ArvidaGroup

ANNUAL REPORT

31 || 03 || 2017

By taking a holistic, individual-based approach to retirement living and aged care, we are creating a unique and compelling health service offering in New Zealand.

The attitude of living well

OUR VISION

To improve the lives and wellbeing of our residents by transforming the ageing experience.

OUR COMMITMENT

To challenge ourselves to make our residents' lives better with everything we do.

OUR VALUES

Passionate
We love what we do;
our residents are our family

Authentic
We are genuine and real

Fairness
We act with integrity and respond fairly and consistently in all interactions with residents

Can do
We are empowered to get things done; we start with 'yes' and focus on solutions

Innovative
We constantly search for better outcomes; we challenge 'normal'

Nimble and flexible
We change things when it makes sense to create great resident outcomes

THE OUTCOMES

Residents that are actively engaged in life, with a strong sense of value in the community and positive mental and physical wellbeing, will become Arvida's greatest advocates.

Having great advocates leads to greater demand for our services and provides a solid foundation for further development of our services and capacity.

6 PILLARS UNDERPINNING VALUE CREATION

1 Integrated Businesses

- Hub and spoke support
- Scalable and flexible

2 Operational Culture

- Bringing the Arvida attitude to life
- Empowering our people at each village

3 Marketing and Sales

- Think national, act local
- Compelling unique proposition

4 Product Offering

- Customer centric and innovative
- Sales effectiveness

5 Development and Acquisition

- Complementary and growth focused
- Leveraging internal capability

6 Governance and Finance

- Focus on shareholder value
- Financial discipline and ethical governance

2017 REPORT CARD
HIGHLIGHTS TO 31 MARCH 2017

FINANCIAL

$101.4m

REVENUE[1]
Total Revenue up $18.9 million reflecting high care occupancy, full year contributions from the Aria villages, and partial contributions from 5 Villages acquired during the year.

+23%

$53.7m

NET PROFIT
Reported Net Profit After Tax (IFRS) $29.6 million higher driven by a $40.1 million gain in the fair value of assets and strong operating performance.

+123%

$23.1m

UNDERLYING PROFIT[2]
47% increase in Underlying Profit, and a 27% lift in Underlying Profit per share.

+47%

$794.9m

ASSETS
Total Assets 73% or $334.2 million higher than last year, mainly reflecting acquisitions and gains on revaluations.

+73%

1.15 cents

DIVIDEND
Dividend declared for the fourth quarter, bringing total net dividend to 4.45 cents per share.

+5%

$117,000

EMBEDDED VALUE[3]
Embedded value per unit up 74%

+74%

1. *Audited financial results for the 12 months ended 31 March 2017 included the acquisition of Lauriston Park, Copper Crest, Views Lifecare, Cascades, Lansdowne Park. Please refer to note 17 of the Consolidated Financial Statements.*
2. *Underlying Profit is a non-GAAP (unaudited) financial measure and differs from NZ IFRS net profit after tax by replacing the unrealised fair value adjustment in 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. Please refer to page 11 for a reconciliation to Reported Profit under IFRS.*
3. *Embedded value is a non-GAAP financial measure that is calculated by taking the sum of the CBRE unit prices, deducting the resident refundable loan liability as per the balance sheet and Company-owned stock items. The embedded value is a combination of Resale Gains and Deferred Management Fees receivable.*
4. *As at March 2017.*

OPERATIONAL & DEVELOPMENT

1,446

CARE BEDS
74% of the portfolio has
a needs-based focus.

74%

+16%

1,301

TOTAL
RETIREMENT UNITS
43% increase on FY16.

$375,000 average price per unit

+43%

95%

OCCUPANCY[4]
Improved care facility occupancy to 95%, significantly above the industry average; and an outstanding result recorded in our first independent resident and care satisfaction survey.

95%

6 Six sites achieved four-year certification by Ministry of Health, with an average of 3.2 years certification across all care facilities.

262

UNITS/BEDS
Brownfield development construction activity in progress at multiple sites adding 262 units/beds.

645 units/beds in the planning stage.

CHAIR'S LETTER

Arvida is one of the larger operators of aged care facilities and retirement villages in New Zealand. It is listed on the main board of the New Zealand Exchange (NZX) and is a constituent of the S&P/NZX50 Index.

The Directors of Arvida Group Limited (Arvida) are pleased to present the company's Annual Report for the financial year ended 31 March 2017.

This has been a year of substantial progress, with heightened activity across the Group.

At this time last year, we were embarking on a number of operational initiatives to further improve performance. We are starting to see results of clinical, operational and IT strategies. It was therefore encouraging to have an independent survey endorse the quality of care services provided to our residents.

We have become a more significant participant in New Zealand's retirement and aged care sector following the acquisition of a further five villages in the period. The acquired villages are of a high quality and located in areas of attractive demographics, broadening our presence in key regional growth areas. Care services and retirement accommodation is provided to approximately 3,000 residents across our 26 facilities.

With the village acquisitions came an opportunity for shareholders to participate in the growth of the Group. Our rights issue was extremely well supported by shareholders, with one of the best take up rates in recent NZX history.

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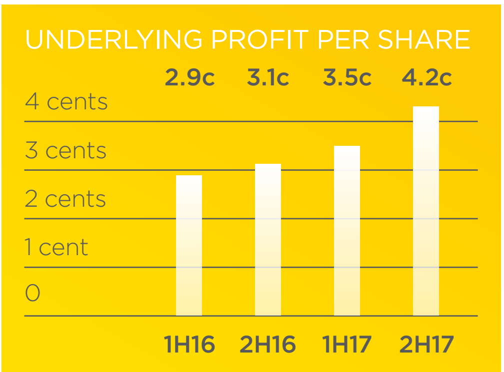
Those who decided not to participate still received value through sale of their rights. The capital raising also positioned us for inclusion in the S&P/NZX50 Index, which occurred in December 2016.

The focus remains on offering a continuum of care to residents that extends from independent living to rest home, hospital and dementia level care. A considered and innovative approach to quality care service provision is reflected in the continuing high occupancy rates in our care facilities.

Refinement of both the physical and cultural aspects of our integration skillset has advanced. We have also strengthened our administration team capabilities to continue to deliver our growth strategy. Importantly, we have established a business that is scalable as growth opportunities emerge.

Strong financial performance for the year was recorded with Net Profit After Tax increasing to $53.7 million. Underlying Profit increased from $15.8 million to $23.1 million, representing Underlying Profit per share of 7.66 cents. This was a 27% lift on the 6.05 cents recorded in the previous corresponding period and strong accretion in earnings per share from delivery to our stated strategy.



We have progressed the opportunities for development within our villages through refurbishment and "brownfields" development. Scope for development has been furthered by recent acquisitions, subsequent purchases of strategic adjoining land and the deepening of our in-house development capabilities. We now have a substantial development pipeline ahead of us that will add over 900 units/beds to our villages on completion.

The recently announced settlement of equal pay negotiations for caregivers was welcomed. This is a tangible recognition of the important contribution caregivers make to the wellbeing of residents. We expect the increase in pay will improve recruitment and retention of caregivers as well as enhance continuity of care. This settlement agreement is expected to be ratified in June, with an effective commencement date of 1 July 2017. Our expectation is that the increased wage cost will be offset by an increase in funding from government and private sources.

A final dividend of 1.15 cents per share has been declared in respect of the fourth quarter. This is partially imputed at 0.40 cents per share and will be paid on 16 June 2017 to shareholders on the register at 8 June 2017. This makes a total net dividend paid of 4.45 cents per share for the year (FY2016: 4.25 cents per share). The increase in dividend is consistent with previous guidance provided. Over the period, shareholders have received improved total returns from a combination of share price appreciation and increased distributions. We have now settled in to a pattern of paying a regular distribution to shareholders.

The compelling market dynamics of New Zealand's ageing population continue to hold true. The focus on care places Arvida well to continue to perform strongly with a high degree of resilience in our earnings.

Your Board is fully committed to the success of Arvida and to ensuring the highest standards of corporate governance. I would like to thank all of our people for their commitment to a high level of service to our residents.

I look forward to continuing to report to you on our progress.

Peter Wilson
Chair, Arvida Group Limited

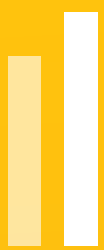
CEO'S REPORT

We are very pleased with the momentum created through continued delivery of milestones set out at the time of our initial public offering.

Key to our vision are initiatives that improve the lives and wellbeing of our residents. This investment in transforming the ageing experience builds our competitive advantage in the market. The underlying results show through in our operational and financial performance.

FINANCIAL HIGHLIGHTS ($000)

TOTAL REVENUE



FY2016:
$82,509

FY2017:
$101,433

Variance $18,924

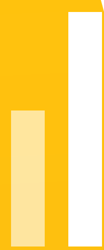
UNDERLYING PROFIT

FY2016:
$15,781

FY2017:
$23,135

Variance $7,354

TOTAL ASSETS

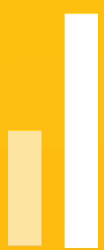


FY2016:
$460,701

FY2017:
$794,902

Variance $334,201

NET PROFIT BEFORE TAX (NZIFRS)

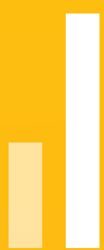


FY2016:
$28,172

FY2017:
$58,103

Variance $29,931

NET PROFIT AFTER TAX (NZIFRS)

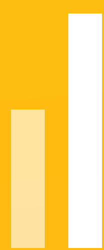


FY2016:
$24,024

FY2017:
$53,668

Variance $29,644

NET CASH FLOW FROM OPERATING ACTIVITIES



FY2016:
$24,157

FY2017:
$39,746

Variance $15,589

An independent survey of our residents provided insights into the customer value placed on our services. In this first survey of our residents, we found 94% of residents living in both our villages and our care facilities were satisfied with each aspect of their experience of living at an Arvida village. This was a great result confirming we are on the right path and our initiatives are translating into beneficial outcomes for residents.

FINANCIAL PERFORMANCE

This year, we reported significant revenue and earnings growth, while remaining firmly focused on the implementation of our growth strategy. Our financial results for the year included partial contributions from the five villages we welcomed into the group.

Net profit after tax increased to $53.7 million. This included a $40.1 million fair value movement from the revaluation of retirement village land and buildings completed by CBRE Limited (CBRE) and an update to our property, plant and equipment.

Underlying profit increased 47% to $23.1 million, equating to underlying earnings per share of 7.66 cents. This represented a 27% lift on last year's performance (FY2016: 6.05 cents per share) and was an excellent result for the financial year to 31 March 2017. Underlying profit is our preferred profitability metric as it excludes non-cash and one-off items. It is an industry-wide measure which Arvida has used consistently across reporting periods. A reconciliation to net profit after tax is provided so that a better understanding of the financial performance of the underlying business can be obtained.

Increased income from care and accommodation over the year and an uplift from our recent acquisitions led to an $18.9 million lift in operating revenue. Over 70% of total operating revenue was derived from care facilities and $11.0 million of fee income was derived from villages acquired in FY2017. Occupancy levels at our care facilities improved to 95%.

Total operating expenses were $80.9 million and excluded one-off expenses of $1.0 million relating to acquisitions completed in the period. We continued to invest in additional people resource and systems to ensure a high-quality care offering, effective integration of villages and establishment of a platform for future growth.

UNDERLYING PROFIT RECONCILIATION

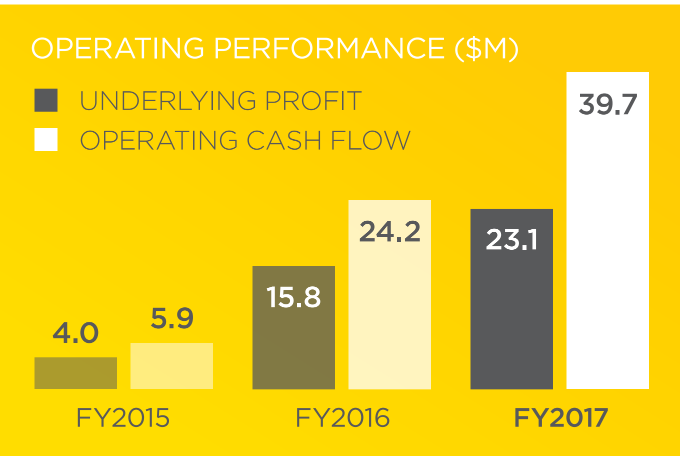
Year ended 31 March $000	**FY2017**	FY2016	Variance
Reported profit/(loss) after tax	**53,668**	**24,024**	**29,644**
Less: Change in fair value	(40,096)	(16,004)	(24,092)
Add: Deferred tax	463	(115)	578
Less: Gain on acquisition of subsidiaries	(3,163)	-	(3,163)
Add: One-off costs	960	1,421	(461)
Underlying Operating Profit	**11,832**	**9,326**	**2,506**
Add: Gain on resale of existing units	8,857	5,005	3,852
Add: Development margin on new units	2,446	1,450	996
Underlying Profit[5]	**23,135**	**15,781**	**7,354**

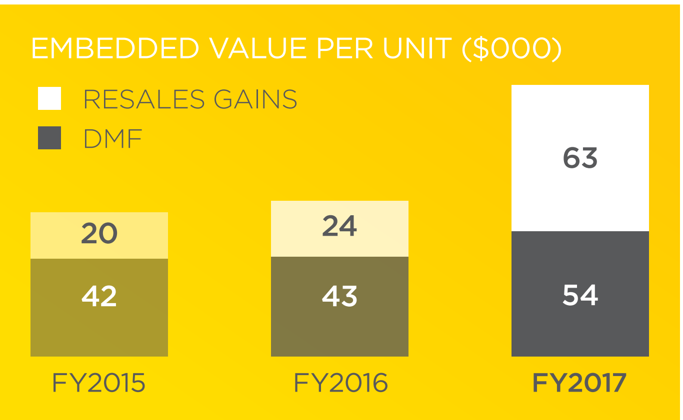
4. NZACA, quarter ended 31 December 2016.

5. Underlying Profit is a non-GAAP (unaudited) financial measure and differs from NZ IFRS net profit after tax by replacing the unrealised fair value adjustment in 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.

Net operating cash flow increased $15.6 million to $39.7 million, with the increase mainly due to the new villages acquired. $90.3 million was generated from care fees and village services.

The market value of all retirement village and care facility properties from the latest CBRE valuations was $443.1 million. Total assets grew to $794.9 million, representing an increase of $334.2 million since the start of the financial year. $214.6 million of investment property was acquired during the year and this increased $13.9 million in value by the end of the financial year.





Embedded value per unit increased to $117,000, 74% ahead of last year. Embedded value is a measure which identifies the future cash that can be generated when a unit is resold. The increase during the year reflected a combination of continued local house price growth and resale prices. It also reflected units with a higher average value in the villages acquired and results of a unit repricing strategy that we have pursued. The average price per unit was $375,000 reflecting a portfolio composition of 45% Serviced Apartments, which have a lower average price, and 55% Villas.

In December, we completed the acquisition of Cascades for $20.5 million in cash. External bank debt at 31 March 2017 was $73.5 million. Although bank debt increased, the overall level of our gearing remained at relatively conservative levels of 17%. We anticipate bank debt will increase with the development profile we have in front of us, but that core operational debt will remain at similar levels. With this in mind, a new bank facility with ANZ was arranged subsequent to balance date to allow sufficient headroom to fund our development activity over the coming years. The $150 million facility is split evenly between 3 year and 5 year maturities. We expect to execute the new facility in June 2017.

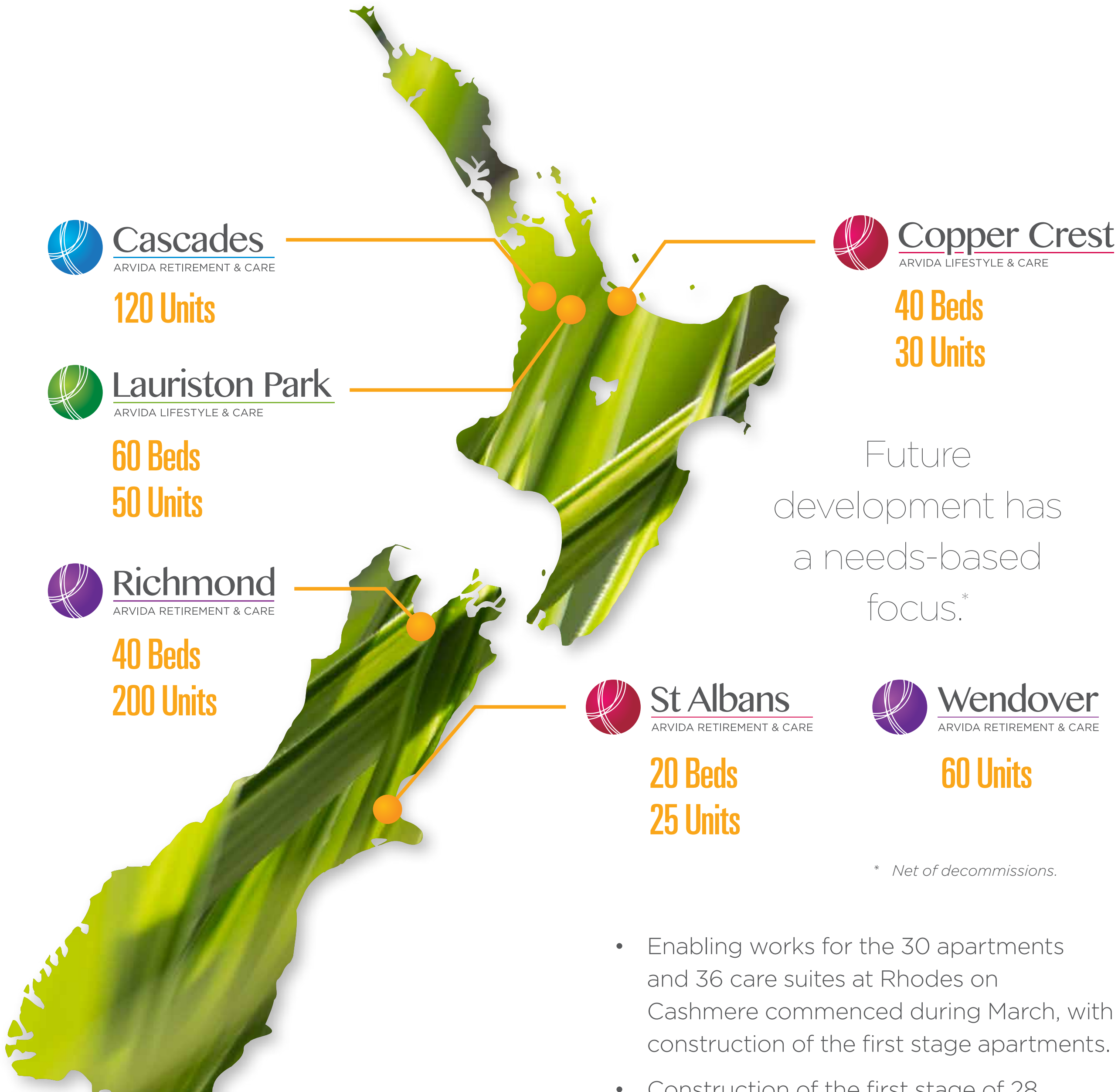
DEVELOPMENT ACTIVITY

Brownfield development activity increased substantially over the year with multiple projects in progress nationally. All are being managed internally by our development team. Capturing and preserving the knowledge gained from our development activity inhouse is highly value accretive to the business over time.

Consented developments will deliver over 260 new retirement units/beds over the next couple of years. The first residents are expected to start moving into units at the end of this financial year. The majority of current development activity is on land that has required minimal site works before commencement – we are not demolishing existing buildings and relocating residents in order to undertake development. Continued momentum in our revenue and earnings is anticipated from refurbishment and development activity.

A summary of activity over the period:

- At Aria Bay, construction of 25 new 'high value' apartments commenced.



Future development has a needs-based focus.*

* Net of decommissions.

- Bare land located adjacent to Lauriston Park was acquired. Together with some of the existing bare land within the village, consent for construction of 22 new villas was obtained. Construction is now underway.
- Construction of the first of 15 villas in the next stage at Copper Crest commenced. Site works for 25 more villas and master planning for the 70+ apartment and care suite facility also commenced.
- We acquired a property adjacent to Cascades allowing 120 new apartments to be constructed across the sites. Master planning has commenced on the development.
- Construction of 24 new villas at Oakwoods commenced in early 2017.
- Property was acquired adjacent to Lansdowne Park for 5 new villas.
- Enabling works for the 30 apartments and 36 care suites at Rhodes on Cashmere commenced during March, with construction of the first stage apartments.
- Construction of the first stage of 28 apartments at Park Lane commenced.
- Earthquake remediation at St Albans was completed. Consent has been granted for new apartments and a new hospital/care wing. Construction is planned for later this year.

We intend to provide premium quality care suites under an Occupational Right Agreement structure progressively across the portfolio. Rhodes on Cashmere is likely to be the first village that we introduce a care suite product. Copper Crest and Lauriston Park are also ideally suited to a care suite offering in facilities which are currently in the planning phase.

Future planned but unconsented development activity includes an additional 645 units / beds (see map above). The majority of our planned development pipeline is focused on enhancing our "needs-based" offering in existing villages.

DEVELOPMENT ACTIVITY FY2018

FY2017 | FY2018 | FY2019

ARIA BAY, AUCKLAND

Status: Under construction

25 apartments

Construction

Sell down

COPPER CREST, TAURANGA

STAGE 6

Status: Under construction

15 villas

Construction - Stage 6

Sell down

STAGE 7

Status: Planning

25 villas*

Construction - Stage 7

LAURISTON PARK, CAMBRIDGE

Status: Under construction

22 villas

Construction

Sell down

LANSDOWNE PARK, MASTERTON

Status: Under construction

5 villas

Construction

Sell down

OAKWOODS, NELSON

Status: Under construction

24 villas

Construction

Sell down

PARK LANE, CHRISTCHURCH

STAGE 1

Status: Under construction

28 apartments

Construction - Stage 1

Sell down

STAGE 2

Status: Planning

52 apartments*

Construction - Stage 2

RHODES ON CASHMERE

STAGE 1

Status: Under construction

18 apartments

Construction - Stage 1

Sell down

STAGES 2 & 3

Status: Planning

12 apartments/36 beds (ORA)

Construction - Stages 2 & 3

TOTAL ACTIVITY

226 villas/ apartments

36 beds

* Subject to final investment decision approval.


Lauriston Park, Cambridge

In May 2017, we conditionally agreed to acquire 8.2 hectares of bare land in Richmond. Completion is subject to re-zoning and subdivision as it forms part of a larger residential subdivision to be developed over the next 5 years. The site provides the opportunity for a $100 million retirement village and integrated care development over time.

ACQUISITION ACTIVITY

We have continued with our track record of value-accretive acquisitions, successfully completing the purchase of five villages in FY2017. We are a much larger group with 3,000 residents, or 900 more residents than last year.

The acquired villages represent the best in New Zealand retirement and care facilities. Care facilities at Cascades and Views Lifecare have continued to operate at very high occupancy levels.

Four of the villages acquired are at the epicentre of a demographic 'Golden Triangle' for retirement living and aged care, which encompasses the Auckland, Waikato and Bay of Plenty regions. These regions are experiencing high growth in aged care and retirement living. With the acquisition of Copper Crest and Views Lifecare in Tauranga, Cascades in Hamilton and Lauriston Park in Cambridge, we now have a strong base in New Zealand's key growth regions.

We continue to see a range of acquisition prospects and will continue to actively consider opportunities that meet our criteria in terms of location, quality of assets and current management, potential for development and earnings accretion.

To partly fund the acquisition of three of these villages, $41.8 million was successfully raised by a way of an offer of new shares on a pro rata basis to all shareholders. We were very pleased with shareholder response to the offer with a 90% take-up of entitlements.

Integration of these villages went well and according to plan. The systems and process for on-boarding villages has now been refined following the integration of 26 villages. We are able to deploy our support office team to complete a comprehensive integration plan within a relatively short period from acquisition. Importantly we are mindful of the culture and local connections that exist in the villages and to ensure they are preserved post acquisition and integration.

OUR PEOPLE AND OPERATIONS

We have been working with our Village and Clinical Managers on clinical governance and the structure of clinical teams to improve accountability for reporting and clinical risk management, teamwork and staff satisfaction. Clinical policies and procedures are now consistent and locked in across the Group.

In the recent period of Ministry of Health certification audits, the number of sites with four-year certification increased to six. The average across our 23 care facilities is 3.2 years. Improvements against Ministry of Health criteria have resulted in the duration of certification extending.

The high satisfaction score achieved in our first resident survey was a great outcome and endorsed our commitment and investment in resident-centric programmes. Importantly the survey helped identify where we can make improvements to further enhance our service.

Considerable work is in progress on key initiatives relating to wellbeing to promote and strengthen our resident centred approach to care. Core to this is the household model of care philosophy and creating an environment that feels like home for our residents. This builds on and develops the fundamental premise of living well longer within a care and supported environment. Initiatives will continue to take a needs-based focus recognising we offer a continuum of care to residents.

Implementation of our new resident and clinical management platform across villages is progressing with eight sites now live. The platform will significantly transform the way we document and organise care provision on a day-to-day basis. It better supports resident focused delivery at point of care, and will assist us to better meet our compliance requirements. We are already seeing evidence of the benefits as reporting is simplified with greater access to relevant information to assist with improved decision making.

INDUSTRY DYNAMICS

The New Zealand retirement sector broadly is in a significant and prolonged growth phase, fuelled by a well-known and much publicised demographic shift to an older New Zealand population. In the year to June 2016, the population aged 75+ years grew 4.1%. A quarter of the population aged over 75 years lives in Auckland. While estimates vary across market commentators, they are all in general agreement that the stock of retirement village units needs to increase every year for the next 30+ years to cater for the demographic change.

As the population ages, chronic and complex health issues become more evident and a driver of where a person chooses to live. Serviced apartments and care beds make up 74% of our portfolio, consistent with this needs-based approach to accommodation choices. We are planning to introduce care offerings into both Copper Crest and Lauriston Park, where at the time of acquisition these villages comprised solely independent living options. Most of our villages offer a continuum of care to residents. We continue to see the benefits of an integrated care offering.

Property price growth has been a key driver of retirement village sector returns in recent years. Economists continue to forecast positive growth in property prices, albeit at lower levels, notwithstanding the surge that has occurred in recent years. Continued momentum in pricing for units sold since balance date is evident across our portfolio.

Government funding for aged care services assists to broaden the accessibility to services. It will continue to be a significant contributor to Arvida's revenues where two thirds of care and village fee income is derived from Government sources.

The equal pay care and support worker negotiations that started in October 2015 recently concluded. Arvida welcomed the recognition of the important contribution caregivers make to the wellbeing of our residents.

ACKNOWLEDGEMENTS

As the retirement sector continues to change, Arvida is well placed to deliver sustainable earnings growth underpinned by a focus on high-quality resident care.

The dedication and commitment of nurses, care givers and village staff across the country are central to our ability to provide high-quality care and wellbeing services to our residents. I sincerely thank all our team for their valued contribution over the year.

Bill McDonald
Chief Executive Officer

॥ DIRECTORS

॥ **PETER WILSON**
Chair and
Independent Director

॥ **ANTHONY BEVERLEY**
Independent Director

॥ **PAUL RIDLEY-SMITH**
Independent Director

॥ **SUSAN PATERSON**
Independent Director

॥ **MICHAEL AMBROSE**
Non-Independent Director

॥ **FOR FULL BIOGRAPHIES**
Please see our website:
www.arvida.co.nz/For-Investors/Directors
www.arvida.co.nz/For-Investors/Executive-Management

SENIOR MANAGEMENT TEAM

BILL MCDONALD
Chief Executive Officer
(BBus, MAgriBus)

JEREMY NICOLL
Chief Financial Officer
(BCom, CA)

DENISE BRETT
General Manager, Wellness and Care (NZRCpN, BA, LLB (Hons), Dip Bus Studs)

JONATHAN ASH
General Manager, Development (BEng, MIPENZ, MPINZ)

MARK WELLS
General Manager, Finance
(BCom, ACMA)

TERESA SEUX
General Manager, Human Resources
(BA, PGDipBus, MHRINZ)

VIRGINIA BISHOP
General Manager, Operations (B.CapSci Otago, Dip Teach Sec)

TRISTAN SAUNDERS
General Manager, Sales & Marketing
(BCom, PGDipBus Hons)

KAY MARSHALL
General Manager, Village Services
(BCom, VPM)

ARVIDA AT A GLANCE

Arvida's 26 villages are located nationally, comprising 1,301 retirement units and 1,446 care beds. Each village operates independently and expresses its own character, personality and identity. The corporate structure supports village operations ensuring quality and consistency in service, which ultimately benefits residents, village staff and shareholders.

Arvida provides 3,000 residents with a continuum of care that extends from independent living to full rest home, hospital and dementia level care and a range of flexible care plans depending on residents' needs.

AGED CARE

Aged care is an integral part of Arvida's continuum of care offering with 18 co-located and 5 standalone care facilities.

With most of Arvida's care facilities located within the retirement villages, residents can move through the village and receive support as their care needs change.

Options include rest home, hospital, and secure dementia care. Respite care facilities are also available at many Arvida locations.

RETIREMENT LIVING

Independent Living

Accommodation options that typically provide for residents who wish to continue living independently but want to enjoy a retirement village lifestyle and facilities knowing that care is available if and when they should need it. Options include villas, apartments and studios.

Assisted Living

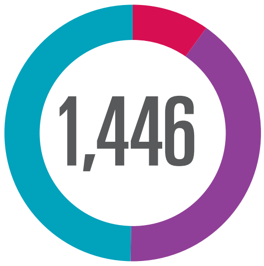
Assisted living options (serviced apartments) are designed to provide residents with the support and care they require. Arvida offers a range of care packages in conjunction with an ORA.

TOTAL AGED CARE BEDS

714
Rest Home

582
Hospital

150
Dementia Care



683
North Island

763
South Island

95% Occupancy of Aged Care Beds

TOTAL RETIREMENT UNITS

588
Serviced Apartments

713
Apartments /Villas

809
North Island

492
South Island

80 years Current Average Age of Independent Living Residents

87 years Current Average Age of Serviced Apartment Residents

II HISTORICAL SUMMARY

Key financial and operational statistics are as follows:

FINANCIAL

	FY2015[6]	FY2016	FY2017
Care fees and village services ($000)	17,458	72,445	85,735
Deferred management fees ($000)	1,992	7,793	12,268
Total revenue ($000)	20,071	82,509	101,433
Operating earnings ($000)	4,666	17,396	20,529
Net profit after tax (IFRS) ($000)	3,080	24,024	53,668
Underlying profit[7] ($000)	4,006	15,781	23,135
Underlying profit per share (cents)	1.78	6.05	7.66
Dividend per share (cents)	1.03	4.25	4.45
Net operating cash flow ($000)	5,926	24,157	39,746
Total assets ($000)	352,962	460,701	794,902
Embedded value per unit ($)	62,000	67,000	117,000
Shares on issue (000)	224,850	273,245	334,261

OPERATIONAL

	FY2015[6]	FY2016	FY2017
Number of Villages	18	21	26
Care beds	944	1,246	1,446
Retirement living units	817	908	1,301
Needs-based composition	79%	82%	74%
Occupancy of care beds[8]	94%	94%	95%
New sales of occupation rights	15	20	32
Resales of occupation rights	33	149	166
Total sale of occupation rights	48	169	198
New units/beds delivered	5	32	5
Units/beds under construction	14	24	262
Units/beds planned	172	201	645

6. Financial statistics for FY2015 represent a part period with village operations commencing on 18 December 2014.
7. Underlying Profit is a non-GAAP (unaudited) financial measure and differs from NZ IFRS net profit after tax by replacing the unrealised fair value adjustment in 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. Please refer to page 11 for a reconciliation to Reported Profit under IFRS.
8. Measured at March in each financial year.

FINANCIAL STATEMENTS

II ARVIDA GROUP LIMITED
For the year ended
31 March 2017

ArvidaGroup

DIRECTORS' STATEMENT

The Directors have the pleasure in presenting the Financial Statements of Arvida Group Limited for the year ended 31 March 2017.

The Financial Markets Conduct Act 2013 requires the Directors to prepare financial statements for each financial year which present fairly the financial position of the Group and financial performance and cash flows for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the financial statements comply with the generally accepted accounting practice in New Zealand, as defined in the Financial Reporting Act 2013. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the preventions and detection of fraud and other irregularities.

The Financial Statements presented are signed for and on behalf of the Board and were authorised for issue on 6 June 2017.

Peter Wilson Chairman 6 June 2017	Anthony Beverley Director 6 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

$000	Note	Group Year to 31 March 2017	Group Year to 31 March 2016
Income			
Care fees and village services	2	85,735	72,445
Deferred management fees	2	12,268	7,793
Other income	2	3,430	2,271
Total revenue		**101,433**	**82,509**
Gain on acquisition of subsidiaries	17	3,163	0
Change in fair value of investment property	6	39,268	19,093
Change in fair value of property, plant and equipment	7	828	(3,089)
Total income		**144,692**	**98,513**
Expenses			
Employee costs	3	54,117	43,719
Property costs	3	7,561	5,774
Depreciation	7	3,428	2,879
Finance costs	4	1,297	928
Transaction costs		960	776
Insurance remediation		0	645
Other expenses	3	19,226	15,620
Total expenses		**86,589**	**70,341**
Profit before tax		**58,103**	**28,172**
Income tax expense	5	4,435	4,148
Profit after tax		**53,668**	**24,024**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net gain on revaluation of property, plant and equipment		1,058	1,818
Total comprehensive income		**54,726**	**25,842**
Earnings per share:			
Basic (cents per share)	14	17.77	9.22
Diluted (cents per share)	14	17.62	9.16

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

$000	Retained Earnings	Asset Revaluation Reserve	Share Based Payment Reserve	Share Capital	Total
Opening balance at 1 April 2015	**2,947**	**370**	**0**	**206,398**	**209,715**
Profit for the period	24,024	0	0	0	24,024
Other comprehensive income	0	1,818	0	0	1,818
Total comprehensive income	**24,024**	**1,818**	**0**	**0**	**25,842**
Dividends paid	(11,135)	0	0	0	(11,135)
Share based payments	0	0	95	0	95
Share capital issued	0	0	0	41,000	41,000
Transaction costs	0	0	0	(756)	(756)
Balance at 31 March 2016	**15,836**	**2,188**	**95**	**246,642**	**264,761**
Opening balance at 1 April 2016	**15,836**	**2,188**	**95**	**246,642**	**264,761**
Profit for the period	53,668	0	0	0	53,668
Other comprehensive income	0	1,058	0	0	1,058
Total comprehensive income	**53,668**	**1,058**	**0**	**0**	**54,726**
Dividends paid	(13,212)	0	0	0	(13,212)
Share based payments	0	0	221	0	221
Share capital issued	0	0	0	66,295	66,295
Transaction costs	0	0	0	(1,239)	(1,239)
Balance at 31 March 2017	**56,292**	**3,246**	**316**	**311,698**	**371,552**

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2017

$000	Note	Group as at 31 March 2017	Group as at 31 March 2016
Assets			
Cash and cash equivalents		1,299	1,795
Trade receivables and other assets		5,431	6,934
Resident advances		4,501	685
Accrued income		6,755	6,423
Property, plant and equipment	7	156,521	109,996
Investment properties	6	569,855	295,839
Goodwill	8	50,540	39,029
Total assets		**794,902**	**460,701**
Liabilities			
Trade and other payables	12	11,749	6,783
Tax (receivable) / payable		(358)	1,518
Employee entitlements	12	6,205	4,980
Revenue in advance	12	21,117	10,630
Interest bearing loans and borrowings	10	73,500	13,250
Residents' loans	9	290,894	142,158
Deferred tax liabilities	5	20,243	16,621
Total liabilities		**423,350**	**195,940**
Net assets		**371,552**	**264,761**
Equity			
Share capital		311,698	246,642
Reserves		3,562	2,283
Retained earnings		56,292	15,836
Total equity		**371,552**	**264,761**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

$000	Note	Group Year to 31 March 2017	Group Year to 31 March 2016
Cash flows from operating activities			
Receipts from residents for care fees and village services		90,329	70,847
Receipts of residents' loans		62,404	41,267
Interest received		73	46
Payments to suppliers and employees		(76,754)	(63,682)
Repayments of residents' loans		(26,025)	(20,347)
(Advances) to and repayments from residents		(3,288)	(195)
Interest paid		(1,145)	(952)
Income tax paid		(5,848)	(2,827)
Net cash inflow from operating activities	**11**	**39,746**	**24,157**
Cash flows from investing activities			
Cash and (bank overdraft) acquired from subsidiaries		(236)	46
Purchase of property, plant and equipment		(23,294)	(3,242)
Payments for investments in subsidiaries	17	(66,452)	(29,227)
Purchase of investment properties		(19,243)	(11,379)
Net insurance claim proceeds		898	17,812
Capitalised interest paid		(261)	(40)
Net cash (outflow) from investing activities		**(108,588)**	**(26,030)**
Cash flows from financing activities			
Proceeds from borrowings		133,180	46,875
Repayment of borrowings		(91,218)	(67,383)
Net proceeds of share issue		41,795	35,000
Transaction costs		(2,199)	(1,512)
Dividends paid		(13,212)	(11,135)
Net cash inflow from financing activities		**68,346**	**1,845**
Net increase/(decrease) in cash and cash equivalents		**(496)**	**(28)**
Cash and cash equivalents at the beginning of period		1,795	1,823
Cash and cash equivalents at the end of the financial period		**1,299**	**1,795**
Represented by:			
Cash and cash equivalents		1,299	1,795
Bank overdrafts		0	0
Cash and cash equivalents at the end of the financial period		**1,299**	**1,795**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ARVIDA GROUP LIMITED
For the year ended
31 March 2017

1. GENERAL INFORMATION

Arvida Group Limited (the "Group" or the "Company") is a for-profit, limited liability company incorporated and domiciled in New Zealand. Arvida Group Limited is registered under the Companies Act 1993. The Company is an FMC Reporting Entity in terms of Part 7 of the Financial Markets Conduct Act 2013 ("the Act") and is listed on the NZX Main Board (the "NZX"). The Company's registered office is 39 Market Place, Viaduct Basin, Auckland.

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

These financial statements have been approved for issue by the Board of Directors on 6 June 2017. The financial statements presented are for Arvida Group Limited and its subsidiaries.

The Directors believe it remains appropriate that the financial statements have been prepared under the going concern convention.

Basis of Preparation

These financial statements have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with International Financial Reporting Standards ("IFRS") and the New Zealand equivalents ("NZ IFRS") as appropriate for a for-profit entity;
- in accordance with the requirements of the Financial Markets Conduct Act 2013;
- under the historical cost convention, as modified by the revaluation of investment properties and land and buildings (included in property, plant and equipment);
- on the liquidity basis where the assets and liabilities are presented on the balance sheet in the order of their liquidity;
- in New Zealand dollar terms, rounded to the nearest thousand dollars; and
- with all amounts shown exclusive of goods and services tax ("GST"), other than trade debtors and trade creditors, except where the amount of GST incurred is not recoverable from the taxation authority. When this occurs the GST is recognised as part of the cost of the asset or as an expense, as applicable.

Critical Accounting Estimates and Judgements

The preparation of the financial statements, in line with NZ IFRS, 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 Directors, in determining the appropriate treatment, have carefully evaluated all of the available information and consider the adopted policies to be appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are found in the following notes:

Note 2 Revenue recognition

Note 5 Income taxes

Note 6 Fair value of investment property

Note 7 Fair value of care facility

Note 8 Impairment of goodwill

Basis of Consolidation

The Group's financial statements are prepared by consolidating the financial statements of all entities that comprise the Group, being Arvida Group Limited and its subsidiaries. Consistent accounting policies are employed in the preparation and presentation of the Group's financial statements. All intercompany transactions and balances, and unrealised profits arising within the Group are eliminated in full.

Segment Reporting

An operating segment is a component of an entity that engages in business activities which earn revenue and incur expenses and where the chief operating decision maker reviews the operating results on a regular basis and makes decisions on resource allocation.

The Group operates in one operating segment being the provision of aged-care in New Zealand. 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.

Other Accounting Policies

Other accounting policies that are relevant to an understanding of the financial statements are provided within the notes to the financial statements.

New Standards and Interpretations not yet Adopted

At the balance date certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at that date.

Those relevant to Arvida Group are included in the table below.

	Effective for the financial year ending
NZ IFRS 15 'Revenue from contracts with customers'	31 March 2019
NZ IFRS 9 'Financial Instruments'	31 March 2019
NZ IFRS 16 'Leases'	31 March 2020

Arvida Group considers that the Occupation Right Agreement will be deemed to be a lease under NZ IFRS 16, as the agreement conveys to the resident the right to use and control an asset. Whilst Arvida Group expects that deferred management fees will be derived under NZ IFRS 16, it does not expect any changes to current practices. Additional note disclosures will be required to adhere to the disclosure requirements of the new standard. Care fees and village service fees will continue to be accounted for under NZ IFRS 15, as they relate to "pay as you go" fees.

Under NZ IFRS 16, Arvida Group will also recognise a lease liability and a 'right-of-use' asset, both reflecting future lease payments on its leased properties. These include three administration offices and one care facility. These properties have a total annual rental of $0.5 million and total future lease payments of $2.7 million.

NZ IFRS 9 replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

The full financial statement impact of the adoption of these standards has not yet been fully assessed. The impact is not expected to be significant to the Group.

2. INCOME

$000	2017	2016
Income		
Care fees and village services	85,735	72,445
Deferred management fees	12,268	7,793
Other income	3,430	2,271
Total revenue	**101,433**	**82,509**

Care Fees and Village Services

Care fees and village services fees are recognised over the period in which the service is rendered.

Deferred Management Fees

Deferred management fees entitle residents to accommodation and the use of the community facilities within the village. They are recognised over the period of service, being the greater of the expected period of tenure or the contractual right to the revenue.

Information about Major Customers

The Group derives care fee revenue in respect of eligible Government subsidised aged care residents who receive rest home, dementia or hospital level care. Government aged care subsidies received from the Ministry of Health included in care fees and village services amounted to $56.6 million (2016: $41.3 million).

Key Judgements and Estimates

Deferred management fees are recognised as revenue on a straight-line basis. This requires management to estimate the period of occupancy for units and serviced apartments.

The expected periods of tenure, being based on historical results, experience and industry averages, are estimated at 4.0 to 4.9 years (2016: 3.5 to 4.9 years) for studios and serviced apartments, and are estimated at 6.2 to 9.0 years (2016: 6.3 to 8.5 years) for independent apartments and villas.

3. EXPENSES

$000	2017	2016
Profit before income tax includes the following specific expenses:		
Employment expenses	54,117	43,719
Property expenses	7,561	5,774
Other expenses	19,226	15,620
Total operating expenses	**80,904**	**65,113**
Other expenses		
Directors' fees	405	382
Rental and operating lease expenses	515	387

Operating Expenses

Employment expenses relate to wages and salaries of employees which includes holiday pay and employee incentives. These expenses are recognised as the benefit accrues to the employee.

Property expenses and other expenses relate to costs associated with running a retirement village such as rates, insurance, repairs and maintenance, purchases of consumables and power costs. These expenses are recognised as they are incurred.

Operating Leases

Operating Lease payments are expensed on a straight line basis over the expected tenure of the lease.

The Group leases support office premises and various property, plant and equipment under non-cancellable operating lease agreements. This includes the Care Facility at Glenbrae Village. The leases reflect normal commercial arrangements with varying terms, escalation clauses and renewal rights.

Operating Lease Commitments

Non-cancellable operating lease rentals are payable as follows:

$000	2017	2016
Less than 1 year	539	427
Between 1 and 5 years	1,559	1,411
More than 5 years	642	963
Total operating lease commitments	**2,740**	**2,801**

4. FINANCE COSTS

$000	2017	2016
Interest expense	925	618
Facility costs	372	310
Total finance costs	**1,297**	**928**

Finance Costs

Interest expense and facility costs comprises interest and fees payable on borrowings and is calculated using the effective interest rate method.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

5. INCOME TAX EXPENSE

$000	2017	2016
Income tax expense		
Current tax	3,972	4,263
Deferred tax	463	(115)
Income tax expense	**4,435**	**4,148**

$000	2017	2016
Reconciliation to profit before tax		
Profit before tax	58,103	28,172
Tax at 28%	**16,269**	**7,888**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Change in fair values	(11,227)	(4,481)
Non-taxable gain on acquisitions (net of costs)	(886)	0
Non-taxable income and non-deductible expenditure	157	491
Other	122	250
Income tax expense	**4,435**	**4,148**

Income Tax Expense

Income tax comprises current and deferred tax and is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). The applicable tax rate is 28% (2016: 28%).

Imputation Credits

The imputation credit balance for the Group and Parent as at 31 March 2017 is $1.9 million (2016: $1.9 million).

Deferred Tax

Deferred tax arises as a result of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, unless they arise on a business combination, are not provided for.

$000	2017	2016
Brought forward	16,621	11,401
Temporary differences in income statement		
Property, plant and equipment	(74)	0
Investment property	562	(129)
Deferred management fees	(11)	56
Recognised tax losses	0	19
Other items	(14)	(61)
	463	**(115)**
Temporary differences in OCI		
Property, plant and equipment	411	851
	411	**851**
Acquired on acquisition		
Property, plant and equipment	2,687	3,530
Investment property	3,070	1,485
Deferred management fees	(2,840)	(301)
Other items	(169)	(230)
	2,748	**4,484**
Balance at end of year		
Property, plant and equipment	16,529	13,506
Investment property	8,882	5,250
Deferred management fees	(4,014)	(1,163)
Other items	(1,154)	(972)
Deferred tax liability	**20,243**	**16,621**

Deferred Tax

Deferred tax assets and liabilities have been offset in accordance with NZ IAS 12 Income Tax. The deferred tax has been calculated on the assumption that there will be no change in tax law or circumstances.

The Group recognises tax losses in the balance sheet to the extent that tax losses offset deferred income tax liabilities arising from temporary differences and the requirements of income tax legislation can be satisfied. Significant judgement is required in determining whether shareholder continuity and other income tax legislation requirements will continue to be met in the future in order for tax losses to be recognised. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Key Judgements and Estimates

The carrying value of the Group's investment properties is determined on a discounted cash flow basis and includes cash flows that are both taxable and non-taxable in the future. In determining the taxable temporary difference, the Directors have used the contractual cash flows on the basis that the contractual arrangements for an occupation right agreement comprise two gross cash flows (being an occupation right agreement deposit upon entering the unit and the refund of this deposit upon exit) that are non-taxable and need to be excluded to determine the taxable temporary differences arising on investment properties.

6. INVESTMENT PROPERTY

$000	2017	2016
Balance at beginning of period	295,839	212,238
Purchase on acquisition	214,665	51,983
Additions	17,981	11,810
Reclassification from property, plant and equipment	2,102	715
Fair value movement - unrealised	39,268	19,093
Total investment property	**569,855**	**295,839**

Valuation of managers' net interest inclusive of reduction due to earthquake damage	235,080	137,500
Development land	29,520	12,450
Costs to complete	0	(467)
Liability for residents' loans	290,894	142,158
Net revenue in advance / (accrued revenue)	14,361	4,198
Total investment property	**569,855**	**295,839**

Recognition and Measurement

Investment properties are held to earn rental income and for capital appreciation. They comprise land and buildings and associated equipment and furnishings related to independent living units, serviced apartments and common facilities in the retirement village. Investment properties include buildings under development and land acquired with the intention of constructing a retirement village or care facility on it.

Investment property is initially recognised at cost and subsequently measured at fair value with any change in fair value recognised in the statement of comprehensive income.

Key Judgements and Estimates

The fair value of investment property is determined on an annual basis. The fair value of completed investment properties and development land has been determined by Michael Gunn, an independent registered valuer, of the firm CBRE Limited. A valuation method was used based on a discounted cash flow ("DCF") model using expected cash flows for a 20-year period.

The valuation of investment property includes within its forecast cash flows, the Group's expected costs relating to any known or anticipated remediation works. The fair value as determined by the independent valuer is adjusted for assets and liabilities already recognised in the balance sheet which are also reflected in the DCF. 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'.

Significant assumptions used by the valuer include:

Assumption	Estimate used
Occupancy periods of units	Stabilised departing occupancy of 6.2 to 9.0 years (2016: 6.3 to 8.5 years) for independent apartments and villas and 4.0 to 4.9 years for studios and serviced apartments (2016: 3.5 to 4.9 years)
House price inflation	Between 0.0% and 3.5% (2016: 0.0% and 3.5%)
Discount rate	Between 12.5% and 16.0% (2016: 12.5% and 16.0%)
Average age on entry	Between 74 and 85 years (2016: 72 and 85) for independent apartments and villas and between 81 and 87 years (2016: 82 and 88) for serviced apartments

The occupancy period is driven from a Monte Carlo simulation. The simulations are dependent upon the demographic profile of the village (age and gender of residents) and a death and non-death probability as the reason for departing a unit. The resulting stabilised departing occupancy period is an estimate of the long run occupancy term for residents. Additional variables which will influence the stabilised occupancy period outputs (and recycle profile) by village will include resident densities where a high proportion of couples will logically extend/prolong the recycle profile, occupancy periods for existing residents, current absolute age levels and whether it is a care or lifestyle orientated village. An increase (decrease) in the stabilised departing occupancy period will have a negative (positive) impact on the valuation. A significant decrease (increase) in the discount rate or increase (decrease) in the inflation rate would result in a significantly higher (lower) fair value measurement.

7. PROPERTY, PLANT AND EQUIPMENT

$000	Freehold Land at Valuation	Freehold Building at Valuation	Work in Progress	Other	Total
Year ended 31 March 2016					
Opening net book value	15,191	56,829	0	5,637	77,657
Assets acquired on acquisition	18,250	12,350	0	1,661	32,261
Additions	0	1,427	1,473	1,197	4,097
Depreciation	0	(1,281)	0	(1,598)	(2,879)
Revaluation (net)	2,939	(3,300)	0	0	(361)
Reclassification to investment property	(805)	0	0	90	(715)
Disposals and transfers	0	0	0	(64)	(64)
Closing net book value	**35,575**	**66,025**	**1,473**	**6,923**	**109,996**
Cost or valuation	35,575	66,025	1,473	8,990	112,063
Accumulated depreciation	0	0	0	(2,067)	(2,067)
Net book value at 31 March 2016	**35,575**	**66,025**	**1,473**	**6,923**	**109,966**
Year ended 31 March 2017					
Opening net book value	35,575	66,025	1,473	6,923	109,996
Assets acquired on acquisition	7,760	14,340	889	1,941	24,930
Additions	0	601	22,564	2,748	25,913
Depreciation	0	(1,529)	0	(1,899)	(3,428)
Revaluations (net)	0	2,296	0	0	2,296
Reclassification to investment property	0	0	(2,102)	0	(2,102)
Disposals and transfers	0	(626)	0	(458)	(1,084)
Closing net book value	**43,335**	**81,107**	**22,824**	**9,255**	**156,521**
Cost or valuation	43,335	81,107	22,824	13,205	160,471
Accumulated depreciation	0	0	0	(3,950)	(3,950)
Net book value at 31 March 2017	**43,335**	**81,107**	**22,824**	**9,255**	**156,521**

Recognition and Measurement

Land and buildings (which are not classified as investment property) are initially recognised at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes material and direct labour, and any other costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, land and buildings for care facilities are carried at a revalued amount which is the fair value at the date of revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses. Any revaluation surplus is recognised as other comprehensive income unless it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Any revaluation deficit (impairment) is recognised in the profit or loss unless it directly offsets a previous surplus in the same asset in the asset revaluation reserve.

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement over the estimated useful lives of each asset class as follows:

- Land – not depreciated
- Buildings – 2% straight line
- Plant, Furniture, Equipment and Motor Vehicles - a combination of straight line and diminishing value at rates of 3% to 80%

At 31 March 2017, had the land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately $40.4 million and $83.5 million respectively (2016: $32.6 million and $67.7 million).

Key Judgements and Estimates

Fair value of land and buildings is determined by reference to market-based evidence. Independent revaluations are performed with sufficient regularity to ensure the carrying amount does not differ materially from the asset's fair value at the balance sheet date. The current policy is to undertake an independent revaluation every two years.

The fair value of care facility land and buildings for the year ended 31 March 2017 was reviewed by the Directors of the Group. The Directors' review was based on independent advice from CBRE on the macro view of the valuation of care facilities in New Zealand, specific physical factors and operating metrics of each of the care facilities being valued. The Directors, in reviewing the valuations, considered the following:

- the independent advice from CBRE that confirmed that there were no material macro changes in the valuation of care facilities in NZ during the financial year;
- that no material construction of care beds or care building related assets had occurred within the period under review;
- the key metrics of the care facilities were in-line with expectations; and
- that the Directors were not aware of any material physical, operational or macro issues that would materially impact care facility values.

The Directors agreed that the valuations of the care facility's land and buildings would remain unchanged from the valuations completed by CBRE as at 31 March 2016 (or later date for acquisitions during the year), adjusted for any additions, disposals, decommissions and the completion of earthquake remediation works.

The fair value of care facility land and buildings for the year ended 31 March 2016 was determined by Michael Gunn, an independent registered valuer of the firm CBRE Limited. The method used was a capitalisation of earnings approach.

As the fair value of freehold land and buildings is determined using inputs that are unobservable, the Group has categorised property, plant and equipment as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 'Fair Value Measurement'. The carrying amount also reflects the Group's expected costs relating to any known or anticipated remediation works.

The significant unobservable inputs used in the fair value measurement of the Group's portfolio of land and buildings are:

Assumption	Estimate used
Capitalisation rates applied to individual unit earnings	Rates used range from 11.3% to 20.1% (2016: 11.3% to 20.1%)
Earnings	Market value for a care bed ranging from $61,000 to $175,000 (2016: $61,000 to $142,000)

A significant decrease (increase) in the capitalisation rate would result in a significantly higher (lower) fair value measurement.

8. GOODWILL

Recognition and Measurement

Goodwill as at 31 March 2017 was $50.5m (2016: $39.0m). Goodwill has increased as a result of the business combinations outlined in note 17.

Goodwill is tested for impairment annually at 31 March and when circumstances indicate that the carrying value may be impaired. Goodwill acquired through business combinations with indefinite lives have been allocated, for impairment testing, to 19 of the cash generating units ("CGU's").

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. Impairment losses relating to goodwill cannot be reversed in future periods.

In all 19 CGU's the recoverable amount was in excess of the carrying value. As such the Directors did not identify any impairment for these CGU's. Goodwill allocated to any single CGU is not material.

Key Judgements and Estimates

The value in use calculation is based on a DCF model which uses the following assumptions:

Assumption	Description	Estimate used
Operating earnings	Operating earnings is a function of revenue received from government agencies and private paying residents for care and village service fees and the net cash flows from the receipt and repayment of resident loans. The key driver of these revenue items are occupancy levels, subsidy levels and property growth rates. It is assumed that the government will continue to support the aged care sector and that subsidies will increase over time. If the government decides to reduce its funding, it may lead to residents and their families being required to make up the difference. Expenses are forecast to increase in line with inflation projections.	Cash flow projections from the Group's five year financial forecasts approved by the Board which do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets performance of the CGU being tested.
Discount rates	Discount rates represent the current market assessment of the risks specific to each CGU, taking into account the time value of money and individual risks of the underlying assets that have to been incorporated into the cash flow estimates.	Pre-tax discount rates for each CGU, ranging from 11.7% to 20.1% (2016: 12.5% to 16.0%). The discount rates have been taken from the most recent CBRE valuation of each CGU.
Growth rates	Growth rates are used to extrapolate cash flows beyond the forecast period.	Growth rates of 2.0% to 2.5% (2016: 2.0% to 4.0%) have been used after the initial financial forecast period.

9. RESIDENTS' LOANS

$000	2017	2016
Opening balance	142,158	106,840
Amounts repaid on termination of ORAs	(24,995)	(21,465)
Amounts received on issue of new ORAs	59,938	43,534
Amounts acquired	124,622	22,191
Movement in DMF receivable and residents' portion of capital gains	(10,829)	(8,942)
Total residents' loans	**290,894**	**142,158**

Residents' loans are amounts payable to Arvida by a resident on being issued the right to occupy one of the Group's units or serviced apartments under an occupation right agreement ("ORA"). The ORA confers a right of occupancy until such time as the right is effectively terminated.

These loans are non-interest-bearing and are repayable to the exiting resident, net of any amount owing to the Group, when a new ORA for the unit or serviced apartment is issued to an incoming resident.

Deferred management fees ("DMF") are payable by residents in consideration for the supply of accommodation and the right to share in the use of community facilities. Deferred management fees are paid in arrears with the amount payable by the resident calculated as a percentage of the resident loan amount as per the resident's ORA.

The DMF receivable is calculated and recorded based on the current tenure of the resident and the contractual right to the DMF earned at balance date. Under certain ORAs, residents are entitled to receive some or all of the capital gain which has occurred from the increase in value of the apartment or villa. The present value of the operator's portion of estimated capital gain has been calculated by CBRE Limited in the valuation of the investment property.

Recognition and Measurement

Resident loans are initially recognised at fair value and subsequently measured at amortised cost.

As the Group holds a contractual right to offset the DMF receivable on termination of an agreement against the resident's loan to be repaid, residents' loans are recognised net of the DMF receivable on the balance sheet. The fair value of the residents' loans is equal to the face value, being the amount that can be demanded for repayment.

At year end, the deferred management fee receivable and accrued income on unit titled properties (including termination fees, if any) that has yet to be recognised is held on the balance sheet as a liability (revenue in advance) or as an asset (accrued income).

10. INTEREST BEARING LOANS AND BORROWINGS

$000	2017	2016
Secured bank loans		
Repayable within 12 months	0	0
Repayable after 12 months	73,500	13,250
Total interest-bearing loans	**73,500**	**13,250**

Group 2017

Funding Facilities	Facility Limit	Drawn Facility Amount
Revolving Core Facility	$40.0m	$40.0m
Revolving Core Facility	$40.0m	$33.5m
Total facilities	**$80.0m**	**$73.5m**

The maturity dates of the revolving core facilities are 30 September 2019 and 30 September 2021.

Group 2016

Funding Facilities	Facility Limit	Drawn Facility Amount
Revolving Core Facility	$20.0m	$13.3m
Revolving Acquisition Facility	$20.0m	$0.0m
Total facilities	**$40.0m**	**$13.3m**

The maturity date of the revolving core facility is 29 December 2017; and the maturity date for the revolving acquisition facility is 29 December 2017.

Recognition and Measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statements of comprehensive income over the period of the borrowings using the effective interest method.

Secured Bank Loans

The bank loan comprises the two Revolving Core Facilities.

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 property assets within the retirement village companies. A registered first ranking composite general security agreement is in place. This contains 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.

Interest

Interest on the bank loan is charged using the BKBM Bill Rate plus a margin. Interest rates applicable in the year to 31 March 2017 ranged from 2.4% to 3.6% pa (2016: 3.1% to 4.5% pa). A separate line fee is charged over the facility limit.

Financial Covenants

The financial covenants that the Group must comply with include Interest Cover Ratio and Loan to Valuation Ratio. During the year ended 31 March 2017, the Group was in compliance with its financial covenants (2016: the Group was in compliance with its financial covenants).

11. RECONCILIATION OF PROFIT AFTER TAX WITH CASH INFLOW FROM OPERATING ACTIVITIES

$000	2017	2016
Profit after tax	**53,668**	**24,024**
Adjustments for:		
Changes in fair value	(40,096)	(16,004)
Gain on acquisition of subsidiaries	(3,163)	0
Depreciation	3,428	2,879
Movement in deferred tax	463	(115)
Earthquake (proceeds)/ costs included in investing activities	(898)	645
Transaction costs included in financing activities	960	756
Changes in working capital relating to operating activities:		
Trade receivables and other assets	(4,555)	(3,364)
Trade and other payables	5,827	2,209
Refundable occupation right agreements	24,112	13,127
Net cash inflow from operating activities	**39,746**	**24,157**

Cash comprises cash at bank, bank overdraft, cash on hand and call deposit facilities.

The following are definitions of the terms used in the cash flow statements:

- operating activities include all transactions and other events that are not investing or financing activities;
- investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, investment properties and other investments. Investments can include securities not falling within the definition of cash; and
- financing activities are those activities which result in changes in the size and composition of the capital and funding structure of the Group.

12. TRADE AND OTHER PAYABLES

$000	2017	2016
Trade creditors	6,586	3,035
Sundry creditors and accruals	5,163	3,748
Employee entitlements	6,205	4,980
Revenue in advance	21,117	10,630
Total trade and other payables	**39,071**	**22,393**

Revenue in Advance

Revenue in advance comprises those amounts by which the amortisation of deferred management fees over the contractual period of the ORA exceeds the amortisation of the deferred management fee based on estimated tenure.

Employee Entitlements

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is made for benefits accruing to employees in respect of wages, salaries, annual leave, bonuses and profit-sharing plans when it is probable that settlement will be required and the amount can be estimated reliably.

13. SHARE CAPITAL

Shares 000's	2017	2016
Opening balance	273,245	224,851
Shares issued	61,016	48,394
Closing balance	**334,261**	**273,245**

Recognition and Measurement

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Certain costs have been incurred in relation to the listing of the Group. These costs are directly attributable to the Group issuing equity securities and include amounts paid to legal, accounting and other professional advisers. Costs relating to the issuing of new equity have been accounted for as a deduction from equity.

The Company incurred transaction costs of $2.2 million issuing shares during the year (2016: $1.5 million), with $1.2 million related to the issue of new shares and deducted from equity (2016: $0.8 million).

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

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.

On 30 June 2016 Arvida Group Limited issued 5,393,724 ordinary shares at $1.11 to the vendors of Lansdowne Park in part-satisfaction of the purchase price.

On 3 October 2016 Arvida Group Limited issued 15,817,374 ordinary shares at $1.17 to the vendors of Copper Crest and Lauriston Park in part-satisfaction of the purchase price.

On 26 October 2016 Arvida Group Limited issued 39,804,381 ordinary shares at $1.05 to existing investors by way of a 1-for-7 pro-rata renounceable rights issue to replenish cash reserves after the acquisition of Copper Crest, Views Lifecare and Lauriston Park.

14. EARNINGS PER SHARE

$000	2017	2016
Profit attributable to equity holders	53,668	24,024
Basic earnings per share		
Weighted average number of ordinary shares on issue (thousands)	302,064	260,702
Basic earnings per share (cents)	**17.77**	**9.22**
Diluted earnings per share		
Weighted average number of ordinary shares on issue (thousands)	304,615	262,266
Diluted earnings per share (cents)	**17.62**	**9.16**

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares on issue during the year.

Diluted

Diluted earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares on issue during the year adjusted to assume conversion of dilutive potential of ordinary shares.

15. FINANCIAL RISK MANAGEMENT

Financial Instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control of substantially all the risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

$000	2017	2016
Financial Assets		
Cash and cash equivalents	1,299	1,795
Trade receivables and other assets	5,431	6,934
Amounts due from related parties	0	0
Total	**6,730**	**8,729**
Financial Liabilities		
Bank overdraft	0	0
Trade and other payables	11,749	6,783
Amounts payable to related parties	0	0
Bank loans	73,500	13,250
Residents' loans	290,894	142,158
Total	**376,143**	**162,191**

The Group's principal financial instruments comprise loans and borrowings, residents' loans, unamortised deferred management fee liability and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also holds other financial assets and liabilities such as trade receivables and trade payables, which arise directly from operations.

All financial instruments currently held by the Group are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.

Prepayments and employee entitlements are excluded from trade receivables and other assets and trade and other payables respectively.

The carrying value of financial assets and financial liabilities are assumed to approximate their fair values.

Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk, liquidity risk and capital risk. The exposure to interest rate risk is not considered to be material to the Group. The Group's management programme considers financial market's volatility and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates to determine market risk and ageing analysis for credit risk.

Risk management is carried out centrally by the support office under policies approved by the Board of Directors. The Board and Group has approved policies covering overall risk management, as well as policies covering treasury and financial markets risks.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Cash flow forecasting is regularly performed by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance. Surplus cash held by the operating entities is used to repay debt.

The following table analyses the Group's financial liabilities into relevant maturity groupings. The amounts disclosed in the tables below are the contractual undiscounted cash flows inclusive of interest payments. The bank loans are drawn down from the committed bank facilities for fixed periods (typically 1 to 3 months). At the conclusion of the draw down period the loans are rolled over for a further fixed period. The maturities of the committed bank facilities are shown in note 10.

The refundable occupation right agreement is repayable to the resident on vacation of the unit 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 estimates the stabilised occupancy period for residents as shown in note 2. Based upon these historical turnover calculations the expected maturity of the total refundable obligation to refund residents is expected to be as noted in the table below.

$000	Less than 3 Months	Less than 1 Year	Between 1 and 5 Years
2017			
Bank overdraft	0	0	0
Trade and other payables	11,749	0	0
Bank loans	0	0	73,500
Amounts due to related parties	0	0	0
Refundable occupation right agreements	16,901	50,704	223,289
2016			
Bank overdraft	0	0	0
Trade and other payables	6,783	0	0
Bank loans	0	0	13,250
Amounts due to related parties	0	0	0
Refundable occupation right agreements	6,416	19,247	116,495

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure from trade receivables.

The Group has no significant concentrations of credit risk. The Group policy is to require a security deposit from new residents before they are granted the right to occupy a unit. Therefore, the Group does not face significant credit risk. The values attached to each financial asset in the balance sheet represent the maximum credit risk. No collateral is held with respect to any financial assets. The Group enters into financial instruments with various counter parties in accordance with established limits as to credit rating and dollar limits, and does not require collateral or other security to support the financial instruments.

Trade receivables are assessed for impairment on an individual basis and any impairment is recognised in the income statement when it is incurred.

Cash and cash equivalents of the Company and Group are deposited with one of the major trading banks. Non-performance of obligations by the bank is not expected due to the Standard & Poor's AA- credit rating of the counterparty considered.

The Group receivables represent distinct trading relationships with each of the residents. There are no concentrations of credit risk with residents. The only large receivables relate to the residential care subsidies which are received in aggregate via the various District Health Boards and Work and Income New Zealand. None of these entities are considered a credit risk.

Capital risk

Capital risk is the risk that the Group may not be able to access sufficient capital when it is required. Capital risk arises from changes in local and global market conditions and changes to government policy.

The Group manages its capital risk (which management considers to be total capital) with regard to its gearing ratios (net debt to total capital), as a guide to capital adequacy, borrowing ratios such as interest cover and loan to value ratios, exposure to liquidity and credit risk and exposures to financial markets volatility.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The bank loans are subject to bank covenants. The covenants require the Group to maintain agreed interest cover and loan to valuation ratios, as detailed in note 10.

16. SUBSIDIARY COMPANIES

The following entities are wholly owned subsidiaries of the ultimate parent company, Arvida Group Limited, as at 31 March 2017:

Aria Bay Retirement Village Limited
Aria Bay Senior Living Limited
Aria Gardens Limited
Aria Park Retirement Village Limited
Aria Park Senior Living Limited
Arvida Limited
Ashwood Park Lifecare (2012) Limited
Ashwood Park Retirement Village (2012) Limited
Bainlea Holdings (2006) Limited
Bainlea House (2013) Limited
Bainswood House Rest Home Limited
Bainswood Retirement Village Limited
Copper Crest Retirement Village Limited [2]
Epsom Brown Holdings Limited
Glenbrae Rest Home and Hospital Limited
Glenbrae Village Limited
Ilam Lifecare Holdings Limited
Ilam Lifecare Limited
Ilam Senior Living Limited
Lansdowne Developments Limited [1]
Lansdowne Park Village Limited [1]
Lauriston Park Retirement Village Limited [2]
Mayfair Lifecare (2008) Limited
Mayfair Retirement Village (2008) Limited
Molly Ryan Lifecare (2007) Limited
Molly Ryan Retirement Village (2007) Limited
Oakwoods Lifecare (2012) Limited
Oakwoods Retirement Village (2012) Limited
Olive Tree Apartments Limited
Olive Tree Holdings Limited
Olive Tree Village (2008) Limited
Park Lane Lifecare Limited
Park Lane Retirement Village Limited
Rhodes on Cashmere Healthcare Limited
Rhodes on Cashmere Lifecare Limited
St Albans Retirement Home Limited
St Albans Retirement Village Limited
St Allisa Rest Home (2010) Limited
The Cascades Retirement Resort Limited [3]
The Maples Lifecare (2005) Limited
The Maples Retirement Village (2005) Limited
The Wood Retirement Village (2007) Limited
The Wood Lifecare (2007) Limited
Views Lifecare Limited [2]
Waikanae Country Lodge Limited
Waikanae Country Lodge Village Limited
Wendover Rest Home 2006 Limited
Wendover Retirement Village 2006 Limited

1 - Acquired on 30 June 2016
2 - Acquired on 3 October 2016
3 - Acquired on 30 December 2016

Subsidiaries are those entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are substantive are taken into account.

The financial results of subsidiaries included in the financial statements are from the date on which control commences until the date control ceases.

All subsidiary companies are incorporated in New Zealand with a balance date of 31 March.

All subsidiary companies are in the business of owning, operating and developing retirement villages and care facilities for the elderly in New Zealand.

17. ACQUISITION ACCOUNTING

2017 Acquisitions

The provisional fair values of the identifiable assets and liabilities of the companies acquired during the year ended 31 March 2017 that are set out below include:

- Lansdowne Park Village Limited and Lansdowne Developments Limited (collectively, "Lansdowne Park") were acquired on 30 June 2016. The purchase consideration of $20.6 million (inclusive of debt repayment) was settled by way of $14.6 million cash and $6.0 million shares in Arvida Group Limited. Lansdowne Park is a retirement village and aged care facility situated in Masterton that provides retirement services to 170 residents.
- Copper Crest Retirement Village Limited ("Copper Crest") was acquired on 3 October 2016. The purchase consideration of $28.1 million was settled by way of $19.6 million cash and $8.5 million shares in Arvida Group Limited. Copper Crest is a retirement village situated in Tauranga that provides retirement services to 180 residents.
- Lauriston Park Retirement Village Limited ("Lauriston Park") was acquired on 3 October 2016. The purchase consideration of $25.6 million was settled by way of $15.6 million cash and $10.0 million shares in Arvida Group Limited. Lauriston Park is a retirement village situated in Cambridge that provides retirement services to 210 residents.
- Views Lifecare Limited ("Views Lifecare") was acquired on 3 October 2016. The purchase consideration of $14.8 million (inclusive of debt repayment) was settled by way of $14.8 million cash. Views Lifecare is an aged care facility situated in Tauranga that provides retirement services to 90 residents.
- The Cascades Retirement Resort Limited ("Cascades") was acquired on 30 December 2016. The purchase consideration of $20.5 million (inclusive of debt repayment) was settled by way of $20.5 million cash. Cascades is a retirement village and aged care facility situated in Hamilton that provides retirement services to 120 residents.

Recognition and Measurement

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary or joint venture entity acquired, the difference is recognised as income.

The Group acquired $11.5 million of goodwill through the business combinations. 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.

The businesses acquired during the period contributed $11.0 million of revenue and $17.9 million of net profit after tax for the year to 31 March 2017. If the businesses were acquired by the Group at 1 April 2016, they would have contributed $22.3 million of revenue and $23.1 million of net profit after tax.

$000	Lansdowne Park	Copper Crest	Lauriston Park	Views Lifecare	Cascades	Total
Assets						
Cash and cash equivalents	121	0	5	1	6	133
Trade receivables and other assets	238	40	115	46	190	629
Deferred tax asset	318	880	1,000	66	0	2,264
Property, plant and equipment	5,379	1,073	148	10,724	7,606	24,930
Investment properties	42,893	75,707	76,581	0	19,484	214,665
Resident advances	205	0	322	0	0	527
Total assets	**49,154**	**77,700**	**78,171**	**10,837**	**27,286**	**243,148**
Liabilities						
Bank overdraft	256	0	0	113	0	369
Trade and other payables	424	0	71	258	615	1,368
Employee entitlements	118	20	36	235	203	612
Revenue in advance	2,820	3,142	3,537	0	644	10,143
Interest bearing loans and borrowings	8,076	0	0	6,818	3,395	18,289
Residents' loans	25,498	44,165	45,919	0	9,040	124,622
Related party liabilities	130	0	0	0	0	130
Deferred tax liabilities	0	0	2,115	1,120	1,777	5,012
Total liabilities	**37,322**	**47,327**	**51,678**	**8,544**	**15,674**	**160,545**
Total identifiable net assets at fair value	**11,832**	**30,373**	**26,493**	**2,293**	**11,612**	**82,603**
Goodwill arising on acquisition	392	0	0	5,620	5,499	11,511
(Gain) on acquisition of subsidiaries	0	(2,278)	(885)	0	0	(3,163)
Purchase consideration transferred	**12,224**	**28,095**	**25,608**	**7,913**	**17,111**	**90,951**

18. RELATED PARTY TRANSACTIONS

Key Management Personnel Compensation

Key management personnel compensation for the year ended 31 March 2017 and the year ended 31 March 2016 is set out below. The key management personnel are all executives with the greatest authority for the strategic direction and management of the Company. The directors are remunerated through directors' fees and expenses.

$000	2017	2016
Salaries and other short term employee benefits	2,213	1,363
Share based payments	221	95
Termination benefits	0	0
Total	**2,434**	**1,458**

Identity of Related Parties

The Board of Directors at 31 March 2017, comprising Peter Wilson, Michael Ambrose, Anthony Beverley, Susan Paterson and Paul Ridley-Smith.

Executives of the Group, including, but not limited to, William McDonald and Jeremy Nicoll.

Rodgers & Co., an accounting service provider associated with Michael Ambrose, were paid $3,237 during the year ended 31 March 2017 for accounting services (2016: $123,442).

19. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2016: nil).

20. FEES PAID TO AUDITORS

$000	2017	2016
Fees paid to group auditor – Ernst & Young		
Audit	354	315
Other non-assurance		
Tax compliance and advisory	62	49
Transaction due diligence	0	48
Total fees paid to group auditor	**416**	**412**

21. SUBSEQUENT EVENTS

On 12 May 2017, a term sheet was executed to increase the bank debt facility to $150 million, split evenly over three-year and five-year tranches.

On 24 May 2017, the directors approved a dividend of 1.15 cents per share amounting to $3.8 million. The dividend is partially imputed at 0.40 cents per share. A supplementary dividend of 0.18 cents per share will be paid to non-resident shareholders. The dividend record date is 8 June 2017 and payment is due to be made on 16 June 2017.

22. CAPITAL COMMITMENTS

As at 31 March 2017, the Group had $31.7 million of capital commitments in relation to construction contracts (2016: $nil).

23. EMPLOYEE SHARE PLAN

The Group operates an equity based share rights scheme for selected senior employees. If the unlisted performance share rights vest, ordinary shares will be issued to the employees at or around the vesting date. The issue price of the shares was determined by reference to the 20 trading day volume weighted average price of shares traded on the NZX immediately prior to the commencement date of the share rights performance period.

Performance goals are measured for the total shareholder return hurdles, for the period from the commencement date to the vesting date. During the year, the scheme was retrospectively modified to remove the financial hurdle. The scheme is now solely based on the total shareholder return hurdles.

The share rights scheme is an equity settled scheme and is measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate that the share will vest. A simulation-based approach was used to complete the valuation model. For the purposes of the simulation, it is assumed that share returns are normally distributed. The option cost for the year ending 31 March 2017 of $0.2 million has been recognised in the Group's statement of comprehensive income for that period (2016: $0.1 million).

Details of the unlisted performance share rights scheme are:

2017

Commencement date	1 April 2015	1 April 2015	1 April 2015	1 April 2015	1 April 2016
Issue price	$0.95	$0.95	$0.95	$0.95	$0.93
% of shares vested	0%	0%	0%	0%	0%
Vesting date	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2019
Unlisted performance share rights	304,170	630,042	630,042	630,042	356,912
Volatility assumption	12%	12%	12%	12%	12%

2016

Commencement date	1 April 2015	1 April 2015	1 April 2015	1 April 2015
Issue price	$0.95	$0.95	$0.95	$0.95
% of shares vested	0%	0%	0%	0%
Vesting date	31 March 2018	31 March 2019	31 March 2020	31 March 2021
Unlisted performance share rights	304,170	420,028	420,028	420,028
Volatility assumption	12%	12%	12%	12%

Building a better working world

Chartered Accountants

Independent Auditor's Report

To the Shareholders of Arvida Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Arvida Group Limited and its subsidiaries ("the Group"), on pages 24 to 49, which comprise the balance sheet of the group as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Group, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 24 to 49 present fairly, in all material respects, the financial position of the Group as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Group in accordance with International Standards on Auditing (New Zealand) and the ethical requirements of the Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants that are relevant to our audit of the consolidated financial statements in New Zealand, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young has provided taxation compliance and advisory services to the Group. We have no other relationship with, or interest in, Arvida Group Limited or any of its subsidiaries. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of investment properties

Why significant?	How our audit addressed the key audit matter
The Group's investment properties comprise a portfolio of retirement villages ("villages") in New Zealand and at $570m, account for 72% of total Group assets at 31 March 2017. Investment properties are carried at fair value. The Group engages an independent registered valuer to determine the fair value of investment properties at balance date. The fair value determined by the valuer is adjusted for gross residents' liabilities and deferred management fees receivable which are recognised separately on the balance sheet. These valuations require the use of judgment specific to the properties. Significant underlying assumptions used are subjective and not observable through available market information. These assumptions are the discount rate, the forecast long term nominal house price inflation, the average entry age of residents and the expected occupancy period of the units for each village. Refer to note 6 *'Investment Property'*.	Our work focused on understanding the overall valuation methodology for compliance with NZ IFRS 13 *Fair Value Measurement* and evaluating significant inputs. In obtaining sufficient audit evidence, we: • assessed the qualifications, independence and objectivity of the external valuer; • assessed and discussed the valuation reports with the external valuer; • tested, on a sample basis, village specific information supplied to the external valuer by management to the underlying records held by the Group; • assessed the significant input assumptions applied, being the discount rate, the forecast long term nominal house price inflation, the average entry age of residents and the expected occupancy period of the units for each village, and valuation outcomes for each village evaluated against the rest of the portfolio and the retirement village sector; • involved our real estate valuation specialists to assist us in analysing a sample of the valuations and evaluating the underlying assumptions; • considered the impact of new development work and the completeness of the assets included in the valuation; and • assessed the adequacy of the related financial statement disclosures.

Deferred management fee revenue recognition

Why significant?	How our audit addressed the key audit matter
Deferred management fee ("DMF") revenue is 12% of Arvida's total revenue. Arvida recognises deferred management fee revenue from residents over the longer of the expected period of tenure or the contractual right to revenue in accordance with the terms of the resident's occupational right agreement. The amount of revenue recognised in each year is subject to the group's judgment of the average expected tenure in the village, the terms of the occupational right agreement and the type of unit occupied. Recognition of the DMF revenue and associated liabilities and assets are therefore potentially subject to bias and error given the tenure assumptions, varying contract terms across the Group and complexity in the calculation. Refer to note 2 *'Income'*.	Our work focused on understanding the overall calculation methodology and testing the integrity of inputs and key assumptions to revenue recognition throughout the period. In doing so, we: • assessed the accuracy of the inputs to, and calculation of, deferred management fee revenue recognised; • agreed the contractual terms of a sample of residents used in the revenue recognition calculation to the occupational right agreement; • compared the year on year movements in revenue recognised relating to each village and unit type based on an expectation derived from the nature of the population of occupational right agreements; and • considered the group's assessment of assumed tenure against actual observed tenure.

EY

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Acquisition Accounting

Why significant?	How our audit addressed the key audit matter
The Group completed a number of acquisitions during the year ended 31 March 2017. The identification and valuation of the acquired tangible and intangible assets (including goodwill) and liabilities have a material impact on the consolidated financial statements and is an area that involves judgment. Refer note 17 *'Acquisition accounting'.*	Our work focused on the acquisition accounting for compliance with NZ IFRS 3 *Business Combinations* and evaluating key assumptions used in the determination of the fair value of assets and liabilities acquired. In doing so, we: • obtained management's preliminary purchase price allocations. Our testing of the Purchase Price Allocations included evaluating the process applied to identify and value tangible and intangible assets (including goodwill) and liabilities on acquisition (including deferred tax and any contingent liabilities); • agreeing key items back to underlying data and independent valuation reports used by management to determine the fair value of investment property and care facility land and buildings ; • read the Share Purchase Agreements, ensuring the acquisition accounting reflected the facts and circumstances within the agreements; • agreed the consideration paid and acquisition costs to external evidence; and • assessed the adequacy of the related financial statement disclosures.

Information Other than the Financial Statements and Auditor's Report

The Directors of the company are responsible for the Annual Report, which includes information other than the consolidated financial statements and the auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The Directors are responsible on behalf of the entity for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibility for the audit of the financial statements is located at External Reporting Board's website: https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx.

This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Brent Penrose.

Ernst + Young

Auckland
6 June 2017

II ADDITIONAL INFORMATION

STATEMENT OF CORPORATE GOVERNANCE

OUR APPROACH TO CORPORATE GOVERNANCE

Arvida Group Limited ('Arvida') and its board of Directors ('the Board') are committed to ensuring that Arvida maintains best practice governance structures and the highest ethical standards and integrity. The Board has therefore developed a Corporate Governance Manual intended to guide the Directors and Arvida's executives to ensure business conduct is consistent with the highest business standards. It incorporates (to the extent relevant) the NZX Listing Rules relating to corporate governance, the NZX Corporate Governance Best Practice Code Recommendations and the FMA Corporate Governance Principles and Guidelines. The Corporate Governance Manual is intended to be read in conjunction with Arvida's Constitution.

The full content of Arvida's corporate governance policies, practices and procedures can be found in the Company's Corporate Governance Manual, which is available in the "Corporate Governance" section of the Company's website, **www.arvida.co.nz**. The Corporate Governance is reviewed annually.

THE ROLE OF THE BOARD

The Board establishes Arvida's objectives, the major strategies for achieving these objectives, the overall policy framework within which the business of Arvida is conducted and monitors the executive's performance with respect to these matters.

The Board is responsible for supervising and monitoring the activities and performance of the executives, with the responsibility to work to protect and enhance the value of the assets of Arvida in the interests of its shareholders.

The Board has processes and systems in place to ensure that significant issues, risks and major strategic decisions are monitored and considered at Board level. This allows Arvida to operate on a day to day basis in a manner which maximises shareholder value and manages risk while seeking to ensure that the interests of shareholders are protected.

The Board's focus is on the creation of long term shareholder wealth and ensuring Arvida is run in accordance with best international management and corporate governance practices. The legitimate interests of all stakeholders are taken into account in the decision making of the Board.

The Board considers that, during the reporting period, the corporate governance principles adopted and followed by it did not materially differ from NZX's Corporate Governance Best Practice Code.

RESPONSIBILITIES OF THE BOARD

The Board also:

- Approves the policies and budgets of Arvida and ensures that these are followed;
- Approves major investments and divestments and monitors the performance of those investments;
- Monitors financial performance including approving of the quarterly, interim and annual financial statements and reports;
- Reviews and approves the Code of Ethics;
- Reviews and approves the Board's Charter;
- Reviews and approves the framework for Arvida's relationship with its Auditor;
- Reviews and approves the Audit and Risk Committee Charter and the performance of the Audit and Risk Committee;
- Reviews and approves the Remuneration Committee Charter and the performance of the Remuneration Committee;
- Ensures that Arvida provides continuous disclosure of the requisite information to the NZX and the investment community, and that shareholders have available all information they reasonably require to make informed assessments of Arvida's prospects;
- Facilitates fulfilment of Arvida's statutory functions;
- Meets all relevant responsibilities imposed at law, by the NZX Listing Rules, or otherwise;
- Monitors actual results against the annual business plan, budget and strategic objectives;
- Takes responsibility for the appointment, performance and removal of the chair;
- Recommends the remuneration of the Directors;
- Approves and sends half yearly accounts, full year accounts and annual report and related reports to the NZX and other regulatory authorities; and
- Maintains corporate and Board values to ensure that Arvida acts with the highest ethical standards and integrity, in accordance

with all legal and regulatory requirements and otherwise in accordance with management and governance best practices.

BOARD OF DIRECTORS

The Board is structured to add value. Details of each Director are available in the Directors section of this annual report and at the Arvida website (www.arvida.co.nz/For-Investors/Directors).

Peter Wilson (Chair), Anthony Beverley, Susan Paterson and Paul Ridley-Smith are Independent Directors of Arvida. The Board has determined that Michael Ambrose is a non-independent Director due to being an advisor to other sector participants through his continuing role at Rogers & Co.

The NZX Listing Rules require that a minimum one third of the Directors are Independent Directors. The Directors are required to keep the Board advised of any interests they have that could affect their "independence", including any interests that could potentially conflict with the interests of Arvida. The Board determines the independence of each Director in terms of any matter arising at any time and on a formal basis at the time of appointment and annually thereafter. The Board will review any determination it makes as to a Director's independence on becoming aware of any information that indicates that the Director may have a material relationship that could potentially conflict with the interests of Arvida.

The current mix of skills and experience is considered appropriate for the responsibilities and requirements of governing Arvida.

BOARD COMMITTEES

The Board has two formally constituted committees – the Audit and Risk Committee and the Remuneration Committee. Each committee has a charter that sets out its mandate.

These charters can be found as two separate appendices within the Company's Corporate Governance Manual.

AUDIT AND RISK COMMITTEE

The primary functions of the Audit and Risk Committee are:

- To oversee the financial reporting process to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control.
- To provide the Board with an assessment of the Company's financial position and accounting affairs; and
- To keep under review the effectiveness of the Company's procedures for the identification, assessment and reporting of material risks.

Members of the committee are appointed by the Board. The committee must have a minimum of three Directors comprising a majority of Independent Directors. The current members of the committee are Anthony Beverley (committee chair), Paul Ridley-Smith and Michael Ambrose.

REMUNERATION COMMITTEE

The primary functions of the Remuneration Committee are:

- To set and review the remuneration policies and practices of Arvida.
- Formulating and suggesting the director's fees to be paid to each Director.
- Determining additional allowances to be paid to Directors where additional work is being undertaken to that expected of other Directors.

Members of the committee are appointed by the Board. The committee must have a minimum of three Directors comprising a majority of Independent Directors. The current members of the committee are Paul Ridley-Smith (committee chair), Anthony Beverley and Susan Paterson.

ATTENDANCE AT MEETINGS

The table below sets out attendance at board and committee meetings for all respective Directors during the year ended 31 March 2017.

	Board		Audit and Risk Committee		Remuneration Committee	
	Eligible to Attend	Attendance	Eligible to Attend	Attendance	Eligible to Attend	Attendance
Peter Wilson	8	8	-	-	-	-
Michael Ambrose	8	8	4	4	-	-
Anthony Beverley	8	7	4	4	3	2
Susan Paterson	8	7	-	-	3	3
Paul Ridley-Smith	8	8	4	4	3	3

Directors also met regularly over the course of the year to discuss other important matters such as potential acquisitions. Outside of the board and committee meetings set out in the table above, the Board or a subcommittee held an additional 11 formal meetings in person or by way of conference calls during the year.

CODE OF ETHICS

Arvida's Board sets a framework of ethical standards for the Company via its Code of Ethics, which is contained in the Company's Corporate Governance Manual. These standards are expected of Directors and employees of Arvida and its subsidiaries. The Code of Ethics covers a wide range of areas including the following: standards of behaviour; conflicts of interest; proper use of company information and assets; gifts; delegated authorities; compliance with laws and policies; reporting concerns; and corporate opportunities.

The code is subject to annual review by the Board.

AUDITOR INDEPENDENCE

Oversight of Arvida's external audit arrangements is the responsibility of the Audit and Risk Committee. Ensuring that external audit independence is maintained is one of the key aspects in discharging this responsibility. This formal policy on audit independence has been adopted by the committee to meet this requirement.

This policy covers the following areas:

- Provision of related assurance services by Arvida's external auditors;
- Auditor rotation;
- Relationships between the auditor and Arvida;
- Approval of Auditor.

The Audit and Risk Committee shall only approve a firm to be auditor if that firm would be regarded by a reasonable investor with full knowledge of all relevant facts and circumstances as capable of exercising objective and impartial judgment on all issues encompassed within the auditor's engagement.

The role of the external auditor is to audit the financial statements of the Company in accordance with generally accepted auditing standards in New Zealand and to report on its findings to the Board and shareholders of the Company.

Arvida does not have an internal audit function currently, however the Board is confident that the key risks of the business are being adequately managed and the internal control framework is operating effectively.

BOARD PERFORMANCE EVALUATION

The Chair undertakes an annual review of the individual performance of Directors. The Board also reviews its performance as a whole on an annual basis. Every two years, review of Board performance is undertaken by an external consultant. During this financial year, a review of the Board was conducted by Propero Consulting Limited. This provided useful feedback to the Board and management on the governance of the business.

BOARD SKILLS MATRIX

The Board has engaged an expert consultant to develop a Board skills matrix setting out the mix of skills and diversity of the Board. The skills matrix is to be used to identify any "gaps" in the skills and experience of the Directors required on the Board both currently and into the future. Attributes are weighted to indicate their relative importance.

The matrix is to be completed annually by the Directors and reviewed by the Board. The most recent Board skills matrix is set out below.

Skill / Capability
Deep governance breadth and experience
Deep commercial experience
Deep M&A experience
Deep financial expertise
Deep organisation integration and transformation experience
Deep public governance expertise
Service excellence experience
Health and aged care experience
Property experience
Sales and marketing experience
IT and marketing experience
Human resources experience including health & safety and labour relations
Legal experience

DIRECTORS' REMUNERATION

Directors' remuneration levels are set as to be fair and reasonable in a competitive market for the skills, knowledge and experience required by Arvida. External advice was sought and adopted as to the appropriate level of director remuneration. The Board determines the level of remuneration paid to individual Directors from the shareholder approved pool of fees. Remuneration is reviewed annually by the Board.

Fees paid to Directors are disclosed at page 62.

MARKET DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

Arvida is committed to making timely and balanced disclosures. It achieves these commitments, and the promotion of investor confidence, by ensuring that trading in its shares takes place in an efficient, competitive and informed market.

The Company has in place procedures designed to ensure disclosure is made in a timely and balanced manner and in compliance with the NZX Listing Rules such that:

- All investors have equal and timely access to material information concerning the Company, including its financial situation, performance, ownership and governance; and
- Company announcements are factual and presented in a clear and balanced way.

Accountability for compliance with disclosure obligations is with the Chief Executive Officer and Chief Financial Officer. Significant market announcements, including the preliminary announcement of the half year and full year results, the financial statements for those periods and any advice of a change in earnings forecast are approved by the Board.

Directors consider at each Board meeting whether there is any material information which should be disclosed to the market.

A programme of clear, meaningful, timely and effective communications with shareholders is centred around a comprehensive set of information regarding Arvida's operations and results being available on the Company's website together with the content of shareholder reports.

Shareholder meetings will be held at a time and location to encourage participation by shareholders.

TRADING BY DIRECTORS AND SENIOR MANAGERS

Directors are encouraged to own shares in Arvida in their own name (or through associated interests). In the case of Independent Directors, the Board has resolved that Independent Directors are expected to hold a discretionary but meaningful level of Arvida shares.

Directors and Senior Managers are subject to limitations on their ability to buy and sell Arvida shares by Arvida's Security Trading Policy contained in the Corporate Governance Manual, the NZX Listing Rules and the Financial Markets Conduct Act 2013. All changes in the shareholdings of Directors and Senior Managers are reported to the Board and the NZX.

The Directors' shareholdings and changes to those shareholdings are stated on page 60.

INTERESTS REGISTER

The Board maintains an Interests Register. Any Director who is interested in a transaction with the Company must immediately disclose to the Board the nature, monetary value and extent of the interest. A Director who is interested in a transaction may attend and participate at a Board meeting at which the transaction is discussed, but may not vote in respect of the transaction.

Particulars of entries made in the Interests Register for the year ended 31 March 2017 are included in the Statutory Information section on page 59.

RISK MANAGEMENT

The Board is responsible for ensuring that key business and financial risks are identified and that appropriate controls and procedures are in place to effectively manage those risks. In managing the Company's business risks, the Board approves and monitors policy and procedures in areas such as treasury management, financial performance, taxation and delegated authorities.

Arvida has insurance policies in place covering areas of risk to its assets and business.

II STATUTORY INFORMATION

INTERESTS REGISTER

GENERAL DISCLOSURES

Section 140(1) of the New Zealand Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2) a director can make disclosure by giving a general notice in writing to the company of a position held by a director in another named company or entity.

The following particulars were entered in the Company's Interests Register for the year ended 31 March 2017:

Director	Entity	Nature of Interest
Anthony Beverley	EPIC Future Limited	Appointed Chair
	Schools Amalgamated Forest Trust	Ceased Trustee
Susan Paterson	Airways Corporation of New Zealand Limited and associated companies	Ceased Chair
	NZ Golf	Appointed Trustee
	Steel and Tube Limited	Appointed Chair

SPECIFIC DISCLOSURES

Michael Ambrose is a Director of Rodgers & Co. Rodgers & Co. provided accountancy services to one of Arvida's villages in the ordinary course of business and on usual commercial terms.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND SENIOR MANAGERS

Arvida has arranged, as provided for under its Constitution and in accordance with Section 162 of the Companies Act 1993, to indemnify all the Directors and Senior Managers for all liabilities that arise out of the performance of their duties as Directors and Senior Managers of the Company for which they may be held personally liable. Certain actions are specifically excluded, for example, the incurring of penalties and fines that may be imposed in respect of certain breaches of the law.

During the financial year, the Company paid premiums in relation to policies of directors' and senior manager's liability insurance.

USE OF COMPANY INFORMATION

No notices were received from Directors requesting use of Company information in their capacity as Directors that would not otherwise have been available to them in the year ended 31 March 2017.

SHARE DEALINGS BY DIRECTORS

Dealings by Directors in relevant interests in Arvida's ordinary shares during the year ending 31 March 2017 as entered in the Interests Register:

Director	No. of Shares	Nature of Relevant Interest	Acquisition /Disposal	Consideration	Date of Acquisition /Disposal
Peter Wilson	40,000	Registered holder and beneficial owner	Acquisition	$1.17 per share	5/07/2016
Peter Wilson	40,873	Registered holder and beneficial owner	Acquisition	$1.05 per share	26/10/2016
Peter Wilson	3,751	Related party and non-beneficial owner	Acquisition	$1.05 per share	26/10/2016
Michael Ambrose	1,155,275	Registered holder and beneficial owner	Transfer In	n/a	31/05/2016
Michael Ambrose	2,821,274	Related party and non-beneficial owner	Transfer Out	n/a	31/05/2016
Michael Ambrose	188,932	Registered holder and beneficial owner	Acquisition	$1.05 per share	26/10/2016
Michael Ambrose	19,419	Related party and non-beneficial owner	Acquisition	$1.05 per share	26/10/2016
Anthony Beverley	33,230	Joint registered holder of shares as trustee	Acquisition	$1.05 per share	26/10/2016
Susan Paterson	16,751	Joint registered holder of shares as trustee	Acquisition	$1.05 per share	26/10/2016
Paul Ridley-Smith	11,753	Registered holder and beneficial owner	Acquisition	$1.05 per share	26/10/2016

RELEVANT INTERESTS

The table below sets out the ordinary shares in which each Director had a relevant interest as at 31 March 2017:

Director	Beneficial / Non-Beneficial Interest	No. of Shares
Peter Wilson	Beneficial Non-beneficial	326,986 30,013
Michael Ambrose	Beneficial Non-beneficial	1,511,469 155,358
Anthony Beverley	Beneficial	265,843
Susan Paterson	Beneficial	134,013
Paul Ridley-Smith	Beneficial	94,027

Notes:

- Arvida agreed to issue to each of Peter Wilson and Anthony Beverley, 70,176 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 IPO price of $0.95 per share. The hurdle was not met and the shares were not issued.
- Arvida agreed to issue to GA Village Management Services Limited (an entity in which Michael Ambrose has a relevant interest), 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 IPO price of $0.95 per share. The hurdle was not met and the shares were not issued.
- In April 2015 and April 2016, Arvida issued a number of performance share rights (PSRs) to senior executives pursuant to the Arvida Group Limited Long Term Incentive Plan (the LTI Plan). Vesting of the PSRs is subject to a number of performance hurdles. Upon vesting, each PSR can be converted into one ordinary share in Arvida. The first tranche of PSRs will vest in March 2018.

DIRECTORS' REMUNERATION

The Directors' remuneration is paid in the form of fees. Additional fees are payable in respect of work carried out on board committees.

The total pool of fees payable to Directors is subject to shareholder approval. The current pool for non-executive directors' fees and board committee responsibilities has been fixed at $500,000 per annum. These amounts are based on the board comprising five non-executive directors. Each Director is entitled, without limit, to be paid for all reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as a Director.

As at 31 March 2017, the standard annual Director fees are $102,500 per annum for the Chair and $66,625 per annum for non-executive Directors. For the Audit and Risk Committee, the Committee Chair is paid $12,300 per annum and members are paid $6,150 per annum. For the Remuneration Committee, the Committee Chair is paid $8,200 per annum and members are paid $4,100 per annum.

Total remuneration paid to Directors during the year ended 31 March 2017 was as follows:

Director	Directors' Remuneration	Responsibility
Peter Wilson	$101,458	Chair
Michael Ambrose	$72,035	Director
Anthony Beverley	$82,181	Director, Chair of Audit and Risk Committee
Susan Paterson	$70,006	Director
Paul Ridley-Smith	$80,152	Director, Chair of Remuneration Committee

The above fees exclude GST and expenses and represent a combination of the former fee rates and increased rates that applied from 1 September 2016 in accordance with the shareholder resolution approved 19 August 2016. No directors were paid fees for any supplementary work.

OTHER DIRECTOR INFORMATION

The Directors as at 31 March 2017 are set out in the directory on page 69. There have been no Director appointments to or resignations from the Board during the year to 31 March 2017.

William McDonald and Jeremy Nicoll are Directors of all of the Company's subsidiaries as at 31 March 2017. In respect of the following subsidiaries which were acquired during the financial year ending 31 March 2017, the following individuals ceased to be directors:

Company Name	Current Directors	Resigned Directors
Lansdowne Developments Limited Lansdowne Park Village Limited	William McDonald Jeremy Nicoll (both appointed 30 June 2016)	Trevor Marshall Suzanne Marshall (all resigned 30 June 2016)
Lauriston Park Retirement Village Limited	William McDonald Jeremy Nicoll (both appointed 3 October 2016)	Thomas Song Jack Porus Chiong Tiong Thomas Brebner (all resigned 3 October 2016)
Views Lifecare Limited	William McDonald Jeremy Nicoll (both appointed 3 October 2016)	Fraser Sanderson Darryl Scott Michael Smith (all resigned 3 October 2016)
The Cascades Retirement Resort Limited	William McDonald Jeremy Nicoll (both appointed 30 December 2016)	Fraser Sanderson Michael Smith (all resigned 30 December 2016)

On 19 September 2016, Copper Crest Retirement Village Limited was incorporated as a wholly owned subsidiary of Arvida, with William McDonald and Jeremy Nicoll as Directors. On 30 September 2016, Olive Tree Dementia Care Limited amalgamated into Olive Tree Holdings Limited. On 3 October 2016, Bethlehem Views Limited changed its name to Views Lifecare Limited and Neil RV Cambridge Limited changed its name to Lauriston Park Retirement Village Limited.

The remuneration of employees acting as directors of subsidiaries is disclosed in the relevant banding of remuneration set out under the heading Employee Remuneration. Neither William McDonald nor Jeremy Nicoll received additional remuneration or benefits for acting as directors of subsidiaries during the year.

GENDER DISCLOSURES

The breakdown of the gender composition of the Directors and Officers (as defined in the NZX Listing Rules) is as follows:

	Board		Officers	
Financial Year	Male	Female	Male	Female
Year ended 31 March 2017	4	1	5	4
Year ended 31 March 2016	4	1	5	3

OTHER STATUTORY INFORMATION

EMPLOYEES' REMUNERATION

The number of employees of Arvida and its subsidiaries, not being a Director, which received remuneration and other benefits in excess of $100,000 for the financial year ended 31 March 2017 is set out in the remuneration bands detailed below.

The remuneration figures shown in the "Remuneration" column includes all monetary payments actually paid during the course of the year ended 31 March 2017. The table also includes the value of any shares issued to individuals during the course of the same period but does not include the value of share rights issued under Arvida's Long Term Incentive plan. The table does not include amounts paid post 31 March 2017 that relate to the year ended 31 March 2017.

Remuneration	Number of Employees
$100k - $110k	8
$110k - $120k	6
$120k - $130k	2
$130k - $140k	3
$140k - $150k	6
$170k - $180k	2
$190k - $200k	1
$210k - $220k	1
$230k - $240k	1
$250k - $260k	1
$380k - $390k	1
$510k - $520k	1

CHIEF EXECUTIVE OFFICER REMUNERATION

	Fixed Remuneration			Pay for Performance			Remuneration
Financial Year	Base Salary	Other Benefits	Subtotal	STI	LTI	Subtotal	Total
Year ended 31 March 2017	$395,225	0	$395,225	$118,750	0	$118,750	$513,975
Year ended 31 March 2016	$375,000	0	$375,000	$62,500	0	$62,500	$437,500

The remuneration of the Chief Executive Officer (CEO) comprises of Fixed Remuneration and Pay for Performance. Fixed Remuneration includes a base salary only. The CEO does not receive any other benefits, such as insurance or KiwiSaver contributions. Pay for Performance includes both Short Term Incentives (STI) and Long Term Incentives (LTI).

The CEO STI has a gross target amount of one-third of the base salary remuneration (giving a current target of NZ$133,333) and is achievable in each financial year. The criteria that the Board use to assess the CEO entitlement is based 50% on company performance and 50% on individual measures. If outperformance occurs in all company performance and individual measures, the STI amount can increase to 1.25 times. Payment of the STI is ultimately at the Board's discretion each financial year.

The CEO LTI is an equity based "share rights scheme". The Board intends that the scheme grants will comprise an annual grant with a target value of an amount equal to one third of the CEO base salary remuneration at the commencement of the award period. The grant is subject to a three-year vesting period and Total Shareholder Return (TSR) hurdles. In addition, the CEO was awarded one off LTI grants in relation to work undertaken to successfully complete the Initial Public Offering. These grants are subject to four, five and six-year vesting periods and TSR hurdles.

For both the annual and one-off LTI issues, there are two different sub-sets with different TSR hurdles for each. For 50% of the LTI issues the TSR hurdle is a comparator group comprising each of the listed entities in the retirement village and aged care sector (for awards up to 1 April 2016 these are Arvida, Ryman Healthcare, Summerset Group Holdings and Metlifecare – the Peer Group) as determined annually by the Board. For the other 50% the comparator group is the issuers in the NZ50 Index. Each TSR hurdle is assessed over the period from the applicable commencement date to the applicable vesting date. Broadly, 50% of the NZ50 comparator LTI vest if Arvida's TSR is at the 50th percentile of the NZ50 and 100% vest if the TSR is at the 90th percentile, with a sliding scale in-between. Because there are fewer companies in Peer Group the vesting scale is different. Broadly, 100% of the LTI will vest if Arvida has the highest TSR in the Peer Group, none will vest if Arvida's TSR is in the bottom half and either 70% or 90% will vest if Arvida is second in the Peer Group, depending on how close its TSR is to the highest performer.

The Board's intention is to make annual rolling LTI grants. The current LTI grants (which are the sum of the two different sub-sets of LTI) are as follows:

	Annual Long Term Incentives		One-Off Long Term Grants		
Commencement Date	1/04/2015	1/04/2016	1/04/2015	1/04/2015	1/04/2015
Vesting Date	31/03/2018	31/03/2019	31/03/2019	31/03/2020	31/03/2021
Unvested Rights	131,258	136,802	420,028	420,028	420,028
Strike Price	$0.95	$0.93	$0.95	$0.95	$0.95

The Board has an overriding discretion in respect of both the STI and LTI awards. The Board may take into account all measures and their overall assessment of individual performance and may take into account any other matters that they consider relevant in assessing whether (and to what extent) the performance hurdles should be treated as satisfied, which will include the level of achievement of the measure set out in the STI and LTI. The Board has discretion to vary the grant, and to adjust the quantum and the TSR hurdles, in respect to future awards.

CHIEF FINANCIAL OFFICER REMUNERATION

In the interests of providing greater transparency of executive remuneration, the Board has elected to provide details regarding total remuneration paid to the Chief Financial Officer (CFO).

In the year ended 31 March 2017, the CFO received remuneration totalling $381,900. This amount included $87,075 STI payment and $Nil LTI payments, with the remaining $294,825 being fixed remuneration.

DONATIONS

No donations were made by Arvida or its subsidiaries in the year ended 31 March 2017.

WAIVERS

No waivers from NZX Listing rules were sought in the year ending 31 March 2017.

CREDIT RATING

The company has no credit rating.

AUDITORS' FEE

Ernst & Young was appointed auditor of Arvida Group Limited and of the 22 retirement village companies with the Arvida group. The amount payable to Ernst & Young as audit fees during the financial year ended 31 March 2017 was $354,000. The amount of fees payable to Ernst & Young for non-audit work during the financial year ended 31 March 2017 was $62,000.

A breakdown of fees payable to the auditors is provided on page 48.

SHAREHOLDER INFORMATION

20 LARGEST SHAREHOLDERS

The 20 largest shareholders of Arvida as at 30 April 2017 are provided in the table below:

	Shareholder	No. of Shares	% of Shares
1	New Zealand Central Securities Depository Limited	58,722,386	17.6%
2	Forsyth Barr Custodians Limited	28,086,418	8.4%
3	Stephen Lawrence Darling & Gail Lillian Darling & Canterbury Trustees Limited	8,415,000	2.5%
4	FNZ Custodians Limited	7,862,767	2.4%
5	Waikanae Trustees Limited	7,800,000	2.3%
6	Gordon Alfred Hartley & Karen Diane Hartley & Simon Ross Marks	7,750,131	2.3%
7	Kim Cherie Poynter & Scott Jeffrey Williams	7,319,733	2.2%
8	The Neil Group Limited	5,129,959	1.5%
9	Ian Archibald Hurst & Gloria Faye Hurst & Geoffrey Ewen McPhail & Banco Trustees Limited	5,037,648	1.5%
10	Ronald Patrick Williams & Andrena Margaret Williams & Arthur James Keegan	4,614,328	1.4%
11	Donna Maree Hurst & Douglas Culmer Hurst & Geoffrey Ewen McPhail & Banco Trustees Limited	4,383,554	1.3%
12	Alison Mary Davis & Purnell Creighton Trustees Ltd	4,333,465	1.3%
13	Suzanne Elizabeth Marshall & Simon Ross Marks	4,116,738	1.2%
14	Trevor Ross Marshall & Simon Ross Marks	4,116,738	1.2%
15	The Neil Group Limited	3,419,973	1.0%
16	Christopher Francis Stokes & Jennifer Mary O'Donovan & Martin Carmalt Welsford	2,560,523	0.8%
17	Investment Custodial Services Limited	2,349,648	0.7%
18	February Limited	2,196,820	0.7%
19	Geoffrey Ewen McPhail & Banco Trustees Limited & Leanne McPhail	2,185,841	0.7%
20	Sanjac Holdings Limited	2,183,862	0.7%
	Total: Top 20 Shareholders	**172,585,532**	**51.6%**

SHAREHOLDERS HELD THROUGH THE NZCSD AS AT 30 APRIL 2017

New Zealand Central Securities Depository Limited (NZCSD) provides a custodian depository service that allows electronic trading of securities to its members and does not have a beneficial interest in these shares. As at 30 April 2017, the 10 largest shareholdings in the Company held through NZCSD were:

	Shareholder	No. of shares	% of shares
1	National Nominees New Zealand Limited	11,541,159	3.5%
2	Generate Kiwisaver Public Trust Nominees Limited	9,791,875	2.9%
3	Citibank Nominees (New Zealand) Limited	6,679,842	2.0%
4	HSBC Nominees (New Zealand) Limited	5,579,501	1.7%
5	Accident Compensation Corporation	5,192,857	1.6%
6	MFL Mutual Fund Limited	4,470,855	1.3%
7	BNP Paribas Nominees (NZ) Limited	3,060,343	0.9%
8	JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct	2,647,950	0.8%
9	BNP Paribas Nominees (NZ) Limited	1,794,321	0.5%
10	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	1,786,788	0.5%

SPREAD OF HOLDINGS

The total number of listed ordinary shares as at 31 March 2017 was 334,260,879. The Company has only ordinary shares on issue. Details of the distribution of ordinary shares amongst shareholders as at 30 April 2017 is set out below.

Size of Holdings	Number of Shareholders	% Shareholders	Number of Shares Held	% Shares Held
Under 1,999	378	10.8%	392,973	0.1%
2,000 to 4,999	687	19.7%	2,179,270	0.7%
5,000 to 9,999	694	19.9%	4,699,178	1.4%
10,000 to 99,999	1,429	41.0%	36,865,986	11.0%
100,000 to 499,999	204	5.8%	44,713,406	13.4%
Over 500,000	97	2.8%	245,410,066	73.4%
Total	**3,489**	**100.0%**	**334,260,879**	**100.0%**

SUBSTANTIAL PRODUCT HOLDERS

There were no substantial product holders of Arvida ordinary shares as at 31 March 2017.

GLOSSARY

"Arvida" or "Company"	means Arvida Group Limited (previously named Hercules Limited).
"Board"	means the board of directors of the Company.
"Brownfield Development"	means the development of a site within an existing village.
"Care Beds"	means rest home beds, dementia beds and hospital beds that provide resident accommodation and various levels of care and other services.
"Director"	means a director of the Company.
"GAAP"	means generally accepted accounting practice.
"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 subsidiaries.
"IPO"	means the initial public offering of Arvida Group Limited.
"NZX"	means NZX Limited.
"NZX Listing Rules"	means the NZX Main Board Listing Rules
"Retirement Units"	means villas, apartments and serviced apartments which provide resident accommodation and various levels of care and other services.
"Senior Manager"	means a senior manager of 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 one-off items and deferred tax charges or credits.

COMPANY INFORMATION

Registered Office of Arvida:	Arvida Group Limited Level 1, 39 Market Place Auckland 1010 Phone: +64 9 972 1180 Email: info@arvida.co.nz Website: www.arvida.co.nz
Directors:	Peter Wilson, Independent Director and Chair Michael Ambrose, Non-Independent Director Anthony Beverley, Independent Director Susan Paterson, Independent Director Paul Ridley-Smith, Independent Director
Auditor:	Ernst & Young
Valuer:	CBRE Limited
Legal Advisors:	Chapman Tripp Anthony Harper
Bankers:	ANZ Bank New Zealand 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

VILLAGE DIRECTORY

26 VILLAGES

12 NORTH ISLAND II 14 SOUTH ISLAND

Aria Bay	3-7 Woodlands Crescent, Browns Bay, Auckland 0630	09 479 1871
Aria Gardens	11 Bass Road, Albany, Auckland 0632	09 415 7035
Aria Park	1-3 Claude Road, Epsom, Auckland 1023	09 630 8430
Ashwood Park	118-130 Middle Renwick Road, Springlands, Blenheim 7241	03 577 9990
Bainlea House	29 Wiltshire Court, Rangiora 7400	03 313 6055
Bainswood House	191 King Street, Rangiora 7400	03 313 5905
Bainswood on Victoria	28 Victoria Street, Rangiora 7400	03 313 2805
Bethlehem Views	186 Cambridge Road, Bethlehem, Tauranga 3110	07 578 5500
Cascades	55 Pembroke Street, Hamilton Lake, Hamilton 3204	07 839 2348
Copper Crest	52 Condor Dr, Pyes Pa, Tauranga 3112	07 578 6245
Glenbrae	22 Hilda Street, Fenton Park, Rotorua 3010	07 349 0014
Ilam	28 Ilam Road, Upper Riccarton, Christchurch 8041	03 341 1913
Lansdowne Park	100 Titoki Street, Lansdowne, Masterton 5810	06 377 0123
Lauriston Park	91 Coleridge Street, Cambridge 3432	07 827 0793
Maples	71 Middleton Road, Upper Riccarton, Christchurch 8041	03 348 4362
Mayfair	104 Wharenui Road, Upper Riccarton, Christchurch 8041	03 348 2445
Molly Ryan	269 Mangorei Road, Merrilands, New Plymouth 4312	06 757 8773
Oakwoods	357 Lower Queen Street, Richmond, Nelson 7020	03 543 9700
Olive Tree	11-13 Dalwood Grove, Palmerston North 4412	06 350 3000
Park Lane	35 Whiteleigh Avenue, Tower Junction, Christchurch 8024	03 338 4495
Rhodes on Cashmere	5 Overdale Drive, Cashmere, Christchurch 8022	03 332 3240
St Albans	41 Caledonian Road, St Albans, Christchurch 8014	03 366 1824
St Allisa	46 Main South Road, Upper Riccarton, Christchurch 8042	03 343 3388
The Wood	156 Milton Street, Nelson 7010	03 545 6059
Waikanae Lodge	394 Te Moana Road, Waikanae, Kapiti Coast 5036	04 902 6800
Wendover	33 Erica Street, Papanui, Christchurch 8053	03 352 6089

VILLAGE LOCATIONS

AUCKLAND

Aria Bay
ARVIDA RETIREMENT & CARE

Aria Gardens
ARVIDA CARE & WELLBEING

Aria Park
ARVIDA RETIREMENT & CARE

CAMBRIDGE

Lauriston Park
ARVIDA LIFESTYLE & CARE

NEW PLYMOUTH

Molly Ryan
ARVIDA RETIREMENT & CARE

WAIKANAE

Waikanae Lodge
ARVIDA RETIREMENT & CARE

NELSON

Oakwoods
ARVIDA RETIREMENT & CARE

The Wood
ARVIDA RETIREMENT & CARE

BLENHEIM

Ashwood Park
ARVIDA RETIREMENT & CARE

HAMILTON

Cascades
ARVIDA RETIREMENT & CARE

TAURANGA

Bethlehem Views
ARVIDA CARE & WELLBEING

Copper Crest
ARVIDA LIFESTYLE & CARE

ROTORUA

Glenbrae
ARVIDA RETIREMENT & CARE

PALMERSTON NORTH

Olive Tree
ARVIDA RETIREMENT & CARE

MASTERTON

Lansdowne Park
ARVIDA LIFESTYLE & CARE

RANGIORA

Bainswood on Victoria
ARVIDA CARE & WELLBEING

Bainswood House
ARVIDA RETIREMENT & CARE

Bainlea House
ARVIDA CARE & WELLBEING

CHRISTCHURCH

Ilam
ARVIDA RETIREMENT & CARE

Mayfair
ARVIDA RETIREMENT & CARE

Maples
ARVIDA RETIREMENT & CARE

Park Lane
ARVIDA RETIREMENT & CARE

St Albans
ARVIDA RETIREMENT & CARE

Rhodes on Cashmere
ARVIDA RETIREMENT & CARE

St Allisa
ARVIDA CARE & WELLBEING

Wendover
ARVIDA RETIREMENT & CARE

ArvidaGroup