12,000 and 20,000 extra residents will require aged residential care.⁸

The number of Care Beds is projected to rise significantly by 2026. Investment is also required to replace or renovate existing Care Bed stock as it ages. Depending on assumptions for lifespan of stock and demand, the number of Care Beds needs to increase by around 78% to 110% between 2010 to 2026 to accommodate the projected increase in extra residents and to replace ageing facilities.

PROJECTED DEMAND FOR AGED CARE BEDS^{1,2}



FACILITY AGE²



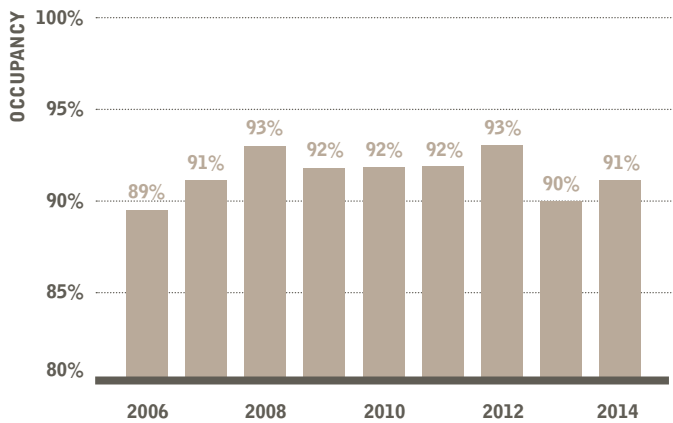
1 CBRE AS AT AUGUST 2014 FOR EXISTING AND PROPOSED AGED CARE BEDS AS AT 2014.

2 AGED RESIDENTIAL CARE SERVICE REVIEW SEPTEMBER 2010 FOR 2026 PROJECTIONS AND FACILITY AGE.

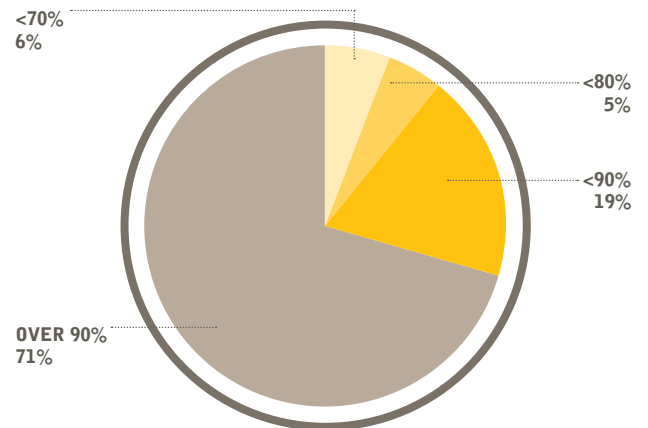
CONTINUED SUPPLY/DEMAND IMBALANCE

The level of occupancy is an important driver of the financial performance of aged care facilities. Parts of the aged care sector are currently subject to a shortfall of supply, which has underpinned consistently high average occupancy rates in aged care facilities. Arvida anticipates this trend will continue over the next 10 to 20 years, supported by the increasing number of older New Zealanders over the next decade.

INDUSTRY AVERAGE OCCUPANCY OVER TIME^{1,2}



INDUSTRY OCCUPANCY PROFILE¹



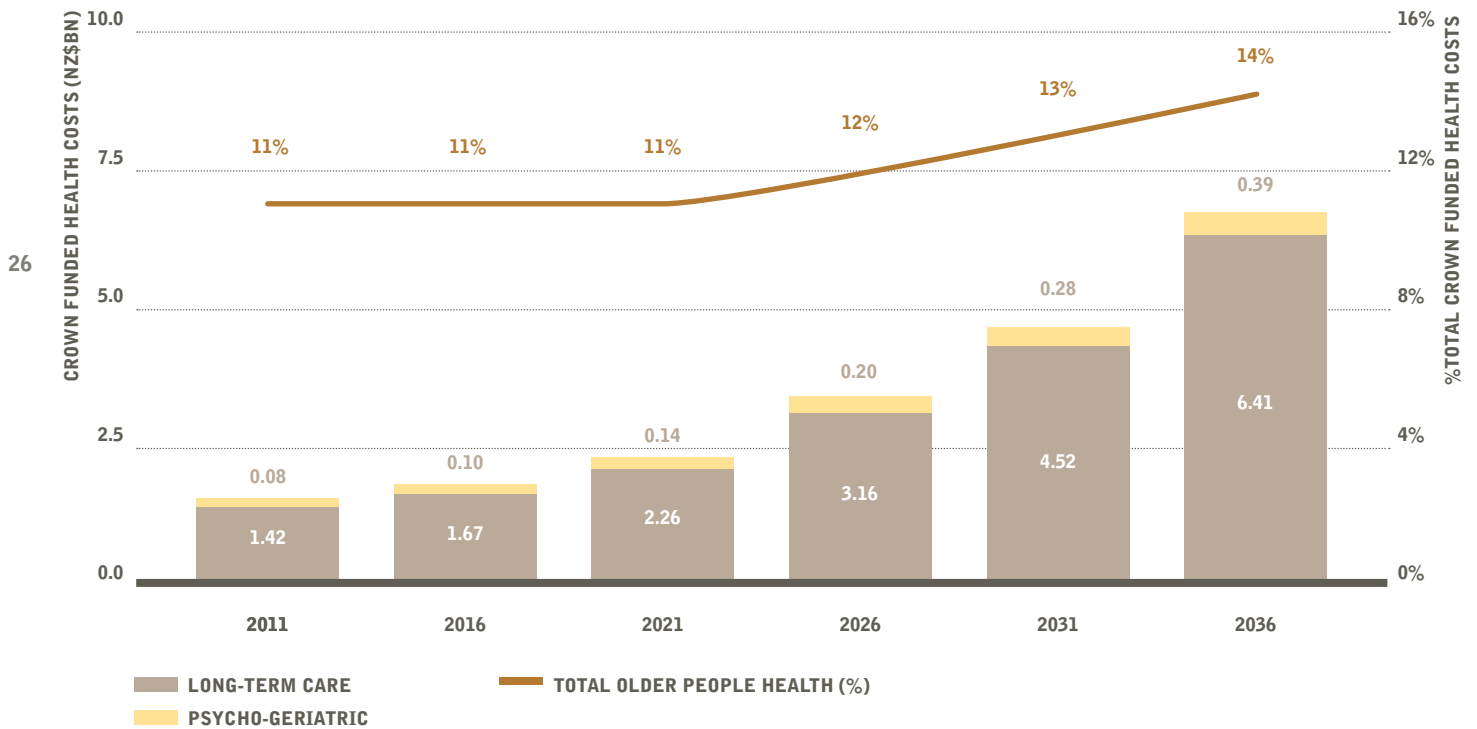
1 NZ AGED CARE ASSOCIATION MEMBER PROFILING SURVEY 2012.

2 NZ AGED CARE ASSOCIATION NEWSLETTER ISSUE 19.

GOVERNMENT FUNDING AND SUPPORT

Due to New Zealand's ageing population, Government funded long-term care for New Zealanders 65 and over is projected to rise from \$1.5 billion (11% of total Government funded health costs) to \$6.8 billion (14% of total Government funded health costs) by 2036.

GOVERNMENT FUNDED LONG-TERM CARE FOR NEW ZEALANDERS 65 AND OVER

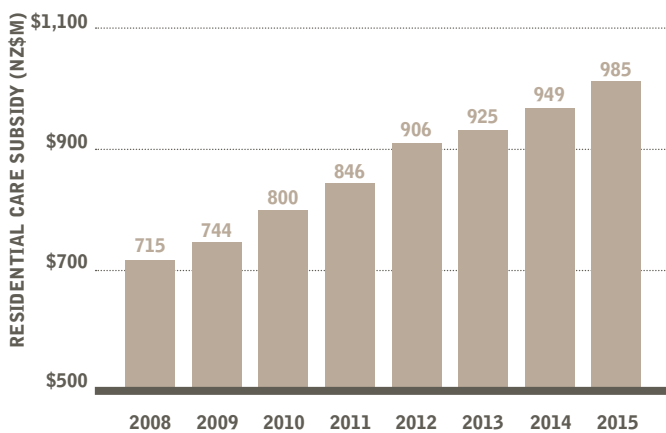


SOURCE: TREASURY LONG-TERM FISCAL MODEL, 2013.

Publicly provided long-term care for New Zealanders 65 and over is the responsibility of DHBs and may involve residential care (see above under "Aged Related Residential Care Contract") or home-based support services.

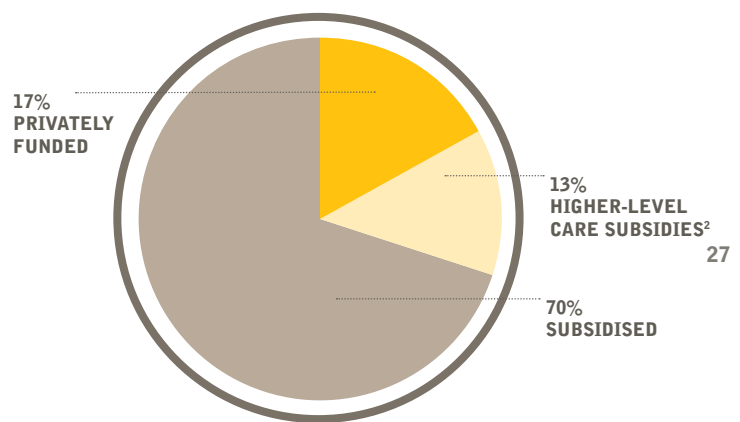
Between 2008 and 2015, Government funding allocated for aged residential care (excluding home based support services) to regional DHBs has increased from \$715 million to \$985 million. Research conducted in 2012 by the New Zealand Treasury, shown in the graph below, provides a breakdown of residential care funding sources in New Zealand.

DHB EXPENDITURE ON AGED RESIDENTIAL CARE



SOURCE: MINISTRY OF HEALTH, TREASURY'S LONG-TERM CARE AND FISCAL SUSTAINABILITY STUDY.

RESIDENTIAL CARE FUNDING SOURCES¹



1 TREASURY ESTIMATES AS AT NOVEMBER 2012.

2 RESIDENTS OF AGED CARE FACILITIES WITH ASSETS OVER THE RESIDENTIAL CARE ELIGIBILITY THRESHOLD PAY THE MAXIMUM CONTRIBUTION BUT RECEIVE HIGHER-LEVEL CARE WHICH QUALIFIES FOR GOVERNMENT FUNDING.

4.6 HOME BASED CARE SECTOR

The Government's "Ageing in Place" strategy aims to encourage and assist older people to remain in their own homes and have care and support services delivered to them.

This strategy has played a role in containing the growth in rest home beds, despite a growing elderly segment of the population. Lower level care is increasingly being provided within the home, which has led to an increase in the level of needs of those entering aged care facilities. Due to this, the proportion of hospital beds to total beds in the sector has grown.

Arvida anticipates that demand for beds in the aged care sector should increase significantly over the next 15 years as home based support may not be able to cope with the increasing number of older New Zealanders.

Home based support services are partially Government funded through support payments and privately through individual contributions.

SECTION 5

**ABOUT
ARVIDA**

ABOUT ARVIDA




5.1 OVERVIEW OF ARVIDA

Arvida will be one of the larger operators of retirement villages and aged care facilities in New Zealand. Arvida is regionally diversified, offering quality, integrated retirement village and aged care facilities.

Arvida aims to maintain the identity and management expertise of individual villages, whilst creating a new corporate support structure that benefits, motivates and supports residents, village managers and Shareholders.

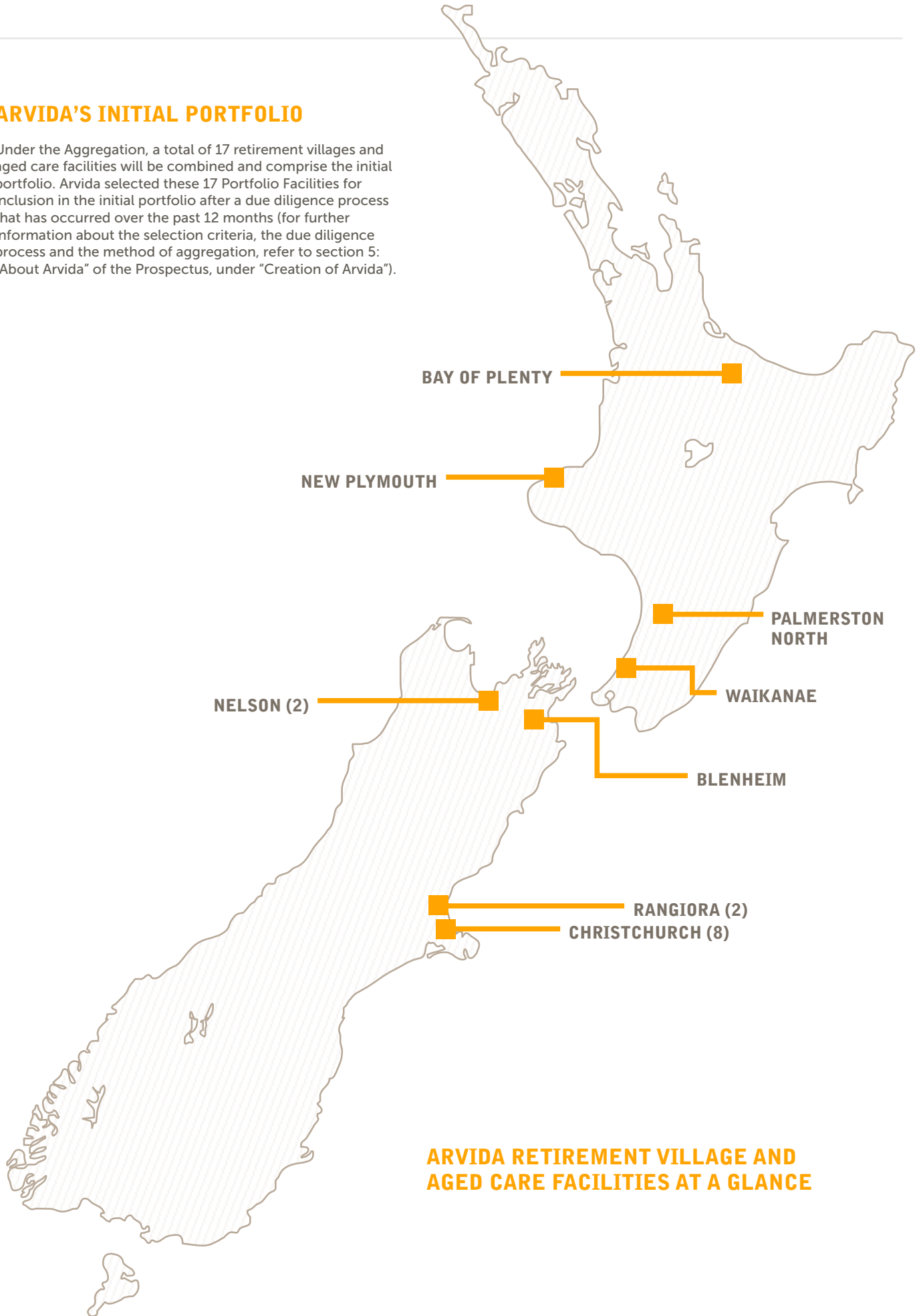
CONTINUUM OF CARE

Arvida offers residents the benefit of a continuum of care at its villages, and provides a range of alternatives for residents depending on their needs. Arvida villages provide a range of accommodation options for residents including villas, apartments and serviced apartments. Arvida also offers rest home, hospital and dementia level care.

ACCOMMODATION OPTIONS	INDEPENDENT LIVING	ASSISTED LIVING	CARE
			
DESCRIPTION	Typically house younger retirement village residents who wish to continue living independently but want to enjoy a retirement village lifestyle and facilities.	Assisted living options are designed to provide residents with the support they require. Arvida offers a range of care packages in conjunction with an ORA.	Aged care is an integral part of Arvida's continuum of care offering. Most of Arvida's care facilities are located within the retirement village allowing residents to move through the village and receive support as their care needs change.
ACCOMMODATION OPTIONS	346 Villas 16 Apartments	450 Serviced Apartments	461 Resthome 101 Dementia Care 390 Hospital

ARVIDA'S INITIAL PORTFOLIO

Under the Aggregation, a total of 17 retirement villages and aged care facilities will be combined and comprise the initial portfolio. Arvida selected these 17 Portfolio Facilities for inclusion in the initial portfolio after a due diligence process that has occurred over the past 12 months (for further information about the selection criteria, the due diligence process and the method of aggregation, refer to section 5: "About Arvida" of the Prospectus, under "Creation of Arvida").



5.2 ARVIDA RETIREMENT VILLAGES

ARVIDA'S VILLAGE OFFERING

Arvida offers quality homes and service facilities for older New Zealanders enabling them to retain their independence and dignity within a community environment. Arvida operates a diverse portfolio of well-established retirement villages and aged care facilities, providing residents with access to differing levels of support and care within each Portfolio Facility.

Arvida's continuum of care model allows residents to acquire an ORA to occupy a villa or apartment and then, should the need arise, to move to a serviced apartment or Care Bed. This continuum of care model allows residents to remain within the same village should their needs change.

RESIDENTS

Village residents are typically 75 and over. Arvida aims to offer quality accommodation and services for everyday older New Zealanders. The average age of Arvida residents in Retirement Units is 86 years. 87% of Arvida's residents are aged 75 or more and 45% of residents are aged 85 and over.

Arvida's historical average entry age for new residents in Retirement Units is approximately 81 across its 17 villages. The average age of entry for new residents will differ, depending on the demographics and product offering within a village, but typically increases as villages mature.

VILLAGE FACILITIES

Arvida villages are designed to make residents feel at home and to create a community atmosphere. In order to do this, Arvida provides secure, spacious living and a wide range of recreational facilities. Additionally, Arvida has flexible policies to meet residents' individual requirements and offers a range of additional services to its residents such as meals, housekeeping and transportation services.

Services and facilities can include:

- Kitchen, cafe, dining and bar facilities;
- Beauty and hair salon, clinic facilities;
- Lounges, libraries with internet facilities and entertainment areas;
- Bowling greens, petanque pistes, croquet lawns, snooker tables, theatres, and courtyards; and
- Gymnasium, spa and swimming facilities.

CONTRACTUAL TERMS

The retirement villages that comprise the initial portfolio of Arvida currently operate under a number of different ORAs and terms (see section 7: "Overview of Financial Information" under the heading "Deferred Management Fees").

Arvida plans to progressively standardise ORAs across the portfolio as existing contracts are replaced with ORAs that represent prevailing market standard terms (see section 4: "Industry Overview" under the heading "Sources of revenue").

AGED CARE

Arvida was created to operate age care facilities and retirement villages with a focus on the provision of care. Arvida services the full spectrum of resident care needs as well as providing services to residents who have a multitude of specific needs, including dementia.






Arvida's facilities are well maintained and are well placed to service the growing demand for care. This has been independently verified by an external quantity surveyor during the due diligence process for the selection of Portfolio Facilities for the initial portfolio. Arvida's high average occupancy rate across its care facilities reflects the quality of service offered, skilled management teams, capable staff and superior facilities. As part of its aged care strategy Arvida:






- Operates some 'swing beds' which allow it to alter its resident mix between rest home and hospital beds to accommodate demand, thereby maximising occupancy levels;
- Charges for services outside of the ARRC Contract, such as charging for larger rooms, ensuites, and additional services. More specific support packages are offered for serviced apartments; and
- Charges premium rates for its quality offerings at most of its Portfolio Facilities.






Arvida anticipates that demand for aged Care Beds will increase substantially (in particular, hospital and dementia level care) to service New Zealand's ageing population. In addition, demand is needs based, due to the more acute health needs of hospital residents. The Arvida portfolio is geared towards the provision of aged care services positioning the business to take advantage of the predicted increase in demand.




OVERVIEW OF ARVIDA PORTFOLIO FACILITIES

Set out below are certain key details for the Portfolio Facilities. A number of the facilities also have Brownfield Development opportunities, which are set out below under the heading "Brownfield Development strategy".

VILLAGE	DESCRIPTION	LOCATION	CARE BEDS	RETIREMENT UNITS	TOTAL
ASHWOOD	 <p>Mature retirement village situated on a 2.0ha site located 2.7km west of the Blenheim CBD.</p> <p>The village was first occupied in the early 1990's and progressively developed up to 2006.</p>	Blenheim	47 Resthome 20 Dementia 54 Hospital	18 Villas 35 Serviced Apartments	53 ORAs 121 Care Beds
BAINLEA	 <p>Purpose built dementia care facility. Originally erected in 1992, and extended in 2009.</p> <p>The improvements provide a secure dementia unit.</p>	Rangiora	28 Dementia	N/A	28 Care Beds
BAINSWOOD	 <p>Bainswood on Victoria is a purpose built care facility originally erected in 2002 with various extensions and additions in 2003/04.</p>	Rangiora	27 Resthome 30 Hospital	N/A	57 Care Beds
	 <p>Bainswood retirement village is a fully integrated retirement village constructed over the period of 1987 to 1999. Major alterations were completed in 2010/2011. The property includes a care facility and village accommodation.</p>	Rangiora	26 Resthome	4 Villas 14 Serviced Apartments	18 ORAs 26 Care Beds
GLENBRAE	 <p>Comprises a mature retirement village that was first occupied in the early 1990's.</p> <p>The site comprises villas, serviced apartments, a 41-bed care facility and a variety of recreational amenities.</p>	Bay of Plenty	41 Hospital	78 Villas 17 Serviced Apartments	95 ORAs 41 Care Beds

VILLAGE	DESCRIPTION	LOCATION	CARE BEDS	RETIREMENT UNITS	TOTAL
ILAM					
	<p>Purpose built integrated retirement village and care facility located 6km west of the Christchurch CBD.</p> <p>Erected in 2005 Ilam provides quality, comfort and spaciousness with an emphasis on care.</p>	Christchurch	22 Resthome 20 Dementia 34 Hospital	45 Serviced Apartments	45 ORAs 76 Care Beds
MAYFAIR					
	<p>A fully integrated retirement village constructed in stages over the period 1996 to 1999.</p> <p>In addition to the bed care facility and village component there is additional development land and a rental unit.</p>	Christchurch	35 Resthome 30 Hospital	11 Villas 23 Serviced Apartments	34 ORAs 65 Care Beds
THE MAPLES					
	<p>An integrated retirement village and care facility complex.</p> <p>Recent extensions were undertaken in 1997 and 2007. The complex has a significant emphasis on care provision.</p>	Christchurch	53 Resthome	25 Serviced Apartments	25 ORAs 53 Care Beds
MOLLY RYAN					
	<p>Fully integrated retirement village. Built in 1984, a major rebuild established a care facility, studio units and villas in 1994. Further studio units and villas were added in 2003/04.</p>	New Plymouth	30 Resthome 3 Hospital	35 Villas 28 Serviced Apartments	63 ORAs 33 Care Beds
OAKWOODS					
	<p>Comprises an established retirement village and mixed level aged care facility, first occupied in 1989. Subsequently Oakwoods has undergone progressive development.</p>	Nelson	12 Resthome 36 Hospital	92 Villas 45 Serviced Apartments	137 ORAs 48 Care Beds

VILLAGE	DESCRIPTION	LOCATION	CARE BEDS	RETIREMENT UNITS	TOTAL
OLIVE TREE					
	Village located 4km west of the Palmerston North CBD. Olive Tree was first occupied in 1992, and has subsequently been developed in stages.	Palmerston North	29 Resthome 13 Dementia	95 Villas 51 Serviced Apartments	146 ORAs 42 Care Beds
PARK LANE					
	First opened in February 2013 with development continuing. There is an estimated 13,000 sqm of development land.	Christchurch	24 Resthome 18 Hospital	45 Serviced Apartments	45 ORAs 42 Care Beds
RHODES ON CASHMERE					
	A developing retirement village erected in 2000, and located 5km south of the Christchurch CBD. Currently seeking resource consent for the proposed development.	Christchurch	N/A	16 Apartments	16 ORAs
ST ALBANS					
	A fully integrated retirement village, opened in 2003 with major extensions in 2009. Located approximately 2km to the north of the Christchurch CBD.	Christchurch	11 Resthome 18 Hospital	4 Villas 53 Serviced Apartments	57 ORAs 29 Care Beds
ST ALLISA					
	A 109 bed care facility located 6.5km west of the CBD. The facility has integrated part of an original dwelling but for the most part was purpose built in 1990 with major renovations completed in late 2012.	Christchurch	53 Resthome 20 Dementia 36 Hospital	N/A	109 Care Beds

VILLAGE	DESCRIPTION	LOCATION	CARE BEDS	RETIREMENT UNITS	TOTAL
WAIKANAE					
	An aged care facility with integrated retirement village accommodation built between 1993 and 2005. There is an estimated 4,480 sqm of development land.	Kapiti Coast	16 Resthome 43 Hospital	4 Villas 20 Serviced Apartments	24 ORAs 59 Care Beds
WENDOVER					
	Integrated retirement village and care facility situated approximately 5km north west of the Christchurch CBD. Built circa 1972, the facility was converted into a resthome in 1985 and modernised in the intervening years.	Christchurch	46 Resthome	11 Serviced Apartments	11 ORAs 46 Care Beds
THE WOOD					
	Comprises a developed retirement village with a significant emphasis on care located approximately 1km east of the Nelson CBD. Development of the village was conducted in stages between the late 1990's and 2003.	Nelson	30 Resthome 47 Hospital	5 Villas 38 Serviced Apartments	43 ORAs 77 Care Beds

ARVIDA

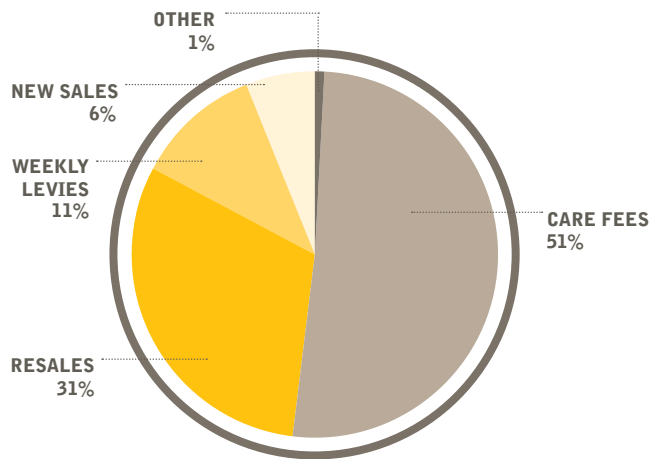
DESCRIPTION	17 retirement villages and aged care facilities spread across New Zealand. Arvida's portfolio has a balance of mature and developing villages and an even split between Retirement Units and Care Beds.
LOCATION	Arvida will have a mix of care and retirement assets with some development opportunities within the portfolio and a geographic footprint across key regions including Bay of Plenty, Nelson, Wellington, New Plymouth, Palmerston North and Canterbury.
CARE BEDS	461 Resthome 101 Dementia 390 Hospital
RETIREMENT UNITS	346 Villas 16 Apartments 450 Serviced Apartments
TOTAL EXISTING	812 ORAs 952 Care Beds
PROPOSED CARE BEDS	47 Resthome
PROPOSED RETIREMENT UNITS	20 Villas 101 Serviced Apartments
TOTAL PROPOSED ¹	121 ORAs 47 Care Beds

1 SEE FURTHER DETAILS UNDER "BROWNFIELD DEVELOPMENT STRATEGY" BELOW.

5.3 ARVIDA'S BUSINESS MODEL

ARVIDA GENERATES CASH FLOWS FROM FIVE KEY SOURCES:

ANTICIPATED SOURCES OF CASH INFLOWS (FY16)



SOURCES OF CASH FLOW THROUGH RETIREMENT VILLAGE OPERATIONS

1 RESALE OF ORAs FOR EXISTING RETIREMENT UNITS

See "Sources of revenue" under "Retirement Village Sector" in section 4: "Industry Overview".

For all new contracts when Arvida sells an ORA for an existing unit, it intends retaining any gain on the resale of the ORA. As a result, Arvida's profit margins on resales of some existing ORAs are expected to increase as legacy contracts with gains on resale accruing to the resident are replaced with preferred contracts at prevailing market standard terms.

The following chart illustrates the cash flows arising from a typical ORA, assuming the resident purchased the ORA for \$250,000 and that the ORA is sold for \$287,000 after 7 years.

2 DEFERRED MANAGEMENT FEE ("DMF")

Typically 20% to 30% of the ORA price, the DMF is the primary source of income for retirement villages. See "Sources of revenue" under "Retirement Village Sector" in section 4: "Industry Overview".

3 RESIDENT CHARGES (WEEKLY LIVING AND SERVICE FEES)

Arvida charges residents weekly living and service fees to cover the cost of operating its villages. These fees provide Arvida with a stable cash flow source. See "Sources of revenue" under "Retirement Village Sector" in section 4: "Industry Overview".

4 SALE OF ORAs FOR NEW RETIREMENT UNITS

Arvida receives a lump sum payment for the sale of an ORA for a new Retirement Unit, which generally includes a development margin on the sale of the ORA. For more information on development margins, see section 7: "Overview of Financial Information".

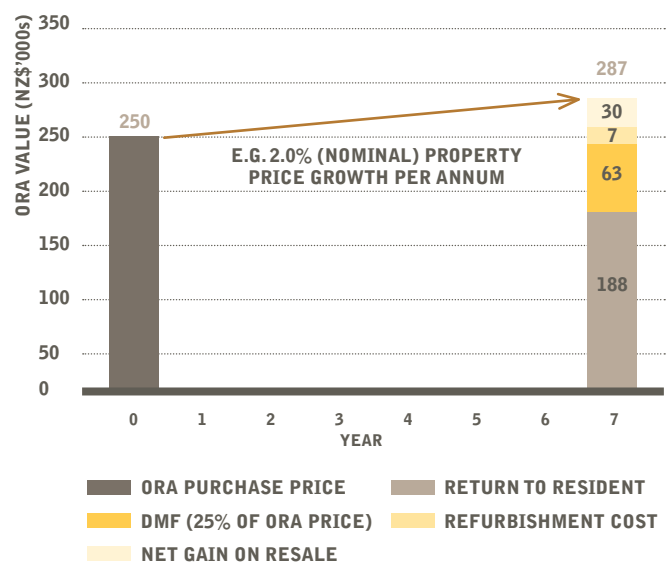
SOURCES OF CASH FLOW THROUGH AGED CARE VILLAGE OPERATIONS

5 AGED CARE SERVICE FEES

The Arvida portfolio receives both Government funding and fees from residents for privately funded services (approximately 84% of Arvida's care revenue is funded through Government funding as at 31 March 2014). These fees provide Arvida with a stable cash flow source. The key operational drivers of Arvida's aged care business are shown on the following page.

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HOW AN ORA WORKS: EXAMPLE OF A SINGLE RETIREMENT UNIT OVER ONE OWNERSHIP CYCLE



PRIMARY AGED CARE REVENUE DRIVERS

AGED CARE FACILITY CONFIGURATION	An aged care facility's capacity is based on the current configuration of its Care Beds. Arvida intends to operate a 'swing bed' policy across the portfolio, with many already operating under this model. This allows Arvida to alter resident mix between rest home and hospital beds to accommodate demand. Arvida will manage the configuration of its aged care facilities on a village by village basis.
CARE FEES	<p>Base fees in the aged care sector are set by DHB's through regional ARRC Contract (see "Sources of revenue" under "Aged Care Sector" in section 4: "Industry Overview").</p> <p>Many of Arvida's Care Beds are attracting premiums (above the rates set by the DHB) for additional services outside of the ARRC Contract.</p> <p>Arvida charges premium rates for its quality offerings at most of its existing villages.</p>

PRIMARY AGED CARE COST DRIVERS

STAFF COSTS	<p>Employee expenses (mainly wages) are the largest expense within an aged care operation. As the majority of care staff are on hourly rates, prudent planning and control of rosters to ensure efficient use of staff is crucial.</p> <p>One of the benefits of geographical clustering as Arvida grows over time, is that Arvida has identified procedures to optimise staffing and personnel costs, whilst simultaneously driving greater staff retention.</p>
PROPERTY COSTS	Property costs are the second largest expense for an aged care operator and relate to maintenance costs for retirement village, care facilities and common amenities.
OTHER EXPENSES	Other expenses include care consumables, insurance, marketing, travel and motor vehicle expenses. Arvida considers these expenses can be managed more effectively through a shared services and group buying model.

5.4 CREATION OF ARVIDA

Arvida was formed on 17 January 2014 to acquire the Portfolio Facilities, and, since its formation, has been undertaking due diligence and preparatory work in connection with such Aggregation and the IPO.

5.5 INTEGRATION

Arvida's integration strategy is based around a 'Support Centre' philosophy of adding value to the existing operations through a dedicated professional service provision allowing Portfolio Facilities to focus on quality delivery.

Arvida aims to ensure a smooth financial integration through initial use of existing systems and management resources and limited external support. Key team members including standout Portfolio Facility managers will be empowered to take on key roles within the Group (see "Proposed Management Team" below, under the heading "Board, Senior Management and Corporate Governance") and incentivised for long term participation.

Arvida intends to focus on integration, as it is a key part of the strategy going forward, while also ensuring that it embraces and enhances the culture of the Portfolio Facilities. Arvida has appointed an integration manager to oversee the integration and assist Arvida to realise the financial benefits while locking in the inherent business value.

Arvida has identified several “quick wins” that it intends to target in the first 100 days. These operating efficiencies need to be captured early:

- Integration of centralised support functions including standardised certification and policy documentation, finance, IT, human resources, payroll and marketing across the retirement village network to improve the current operating efficiency and improve existing operating margins;
- Group compliance that will allow sharing of actions and programmes;
- More effective utilisation of employee resource. With a larger number of villages, there will be gains through rostering efficiencies, allowing a greater pooling of staff, providing flexibility and improved operational outcomes; and
- Procurement synergies through economies of scale with a large retirement village/aged care facility group potentially able to source goods and services at better rates than smaller operators. Together with added sophistication to supply chain management and better information and negotiation capabilities, Arvida will be in a position to deliver benefits that smaller operators would likely find difficult to replicate.

The Board believes that the creation of Arvida and successful completion of the integration of the Portfolio Facilities represents a compelling investment proposition that offers the potential for attractive returns for investors as integration benefits are realised over time. These longer term benefits include:

- Standardisation of ORAs: many ORAs within the Portfolio Facilities currently operate under a mixture of legacy contracts. Over time, these contracts will be moved to preferred contracts at prevailing market standard terms;
- Strategies (set in conjunction with Portfolio Facility management) that will target reduced earnings volatility, increased income diversification, and improved funding sources;
- Establish a group development team to oversee and manage facility developments utilising existing skills and expertise within the Portfolio Facilities. During the initial transition phase, this will be undertaken on a contract basis using existing people;
- Increased staff development and retention through a larger retirement village network that is able to provide improved career path training and progression; and
- A single group strategy and brand to establish Arvida as a recognised integrated retirement and aged care provider.

While the costs of establishing and operating Arvida’s corporate support structure have been included in the PFI, Arvida’s prospective financial statements contained in section 7: “Overview of Financial Information” do not include any of the potential benefits associated with the integration due to uncertainty as to their timing and quantum.

INTEGRATION PLAN

INTRODUCTION OF A SUPPORT CENTRE CORPORATE STRUCTURE TO EXECUTE ON THE COMPANY STRATEGY THAT COMPLEMENTS THE EXISTING OPERATIONS WHICH HAVE AN INDEPENDENT TRACK RECORD OF SUCCESS



5.6 GROWTH STRATEGY

Post listing and during the integration, Arvida will pursue a range of growth initiatives. Arvida has identified three key growth opportunities:

1. Brownfield Development opportunities;
2. A well-considered and disciplined acquisition strategy; and
3. In time, a Greenfield Development pipeline.

These opportunities are described in the following sections.

BROWNFIELD DEVELOPMENT STRATEGY

The Portfolio Facilities have an existing planned or consented development pipeline of over 160 Retirement Units and aged Care Beds representing an initial development pipeline. The table below depicts the current planned or consented Brownfield Development pipeline:

RETIREMENT UNITS AND CARE BEDS DELIVERED	EXPECTED TO BE DELIVERED IN FY15	EXPECTED TO BE DELIVERED IN FY16	EXPECTED TO BE DELIVERED AFTER FY16	CURRENT STATUS
PARK LANE	9 Villas	6 Villas	5 Villas 54 Serviced Apartments	Construction of FY15 Villas underway.
RHODES ON CASHMERE			31 Serviced Apartments 47 Care Beds	Construction is expected to commence in FY16. Consenting process underway.
WAIKANAE			16 Serviced Apartments	4,480 sqm of development land. Development of 16 Serviced Apartments proposed.
TOTAL	9 Villas	6 Villas	5 Villas 101 Serviced Apartments 47 Care Beds	

The table above excludes a number of other potential brownfield opportunities which have been identified within the Group. Planned development expenditure in FY15 and FY16 is \$3.3 million and \$4.1 million respectively.

Several retirement villages within Arvida's portfolio own adjacent land which could be used for further Brownfield Development. After listing, Arvida will assess development opportunities on the available land outlined below:

RETIREMENT VILLAGE	AVAILABLE LAND	COMMENTS
OAKWOODS	5,785 sqm	<ul style="list-style-type: none"> • Potential to develop further Retirement Units.
WENDOVER	2,367 sqm of adjoining properties	<ul style="list-style-type: none"> • Insurance rebuild. Care facility comprising 50 Care Beds has been proposed. • Three adjoining properties consisting of 2,367 sqm of Brownfield Development land. • Additional Serviced Apartments are currently being considered.
ST ALBANS	703 sqm of adjoining properties	<ul style="list-style-type: none"> • Three adjacent residential dwellings on 703 sqm of adjoining land. • One adjoining residential dwelling with a share of 1,070 sqm of adjoining land. Arvida intends to purchase the additional dwellings on the site in the longer term as they become available. • Potential to add additional Villas or Serviced Apartments.
TOTAL	8,855 sqm	

Arvida's initial focus will be to pursue development on owned land and to optimise the ratio of care facilities at each village. Arvida expects to use current experienced resources within the Portfolio Facilities, including design and project management capabilities, to undertake this work and appoint a senior development manager to oversee development across Arvida's portfolio.

ACQUISITION STRATEGY

The proposed Aggregation (as described in section 5: "About Arvida" in the Prospectus, under "Creation of Arvida") provides a platform for Arvida to establish itself as a primary acquirer within the retirement sector.

Following the IPO, Arvida will have capacity as an acquirer within the retirement sector and intends to pursue an acquisition strategy underpinned by:

- A strict acquisition selection criteria that focuses on portfolio enhancement and earnings growth and a rigorous due diligence process focusing on quality, strong cash flows, geographical mix and Brownfield Development opportunities;
- Pursuing acquisitions which are aligned to the care focused nature of Arvida;
- Aligning interests between the vendor and Arvida through using a mixture of cash and Share consideration;
- Establishing a corporate structure capable of supporting growth through acquisitions; and
- Adopting a disciplined capital management strategy when pursuing acquisition opportunities.

Arvida has received expressions of interest in joining the Group from a number of private retirement villages that are not a part of the initial portfolio. However, no specific post listing acquisition agreements are in place. Other than the Brownfield Developments occurring within the PFI period, the Board has not included any of the costs or potential benefits associated with the growth strategies in the forecasts contained in section 7: "Overview of Financial Information".

GREENFIELD DEVELOPMENT STRATEGY

Arvida intends to initially focus on implementing its Brownfield Development strategy for opportunities in its existing portfolio or in acquired villages.

Over time, it will focus on Greenfield Development opportunities and, as part of this, will establish an appropriate development delivery capability. While Arvida has not finalised how it intends to structure and organise its development delivery capability, internal development functions may include:

1. Sourcing, investigation and acquisition of prospective land opportunities;
2. Development of management to oversee the overall development, consenting and delivery processes;
3. Project and cost management;
4. Design and construction management functions;
5. Cost benefits arising from procurement of construction materials and trade services from external contractors resulting in an increased development margin on units delivered; and
6. Implementation of pricing strategy and the appointment of a dedicated sales team.

FUNDING OF GROWTH STRATEGIES

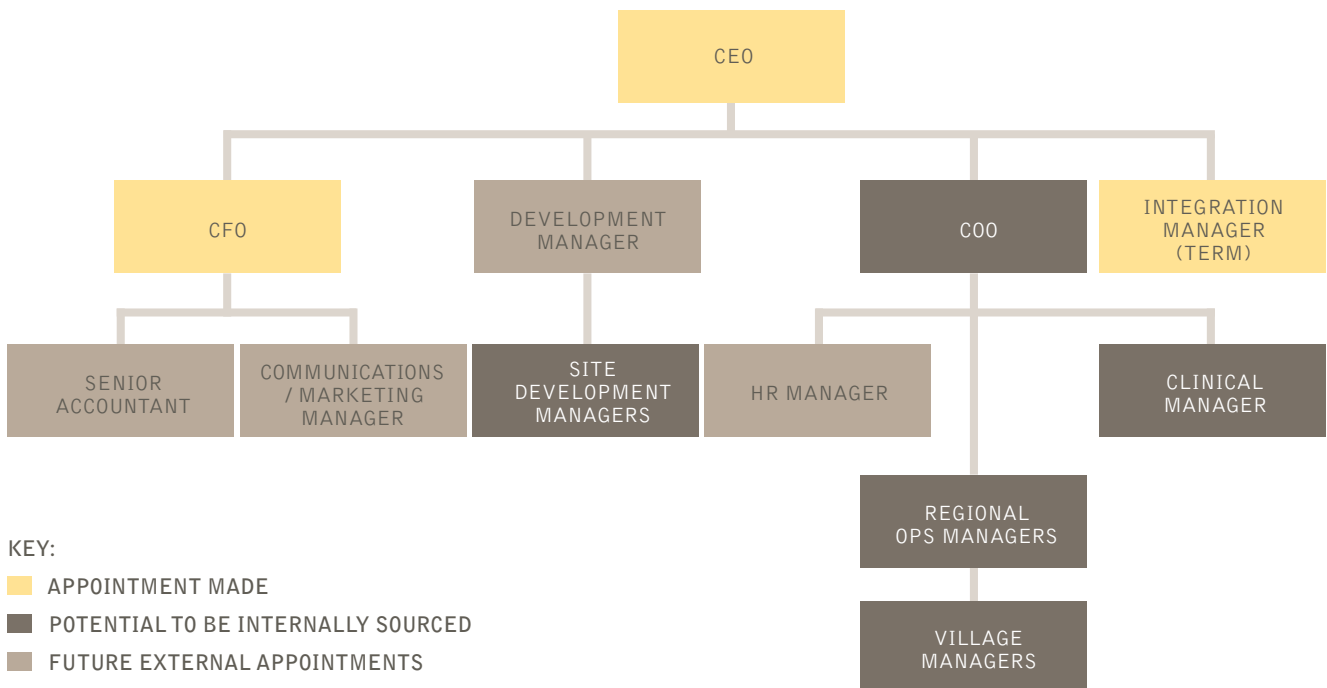
Arvida plans to fund the growth strategies set out above through Operating Cash Flow and capacity under its new debt facilities that will be entered into by the Allotment Date (see further in section 2: "Offer at a Glance" under the heading "Purpose of the Offer and use of proceeds"). For more substantial acquisitions, it is also possible that Arvida may issue Shares as part of the consideration and/or that Arvida could raise further equity capital.

5.7 BOARD, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

Arvida is establishing a corporate support structure to execute its strategy. Arvida will be operated by a small team of experienced and dedicated senior management executives. This team will be led by Chief Executive Officer, Bill McDonald, who will report to the Company's Board of Directors.

The chart below outlines Arvida's indicative longer term management structure. Arvida intends to leverage the capabilities of existing village managers by utilising a "Support Centre" philosophy to add value to the existing operations. The appointments that are likely to be filled through internal sources within the Group have been highlighted in the table below:

PROPOSED MANAGEMENT TEAM



ARVIDA'S BOARD OF DIRECTORS

The Board of Directors will comprise three non-executive Directors (two of whom are independent, including the Chairman).



PETER WILSON **INDEPENDENT CHAIRMAN**

Peter is a Chartered Accountant and business consultant, and was formerly a partner of Ernst & Young. He has extensive experience in banking, business establishment, problem resolution, asset sales and management of change functions. Peter has been involved in companies undertaking capital raising activities and has wide ranging governance experience in the public market, the private sector and with Crown-owned entities.

Peter is currently Chairman of Westpac New Zealand Limited and Augusta Capital Limited, and Deputy Chairman of Meridian Energy Limited. Peter is also Chairman of PF Olsen Limited and a Director of Farmlands Co-operative Society Limited. Past directorships include Westpac Banking Corporation.



ANTHONY BEVERLEY **INDEPENDENT DIRECTOR**

Anthony is a professional director and business consultant with more than 28 years' experience in the property, investment and capital market arenas. He has a specialist property valuation and investment background having worked for 20 years with AMP Capital Investors, NZ's largest investment fund manager, eight of these as Head of Property. Anthony has broad governance and directorship experience in both the public and private markets and has been involved in a wide range of property, infrastructure and investment entities. His current directorships include Property for Industry Limited, Marlborough Lines Limited, Harbour Quays A1 Limited, Harbour Quay D4 Limited, and Harbour Quays F1F2 Limited. Past directorships include Summerset Holdings Limited, Precinct Properties Limited, and AMP Capital Investors (NZ) Limited.

Anthony is a Chartered Fellow of the New Zealand Institute of Directors, a Fellow of the New Zealand Institute of Valuers, a Fellow of the Property Institute of New Zealand, and a Fellow of the Financial Services Institute of Australasia.



MICHAEL AMBROSE **NON-EXECUTIVE DIRECTOR**

Michael is a Director in Rodgers & Co, a chartered accountancy firm based in Christchurch and heads the firm's aged care division. Michael is involved in management consultancy and strategic and restructure work for his clients and has 16 years' experience in the aged care sector, advising on the operation, expansion and development of his clients' retirement villages.

Michael actively manages several client companies, and is a highly regarded board member of a diverse number of companies and organisations including several villages that are part of the Arvida portfolio. Michael is also a business advisor to a wide range of companies throughout New Zealand.

Michael is a member of the NZ Institute of Chartered Accountants, the NZ Institute of Management and the Institute of Directors.

SENIOR MANAGEMENT TEAM



BILL McDONALD **CHIEF EXECUTIVE OFFICER (B.BUS, M.AGRIBUS)**

Bill McDonald joined Arvida as a consultant in September 2014. Bill has subsequently been appointed as Chief Executive Officer of Arvida.

Bill is an experienced retirement and aged care specialist with 12 years' participation in the sector.

Bill entered the aged care and retirement industry as acting CEO for a community owned organisation in country Victoria. Having successfully guided the organisation through the accreditation process, Bill was approached by the Buxton Group to assist in the development of an exclusive retirement housing brand.

As a director and shareholder, Bill partnered with Richard Buxton to develop and operate the highly acclaimed Rylands facilities in Melbourne. The development projects were stand out commercial successes winning multiple awards from the Urban Development Institute of Australia and Australian Institute of Building. They are also recognised as benchmark retirement operations in Australia and internationally.

In early 2008, Stockland acquired the Rylands business. Bill then joined Stockland in the executive role of Regional Operations Manager for Victoria, operating Stockland's 24 retirement villages. Bill played a key directional role for the business as a member of the State Executive Committee.

In January 2011, Bill accepted the position of General Manager of ING's retirement assets division in New Zealand. In this role he operated and improved the villages and aged care facilities with a focus on preparing the business for its sale in November 2011.

Post ING, Bill invested in a small village in Auckland and worked alongside a large retirement village operator while reviewing their assets in New Zealand.



JEREMY NICOLL **CHIEF FINANCIAL OFFICER (B.COM, CA)**

Jeremy Nicoll joined Arvida as acting Chief Financial Officer in October 2014 during the lead-up to the IPO.

Jeremy is a Chartered Accountant who has held a number of senior executive positions within the financial services sector.

Jeremy has spent the last 14 years working within the ING and ANZ businesses in New Zealand. During this time Jeremy acted as the CFO and Company Secretary for the ING Property Trust and for the ING Medical Properties Trust. Both property trusts were listed on the NZX and have now been renamed as Argosy Property Limited and Vital Healthcare Property Trust. In 2008 Jeremy was appointed as ING's Managing Director, Real Estate where he was responsible for the two listed property trusts and a portfolio of retirement village assets. In 2009 Jeremy was transferred to be ING's Managing Director, Insurance and subsequently assisted ANZ with the integration of the ING business into the ANZ business from 2010.

Jeremy graduated from the University of Auckland with a Bachelor of Commerce, majoring in accounting and finance, in 1993. In 1997 Jeremy qualified as a Chartered Accountant with the New Zealand Institute of Chartered Accountants. Jeremy has also acted as the President of the Property Council New Zealand in 2009 and he is currently a board member of his local primary school.



DUNCAN ABERNETHY **INTEGRATION MANAGER (B.COM, CA)**

Duncan Abernethy was appointed as Project Manager in June 2014 by Arvida to manage the due diligence process for the proposed Aggregation. He will manage the initial business integration of Arvida post IPO.

Duncan has held executive finance and development roles and directorships across many industry sectors, including retirement village and aged care, energy, industrials, communications and technologies. Duncan gained over 18 years' experience with Todd Corporation working on and within growth orientated businesses in the public market and private sector. He brings a multi-disciplinary approach and expertise to operational, commercial and strategic matters.

ESTABLISHMENT FEE AND SHARE ALLOCATIONS TO DIRECTORS AND SENIOR MANAGEMENT

There have been substantial efforts from certain individuals to progress the proposed Aggregation and Offer. As such, Arvida has entered into a number of arrangements outlined below.

Arvida has entered into an establishment agreement with GA Village Management (an entity owned by trusts associated with the late Grant Adamson, Michael Ambrose and other directors of Rodgers & Co (an accounting firm providing services to certain of the Portfolio Facilities) and Geoff McPhail). Under this agreement, Arvida has agreed to issue to GA Village Management:

- 1,850,000 Shares on completion of the IPO; and
- 1,000,000 Shares on 31 May 2016, provided that the volume weighted average market price of the Shares reported on the NZX Main Board for the 10 trading days ending on (and including) 31 May 2016 is equal to, or greater than, 1.25 times the Final Price (the *Share Price Hurdle*).

Arvida has agreed to issue to each of Peter Wilson and Anthony Beverley up to \$200,000 of Shares, as follows:

- \$133,333 of Shares on completion of the IPO (calculated by reference to the Final Price); and
- \$66,667 of Shares on 31 May 2016 (calculated by reference to the Final Price), subject to the Share Price Hurdle being satisfied.

As part of his remuneration package, Arvida has agreed to issue Duncan Abernethy \$150,000 of Shares upon completion of the IPO.

Michael Ambrose and Geoff McPhail contributed a total of \$150,000 of seed capital to Arvida and received 300,000 Shares (150,000 each). In addition, trusts associated with Michael Ambrose and Geoff McPhail hold interests in certain Portfolio Entities, however, Michael and Geoff will not be substantial security holders in respect of Arvida following the IPO.

These individuals are also entitled to subscribe for Shares in the Offer at the Final Price, on the same basis as other investors.

No person (including anyone mentioned above) guarantees the Arvida Shares offered or any return on them.

DIRECTOR FEES

Non-executive directors' fees have been fixed at a total pool of \$360,000 per annum, plus an additional total of \$40,000 for Committee responsibilities. These amounts are based on five non-executive directors and have been approved for the purposes of Listing Rule 3.5.

EMPLOYEE SHARE SCHEME

At the date of this Investment Statement, Arvida does not have an employee share incentive plan in place. However, Arvida will, in the future, introduce an employee share incentive plan if the Board considers that it would be an effective way of retaining Arvida's key employees.



SECTION 6

**WHAT ARE
MY RISKS?**

6.1 WHAT ARE MY RISKS?

Your Shares will be fully paid and you will not have liability to make any further payments for them.

However, you may not be able to get back any or all of your investment and you may not receive the returns you expect. This could be because you are unable to sell your Shares for the price you paid for them (or at all) or because the dividends paid on your Shares are less than you expect.

The principal risks that may have an impact on Arvida's business or financial results, and which could reduce or eliminate the value of your Shares or the returns on them, are set out below.

A full description of the risks that may have an impact on your investment is set out in Section 6: "What are my Risks?" of the Prospectus.

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RISKS ASSOCIATED WITH AGGREGATION

- **Consolidation:** As part of the Aggregation, Arvida will need to create comprehensive systems and policies that allow all Portfolio Facilities to operate and collaborate efficiently. There is a risk that Arvida may not be able to successfully carry out the integration process as anticipated and/or that it may encounter unforeseen difficulties and/or delays in consolidation of individual villages. This could potentially result in disruptions to normal operations, earnings and potentially result in the loss of staff and/or residents. There is also no guarantee that the retirement villages will operate as profitably after integration as they did prior to the Aggregation.
- **Transaction risk:** The Portfolio Facilities have a wide range of corporate and commercial structures and arrangements, which in turn have different taxation implications. Arvida will effectively inherit these structures and arrangements, and their implications, under the Aggregation. Many of the taxation and other laws which apply to the Portfolio Entities are complex and subject to interpretation. There is a risk that any particular compliance approach adopted by a Portfolio Facility may be challenged. Whether or not successful, any such challenge in respect of one or more matters could have a material adverse effect on the Arvida Group's future financial performance and position.
- Arvida has conducted targeted due diligence enquiries in connection with the Aggregation in respect of a large number of distinct retirement village and/or aged care businesses. Notwithstanding this due diligence, it is possible that one or more material adverse issues or the likelihood of them arising, may not have been properly identified prior to Arvida acquiring the Portfolio Facilities or that matters which have been identified in due diligence but considered not to be material in fact have more severe effects on the Arvida Group than anticipated.

- Under the Aggregation, Arvida is seeking certain specified warranties and tax indemnities from investors in the Portfolio Facilities. The nature and scope of the warranties and tax indemnities are more limited, and the warranties/indemnities are effectively more qualified, than could be available under an arm's length commercial transaction. In addition, because a number of the Portfolio Facilities are widely owned and the Facility Investors are severally liable for any claims, any enforcement of claims could be logistically difficult and/or uneconomic.
- **Corporate structure:** To establish a group operating structure, Arvida will need to establish centralised core service functions. There is a risk that the ongoing costs to run Arvida's corporate functions may cost more than anticipated. Arvida anticipates there could be meaningful synergies arising in various costs but there is a risk that the anticipated synergies may not eventuate or may be less than expected, which could impact on the ongoing profitability of Arvida.

CONSTRUCTION, PROPERTY VALUATION AND GROWTH RISKS

- **Property market risk:** The Arvida Group's future financial performance will be impacted by any decline in the property market conditions or valuation methodologies. Arvida anticipates that the main effects are that:
 - The amount of the fair value adjustment attributed to its properties each year could be reduced, which would reduce Arvida's net profit after tax (but not its Underlying Profit, which is adjusted for fair value adjustments);
 - Potential residents may have less financial capacity to enter a Portfolio Facility, because they typically move into a retirement village following the sale of their family home and may receive less capital from that sale if there is a downturn in the property market;
 - A reduction in the price at which sales and resales of ORAs are made and an increased timeframe to complete sales.
- **Future growth:** Arvida's ability to meet its growth targets beyond FY16 relies, to a significant extent, on its ability to identify and acquire attractive villages/facilities and/or development sites. There is no assurance that Arvida will be able to identify suitable villages/facilities or development sites or acquire them on satisfactory terms. It is possible that Arvida's peers could change their acquisition strategies in the future and/or that other well-resourced interests could compete with Arvida's acquisition strategy.
- **Construction and property development risk:** The Arvida Group will face construction and property development risks when developing its brownfield sites or any new greenfield opportunities that may be identified including construction risks, default risks, marketing risks, industrial relations risks and the risk of selecting an inappropriate site.

- In addition, the establishment of internal development capabilities may not result in the advantages that Arvida expects will be achieved. All of these may impact on Arvida's financial performance. In addition, poor site selection may result in Arvida developing a facility at a site that is not attractive to potential residents. Again, this could impact on Arvida's financial performance.

OTHER SPECIFIC RISKS

- **Earthquake risk:** There are eight Portfolio Facilities based in Christchurch (representing approximately 47% of the total market value of the Portfolio Facilities, as at 31 March 2014). Accordingly, a significant portion of Arvida's portfolio has been subject to earthquake risk. A number of the Portfolio Facilities, have existing earthquake damage and outstanding reinstatement insurance. To the extent that the settlement of these insurance claims takes longer than expected or the insurance settlement is below the expected cost of reinstatement, the ongoing profitability of Arvida may be impacted or Arvida may face incremental costs to reinstate the assets to full operating capacity.
- **Government funding/policy risk:** Arvida receives substantial revenues from Government sources for the provision of health care services and most of its residents receive Superannuation payments from the Government. A change in eligibility criteria or funding policy, funding policy or the annual increase in relevant Government funding or Superannuation being less than increases in costs, could adversely impact on Arvida's financial performance. Approximately 84% of Arvida's care revenue was funded through Government funding for the financial year ended 31 March 2014. Care fees are anticipated to account for approximately 50% of Arvida's cash flow in FY16.
- **Sales and occupancy risk:** Arvida faces the risk that sales and occupancy levels may remain static or fall below expectations. Arvida's financial performance could be adversely affected as its borrowing and operational costs may increase, and income from its residents may also reduce. Refer to Appendix 1 "Prospective Financial Information" of the Prospectus for a sensitivity analysis showing the impact of changes in the sale of new units and Care Bed and occupancy levels.
- **Competition risk:** The industry in which Arvida operates is expected to remain competitive. Increased industry competition could result in, among other things, Arvida experiencing lower occupancy rates and price reductions. Some competitors have greater resources than Arvida and may extend their care offerings to compete with Arvida to a greater extent. This could adversely affect Arvida's financial performance.
- **Labour market risk:** Arvida Group has approximately 1,000 staff (including casual staff) and employee costs are Arvida Group's largest operating expense. Any disputes with staff, including the possibility of prolonged industrial action amongst Arvida's employees, may impact on the performance of Arvida's business, and Arvida may be adversely affected by increases in employment costs and/or difficulties in attracting or retaining appropriately skilled personnel. Refer to Appendix 1 "Prospective Financial Information" of the Prospectus for a sensitivity analysis showing the impact of changes in staff costs.
- **Key executive risk:** As a newly established entity with a small executive team, Arvida places significant reliance on certain key individuals (including its CEO, CFO and village managers). The loss of any of the key members of Arvida's management team or any village managers could adversely affect Arvida.
- **ORA tax risk:** Operators in the retirement sector (such as Arvida) receive gains through the sales of new ORAs or resales of existing ORAs which are currently non-taxable. Any change in this treatment could have an adverse impact on Arvida's financial performance, although Arvida expects it would likely result in price increases across the sector as a whole.
- **Reputation risk:** Under the Aggregation, Arvida will establish an overarching group brand. Accordingly the reputation of individual villages will be linked to the reputation of the Group. Arvida operates in a commercially sensitive market where its performance could be adversely impacted should it, or the industry in general, suffer from any adverse publicity.
- **Registration:** Like other operators of retirement villages, in order to maintain registration of each of its retirement villages (as required by the Retirement Villages Act 2003), Arvida must comply with certain disclosure standards and minimum requirements for retirement villages in New Zealand. Suspension or cancellation of registration would result in Arvida no longer being able to offer retirement village facilities at that affected Portfolio Facility, which would have a material impact on Arvida's financial performance.
- **Certification:** Like other operators with care offerings, Arvida must continue to meet the requirements of the Health and Disability Services (Safety) Act and be certified under that statute in order to provide health care services at its Portfolio Facilities. Arvida must also be party to an ARRC Contract with the relevant DHB for each of its villages that provides care services. Loss of certification, or termination of an ARRC Contract, would result in Arvida no longer being able to provide residential aged care services to residents at the relevant Portfolio Facility, which would have a material impact on Arvida's financial performance.

To find out more about these and other risks faced by Arvida Group, refer to section 5 "What are my risks?" of the Prospectus.

SECTION 7

**OVERVIEW
OF FINANCIAL
INFORMATION**

OVERVIEW OF FINANCIAL INFORMATION

7.1 INTRODUCTION TO ARVIDA'S FINANCIAL INFORMATION AND FORECASTS

Presented in this section is:

- Historical and prospective pro forma income statement and cash flow information for the Arvida Group for FY13 to FY16 ("Pro Forma Financial Information");
- A summary of the statutory prospective financial information ("PFI") for FY15 and FY16 income statement, balance sheet and cash flow information; and
- Various key operating metrics.

The proposed new Arvida Group is based on the Aggregation having occurred, as described in section 5: "About Arvida" of the Prospectus.

Arvida has prepared PFI for the Arvida Group for FY15 and FY16 in accordance with FRS-42 Prospective Financial Statements for inclusion in the Prospectus. The PFI provided in this Investment Statement has been extracted from this information.

The PFI is forward looking and based on certain assumptions and therefore involves risks and uncertainties. Actual results could differ from those expressed or implied by such forward looking statements, with factors that could cause such differences including but not limited to, those discussed in section 6: "What are my risks?". You should read the basis of preparation, assumptions and sensitivities relating to the PFI as

detailed in Appendix 1: "Prospective Financial Information" of the Prospectus.

Certain information (including Underlying Profit and Pro Forma Financial Information) is non-GAAP financial information. You can find an explanation of why the Arvida Group uses these measures and an explanation of the pro forma adjustments later in this section.

All financial information in this section is presented in NZD (unless otherwise stated) and rounded to the nearest thousand dollars.

If you do not understand the information in this section, you should consult a financial advisor.

BASIS OF PREPARATION OF PRO FORMA AND STATUTORY FINANCIAL INFORMATION

The Pro Forma Financial Information is prepared as if the Aggregation had occurred as at 31 March 2012 and the Arvida Group had been operating since 1 April 2012. The Board considers that the Pro Forma Historical and Prospective Financial Information is relevant to aid comparability of financial information with regard to the financial performance of the Portfolio Facilities.

In addition, the FY14 Pro Forma Historical Financial Information reflects independent valuations of investment property and other land and buildings performed as at 31 March 2014.

The following table illustrates the differing basis used in the preparation of the statutory and pro forma financial information presented in this section:

BASIS OF PREPARATION OF FINANCIAL INFORMATION

PRO FORMA FY13 – FY16	STATUTORY FY15	STATUTORY FY16
<ul style="list-style-type: none"> • Assumes Portfolio Facilities had been part of Arvida for the entirety of the historical and forecast periods presented. • Excludes Arvida head office costs as well as Aggregation and IPO costs. • Excludes the proposed capital structure post-IPO and is presented before interest and tax (and financing cash flows). • FY13 and FY14 extracted from the pro forma special purpose consolidated financial statements at Appendix 2 of the Prospectus. 	<ul style="list-style-type: none"> • Assumes Portfolio Facilities are acquired on 17 December 2014. • Includes operations and net assets of Portfolio Facilities from forecast acquisition date (i.e. 12 months of trading of the Arvida Group Limited plus trading of the new combined Group from 17 December 2014 to 31 March 2015). • Includes estimated costs in relation to the Aggregation and IPO, in addition to the estimated head office costs of Arvida. • Reflects the proposed capital structure of the Arvida Group post-IPO. 	<ul style="list-style-type: none"> • Prepared on the same basis as Statutory FY15. • Includes a full year of operations of the Portfolio Facilities. • Reflects the proposed capital structure of the Arvida Group post-IPO.

PRO FORMA HISTORICAL INFORMATION

Arvida has prepared Pro Forma Special Purpose Consolidated Historical Financial Statements for FY14 (with FY13 as comparatives) for inclusion in the Prospectus. The Historical Financial Information provided in this Investment Statement has been extracted from this information.

The Pro Forma Historical Information is unaudited because some of the underlying financial statements of the entities from which the information is derived are not audited.

The Pro Forma Historical Information summarised below, and included in full in Appendix 2 of the Prospectus, is not the actual historical financial statements of the Company. The Company was incorporated on 17 January 2014 and had \$909,000 of assets and \$892,000 of liabilities as at 31 March 2014 and made a loss in the period to 31 March 2014 of \$133,000. The audited FY14 financial statements for the year ended 31 March 2014 and interim financial statements for the period ended 31 July 2014 (set out in Appendix 3 and 4 of the Prospectus respectively) are the Company's only financial statements.

Certain of the Pro Forma Historical Information has been re-categorised to allow for consistent presentation, which means some line items are different to those disclosed in the individual financial statements of the aggregated entities. Adjustments have been made for inter-entity transactions and balances, and for material differences in accounting policies, reflecting the different types of corporate structure and current ownership of the relevant entities and the associated types of reporting regimes applied by each entity. No normalisation adjustments have been made for any one-off or non-recurring income or expenses incurred between 1 April 2012 and 31 March 2014. The basis of preparation of the Pro Forma Special Purpose Consolidated Historical Financial Statements for the Arvida Group is further explained in Note 2 of Appendix 2 of the Prospectus.

You should read the basis of preparation and assumptions relating to the Pro Forma Special Purpose Consolidated Historical Financial Statements as detailed in Appendix 2: "Unaudited March 2014 Pro Forma Special Purpose Consolidated Financial Statements for the Arvida Group" of the Prospectus.

The following financial information, which should be read in conjunction with this section, is included in the Appendices to the Prospectus:

- Appendix 1: Prospective Financial Information.
- Appendix 2: Unaudited FY14 (including FY13 as comparatives) Pro Forma Special Purpose Consolidated Historical Financial Statements for the Arvida Group (previously named "Hercules"), including a Compilation Report from Ernst & Young Transaction Advisory Services Limited.
- Appendix 3: Audited FY14 financial statements for the Arvida Group covering the period from the date of formation, being 17 January 2014 to 31 March 2014. An unqualified audit opinion was received for these financial statements.
- Appendix 4: Unaudited interim financial statements for the Arvida Group for the period ended 31 July 2014.
- Appendix 5: Summary financial statements for the Arvida Group covering the period from formation, being 17 January 2014 to 31 March 2014 and the period from 1 April 2014 to 31 July 2014.
- Appendix 6: A five-year summary of key historical financial information is provided in tabular form for each of the Portfolio Entities. Where the summary historical financial information is unaudited this is clearly stated.
- Appendix 7: List of audited Portfolio Entities and the date of registration of their most recent financial statements.
- Appendix 8: Schedule which sets out the basis on which the number of Shares in Arvida to which the Facility Investors in each Portfolio Facility are entitled on the Allotment Date.

If you do not understand the information in this section you should consult a financial advisor.

7.2 HOW THE ARVIDA GROUP MAKES MONEY

The Arvida Group offers a “continuum of care” which, at a high level, can be divided into two business functions – retirement villages and aged care. Refer to section 5: “About Arvida” for a description of these two business functions and Arvida’s business model in order to assist in reading the detail in the rest of this section.

Key line items in relation to the retirement village business:

- Village service fees are weekly levies charged to residents to recoup the shared costs of running a village (e.g. the power used to heat and light village community facilities).
- Deferred management fees are charged to residents to compensate for the margin and cost of managing village assets. For financial reporting purposes these fees are received when an ORA is entered into and amortised over the expected average tenure of the resident. Contractually, deferred management fees are accrued over a fixed term.
- Fair value movements (realised and unrealised) relating to changes in the value of investment properties and termination fees. Generally, capital gains are retained by the operator and are realised on resale of the ORA.
- Within cash flows from operating activities, residents’ loan receipts reflect the incoming loan receipts from new residents for their retirement village unit. Repayment of residents’ loans reflects the repayment of the initial resident loan less the amount of deferred management fee contractually accrued.

The key line item in relation to the aged care business:

- Care fee revenues are payments for aged care services that are paid for by Government funding and/or the resident.

Further background on these matters is set out in section 4: “Industry Overview” of the Prospectus and section 5: “About Arvida” in the Prospectus under “Arvida’s Business Model”.

7.3 OVERVIEW OF SELECTED OPERATIONAL AND FINANCIAL INFORMATION

The following selected pro forma and statutory financial information represents an overview of the financial information presented in Appendix 1: "Prospective Financial Information" and Appendix 2 "Unaudited March 2014 Pro Forma Special Purpose Consolidated Historical Financial Statements for the Arvida Group and Compilation Report" of the Prospectus.

OVERVIEW OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

12 months ending 31 March (NZ\$000)	Pro Forma Information				Statutory Information	
	Unaudited FY13 Historical Pro Forma	Unaudited FY14 Historical Pro Forma	FY15 Forecast Pro Forma	FY16 Forecast Pro Forma	FY15 Forecast Statutory	FY16 Forecast Statutory
Care & village service fees	47,589	56,571	59,105	61,417	17,030	61,417
Deferred management fees	3,951	4,336	5,369	6,914	1,697	6,914
Other revenue	1,452	1,464	930	973	288	973
Total revenue	52,992	62,371	65,403	69,304	19,014	69,304
Fair value movement of investment property	3,110	30,431	986	1,226	221	1,226
Total income	56,102	92,802	66,389	70,530	19,235	70,530
Operating expenses	(39,821)	(47,805)	(50,252)	(51,644)	(15,261)	(54,860)
Depreciation, amortisation and impairment losses	(2,555)	(5,029)	(1,109)	(1,140)	(391)	(1,288)
Total expenses	(42,376)	(52,835)	(51,361)	(52,784)	(15,652)	(56,148)
OPERATING PROFIT BEFORE FINANCING, TRANSACTION & IPO COSTS	13,726	39,967	15,028	17,746	3,583	14,383
Financing costs					(429)	(175)
Offer costs					(4,581)	-
PROFIT / (LOSS) BEFORE INCOME TAX					(1,427)	14,207
Income taxation					(907)	(3,635)
NET PROFIT / (LOSS) AFTER TAX					(2,334)	10,573

The FY15 forecast statutory financial information assumes Portfolio Facilities are acquired part way through the financial year (on 17 December 2014). In order to enable comparison against FY13 and FY14 historical pro forma financial information, the FY15 and FY16 forecast pro forma financial information excludes Arvida head office costs as well as Aggregation and Offer costs and is presented before financing costs and taxation due to the different capital structure that will be in place post-IPO. See further details in the table headed "Basis of preparation of financial information" above.

Arvida considers that operating profit before financing, transaction and IPO costs reflects the profitability of the Group at the retirement village and care facility level and also includes the impact of property ownership. It does not allow for the impact of financing costs, offer costs and taxation.

UNDERLYING PROFIT

Underlying profit represents the Board's adjustment to net profit after tax to remove certain unrealised profit items. In FY15 the effect of the costs of the Offer and Aggregation have also been removed as they are non-recurring in nature.

Years ending 31 March (NZ\$000)	FY15 Statutory	FY16 Statutory
Net profit after tax	(2,334)	10,573
Less: Change in fair value of investment property	(221)	(1,226)
Add: Total capital gains	1,623	3,532
Add: Development margin on new units	132	132
Less: Deferred tax	294	288
Add: IPO and Aggregation costs	4,581	-
Underlying Profit	4,076	13,298

Underlying Profit is explained further under the heading "Explanations of the non-GAAP financial information" in this section.

OVERVIEW OF CONSOLIDATED CASH FLOWS

12 months ending 31 March (NZ\$000)	Pro Forma Information				Statutory Information	
	FY13 Historical Pro Forma	FY14 Historical Pro Forma	FY15 Forecast Pro Forma	FY16 Forecast Pro Forma	FY15 Forecast Statutory	FY16 Forecast Statutory
Receipts from residents with respect to levies, care fees and other income	49,003	59,773	60,252	62,166	17,342	62,166
Residents' loans	19,331	27,382	33,479	36,624	11,887	36,624
Repayment of residents' loans	(11,545)	(17,462)	(17,301)	(18,324)	(6,382)	(18,324)
Payments to suppliers and employees	(40,088)	(50,293)	(49,961)	(51,329)	(22,672)	(54,114)
Other Operating Cash Flows	827	1,814	1,124	865	300	865
OPERATING CASH FLOW BEFORE FINANCING COSTS AND TAXATION	17,527	21,214	27,593	30,002	474	27,216
Financing costs					(502)	(461)
Taxation					(549)	(3,266)
NET CASH FLOW FROM OPERATING ACTIVITIES					(577)	23,490
Acquisition of investment property	(43,018)	(3,054)	(7,073)	(7,598)	(2,301)	(7,598)
Purchase of property, plant and equipment	(9,976)	(8,983)	(1,355)	(6,686)	(823)	(7,186)
Other investing cash flow	(14,119)	(2,425)	-	-	5,746	-
NET CASH FLOW FROM INVESTING ACTIVITIES	(67,113)	(14,461)	(8,427)	(14,284)	2,621	(14,784)
NET CASH FLOW FROM FINANCING ACTIVITIES					2,031	(8,686)
Net (decrease) / increase in cash					4,075	19
Opening cash balance					888	4,964
CLOSING CASH BALANCE					4,964	4,983

The FY15 forecast statutory financial information assumes Portfolio Facilities are acquired part way through the financial year (on 17 December 2014). In order to enable comparison against FY13 and FY14 historical pro forma financial information, the FY15 and FY16 forecast pro forma financial information excludes Arvida head office costs and is presented before financing costs and taxation due to the different capital structure that will be in place post-IPO. See further details in the table headed "Basis of preparation of financial information" above.

OVERVIEW OF CONSOLIDATED BALANCE SHEET

	Pro Forma Information		Statutory Information	
	FY13 Historical Pro Forma	FY14 Historical Pro Forma	FY15 Forecast Statutory	FY16 Forecast Statutory
As at 31 March (NZ\$000)				
Cash and cash equivalents	3,036	2,835	4,964	4,983
Property, plant and equipment	75,274	83,280	83,499	89,398
Investment property	177,643	207,541	216,460	226,245
Goodwill	-	-	31,258	31,258
Intangible assets – operating rights	5,825	10,500	9,820	9,145
Other assets	6,428	5,195	3,571	3,960
TOTAL ASSETS	268,206	309,351	349,573	364,990
Interest-bearing loans and borrowings	68,387	67,799	5,942	6,343
Residents' loans	95,767	101,799	112,788	123,443
Deferred tax liability	13,774	14,749	14,616	14,328
Other liabilities	15,976	21,524	19,619	22,634
TOTAL LIABILITIES	193,903	205,871	152,965	166,747
NET ASSETS	74,303	103,480	196,607	198,242

The Pro Forma Historical Information has been prepared subject to the Securities Act (Hercules Limited) Exemption Notice 2014. See further in section 9: "Statutory Information" of the Prospectus.

COMMENTARY ON THE STRUCTURAL CHANGES TO THE GROUP IN FY13 AND FY14 THAT AFFECTED THE PRO FORMA HISTORICAL FINANCIAL INFORMATION

The increase in revenue and expenditure from FY13 to FY14 materially relates to the increased number of Retirement Units and Care Beds from the acquisitions of assets or development of assets as follows:

- Ashwood, Rhodes and Oakwoods facilities were acquired in FY13 in April 2012, June 2012 and October 2012 respectively;
- Bainlea House care facilities were acquired in FY14, in May 2013;
- Park Lane had significant development in FY13 and FY14; and
- Included within cash flow from investing activities is the following expenditure related to the development and acquisition of investment property and property, plant and equipment.

Currency: NZ\$000	FY13A	FY14A
Ashwood	16,200	-
Bainlea	-	7,627
Oakwoods	20,557	-
Park Lane	11,493	1,087
DEVELOPMENT AND ACQUISITION EXPENDITURE	48,251	8,714

CBRE undertook an independent market valuation across every Portfolio Facility as at 31 March 2014, which is reflected in the FY14 Pro Forma Historical Information. Villages had previously engaged a range of valuers. Arvida believes that the application of a consistent valuation methodology across the village portfolio aids investors consideration of the Offer. Please refer to "Other material matters" in section 9 "Statutory Information" of the Prospectus.

PRO FORMA FINANCIAL INFORMATION

Arvida believes that its statutory financial information does not reflect Arvida Group's financial performance in a consistent manner. The PFI for FY15 (statutory) and FY16 (statutory) are shown on an unadjusted basis, as this reflects the basis on which the Group will report its results for those financial years.

Pro Forma Financial Information reflects the operating activities of the 17 underlying villages to aid comparability of financial information. The Arvida Group believes that the use of Pro Forma Financial Information allows investors to better compare its financial information between years.

A Pro Forma Consolidated Income Statement for FY13 to FY16 is presented alongside FY15 and FY16 (statutory).

Equally the Arvida Group has not presented a pro forma balance sheet for FY15 and FY16 in the above tables. The primary purpose of the FY15 and FY16 Pro Forma Financial Information is to reflect the full year of operation of the Portfolio Facilities. This does not affect the balance sheet in the same way as the income statement or cash flow statement, as the FY15 and FY16 balance sheet fully includes the net assets of the Portfolio Facilities whereas the income statement and cash flow statement only include a partial period of their results. A pro forma balance sheet would therefore not add meaningful new information.

The Board notes that whilst acknowledging the materiality of acquisition accounting to the Group's balance sheet and cash flows, the Board does not believe that the non-presentation of pro forma balance sheet and cash flows is material for the purposes of this Offer. The Board also notes that pro forma cash flows (excluding interest, tax and financing for FY13 to FY16) and pro forma balance sheets for FY13 and FY14 are provided.

Investors are advised that for a complete understanding of the Group's balance sheet and cash flows they should refer to Appendix 1: "Prospective Financial Information" and Appendix 2 to Appendix 6 of the Prospectus.

Accordingly balance sheet, cash flows and statements of movements in equity are presented on a statutory basis.

EXPLANATIONS OF THE NON-GAAP FINANCIAL INFORMATION

The Arvida Group's financial statements have been prepared in accordance with NZ GAAP. As such, they comply with NZIFRS as well as IFRS.

Underlying Profit represents the Board's adjustment to net profit after tax to remove certain unrealised profit items. Reported net profit has been adjusted to replace the fair value adjustment with the Board's estimate of realised elements of movements in investment property value, being:

- The realised gain on resales, calculated as the net cash flow on resale of Retirement Units (i.e. the gain from the increase in resale price over the entry price of the prior resident); and
- Any estimated development margin on the sale of new Retirement Units, being the difference between the sale price of the ORA and the development cost associated with the Retirement Unit.

The realised gain on resales is based on the assumptions as set out in capital gains on resales under the heading "Revenue" in Appendix 1 "Prospective Financial Information" of the Prospectus.

The development margin on new sales has been estimated for new Retirement Units settled (as per the assumptions in residents' loans received in relation to new Retirement Unit sales under "Residents' loans received and repaid" in Appendix 1 of the Prospectus), estimated selling prices for these Retirement Units and the actual costs to date and forecast costs to complete, sourced from quantity surveying data for the relevant development stage and Portfolio Facility, and spread pro rata across the number of Retirement Units being developed in that development stage.

Underlying Profit also includes an adjustment to remove the deferred tax charge or credit for the period, such that only the element of the income tax expense or credit relating to the current tax charge or the future income tax benefit of tax losses is included within Underlying Profit.

SECTION 8

**TERMS OF
THE OFFER**

TERMS OF THE OFFER

8.1 DETAILS OF THE OFFER

THE OFFER

The Offer is an Offer of new Shares in Arvida Group Limited.

The Shares will be issued to retail investors in New Zealand and Institutional Investors at the Final Price.

All Shares will be fully paid ordinary shares which rank equally with each other and all existing Shares.

The Offer is made on the terms, and is subject to the conditions, set out in the Prospectus.

HOW MUCH DO I PAY?

You will pay the Final Price per Share to Arvida in full by direct debit, cheque or other method (see section 10: "How do I apply?"), which may be within, above or below the Indicative Price Range of \$0.85 to \$1.00 per Share.

The Final Price is expected to be announced and posted on www.arvida.co.nz on or about 21 November 2014.

The minimum Application amount for the Retail Offer is 2,000 Shares and Applications must be in multiples of 500 Shares thereafter. Arvida reserves the right to accept Applications for less than 2,000 Shares.

SIZE OF THE OFFER

The Offer comprises an offer by Arvida of \$80 million of Shares to members of the public in New Zealand and to Institutional Investors.

The maximum number of Shares that will be offered is not yet known. Based on the Indicative Price Range of \$0.85 to \$1.00 per Share and an Offer size of \$80 million, the maximum number of Shares being offered would be between 80 million and 94.1 million.

The gross proceeds raised from the Offer depends on the number of Shares that are subscribed for. Arvida will issue that number of Shares which, when multiplied by the Final Price, equals (as nearly as possible) the gross proceeds from the Offer.

STRUCTURE OF THE OFFER

The Offer comprises:

- The Retail Offer, consisting of:
 - A Broker Firm Offer which is available only to New Zealand resident clients of NZX Firms who have received an allocation from that NZX Firm; and
 - A Priority Pool Offer which is available to any person resident in New Zealand who Arvida determines is a Facility Investor of a Portfolio Entity, or an employee or independent contractor of, or a resident or intending resident in a village of, Arvida or any of its intended subsidiaries as at the Opening Date, up to a maximum of \$5 million of Shares.
- The Institutional Offer, which consists of an invitation to bid for Shares made to selected Institutional Investors.

There is no general public pool under which you may subscribe for Shares.

The allocation of Shares between the Institutional Offer and the Retail Offer (and within the Retail Offer between the Broker Firm Offer and the Priority Pool Offer) will be determined by Arvida.

PURPOSE OF THE OFFER AND USE OF PROCEEDS

Please see section 8: "Terms of the Offer" of the Prospectus for further details regarding the purpose of the Offer, sources and uses of funds and the proposed shareholding structure of Arvida before and after the Offer.

8.2 SHAREHOLDING STRUCTURE

On completion of the proposed Aggregation and IPO:

- Facility Investors will own between 58.9% to 62.7% of the Shares in Arvida (excluding any additional Shares they may subscribe for under the IPO);
- The founding shareholders, Board and senior management and GA Village Management will hold approximately 2.6 million Shares (between 1.1% to 1.2% of total Shares, if the Offer is fully subscribed), excluding any additional Shares subscribed for under the IPO.

See further details in section 5: "About Arvida", under the headings "Establishment Fee and Share allocations to Directors and senior management" and "Proposed Aggregation" respectively.

INDICATIVE OWNERSHIP STRUCTURE

As a consequence of the above, the ownership structure of Arvida at initial public offering and the indicative ownership structure upon the completion of the Offer (following the allotment of the Shares issued to existing Shareholders) is illustrated in the table below based on the Indicative Price Range and the Shares that the existing Shareholders have elected to sell through the liquidity pool.

Offer size	Following completion of the offer	
	Shares (million)	%
Facility Investors ¹	138.4 – 138.8	58.9 – 62.7%
Founding Shareholders, Board and senior management and GA Village Management	2.6	1.1 – 1.2%
New Shareholders pursuant to the Offer	80.0 – 94.1	36.1 – 40.0%
TOTAL	221.4 – 235.1	100%

¹ THE NUMBER OF SHARES ISSUED TO FACILITY INVESTORS UNDER THE PROPOSED AGGREGATION CAN BE REDUCED IN CERTAIN CIRCUMSTANCES BEFORE COMPLETION OF THE IPO. REFER TO APPENDIX 8 OF THE PROSPECTUS FOR FURTHER DETAILS.

8.3 FURTHER TERMS OF THE RETAIL OFFER

GENERAL

Arvida may determine whether a person is eligible to participate in any part of the Retail Offer, and may amend or waive the applicable Application procedures or requirements, in its discretion, in compliance with applicable laws.

The allocation of Shares between the Institutional Offer and the Retail Offer (and within the Retail Offer between the Broker Firm Offer and the Priority Pool Offer) will be determined by Arvida.

ALLOCATION UNDER THE RETAIL OFFER

If the value of Applications received under the Priority Pool Offer is greater than the value of Shares available under the Priority Pool Offer (as determined by Arvida), Applications will be scaled back in such manner as Arvida may determine.

Applicants whose Applications are accepted in full will receive the number of Shares applied for. Surplus Application monies resulting solely from rounding will not be returned to applicants and will become an asset of Arvida.

Shares which have been allocated to NZX Firms for allocation to their New Zealand resident retail clients will be issued to the applicants nominated by those NZX Firms. It will be a matter for the NZX Firms how they allocate firm stock among their retail clients, and they (and not Arvida or the Arranger) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

INSTITUTIONAL OFFER

Arvida, through the Arranger, will invite selected Institutional Investors, along with NZX Firms, to bid for Shares in the bookbuild process to be undertaken by the Arranger on or about 20 November 2014.

The Institutional Offer comprises an invitation for Institutional Investors to subscribe for Shares. The Arranger will separately advise Institutional Investors of the application and settlement procedures for the bookbuild process.

The number of Shares to be offered under the Institutional Offer, and the allocation of Shares among applicants in the Institutional Offer, will be determined by Arvida. Arvida will have absolute discretion regarding the basis of allocation of Shares among Institutional Investors, and there is no assurance that any Institutional Investor will be allocated any Shares, or the number of Shares for which it has bid. The allocation policy will be influenced by a number of factors, which may include:

- Number of Shares bid for by particular bidders;
- The timeliness of the bid by particular bidders;
- Arvida's desire for an informed and active trading market following listing on the NZX Main Board;
- Arvida's desire to establish a wide spread of institutional Shareholders;
- Overall level of demand under the Retail Offer and Institutional Offer;
- The size and type of funds under management of particular bidders;
- An assessment of whether particular bidders will be long term Shareholders; and
- Any other factors that Arvida considers appropriate.

NZX MAIN BOARD LISTING

Application has been made to NZX for permission to list Arvida and to quote the Shares on the NZX Main Board and all the requirements of NZX relating thereto that can be complied with on or before the date of this Investment Statement have been duly complied with. However, NZX accepts no responsibility for any statement in this Investment Statement.

NZX has authorised NZX Firms to act on the Offer. The NZX Main Board is a registered market operated by NZX, which is a registered exchange, regulated under the Securities Markets Act 1988.

Initial quotation of the Shares on the NZX Main Board is expected to occur under the symbol 'ARV' on 18 December 2014.

Each applicant is responsible for confirming its holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. Applicants will be able to confirm their holding by contacting their broker upon commencement of trading of the Shares on the NZX Main Board.

Arvida, the Arranger and the Share Registrar disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by a broker or otherwise.

WHAT YOU NEED TO DO TO SELL YOUR SHARES

If you wish to sell your Shares on the NZX Main Board, after confirming your allocation, you must contact an NZX Firm and have a CSN and FIN. Opening a new broker account can take a number of days depending on the NZX Firm's new client procedures. If you do not have a CSN, you will:

- Be assigned one when you set up an account with an NZX Firm; or
- Receive one from the Share Registrar.

If you do not have a FIN, it is expected that you will be sent one as a separate communication by the Share Registrar. If you have a broker and have not received a FIN by the date you want to trade your Shares, your broker can obtain one, but may pass the cost for doing so on to you.

ESCROW ARRANGEMENTS

From the Allotment Date until 30 May 2016, 'escrow' restrictions will apply to all Shares issued:

- In respect of Directors and senior management (as described in section 5: "About Arvida", under the heading "Establishment Fee and Share allocations to Directors and senior management"); and
- To Facility Investors in respect of the proposed Aggregation (including Shares acquired upon reinvesting the proceeds of shareholder advances).

These restrictions will mean that restricted shareholders will not be able to dispose of any affected Shares for the period of the escrow.

There are exceptions for transfers:

- To certain specified "affiliates", provided the affiliate enters into a similar agreement with Arvida and assumes the transferor's liability for any warranties or indemnities granted by the transferor in favour of Arvida; or
- Made to Arvida, either in satisfaction of any liability to Arvida for breach of warranty or indemnity or to give effect to any reduction in the consideration payable by Arvida to the transferor in respect of the proposed Aggregation; or
- With the prior written consent of the non-interested Directors (as that term is defined in the Companies Act), Arvida and NZX; or
- In connection with a takeover offer under the Takeovers Code.

NZX has granted approval under NZX Listing Rule 11.1.5 to allow Arvida to include these restrictions in its Constitution. As a condition of this approval, Arvida will bear a "non-standard" delegation on the NZX Main Board.

Any new Shares subscribed for under the Offer will not be subject to these escrow restrictions.

8.4 BROKERAGE

No brokerage or commission is payable by applicants for Shares under the Offer.

8.5 DISCRETION REGARDING THE OFFER

Arvida may withdraw the Offer, or any part of it, at any time before the allotment of Shares to successful applicants or bidders in the applicable part of the Offer. If the Offer, or any part of it, does not proceed, all relevant Application monies will be refunded (without interest) no later than five Business Days after the announcement of the decision to withdraw the Offer or any part of it. No interest will be paid on unsuccessful Applications.

Arvida also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any applicant or bidder fewer Shares than applied or bid for.

TAKEOVERS CODE

The Takeovers Code prohibits, amongst other things, any person (together with its "associates" (as defined in the Takeovers Code)) from becoming the holder or controller of 20% or more of the voting rights in Arvida other than in compliance with the requirements of the Takeovers Code. You are advised to seek legal advice in relation to any act, omission or circumstance which may result in you breaching any provision of the Takeovers Code.

OVERSEAS INVESTMENT ACT

Any person who is an "overseas person" for the purposes of the Overseas Investment Act 2005 and who intends to acquire more than 25% of the Shares (or make any other acquisition regulated by the Overseas Investment Act 2005) will be required to obtain any necessary consents under the Overseas Investment Act 2005.

8.6 NEW ZEALAND TAXATION IMPLICATIONS

The following comments relate only to New Zealand tax implications for New Zealand tax resident investors and are of a general nature. They are based on tax legislation and interpretations current at the date of this Investment Statement and are not intended to deal with all relevant considerations for individual investors, or future tax legislation, case law and interpretation changes.

Prospective investors should seek their own taxation advice in relation to their taxation position.

SALE OR DISPOSAL OF SHARES

Although New Zealand does not have a capital gains tax, there are instances where gains realized on the sale or disposal of shares will be taxable. Consequently, each New Zealand tax resident investor will be required to consider their individual circumstances to determine whether any gain on disposal will be taxable.

CAPITAL ACCOUNT INVESTORS

An investor who holds shares on capital account should have no income tax liability on the sale or disposal of the shares.

REVENUE ACCOUNT INVESTORS

Generally, an investor will be subject to tax on any profit arising from the disposal of shares where:

- The investor is in the business of dealing in shares; or
- The shares were purchased for the purpose of resale; or
- The shares were acquired as part of a profit making undertaking or scheme; or
- The shares are otherwise held on revenue account.

The taxable gain (or tax deductible loss) for an investor will be the difference between the cost of acquiring the shares and the market value of the consideration received for their disposal.

Portfolio investment entities holding Shares in Arvida will be an exception to the general rules. Any gains or losses realized by a portfolio investment entity on New Zealand shares will not be subject to tax, subject to compliance with the relevant requirements.

For completeness, as there is no stamp duty in New Zealand, neither the disposal nor acquisition of shares will attract stamp duty in New Zealand.

8.7 DIVIDENDS ON SHARES

Dividends received by New Zealand tax resident investors will generally be included in their taxable income.

New Zealand operates a full imputation system of company taxation. Under the dividend imputation system, corporate income tax paid by Arvida gives rise to credits (known as imputation credits) which can be attached to dividends paid by Arvida. Imputation credits of the Portfolio Entities and subsidiaries arising prior to the proposed Aggregation will not be available to Arvida. To the extent imputation credits are attached to dividends paid (if at all), the imputation credits can be used by New Zealand tax resident investors to offset their income tax liabilities on those dividends.

Arvida intends to attach imputation credits to dividends declared to the extent that they are available. However, there is no guarantee as to the level of imputation credits that will be available.

Dividends paid to New Zealand tax resident investors will ordinarily be subject to resident withholding tax. Resident withholding tax at 33% will be reduced to the extent that dividends are imputed. The resident withholding tax deducted at source should be available as a credit against investors' income tax liabilities.

A deduction for resident withholding tax on dividends will not be made where the recipient of the payment holds and produces a current certificate of exemption or where one of the other exemptions specified in the Income Tax Act 2007 applies.

Dividends paid to non-residents of New Zealand will be subject to non-resident withholding taxes (NRWT). Where the dividend is fully imputed (i.e., at a rate of 28%), and less than 10% of the total shareholding of the company is held, the rate of non-resident withholding tax is 15%. Double tax treaty relief may be available to reduce this rate depending on the recipient's status.

If Arvida pays a fully imputed dividend, Arvida may pay an additional supplementary dividend to non-residents of New Zealand which effectively offsets the NRWT on the dividend. If Arvida pays a partially imputed dividend, the amount of the supplementary dividend will be reduced on a pro rata basis so that it will effectively offset the NRWT on part of the dividend only. The NRWT withheld may be available to the non-resident as a tax credit in their own jurisdiction, depending on the jurisdiction and their tax status.

ABOUT THE SHARES

Each Share confers an equal right to share in dividends and other distributions authorised by the board of the Company, and to cast a vote at meetings of Shareholders, in accordance with the Constitution.

Once the Shares are trading, further information about the Company will be able to be obtained at www.nzx.com.

WHAT RETURNS WILL I GET?

Your returns on Shares may be:

- Dividends paid and other distributions which may be made in respect of your Shares; and
- Any gains you make if you sell or dispose of your Shares for a net price that is greater than the price you paid for them (although the market price of your Shares may also decline, making them worth less than you paid for them).

Arvida intends to pay quarterly dividends and the current dividend policy is set out in section 2: "Offer at a Glance". No amount of returns is promised in respect of the Shares. The key factors that will determine your returns (if any) are the market price for Shares and the board's decisions in relation to dividends or other distributions. The board's decisions in relation to the level of reserves and retentions may affect any dividends or distributions you receive from the Shares.

If you sell your Shares, you may be required to pay brokerage or other sale expenses. Tax will also affect your returns from the Shares. You should seek your own tax advice in relation to your Shares.

The Company is legally liable to pay you any dividends or other distributions declared on your Shares.

If you sell any of your Shares, the purchaser of those Shares will be legally liable to pay you the sale price.

You may cash in your investment by selling your Shares. Any sale of Shares must be made in accordance with the requirements of the Constitution, the NZX Main Board Listing Rules and any applicable laws.

CAN MY INVESTMENT BE ALTERED?

The Company may only amend its Constitution (which sets out the rights attached to Shares) with approval by a special resolution of Shareholders. The Company cannot take any action that affects that rights of any interest group of Shareholders without approval by a special resolution of that affected interest group.

A special resolution must be approved by at least 75% of the votes of those Shareholders entitled to vote and who actually vote on that resolution. Under certain circumstances, if your rights are affected by an action approved by a special resolution, you may require the Company to purchase your Shares.

CONSEQUENCES OF INSOLVENCY

If the Company becomes insolvent, you will not become liable to pay any money to any person. If the Company is liquidated then all claims by its creditors will rank ahead of any entitlement of Shareholders to any distribution. Each Share confers an equal right to participate in any distribution to Shareholders. Any distribution on Shares made on liquidation of the Company may be less than the amount of your investment.

LISTING RULE 7.1.15

The following persons have relevant interests in 5% or more of the Shares in the Company as at the date of this Investment Statement:

RELEVANT INTEREST HOLDER	NO. OF SHARES	NATURE OF RELEVANT INTEREST(S)	CONSIDERATION AND OTHER TERMS OF ACQUISITION
MICHAEL AMBROSE	150,000	Registered holder and beneficial owner	\$75,000 initial share subscription
GEOFF McPHAIL	150,000	Registered holder and beneficial owner	\$75,000 initial share subscription

HOW DO I APPLY?

APPLICATION FORM

If you wish to apply in the Broker Firm Offer:

- Complete the yellow "Broker Firm Offer Application Form" at the back of this Investment Statement in accordance with the instructions on the relevant Application Form; and
- Return your Application Form to your NZX Firm to enable forwarding to the Share Registrar by 5.00pm on 15 December 2014.

If you wish to apply in the Priority Pool Offer:

- Complete the grey "Priority Pool Offer Application Form" at the back of this Investment Statement in accordance with the instructions on the relevant Application Form; and
- Return your Application Form to the Share Registrar by 5:00pm on 8 December 2014.

Alternatively, Applications can be lodged with Arvida, any NZX Firm, the Arranger or any other channel approved by NZX so as to be received in time to enable forwarding to the Share Registrar by the applicable date set out above.

APPLICATION PAYMENT

Applications in the Broker Firm Offer and Priority Pool Offer must be accompanied by payment in full for the dollar amount of Shares applied for. Your payment must be made in accordance with the directions of the NZX Firm from whom you received an allocation.

OPTION 1: ONE-TIME DIRECT DEBIT

If you choose to make a one-time payment out of your bank account, the direct debit will be processed on the first Business Day after your Application Form is received by the Share Registrar or, if received on the day the Offer closes, the same Business Day.

One-time direct debits will only be processed from New Zealand registered banks. You must ensure that:

- The bank account details supplied are correct;
- There are sufficient funds in the specified bank account;
- You have the authority to operate the account solely/jointly; and
- The bank account you nominated is one which will allow the one-time direct debit to be made. For example, certain savings accounts may not allow money to be withdrawn in this manner. If you are uncertain you should contact your bank.

If the direct debit from your bank account is unsuccessful, your Application will be rejected. The terms and conditions for one-time direct debit can be obtained by calling (09) 488 8777 during the Offer period.

OPTION 2: CHEQUE

If you choose to pay by cheque your cheque should be made payable to "Arvida Share Offer", be crossed "Not Transferable" and not be post dated.

Your cheque will be banked on the Business Day it is received. If your cheque is post dated or dishonoured, your Application may be rejected.

OPTION 3: OTHER

If you have applied under the Broker Firm Offer and the NZX Firm from whom you received your allocation has given directions as to another method of payment, other than payment by cheque or direct debit, select this option. You should carefully follow those instructions or your Application may be rejected.

SUBMITTING YOUR APPLICATION

You will not be able to reverse or change your Application after it has been submitted. By submitting an Application you agree to subscribe for the number of Shares you specify in your Application Form on the terms and conditions set out in this Investment Statement, the Application Form and the Prospectus.

TREATMENT OF APPLICATION

If your Application is incomplete or otherwise invalid (for example, if the Application Form is not completed correctly or the accompanying payment is for the wrong amount), Arvida may still treat it as valid. Arvida reserves the right to refuse any Application or to accept an Application in part only, without providing a reason.

The decision of Arvida as to whether to treat your Application as valid, and any changes made by Arvida to complete your Application, will be final. The decision on the number of Shares to be allocated to you will also be final. You will not be allocated more Shares than can be subscribed for with the payment you have made. If your Application is not accepted, or is accepted in part, you will receive a refund of the balance, without interest, within five Business Days after the Allotment Date. Refunds will be paid in the manner you elect any future dividend payments to be paid.

PRIVACY POLICY

If you apply for Shares, you will be asked to provide personal information to Arvida, the Share Registrar and their respective agents who will collect and hold the personal information provided by you in connection with your Application. Your personal information will be used for considering, processing and corresponding with you about your Application and in connection with your holding of Shares, including sending you information concerning Arvida, your Shares and other matters Arvida considers may be of interest to you by virtue of your holding of Arvida Shares. To do these things, Arvida or the Share Registrar may disclose your personal information to each other, their respective related companies and agents, contractors or third party service providers to whom they outsource services such as mailing and registry functions. However, all of these parties will be bound by the same privacy policies as Arvida and the Share Registrar.

In addition, if you elect to pay by one-time direct debit, the Share Registrar will communicate with your nominated bank (including providing your personal information) for the purposes of processing your payment.

Failure to provide the required personal information may mean that your Application Form is not able to be processed efficiently, if at all.

Where Arvida and the Share Registrar hold personal information about you in such a way that it can be readily retrieved, you have a right to obtain from Arvida and the Share Registrar confirmation of whether or not they hold such personal information, and to access and seek correction of that personal information under the Privacy Act 1993 by contacting the privacy officers of Arvida and the Share Registrar at their respective addresses shown in the Directory. You can also access your information on the Share Registrar's website: www.investorcentre.com/nz (you will be required to enter your CSN and FIN).

GLOSSARY

Aged Related Residential Care Contract or ARRC Contract means government funded aged care contracts that are negotiated between local service providers and the relevant DHB annually and are intended to cover all contracted services including accommodation, meals, pharmaceuticals, medical supplies and certain ancillary services.

Aggregation means the proposed acquisition by Arvida of the Participating Facilities, as described further in the Prospectus.

Allotment Date means the date on which Shares are allotted to successful applicants, which is expected to be 17 December 2014.

Application means an application to subscribe for Shares offered pursuant to this Investment Statement and the Prospectus made on the Application Form and accompanied by the application amount.

Application Form means the application forms attached to, or accompanying, this Investment Statement, including the "Broker Firm Offer Application Form" and the "Priority Pool Offer Application Form".

Arranger means Forsyth Barr Limited.

Arvida or Company means Arvida Group Limited (previously named Hercules Limited).

Arvida Group or Group means Arvida and all of its intended subsidiaries which, after the Offer is complete, is intended to include each of the Portfolio Entities.

Board means the board of directors of the Company.

Broker Firm Offer means the offer of Shares under the Prospectus and this Investment Statement to New Zealand resident retail clients of NZX Firms who have received an allocation of Shares (as described in section 8: "Terms of the Offer").

Brownfield Development means the development of a site within an existing village.

Business Day means a day on which the NZX Main Board is open for trading.

Care Beds means resthome beds, dementia beds and hospital beds that provide resident accommodation and various levels of care and other services.

CBRE means CBRE Limited.

Companies Act means the Companies Act 1993.

Constitution means the constitution of Arvida Group Limited, as amended from time to time.

CSN means Common Shareholder Number.

Deferred Management Fee or DMF is the primary source of revenue for established retirement villages. The DMF is accrued over a resident's tenure and realised on the resale of their Occupation Right Agreement.

DHB means District Health Board.

Director means a director of the Company.

EBITDAR means earnings before interest, tax, depreciation, amortisation and rent.

Embedded Value means the estimated quantum of contractually accrued deferred management fees and other unrealised gains that would be received in cash if all of Arvida's ORAs were terminated, resold and settled at that valuation date. This represents an estimate of the value that will be received as cash in the future. This reference does not, therefore, reflect the present value of future cash flows from the termination of ORAs.

Facility Investor means an investor in a Portfolio Facility.

Final Price means the issue price of ordinary Shares issued to subscribers under the Offer, which will be determined and announced following the bookbuild.

FY means a financial year. For the Arvida Group financial information, this is a period ending on 31 March (e.g. FY14 is the 12 month period ending 31 March 2014).

GAAP means generally accepted accounting practice.

GA Village Management means GA Village Management Services Limited, an entity owned by trusts associated with the late Grant Adamson (a former associate of certain Portfolio Facilities), Michael Ambrose and other directors of Rodgers & Co (an accounting firm providing services to certain Portfolio Facilities) and Geoff McPhail (a former Director of Arvida).

Greenfield Development means the development of a site on which no facilities or structures currently exist.

Group or Arvida Group means the Company and all of its intended subsidiaries which, after the Aggregation is complete, is intended to include each of the Portfolio Entities.

Health and Disability Services (Safety) Act means the Health and Disability Services (Safety) Act 2001.

Indicative Price Range means \$0.85 to \$1.00 per Share.

Institutional Investor means investors to whom Arvida determines an offer or invitation of Shares may be made without the need for a registered or lodged offer document or other formality (other than a formality that Arvida is willing to comply with), including in New Zealand persons to whom offers or invitations in respect of Shares can be made without the need for a registered prospectus under the Securities Act.

Institutional Offer means the invitation to Institutional Investors under this Prospectus to bid for Shares (as described in section 8: "Terms of the Offer").

Investment Statement means this document.

IPO means the initial public offering of Arvida Group Limited.

NZX means NZX Limited.

NZX Firm means an entity designated as an NZX Firm under the Participant Rules of NZX.

NZX Main Board means the main board equity security market operated by NZX.

Occupational Right Agreement or **ORA** means a written agreement or other document that confers a right to occupy a residential unit within a retirement village on the terms and conditions set out or referred to in that agreement or other document. See further detail in section 4: "Industry Overview".

Offer means the offer of Shares pursuant to this Investment Statement and the Prospectus.

Operating Cash Flow means the amount of cash Arvida generates from the revenues it brings in, excluding costs associated with long-term investment on capital items or any cash flows arising from financing activities.

Penetration Rate means the percentage of the population of a stated age or over that live in retirement villages.

PFI means prospective financial information for Arvida for FY15 and FY16 (as set out in section 7: "Overview of Financial Information" and Appendix 1: "Prospective Financial Information" of the Prospectus).

Portfolio Entities means the entities to be acquired by Arvida which directly or indirectly owned the Portfolio Facilities.

Portfolio Facilities means the retirement village and/or aged care facilities known as Ashwood Park, Bainlea House, Bainswood, Glenbrae, Ilam, The Maples, Mayfair, Molly Ryan, Oakwoods, Olive Tree, Park Lane, Rhodes on Cashmere, St Albans, St Allisa, Waikanae, Wendover and The Wood.

Priority Pool Offer means the offer of Shares under this Investment Statement and the Prospectus to persons resident in New Zealand who Arvida determines are a resident or intending resident in an Arvida facility, an employee or independent contractor of Arvida or any of its intended subsidiaries or an existing investor in a Portfolio Facility.

Pro Forma Financial Information has the meaning set out in section 7: "Overview of Financial Information".

Pro Forma Historical Information means Pro Forma Financial Information for FY13 and FY14, as described further in section 7: "Overview of Financial Information".

Pro Forma Special Purpose Consolidated Historical Financial Statements means the unaudited FY14 (including FY13 as comparatives) Pro Forma Special Purpose Financial Statements for the Arvida Group as referred to in section 7: "Overview of Financial Information" and as set out in Appendix 2 of the Prospectus.

Prospectus means the registered prospectus in respect of the Offer dated 17 November 2014.

Retail Offer means the Broker Firm Offer and the Priority Pool Offer.

Retirement Units means villas, apartments and serviced apartments which provide resident accommodation and various levels of care and other services.

Retirement Villages Act means the Retirement Villages Act 2003.

Securities Act means the Securities Act 1978.

Securities Regulations means the Securities Regulations 2009.

Share means an ordinary share of the Company.

Share Price Hurdle has the meaning set out in section 5: "About Arvida" under the heading "Establishment Fee and Share allocations to Directors and senior management".

Share Registrar means Computershare Investor Services Limited.

Shareholder means a holder of one or more Shares in the Company.

Underlying Profit means the Directors' adjustment to net profit after tax to replace the fair value adjustment in investment property values, with the Directors' estimate of realised components of movements in investment property value, and to eliminate deferred tax charges or credits.

DIRECTORY

REGISTERED OFFICE OF ARVIDA

Arvida Group Limited
 Suite 3.5
 91 St Georges Bay Road
 Parnell
 Auckland 1052

DIRECTORS OF ARVIDA

Peter Wilson, Independent Chairman
 Anthony Beverley, Independent Director
 Michael Ambrose, Director

LEAD MANAGER, ORGANISING PARTICIPANT AND ARRANGER

Forsyth Barr Limited
 Level 13, Forsyth Barr Tower
 55 Shortland Street
 Auckland 1140

VALUER

CBRE Limited
 Level 14, Zurich House
 21 Queen Street
 Auckland 1010

LEGAL ADVISORS TO ARVIDA

Chapman Tripp
 Level 35, ANZ Centre
 23-29 Albert Street
 Auckland 1010

AUDITOR

Ernst & Young
 2 Takutai Square
 Britomart
 Auckland 1010

INVESTIGATING ACCOUNTANT

Ernst & Young Transaction
 Advisory Services Limited
 2 Takutai Square
 Britomart
 Auckland 1010

SHARE REGISTRAR

Computershare Investor
 Services Limited
 Level 2
 159 Hurstmere Road
 Takapuna
 Auckland 0622





