

INTERIM REPORT

As at 30 September 2015



Arvida.
The attitude
of living well.



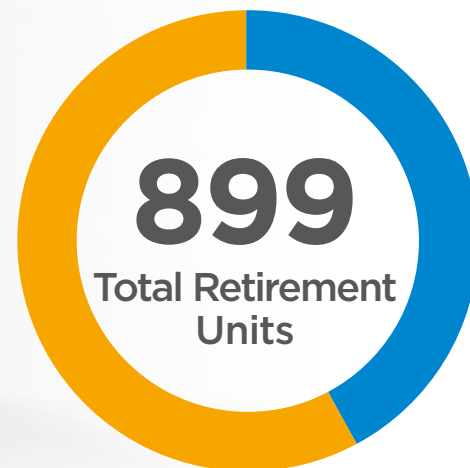
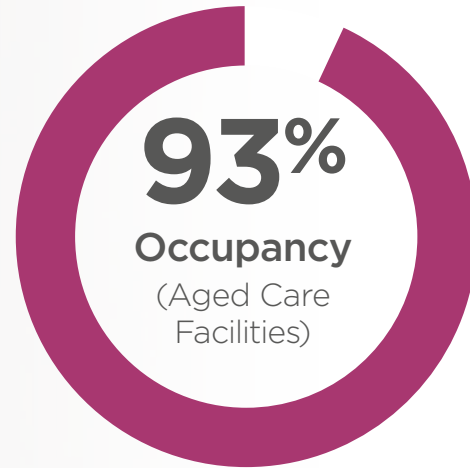
Arvida is one of the larger operators of retirement villages and aged care facilities in New Zealand.

Arvida's villages are located nationally, with over 2,100 residents spread across 21 locations. Every village operates independently and expresses its own character, personality and identity.

The corporate structure provides the background support to ensure quality and consistency across group operations, which ultimately benefits residents, village staff and shareholders.

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612 Rest Home **503 Hospital**
125 Dementia

379 Independent Living Units
520 Serviced Apartments



CHAIRMAN
& CEO REPORT

Chairman, Peter Wilson
CEO, Bill McDonald

Peter Wilson and Bill McDonald.



Highlights

to 30 September 2015

Underlying profit of \$7.3m for six month period to 30 September 2015

Financial performance on track to exceed IPO prospectus profit forecasts

Acquisition of the three Aria villages performing to expectations – provides a key strategic Auckland presence and quality brownfield development opportunities

Integration of 21 villages has been successful – focus on ongoing improvements in our high quality “care offering” and further operational and financial improvements across the group

Growth continues with 225 new beds and units planned for delivery over the next three years

Dividend of 1.05 cents per share, in line with IPO prospectus forecast

“We have a vision to be true leaders and innovators in the New Zealand retirement and aged care industry.”

To do this, we are creating an environment within our Villages and across the Group which is transforming the ageing experience for our residents by focusing on wellbeing, through:

- the physical environment – ensuring that it is aligned with the needs and desires of our residents
- local community integration and engagement
- our individualised wellness programmes providing support in four key areas: eating well, moving well, thinking well and rest and recovery
- the way in which our staff deliver our services every day, embodied in our underlying culture and values which we describe as the ‘Arvida Attitude’ – a model which empowers our people to achieve, to innovate and to care.

We are passionate about pursuing a truly differentiated position in the market and to improving the lives and wellbeing of our residents. Every day our staff challenge themselves to make our resident’s lives better with everything they do. We believe these are the keys to a healthier and happier resident population. We aim to make our residents, staff and shareholders our greatest advocates.

Our Strategy

Over the past twelve months Arvida has refined its strategy to ensure it creates value and delivers on the Arvida Charter of keeping our residents feeling younger for longer and actively engaged in their lives. This strategy is designed to take advantage of two key drivers:

- Supply and demand. Care bed supply has grown at just 1.2% per annum over the past five years (excluding Canterbury to adjust for the impact of the 2011 earthquake), and 77% of that has been aged care facilities co-located with retirement village developments. The Ministry of Health's demand forecast model, combined with supply forecasts, suggests that – even if 'aging in place' continues to be successful in constraining demand growth – the industry will face a shortage of care beds by 2022 at the latest.¹
- Changing retiree attributes and expectations. Those reaching their 60s are fit, well-educated and wealthy – there are more of them than there has ever been and they are not homogeneous in what they do and how they view the world. They are working longer, reshaping the leisure and recreation economy as they look to travel or develop new interests and activities in their later years. Their purchasing power is unprecedented.²

Financial Performance

Arvida has delivered a strong interim result and expects to exceed the profit forecasts set out in the Initial Public Offering (IPO) prospectus dated 17 November 2014. The results for the six-months

include a full period of operations of the villages acquired in the IPO (the "Original Villages") and an approximate three month contribution from the acquisition of Aria Bay, Aria Gardens and Aria Park, which completed on 3 July 2015 (the "Aria Villages").

For the first six months to 30 September 2015, Arvida achieved total revenue of \$39.3 million. We are seeing good demand for our villages and care facilities across the country. Our care facilities occupancy rate is stable at over 93% across the Group, significantly higher than the national average of 87%. In addition, \$3.8 million of gains in the fair value of investment properties were derived from a desktop review completed by CB Richard Ellis (CBRE). The Arvida Board also undertook a review of the care facility land and buildings and determined that the values should remain at the levels contained within the last CBRE valuation (dated March 2014 for the Original Villages and May 2015 for the Aria Villages). All of the retirement villages and care facilities will be revalued as at 31 March 2016 by CBRE.

Total expenses were \$33.8 million and included one-off expenses of \$1.4 million relating to the acquisition of the Aria Villages and earthquake remediation costs. The Profit After Tax of \$7.4 million compares to \$10.6 million for the IPO prospectus forecasts for the full year to 31 March 2016.

Underlying Profit³ of \$7.3 million compares to the IPO prospectus forecast for the full year to 31 March 2016 of \$13.3 million. Included within Underlying Profit are \$2.7 million of gains from 61 resales of existing units and 11 sales of new units.

1. Deutsche Bank Markets Research Industry Update – 2 July 2015

2. Paul Spoonley: Booming elderly have more to offer the young. The New Zealand Herald 13 October 2015. Ministry of Social Development - The Business of Ageing: Realising the Economic Potential of Older People in New Zealand: 2011 – 2051. The economic value of older people's paid and unpaid work predicted to increase with their earnings growing, from \$2.8 billion in 2011 to \$18.2 billion in 2051. Older people's contribution to tax revenue will increase to a total of \$2.5 billion in 2051, up from \$0.4 billion in 2011. The mature consumer market predicted to become more important, with spending of about \$65 billion in 2051 – a rise from about \$16 billion per year currently.

3. Underlying Profit is a non-GAAP measure and differs from NZ IFRS net profit after tax by replacing 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 and one-off items.

Total assets grew to \$435.8 million, up \$82.8 million since financial year end. The market value of all properties from the latest CBRE valuations (excluding any insurance related impairment) was \$295.7 million, up from \$225.1 million at 31 March 2015, largely as a result of the Aria Villages acquisition. Arvida agreed with its insurer, a gross settlement of \$18.1 million to resolve its outstanding insurance claims relating to six of its properties impacted by the Christchurch earthquakes. The actual payment received was reduced by \$1.0 million for the EQC contributions already received and \$0.4 million for policy excesses. The proceeds were received on 30 September 2015 and were utilised to reduce bank debt whilst the remediation planning is completed. External bank debt was \$10.0 million and resident loans totalled \$134.1 million at 30 September 2015. Total Equity was \$252.7 million, up from \$209.7 million largely due to the equity capital raising of \$35.0 million and the share issue of \$6.0 million to the vendors of the Aria Villages to partly fund the Aria transaction.

Transitioning From Integration to Business as Usual

Arvida's Support Centre is designed to provide the framework for our individual villages and care facilities to deliver strong results. Core support capabilities now cover development, finance, human resources, operations, IT, marketing and sales. Our focus is on:

- developing the operational culture to increase positive resident experiences – this key operational strategy is designed to ensure our villages and care facilities retain their unique flavour and heritage and links with their local community, while still delivering consistent service;
- providing the IT infrastructure to share information and improve communication, reporting, and benchmarking across the Group;
- embedding standardised Group policies, procedures and processes

that maximise quality of care while minimising risk;

- leveraging existing expertise across the Group and better utilising employee resource;
- continuing to realise significant procurement savings while improving overall quality and service. To date we have locked in procurement savings in excess of \$1.5 million, the benefit of which we expect to realise or reinvest over the next twelve months;
- implementing a standard Occupation Right Agreement and developing consistent and professional sales processes; and
- developing a single brand identity across the Group which celebrates the uniqueness of each village while establishing Arvida as a recognised integrated retirement and aged care provider.

Growing Our Portfolio

Our brownfield developments, outlined below, demonstrate our commitment to meeting the rising demand for care bed and retirement living developments.

- Resource consent application has been lodged for 31 Independent Living Units (ILU's) and 40 care beds at Rhodes on Cashmere in Christchurch
- Resource consent application has been lodged for a significant expansion of 78 ILU's and common and community facilities at Park Lane, Christchurch
- Resource consent application has been lodged for 24 new ILU's at Aria Bay, Auckland
- Resource consent application is being drafted for 20 new ILU's for Oakwoods, Nelson
- Construction of an 11 apartment development and the addition of en-suites to the care facility at Glenbrae Village in Rotorua is well underway with delivery due in February 2016

- Park Lane Retirement Village in Christchurch has seen an additional 3 villas completed since year end
- Construction of an additional hospital wing and a rebuild of the dementia wing at Aria Gardens will be completed in January 2016
- A significant upgrading and earthquake remediation process has commenced at St Allisa in Christchurch and is expected to be finished within twelve months
- Arvida is also focused on planning the earthquake remediation of its other villages in Christchurch affected by earthquake damage

These opportunities represent a development pipeline of 225 new units or beds for delivery over the next three years, with opportunities for a further 100+ units/beds on existing sites.

Acquisitions

On 3 July 2015, Arvida purchased Aria Gardens, Aria Park and Aria Bay (the Aria Villages). The Aria Villages comprise high quality retirement villages and aged care facilities situated in premium locations across Auckland providing retirement services to around 350 residents. Aria Gardens is an award-winning care facility and has won the NZACA/EBOS 2014 Excellence in Care Award within the Community Connections Category and the 2015 Waitemata DHB Health Excellence Award for Compassionate Patient Support. The villages have a strong care focus, high occupancy and meaningful brownfield development opportunities. Based on estimates of the earnings from the Aria Villages, the acquisition is expected to be accretive to Underlying Profit and asset values. Further earnings improvement is expected in future periods following the completion of new beds at Aria Gardens, the sell down of newly completed apartments at Aria Bay and any future developments.

Although the focus is currently on optimising the performance of existing villages and brownfield developments, we continue to scan the horizon for attractive, earnings accretive and value enhancing acquisition opportunities that meet our criteria.

Dividend

The directors approved a quarterly dividend of 1.05 cents per share amounting to \$2.9 million. The dividend is partially imputed at 0.35 cents per share. A supplementary dividend of 0.16 cents per share will be paid to non-resident shareholders. The dividend record date is 10 December 2015 and payment will be made on 21 December 2015.

Outlook

Arvida is performing well and expects to exceed the forecasts set out at the time of our IPO. This reflects the significant progress made integrating the, now 21, retirement village and aged care facilities, and the significant benefits derived from leveraging the new operating structure across the Group. As Arvida transitions from integration to 'business as usual' over the next six months, our focus will be firmly on improving the lives and wellbeing of our residents by transforming the ageing experience. Supported by positive ongoing sector demographics and the favourable outlook in demand for services, we are confident that by keeping our focus on our strategy we are well positioned to exceed the profit forecasts contained in the prospectus.

Financial Highlights

<u>\$000</u>	<u>Notes</u>	<u>Six-months ended 30 September 2015</u>	<u>PFI Full Year FY2016</u>
Total Revenue		39,252	69,304
Fair Value Movement	6	3,755	1,226
Operating Expenses		33,753	54,860
Net Profit Before Tax		9,254	14,207
Net Profit After Tax		7,390	10,573
Underlying Profit ³		7,283	13,298
Net Cash Flow from Operating Activities		12,269	23,490
Total Assets		435,750	364,990
Total Equity		252,686	198,242

Underlying Profit

<u>\$000</u>	<u>Notes</u>	<u>Six-months ended 30 September 2015</u>	<u>PFI Full Year FY2016</u>
Net Profit After Tax		7,390	10,573
Less: Change in fair value movement of investment property	6	(3,755)	(1,226)
Add: Deferred Tax		(418)	288
Add: One-off costs		1,393	0
Underlying Operating Profit		4,610	9,635
Add: Gain on resale of existing units		2,014	3,532
Add: Development margin on new units		659	131
Underlying Profit		7,283	13,298



Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 September 2015 (unaudited)

\$000	Note	Group (unaudited) 6 months to 30 Sept. 2015	Group (unaudited) 6 months to 30 Sept. 2014	Group (audited) 12 months to 31 March 2015
Income				
Care fees and village services		34,621	0	17,458
Deferred management fees		3,622	0	1,992
Financial income		57	24	33
Other income		952	549	588
Total revenue		39,252	573	20,071
Gain on acquisition of subsidiaries		0	0	1,634
Change in fair value of investment property		3,755	0	1,410
Total income		43,007	573	23,115
Expenses				
Employee costs		19,579	80	9,934
Property costs		3,160	10	1,490
Depreciation		1,399	0	781
Finance costs		558	0	306
Transaction costs		751	0	2,803
Insurance remediation costs		642	0	0
Other expenses		7,664	889	3,981
Total expenses		33,753	979	19,295
Profit/(loss) before tax		9,254	(406)	3,820
Income tax expense	5	1,864	0	740
Profit/(loss) after tax		7,390	(406)	3,080
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net gain on revaluation of care facilities		606	0	370
Total comprehensive income		7,996	(406)	3,450
Earnings per share:				
Basic and diluted (cents per share)	10	2.98	(135.33)	4.72

The financial statements should be read in conjunction with the accompanying notes.

Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2015 (unaudited)

\$000	Note	Retained earnings	Asset revaluation reserves	Share capital	Total
Opening balance at 1 April 2014		(133)	0	150	17
Profit for the period		(406)	0	0	(406)
Other comprehensive income		0	0	0	0
Total comprehensive income		(406)	0	0	(406)
Share capital issued	9	0	0	0	0
Balance at 30 September 2014 (unaudited)		(539)	0	150	(389)
Opening balance at 1 October 2014		(539)	0	150	(389)
Profit for the period		3,486	0	0	3,486
Other comprehensive income		0	370	0	370
Total comprehensive income		3,486	370	0	3,856
Share capital issued	9	0	0	211,406	211,406
IPO costs		0	0	(5,158)	(5,158)
Balance at 31 March 2015 (audited)		2,947	370	206,398	209,715
Opening balance at 1 April 2015		2,947	370	206,398	209,715
Profit for the period		7,390	0	0	7,390
Other comprehensive income		0	606	0	606
Total comprehensive income		7,390	606	0	7,996
Dividends paid		(5,269)	0	0	(5,269)
Share capital issued	9	0	0	41,000	41,000
Transaction costs		0	0	(756)	(756)
Balance at 30 September 2015 (unaudited)		5,068	976	246,642	252,686

The financial statements should be read in conjunction with the accompanying notes.

Consolidated Interim Balance Sheet

As at 30 September 2015 (unaudited)

\$000	Note	Group (unaudited) as at 30 Sept. 2015	Group (unaudited) as at 30 Sept. 2014	Group (audited) as at 31 March 2015
Assets				
Cash and cash equivalents		1,077	1,275	1,836
Trade receivables and other assets		5,121	138	3,111
Insurance receivable		0	0	18,457
Property, plant and equipment		110,555	3	77,657
Investment properties	6	272,923	0	212,238
Resident advances		474	0	400
Goodwill		39,028	0	32,962
Accrued income		6,572	0	6,301
Total assets		435,750	1,416	352,962
Liabilities				
Bank overdraft		0	0	13
Trade and other payables		7,659	144	5,455
Tax payable		963	0	332
Employee entitlements		4,744	10	3,260
Revenue in advance		10,096	0	8,285
Interest bearing loans and borrowings	8	10,000	0	7,300
Residents' loans	7	134,113	0	106,840
Deferred tax liabilities		15,489	0	11,401
Retirement village advances		0	1,651	0
Other liabilities		0	0	361
Total liabilities		183,064	1,805	143,247
Net assets		252,686	(389)	209,715
Equity				
Share capital		246,642	150	206,398
Revaluation reserve		976	0	370
Retained earnings		5,068	(539)	2,947
Total equity		252,686	(389)	209,715

The financial statements should be read in conjunction with the accompanying notes.

Consolidated Interim Statement of Cash Flows

For the six months ended 30 September 2015 (unaudited)

\$000	Group (unaudited) 6 months to 30 Sept. 2015	Group (unaudited) 6 months to 30 Sept. 2014	Group (audited) 12 months to 31 March 2015
Cash flows from operating activities			
Receipts from residents for care fees and village services	35,573	0	18,102
Receipts of residents' loans	18,005	0	7,786
Interest received	57	19	20
Payments to suppliers and employees	(29,341)	(922)	(14,208)
Repayments of residents' loans	(9,091)	0	(4,693)
(Advances) to and repayments from residents	16	0	(166)
Interest paid	(477)	0	(306)
Income tax paid	(2,473)	(5)	(842)
Other operating cash flows	0	(72)	233
Net cash inflow from operating activities	12,269	(980)	5,926
Cash flows from investing activities			
Cash and (bank overdraft) acquired from subsidiaries	46	0	(3,974)
Purchase of property, plant and equipment	(1,430)	(3)	(739)
Payments for investments in subsidiaries	(29,218)	0	0
Purchase of investment properties	(4,694)	0	(653)
Net insurance claim proceeds	17,815	0	0
Retirement village advances	0	1,370	0
Other investing cash flows	0	0	(60)
Net cash inflow/(outflow) from investing activities	(17,481)	1,367	(5,426)
Cash flows from financing activities			
Proceeds from borrowings	33,075	0	7,000
Repayment of borrowings	(56,833)	0	(78,190)
Net proceeds of share issue	35,000	0	76,807
Transaction costs	(1,507)	0	(7,912)
Dividends paid	(5,269)	0	0
Other financing cash flows	0	0	2,730
Net cash inflow from financing activities	4,466	0	435
Net increase/(decrease) in cash and cash equivalents	(746)	387	935
Cash and cash equivalents at beginning of period	1,823	888	888
Cash and cash equivalents at the end of the financial period	1,077	1,275	1,823

The financial statements should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the six months ended 30 September 2015 (unaudited)

1. General information

Arvida Group Limited (the “Group” or the “Company”), formerly Hercules Limited, is a for-profit, limited liability company incorporated and domiciled in New Zealand. Arvida Group Limited is registered under the Companies Act 1993 and is a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013. The registered office of Arvida is 39 Market Place, Viaduct Basin, Auckland.

Arvida Group Limited’s subsidiary, Arvida Limited, on 17 December 2014 acquired the shares of a number of entities (together the “Portfolio Entities”). Arvida Group Limited then completed an initial public offering and listing on the NZX Main Board (the “NZX”) on 18 December 2014.

The Group is in the business of owning, operating and developing retirement villages and rest homes for the elderly in New Zealand.

These consolidated interim financial statements (“interim financial statements”) were approved by the Board of Directors on 25 November 2015.

2. Basis of preparation

The interim financial statements comprise the Company and its subsidiaries and have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”) and comply with NZ IAS 34 Interim Financial Reporting. These interim financial statements do not include all of the information required for full annual financial statements.

The interim financial statements are presented in New Zealand dollars, rounded to the nearest thousand dollars. These interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and land and buildings.

The preparation of the interim financial statements requires the use of certain critical accounting estimates and judgements.

It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

- Fair value of investment properties and care facilities
- Revenue recognition
- Impairment of non-financial assets

Change in Accounting Policies

Accounting policies have been applied consistently to all periods across the Group. Certain amounts in the financial statements and the accompanying notes have been reclassified to conform to current year’s accounting practices.

The interim financial statements should be read in conjunction with the Group annual financial statements as at 31 March 2015.

3. Segment information

The Group operates in one operating segment. The chief operating decision maker, the Board of Directors, reviews the operating results on a regular basis and makes decisions on resource allocation based on the review of Group results and cash flows as a whole. The nature of the products and

services provided and the type and class of customers have similar characteristics within the operating segment. All revenue earned and assets held are in New Zealand.

Information about major customers included in total revenue are revenues derived from the Group's largest customers. The Group derives care fee revenue in respect of eligible Government subsidised aged care residents who receive rest home or hospital level care.

Government aged care subsidies received from the Ministry of Health included in rest home, hospital and service fees, and villages fees amounted to \$24.1m (31 March 2015: \$11.8m; and 30 September 2014: n/a).

4. Acquisition accounting

The provisional fair values of the identifiable assets and liabilities of the companies acquired, namely Aria Gardens Limited and Epsom Brown Holdings Limited (collectively, "Aria Villages") as at 3 July 2015 are below. The purchase consideration (inclusive of debt repayment) was settled by way of \$29.2m cash and 6.7m shares in Arvida Group Limited.

The Aria Villages comprise three high quality retirement villages and aged care facilities situated in premium locations across Auckland that provide retirement services to approximately 350 residents.

\$000	Aria Gardens	Epsom Brown Holdings	Total
Assets			
Cash and cash equivalents	108	60	168
Trade receivables and other assets	50	604	654
Property, plant and equipment	17,937	14,324	32,261
Investment properties	0	51,983	51,983
Resident advances	0	90	90
Total assets	18,095	67,061	85,156
Liabilities			
Bank overdraft	0	122	122
Trade and other payables	294	798	1,092
Employee entitlements	354	403	757
Revenue in advance	0	1,077	1,077
Interest bearing loans and borrowings	8,652	17,806	26,458
Residents' loans	0	22,191	22,191
Deferred tax liabilities	2,734	1,565	4,299
Total liabilities	12,034	43,962	55,996
Total identifiable net assets at fair value	6,061	23,099	29,160
Goodwill arising on acquisition	5,799	267	6,066
Purchase consideration transferred	11,860	23,366	35,226

The Group acquired \$6.1m of goodwill through the business combination. Goodwill is an intangible asset with an indefinite life.

The acquisition accounting is provisional and the Group can revise it within twelve months of the acquisition date.

5. Income tax

\$000	Group (unaudited) 6 months to 30 Sept. 2015	Group (unaudited) 6 months to 30 Sept. 2014	Group (audited) 12 months to 31 March 2015
Numerical reconciliation of income tax expense to prima facie tax payable			
Profit/(loss) before income tax expense	9,254	(406)	3,820
Tax at 28%	2,591	(114)	1,070
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Non-taxable impact of investment property revaluation	(1,051)	0	(395)
Non-taxable gain on acquisitions (net of costs)	0	0	(458)
Non-deductible insurance remediation costs	180	0	0
Non-taxable income and non-deductible expenditure	(85)	0	27
Non-deductible transaction expenses	210	0	421
Other	19	114	75
Income tax expense	1,864	0	740

6. Investment properties

\$000	Group (unaudited) 6 months to 30 Sept. 2015	Group (unaudited) 6 months to 30 Sept. 2014	Group (audited) 12 months to 31 March 2015
Balance at beginning of period	212,238	0	0
Purchase on acquisition	51,983	0	210,294
Additions	4,947	0	534
Fair value movement - unrealised	3,755	0	1,410
Total investment property	272,923	0	212,238
Valuation of managers' net interest, inclusive of reduction due to earthquake damage	125,585	0	95,285
Development land	9,700	0	8,100
Liability for residents' loans	134,113	0	106,840
Net revenue in advance/(accrued revenue)	3,525	0	2,013
Total investment property	272,923	0	212,238

The fair value of investment property for the year ended 31 March 2015 was determined by Michael Gunn, an independent registered valuer of the firm CB Richard Ellis ("CBRE"). The fair value of investment property is determined on an annual basis, based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after property marketing wherein the parties each acted knowledgeably, prudently and without compulsion.

The Group's policy is that a desktop review of the investment properties should be undertaken at each interim period. CBRE completed the desktop review as at 30 September 2015 to determine the current valuation of each property. The CBRE review indicated an overall uplift in the valuation of the properties of \$3.8m which has been recognised as a change in the fair value of investment properties in the consolidated interim statement of comprehensive income. CBRE reviewed key information (resident schedules and sales data) associated with each property, however full property inspections were not undertaken as part of the desktop review. The Group did not own any investment properties as at 30 September 2014.

Significant assumptions used by the valuer include a discount rate between 12.5% and 16.0% (31 March 2015: 12.5% to 16%; and 30 September 2014: n/a) and a long term nominal house price inflation rate of between 0.0% and 2.0% (31 March 2015: 0.0% to 2.0%; and 30 September 2014: n/a). Other assumptions used by the valuer include the average age of entry of residents and occupancy periods of units. The valuation calculates the expected cash flows for a 20 year period, with stabilised departing occupancy for Independent Living / Apartments of 6.0 to 8.4 years (31 March 2015: 6.1 to 8.3 years; and 30 September 2014: n/a) and for serviced apartments of 3.6 to 4.8 years (31 March 2015: 3.6 to 4.9 years; and 30 September 2014: n/a).

Level 3 & Sensitivity

As the fair value of investment property is determined using inputs that are unobservable the Group has categorised investment property as level 3 under the fair value hierarchy in accordance with NZ IFRS 13: Fair Value Measurement.

The significant unobservable inputs used in the fair value measurement of the Group's portfolio of land and buildings are the discount rate, the long term nominal house price inflation rate, the average age of residents and the occupancy period of units. A significant decrease/(increase) in these unobservable inputs would result in a significantly higher/(lower) fair value measurement.

The valuation of investment property also includes within its forecast cash flows, the Group's expected costs relating to any known or anticipated remediation works.

7. Residents' loans

\$000	Group (unaudited) as at 30 Sept. 2015	Group (unaudited) as at 30 Sept. 2014	Group (audited) as at 31 March 2015
Balance at beginning of period	106,840	0	0
Amounts repaid on termination of ORA's	(12,520)	0	(4,693)
Amounts received on issue of ORA's	18,459	0	7,786
Amounts acquired on acquisition of investment property	22,191	0	105,795
Movement in deferred management fees receivable and residents' portion of capital gains	(857)	0	(2,048)
Total residents' loans	134,113	0	106,840

A new resident is charged a refundable security deposit, on being issued the right to occupy one of the Group's units or serviced apartments, which is refunded to the resident subject to a new occupation right agreement for the unit or serviced apartment being issued to an incoming resident, net of any amount owing to the Group. The Group has a legal right to set off any amounts owing to the Group by a resident against that resident's security deposit. Such amounts include management fees, rest home/hospital fees, loans receivable, service fees and village fees. As the refundable

occupation right is repayable to the resident upon vacation (subject to a new occupation right agreement for the unit or serviced apartment being issued to an incoming resident), the fair value is equal to the face value, being the amount that can be demanded.

The security deposit is refundable to the resident on vacation of the unit, apartment or serviced apartment or on termination of the occupation right agreement (subject to a new occupation right agreement for the unit or serviced apartment being issued to an incoming resident). In determining the fair value of the Group's investment properties CBRE estimate the established length (as disclosed in note 6). Therefore, it is not expected that the full obligation to residents will fall due within one year.

8. Interest bearing loans and borrowings

\$000	Group (unaudited) as at 30 Sept. 2015	Group (unaudited) as at 30 Sept. 2014	Group (audited) as at 31 March 2015
Secured bank loans:			
Repayable within 12 months	0	0	0
Repayable after 12 months	10,000	0	7,300
Total interest bearing loans	10,000	0	7,300

The bank loans are secured by various mortgages over certain of the Group's assets, subject to a first priority to the Statutory Supervisor over the retirement village assets. A registered first ranking composite general security agreement containing a cross guarantee and indemnity granted by Arvida Group Limited and acceded to by each of its subsidiaries, subject to guarantees from retirement village companies limited to 50% of their net tangible assets.

Bank loan

The bank loan comprises the Revolving Core Facility and the Revolving Acquisition Facility, effective 17 December 2014 as amended from time to time, are as follows:

Revolving Core Facility - a term loan facility of \$20.0m, expiring 29 December 2017 (31 March 2015: \$20.0m, expiring 29 December 2017; and 30 September 2014: n/a)

Revolving Acquisition Facility - a term loan facility of \$20.0m, expiring 29 December 2017 (31 March 2015: \$20.0m, expiring 29 December 2017; and 30 September 2014: n/a)

At 30 September 2015, the Group had \$40.0m (31 March 2015: \$40.0m; and 30 September 2014: n/a) of committed bank facilities of which \$30.0m was undrawn (31 March 2015: \$32.7m; and 30 September 2014: n/a). The amount drawn under the facility at 30 September 2015 comprised \$0.0m (31 March 2015: \$7.3m; and 30 September 2014: n/a) under the Revolving Core Facility and \$10.0m (31 March 2015: \$0.0m and 30 September 2014: n/a) under the Revolving Acquisition Facility.

Interest

Interest on the bank loan is charged using the BKBM Bill Rate plus a margin and line fees. Interest rates applicable in the six months to 30 September 2015 ranged from 3.5% to 4.5% pa (31 March 2015: 3.5% to 4.5% pa; and 30 September 2014: n/a).

9. Contributed Equity

Shares 000	Group (unaudited) as at 30 Sept. 2015	Group (unaudited) as at 30 Sept. 2014	Group (audited) as at 31 March 2015
Balance at beginning of the period	224,851	300	300
Shares issued	48,394	0	224,551
Balance at end of the period	273,245	300	224,851

\$000	Group (unaudited) as at 30 Sept. 2015	Group (unaudited) as at 30 Sept. 2014	Group (audited) as at 31 March 2015
Balance at beginning of the period	211,556	150	150
Shares issued	41,000	0	211,406
Balance at end of the period	252,556	150	211,556
Net tangible assets – cents per share (basic)	0.78	(1.30)	0.74

On 17 December 2014 Arvida Group Limited issued 139,521,507 ordinary shares to settle the acquisition of the Portfolio Entities and in connection with the reinvestment of shareholder advances.

On 17 December 2014 Arvida Group Limited issued 84,210,527 ordinary shares at \$0.95 each by way of Initial Public Offering.

On 17 December 2014 Arvida Group Limited issued 2,288,597 ordinary shares at \$0.95 to the promoters, directors and management involved with the transaction. The costs of these shares have been off-set against equity as they are directly attributable to the issue of new shares.

On 16 March 2015 Arvida Group Limited cancelled 1,469,998 ordinary shares.

On 30 June 2015 Arvida Group Limited issued 35,714,286 ordinary shares at \$0.84 to institutional investors under a placement to build cash reserves to part-fund the acquisition of Aria Gardens Limited and Epsom Brown Holdings Limited.

On 3 July 2015 Arvida Group Limited issued 6,727,968 ordinary shares at \$0.89 to the vendors of Aria Gardens Limited and Epsom Brown Holdings Limited in part-satisfaction of the purchase price.

On 28 July 2015 Arvida Group Limited issued 5,952,513 ordinary shares at \$0.84 to existing investors under the share purchase plan to replenish cash reserves after the acquisition of Aria Gardens Limited and Epsom Brown Holdings Limited.

In the six months to 30 September 2015, the Company incurred transaction costs, with \$0.8m related to the issue of new shares and deducted from equity (31 March 2015: \$5.2m; and 30 September 2014: n/a).

All ordinary shares are authorised and rank equally with one vote attached to each fully paid ordinary share. The shares have no par value.

10. Earnings per share

\$000	Group (unaudited) 6 months to 30 Sept. 2015	Group (unaudited) 6 months to 30 Sept. 2014	Group (audited) 12 months to 31 March 2015
Profit attributable to equity holders	7,390	(406)	3,080
Basic and Diluted			
Weighted average number of ordinary shares on issue (thousands)	248,159	300	65,259
Earnings per share – cents	2.98	(135.33)	4.72

The earnings per share of the Group from IPO to 31 March 2015 was 1.37 cents per share.

11. Acquisition accounting

During the period, new information was obtained about events, which existed at balance date, relating to the damage sustained and insurance proceeds received due to the Christchurch earthquakes in 2010 and 2011 and deferred tax balances. The new information was obtained due to updated cost estimates of the damage to the acquired villages and care facilities and the finalisation of the insurance claims and deferred tax balances.

On 30 September 2015 Arvida agreed with its insurer, a gross settlement of \$18.1m to resolve its insurance claims relating to six of its properties that were impacted by the Christchurch earthquakes. The actual payment received was reduced by \$1.0m for the EQC contributions already received and \$0.4m for policy excesses. The proceeds were received on the same day and were utilised to reduce bank debt until any remediation costs are incurred.

The following adjustments were made to the provisional fair values as reported at 31 March 2015: Insurance Receivable increased by \$18.5m; Investment Property decreased by \$7.7m; Property, Plant and Equipment decreased by \$4.6m; Accrued Income decreased by \$1.2m; Trade Payables decreased by \$1.0m; Deferred Tax Liability decreased by \$3.2m; and Goodwill decreased by \$9.3m. This means that the total Goodwill acquired on acquisition is now \$33.0m.

The 31 March 2015 comparative information has been restated to reflect the adjustment to the provisional amounts described above.

12. Capital commitments

The Group is party to contracts to construct and refurbish properties in Rotorua, Christchurch and Auckland totalling \$6.2m (31 March 2015: nil; and 30 September 2014: nil)

13. Subsequent Events

The directors approved a dividend of 1.05 cents per share amounting to \$2.9m. The dividend is partially imputed at 0.35 cents per share. A supplementary dividend of 0.16 cents per share was paid to non-resident shareholders. The dividend record date is 10 December 2015 and payment will be made on 22 December 2015.

There are no further subsequent events between 30 September 2015 and the date that the financial statements were authorised for use.

Company Information

Registered Office of Arvida:

Arvida Group Limited
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Email: info@arvida.co.nz

Website: www.arvida.co.nz

Directors:

Peter Wilson, Independent Director and Chairman

Anthony Beverley, Independent Director

Michael Ambrose, Non-Executive Director

Susan Paterson, Independent Director

Paul Ridley-Smith, Independent Director

Group Auditor:

Ernst & Young

Valuer:

CBRE Limited

Legal Advisors:

Chapman Tripp

Anthony Harper

Bankers:

ANZ Bank NZ Limited

Statutory Supervisor:

Covenant Trustee Services Limited

Share Registrar:

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road

Takapuna

Auckland 0622

Phone: +64 9 488 8777

Email: enquiry@computershare.co.nz

Statutory notice - FMCA effective date

Arvida Group Limited (NZBN: 9429039661098), of 39 Market Place, Auckland Central, Auckland 1010, New Zealand, advises that it has elected to fully transition to the Financial Markets Conduct Act 2013 (FMCA) with effect from 1 January 2016. After that date, all of the requirements of FMCA will apply to the Company. The Company is already governed by the FMCA financial reporting and fair dealing requirements, amongst other matters.

VILLAGE LOCATIONS

