ArvidaGroup

INTERIM REPORT

30 || 9 || 2017

HIGHLIGHTS TO 30 SEPTEMBER 2017

FINANCIAL[1]

TOTAL REVENUE

Total revenue up $13.1 million on high care and village occupancy, and a full period of operations for the four villages acquired in the second half of last year.

$60.0m

+28%

NET PROFIT

Net Profit After Tax (IFRS) $4.9 million less as a result of lower levels of fair value gains.

$14.5m

–25%

UNDERLYING PROFIT[2]

Acquired villages' contribution led to a $2.8 million lift in Underlying Profit for the first half.

$12.4m

+29%

OPERATIONAL

OCCUPANCY

Care facility occupancy increased to 96% in September and remains significantly above the industry average.

96%

up from 95%

RESALES

13% higher resale volumes and 14% higher average price than last year.

98

units

DEVELOPMENT

ACTIVITY

Development programme of 405 units and 101 beds now resource consented; 94 units to be delivered in second half.

506

units/beds

PIPELINE

Significant progress in planned future development pipeline that includes first greenfield site in Richmond.

530

units/beds

1. *Unaudited financial results of Arvida Group Limited for the six-months ended 30 September 2017. Percentage comparisons are presented for the six-months ended 30 September 2016 unless stated otherwise.*
2. *Underlying Profit is a non-GAAP unaudited financial measure used by Arvida to monitor financial performance and determine dividend distributions. Arvida calculates Underlying Profit by making a number of adjustments to Reported Net Profit after Tax. A reconciliation to Reported Net Profit after Tax is provided on page 10. As Underlying Profit is a non-GAAP financial measure, calculation may vary to other retirement village operators. The adjustments made by Arvida in calculating Underlying Profit are set in the investor presentation released to NZX and which can be found at www.arvida.co.nz/For-Investors/Results.*

EMBEDDED VALUE

$77 million higher than 30 September 2016, which includes $11 million recorded for the first half.

$164m

+89%

ASSETS

Of the $310 million increase since 30 September 2016, $51 million relates to this financial year.

$847m

+58%

DIVIDEND

A net dividend of 1.15 cents per share declared for the second quarter payable on 15 December 2017.

1.15 cents

+5%

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On behalf of your Directors, we are pleased to report continued momentum in performance of the Group for the first half of this financial year.

OPERATING PERFORMANCE

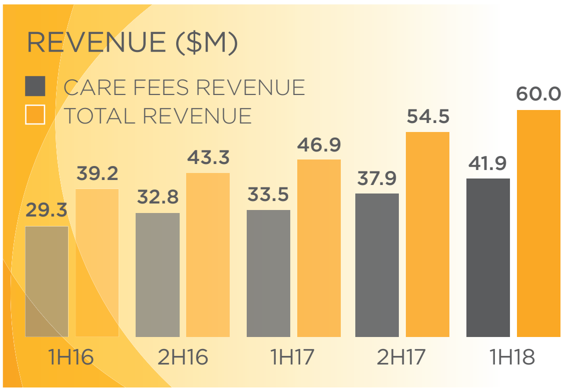
Total revenue for the six months to 30 September 2017 was $60.0 million, a $13.1 million increase on the prior corresponding period. The result included a full period of operations from Copper Crest, Lauriston Park, Bethlehem Views and Cascades.

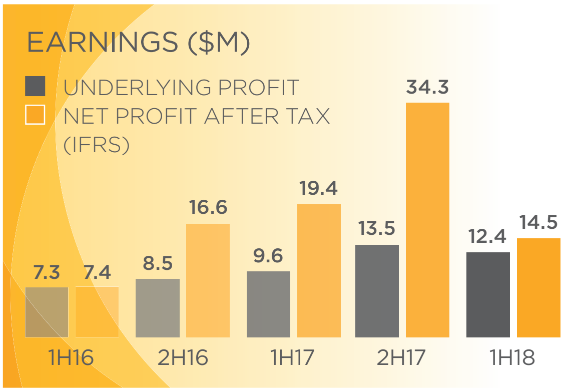
Revenue from care facilities represented around 70% of total revenue. Our care facilities' occupancy rate continues a positive trend and was 96% across the Group for the month of September. This rate remains significantly higher than the national average. Initiatives have been implemented to reduce volatility in occupancy levels and manage capacity constraints in some facilities that continue to be near full occupancy.

Total operating expenses were $48.6 million excluding one-off costs of $0.3 million related to due diligence. Increased employee costs from the introduction of pay equity rates were largely offset by increased funding from government and private sources. However, we expect higher than anticipated employee costs will continue.

Costs associated with pre-sale marketing programmes for our developments were incurred in the period. Launch events held for developments at Park Lane, Lauriston Park and Oakwoods were all very well received with strong enquiry levels from prospective residents. Developments at Lauriston Park, Oakwoods and Copper Crest are largely sold. Around one third of Stage 1 of Park Lane is now pre-sold some 6 months out from completion.

Gains of $8.9 million in the fair value of Investment Properties were derived from a desktop review completed by CBRE. The Arvida Board also undertook a review of the care facility land and buildings and determined that the values should remain at the levels contained within the last CBRE valuation (dated March 2016). Care facilities will be independently revalued at year end.





Net Profit After Tax was $14.5 million or $4.9 million down on the comparative period mainly due to lower levels of fair value movements. Underlying Profit was $12.4 million, a 29% lift on last year. Included within Underlying Profit was $5.7 million of gains, comprising $5.2 million from resales of 98 existing units and $0.5 million from sales of 3 new units.

We are experiencing good momentum in unit sales, with current unit pricing delivering strong resale gains across village stock and contributing to the fair value increase. The higher level of stock coming available for resale and resale price growth have contributed to net operating cash flows of $14.5 million.

Second half cash flows will receive the benefit of new units coming available for occupation by residents. Sales of 20 new units have already settled since 1 October and we expect at least a further 50 sales of new units to settle by the financial year end.

BALANCE SHEET

Total assets grew to $846.7 million, up $51.2 million since the start of the financial year. This reflected an increase in Property, Plant and Equipment as a result of development activity in progress and the higher value of Investment Property from CBRE's desktop valuation of the portfolio.

Net implied value increased to $1.19 per share, up 1.6% this financial year.

In July we entered a new $150 million bank facility with ANZ that is split evenly into 3 and 5 year maturities. The new debt facility provides sufficient headroom to fund our current development activity. Net debt was $107.9 million at 30 September 2017 with approximately half of this applied to funding development activity in progress. Gearing remains conservative and reduced subsequent to the completion of the recent capital raising and settlement of the acquisitions. Our loan to value ratio remains well within the current banking limit of 50% and allows headroom for future growth.

ACQUISITIONS AND CAPITAL RAISING

On 12 September we announced we had entered into conditional agreements to acquire three quality villages from Hurst Lifecare – being Mary Doyle Lifecare, Strathallan Lifecare and 50% of Village at the Park Lifecare. The acquisition of these villages settled on 13 October 2017.

The three villages add 757 units/beds to our portfolio and a brownfield development pipeline of 110+ units/beds. All offer a continuum of care to residents with each care facility historically having high occupancy rates and two facilities having extended Ministry of Health accreditation periods of 4 years. The high needs-based accommodation component of these villages is complementary to our higher than industry average weighting to care. The villages broaden our national footprint to Hawkes Bay, South Canterbury and Wellington. We are now a group comprising 29 villages with 3,500 units/beds and a significant development pipeline of over 1,000 units/beds that will deliver strong returns in future periods.

To partly fund the acquisition, we successfully raised $77 million through the


Artist's impression of the new Living Well Apartments being constructed at Park Lane in Christchurch.

offer of new shares to existing shareholders on a 1-for-5 pro rata basis. The rights issue was fully underwritten with strong underwriting interest received from New Zealand and Australian institutional investors. Around 87% of new shares available under the rights issue were subsequently subscribed by existing shareholders, which was a very high level of shareholder participation and a pleasing outcome for the rights issue.

The balance of the $106 million acquisition price was funded through the issue of $16 million of new shares to Hurst Lifecare vendor entities, the retention of existing bank debt facilities at Village at the Park and the drawdown of $3 million of additional bank debt. Hurst Lifecare is a well regarded developer of retirement villages. Their election to receive part of the acquisition price in Arvida scrip at market price - adding to their already substantial existing holding - was therefore a strong endorsement of our strategy from a long standing industry participant.

DEVELOPMENT PROGRESS

Construction has continued to progress well on our major developments with approximately $50 million of work in progress. Delivery of 94 new units is expected during the second half of the financial year.

DEVELOPMENT UPDATE

- Oakwoods (24 villas), Copper Crest (14 villas) and Lauriston Park (22 villas) are progressively being completed with some residents having already moved in.
- Block D at Village at the Park (28 apartments) completed in November 2017. Of which 24 apartments in this stage were pre-sold and are expected to settle this financial year.
- Lansdowne Park (5 villas) and Mary Doyle (2 villas) are due for completion early in 2018.
- Stage 1 Park Lane (29 apartments) and Aria Bay (24 apartments) are scheduled to be completed at the start of the next financial year.
- Construction of Block E at Village at the Park (24 apartments) has commenced.

Good progress has been made with a number of developments that are in the planning phase:

- We secured resource consent in October for the proposed $40 million care facility development at Copper Crest. An eagerly awaited addition to the village by residents, it will include 40 care beds and 29 serviced apartments. We expect to commence construction early next year with an approximate 24 month timeframe.
- The next stage of development at St Albans commenced. The development will complete earthquake remediation works and add 20 care beds and 25 serviced apartments (net of decommissions). Completion of these works will position the village well for the future.
- Master planning of the proposed care development at Lauriston Park progressed and is now well advanced. The addition of the care facility will complete the development of this village and enable it to offer a continuum of care to both existing and new residents.
- Master planning of the Richmond greenfield site commenced, with the expectation that resource consent will be sought shortly.

Our development pipeline now includes the addition of over 1,000 units/beds to be completed over the next five years. Most of this activity is to occur within existing villages where we have the opportunity to enhance our offering and better utilise capacity. However, we are excited about the prospects offered by the Richmond site - our first greenfield development - and will continue to evaluate greenfield development opportunities as they arise.

OUR PEOPLE AND OPERATIONS

The pay equity settlement covering 55,000 New Zealand workers in the aged and disability residential care support services sector came into effect on 1 July 2017. All employees covered by the settlement received new wage rates based on their qualifications and length of service.

Since July we have experienced a reduction in caregiver turnover rates and a lift in demand for higher education. We attribute both directly to the new pay scale introduced under pay equity. These positive flow-on effects are very encouraging as the delivery of service provided by caregivers is central to maintaining consistently high-quality care and wellbeing services to residents. The appetite of caregivers for additional training and an increase in the number of offshore qualifications accepted has meant we have more caregivers at higher pay levels. This has resulted in higher than anticipated employment costs over the period. We are working with the industry body, NZACA, on achieving more appropriate funding rates.

Since the pay equity settlement, we have experienced an increase in New Zealand residents applying for caregiver roles. However, any changes to immigration policy may reduce the inflow of migrant workers to New Zealand. Currently the government's focus is on reducing student inflows which is unlikely to have a material impact on the available caregiver market.

Integration of the four villages acquired in the second half of the last financial year is complete. Integration of the three recently acquired villages is already well advanced. Immediate procurement synergies are anticipated from all three villages. By resident and staff numbers, all three rank as larger villages in the Group, with Mary Doyle now the largest village in the Group. The three new Village Managers each bring a wealth of experience with an average tenure of over 10 years at these villages.

Business-as-usual initiatives in progress across the Group target the strengthening of our resident centred approach to care. Key updates for the period include:

- Continued rollout of our resident and clinical management platform to villages. As the platform is embedded across villages and as operational data becomes available, we are starting to see the benefits possible from benchmarking and reporting. The project rollout schedule remains on track.

- We have introduced the "Aged Care Channel" where staff are able to access high quality training materials on demand across a range of devices. It is intended this will help staff to progress to higher levels of NZQA recognised qualifications. The initiative has been well received by staff and Village Managers and is another example of our continued commitment to invest in the capabilities of our people.
- The upgrade of our IT infrastructure and upskilling of our staff's computer skillset is progressing well. Good progress has also been made with bringing uniformity across our village IT systems.
- A further two of Arvida's care facilities achieved 4 year certification periods in recently completed Ministry of Health audits. Over a third of villages have now achieved lengthened certification periods.
- We have started to engage with independent residents to develop additional services that reflect The Attitude of Living Well. As part of this we are looking to support care facilities promotion of resident-led care in implementing the household model.

DIVIDENDS

The Directors approved a dividend of 1.15 cents per share amounting to $4.8 million for the September quarter. The dividend is partially imputed at 0.4 cents per share. A supplementary dividend of 0.18 cents per share will be paid to non-resident shareholders. The record date for the dividend is 7 December 2017 and payment will be made on 15 December 2017.

THE OUTLOOK

The first half of the financial year has been busy with a number of operational initiatives underway across the business. Integration of last year's acquisitions were bedded down, a ramp up in development activities occurred and due diligence was undertaken on the recently acquired villages. It was pleasing therefore to report a result for the first six-months ahead of last year with revenue and earnings momentum into the second six-months. The second half will also include contributions from the three recently acquired villages and the delivery of new units at several sites.

Whilst we have seen a period of substantial and sustained house price appreciation across New Zealand, there are now signs of some slowing in house price growth, particularly in Auckland. It is our view the drivers of demand and the supply constraints on housing will remain and will not materially change in the near term. At this stage we have not experienced any material lengthening in settlement timeframes nor unit pricing weakness.

Additionally, provision of care services is core to our business model. It makes up around 70% of our accounting revenue and generates significant cash inflows. Almost three-quarters of our portfolio is currently "needs-based", which means we attract residents that have immediate care needs and these residents are less likely to delay the decision to move into a village because of housing market conditions.

Our portfolio will continue to focus on the provision of higher "needs-centric" accommodation. This strategy is evident in our ongoing development programme. Having a regionally diversified portfolio also helps to mitigate risk to earnings.

We expect the group to continue to perform well and the current level of dividends to be sustainable.

FINANCIAL HIGHLIGHTS

$000	Unaudited 6 months to 30 Sept. 2017	Unaudited 6 months to 30 Sept. 2016	Audited Year to 31 March 2017
Total revenue	60,042	46,913	101,433
Net profit before tax (NZIFRS)	16,984	21,833	58,103
Net profit after tax (NZIFRS)	14,504	19,437	53,668
Net operating cash flow	14,483	15,414	39,746
Total assets	846,671	537,153	795,471

UNDERLYING PROFIT[1]

Unaudited $000	6 months to 30 Sept. 2017	6 months to 30 Sept. 2016	Year to 31 March 2017
Reported net profit after tax (NZIFRS)	**14,504**	**19,437**	**53,668**
Less: Changes in fair values	(8,600)	(14,284)	(40,096)
Add: Deferred tax	458	405	463
Less: Gain on acquisition of subsidiaries	0	0	(3,163)
Add: One-off costs	285	129	960
Underlying Operating Profit	**6,647**	**5,687**	**11,832**
Add: Gain on resale of existing units	5,193	3,196	8,857
Add: Development margin on new units	510	674	2,446
Underlying Profit	**12,350**	**9,557**	**23,135**

1 Underlying Profit is a non-GAAP unaudited financial measure used by Arvida to monitor financial performance and determine dividend distributions. Arvida calculates Underlying Profit by making a number of adjustments to Reported Net Profit after Tax. As Underlying Profit is a non-GAAP financial measure, calculation may vary to other retirement village operators. The adjustments made by Arvida in calculating Underlying Profit are set in the investor presentation released to NZX and which can be found at www.arvida.co.nz/For-Investors/Results.

ARVIDA AT A GLANCE

Arvida's 29 villages are located nationally, comprising 1,752 retirement units and 1,748 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 over 3,500 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

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.

RETIREMENT LIVING

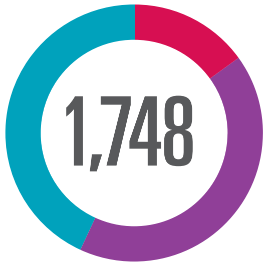
Accommodation includes independent and assisted living options with a range of care packages offered in conjunction with an ORA.

TOTAL AGED CARE BEDS

754
Rest Home

727
Hospital

267
Dementia Care



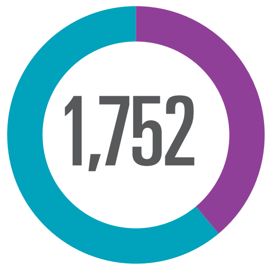
912
North Island

836
South Island

TOTAL RETIREMENT UNITS

688
Serviced Apartments

1,064
Apartments /Villas



1,166
North Island

586
South Island

OUR STATED STRATEGY

LIVING WELL

Our vision is to improve the lives and wellbeing of our residents by transforming the ageing experience.

Our commitment is to challenge ourselves to make our residents' lives better with everything we do.

+

DEVELOPMENT

Brownfield development activity within existing villages.

Greenfield development where we see value.

+

ACQUISITION

Acquisition criteria are location, quality of assets and current management, opportunities for development and immediately earnings accretive.

ARVIDA GROUP LIMITED

For the six months ended 30 September 2017 (unaudited)

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017 (unaudited)

$000	Note	Unaudited 6 months to 30 Sept. 2017	 6 months to 30 Sept. 2016	Audited Year to 31 March 2017
Income				
Care fees and village services	2	49,938	40,120	85,735
Deferred management fees	2	8,386	5,025	12,268
Other income	2	1,718	1,768	3,430
Total revenue		**60,042**	**46,913**	**101,433**
Gain on acquisition of subsidiaries		0	0	3,163
Change in fair value of investment property	4	8,911	14,284	39,268
Change in fair value of interest rate swaps		(373)	0	0
Change in fair value in property, plant and equipment		62	0	828
Total income		**68,642**	**61,197**	**144,692**
Expenses				
Employee costs		32,750	24,786	54,117
Property costs		4,693	3,721	7,561
Depreciation		1,858	1,543	3,428
Finance costs		902	446	1,297
Transaction costs		285	129	960
Other expenses		11,170	8,739	19,226
Total expenses		**51,658**	**39,364**	**86,589**
Profit before tax		**16,984**	**21,833**	**58,103**
Income tax expense	3	2,480	2,396	4,435
Profit after tax		**14,504**	**19,437**	**53,668**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Net gain on revaluation of property, plant and equipment		407	681	1,058
Total comprehensive income		**14,911**	**20,118**	**54,726**
Earnings per share:				
Basic (cents per share)	8	4.34	7.04	17.77
Diluted (cents per share)	8	4.30	6.98	17.62

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017 (unaudited)

$000	Note	Retained Earnings	Asset Revaluation Reserve	Share Based Payment Reserve	Share Capital	Total
Opening Balance at 1 April 2016		**15,836**	**2,188**	**95**	**246,642**	**264,761**
Profit for the period		19,437	0	0	0	19,437
Other comprehensive income		0	681	0	0	681
Total comprehensive income		**19,437**	**681**	**0**	**0**	**20,118**
Dividends paid		(6,173)	0	0	0	(6,173)
Share capital issued	7	0	0	0	6,000	6,000
Balance at 30 September 2016 (unaudited)		**29,100**	**2,869**	**95**	**252,642**	**284,706**
Opening Balance at 1 October 2016		**29,100**	**2,869**	**95**	**252,642**	**284,706**
Profit for the period		34,231	0	0	0	34,231
Other comprehensive income		0	377	0	0	377
Total comprehensive income		**34,231**	**377**	**0**	**0**	**34,608**
Dividends paid		(7,039)	0	0	0	(7,039)
Share based payments		0	0	221	0	221
Share capital issued	7	0	0	0	60,295	60,295
Transaction costs	7	0	0	0	(1,239)	(1,239)
Balance at 31 March 2017 (audited)		**56,292**	**3,246**	**316**	**311,698**	**371,552**
Opening Balance at 1 April 2017		**56,292**	**3,246**	**316**	**311,698**	**371,552**
Profit for the period		14,504	0	0	0	14,504
Other comprehensive income		0	407	0	0	407
Total comprehensive income		**70,796**	**3,653**	**316**	**311,698**	**386,463**
Dividends paid		(7,780)	0	0	0	(7,780)
Balance at 30 September 2017 (unaudited)		**63,016**	**3,653**	**316**	**311,698**	**378,683**

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

CONSOLIDATED INTERIM BALANCE SHEET

As at 30 September 2017 (unaudited)

$000	Note	Unaudited As at 30 Sept. 2017	Unaudited As at 30 Sept. 2016	Audited As at 31 March 2017
Assets				
Cash and cash equivalents		1,861	1,723	1,299
Trade receivables and other assets		7,455	7,531	5,431
Resident advances		2,963	1,004	4,501
Accrued income		7,704	6,443	6,755
Property, plant and equipment		189,925	123,196	156,521
Investment properties	4	585,654	357,761	569,855
Goodwill		51,109	39,495	51,109
Total assets		**846,671**	**537,153**	**795,471**
Liabilities				
Trade and other payables		13,906	8,772	11,749
Tax (receivable) / payable		(784)	148	(358)
Employee entitlements		6,476	5,052	6,205
Revenue in advance		22,197	12,981	21,117
Interest rate swaps		373	0	0
Interest bearing loans and borrowings	6	109,750	32,363	73,500
Resident's loans	5	294,641	176,423	290,894
Deferred tax liabilities		21,429	16,708	20,812
Total liabilities		**467,988**	**252,447**	**423,919**
Net assets		**378,683**	**284,706**	**371,552**
Equity				
Share capital		311,698	252,642	311,698
Reserves		3,969	2,964	3,562
Retained earnings		63,016	29,100	56,292
Total equity		**378,683**	**284,706**	**371,552**

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017 (unaudited)

$000	Note	Unaudited 6 months to 30 Sept. 2017	Unaudited 6 months to 30 Sept. 2016	Audited Year to 31 March 2017
Cash flows from operating activities				
Receipts from residents for care fees and village services		49,522	41,233	90,329
Receipts of residents' loans		25,582	25,147	62,404
Interest received		24	58	73
Payments to suppliers and employees		(46,864)	(35,801)	(76,754)
Repayments of residents' loans		(12,124)	(11,355)	(26,025)
(Advances) to and repayments from residents		1,538	(114)	(3,288)
Interest paid		(748)	(393)	(1,145)
Income tax paid		(2,447)	(3,361)	(5,848)
Net cash inflow from operating activities		**14,483**	**15,414**	**39,746**
Cash flows from investing activities				
Cash and (bank overdraft) acquired from subsidiaries		0	(135)	(236)
Purchase of property, plant and equipment		(33,320)	(8,619)	(23,294)
Payments for investments in subsidiaries		0	(6,298)	(66,452)
Purchase of investment properties		(8,082)	(5,234)	(19,243)
Net insurance claim proceeds		86	0	898
Capitalised interest paid		(790)	(64)	(261)
Net cash inflow/(outflow) from investing activities		**(42,106)**	**(20,350)**	**(108,588)**
Cash flows from financing activities				
Proceeds from borrowings		43,750	30,763	133,180
Repayment of borrowings		(7,500)	(19,726)	(91,218)
Net proceeds of share issue		0	0	41,795
Transaction costs		(285)	0	(2,199)
Dividends paid		(7,780)	(6,173)	(13,212)
Net cash inflow from financing activities		**28,185**	**4,864**	**68,346**
Net increase/(decrease) in cash and cash equivalents		**562**	**(72)**	**(496)**
Cash and cash equivalents at the beginning of the financial period		1,299	1,795	1,795
Cash and cash equivalents at the end of the financial period		**1,861**	**1,723**	**1,299**

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 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 consolidated interim financial statements ("interim financial statements") have been approved for issue by the Board of Directors on 21 November 2017.

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

Basis of Preparation

These interim financial statements have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with NZ IAS 34 Interim Financial Reporting;
- using the same accounting policies and methods of computation as were followed in the Group annual financial statements for the period ended 31 March 2017;
- 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.

These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Group annual financial statements for the period ended 31 March 2017.

Critical Accounting Estimates and Judgements

The preparation of the interim financial statements requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The 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:

- Revenue recognition
- Income taxes
- Fair value of investment property
- Fair value of care facility
- Impairment of goodwill

Judgements used remain materially unchanged from the financial statements for the period ended 31 March 2017 aside from the assumptions around expected period of tenure used for revenue recognition and the fair value of investment property which has since had a desktop review undertaken. Further detail on revenue recognition assumptions are available in note 2 and on the fair value of investment property in note 4.

Basis of Consolidation

The Group's interim financial statements are prepared by consolidating the interim 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 interim 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.

2. INCOME

	Unaudited		Audited
$000	6 months to 30 Sept. 2017	6 months to 30 Sept. 2016	Year to 31 March 2017
Income			
Care fees and village services	49,938	40,120	85,735
Deferred management fees	8,386	5,025	12,268
Other income	1,718	1,768	3,430
Total revenue	**60,042**	**46,913**	**101,433**

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 $32.2 million (31 March 2017: $56.6 million; and 30 September 2016: $24.3 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 period of tenure, being based on historical results, experience and industry averages, are estimated at 4.1 to 5.0 years for studios and serviced apartments (31 March 2017: 4.0 to 4.9 years; and 30 September 2016: 4.0 to 4.9 years) and are estimated at 6.2 to 9.0 years (31 March 2017: 6.2 to 9.0 years; and 30 September 2016: 6.3 to 8.5 years) for independent apartments and villas.

3. INCOME TAX EXPENSE

$000	Unaudited 6 months to 30 Sept. 2017	 6 months to 30 Sept. 2016	Audited Year to 31 March 2017
Reconciliation to profit before tax			
Profit before tax	16,984	21,833	58,103
Tax at 28%	**4,756**	**6,113**	**16,269**
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:			
Changes in fair values	(2,408)	(4,000)	(11,227)
Non-taxable gain on acquisitions (net of costs)	0	0	(886)
Non-taxable income and non-deductible expenditure	(189)	(26)	157
Other	321	309	122
Income tax expense	**2,480**	**2,396**	**4,435**

4. INVESTMENT PROPERTY

$000	Unaudited As at 30 Sept. 2017	 As at 30 Sept. 2016	Audited As at 31 March 2017
Balance at beginning of period	569,855	295,839	295,839
Purchase on acquisition	0	42,893	214,665
Additions	6,888	4,745	17,981
Reclassification from property, plant and equipment	0	0	2,102
Fair value movement - unrealised	8,911	14,284	39,268
Total investment property	**585,654**	**357,761**	**569,855**
Valuation of managers' net interest	247,010	161,685	235,080
Development land	29,510	13,115	29,520
Costs to complete	0	0	0
Liability for residents' loans	294,641	176,423	290,894
Net revenue in advance / (accrued revenue)	14,493	6,538	14,361
Total investment property	**585,654**	**357,761**	**569,855**

The fair value of investment property is determined on a six monthly basis. The fair value of completed investment properties and development land at 30 September 2017 was 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 Group's policy is that a full valuation should be undertaken at each year end of the investment properties and a desktop review should be undertaken at each interim period.

CBRE completed the desktop review as at 30 September 2017 to determine the current valuation of each property. The CBRE review indicated an overall uplift in the valuation of the properties of $8.9 million which has been recognised as a change in the fair value of investment properties in the consolidated interim statement of comprehensive income. CBRE reviewed key information (resident schedules and sales data) associated with each property, however full property inspections were not undertaken as part of the desktop review.

Key Judgements and Estimates

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 (31 March 2017: 6.2 to 9.0 years; and 30 September 2016: 6.3 to 8.5 years) for independent apartments and villas and 4.1 to 5.0 years for studios and serviced apartments (31 March 2017: 4.0 to 4.9 years; and 30 September 2016: 4.0 to 4.9 years)
House price inflation	Between 0.0% and 3.5% (31 March 2017: between 0.0% and 3.5%; and 30 September 2016: between 0.0% and 3.5%)
Discount rate	Between 12.5% and 16.0% (31 March 2017: between 12.5% and 16.0%; and 30 September 2016: between 12.5% and 16.0%)

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.

5. RESIDENTS' LOANS

$000	Unaudited As at 30 Sept. 2017	Unaudited As at 30 Sept. 2016	Audited As at 31 March 2017
Opening balance	290,894	142,158	142,158
Amounts repaid on termination of ORAs	(15,358)	(11,892)	(24,995)
Amounts received on issue of new ORAs	26,696	25,148	59,938
Amounts acquired on investment property	0	25,498	124,622
Movement in DMF receivable and residents' portion of capital gains	(7,591)	(4,489)	(10,829)
Total residents' loans	**294,641**	**176,423**	**290,894**

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") which confers a right of occupancy to a villa, apartment or serviced apartment 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.

6. INTEREST BEARING LOANS AND BORROWINGS

$000	Unaudited As at 30 Sept. 2017	Unaudited As at 30 Sept. 2016	Audited As at 31 March 2017
Secured bank loans			
Repayable within 12 months	0	0	0
Repayable after 12 months	109,750	32,363	73,500
Total interest bearing loans	**109,750**	**32,363**	**73,500**

Funding facilities	Facility Limit	Maturity of Facility	Unaudited As at 30 Sept. 2017 Drawn Facility Amount	Unaudited As at 30 Sept. 2016 Drawn Facility Amount	Audited As at 31 March 2017 Drawn Facility Amount
Facility A	$75m	30-6-2020	$71.5m	$0	$0
Facility B	$75m	30-6-2022	$38.3m	$0	$0
Revolving Core Facility	$40m Refinanced	30-9-2019	$0	$0	$40.0m
Revolving Core Facility	$40m Refinanced	30-9-2021	$0	$0	$33.5m
Revolving Core Facility	$20m Refinanced	29-12-2017	$0	$17.7m	$0
Revolving Acquisition Facility	$20m Refinanced	29-12-2017	$0	$14.7m	$0
Total Facilities			**$109.8m**	**$32.4m**	**$73.5m**

Secured bank loans

On 10 July 2017 a new facilities agreement with ANZ Bank New Zealand Limited was executed. The agreement comprises Facility A of $75.0 million and Facility B of $75.0 million. The key terms of the new facilities agreement are similar to the old facility.

The bank loans are secured by various mortgages over certain Group assets, subject to a first priority to the Statutory Supervisor over the retirement village assets. A registered first ranking composite general security agreement is in place, which contains a cross guarantee and indemnity granted by Arvida Group Limited and acceded to by each of its subsidiaries. This is 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 six months to 30 September 2017 ranged from 2.5% to 2.8% pa (year to 31 March 2017: 2.4% to 3.6% pa; and six months to 30 September 2016: 2.9% to 3.3% pa). A separate line fee is charged over the facility limit.

During the period the Group entered into a range of interest rate swaps. 32% of the drawn facility amount is hedged with interest rate swaps at 30 September 2017 (31 March 2017: 0.0%; and 30 September 2016: 0.0%).

7. SHARE CAPITAL

Shares 000	Unaudited As at 30 Sept. 2017	 As at 30 Sept. 2016	Audited As at 31 March 2017
Opening balance	334,261	273,245	273,245
Shares issued	0	5,394	61,016
Closing balance	**334,261**	**278,639**	**334,261**

On 30 June 2016 Arvida Group Limited issued 5,393,724 ordinary shares at $1.11 per share 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 per share 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 per share to existing investors by way of a 1-for7 pro-rata renounceable rights issue to replenish cash reserves after the acquisition of Copper Crest, Views Lifecare and Lauriston Park.

In the six months to 30 September 2017 the Company incurred transaction costs of $0.3 million (year to 31 March 2017: $2.2 million; and six months to 30 September 2016: $0.1 million) with no costs relating to the issue of new shares deducted from equity (year to 31 March 2017: $1.2 million; and six months to 30 September 2016: $nil).

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

8. EARNINGS PER SHARE

$000	Unaudited As at 30 Sept. 2017	 As at 30 Sept. 2016	Audited As at 31 March 2017
Profit attributable to equity holders	14,504	19,437	53,668
Basic earnings per share			
Weighted average number of ordinary shares on issue (thousands)	334,261	275,957	302,064
Basic earnings per share (cents)	**4.34**	**7.04**	**17.77**
Diluted earnings per share			
Weighted average number of ordinary shares on issue (thousands)	337,152	278,509	304,615
Diluted earnings per share (cents)	**4.30**	**6.98**	**17.62**

9. ACQUISITION ACCOUNTING

During the period to 30 September 2017 new information was obtained about events which existed at the time that The Cascades Retirement Resort Limited was acquired on 30 December 2016. The new information relates to deferred tax balances.

The following adjustments were made to the provisional fair values as reported at 31 March 2017: Deferred Taxation increased by $0.6 million and Goodwill increased by $0.6 million.

The 31 March 2017 comparative information has been restated to reflect the adjustment to the provisional amounts described above.

10. SUBSEQUENT EVENTS

On 12 September 2017, the Group entered into conditional agreements to acquire 100% of the shares in Mary Doyle Holdings Limited and Strathallan Group Limited and 50% of the shares in Village at the Park Care Limited and Village at the Park Lifecare Limited (the "New Villages").

On 12 September 2017, the Group announced that $76.9 million of new equity was to be raised by way of a 1-for-5 pro-rata renounceable rights issue (the "Offer") at an issue price of $1.15 per share. The Offer was fully underwritten by Forsyth Barr Group Limited.

On 13 October 2017, the proceeds of the Offer were received and an additional 66.9 million shares were issued. The proceeds of the Offer were used to settle the acquisition of the New Villages on the same day. The aggregate purchase price of the New Villages was $106.3 million. This was funded from the proceeds of the Offer, the retention of existing debt facilities within Village at the Park Lifecare Limited, a debt drawdown of $3.4 million and the issuance of $16.0 million shares to the vendors. The 12.6 million shares issued to the vendors were at $1.27 per share.

On 20 November 2017, the directors approved a dividend of 1.15 cents per share amounting to $4.8 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 7 December 2017 and payment is due to be made on 15 December 2017.

11. CAPITAL COMMITMENTS

As at 30 September 2017, the Group had $34.5 million of capital commitments in relation to construction contracts (31 March 2017: $31.7 million; and 30 September 2016 $nil).

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
Group Auditor:	Ernst & Young
Valuer:	CBRE Limited
Legal Advisors:	Chapman Tripp Anthony Harper
Bankers:	ANZ Bank NZ Limited
Statutory Supervisor:	Covenant Trustee Services Limited
Share Registrar:	Computershare Investor Services Limited Level 2, 159 Hurstmere Road Takapuna Auckland 0622 Phone: +64 9 488 8777 Email: enquiry@computershare.co.nz

ARVIDA VILLAGE DIRECTORY

1	**Aria Bay**	3-7 Woodlands Crescent, Browns Bay, Auckland 0630	09 479 1871
1	**Aria Gardens**	11 Bass Road, Albany, Auckland 0632	09 415 7035
1	**Aria Park**	1-3 Claude Road, Epsom, Auckland 1023	09 630 8430
13	**Ashwood Park**	118-130 Middle Renwick Road, Springlands, Blenheim 7241	03 577 9990
14	**Bainlea House**	29 Wiltshire Court, Rangiora 7400	03 313 6055
14	**Bainswood House**	191 King Street, Rangiora 7400	03 313 5905
14	**Bainswood on Victoria**	28 Victoria Street, Rangiora 7400	03 313 2805
4	**Bethlehem Views**	186 Cambridge Road, Bethlehem, Tauranga 3110	07 578 5500
2	**Cascades**	55 Pembroke Street, Hamilton Lake, Hamilton 3204	07 839 2348
4	**Copper Crest**	52 Condor Dr, Pyes Pa, Tauranga 3112	07 578 6245
5	**Glenbrae**	22 Hilda Street, Fenton Park, Rotorua 3010	07 349 0014
15	**Ilam**	28 Ilam Road, Upper Riccarton, Christchurch 8041	03 341 1913
9	**Lansdowne Park**	100 Titoki Street, Lansdowne, Masterton 5810	06 377 0123
3	**Lauriston Park**	91 Coleridge Street, Cambridge 3432	07 827 0793
15	**Maples**	71 Middleton Road, Upper Riccarton, Christchurch 8041	03 348 4362
6	**Mary Doyle**	3 Karanema Drive, Havelock North 4130	06 873 8400
15	**Mayfair**	104 Wharenui Road, Upper Riccarton, Christchurch 8041	03 348 2445
7	**Molly Ryan**	269 Mangorei Road, Merrilands, New Plymouth 4312	06 757 8773
12	**Oakwoods**	357 Lower Queen Street, Richmond, Nelson 7020	03 543 9700
8	**Olive Tree**	11-13 Dalwood Grove, Palmerston North 4412	06 350 3000
15	**Park Lane**	35 Whiteleigh Avenue, Tower Junction, Christchurch 8024	03 338 4495
15	**Rhodes on Cashmere**	5 Overdale Drive, Cashmere, Christchurch 8022	03 332 3240
15	**St Albans**	41 Caledonian Road, St Albans, Christchurch 8014	03 366 1824
15	**St Allisa**	46 Main South Road, Upper Riccarton, Christchurch 8042	03 343 3388
16	**Strathallan**	31 Konini Street, Gleniti, Timaru 7910	03 686 1996
12	**The Wood**	156 Milton Street, Nelson 7010	03 545 6059
11	**Village at the Park**	130 Rintoul St, Newtown, Wellington 6021	04 380 1361
10	**Waikanae Lodge**	394 Te Moana Road, Waikanae, Kapiti Coast 5036	04 902 6800
15	**Wendover**	33 Erica Street, Papanui, Christchurch 8053	03 352 6089

Aria Bay
ARVIDA RETIREMENT & CARE

Aria Gardens
ARVIDA CARE & WELLBEING

Aria Park
ARVIDA RETIREMENT & CARE

Cascades
ARVIDA RETIREMENT & CARE

Lauriston Park
ARVIDA LIFESTYLE & CARE

Molly Ryan
ARVIDA RETIREMENT & CARE

Olive Tree
ARVIDA RETIREMENT & CARE

Lansdowne Park
ARVIDA LIFESTYLE & CARE

Waikanae Lodge
ARVIDA RETIREMENT & CARE

Village at the Park
ARVIDA RETIREMENT & CARE

Oakwoods
ARVIDA RETIREMENT & CARE

The Wood
ARVIDA RETIREMENT & CARE

Ashwood Park
ARVIDA RETIREMENT & CARE

29 VILLAGES

14 NORTH ISLAND

15 SOUTH ISLAND

Bethlehem Views
ARVIDA CARE & WELLBEING

Copper Crest
ARVIDA LIFESTYLE & CARE

Glenbrae
ARVIDA RETIREMENT & CARE

Mary Doyle
ARVIDA RETIREMENT & CARE

Bainswood House
ARVIDA RETIREMENT & CARE

Bainswood on Victoria
ARVIDA CARE & WELLBEING

Bainlea House
ARVIDA CARE & WELLBEING

Ilam
ARVIDA RETIREMENT & CARE

Maples
ARVIDA RETIREMENT & CARE

Mayfair
ARVIDA RETIREMENT & CARE

Park Lane
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Rhodes on Cashmere
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St Allisa
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Wendover
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Strathallan
ARVIDA RETIREMENT & CARE

ArvidaGroup