Arvida

2020

ANNUAL REPORT
TO 31 MARCH 2020

ABOUT THIS REPORT

SCOPE, BOUNDARY AND REPORTING CYCLE

This Annual Report and Financial Statements (**Annual Report**) of Arvida Group Limited (**Arvida** or **Group**) is prepared in accordance with the International Financial Reporting Standards, NZX Listing Rules and Corporate Governance Code, Companies Act 1993 and with due consideration of the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework.

The report covers all business operations across our New Zealand subsidiaries for the financial year ended 31 March 2020. The information is supplemented by additional disclosures, including:

- 2020 Annual Results Presentation
- 2020 Notice of Annual General Meeting,

which are also available on the Group's website (www.arvida.co.nz) from the date of distribution of this Annual Report.

Additionally, audit reports for each of our care facilities are available at the Ministry of Health's website (www.health.govt.nz) along with audited financial statements for each of our retirement villages at the New Zealand Companies Office's website (www.companiesoffice.govt.nz).

The Integrated Reporting <IR> framework encourages businesses to consider what creates value for them and how this value contributes long term sustainable returns for stakeholders. We believe this 'integrated thinking' can ultimately contribute positively to our performance and our community. Our intention is to be a transparent organisation focused on creating long term sustainable value. The pathway to our <IR> will evolve over time.

During the year we invested time in understanding external stakeholders' view of what they consider are the most material matters affecting our business and incorporating those views in a materiality matrix (page 51) to better inform strategy. We also considered a sustainability policy along with prioritising strategies to address our carbon footprint (page 31).

For Arvida, <IR> is more than just disclosure; it is a process that supports changes to behaviour in the way that we manage the business and assets. We have continued to focus on selected elements of the <IR> framework in a pragmatic approach to improving our reporting. We intend to build on this approach as we consider <IR> is the right approach to engage with our stakeholders.

TARGET AUDIENCE AND APPLICATION

The process of reporting publicly on an ongoing basis is evidence of our commitment to transparency, as well as our determination to back up our words with action. This report has been primarily prepared for current investors to outline how we are delivering on our strategy. The report is also relevant for prospective investors or any other stakeholder who has an interest in our performance and prospects.

EXTERNAL AUDIT AND ASSURANCE

An independent audit of Arvida's consolidated annual financial statements was performed by the Group's independent external auditor, Ernst & Young in accordance with International Standards on Auditing (New Zealand). The rest of this Annual Report has not been subjected to independent audit or review. Information reported, other than that mentioned above, is derived from Arvida's own internal records and publicly disclosed information.

The Executive Management and the Board have collectively reviewed the contents of this Annual Report and agree that it reflects a balanced view of business performance and outlook.

FORWARD-LOOKING STATEMENTS

The Annual Report contains certain forward-looking statements with respect to Arvida's financial position and operational results. This involves a degree of risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future.

Factors that could cause our actual results to differ materially from those in the forward-looking statements include global, national and regional economic conditions; levels of securities markets; interest rates; credit or other risks of lending and investment activities; as well as competitive and regulatory factors. Because of this uncertainty, all forward-looking statements have not been reviewed or reported on by our auditor.

We welcome your feedback on this report. Please address any queries or comments to the Investor Relations team at info@arvida.co.nz.

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We strive to improve everyday life and wellbeing for thousands of elderly New Zealanders. We are transforming the ageing experience. It is embodied in all that we do.

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

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ECF (Elemental Chlorine Free)
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We do things differently at Arvida.

Our mission is to improve the lives of New Zealanders by transforming the ageing experience. We are doing this by breaking free from institutional models to put our residents' quality of life at the heart of everything we do.

Living a fulfilling life is a goal that applies at any age, but for older New Zealanders it's not always easy. Too often they're required to fit into a pattern of living that dictates what they do and when they do it, irrespective of preferences and personalities.

We're making it possible for older New Zealanders to live by their own rules. Our way of working ensures they're free to be themselves and have meaningful connections to the people, community and activities they love. We call this 'living a life with soul'.

Living a life with soul embraces a holistic view of physical, mental and spiritual health – mind, body, heart and soul. This is our essence.

We extend our sincere thanks to all our teams, their partners and families and whānau.

You are providing a precious service to our residents at this essential time and in doing so, demonstrating your true character and resilience. This crisis reminds us that we are all inextricably connected, needing to make a unified commitment to keeping everyone safe.

We are truly grateful for the support every one of you has made and continues to make throughout this Covid-19 pandemic.

Thank you!

ARVIDA AT A GLANCE

ARVIDA GROUP
TO 31 MARCH 2020

32

LOCATIONS NATIONALLY

4,750 +

RESIDENTS

2,600

ARVIDA TEAM MEMBERS

We were formed in 2014 when we listed on the New Zealand stock exchange with 18 retirement villages. Since then, we have grown to become a group spread across 32 locations nationally, with greenfield development adding another location in Kerikeri.

We now offer retirement living accommodation and aged care services to over 4,750 residents. We are one of the largest providers of aged care services in New Zealand.

Everyday almost 2,600 team members strive to improve the lives and wellbeing of our residents so they have a more fulfilling life as they age. With this vision, we are reimagining how communities will age and setting strategy accordingly. Our focus is on the resident – we are resident-led in our outcomes. This resonates through strategy from new builds and acquisitions, to our care model which we call The Attitude of Living Well.™

TOTAL AGED CARE BEDS

647 Rest Home

778 Hospital

263 Dementia Care

896 North Island

792 South Island

95%

Occupancy of Aged Care Beds

AGED CARE

Aged care is an integral part of Arvida's continuum of care offering with twenty co-located and five 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.

Note:
Includes units at Village at the Park in which Arvida has a 50% interest.

TOTAL RETIREMENT UNITS

1,788 Villas/Apartments

662 Serviced Apartments

25 Care Suites

1,663 North Island

812 South Island

81 years Current Average Age of Independent Living Residents

87 years Current Average Age of Serviced Apartment Residents

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 and apartments.

Assisted Living

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

2020 HIGHLIGHTS

THE YEAR IN BRIEF

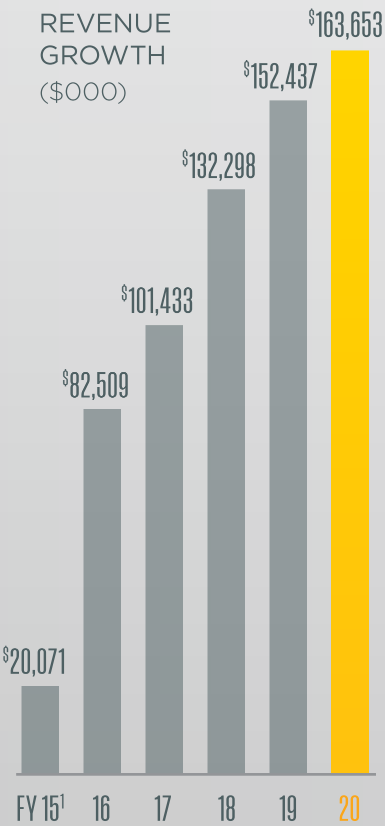
32
LOCATIONS NATIONALLY

1
GREENFIELD SITE

REVENUE

$164m

+7%



STAFF ENGAGEMENT SURVEY
96% of staff are determined to give their best effort at work everyday, with staff engagement index at 86%

NET PROMOTER SCORES
+54 recorded by Arvida village residents and +52 by care centre residents

CARE OCCUPANCY
95% average for the period, which remains consistently high above wider industry experience

4 YEAR CERTIFICATION
20 of 25 care facilities with 4 year certification, with three additional facilities achieving this high standard in the period

OCCUPATION RIGHTS SALES
Total ORA sales of 404 units, comprising 278 resales and 126 new unit sales

RESALE GAINS
21% lift in resale gains to $23.7 million generated from 20% increase in gross resale proceeds to $104.8 million

DELIVERY
210 new units constructed during the year, across 11 development sites

ACQUISITION
3 high quality villages added to portfolio comprising 326 existing units with a further 504 development units

DIVIDEND
1.45 cents per share declared for 4th quarter, equating to a total dividend of 5.80 cents per share paid in respect of FY2020

4,163

TOTAL UNITS

57%

NEEDS-BASED COMPOSITION

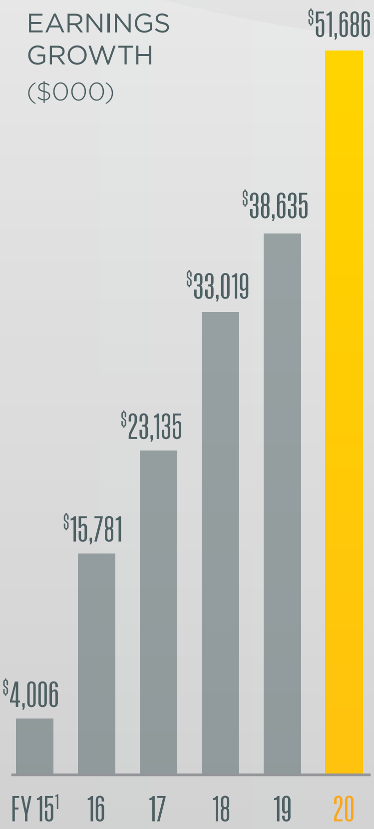
1,683

UNIT DEVELOPMENT PIPELINE

UNDERLYING PROFIT[2]

$52m

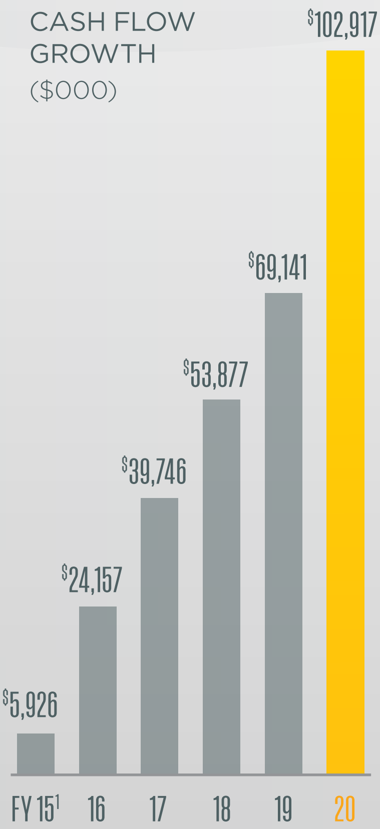
+34%



OPERATING CASH FLOW

$103m

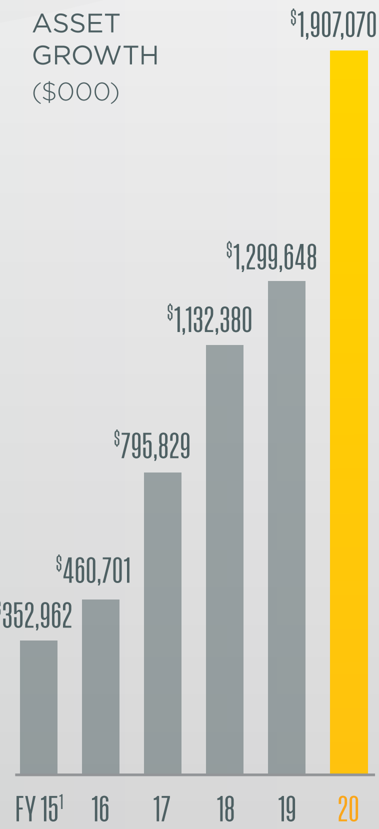
+49%



TOTAL ASSETS

$1.9b

+47%



1. *Financial statistics for FY2015 represent a part period with village operations commencing on 18 December 2014.*
2. *Underlying Profit is a non-GAAP (unaudited) financial measure and differs from NZ IFRS net profit after tax. Please refer to page 22 for a reconciliation to Reported Profit under IFRS.*

OUR STRATEGY

We have a clear and simple strategy: to sustain and enhance our core business; to develop quality villages; to acquire complementary villages; and to deliver quality services to ageing communities.

The Arvida strategy feeds into our vision and is underpinned by our values. It provides focus on where we are going, why we are going there and what we have to do to get there. Through this strategy, we aim to deliver quality resident-led services, returns for our shareholders and value for all Arvida stakeholders.

EVOLVING TOWARDS A FOCUSED COMMUNITY CENTRIC STRATEGY

Over the last year, we have continued to progress key business growth initiatives core to delivering our community centric strategy. We are developing a community engagement platform that will allow delivery of healthcare and wellbeing services into the homes of our ageing communities. Branded 'Good Friends', a pilot of the service will take in place in Christchurch in FY2021.

Through engaged teams, happier residents and stronger communities, we aim to deliver change, shape our culture and prepare for the future challenges and opportunities facing us and the sector.

Our ability to execute the strategy is articulated in our business model (page 26) which provides a clear depiction of the significant inputs, business activities and related outputs that will support Arvida in achieving our desired outcomes.

OUR VISION

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

We create value for our investors through our focus on four **strategic pillars** that meet the needs of our people, customers and communities.

LIVING WELL

Create a profitable and sustainable retirement and aged care business that leads the sector through actively improving the lives and wellbeing of our residents.

BUILDING WELL

Develop integrated retirement living communities for the future, either by adding to or improving existing villages or through acquiring bare land and building villages.

BUYING WELL

Acquire quality retirement villages that are complementary to the overall portfolio composition and deliver long term value through operations or by adding opportunities.

ENGAGING WELL

Deliver quality healthcare and wellbeing services to ageing communities by using our expertise and assets to explore new growth opportunities for the future of our business.

The Attitude of Living Well™ drives our responsibility as a business for...

ENGAGED TEAMS

Creating and nurturing a culture that attracts and rewards an engaged workforce, aligned with our strategy and delivering excellent outcomes for our residents.

HAPPIER RESIDENTS

Our residents are at the heart of what we do. We challenge ourselves to make our residents' lives better with everything we do.

STRONGER COMMUNITIES

By developing vibrant and sustainable engagement and support programmes, we improve connections across our ageing communities.

Our approach is underpinned by our **core 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.

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 & FLEXIBLE

We change things when it makes sense to create great resident outcomes.

CHAIR'S LETTER

PETER WILSON

We are emerging from a period of national lockdown to contain the rapid spread of the novel coronavirus pandemic (Covid-19) in New Zealand. For many people across many geographies, Covid-19 is having tragic consequences. New Zealand has not been immune.

EFFECTS OF COVID-19

We know the most vulnerable cohort of our population to Covid-19 is represented in our care centres and retirement communities. Those aged over 70 years living with comorbidities are at higher risk of complications and serious health consequences if infected.

It is clear Covid-19 will be a significant factor globally for some time yet and we, as a sector, will be dealing with the associated health risks in our communities.

While I am pleased to report FY2020 was another successful fiscal year for the Group, the serious challenges of Covid-19 were only just emerging as the financial year came to a close. We are now beginning to understand the potential impacts to our domestic economy, some of which are anticipated to be long lasting and have material consequences for a range of industries and businesses.

For Arvida, the effects of the containment measures required and the disruption to sales and construction activities, may negatively impact earnings particularly in the near term. The rate of recovery is unknown but the requirement to provide care for the elderly will continue.

The Group is in a strong financial position. We have an important and worthwhile purpose, strong values and culture, a clear strategy set for sustainable growth, a well-defined business model serving the interests of all our stakeholders and a strong leadership team. Arvida is positioned well for the opportunities that lie ahead.

As one of the larger aged care providers in New Zealand with more than 4,750 residents, management of virus risks is a core element of the care regime for our residents. Covid-19 is a unique challenge given its severity. As Bill reflects in his Chief Executive's report, our team has risen to the challenge incredibly well. I cannot commend them highly enough for their efforts, which have been nothing short of exceptional.

FY2020 PERFORMANCE

2020 Underlying Profit of $51.7 million was up 34% compared to the prior corresponding period. Contributions from the three villages acquired on 31 July 2019 are reflected in these financial results.

Core business performance tracked as expected for much of the year with disruption from Covid-19 having an impact on some business operations in February and March. Further details on our financial performance are set out on pages 21 to 25 of this report.

In line with our dividend policy, the Board has declared a dividend of 1.45 cents per share, bringing the full year dividend for FY2020 to 5.80 cents per share. The dividend payout ratio for the year was 61%, within the Board's target payout range of 50 to 70% of underlying profit.

FINANCIAL POSITION

Gearing was at the mid point of our target range and remains well within bank covenant limits. Subsequent to balance date, an additional $100 million bank facility was added through our existing syndicate of lenders. This provides us with capacity to progress development projects to the revised programme or accelerate should market conditions allow.

On 27 March 2020, we announced the withdrawal of our development guidance for FY2021 and beyond. This was due to the Covid-19 lockdown interrupting our construction activities and the related possible consequences for supply chains and demand.

We will continue with our development plans with some deferral of projects and slightly lower build rates. The future programme is outlined in depth on pages 33 to 39 of this report.

Heightened uncertainties both domestically and globally from Covid-19 were captured in assumptions applied by CBRE Limited and Jones Lang LaSalle in their valuations of our care and investment properties. At the time of preparing the valuations, the effect of Covid-19 on the residential property market, the retirement and aged care sectors in New Zealand, and the domestic economy broadly were uncertain.

CREATING SUSTAINABLE VALUE

Looking after the interests of all our stakeholders is inextricably linked to creating long term value for our shareholders. Our business model (set out on pages 26 to 27) illustrates how we deliver financial and non-financial value to all stakeholders through our strategy and considered business approach.

During the year, the Board adopted a sustainability policy to provide guidance for prioritising our activities. In addition to environmental factors, social aspects and principles of good governance play a decisive role in creating sustainable value. We undertook a stakeholder survey to inform our sustainability objectives and to identify how best to measure and report progress.

We will continue to realise the benefits of our four-pillars strategy, underpinned by a strong balance sheet and sustained customer-led focus. We will continue to invest in our people through training programmes that equip them to meet the increasing demands of resident care and the maintenance of a high standard of operational discipline. Progress to date is evidenced through resident and staff satisfaction surveys that continue to be very positive.

THE ARVIDA TEAM

Delivering a sound financial result and dealing with the significant challenges of Covid-19 have tested the staff at all levels, and the executive and leadership team. Our team has delivered well on all fronts and I am sure that whatever challenges emerge from this pandemic, Arvida has the resource to thrive.

Peter Wilson
Chair, Arvida Group Limited

CEO'S REPORT

BILL McDONALD

FY2020 was a year in which we celebrated great success and continued to build our platform for growth, but also one that delivered tremendous challenges.

LIVING WELL

The operational performance continued to be a highlight with underlying profit growing 34% to $51.7 million, operating cash flow increasing to $102.9 million and annual revenue lifting to $163.7 million. Assets surpassed $1.9 billion following the acquisition of our fourteenth village since listing.

Specific contributing factors included continuing high resale and development margins, a higher rate of resales and new sales, continuing favourable conditions in the regional residential property markets and contributions from the three villages acquired during the year.

Reflecting on the fiscal year 2020 provides a good indicator of our primed and wellpositioned business for when the economic outlook stabilises.

Pages 28 to 32 of this report set out key operational highlights from this year of which there are many. Again a strong endorsement of the team we have brought together and the culture we continue to foster.

Empowerment at the grassroots allows our teams to make residents' lives better. We have a set of values that we live and breathe each day, underpinning everything we do. Our set of values are fit for a world in rapid change with increasing demand for high-quality services.

We are very focused on staff engagement as we consider it fundamental to delivering high-quality service to our residents. Our challenge is to continue to develop our work environments to attract and retain great staff and maintain high engagement levels.

COVID-19

Operational achievements were overshadowed in the final quarter of the fiscal year by Covid-19, the disease caused by the novel coronavirus.

It became clear in March that the Covid-19 situation in New Zealand was evolving very rapidly as it continued to cross borders around the world. At the time, the Ministry of Health considered the likelihood of a widespread outbreak in New Zealand to be low to moderate. Older adults with underlying health conditions were considered particularly vulnerable to Covid-19.

We were already treating the potential risk seriously with resident and staff safety a primary concern.

In early February, we were fast to action a pandemic response team to monitor developments and communicate actions to village and care personnel. The response team was established at Group level and comprised members of our senior leadership team. Expert virologist Professor Lance Jennings was engaged to provide independent advice to our response team to assist with the Group's preparedness and ongoing response.

Through my position on the executive committee of the Retirement Village Association, I formed part of the Covid-19 RVA Task Force. Together with other sector executives and the Retirement Commissioner, policy and advice was provided to the sector to promote a uniform, best practice response across the country.

As an essential business we continued to operate throughout the lockdown period with only the construction teams pausing. Notwithstanding, they remained on full pay. Our front line care staff also received additional bonus pay for the period rolling into Alert Level 2. Covid-19 put additional stresses on all staff and required their tireless commitment to ensuring the unique infection protocols of a global pandemic are observed.

Communication was at the forefront of our response, including daily updates to all village and clinical managers with new information and key task interaction.

Regular weekly resident and family/whānau communications were also delivered to keep them abreast of policies and our approach to the crisis. We also ensured our blog and website were current with the latest company updates for the benefit of the broader team and families/whānau.

Infection control protocols were adopted in advance of guidelines recommended by the public health agencies.

Our first priority was always the health and wellbeing of our residents, employees and their families and whānau. This required rethinking how to do many daily tasks for our residents – how to maintain communication with family/whānau, how to facilitate grocery shopping for our residents living independently, how to secure our environments with robust screening protocols. The structure of the Group encouraged innovation and supported an ability to be nimble in our approach.

At this date, we have recorded no positive Covid-19 cases across residents or staff.

One of the key takeaways from Covid-19 was the positive living experience enjoyed by residents in a retirement community setting. Lockdown demonstrated the tangible benefits of a community structure. For many living independently outside retirement communities, social isolation and loneliness would have significantly increased through the lockdown period.

BUYING WELL

On 25 June 2019 we announced the agreement to acquire three villages from the Sanderson Group for $180 million. We were excited by the opportunity to add these high quality assets to the Group and acquire the remaining Sanderson Group retirement assets in one transaction. We considered the three villages to be complementary to our existing portfolio and Arvida strategy. They provide development opportunities in high-quality locations and offer the prospect of immediate valuation and earnings accretion.

In total, these villages have added 356 units to the portfolio (of which 30 units were added in this fiscal year) and the opportunity to add almost 500 more units over future years from the embedded development potential.

As part of the transaction, we also welcomed the construction teams at Tauranga and Queenstown to Arvida. This broadening of our construction capabilities to include builders and other associated trades required the introduction of new support structures and complementary processes to ensure appropriate management and governance.

The team settled in well and seamlessly continued with the development programmes in place at Tauranga and Queenstown. On the ground construction crews have also offered cost savings and better development visibility, resource oversight and, importantly, the ability to evolve the design characteristics to align with our model and strategy.

This internalising of our development capabilities helps preserve the know-how and intellectual property we are developing around our distinctive designs for The Attitude of Living Well™.

Demand for new and existing units at all the Sanderson villages has been solid since acquisition ensuring a continued roll-out of the planned development programme, emulating the strong residential housing market experience across regional New Zealand.

In Queenstown, we were met with a surge in demand shortly after taking ownership. We consider this reflected a change to the development programme, greater certainty on a continuum of care offering, timing for construction of resident common facilities, and progress with the contiguous private hospital and medical campus.

BUILDING WELL

Through the year we delivered 210 new units. This was a significant lift in our development programme from the prior year. In the last month of the financial year just as lockdown commenced, 95 units were delivered.

The marketing and sell down of these units was disrupted by Covid-19, with the sales and marketing programmes recommencing as New Zealand entered Alert Level 2.

Development is again underway at eight sites across the country. This activity paused under lockdown, with only health and safety and weather tightness related construction completed during this period. Activity recommenced at Alert Level 3.

Our first greenfield development in Richmond continued to track exceptionally well with the first stage of 38 units delivered. Twenty-nine of these units we sold as at year-end with an additional three under contract. Waimea Plains has received a tremendous reception from the local community. Interest in our outwardly facing community concept has been very encouraging, which is a key offering incorporated in all new communities. It forms part of the village and helps make a connection to the community by creating a neighbourhood that will include a health and fitness centre, hospitality, allied health and mixed retail.

Good progress is being made with our second greenfield development in Kerikeri. Resource consent was granted in November for earthworks and construction of 28 villas in stage one. Access and preliminary enabling works commenced over summer. Master planning has been completed and resource consent for the remainder of the development has been lodged.

Two key developments are due for completion in the 2021 financial year – Aria Bay in Auckland and Copper Crest in Tauranga.

These developments represent our first to include care suites and will reflect our new design and layout for care centres. Actual delivery timeframes could be impacted by a number of factors including additional Covid-19 related shutdowns of construction sites, disruptions to supply lines or a stepchange in construction site work programmes to ensure health and safety best practice.

The revised delivery programme anticipates over 200 units being completed in FY2021, of which 65% is reflected in the Aria Bay and Copper Crest builds.

The impact of Covid-19 on the residential housing market will be closely monitored to ensure supply of new units is appropriately managed. While the market does not affect demand for our needs-based products, it does impact the timeframe for prospective residents to sell their homes. The majority of our other planned developments this year is in single-storey type villa construction which can be readily phased to demand.

Given current economic climate uncertainty, we are comfortable with this lower rate of delivery.

ENGAGING WELL

We have continued to invest in the development of new solutions for our future customers even as we have responded to the urgent needs and challenges of Covid-19. Our integrated business model is defined by our ability to fund, manage, grow and enhance a person centric service offering that improves lives and wellbeing.

Covid-19 has introduced digital mediums to many first-time older users, assisting them to become more familiar with technology platforms. It has also helped to accelerate the movement to this person-centred mindset. The application of technology has the potential to drive much improved outcomes in care settings, particularly for those choosing to live independently in their homes.

We have partnered with Five Good Friends for exclusive use of its technology in New Zealand. The platform will allow delivery of care and support services into the home and enable the integration of Arvida villages with the broader community. Five Good Friends has operated in Australia since 2016. It has developed a software application that better helps connects people requiring home care services and their family with helpers.

Covid-19 has shown there is a real need by health agencies and providers for a greater understanding of the health and wellbeing of those living independently in our communities. Technology can help to obtain a richer picture of changing health and wellbeing patterns in the home.

The service we will be piloting in Christchurch later this year under the 'Good Friends' brand which is set out on pages 42 to 43. We will keep you informed of our progress with Good Friends.

OUTLOOK

The current global economic and political setting will continue creating uncertainty for businesses, individuals and communities for some time. We will be dealing with Covid-19 and its effects on our domestic economy and our business over many months.

The way people live and work continues to change, and the way they engage with businesses is rapidly transforming. These changes, together with increasing customer expectations, more engaged stakeholders and accelerating climate change, require us to evolve our business at the same pace.

We see aged care as an essential contributor to the wellbeing of our communities, and therefore we place great importance on innovation in all we do.

The four pillars of our strategy as outlined above remain core – living well, building well, buying well and engaging well.

THANK YOU

Finally, I am enormously proud of the resilience demonstrated by all of our people over this period.

As the world continues to deal with the unprecedented effects of Covid-19, I hope you and your families and whānau stay healthy and safe.

Bill McDonald
Chief Executive Officer

FINANCE UPDATE

ARVIDA GROUP
TO 31 MARCH 2020

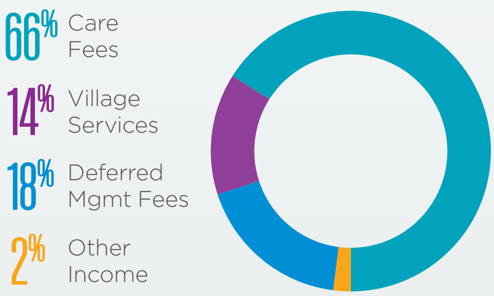
COVID-19 IMPACT

While lockdown under Alert Level 4 happened on 25 March 2020, pandemic preparedness commenced in February as the potential scale of the health crisis became evident.

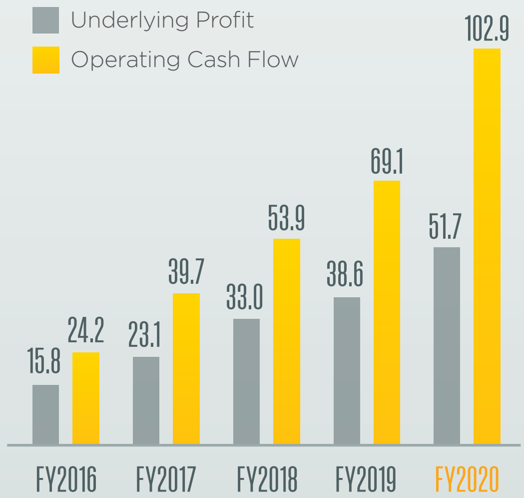
As an essential business, Arvida continued to operate throughout the coronavirus pandemic. However, business operations were impacted in a number of areas during the lockdown period.

- Construction activities at all sites were closed, with only essential weathertightness or health and safety related works completed.
- New admissions to care centres and villages were restricted.
- ORA sales and resales were severely restricted at a critical point in the financial year, albeit several ORA settlements were brought forward prior to lock down.
- Higher labour and materials costs (such as personal protective equipment, antimicrobial cleaning management and security personnel) were incurred to ensure capacity was available if required.

REVENUE COMPOSITION ($M)



OPERATING PERFORMANCE ($M)[3]



3. *In July 2019, Arvida acquired 100% of the shares in Bethlehem Country Club, Bethlehem Shores and Queenstown Country Club. These acquisitions are fully consolidated into the group's financial statements and they have made an eight month contribution to this year's performance.*

UNDERLYING PROFIT RECONCILIATION ($000) [4]

Underlying Profit $000	FY2020	FY2019	Variance
Reported net profit after tax (NZIFRS)	**42,640**	**59,075**	**(16,435)**
Changes in fair values	(22,084)	(49,087)	27,003
Deferred tax	(23,098)	(201)	(22,897)
Impairment of goodwill	17,864	1,512	16,352
Gain on acquisition of villages	(3,718)	0	(3,718)
One-off costs	826	276	550
Underlying Operating Profit	**12,430**	**11,575**	**855**
Gain on resales	23,667	19,514	4,153
Development margin on new units	15,589	7,546	8,043
Underlying Profit	**51,686**	**38,635**	**13,051**

4. *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 other unrealised, deferred tax and one-off items.*

FINANCIAL PERFORMANCE

Revenue for the year grew 7% to $163.7 million (2019: $152.4 million), reflecting eight months of contributions from the three villages acquired on 31 July 2019 and continuing financial performance across core village operations. Contributions from the acquired villages are not included in prior period comparisons.

Wendover Retirement Village in Christchurch was closed during the year, reducing the portfolio by 43 beds and 11 serviced apartments. Subsequently the property was sold to a private developer. The property had suffered earthquake related damage in 2011 and had limited aged care development prospects. In December 2018, 20 beds and 7 serviced apartments were decommissioned at Aria Bay in Auckland to commence construction of the new care suite wing. Contributions from these villages are included in prior period comparisons.

Underlying Profit

A significant 34% increase in underlying profit was reported in the year ended 31 March 2020 to $51.7 million (2019: $38.6 million).

Underlying profit is a non-GAAP unaudited financial measure used by Arvida to monitor financial performance and determine dividend distributions. In general terms, underlying profit removes the fair value movement of investment property, other unrealised items, deferred tax and one-off items from reported net profit after tax and adds back the realised gains associated with our resales and the development margin associated with our new sales.

On a per share basis, which provides a better view of earnings performance, underlying earnings grew 10% to 10.2 cents per share (2019: 9.3 cents per share). This represents a compounded annual growth rate of 14% in earnings per share over the last five years, being the period from the first full financial year since listing on NZX in December 2014.

Revenue

Care and village service fee revenue of $129.5 million (2019: $125.6 million) was reported for the year. Rest home fees fell due to the decommissioning of 63 rest home beds from the closure of Wendover and redevelopment of Aria Bay noted above.

Occupancy across Arvida care centres remained consistently high throughout the year at an average of 95%. High care facility occupation continues to underpin care fee revenue.

In late 2017, the Ministry of Health and the 20 District Health Boards commissioned a Review of the aged care funding model from Ernst and Young to see if the model was keeping pace with the changes in the sector, and to look at whether it would be able to support the needs of the sector in the future. The Review focused on the way in which available funding is allocated.

The Review was completed in August 2019 making seven primary recommendations, including use of a new funding model more directly linked to individual resident needs through application of the industry clinical assessment tool, interRAI, with a further 16 matters listed for further consideration. At this time the recommendations from the Review have not been adopted.

Deferred management fees relative to last year, were up 35% which reflected contributions from three villages acquired, underlying growth through high occupancy across our villages, increased pricing and the addition of new stock to the portfolio.

Expenses

Higher operating expenses primarily reflected the larger scale of the Group from acquisition activity and higher employee costs. The latter was primarily a result of increased nurse pay with staffing levels remaining relatively stable across existing villages.

The disparity of funding between registered nurses working in aged care and their counterparts in public hospitals came about through the settlement between hospital nurses and their district health board employers in August 2018. It has resulted in nurses receiving higher pay rates to work in the public hospital system despite roles and responsibilities being broadly comparable.

We have addressed the nurse pay disparity where we can to ensure we remain an attractive employer however the unfunded differential cost is expected to persist.

While increased funding rates this year did address the funding gap that resulted from the caregivers pay equity settlement, a pay equity funding deficit remains. Our staff are qualified to a level that is on average higher than the industry average and therefore attract higher average pay rates. Pay equity was referenced to industry average staff training levels, exacerbating the deficit as staff move to a higher level of qualification.

We continue to be active with industry bodies supporting sector lobbying for a better and more equitable funded aged care sector that fairly contributes to the new cost structures.

Despite the widening funding deficit, we continue to invest in our employees supporting them with career development. This investment has put the Group in a good position to maintain the high clinical standards required to best weather the Covid-19 pandemic.

An increase in property costs included higher property insurance costs, mainly attributable to continued structural changes in the insurance sector, higher council rates and the increase in asset base.

Net Profit After Tax (IFRS)

Arvida recorded a net profit after tax of $42.6 million for the year ended 31 March 2020, down from $59.1 million in 2019. This included a fair value movement on investment property of $22.2 million (2019: $48.7 million). The three villages acquired during the year increased in value by $11.1 million.

The fair value movement reflects positive impacts from an additional 210 new units delivered during the year and the increase in existing unit pricing. These were offset by changes to the valuers key assumptions atyear end to reflect the uncertainty of the coronavirus impacts on the valuations. In general terms the valuers have increased discount rates, reduced property growth rates and reduced the level of sales activity.

The number of unit completions is intended to remain at the current level in the next financial year.

From the 2020-21 income year, a 2% depreciation deduction for commercial buildings has been reintroduced. As a result, the deferred tax liability for care centre buildings that was mainly created on acquisition has been reversed through the income tax expense line. In addition, the initial recognition of the deferred tax liability on acquisition created goodwill which has now been largely impaired.

Cash Flow

Operating cash flow reached $102.9 million (2019: $69.1 million) for the year. The increase of $33.8 million reflected the higher resale and new sale activity but also strong cash flows generated from our care operations. Care fees continue to represent a stable source of recurring cash flow to the business.

Capital expenditure attributable to development works was $146.4 million for the year.

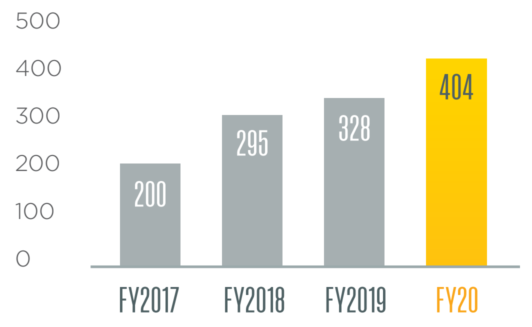
SALES ACTIVITY

Settlement volumes of occupation right agreements (ORAs) were strong with a total of 404 sales in the year, up 23% on last year.

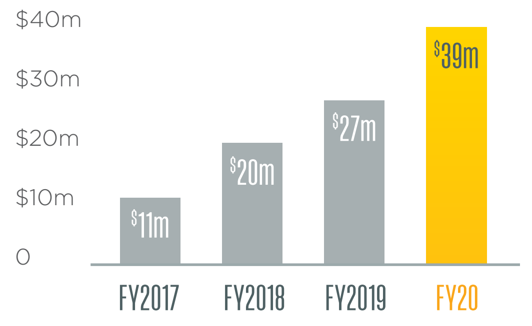
Resale gains increased to $23.7 million (2019: $19.5 million), representing a 21% lift on the prior year. This was a reflection of both an increase in volume of resales settled and an increase in the average price of resales. On average, prices achieved were 4% above valuer estimates assumed at 31 March 2019. Resales margin was stable at a high 23%.

The composition of resales was weighted to villa and apartment stock with 20% more sold compared to FY2019.

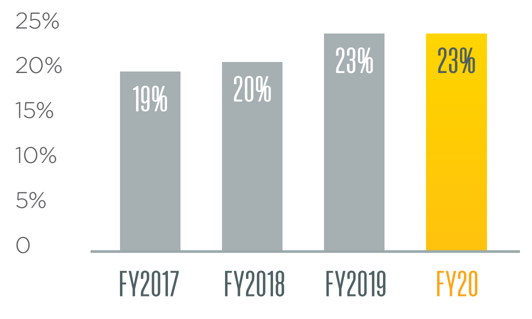
TOTAL ORA SALES (UNITS)



TOTAL GAINS ON ORA SALES ($M)



RESALE MARGINS (%)



	FY2020	FY2019
Number of ORA resales	278	258
Value of ORA resales	$104.8m	$87.1m
Resale margin	23%	23%
Number of new ORA sales	126	70
Value of new ORA sales	$96.1m	$44.3m
Development margin	18%	18%

Uncontracted resale inventory was less than 2% of the total portfolio. The November/December period again saw good levels of resale activity that led to low levels of resale inventory. The experience was similar to the prior year where we effectively ran out of available stock at many villages.

In FY2020, 126 new sales were settled delivering gross cash proceeds of $96.1 million. This was up from 70 new sales and gross cash proceeds of $44.3 million in the prior year. New sales activity was steady throughout the year, with ORAs now settled on all new units delivered in FY2018 and the majority of new units delivered in FY2019.

New unit inventory at year end totalled 152 units, of which 95 units were delivered in the last quarter. Sales in the last quarter were impacted by Covid-19 disruptions and related protocols put in place at villages. These protocols restricted visitor access to villages and limited the ability to market open homes. The ability to sign contracts and settle ORAs was also disrupted with the majority of settlements deferred to Alert Level 2.

Gains generated from the resale of ORAs on existing units and the sale of ORAs on new units are two key components of the underlying profit calculation.

FINANCIAL POSITION

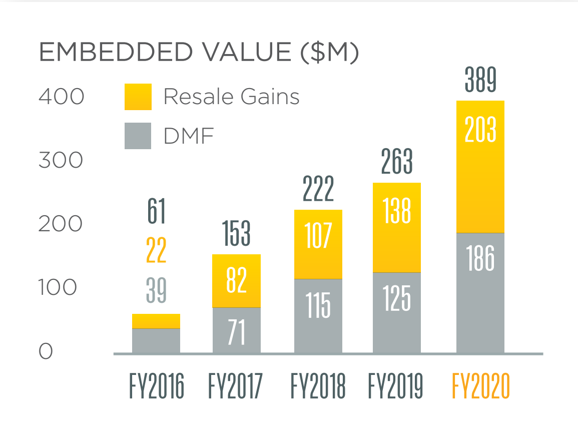
In June 2019, an extension to our banking facility and tenure was completed adding a further $125 million tranche to the existing ANZ and BNZ facilities. The $375 million facility was split evenly between three, four and five year tranches.

Total drawn interest bearing debt was $313.0 million (2019: $190.5 million) at year end on increased development and acquisition activity. Gearing of 30% (2019: 25%) remained conservative.

Subsequent to balance date, a further $100 million tranche was added to the existing ANZ and BNZ facilities. This increased the total facility to $475 million delivering significant headroom in our banking covenants to undertake our current development programme.

Total assets grew to $1.9 billion, up from $1.3 billion at the start of the financial year with the inclusion of the acquired villages, development activity and an increase in the value of Investment Property. The annual revaluations of our investment property undertaken by CBRE Limited (CBRE) and Jones Lang LaSalle Limited (JLL) delivered a revaluation movement of $22.2 million.

CBRE and JLL also completed the two-yearly revaluation of our care facilities. This review resulted in a $3.3 million increase in the care facilities, being a 2% increase.



Embedded value in the portfolio, which calculates future cash that can be generated when a unit is relicensed, grew to $389 million (2019: $263 million). The net implied value of the portfolio was $1.33 per share, down 4% on the corresponding period last year.

BUSINESS MODEL

ARVIDA'S INTEGRATED BUSINESS MODEL

Our business model reflects our key inputs, business activities and related outputs and how they collectively support our ability to create value and support our strategic outcomes. We have also included some of the key measures that we currently use to track our progress towards these outcomes.

INPUTS

FINANCIAL

Pool of available funds provided by shareholders, banks and residents or generated through operations that is invested in the growth and enhancement of our assets and services

MANUFACTURED

Owner and operator of 32 retirement villages and aged care facilities, providing 4,163 units/beds across New Zealand

INTELLECTUAL

The culture and know-how brought together in our customer-led care service offering – The Attitude of Living Well™, forms a critical component of delivering quality services that underpin our future earnings potential and competitive advantage

SOCIAL & RELATIONSHIPS

Excellent relationships with our residents and externally with key stakeholders, regularly engaging with funders, suppliers and communities essential to delivery of services to a high standard with a commitment to ethical practices and social responsibility

HUMAN

Expertise and experience of our 2,600 employees, our key asset, and the capacity to add value through human capital development and engagement

NATURAL

Use of land and renewable resources in our existing and new villages with a focus on improving efficient use through implementing sustainable initiatives

BUSINESS ACTIVITIES

INVEST IN:

- Growth and expansion of our New Zealand operations through careful selection of capital projects that deliver long term value including through building and buying well
- Investment in our employees and organisation's culture to deliver a truly resident-led service offering that transforms the ageing experience of our residents and future customers
- Focus on improving the health and wellbeing of the broader community leveraging new delivery platforms and innovative services

BY PROVIDING:

Accommodation and aged care specific services for the 65+ population

OUTCOMES

LIVING WELL

Through actively improving the lives and wellbeing of our residents, we will deliver a profitable and sustainable aged care business that leads the sector

BUILDING WELL

Through developing quality integrated retirement living communities that combine a high needs-based composition and outwardly facing community facilities, we will grow our portfolio with market leading product positioned for the future

BUYING WELL

Through acquiring quality retirement villages and aged care facilities that are complementary to our overall portfolio, we will deliver long term value

ENGAGING WELL

Through delivering health and wellbeing services to ageing communities, we will develop a resilient business well positioned for the future

QUALITY AGEING EXPERIENCE

Leading provider of quality retirement and aged care services and accommodation in New Zealand

PEOPLE:

86% Staff engagement index
Up from 78%

RESIDENTS:

+54 NPS - Village residents
Down from +58

+52 NPS - Care residents
Up from +51

INVESTORS:

70% Total shareholder returns since listing on NZX

COMMUNITIES:

210 New homes delivered
Up from 113

STRATEGY IN ACTION

LIVING WELL

Sustain and enhance our core retirement and aged care business by fostering quality resident-led service outcomes

CARE OCCUPANCY

Occupancy was 95% at March, broadly in line with last year. This continues to be significantly above the national average rate at 89.5%.[5] Throughout the year average occupancy across our 25 care centres remained high averaging 95%. Some of our care centres consistently operated at close to 100% occupancy.

CERTIFICATION

Arvida currently has 25 certified care centres providing a range of services; hospital (geriatric medical), rest home, dementia, and residential disability. One certified care centre (Wendover) closed in 2019.

Rest home	2
Rest home and hospital (geriatric, medical)	13
Dementia	1
Rest Home, Dementia and Hospital (geriatric, medical)	8
Rest Home, Hospital (geriatric, medical) Physical Disability and Dementia	1
Total Care Centres	**25**

Of our 25 care centres, 20 (2019: 17) have now fully achieved the gold standard of four-year Ministry of Health certification. Importantly none of our care centres hold less than three-year certification. Many of Arvida's care centres have fully attained all Ministry standards and criteria. Arvida strives for continual improvement to Health and Disability Service Standards. Audit reports are published by the Ministry of Health for all care centres. Arvida's clinical standard is significantly higher than the national level where only 39% of aged care centres nationally hold four-year certification.[6]

The Attitude of Living Well™ model of care is now well embedded across the Group. This, together with the culture of continuous improvement in clinical quality led by our village and clinical managers supports our track record of improvement against sector standards and promotes increasingly positive resident outcomes.

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5. Reported by the industry body NZACA for the March 2020 quarter.

6. Reported by BSI Group NZ, February 2020.

7. Continuous Improvements are awarded for achievement beyond the full attainment. Measurement shows results from certification audits only.

8. A risk rating is given to standards or criteria identified as partially attained ('PA') or unattained ('UA'). These standards or criteria are rated according to the assessed potential risk for consumers – negligible, low, moderate, high or critical risk. A partial attainment rating does not indicate a failure. The Ministry of Health states that most rest home audits have some standards and criteria assessed as partial attainment. Partial attainment indicates the areas that require improvement. The audits are an opportunity to identify the areas where the rest home should improve and what action is required for improvement. Measurement shows results from certification audits only.

Ministry of Health Certification	2020	2019	2018
Proportion of Care Centres with 4 years	80%	65%	46%
Certification period (Group average, years)	3.8	3.7	3.4
Average Continuous Improvements[7] per site	1.5	1.5	1.3
Average PAs[8] (Negligible or low risk) per site	0.8	0.9	1.7
Average PAs[8] (Moderate risk or above) per site	0.0	0.2	0.6

RESIDENT SURVEY

The Net Promoter Score (NPS) for our village residents was +54 (2019: +58), which was a very positive score again with almost two in three village residents being brand promoters who share their positive experience with friends and acquaintances. NPS for Arvida residents living in care improved to +52 (2019: +51). Almost two in three care residents are brand promoters, recommending the service.

McCrindle has been engaged for the last three years to deploy a survey to all Arvida villages to measure resident satisfaction. Resident satisfaction is primarily gauged using NPS and feedback on a number of key aspects of village living. NPS measures the extent to which an organisation's clients promote the business to friends and people they know. It is a measure of customer satisfaction and can be an indicator of revenue growth. A high proportion of promoters will produce a high NPS score. Because it is calculated on a net basis, the result can be within a range of -100 to +100.

4,750+

More than 4,750 residents with 57% of the accommodation units being needs-based

The independent survey highlighted residents are most satisfied with the safety and security of their village (80% village, 85% care) and the comfort and suitability of their accommodation (82% village, 80% care). More than four in five residents (79% village, 83% care) were very satisfied with the respectfulness, authenticity and willingness of the staff to assist at their village. The survey highlighted promptness of village repairs and maintenance and choice of food in the care centres as key areas for improvement.

STAFF ENGAGEMENT SURVEY

The feedback received from our second survey of staff was excellent with very positive feedback received again.

2,600	Almost 2,600 staff, split between caregivers (1,279), registered nurses (273), other village, casual and support centre staff

- Staff engagement in their everyday work was indexed at 86% (2019: 78%);
- 94% (2019: 96%) of staff surveyed were determined to give their best effort at work each day; and
- 85% (2019: 83%) of staff feel motivated to go above and beyond what is required.

The survey offers insight into the culture developing across the organisation. Reporting of results has been provided to staff to a granular level to enable functional areas to benefit.

TECHNOLOGY

Arvida continues to invest in new technologies and improvement of existing processes.

The roll out of a new medication dispensing system to care centres was completed during the year. It is now fully implemented and functional. This means resident medication can be dispensed using real time updated clinical records. This follows on from implementation of the resident management system across our care centres last year, which provided the platform to assist in improving staff productivity and delivering improved care outcomes.

Voice over internet (VOIP) and internet services to residents were also introduced. These services are now a standard offering with all new communities having a fibre backbone to allow more residential services to be provided over the network. Work on implementing the VOIP solution across the Group is well progressed. This solution provides scalability and ease of deployment for services over our networks. All services are provided over an integrated single platform managed by Arvida.

HEALTH & SAFETY

Arvida is committed to the health and safety of our people, providing a healthy and safe place for everyone who lives and works with us. As highlighted in our materiality matrix (see page 51), resident and staff wellbeing and safety rank high as material matters for business importance and stakeholder consideration.

Over the past two years, we have dedicated a lot of time, energy and resource to building our health and safety framework across the business, and implementing our online software solution, Mango, to record and monitor our health and safety performance.

Our staff survey shows we have strong safety values and high staff satisfaction to health and safety, where 85% of staff considered the work environment to be safe. Similarly, the annual survey conducted by McCrindle found care residents were most satisfied with the safety and security (85%) and village residents were second most satisfied (80%).

Our Health and Safety Plan outlined last year indicated ten goals for completion before 30 June 2020. Good progress has been made across all ten goals, with a staged approach to be taken in aligning our health and safety systems to ISO 45001.

COVID-19

The Covid-19 pandemic put a focus on our health and safety framework.

Existing standard operating procedures and infection protocols are in place to manage common viruses that more often affect our residents. These systems provide for a safe and healthy environment for our staff to provide the care to our residents.

In February 2020, we commenced a review and extension where necessary of these existing systems to ensure our preparedness for the new novel coronavirus, Covid-19.

A pandemic response team was formed at Group level and new procedures and protocols implemented across care centres and village communities to reduce the risk of an outbreak in any of our villages. At the earliest stages, rigorous controls were put in place across the Group that took a more conservative approach than recommended by the Government and public health bodies. The objective was always to ensure resident and staff safety first. As at the date of this report, we have registered no positive cases of Covid-19.

During this period, the mental wellbeing of staff was also considered. Our Employee Assistance Program was available to all staff to support their mental wellbeing.

5,300+	Over 5,300 Health and Safety training courses completed online

SUSTAINABLE BUSINESS

Arvida recognises that a successful future is dependent on the sustainability of the environments, communities and economies in which it operates. This year we took steps to measure and actively manage our environmental impact. Toitu has been engaged to measure and audit our carbon emissions.

These are measured under three scopes:

Scope 1:
Direct emissions from sources that are owned or controlled by the organisation, for example, air conditioning systems and petrol and diesel to fuel our motor vehicles and lawnmowers
Scope 2:
Indirect emissions are those that occur as a consequence of the activities of the organisation but are from sources owned or controlled by another company, for example, emissions generated from purchased electricity
Scope 3:
Mandatory emissions from other indirect emissions due to the activities of the organisation, for example, air travel, taxis and waste to landfill Scope 3 (Additional): Additional emissions from other indirect emissions such as construction activities, paper use and residents' electricity

Our FY2020 emissions data has been collected. This will undergo a verification audit by Toitu to establish the FY2020 year as the base period for measurement of our carbon emissions.

As part of the audit we expect to set our plan to reduce our carbon emissions. As we learn more, we will be able to take action in a number of areas over the coming years. We will introduce initiatives to reduce the carbon emissions created by electricity, waste, travel, and paper. We expect reducing carbon emissions generated from our construction activities will be included in this plan.

In the current year we offset 100 tonnes of carbon emissions generated through car and air travel by buying carbon credits in Air New Zealand's FlyNeutral programme.

As Arvida grows and the number of villages in operation increases, it means we will continue to increase our absolute carbon emissions. To measure the effect of our initiatives, we will measure our reductions on an intensity basis i.e. carbon emissions per dollar of total revenue. This is an acceptable reduction basis under the Toitu programme.

The Board has adopted a sustainability policy that embraces the following key principles:

- Complying with all applicable statutory duties and regulatory requirements.
- Mitigating and managing the adverse impacts and risks of our business activities on the environment, whether natural or built.
- Ensuring continuous improvement in our social and environmental performance so we positively contribute to the communities in which we operate.

Not only do we strive to be a leading provider of quality retirement and aged care services and accommodation, we also aim to be a responsible business.

Our values and code of ethics sets out our expectations for our people to conduct business in a legal, ethical and safe way. The Code covers matters such as our commitment to act in good faith, undertake duties with care and diligence, and avoiding conflicts of interest.

We support our communities, embracing local community initiatives, being a fair employer and being open and transparent about our business activities and finances. We make a valuable contribution through payment of corporate income taxes, goods and service taxes and remitting employment related taxes on behalf of our employees. A proportion of our profit is also paid out to shareholders as imputed dividends.

2020 Awards

New Zealand Aged Care Association

NZACA – VCare Legendary Service to the Aged Residential Care Sector Award went to our Mary Doyle village manager. The award recognises the outstanding contribution of someone who has been part of the aged residential care industry for more than ten years.

Ashwood Park made the finals for the **QPS Benchmarking Innovative Delivery Award.**

OTHER COMMENDATIONS

- **2019 Therapy Box Scholarship by Village at the Park**
- **Dr Trevor Jarvis Commitment to Adult Learning Award** from Bradford University for the work completed evaluating the Attitude of Living Well Shared Leadership programme for people living with dementia.

STRATEGY IN ACTION

BUILDING WELL

Develop quality integrated retirement villages, either by adding to or improving existing villages or through acquiring bare land and building new villages

FY2020 REVIEW

A total of 210 new units were delivered across developments at Lauriston Park, Bethlehem Country Club, Bethlehem Shores, Glenbrae Village, Mary Doyle, Village at the Park, Waimea Plains, St Albans, Park Lane, Rhodes on Cashmere and Queenstown Country Club.

The managed investment in our development team, which has grown progressively over a couple of years in parallel with the increase in build rate, has enabled them to manage an extensive construction programme across a diverse range of projects with relative ease.

The in-house construction management team in Tauranga has continued to work well delivering greater project and cost certainty to the Copper Crest development. With the success of this team, we took the opportunity to further increase our construction capacity over the year as part of the village acquisition process. On-the-ground construction teams were added at Bethlehem Country Club, Bethlehem Shores and Queenstown Country Club. This allowed the build programmes to continue seamlessly, retaining the knowledge and know-how embedded in those teams. Importantly we were able to evolve the design characteristics to align with our model and strategy.

We see the internalised construction capabilities key to delivery certainty in Queenstown and the Bay of Plenty, where we have several years of future development in existing villages planned. Our current construction model has the potential to be applied in other areas of New Zealand where we have future planned development activity such as Kerikeri and Lauriston in Cambridge.

210	New units delivered over the year, with 100 units delivered within the last quarter

FUTURE DEVELOPMENT

At the time of New Zealand Government's Alert Level 4 lockdown restrictions coming into place, development was progressing across one greenfield and eleven brownfield sites. This included two multi-storey buildings at Aria Bay and Copper Crest due for completion in FY2021. All other development involves construction of single level villas and two-level apartment buildings.

On 26 March 2020 construction activity stopped at all sites. Sites were safely and securely closed for the lockdown period, with only essential weathertightness or health and safety related works completed. On 28 April 2020, sites were reopened and construction activities recommenced under Alert Level 3 restrictions.

Guidance of a target annual build rate of 250+ units for FY2021 and beyond had been previously provided. The Board has considered the potential impact of current market conditions on the planned delivery programme. While capacity exists to continue with the planned programme, the Board considers it prudent to reset guidance taking a conservative approach that retains flexibility going forward.

Accordingly, near term delivery guidance for FY2021 and FY2022 is around 200 units. Completion of current in-progress developments is prioritised, particularly the two key multi-storey projects that represent almost 70% of the projected FY2021 delivery. Works will also continue on resident clubhouses at Queenstown Country Club and Waimea Plains, the Wellness Centre at Park Lane and the pool area at Bethlehem Shores. The commencement date on some other projects has been deferred.

A range of factors could impact FY2021 delivery timeframes including additional Covid-related construction site shut downs, disruption to building material supply lines, and ready access to building fitout materials within reasonable timeframes.

Construction of villas typically involves staged construction of three to six months in duration. This enables quick response to changes in customer demand and active control of investment cash flows.

Currently good presale interest and commitments are in place for the planned FY2021 villa construction programme.

Our future development pipeline includes the potential addition of over 1,683 units.

200+	200+ new units expected to be delivered in FY2021

LAND ACQUISITION

During the year 3.2 hectares of bare land in Masterton was acquired. The land provides for the extension of Lansdowne Park with the addition of 50 villas.

We continue to evaluate the acquisition of greenfield development sites with both the volume and quality of land acquisition opportunities likely to increase. Vendor expectations for land prices have already moderated in the current climate albeit competition for good sites is strong. Having a mix of regional and urban future development opportunities in our pipeline is desirable.

18 ha	18 hectares total land available for greenfield development

Projects Completed in FY2020

BETHLEHEM COUNTRY CLUB, TAURANGA

6	Villas 5 settled

BETHLEHEM SHORES, TAURANGA

9	Villas 9 settled

LAURISTON PARK, CAMBRIDGE

12	Villas delivered in 1H20 10 settled (2 under contract)

MARY DOYLE, HAVELOCK NORTH

14	Villas 8 settled (3 under contract)

WAIMEA PLAINS, RICHMOND

38	12 Townhouses and 26 Villas 29 settled (2 under contract)

GLENBRAE VILLAGE, ROTORUA

10	Apartments 5 settled

RHODES ON CASHMERE, CHRISTCHURCH

8	Apartments 1 settled (2 under contract)

VILLAGE AT THE PARK, WELLINGTON

24	Apartments delivered in 1H20 24 settled

QUEENSTOWN COUNTRY CLUB, QUEENSTOWN

15	Villas 13 settled (1 under contract)

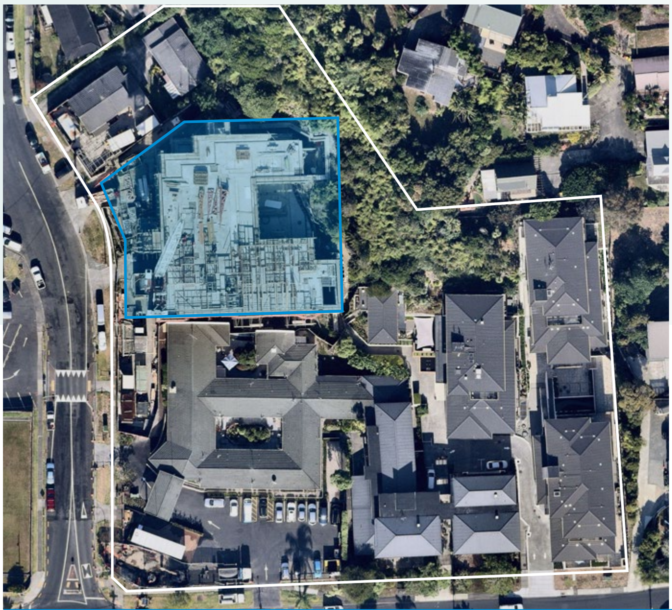
ST ALBANS, CHRISTCHURCH

25	Apartments delivered in 4Q20 5 settled (4 under contract)

PARK LANE, CHRISTCHURCH

49	Apartments delivered on lockdown 3 under contract

Key Projects in FY2021

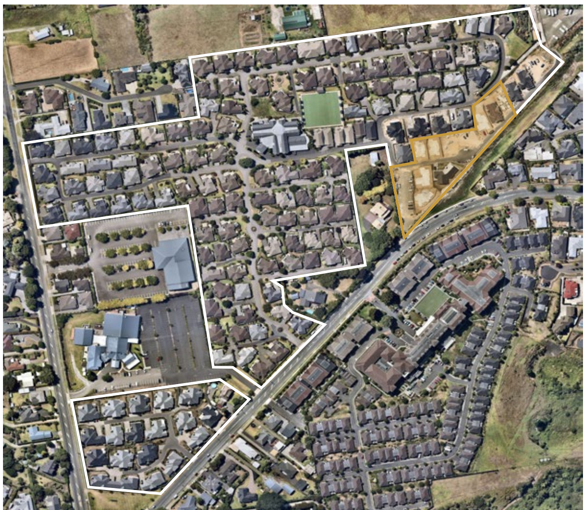


ARIA BAY, AUCKLAND

Construction of the Living Well Care facility comprising 59 care suites (including 18 dementia) is well advanced. The building is largely closed in, with the roof on and interior fitout progressing.

With time lost due to the Covid-19 shutdown completion is now late FY2021.

On completion, residents from the existing adjacent care building will be relocated into the new facility to make way for the remainder of the site to be re-developed.



BETHLEHEM COUNTRY CLUB, TAURANGA

BETHLEHEM SHORES, TAURANGA

Arvida's construction teams have continued to deliver villas at both Bethlehem Shores and Country Club at good pace. Bulk earthworks are well advanced at Shores for Stage 5 villas (master plan still being finalised), which is due to commence in FY2021.

Planning for the Living Well care & apartments facility has commenced. We expect to submit plans for resource consent this financial year.

COPPER CREST, TAURANGA

Construction of the Living Well care and apartments building is well progressed with the two care wings fully closed in and the apartment wings well advanced. On completion the facility will comprise 29 serviced apartments and 55 care suites in five households, including one dementia household.

Currently completion is still anticipated this financial year, despite time lost due to Covid-19 shutdown.

PARK LANE, CHRISTCHURCH, WELLNESS CENTRE

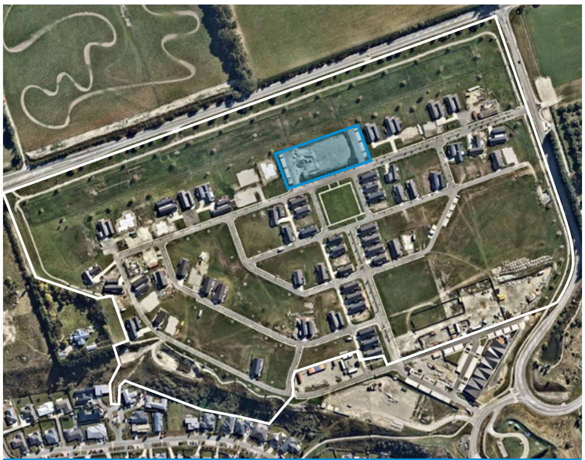
Construction is progressing well with concrete precast walls and floors largely complete and roof steelwork in place. Internal framing has commenced.

The centre remains scheduled for completion in FY2021.

WAIMEA PLAINS, RICHMOND

Stage 2 Villa construction (25 units) is advancing well with over half with cladding and windows installed. Construction of the residents' Clubhouse has commenced with the floor-slab laid and some frames stood.

Stage 2 villas are expected to be complete in FY2021 and the Clubhouse in FY2022.



QUEENSTOWN COUNTRY CLUB, QUEENSTOWN

Villa construction continues to progress well, with 15 villas currently planned for delivery in FY2021. Plans are well advanced for construction of the 1,600 sqm Residents' Clubhouse to commence. Amenity for resident use will include a pool, gym, lounge and dining area, library and cinema.

Master planning continues for the Living Well Care & Apartments facility that will include 100 apartments and 67 care suites (including dementia).

DEVELOPMENT STAGING

	UNITS		DESIGN	CONSENTING	CONSTRUCTION	SALES
Mary Doyle	7	Villas	→	→	→	→
Bethlehem Country Club	15	Villas	→	→	→	→
Bethlehem Shores	182	Villas, Apartments & Care	→	→	→	→
Queenstown Country Club	266	Villas, Apartments & Care	→	→	→	→
Glenbrae	16	Care & Apartments	→	→	→	→
Copper Crest	86	Villas, Apartments & Care	→	→	→	
St Albans	25	Care & Apartments	→	→	→	
Rhodes on Cashmere	42	Care & Apartments	→	→	→	
Aria Bay	116	Care & Apartments	→	→	→	
Lauriston Park	96	Care & Apartments	→	→		
Cascades	130	Care & Apartments	→	→		
Aria Park	95	Care & Apartments	→	→		
Village at the Park	25	Villas	→	→		
Lansdowne Park	50	Villas	→	→		
Oakwoods	31	Apartments	→			
TOTAL BROWNFIELD	1,182					
Waimea Plains	222	Villas, Apartments & Care	→	→	→	→
Kerikeri	279	Villas, Apartments & Care	→	→		
TOTAL GREENFIELD	501					
TOTAL	1,683					

STRATEGY IN ACTION

BUYING WELL

Acquire quality retirement villages that are complementary to the overall portfolio composition and deliver long term value through operations or value adding opportunities

FY2020 REVIEW

The acquisition of Bethlehem Country Club, Bethlehem Shores and Queenstown Country Club from the Sanderson Group was completed on 31 July 2019 for $180 million. Rationale supporting the transaction included acquiring villages highly complementary to the existing portfolio and Arvida strategy, accessing significant development opportunities in high quality locations and delivering immediate valuation and earnings accretion.

The ability to acquire and integrate well is core to our growth strategy of accessing immediate new cash flows and new development opportunities.

The acquisition strategy includes building care facilities at Bethlehem Shores and Queenstown Country Club. Integrated care provides residents with the confidence that care services will be available to them, while adding value to the overall village proposition. Plans for care centres at these two villages have been refined with time spent evolving the designs to allow delivery of the Arvida care model.

LOOKING AHEAD

The current climate, where a range of uncertainties are emerging for individual and private owners, could present opportunities to acquire quality villages well or advance sector consolidation.

The strong run up in house prices over the last couple of years had contributed to relatively full vendor price expectations. As noted, this environment has moderated and will likely become more acute for private owners and speculative developers.

The more desirable locations for investment are those areas where we are currently underweight, that exhibit favourable demographics, or complement existing Arvida villages.

TRACK RECORD

A total of fourteen villages have been acquired since IPO, adding a total of 2,293 units to our portfolio. In addition, the acquired villages have delivered significant brownfield development opportunities and scale benefits.

ENGAGING WELL

Deliver health and wellbeing services to the broader ageing community by using our expertise and assets to explore new growth opportunities for the future of our business

COMMUNITY DYNAMICS

The ageing of our population continues with the number of those aged over 75 forecast to more than triple over the next 50 years. The majority will choose to live independently with around 13 per cent currently choosing to live in retirement villages. This participation rate has remained relatively static over the past couple of years.

In the modern world, creation and maintenance of social relationships has become more complicated. Increasingly our communities are at risk of loneliness and social isolation, which is well documented as a "serious public health concern".

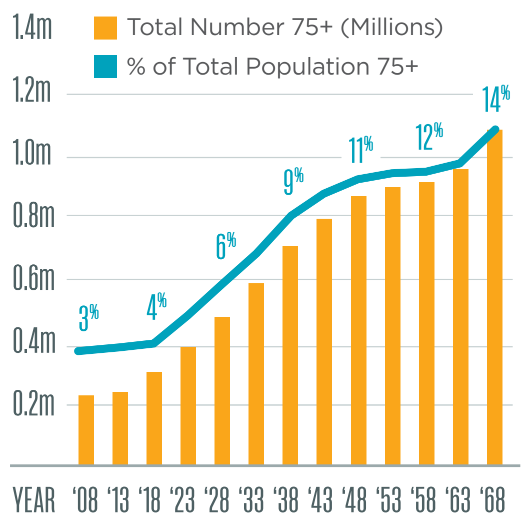
Risk factors for loneliness and social isolation amongst those aged over 75 are heightened through family dispersal, decreased mobility and income, loss of loved ones, and poor health. It is thought that societal change, including reduced inter-generational living, greater geographical mobility and less cohesive communities, have also contributed to higher levels of loneliness in the older population.

Unfortunately for those living independently through Covid-19, self-isolation will likely have had a disproportionately negative effect. Social contact for them happens out of the home, when shopping, enjoying activities at community centres, or places of worship.

The sense of community gained from living within a retirement village is a key attraction for many residents. This benefit has been highlighted through the Covid-19 experience.

Increasing social engagement that helps form trusting relationships is fundamental to improving the wellbeing of our ageing population and addressing loneliness and social isolation evident in our communities.

NEW ZEALAND POPULATION PROJECTION AGED 75+



Source: Statistics New Zealand

GOOD FRIENDS PILOT

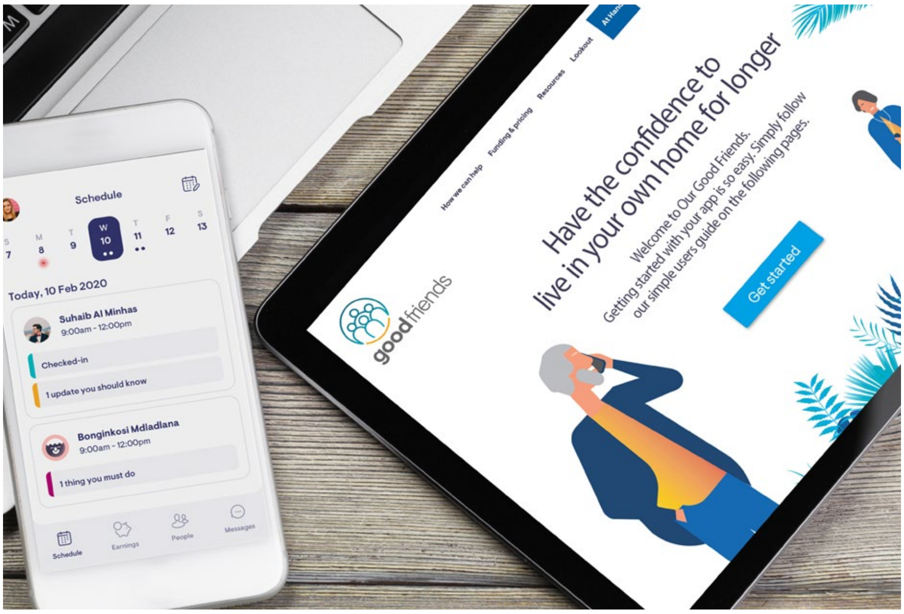
We have long held the view that our customer audience can extend beyond the boundaries of our villages. The challenge was how to engage with these customers and how to deliver services to the wider community in a way that aligns with our values.

We looked domestically, and found challenges in the incumbent model. Service levels were inferior, customer satisfaction was poor and financial sustainability inadequate. We widened our scope internationally to identify other innovative service delivery models.

Fundamentally we saw technology forming a bigger role in the delivery of quality services and authentic connection. Through our research, we identified Five Good Friends, an Australian home care operator, as a model that most closely aligned with our aspirations. Technology has enabled Five Good Friends to redefine care and support in the home. We saw much of what they were doing in Australia as best in class.

Late last year we reached agreement with Five Good Friends on delivery of a technology roadmap for New Zealand. The platform closely aligns with the Ministry of Health's digital framework. Core features include:

- Highly person centred peer-to-peer technology that connects members who require in-home help, care and services to helpers with the appropriate vetted and verified skills
- Shares information with the authorised representative that supports an individual
- Core functionality includes visit schedules, profiles of helpers and members, helper check in and check out, visit progress, visit date and time editing, visit rating and visit notes



- Service delivery is underpinned by the technology, which brings transparency and efficiency to the delivery of services in the home
- It also allows early intervention in any health changes through empowering machine learning

Later this year we will pilot the platform in Christchurch.

Key objectives of the Ministry of Health's digital framework

- People are in control of their own health information
- Digital services and health information improve health outcomes and equity
- Digital services enable health providers to deliver better services
- Digital services increase the performance of the public health system
- Data insights provide evidence to make and support informed decisions

COMMUNITY FACILITIES

We have been discussing our 'outwardly focused view' for some time as we evolved our Attitude of Living Well™ model to incorporate the broader community. With the Good Friends home care journey now well underway, we have refined and embedded this concept into our unique home care model.

We saw services into the home as critically important but it does not adequately address the loneliness and social isolation problems. With interaction between our residents and the community mutually beneficial, and a need for similar services, it makes sense to provide this on our retirement village sites. To this end, we are seeking to include community facilities in our new villages and, in time, at existing villages where practical.

Our first will be the Wellness Centre currently under construction at Park Lane in Christchurch. The centre is scheduled to open early in the new year and will bring an exciting new concept to community. It will provide a new space where the Christchurch community of all interests can come together for meaningful social interaction and connection. Community facilities are central to our holistic community engagement solution.

Village common facilities have typically been reserved for the exclusive use of residents. Through co-locating common facilities at the front of the village with other health and hospitality amenity so they are more accessible to the community as a whole, we are encouraging greater community engagement. We see these types of multi-faceted facilities becoming increasingly a key part of a village's master plan.

We are continuing to explore a range of opportunities to integrate our villages better with the community.

MEASURING OUR PERFORMANCE

LIVING WELL

FY20		DESCRIPTION	PERFORMANCE
UNDERLYING PROFIT [9] $51.7m	FY19 $38.6m	Underlying Profit is used to monitor financial performance and determine dividend distributions.	Overall, another strong result was delivered for the year notwithstanding the disruption to operations in the final quarter of the financial year caused by the Covid-19 virus. Continuing cost pressures particularly in relation to care employee costs and property costs put pressure on our operating margin. However, the addition of three quality villages during the year and new units through development supported revenue line growth. The company adapted well to the Covid-19 challenges and continued to operate as an essential business through the lockdown period, with only construction and sales activity pausing.
RESALE MARGIN (%) 23%	FY19 23%	Measures the change in value at which the resale of a pre-existing ORA occurs.	Continued high resale margin performance reflects increased resale volumes and values. Sales activity benefited from increased ILUs resales, which comprised 39% of resales. The average ORA resale value increased 12% to $377,000 per unit and total gross proceeds from ORA resales increased $17.7m to $104.8m.
NET IMPLIED VALUE PER SHARE $1.33	FY19 $1.38	Measures the net value per share of existing assets at market value.	The net implied value per share includes the updated valuations of the retirement villages and aged care facilities completed by CBRE and JLL. The decrease of $0.05 per share reflects the issuance of new shares to part fund the acquisitions at an issue price lower than the net implied value per share.

9. Underlying Profit is a non-GAAP (unaudited) financial measure and differs from NZ IFRS net profit after tax. Please refer to page 22 for a reconciliation to Reported Profit under IFRS.

GEARING RATIO 30%	FY19 25%	Measures financial leverage in our balance sheet (calculated as net debt to net debt plus book equity).	Gearing was at the mid point of the target range of 25% to 35% and well below bank covenants. Post balance date, an additional debt facility of $100m was put in place with the existing banking syndicate to provide financial flexibility. Total facilities of $475m provide $162m of undrawn net debt headroom.
FACILITIES WITH 4 YEAR CERTIFICATION 80%	FY19 65%	Measures the proportion of care facilities that have attained a high clinical standard as assessed through independent audit to Ministry of Health criteria.	There were 5 certification and 3 surveillance audits performed this year. Three of the certification audits received four-year certification. Wendover was closed during the year, reducing the number of care facilities to 25.
CARE OCCUPANCY 95%	FY19 96%	Measures care facility occupancy at March year end (excluding any beds that are not available for occupancy due to refurbishment or upgrade of the facility).	Occupancy remained high throughout the year, but dipped slightly with coronavirus health risks limiting ability to accept new admissions to care centres during New Zealand Alert Level 4 lockdown. High occupancy underpins care revenue, with better ability to vary premium fees charged in facilities with higher occupancy.
TRAINING & DEVELOPMENT 31,000+	FY19 26,000+	Measures the number of training modules completed by staff through the Altura remote learning platform that contains some 200 aged care related courses.	Course completions were up over 15% from last year, with the major focus in the fourth quarter being Covid-19 related learning materials delivered through our e-learning platform.

FY20		DESCRIPTION	PERFORMANCE
HEALTH & SAFETY 1 (notified incident)	FY19 6	Measures serious work-related Health & Safety events notified to Worksafe. Notifiable events include incidents, illness and injuries that occur inside or outside the actual work site.	We have experienced a reduction in serious injuries reported to Worksafe. The one reported incident related to an investigation into unsafe work practices at height. No further actions resulted from this notification. No accidents or injuries were required to be reported to Worksafe. Arvida aims for continual improvement in health and safety with a zero tolerance target for notifiable incidents. Concurrently the Group expanded rapidly as well as introduced added complexity with an expanded construction team. The acquisition of three Sanderson villages not only increased resident and staff numbers, but also added a team of builders and other associated trades to the construction team. The new members to the Group embraced the Arvida commitment to placing health and safety as a priority. Construction work has historically been an industry where health and safety has carried a higher risk element. Good health and safety management has limited injuries to minor incidents only. Teams continue to utilise well trusted contractors to carry out work on our buildings. The main cause of staff injuries within our care centres are predominantly sprains or strains from resident handling. These have a higher risk of staff requiring time off work and/or medical treatment. Other injuries usually requiring first aid treatment are from unexpected resident behaviour and trips or slips.

BUILDING WELL

FY20		DESCRIPTION	PERFORMANCE
NEW UNITS DELIVERED 210	FY19 113	Measures the number of new units built and delivered during the year.	FY2020 guidance was for 170 units. This was lifted to 200 units with the Sanderson acquisition. Delivery was 10 higher than this stated target highlighting strong performance by the construction team. With uncertain market conditions, near term delivery guidance is maintained at this level.
DEVELOPMENT PIPELINE 1,683	FY19 1,357	Measures consented and non-consented future development activity within our current portfolio but excludes developments where we have not concluded our initial planning.	Growth delivered through the Sanderson acquisition and acquisition of a 3.2ha site in Masterton to allow for further development of Lansdowne Park. No greenfield development sites were acquired during the year. Broad acre sites continue to be evaluated.
DEVELOPMENT MARGIN 18%	FY19 18%	Measures the realised development margin by comparing the ORA price for a unit to its direct development costs.	Consistent development margins delivered a doubling of new ORA sale gains to $15.6m. This growth was driven by a 117% increase in gross proceeds from new ORA sales to $96.1m.

BUYING WELL

FY20	PERFORMANCE
ACQUISITION ACTIVITY UPDATE	Three high quality villages were acquired during the year. The acquisition was part funded by an institutional placement, pro-rata rights offer and escrowed shares issued to the vendor. Financial performance has exceeded our acquisition modelling and delivered positive returns to shareholders participating in the capital raising.

ENGAGING WELL

FY20	PERFORMANCE
PROJECTS AND INITIATIVES ACTIVELY BEING INVESTIGATED	Agreement with Five Good Friends announced to develop a community engagement platform for New Zealand. This platform will allow services to be extended to our ageing communities. Refer to pages 42 to 43. A pilot in Christchurch takes place in FY2021 and will complement the opening of Wellness Centre at Park Lane.

MATERIALITY

WITHIN THE REPORT

FOCUS DURING THE YEAR

Two separate pieces of stakeholder engagement work were completed during the year, focused on internal and external stakeholders respectively. Those pieces of work formed the foundation for an updated materiality assessment and matrix for the 2020 Annual Report.

Additionally, we sought to transition the methodology toward a process more closely aligned with recommendations provided by the Integrated Reporting <IR> framework.

MATERIALITY ASSESSMENT

Materiality assessments add value by not only identifying priority topics but also providing justification for why some topics may not be quite as urgent. It is difficult to devote equal attention to a large number of varied topics. In this sense a materiality matrix provides a stakeholder-established explanation for why some topics may take precedence over others both in terms of management and reporting.

This is tempered with consideration for the topics upon which Arvida can have an impact. For example, while stakeholders may have assessed environmental footprint and waste as being slightly less material, Arvida may have a unique opportunity to make positive headway on this topic relative to, for example, DHB funding rates.

In this sense the materiality matrix considers those topics where Arvida has an opportunity to shift the dial rather than basing all future decisions on the placement of the topic on the matrix.

MATERIAL TOPICS

For FY2020, Arvida's material topics remained largely unchanged from those identified in 2019. While Arvida published a most material subset of these in the 2019 Annual Report, the process this year focussed on assessment of the broader topic list.

The material topics again covered risks identified on the internal risk register and were grouped broadly into core capitals – social, environmental, financial, human and governance.

EXTERNAL STAKEHOLDER ENGAGEMENT

Except for a few new unique topics, there was a high level of consistency between the topic lists applied to the 2019 internal stakeholder and the external stakeholder surveys.

Feedback was invited from a range of external stakeholders on the relative importance of the material topics. This was conducted through an online survey where participant feedback was anonymised. The views delivered across the stakeholders were broadly uniform.

External stakeholders included a range of participants broadly classified as shareholders, suppliers, industry bodies, allied health service providers and funders.

Our Key External Stakeholders	
Shareholders	More than 6,000 shareholders
Communities	Villages in 32 locations spread across New Zealand
Regulators	68% of care revenue from the Ministry of Health
Suppliers	Total spend of over $150 million

BUSINESS IMPACT ASSESSMENT

The assessment of each topic's business impact was completed by a group of ten internal stakeholders including Arvida's senior leadership team.

In order to robustly assess the potential impact each topic could have on Arvida's business, the business impact assessment was broken down into three, more tangible, criteria.

Criterion	Definition
Resident Experience	What is the potential impact of the topic on the resident experience at Arvida?
Brand Value/Social Licence	What is the potential impact of the topic on Arvida's Brand Value/ Social Licence?
Profitability	What is the potential impact of the topic on Arvida's longer-term profitability (5+ years)?

The profitability component of the business impact assessment was conducted via a short online survey, completed by each stakeholder individually. The other two components were completed in a workshop. Unlike the profitability assessment, which was based on an average of assigned scores, the premise of the workshop was to reach a consensus among the participating stakeholders. Stakeholders were tasked with reaching agreement within the group on a score from 1-10 for each topic across the two assessment criteria.

For the significant majority of topics, the spread of scores assigned across both criteria was very tight. This suggests that stakeholders shared both a common interpretation of each topic and also a similar perception of its potential effects. As such, reaching consensus on an overall score was relatively simple for most topics. Select topics required additional discussion, though this was generally due to differences in the interpretation of the topic.

MATERIALITY MATRIX

Overall, 19 material topics were assessed and included in Arvida's materiality matrix for 2020.

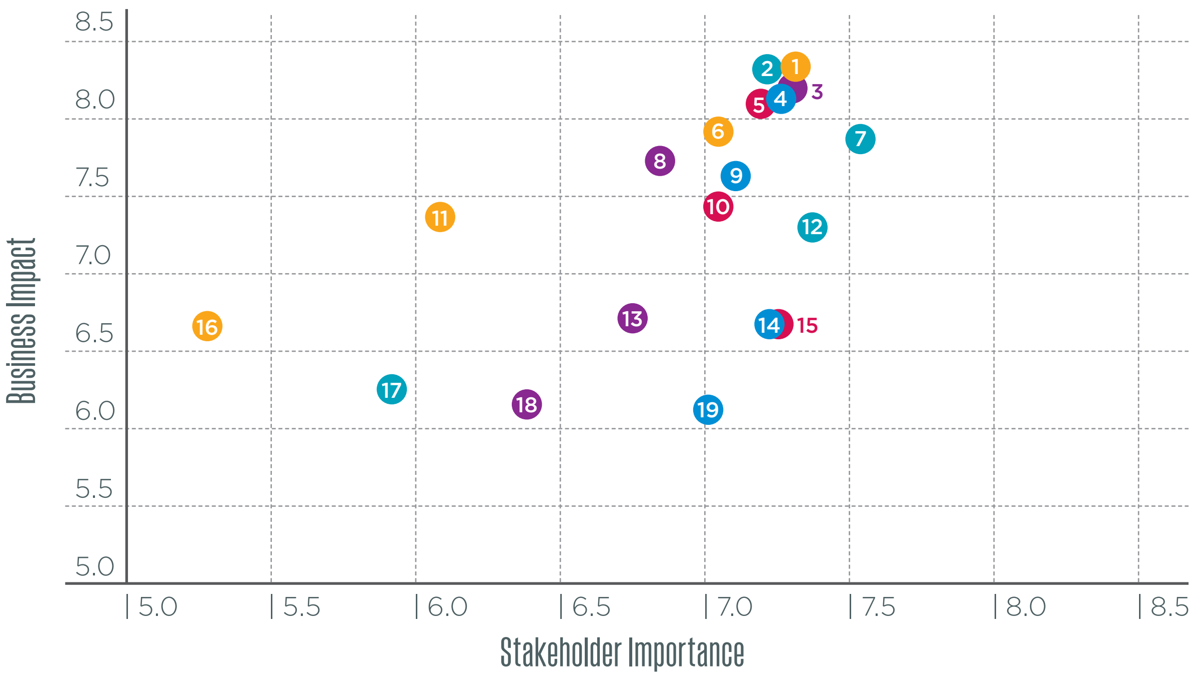
The stakeholder importance axis of Arvida's materiality matrix is populated with both internal and external stakeholder feedback data from the 2019 assessments. Following a validity check, this data was still considered current and was therefore not reassessed during this project.

Arvida's materiality matrix follows a common format in which the significant majority of topics are assigned a score above 6 on both axes. This is typical and underscores the fact that while some topics are more important than others, ultimately all topics on a materiality matrix have an inherent level of significance.

Additionally, Arvida's materiality matrix illustrates a clear trendline from the bottom left of the matrix through to the top right. This indicates an overall positive correlation between stakeholder importance and business impact for the identified topics.

This is encouraging as it suggests that the topics important to stakeholders may have a proportionate impact on the business and vice versa. Internationally, many materiality matrices follow a similar pattern.

ARVIDA'S 2020 MATERIALITY MATRIX



MATERIAL TOPICS 2020	
1	Financial Health
2	Resident Welfare
3	Market Demand
4	Resident Safety
5	Recruitment & Retention
6	Corporate Governance
7	Clinical Management
8	Organisational Culture
9	DHB Funding Rates
10	Staff Welfare & Safety
11	Community Participation
12	Privacy
13	Policy Reform
14	Insurance
15	Regulatory
16	Compensation
17	Residential Housing Market & HPI
18	Environmental Footprint & Waste
19	Reporting

NEXT STEPS

The matrix identifies the sustainability topics which stakeholder engagement has considered are of most importance to Arvida. For 2020 reporting, all material topics included in the materiality matrix have been published.

The results of this materiality assessment will be used as impetus to further design and refine Arvida's sustainability journey by complementing existing approaches such as the sustainability policy and initiatives within.

Measurable key performance indicators are already reported to stakeholders for the majority of the most material topics. Where there are none and Arvida considers it is a topic that it is able to influence irrespective of their position on the matrix, Arvida plans to develop indicators.

Developing specific targets and key performance indicators within the high-priority area will provide a transparent commitment to environmental, social and economic progress. Arvida will report back to stakeholders on initiatives and progress for those topics that Arvida devotes attention to.

BOARD OF DIRECTORS

ARVIDA GROUP

BOARD CAPABILITY ASSESSMENT

Deep Commercial Experience 5

Financial and Legal Expertise 4

Merger & Acquisition Experience 5

Governance Breadth and Experience 4

Health and Aged Care, Property Experience 3

Number of directors assessed to have deep expertise. Review conducted by Propero Consulting Limited in 2019.

PETER WILSON

CHAIR

Joined the Board and appointed Chair in November 2014

SKILLS

Peter has wide ranging governance experience with an extensive commercial and finance background.

EXTERNAL APPOINTMENTS

Deputy Chair of Meridian Energy.

ANTHONY BEVERLEY

INDEPENDENT DIRECTOR

Joined the Board in November 2014

SKILLS

Anthony has a strong track record and extensive experience in property, investment and the capital markets.

EXTERNAL APPOINTMENTS

Chair of Property for Industry; director of Ngai Tahu Property.

SUSAN PATERSON

INDEPENDENT DIRECTOR

Joined the Board in May 2015

SKILLS

Susan brings extensive corporate governance experience. In 2015, she was made an Officer of the New Zealand Order of Merit for services to corporate governance.

EXTERNAL APPOINTMENTS

Chair of Steel and Tube and Theta Systems; director of Goodman NZ, Les Mills NZ, EROAD, Sky Network Television, Reserve Bank of New Zealand and the Electricity Authority.

MICHAEL AMBROSE

INDEPENDENT DIRECTOR

Joined the Board in January 2014

SKILLS

Michael has over 20 years' experience in the aged care sector, providing advice on operational, expansionary and development activity for retirement villages.

EXTERNAL APPOINTMENTS

Chair of Manchester Unity Friendly Society, Garra International, Chateau Marlborough Hotel, director of Fiordland Lobster Company and Rodgers & Co.

PAUL RIDLEY-SMITH

INDEPENDENT DIRECTOR

Joined the Board in May 2015

SKILLS

Paul is a senior executive at Morrison & Co and Infratil where he is involved in the acquisition, disposal and management of Infratil assets.

EXTERNAL APPOINTMENTS

Chair of Trustpower.

Full director biographies are available on arvida.co.nz/For-Investors/Directors

SENIOR LEADERSHIP TEAM

The Arvida senior leadership team is a diverse and experienced management team that comprises the Chief Executive Officer, Chief Financial Officer and six other members of senior executive management.

BILL MCDONALD

CHIEF EXECUTIVE OFFICER

BBus, MAgriBus

JEREMY NICOLL

CHIEF FINANCIAL OFFICER

BCom, CA

MARK WELLS

GENERAL MANAGER,
FINANCE

BCom, ACMA

DENISE BRETT

GENERAL MANAGER,
WELLNESS AND CARE

NZRCpN, BA, LLB (Hons),
Dip Bus Studs

JONATHAN ASH

GENERAL MANAGER,
DEVELOPMENT

BEng, MIPENZ, MPINZ

TERESA SEUX

GENERAL MANAGER,
HUMAN RESOURCES

BA, PGDipBus, MHRINZ

TRISTAN SAUNDERS

GENERAL MANAGER,
SALES & MARKETING

BCom, PGDipBus Hons

KAY MARSHALL

GENERAL MANAGER,
VILLAGE SERVICES

BCom, VPM

Full biographies are available on arvida.co.nz/For-Investors/Executive-Management

HISTORICAL SUMMARY

KEY FINANCIAL & OPERATIONAL STATISTICS

FINANCIAL	2016	2017	2018	2019	2020
Care fees and village services ($000)	72,445	85,735	109,896	125,580	129,480
Deferred management fees ($000)	7,793	12,268	18,147	21,447	29,044
Total revenue ($000)	82,509	101,433	132,298	152,437	163,653
Operating earnings ($000)	17,396	20,529	23,518	22,602	24,026
Net profit after tax (IFRS) ($000)	24,024	53,668	57,637	59,075	42,640
Underlying profit [10] ($000)	15,781	23,135	33,019	38,635	51,686
Net operating cash flow ($000)	24,157	39,746	53,877	69,141	102,917
Total assets ($000)	460,701	795,829	1,132,380	1,299,648	1,907,070
Embedded value per unit ($000)	67	117	130	150	178
Underlying profit per share (cents)	6.05	7.66	8.9	9.33	10.23
Dividend per share (cents)	4.25	4.45	5.01	5.35	5.80
Net tangible assets per share (cents)	82.6	95.9	109.9	119.8	126.7
Shares on issue (000)	273,245	334,261	413,741	413,950	541,892

OPERATIONAL	2016	2017	2018	2019	2020
Number of Villages	21	26	29	29	32
Care beds	1,246	1,446	1,743	1,722	1,688
Retirement living units	908	1,301	1,850	1,955	2,475
Needs-based composition	82%	74%	68%	66%	57%
Occupancy of care beds [11]	94%	95%	96%	96%	95%
New sales of occupation rights	20	32	79	70	126
Resales of occupation rights	149	166	216	258	278
Total sale of occupation rights	169	198	295	328	404
New units/beds delivered	32	5	97	113	210
Units/beds under construction	24	262	486	604	507
Units/beds planned	201	645	613	753	1,176

10. Underlying Profit is a non-GAAP (unaudited) financial measure and differs from NZ IFRS net profit after tax. Please refer to page 22 for a reconciliation to Reported Profit under IFRS.
11. Measured in March for each financial year.

FINANCIAL STATEMENTS

ARVIDA GROUP LIMITED
FOR THE YEAR ENDED
31 MARCH 2020

DIRECTORS' STATEMENT

The Directors have pleasure in presenting the Financial Statements of Arvida Group Limited for the year ended 31 March 2020.

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 25 May 2020.

Peter Wilson
Chairman
25 May 2020

Anthony Beverley
Director
25 May 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

$000	Note	31 March 2020	31 March 2019
Care fees and village services	2	129,480	125,580
Deferred management fees	2	29,044	21,447
Other income	2	5,129	5,410
Total revenue		**163,653**	**152,437**
Gain on acquisition of villages	18	3,718	0
Change in fair value of investment property	6	22,199	48,686
Change in fair value of interest rate swaps		(2,671)	(2,458)
Change in fair value in property, plant and equipment		508	110
Share of profit arising from joint venture	17	2,826	3,382
Total income		**190,233**	**202,157**
Employee costs	3	95,125	88,607
Property costs	3	14,808	12,502
Depreciation and amortisation	7, 8	5,826	5,048
Impairment of goodwill	8	17,864	1,512
Finance costs	4	4,067	3,622
Transaction costs		576	276
Other expenses	3	29,694	28,726
Total expenses		**167,960**	**140,293**
Profit before tax		**22,273**	**61,864**
Income tax expense/(credit)	5	(20,367)	2,789
Profit after tax		**42,640**	**59,075**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net gain on revaluation of property, plant and equipment		11,191	2,457
Total comprehensive income		**53,831**	**61,532**
Earnings per share:			
Basic (cents per share)	15	8.44	14.27
Diluted (cents per share)	15	8.40	14.17

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

$000	Note	Retained Earnings	Asset Revaluation Reserve	Share Based Payment Reserve	Share Capital	Total
Opening Balance at 1 April 2018		**96,725**	**10,865**	**629**	**402,243**	**510,462**
Profit for the period		59,075	0	0	0	59,075
Other comprehensive income		0	2,457	0	0	2,457
Total comprehensive income		**59,075**	**2,457**	**0**	**0**	**61,532**
Dividends paid		(22,602)	0	0	0	(22,602)
Share based payments		0	0	216	116	332
Balance at 31 March 2019		**133,198**	**13,322**	**845**	**402,359**	**549,724**
Opening Balance at 1 April 2019		**133,198**	**13,322**	**845**	**402,359**	**549,724**
Profit for the period		42,640	0	0	0	42,640
Other comprehensive income		0	11,191	0	0	11,191
Total comprehensive income		**42,640**	**11,191**	**0**	**0**	**53,831**
Dividends paid		(29,585)	0	0	0	(29,585)
Share based payments		0	0	(19)	339	320
Share capital issued		0	0	0	151,731	151,731
Transaction costs		0	0	0	(3,455)	(3,455)
Balance at 31 March 2020		**146,253**	**24,513**	**826**	**550,974**	**722,566**

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2020

$000	Note	31 March 2020	31 March 2019
Assets			
Cash and cash equivalents		4,241	4,574
Trade receivables and other assets		11,180	7,990
Tax receivable		1,342	2,071
Resident advances		18,301	9,470
Accrued income		5,907	7,030
Property, plant and equipment	7	183,151	168,714
Investment properties	6	1,621,087	1,021,582
Investment in joint venture	17	25,880	24,254
Intangible assets	8	35,981	53,963
Total assets		**1,907,070**	**1,299,648**
Liabilities			
Trade and other payables	13	27,714	21,796
Employee entitlements	13	10,801	10,061
Revenue in advance	13	49,809	31,162
Interest rate swaps	11	5,711	3,039
Lease liability	10	4,871	0
Interest bearing loans and borrowings	11	312,504	190,072
Resident's loans	9	769,477	466,075
Deferred tax liabilities	5	3,617	27,719
Total liabilities		**1,184,504**	**749,924**
Net assets		**722,566**	**549,724**
Equity			
Share capital		550,974	402,359
Reserves		25,339	14,167
Retained earnings		146,253	133,198
Total equity		**722,566**	**549,724**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

$000	Note	31 March 2020	31 March 2019
Cash flows from operating activities			
Receipts from residents for care fees and village services		132,603	130,861
Receipts of residents' loans from resales		90,916	76,319
Receipts of residents' loans from new sales		75,845	39,603
Interest received		250	120
Payments to suppliers and employees		(128,083)	(124,274)
Repayments of residents' loans		(62,897)	(46,272)
Interest paid		(3,653)	(3,459)
Income tax paid		(2,064)	(3,757)
Net cash inflow from operating activities	**12**	**102,917**	**69,141**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(6,145)	(4,341)
Payments for village acquisitions	18	(178,953)	0
Purchase of investment properties		(146,423)	(105,501)
Proceeds from sale of assets		3,406	0
Capitalised interest paid		(6,305)	(3,198)
Net cash (outflow) from investing activities		**(334,420)**	**(113,040)**
Cash flows from financing activities			
Proceeds from borrowings		244,500	90,500
Repayment of borrowings		(122,000)	(22,500)
Proceeds of share issue		141,731	0
Transaction costs		(4,031)	(276)
Payments for lease liabilities		(645)	0
Dividends paid		(29,585)	(22,680)
Dividends received		1,200	300
Net cash inflow from financing activities		**231,170**	**45,344**
Net increase/(decrease) in cash and cash equivalents		**(333)**	**1,445**
Cash and cash equivalents at the beginning of the financial period		4,574	3,129
Cash and cash equivalents at the end of the financial period		**4,241**	**4,574**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 care facilities for the elderly in New Zealand.

These financial statements have been approved for issue by the Board of Directors on 25 May 2020. 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 Adopted

The Group has adopted NZ IFRS 16 'Leases' which replaces NZ IAS 17 'Leases' effective from 1 April 2019. The modified retrospective approach has been used to transition and the Group is not required to restate comparative information, instead adjusting opening equity. Arvida Group has also utilised the recognition exemptions for short-term leases (leases with a lease term of up to one year) and leases of low-value assets where appropriate. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for most lease contracts.

Operating leases have been recognised on the balance sheet as a right-of-use asset and a corresponding lease liability, based on the present value of the lease payments. As at 1 April 2019, Arvida Group recognised $5.0 million of right-of-use assets within property, plant and equipment and a lease liability of $5.0 million. As at 31 March 2020, the Group recorded $4.7 million of right-of-use assets and a lease liability of $4.9 million in the statement of financial position as a result of adopting the new standard.

The impact of adoption to the statement of comprehensive income for the year ended 31 March 2020 is a decreased profit of $0.1 million. Operating lease payments previously classified as cash flows from operating activities are reclassified as cash flows from financing activities for principal repayments of the lease liability. The interest paid on the lease remains in operating activities. There is no impact on actual cash payments.

Occupation right agreements confer the right to occupy a retirement unit and are considered leases under NZ IFRS 16. There is no change to the recognition or measurement of occupation right agreements and the associated deferred management fee revenue. Deferred management fee revenue will continue to be recognised over the period of service, being the greater of the expected period of tenure or the contractual right to revenue.

Refer to note 10 for further information.

New Standards and Interpretations not yet Adopted

There are no new standards, amendments or interpretations that have been issued and are not yet effective, that are expected to have a significant impact on the Group.

Comparative Information

No comparatives have been restated, apart from a reallocation between facility and financing costs within note 4.

2. INCOME

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.

Other Income

Other income includes income derived from resident recoveries and other sundries for services provided to residents such as meals and cleaning which are recognised in the period the service is rendered.

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 $73.1 million (2019: $70.9 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 4.1 to 5.0 years (2019: 3.9 to 5.0 years) for studios and serviced apartments, and are estimated at 5.9 to 9.4 years (2019: 6.2 to 9.0 years) for independent apartments and villas.

3. EXPENSES

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.

$000	2020	2019
Other expenses		
Directors' fees	498	498

4. FINANCE COSTS

$000	2020	2019
Interest expense	2,954	2,582
Facility costs	895	903
Financing costs	218	137
Total finance costs	**4,067**	**3,622**

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	2020	2019
Income tax expense		
Current tax	2,793	3,194
Deferred tax	(23,160)	(405)
	(20,367)	**2,789**

$000	2020	2019
Reconciliation to profit before tax		
Profit before tax	22,273	61,864
Tax at 28%	**6,236**	**17,322**
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:		
Changes in fair values	(6,358)	(13,663)
Reversal of deferred tax	(22,896)	0
Share of profit arising from joint venture (net of tax)	(791)	(947)
Non-taxable income and non-deductible expenditure	3,428	85
Other	14	(8)
Income tax expense	**(20,367)**	**2,789**

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% (2019: 28%).

Imputation Credits

The imputation credit balance for the Group and Parent as at 31 March 2020 is $0.2 million (2019: $0.2 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	2020	2019
Brought forward	**27,719**	**30,630**
Temporary difference in income statement		
Property, plant and equipment	(21,900)	0
Investment property	1,364	1,492
Deferred management fees	(1,854)	(952)
Other items	(770)	(945)
	(23,160)	**(405)**
Temporary differences in Other Comprehensive Income		
Property, plant and equipment	2,776	(2,506)
	2,776	**(2,506)**
Acquired on acquisition		
Deferred management fees	(3,718)	0
	(3,718)	**0**
Balance at end of year		
Property, plant and equipment	88	19,212
Investment property	19,051	17,687
Deferred management fees	(11,665)	(6,093)
Other items	(3,857)	(3,087)
Deferred tax liability	**3,617**	**27,719**

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.

Income Tax Legislation Amendments

On 26 March 2020, the Covid-19 Response (Taxation and Social Assistance Urgent Measures) Act 2020 received royal assent. This Act restored building depreciation deductions for non residential buildings for tax purposes. This has resulted in a $21.9 million reversal of deferred tax in the statement of profit and loss and corresponding reduction of deferred tax liability related to care facilities buildings.

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	2020	2019
Balance at beginning of period	1,021,582	862,615
Acquisition of villages	426,619	0
Additions	151,369	110,281
Reclassification from / (to) property, plant and equipment	(682)	0
Fair value movement - unrealised	22,199	48,686
Total investment property	**1,621,087**	**1,021,582**
Valuation of managers' net interest	614,750	430,339
Development land	100,230	53,150
Investment property under construction	92,728	47,885
Liability for residents' loans	769,477	466,075
Net revenue in advance / (accrued income)	43,902	24,133
Total investment property	**1,621,087**	**1,021,582**

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 land acquired with the intention of constructing a retirement village. All retirement village units that are contracted with an ORA are classified as investment property as the majority of the net operating cash flows generated are for the purpose of earning rental income and capital appreciation.

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.

Valuation Uncertainty

Independent registered valuers CBRE Limited and Jones Lang LaSalle Limited have both highlighted that the World Health Organisation declared a Global Pandemic on 11 March 2020 due to the outbreak of the novel coronavirus (“Covid-19”).

The valuers have both noted it is difficult, at the current time, to determine the effect Covid-19 will have on the retirement and aged care sectors in New Zealand. The impact will largely depend on both the scale and longevity of the outbreak and the consequential ongoing impact on the economy. Since the outbreak, comparable transactions and market evidence has been limited.

Consequently at the valuation date, the valuers have placed less reliance on previous market evidence for comparison purposes to inform their current opinions of value and have reported on the basis of ‘material valuation uncertainty’. As such, less certainty and a higher degree of caution is attached to the valuation than would normally be the case.

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 ("CBRE") and Glenn Loraine, an independent registered valuer of the firm Jones Lang LaSalle Limited ("JLL"). A valuation method was used based on a discounted cash flow ("DCF") model. CBRE used expected cash flows for a 20-year period and JLL used expected cash flows for a 25-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 5.9 to 9.4 years (2019: 6.2 to 9.0 years) for independent apartments and villas and 4.1 to 5.0 years for studios and serviced apartments (2019: 3.9 to 5.0 years)
House price inflation	Between -5.0% and 3.5% (2019: 0.0% and 3.5%)
Discount rate	Between 12.5% and 17.5% (2019: 12.3% and 16.5%)
Average age on entry	Between 71 and 84 years (2019: 73 and 84 years) for independent apartments and villas and between 80 and 87 years (2019: 80 and 86 years) for serviced apartments

The occupancy period derived by CBRE 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. The occupancy period derived by JLL for the existing residents is based on the observed historical length of stay within the village and the demographic profile of the existing residents, including age and gender. The stabilised occupancy period for new residents is guided by the historical length of stay for previous residents within the village, considered alongside village maturity, resident densities where a high proportion of couples will logically prolong the recycle profile, current age levels and whether it is a care or lifestyle orientated village.

A 0.5% decrease in the discount rate would result in a $21.1 million higher fair value measurement and an increase in the fair value gain recorded in the income statement. Conversely, a 0.5% increase in the discount rate would result in a $19.7million lower fair value measurement and a decrease in the fair value gain recorded in the income statement. A 0.5% decrease in the 5-year plus growth rate would result in a $33.7 million lower fair value measurement and a decrease in the fair value gain recorded in the income statement. Conversely, a 0.5% increase in the 5-year plus growth rate would result in a $36.3 million higher fair value measurement and an increase in the fair value gain recorded in the income statement. Other key components in determining the fair value of investment property are the average age on entry of residents and the stabilised departing occupancy period. A significant decrease (increase) in the stabilised departing occupancy period would result in significantly higher (lower) fair value measurement and a significant increase (decrease) in the average age on entry of residents would result in a significantly higher (lower) fair value measurement.

7. PROPERTY, PLANT AND EQUIPMENT

$000	Freehold Land at Valuation	Freehold Building at Valuation	Right of use assets	Work in progress	Other	Total
Year ended 31 March 2019						
Opening net book value	57,015	100,095	0	500	11,478	169,088
Additions	0	1,170	0	216	3,055	4,441
Depreciation	0	(1,948)	0	0	(2,822)	(4,770)
Revaluation	0	59	0	0	0	59
Disposals and transfers	0	194	0	(526)	228	(104)
Closing net book value	**57,015**	**99,570**	**0**	**190**	**11,939**	**168,714**
Cost or valuation	57,015	99,570	0	190	21,083	177,858
Accumulated depreciation	0	0	0	0	(9,144)	(9,144)
Net book value at 31 March 2019	57,015	99,570	0	190	11,939	168,714
Year ended 31 March 2020						
Opening net book value	57,015	99,570	0	190	11,939	168,714
NZ IFRS 16 transition	0	0	4,964	0	0	4,964
Acquisition of villages	0	0	0	0	1,033	1,033
Additions	0	616	282	1,060	5,035	6,993
Depreciation	0	(1,934)	(549)	0	(3,192)	(5,675)
Revaluation	4,053	10,423	0	0	0	14,476
Disposals and transfers	(7,025)	0	0	(92)	(237)	(7,354)
Closing net book value	**54,043**	**108,675**	**4,697**	**1,158**	**14,578**	**183,151**
Cost or valuation	54,043	108,675	5,246	1,158	26,915	196,037
Accumulated depreciation	0	0	(549)	0	(12,337)	(12,886)
Net book value at 31 March 2020	54,043	108,675	4,697	1,158	14,578	183,151

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 2020, had the land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately $40.0 million and $92.4 million respectively (2019: $47.0 million and $93.9 million).

Key Judgements and Estimates

Fair value of land and buildings is determined by reference to market-based evidence. Independent valuations 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 valuation every two years.

The fair value of care facility land and buildings for the year ended 31 March 2020 was determined by Michael Gunn, an independent registered valuer of the firm CBRE Limited and Glenn Loraine, an independent registered valuer of the firm Jones Lang LaSalle 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	Rates used range from 10.75% to 15.5% (2019: 11.5% to 14.5%)
Earnings	Market value for a care bed ranging from $68,242 to $181,818 (2019: $66,000 to $178,000)

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

Valuation Uncertainty

Independent registered valuers CBRE and JLL have both highlighted that the World Health Organisation declared a Global Pandemic on 11 March 2020 due to the outbreak of Covid-19.

The valuers have both noted it is difficult, at the current time, to determine the effect Covid-19 will have on the retirement and aged care sectors in New Zealand. The impact will largely depend on both the scale and longevity of the outbreak and the consequential ongoing impact on the economy. Since the outbreak, comparable transactions and market evidence has been limited.

Consequently at the valuation date, the valuers have placed less reliance on previous market evidence for comparison purposes to inform their current opinions of value and have reported on the basis of 'material valuation uncertainty'. As such, less certainty and a higher degree of caution is attached to the valuation than would normally be the case.

8. INTANGIBLE ASSETS

$000	Goodwill	Software	Total
Year ended 31 March 2019			
Opening net book value	55,192	555	55,747
Additions	0	6	6
Amortisation	0	(278)	(278)
Impairment of goodwill	(1,512)	0	(1,512)
Closing net book value	**53,680**	**283**	**53,963**
Year ended 31 March 2020			
Opening net book value	53,680	283	53,963
Additions	0	33	33
Amortisation	0	(151)	(151)
Impairment of goodwill	(17,864)	0	(17,864)
Closing net book value	**35,816**	**165**	**35,981**

Goodwill

Goodwill as at 31 March 2020 was $35.8 million (2019: $53.7 million). Goodwill has decreased as a result of the recognition of goodwill impairment.

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 21 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.

Due to the enactment of Covid-19 Response (Taxation and Social Assistance Urgent Measures) Act 2020, $23.1 million of deferred tax liability that was included and reduced the carrying value of seventeen of the CGUs as at 31 March 2019 was derecognised at 31 March 2020. This increased the carrying value of these seventeen CGUs at 31 March 2020.

In six of the 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. In fifteen of the CGU's the carrying value was in excess of the recoverable amount and an impairment was recognised. Goodwill allocated to any single CGU is not material. The goodwill impairment during the year was $17.9 million (2019: $1.5 million).

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 be incorporated into the cash flow estimates.	Pre-tax discount rates for each CGU, ranging from 11.3% to 16.3% (2019: 11.1% to 21.9%). The discount rates have been taken from the most recent independent valuation of each CGU.
Growth rates	Growth rates are used to extrapolate cash flows beyond the forecast period.	Growth rates of 2.5% (2019: 2.5%) have been used after the initial financial forecast period.

Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specified software. These costs are amortised at 50% on a diminishing-value basis.

9. RESIDENTS' LOANS

$000	2020	2019
Opening balance	466,075	415,201
Amounts repaid on termination of ORAs	(62,149)	(46,303)
Amounts received on issue of new ORAs	175,151	120,803
Amounts acquired on investment property	226,242	0
Movement in DMF receivable and residents' portion of capital gains	(35,842)	(23,626)
Total residents' loans	**769,477**	**466,075**

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 unit or serviced apartment. The present value of the operator's portion of estimated capital gain has been calculated by either CBRE Limited or Jones Lang LaSalle 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. LEASES

As Leasee

The leases to which NZ IFRS 16 applies are the leases of support office premises, the care facility at Glenbrae Village and various property, plant and equipment. In respect of these leases, a right of use asset is disclosed along with a corresponding lease liability. The right of use assets are depreciated on a straight line basis, while the lease liability is measured at the present value of the lease payments that are not yet paid, discounted using the Group's incremental borrowing rate.

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less as at the date of application of NZ IFRS 16. The Group recognises the lease payments associated with these leases as incurred as a rental expense over the lease term.

Right of use assets are classified as property, plant and equipment and lease liabilities are disclosed as such in the Group's statement of financial position.

The following practical expedients have been utilised in relation to the Group's operating leases as lessee:

- A single discount rate has been applied to a portfolio of leases with reasonably similar characteristics
- Leases with a term ending within 12 months of the date of application have been treated as short term leases
- Initial direct costs have been excluded from the measurement of the right of use asset at the date of initial application

The weighted average incremental borrowing rates used to measure lease liabilities at the date of application are 4.0%.

$000	2020
Operating lease commitments as at 31 March 2019	6,415
Operating expenses	(230)
Discounting at weighted average incremental borrowing rate of 4%	(1,251)
Lease liability as at 1 April 2019	**4,934**

When the Group has the option to extend a lease, management uses its judgment to determine whether an option would be reasonably certain to be exercised. Management considers all facts and circumstances, including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help determine the lease term. Other assumptions and judgments used by management include calculating the appropriate discount rate.

As Lessor

The accounting policies applicable to the Group as a lessor in the comparative period were not different from NZ IFRS 16. The Group acts as a lessor for occupation right agreements with village residents, along with a small amount of residential rental properties. The assets leased by the group as a lessor are disclosed as investment property and lease income is generated in the form of deferred management fees. The lease term is determined to be the greater of the expected period of tenure or the contractual right to revenue. The Group uses the portfolio approach to account for leases of units to village residents and allocates individual leases to different portfolios depending on the type of unit.

$000	2020
Interest on lease liabilities	188
Expenses relating to short-term and low-value assets	5
Depreciation on right of use assets	549
Total amounts recognised in profit and loss	**742**

11. INTEREST BEARING LOANS AND BORROWINGS

$000	2020	2019
Secured bank loans	313,000	190,500
Capitalised financing costs	(496)	(428)
Total interest bearing loans and borrowings	**312,504**	**190,072**

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

On 24 June 2019 a Deed of Amendment and Restatement was executed with ANZ Bank New Zealand Limited and Bank of New Zealand. The agreement incorporates a new Facility C of $125.0 million into the existing facilities agreement. The key terms of the amended facilities agreement are similar to the old facility.

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 2020 ranged from 1.7% to 3.1% pa (2019: 2.8% to 3.2% pa). A separate line fee is charged over the facility limit.

Interest Capitalisation

Interest costs are capitalised if they directly relate to development work in progress. Capitalisation commences when the activities to prepare the development works commence and continue until the asset is substantially ready for its intended use.

Interest costs of $6.3 million (2019: $3.2 million) were capitalised during the year. The weighted average capitalisation rate on the funds borrowed was 4.0% (2019: 4.2%).

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 2020, the Group was in compliance with its financial covenants (2019: the Group was in compliance with its financial covenants).

Interest Rate Swaps

Interest rate swaps are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently remeasured at fair value based on market observable inputs (level 2).

Funding facilities	Limit	2020 Drawn Amount	2019 Drawn Amount
Facility A maturing 5 June 2021	$125m	$125.0m	$125.0m
Facility B maturing 5 June 2023	$125m	$69.0m	$65.5m
Facility C maturing 24 June 2022	$125m	$119.0m	$0.0m
Total Facilities	**$375.0m**	**$313.0m**	**$190.5m**

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

$000	2020	2019
Profit after tax	**42,640**	**59,075**
Adjustments for:		
Gain on acquisition of villages	(3,718)	0
Changes in fair value of investment property	(22,199)	(48,686)
Changes in fair value of property, plant and equipment	(508)	(110)
Changes in fair value of interest rate swaps	2,671	2,458
Share of investment in joint venture	(2,826)	(3,382)
Depreciation	5,826	5,048
Impairment of goodwill	17,864	1,512
Movement in deferred tax	(23,160)	(405)
Transaction costs included in financing activities	576	276
Changes in working capital relating to operating activities		
Trade receivables and other assets	(10,067)	(5,779)
Trade and other payables	18,415	7,983
Refundable occupation right agreements	77,160	50,874
Other	243	277
Net cash inflow from operating activities	**102,917**	**69,141**

Cash comprises cash at bank, bank overdraft, cash on hand and call deposit facilities with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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.

13. TRADE AND OTHER PAYABLES

$000	2020	2019
Trade creditors	17,242	13,196
Sundry creditors and accruals	10,472	8,600
Employee entitlements	10,801	10,061
Revenue in advance	49,809	31,162
Total trade and other payables	**88,324**	**63,019**

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.

14. SHARE CAPITAL

Shares 000	2020	2019
Opening balance	413,950	413,741
Shares issued	127,942	209
Closing balance	**541,892**	**413,950**

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.

The Company incurred transaction costs of $4.0 million during the year (2019: $0.3 million), with $3.5 million of costs related to the issue of new shares and deducted from equity (2019: $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.

On 20 April 2018 Arvida Group Limited issued 209,315 ordinary shares to senior executives under the terms of its long-term incentive plan.

On 24 April 2019 Arvida Group Limited issued 731,325 ordinary shares to senior executives under the terms of its long-term incentive plan.

On 28 June 2019 Arvida Group Limited issued 40,000,000 ordinary shares at $1.25 to new and existing investors by way of a placement to part fund the acquisition of Bethlehem Country Club, Bethlehem Shores and Queenstown Country Club.

On 22 July 2019 Arvida Group Limited issued 79,766,160 ordinary shares at $1.15 to existing investors by way of a 1-for-5.7 pro-rata renounceable rights issue to part fund the acquisition of Bethlehem Country Club, Bethlehem Shores and Queenstown Country Club.

On 31 July 2019 Arvida Group Limited issued 7,444,488 ordinary shares at $1.343 to the vendors of Bethlehem Country Club, Bethlehem Shores and Queenstown Country Club in part satisfaction of the purchase price.

Dividends

During the year dividends of 5.80 cents per ordinary share (2019: 5.46 cents per ordinary share) were paid to shareholders. Imputation credits of 0.40 cents per ordinary share (2019: 1.00 cents per ordinary share) were attached to the dividends.

15. EARNINGS PER SHARE

$000	2020	2019
Profit attributable to equity holders	42,640	59,075
Basic earnings per share		
Weighted average number of ordinary shares on issue (thousands)	505,008	413,938
Basic earnings per share (cents)	**8.44**	**14.27**
Diluted earnings per share		
Weighted average number of ordinary shares on issue (thousands)	507,706	416,948
Diluted earnings per share (cents)	**8.40**	**14.17**

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.

16. 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	2020	2019
Financial assets		
Cash and cash equivalents	4,241	4,574
Trade receivables and other assets	9,044	6,457
Total	**13,285**	**11,031**
Financial liabilities		
Trade and other payables	27,714	21,796
Bank loans	313,000	190,500
Residents' loans	769,477	466,075
Total	**1,110,191**	**678,371**

The Group's principal financial instruments comprise loans and borrowings, residents' loans 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 are excluded from trade receivables and other assets. Employee entitlements are excluded from trade and other payables.

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 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 11.

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 Limited and Jones Lang LaSalle Limited estimate 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 1 Year	Greater than 1 Year
2019		
Trade and other payables	21,796	0
Bank Loans	0	190,500
Interest rate swaps	0	3,039
Refundable occupation right agreements	53,239	412,836
2020		
Trade and other payables	27,714	0
Bank Loans	0	313,000
Interest rate swaps	0	5,711
Refundable occupation right agreements	64,225	705,252

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 counterparties 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 equity) with regard to its gearing ratios (net debt to enterprise value), 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 Group targets a gearing ratio of 25% to 35%. 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 11.

17. SUBSIDIARY COMPANIES

Wholly Owned Subsidiaries

The following entities are wholly owned subsidiaries of the ultimate parent company, Arvida Group Limited, as at 31 March 2020:

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 House (2013) Limited
Bainswood House Rest Home Limited
Bainswood Retirement Village Limited
Bethlehem Country Club Village Limited[1]
Bethlehem Shores Retirement Village Limited[2]
Copper Crest Retirement Village Limited
Glenbrae Rest Home and Hospital Limited
Glenbrae Village Limited
Frasers Cafe Limited[3]
Ilam Lifecare Limited
Ilam Senior Living Limited
Kerikeri Land Limited[4]
Lansdowne Developments Limited
Lansdowne Park Village Limited
Lauriston Park Retirement Village Limited
Mary Doyle Healthcare Limited
Mary Doyle Trust Lifecare Complex Limited
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

1 Incorporated on 3 July 2019
2 Incorporated on 3 July 2019
3 Acquired on 2 August 2019
4 Incorporated on 6 August 2018

Park Lane Lifecare Limited
Park Lane Retirement Village Limited
Queenstown Country Club Village Limited[5]
Rhodes on Cashmere Healthcare Limited
Rhodes on Cashmere Lifecare Limited
St Albans Lifecare Limited
St Albans Retirement Village Limited
St Allisa Rest Home (2010) Limited
Strathallan Healthcare Limited
Strathallan Lifecare Village Limited
The Cascades Retirement Resort Limited
The Maples Lifecare (2005) Limited
The Maples Retirement Village (2005) Limited
The Wood Lifecare (2007) Limited
The Wood Retirement Village (2007) Limited
Views Lifecare Limited
Waikanae Country Lodge Limited
Waikanae Country Lodge Village Limited
Waimea Plains Living Well Limited[6]
Waimea Plains Retirement Village Limited[7]
Wendover Rest Home 2006 Limited
Wendover Retirement Village 2006 Limited

5 Incorporated on 3 July 2019
6 Incorporated on 2 April 2019
7 Changed name from Richmond Land Limited on 25 October 2018

Wholly owned 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 wholly owned subsidiaries included in the financial statements are from the date on which control commenced until the date control ceases.

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

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

Investment in Joint Venture

The Group has a 50% interest in the joint venture companies Village at the Park Care Limited and Village at the Park Lifecare Limited (2019: 50%). The joint venture companies are incorporated in New Zealand and have a balance date of 31 March. The principal activity of the joint venture companies is owning, operating and developing retirement villages and care facilities for the elderly in New Zealand.

Joint venture companies are accounted for using the equity method. Interests in joint venture companies are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

During the year $2.8 million (2019: $3.4 million) of share of profits arising from the joint venture, net of tax, was recognised. Of this, $2.0 million (2019: $2.7 million) related to the change in fair value of the joint venture's investment property.

18. ACQUISITION ACCOUNTING

Acquisitions

The provisional fair values of the identifiable assets and liabilities of the retirement villages acquired during the year to 31 March 2020 are:

- Bethlehem Country Club in Tauranga was acquired on 31 July 2019. The purchase consideration of $69.1 million was settled by way of $65.3 million cash and $3.8 million shares in Arvida Group Limited.
- Bethlehem Shores in Tauranga was acquired on 31 July 2019. The purchase consideration of $70.7 million was settled by way of $66.9 million cash and $3.8 million shares in Arvida Group Limited.
- Queenstown Country Club in Queenstown was acquired on 31 July 2019. The purchase consideration of $39.8 million was settled by way of $37.4 million cash and $2.4 million shares in Arvida Group Limited.

On 17 October 2019 $9.4 million was paid to the vendors for development work in progress and working capital items.

The businesses were acquired in line with the Company strategy of acquiring villages that are in the business of operating retirement villages and rest homes for the elderly in New Zealand. Control was obtained by acquiring 100% of the assets and liabilities of the business.

Recognition and Measurement

The acquisition method of accounting is used to account for the acquisition of businesses by the Group. The cost of an acquisition is measured at the date of exchange as the total of the fair value of the assets acquired, the equity instruments issued and the liabilities incurred or assumed. 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 business acquired, the difference is recognised as income. 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 $7.8 million of revenue and $17.9 million of net profit after tax for the year to 31 March 2020. If the businesses were acquired by the Group at 1 April 2019, they could have contributed $11.7 million of revenue and $21.2 million of net profit after tax. A $11.1 million change in fair value of investment property is included within the net profit after tax figures.

$000	Bethlehem Country Club	Bethlehem Shores	Queenstown Country Club	Total
Assets				
Trade receivables and other assets	637	194	0	831
Property, plant and equipment	89	731	213	1,033
Investment properties	149,362	197,775	79,482	426,619
Deferred tax assets	1,305	2,214	199	3,718
Total assets	151,393	200,914	79,894	432,201
Liabilities				
Trade and other payables	0	0	9	9
Revenue in advance	4,661	7,908	710	13,279
Residents' loans	76,136	116,121	33,985	226,242
Deferred tax liabilities	0	0	0	0
Total liabilities	80,797	124,029	34,704	239,530
Total identifiable net assets at fair value	70,596	76,885	45,190	192,671
Gain on acquisition	(1,305)	(2,214)	(199)	(3,718)
Purchase consideration transferred	**69,291**	**74,671**	**44,991**	**188,953**

19. RELATED PARTY TRANSACTIONS

Key Management Personnel Compensation

Key management personnel compensation for the year ended 31 March 2020 and the year ended 31 March 2019 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	2020	2019
Salaries and other short term benefits	2,692	2,711
Share based payments	320	332
Total	**3,012**	**3,043**

Identity of Related Parties

The Board of Directors at 31 March 2020, 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.

Joint Venture, during the year $0.4 million (2019: $0.4 million) was received as management and director fees from the joint venture companies, Village at the Park Care Limited and Village at the Park Lifecare Limited. A dividend of $1.2 million was received from Village at the Park Lifecare Limited (2019: $0.3 million).

20. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2019: nil).

21. FEES PAID TO AUDITORS

$000	2020	2019
Fees paid to group auditor - Ernst & Young		
Audit	397	383
Other non-assurance		
Tax compliance and advisory	1	32
Total	**398**	**415**

22. SUBSEQUENT EVENTS

On 6 April 2020, a Deed of Amendment and Restatement was executed with ANZ Bank New Zealand Limited and Bank of New Zealand. The agreement extended the maturity date of Facility A to 6 April 2025 and incorporated a new Facility D of $100.0 million with a maturity date of 6 October 2021. The key terms of the amended facilities agreement are similar to the old facility.

On 25 May 2020, the directors approved the issuance of 595,983 shares to senior employees pursuant to the equity based share rights scheme.

On 25 May 2020, the directors approved a dividend of 1.45 cents per share amounting to $7.9 million. The dividend does not have any imputation credits attached and no supplementary dividend will be paid to non-resident shareholders. The dividend record date is 3 June 2020 and payment is due to be made on 11 June 2020.

23. CAPITAL COMMITMENTS

As at 31 March 2020, the Group had $42.5 million of capital commitments in relation to construction contracts (2019: $42.3 million).

As at 31 March 2020, the Group had $0.2 million of commitments in relation to the purchase of land (2019: $nil).

24. 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 either of the 10 or 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. Details of the vesting hurdles can be found in the Remuneration section of this report.

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 2020 of $0.3 million has been recognised in the Group's statement of comprehensive income for that period (2019: $0.3 million).

Details of the unlisted performance share rights scheme are:

2020

Commencement date	**1 April 2015**	**1 April 2015**	**1 April 2017**	**1 April 2018**	**1 April 2019**
Issue price	$ 0.95	$ 0.95	$ 1.33	$ 1.19	$ 1.26
% of shares vested	0%	0%	0%	0%	0%
Vesting date	31 March 2020	31 March 2021	31 March 2020	9 June 2021	8 June 2022
Unlisted performance share rights	630,042	630,042	312,935	422,264	702,297
Volatility assumption	14%	14%	14%	14%	14%

2019

Commencement date	**1 April 2015**	**1 April 2015**	**1 April 2015**	**1 April 2016**	**1 April 2017**	**1 April 2018**
Issue price	$ 0.95	$ 0.95	$ 0.95	$ 0.93	$ 1.33	$ 1.19
% of shares vested	0%	0%	0%	0%	0%	0%
Vesting date	31 March 2019	31 March 2020	31 March 2021	31 March 2019	31 March 2020	23 June 2021
Unlisted performance share rights	630,042	630,042	630,042	356,912	312,935	422,264
Volatility assumption	17%	17%	17%	17%	17%	17%

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

The share price at the date of exercise of the 2020 options was $1.29. The weighted average remaining contractual life for the share options outstanding as at 31 March 2020 was 1.0 years (2019: 1.1 years).

	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Opening balance at 1 April	2,982,237	$ 1.02	2,891,542	$ 0.99
Granted during the year	702,297	$ 1.26	422,264	$ 1.19
Forfeited during the year	0	$ 0.00	(27,399)	$ 1.33
Exercised during the year	(731,325)	$ 0.94	(209,315)	$ 0.95
Expired during the year	(255,629)	$ 0.95	(94,855)	$ 0.95
Closing balance at 31 March	**2,697,580**	**$ 1.12**	**2,982,237**	**$ 1.02**
Exercisable at 31 March	**942,977**	**$ 1.08**	**986,954**	**$ 0.94**

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Chartered Accountants

Independent auditor's report to the Shareholders of Arvida Group Limited

Opinion

We have audited the consolidated financial statements of Arvida Group Limited and its subsidiaries ("the Group"), on pages 59 to 85, which comprise the consolidated balance sheet of the Group as at 31 March 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 59 to 85 present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards 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) (ISAs (NZ)). 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 Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board 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 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.

Property Valuation, including Material Valuation Uncertainties as a result of COVID-19

Why significant?	How our audit addressed the key audit matter

The Group's retirement village assets and care facilities have a combined carrying value of $1.8b and account for 94.6% of total Group assets at 31 March 2020.
 	
The Group engaged independent registered valuers to determine the fair value of these assets at 31 March 2020. The fair values of retirement village assets as determined by the independent valuers were adjusted for assets and liabilities already recognised in the balance sheet to determine their recorded values.
 	
The property valuations require the use of judgments specific to the properties, as well as consideration of the prevailing market conditions.
	Our audit procedures included the following:
	• Held discussions with management to understand:
	  ◦ sales or purchases of the Group's property assets;
	  ◦ changes in the condition of each property; and
	  ◦ the impact that COVID-19 has had on the Group's property assets.

At 31 March 2020 the property market, and economy as a whole, were significantly impacted by the restrictions and economic uncertainty resulting from the COVID-19 pandemic. Significant assumptions used in the valuation are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. A small difference in any one of the key assumptions, when aggregated, could result in a significant change to the valuation of a property.
Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. In this situation the disclosures in the financial statements provide particularly important information about the assumptions made in the property valuations and the market conditions at 31 March 2020. As a result, we consider the property valuations and the related disclosures in the financial statements to be particularly significant to our audit. For the same reasons we consider it important that attention is drawn to the information in Notes 6 and 7 in assessing the property valuations at 31 March 2020.
For retirement village assets key assumptions are made in respect of:
• discount rate;
• forecast house price inflation;
• the average entry age of residents; and
• the occupancy periods of the units for each village.
For care facilities key assumptions are made in respect of:
• capitalisation rates; and
• earnings per care bed.
Disclosures relating to investment properties and care facilities and the associated significant judgments, including those related to the material valuation uncertainties reported by the independent valuers, are included in Note 6 *'Investment Property'* and Note 7 *'Property, Plant and Equipment'* to the consolidated financial statements.
	• Held discussions with the independent valuers to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This included consideration of the impact that COVID-19 has had on key assumptions such as the discount rate, forecast house price inflation, capitalisation rates and earnings per care bed;
	• On a sample basis we:
	  • evaluated the Group's internal review of the independent valuation reports;
	  • involved our real estate valuation specialists to assist with our assessment of the reasonableness of the significant valuation assumptions and methodologies, in particular changes made as a result of COVID-19;
	  • assessed key inputs of property specific information relating to core data including resident schedules, sales of Occupational Rights Agreement ("ORA"), occupancy data and care facility performance information, supplied to the independent valuer by the Group, to the underlying records held by the Group; and
	  • assessed the significant input assumptions applied by the independent valuer for reasonableness compared to previous period assumptions, or acquisition date assumptions for the three acquired properties, the changing state of the properties and other market changes.
	• Assessed the competence, qualifications and objectivity of the independent valuers;
	• Examined the allocation of costs from work in progress to completed village units, care centres and other assets;
	• Considered the impact of new development work and the completeness of the assets included in the valuation; and
	• Considered the adequacy of the disclosures in Notes 6 and 7 including the specific uncertainties arising from the COVID-19 pandemic.

Acquisition Accounting

Why significant?	How our audit addressed the key audit matter
The Group completed three acquisitions during the year ended 31 March 2020. The identification and valuation of the acquired tangible and intangible assets and liabilities have a material impact on the consolidated financial statements.	Our audit procedures included the following: • Held discussions with management to understand the nature of each acquisition undertaken and the acquired property; • Obtained and read the Sale and Purchase Agreements and considered whether the acquisition accounting reflected the facts and circumstances within the agreements; ...continued over

The Group engages independent registered valuers to determine the fair value of the properties acquired. The valuations require the use of judgment specific to the properties, as well as prevailing market conditions. Significant assumptions used in the valuations are inherently subjective. In addition, further judgments are required in identifying and valuing non-property assets and liabilities acquired. Disclosure relating to acquisitions and the associated significant judgments are included in Note 18 *'Acquisition Accounting'* to the consolidated financial statements.	• Evaluated the Group's internal review of the independent valuation report; • Assessed, on a sample basis, key inputs of property specific information relating to core data including resident schedules and occupancy data, to underlying data and independent valuation reports used by the Group to determine the fair value of investment property acquired; • Assessed the competence, qualifications and objectivity of the independent valuers; • Obtained and considered the Group's purchase price allocation workings including evaluating the process applied to identify and value tangible and intangible assets and liabilities on acquisition (including deferred tax and any contingent liabilities); • Assessed the recording of acquired ORA in the Group's deferred management fee calculations; • Assessed whether management have accounted for contingent consideration, if any, in accordance with NZ IFRS 3 *Business Combinations* requirements; • Agreed the consideration paid to external evidence; and • Considered the adequacy of the disclosures in Note 18.

Goodwill Impairment

Why significant?	**How our audit addressed the key audit matter**

The Group has goodwill of $35.8 million at 31 March 2020 and recognised an impairment charge of $17.9 million in the year.
The recoverable amount of each cash generating unit ("CGU") to which goodwill is allocated is determined each reporting period as the higher of the Value in Use ("VIU") and Fair Value less costs of disposal ("FV"). VIU is calculated by the Group using discounted cash flow models ("DCF") and FV of the cash generating unit is calculated by the independent registered valuers in the same reports and in a largely similar manner as that referenced in the "Property Valuation, including Material Valuation Uncertainties as a result of COVID-19" key audit matter above. As a result the same material valuation uncertainties apply to the FV estimates.
DCF models contain significant assumptions that are inherently subjective. A small difference in any one of the key assumptions, when aggregated, could result in a material difference in the assessed VIU of a CGU.
Disclosure relating to Goodwill and the associated significant judgments are included in Note 8 *'Intangible Assets'* to the consolidated financial statements.
	Our audit procedures included the following:
	• Held discussions with management to understand:
	  • the Group's approach to the determination of CGUs; and
	  • the allocation of goodwill to CGUs
	• In relation to VIU, on a sample basis we:
	  • tested the mathematical accuracy of DCF models;
	  • obtained the group's DCF models and agreed EBITDA inputs to the board approved FY21 budget;
	  • involved our valuation specialists to assist the audit team in assessing the discount rate and growth rates applied;
	  • compared the budgeted EBITDA with historical actual figures and considered the accuracy of previous internal forecasts;
	  • performed sensitivity analyses on key cash flow forecast assumptions, including operating earnings, discount rates and growth rates, to understand the impact of reasonably possible changes in key assumptions; and

	• compared the calculated recoverable amounts using the VIU and FV approaches to the associated carrying amounts for each CGU and assessed whether any impairments were required. • Our procedures in relation to FV are described in the "Property Valuation, including Material Valuation Uncertainties as a result of COVID-19" key audit matter above; and • Considered the adequacy of the disclosures in Note 8.

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 on behalf of the entity 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 have 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://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/. This description forms part of our auditor's report.

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

Ernst + Young

Chartered Accountants
Auckland
25 May 2020

GOVERNANCE

ARVIDA GROUP LIMITED
FOR THE YEAR ENDED
31 MARCH 2020

Arvida is committed to applying and adhering to best practice governance structures and principles. To maintain this standard, the Company has implemented a framework of structures, practices and processes that it considers reflect best practice.

The framework has been guided by the recommendations set out in the NZX Corporate Governance Code (NZX Code) and the requirements set out in the NZX Listing Rules. The Company reviewed its corporate governance policies and procedures, and its board and committee charters during the year, demonstrating its commitment to the fundamental principles set out in the NZX Code. Each principle of the NZX Code is provided below with an explanation on how the Company meets the principle.

On 28 February 2019, Arvida transitioned to the updated NZX Listing Rules. An amended constitution was put to and approved by shareholders at the Annual Meeting of Shareholders on 5 July 2019. The amendments were procedural in nature and required in order to comply with the new NZX Listing Rules. The key changes reflect the following:

- Including a provision requiring Arvida to comply with the minimum board composition requirements of the listing rules;
- Amending the clauses relating to director rotation to incorporate the requirements of the listing rules by reference to the listing rules;
- Inserting a requirement that voting at meetings of shareholders will be conducted by poll and deleting clauses which addressed shareholders rights to demand polls; and
- Deleting the fourth schedule, which related to restrictions on share transfers following Arvida's initial public offering and is now redundant.

The Board confirms that in the year to 31 March 2020, Arvida's corporate governance practices and policies fully complied with the NZX Code recommendations. The corporate governance policies and procedures, and Arvida's board and committee charters are available to view at www.arvida.co.nz/For-Investors/Governance.

PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

> **"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."**

Code of Ethics and Related Policies

Recommendation 1.1: *The Board should document minimum standards of ethical behaviour to which the issuer's Directors and employees are expected to adhere (a code of ethics) and comply with the other requirements of Recommendation 1.1 of the NZX Code.*

The Board sets and maintains high standards of ethical conduct and expects the Company's Directors and employees to act legally and with integrity in a manner consistent with the policies, guiding principles and values that are in place.

The Company's Code of Ethics sets out the standards of conduct expected of Directors (including members of committees) and employees (including contractors and consultants). The purpose of the Code is to underpin and support the values that govern individual and collective behaviour. It covers a wide range of areas including the following: standards of behaviour; conflicts of interest; proper use of company information and assets; gifts; compliance with laws and policies; reporting concerns; and corporate opportunities.

Related policies include: financial products trading; audit independence; whistle blowing; diversity and inclusion; market disclosure; and the interests register.

Training on ethical conduct is included as part of the induction process for new Directors and employees and forms a part of an employment handbook provided to employees. The Code can be found on the Company's website and internal intranet.

The Code requires Directors and employees to report breaches of the Code and sets out the procedure for doing so in accordance with the Company's Whistle Blowing Policy.

Trading in Company Securities Policy

Recommendation 1.2: *An issuer should have a financial product dealing policy which applies to employees and Directors.*

In accordance with the Company's Financial Products Trading Policy, the NZX Listing Rules, and the Financial Markets Conduct Act 2013, Directors and employees of the Company are subject to limitations on their ability to buy or sell Company shares.

The Policy sets out restrictions on the ability of Directors and employees to buy or sell financial products. In particular:

- Restricted Persons may not buy or sell Company shares in specified "blackout" periods that are set out in the Policy (these periods commence prior to the release of financial results to the market or the release of other material information).
- Outside of a blackout period, Restricted Persons must obtain consent to buy or sell Company shares and should not engage in short term trading.

Directors are encouraged to own shares in the Company 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. The Directors' shareholdings and changes to those shareholdings are included in the Disclosures section of this Annual Report.

Training on the Policy is included as part of the induction process for new Directors and included in the employee handbook distributed to employees. The Policy is available to view at www.arvida.co.nz/For-Investors/Governance.

PRINCIPLE 2: BOARD COMPOSITION AND PERFORMANCE

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

The Board is comprised of five Directors with a mix of qualifications, skills and experience appropriate to Arvida's business. The Board schedules a minimum of eight meetings each year.

Board Charter

Recommendation 2.1: *The Board of an issuer should operate under a written charter which sets out the roles and responsibilities of the Board. The Board charter should clearly distinguish and disclose the respective roles and responsibilities of the Board and management.*

The Board has adopted a formal Board Charter that is available to view at www.arvida.co.nz/For-Investors/Governance and details its authority, responsibilities, membership and operation.

Role of the Board

The key responsibilities of the Board include establishing the Company's objectives, the major strategies for achieving these objectives, the overall policy framework within which business is conducted and monitors the senior leadership team's performance with respect to these matters. 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 the Company 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.

A summary of the Board Charter includes:

- At least one-third of the total number of Directors should be Independent as defined in the NZX Listing Rules.
- The Chair of the Board should be an Independent Director.
- The Chair and the Chief Executive Officer should be different people.
- Directors should possess a broad range of skills, qualifications and experience, and remain current on how best to perform their duties as Directors.
- Information of sufficient content, quality and timeliness as the Board considers necessary shall be provided by management to allow the Board to discharge its duties effectively.
- The effectiveness and performance of the Board and its individual members should be re-evaluated on an annual basis.

The Board's focus is on the creation of long term shareholder wealth and ensuring the Company 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.

Delegation of authority

The Board delegates to the Chief Executive Officer responsibility for implementing the Board's strategy and for managing the Company's operations. The Chief Executive Officer has Board-approved levels of authority and, in turn, sub-delegates authority in some cases to direct reports and has established a formal process for direct reports to sub-delegate certain authorities as appropriate. This is documented in the Delegated Authority Policy.

All Directors have access to the senior leadership team to discuss issues or obtain further information on specific areas. Key executives and managers are invited to attend and participate in appropriate sessions at Board meetings to provide additional insight into the items being discussed. With the Chair's prior approval, Directors are entitled to obtain external independent expert advice.

Nomination and Appointment of Directors

Recommendation 2.2 and 2.3: *Every issuer should have a procedure for the nomination and appointment of Directors to the Board. An issuer should enter into written agreements with each newly appointed Director establishing the terms of their appointment.*

Retirement and re-election

In accordance with the Company's Constitution and the NZX Listing Rules, Directors are required to retire three years after their appointment or at the third Annual Meeting of Shareholders following their appointment (whichever is later). Directors may offer themselves for re-election by Shareholders. Procedures for the appointment and removal of Directors are also governed by the Constitution.

At the 2020 Annual Meeting of Shareholders, Michael Ambrose and Paul Ridley-Smith will retire by rotation and stand for re-election. A profile of Michael and Paul will be included in the Notice of Meeting . The meeting will be held at 10:30am on Friday 3 July 2020 in the Stamford Plaza, Auckland.

Board composition

The Board's policy is that the Board needs to have an appropriate mix of skills, professional experience and diversity to ensure that it is well equipped to fulfil its responsibilities. The Board reviews and evaluates on a regular basis the skill mix required, and identifies any existing gaps.

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

The NZX Listing Rules require that a minimum of two Directors are Independent Directors. As at 31 March 2020, Peter Wilson (Chair), Michael Ambrose, Anthony Beverley, Susan Paterson and Paul Ridley-Smith are determined to be Independent Directors. Accordingly, the Board comprised of five non-executive Independent Directors.

In determining whether a Director is Independent, the Board has regard to the NZX Listing Rules. The Board considers all current Directors to be Independent in that they are not executives of the Company and do not have a direct or indirect interest or relationship that could reasonably influence, in a material way, their decisions in relation to the Company.

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 the Company.

All Directors have agreements that set out the terms and conditions of their appointment.

Director Particulars

Recommendation 2.4: *Every issuer should disclose information about each Director in its Annual Report or on its website, including a profile of experience, length of service, independence and ownership interests*.

Information on each Director, including their interests, skills, length of service and security holdings, is provided in the Directors' Profiles and Disclosures sections of this Annual Report. A profile of each Director is available to view at www.arvida.co.nz/For-Investors/Directors.

Diversity

Recommendation 2.5: *An issuer should have a written Diversity Policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.*

Diversity and inclusion

The Company and its Board believe that having a team of individuals with different backgrounds, views, experiences and capabilities working together makes the business stronger, vibrant and better as an organisation. The Company is committed to retaining and recruiting people who are passionate about the Company's customers and have a range of skills, experiences and frames of reference to drive innovation and to help the Company to achieve its vision.

The Company has a formal Diversity and Inclusion Policy which is available to view at www.arvida.co.nz/For-Investors/Governance.

Each year the Board reviews performance of the Policy against agreed annual objectives.

The Company has determined that the category of Officers includes the Chief Executive Officer, Chief Financial Officer and the six divisional General Managers. The gender mix of Directors and Officers is set out below.

	Gender	2020	2019
Directors	Male	4	4
	Female	1	1
	Total	**5**	**5**
Officers	Male	5	5
	Female	3	3
	Total	**8**	**8**
Village Managers	Male	10	9
	Female	20	18
	Total	**30**	**27**

Objective	Measurement	Progress
Work towards improving the gender diversity	Compare gender proportions for employee classifications to benchmark	Details of the gender balance in the Director, Officer and Village Manager role types are detailed above. In all other role types, approximately 83% (2019: 86%) of the workforce is female
Ensure diversity of thought is valued and encouraged	Compare annual survey of Directors, Officers and Village Managers (as individual groups and in aggregate) response to the inclusion question: "Is diversity of thought valued and encouraged at Arvida?"	In the FY2020 staff engagement survey, 75% (2019: 69%) of respondents either agreed or strongly agreed with the measurement statement
Ensure fair evaluation of employee performance and equitable remuneration decisions	Compare remuneration of workforce by role by gender	Arvida has completed an analysis of hourly remuneration by role by gender across the village workforce and found no gender pay gap either between like roles or on an overall basis
Ensure our team is treated fairly and with respect	Compare annual employee engagement survey response to the inclusion question: "Are all employees at Arvida treated fairly (including as to employment opportunity), regardless of age, ethnicity, gender or physical capabilities"	In the FY2020 staff engagement survey, 72% (2019: 71%) of respondents either agreed or strongly agreed with the measurement statement

The table overleaf details the Company's diversity and inclusion objectives and an update on the progress being made with them. Diversity and engagement feedback was collected through the Company's staff engagement survey that was conducted again this financial year. It is intended that the survey will continue to be conducted on a regular basis.

Director Training

Recommendation 2.6: *Directors should undertake appropriate training to remain current on how to best perform their duties as Directors of an issuer.*

The Board seeks to ensure that new Directors are appropriately introduced to the senior leadership team and the Arvida business, that all Directors are acquainted with relevant industry knowledge and economics and that they receive a copy of the Charters of the Board and Committees and the key governance documents.

It is expected that all Directors continuously educate themselves to ensure they have appropriate expertise and can effectively perform their duties. In addition, visits to the Company's operations, briefings from the senior leadership team and industry experts or key advisers to the Company, and educational and stakeholder visits, briefings or meetings are arranged for the Board.

Evaluation of Performance of Directors

Recommendation 2.7: *The Board should have a procedure to regularly assess Director, Board and committee performance.*

The Chair undertakes an annual review of the individual performance of Directors. The Board also reviews its performance as a whole and the performance of its Committees on an annual basis.

Every two years, a review of Board performance is undertaken by an external consultant. Propero Consulting Limited conducted a review of the Board in May 2017 and again in May 2019. This provided useful and positive feedback on the governance of the business.

Separation of Board Chair and CEO

Recommendation 2.8: *The Chair and the CEO should be different people.*

The Board Charter requires the Board Chair to be an Independent Director, and not be the same person as the Chief Executive Officer or the Chair of the Audit and Risk Committee.

PRINCIPLE 3: BOARD COMMITTEES

> **"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."**

Board Committees

The Board has two formally constituted committees to assist in the execution of the Board's duties, being the Audit and Risk Committee and the Remuneration Committee. Each Committee operates under a written charter that sets out its mandate.

The table below sets out attendance at Board and Committee meetings for all respective Directors during the financial year ended 31 March 2020. Directors also met regularly over the course of the year to discuss other important matters such as potential acquisitions. Two of the Board meetings were convened on site at an Arvida village.

Outside of the Board and Committee meetings, the Board or a subcommittee held an additional nine formal meetings in person or by way of conference call during the year.

Audit Committee

Recommendation 3.1: *An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should not also be the chair of the board.*

The primary functions of the Audit and Risk Committee are:

- To co-ordinate the audit 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 disclosures and accounting affairs.
- To keep under review the effectiveness of the Company's procedures for the identification, assessment and reporting of material risks.

A key responsibility of the Audit Committee is to ensure the quality and independence of the external audit process.

The Audit Committee make enquiries of management and the external auditors so that it is satisfied as to the validity and accuracy of all aspects of the Company's financial reporting. All aspects of the external audit are reported back to the Audit Committee and the external auditors are given the opportunity at Audit Committee meetings to meet with Directors.

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

The Audit and Risk Committee Charter provides for the composition, responsibilities, procedures and reporting duties of the Audit Committee and governs how the members of the Audit Committee discharge their obligations. The Audit and Risk Committee Charter is reviewed annually by the Board and was last reviewed in May 2020.

Recommendation 3.2: *Employees should only attend Audit Committee meetings at the invitation of the Audit Committee.*

The Audit and Risk Committee generally invites the Chief Executive Officer, Chief Financial Officer, General Manager Finance and external auditors to attend meetings. The Committee also meets and receives regular reports from the external auditors without management present, concerning any matters that arise in connection with the performance of their role.

Remuneration Committee

Recommendation 3.3: *An issuer should have a Remuneration Committee which operates under a written charter (unless this is carried out by the whole Board). At least a majority of the Remuneration Committee should be independent Directors. Management should only attend Remuneration Committee meetings at the invitation of the Remuneration Committee.*

The role of the Remuneration Committee is to assist the Board in establishing and reviewing remuneration policies and practices for the Company. Specific responsibilities include:

- To set and review the Company's remuneration policies and practices.
- 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.
- Conducting an annual review of the Chief Executive Officer's performance against his or her performance agreement and employment contract and ensuring appropriate performance agreements are in place.
- Reviewing succession planning and recruitment, retention and termination policies for the Chief Executive Officer and the senior leadership team.

The Remuneration Committee must be comprised of a minimum of three Directors comprising a majority of Independent Directors. The current members of the Committee are Paul Ridley-Smith (Chair), Anthony Beverley and Susan Paterson.

The Remuneration Committee Charter provides for the composition responsibilities, procedures and reporting duties of the Remuneration Committee and governs how the members of the Remuneration Committee discharge their obligations. The Remuneration Committee Charter is reviewed annually by the Board and was last reviewed in April 2020.

Nomination Committee

Recommendation 3.4: *An issuer should establish a Nomination Committee to recommend Director appointments to the Board (unless this is carried out by the whole Board), which should operate under a written charter. At least a majority of the Nomination Committee should be independent Directors.*

Meeting Attendance	Board	Audit and Risk Committee	Remuneration Committee
Peter Wilson	8	-	-
Michael Ambrose	8	4	-
Anthony Beverley	8	4	3
Susan Paterson	8	-	3
Paul Ridley-Smith	8	4	3
Total meetings held	**8**	**4**	**3**

The Board has decided not to have a separate Nomination Committee as Director appointments are considered by the Board as a whole. The procedure for the nomination and appointment of Directors is included in the Board Charter and summarised in Principle 2.

Other Committees

Recommendation 3.5: *An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.*

No other committees were established or operated during the financial year.

Takeover Protocols

Recommendation 3.6: *The Board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer (amongst other matters).*

The Company's Takeover Protocol sets out the procedure to be followed in the event that a takeover offer is made or scheme of arrangement proposed.

PRINCIPLE 4: REPORTING AND DISCLOSURE

> **"The board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures."**

Continuous Disclosure

Recommendation 4.1: *An issuer's Board should have a written Continuous Disclosure Policy.*

The Company is committed to promoting Shareholder confidence through open, timely, accurate 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 compliance with its disclosure obligations under the NZX Listing Rules such that:

- Any matter that might be material information is appropriately and swiftly escalated to the senior management team.
- All investors have equal and timely access to material information concerning the Company, including its financial situation, performance, ownership and governance.
- Company announcements are factual and presented in a clear and balanced way.

The Company's Market Disclosure Policy sets out the disclosure and communication responsibilities and procedures for managing this obligation.

Charters and Policies

Recommendation 4.2: *An issuer should make its code of ethics, Board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.*

Copies of key governance documents, including the Code of Ethics, Vision and Values, Financial Product Trading Policy, Board and Committee Charters, Diversity and Inclusion Policy, Audit Independence Policy, Market Disclosure Policy, Whistle Blowing Policy and Risk Management Policy are all available on the Company's website at www.arvida.co.nz/For-Investors/Governance.

The Company's governance documents were last reviewed on 25 May 2020 and updated to the website.

Financial Reporting

Recommendation 4.3: *Financial reporting should be balanced, clear and objective.*

The Company is committed to ensuring integrity and timeliness in its financial reporting and in providing information to the market and shareholders which reflects a considered view on its present and future prospects.

The Audit and Risk Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews the Company's full and half-year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements and the results of the external audit.

All matters required to be addressed and for which the Committee has responsibility were addressed during the reporting period. The Company has published Annual and Interim Reports that contained its full and half-year financial statements that were prepared in accordance with relevant financial standards.

Non-Financial Reporting – Sustainability

Recommendation 4.3: *An issuer should provide non-financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks. It should explain how it plans to manage those risks and how operational or non-financial targets are measured.*

The Company currently provides non-financial disclosure on matters including operational and clinical performance, risk management, health and safety, diversity and community engagement within this Annual Report.

Additional disclosure in this area is intended in future reports as the Company develops reporting on non-financial information.

The Company did expand out the materiality assessment undertaken in the prior year to incorporate external stakeholder feedback. The findings are set out in the Materiality section of this Annual Report. The process will assist the Company to report on environmental, economic and social (ESG) matters in a more transparent and formalised manner, highlighting work the Company already does.

The Board also adopted a Sustainability Policy in the current financial year to provide guidance for prioritising actions. The following principles guide the Board's approach to sustainability:

- Complying with all applicable statutory duties and regulatory requirements.
- Mitigating and managing the adverse impacts and risks of business activities on the environment, whether natural or built.
- Ensuring continuous improvement in social and environmental performance so the Company positively contributes to the communities in which it operates.

The Policy can be viewed on the Company's website at www.arvida.co.nz/For-Investors/Governance.

PRINCIPLE 5: REMUNERATION

> **"The remuneration of directors and executives should be transparent, fair and reasonable."**

Directors' Remuneration

Recommendation 5.1: *An issuer should recommend Director remuneration to shareholders for approval in a transparent manner. Actual Director remuneration should be clearly disclosed in the issuer's annual report.*

Remuneration of Directors is reviewed by the Remuneration Committee. Its membership and role are set out under Principle 3 above. The level of remuneration paid to the Directors is determined by the Board within the limits approved by the Shareholders of the Company.

There were no changes to these allocations or the fee pool in this financial year.

Further details on Director remuneration are provided in the Remuneration section of this Annual Report.

Remuneration Policy

Recommendation 5.2: *An issuer should have a Remuneration Policy for remuneration of Directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.*

The Company is committed to applying fair and equitable remuneration and reward practices in the workplace, taking into account internal and external relativity, the commercial environment and the ability to achieve business objectives. As set out under Principle 3 above, the Remuneration Committee makes recommendations to the Board on remuneration packages, keeping in mind the requirements of the Company's Remuneration Policy.

Under the Company's remuneration framework, remuneration for the senior leadership team and senior managers includes a mix of fixed and variable components. Individual performance and market relativity are key considerations in all remuneration based decisions, balanced by the organisational context.

Further details on remuneration are provided in the Remuneration section of this Annual Report.

Chief Executive Officer Remuneration

Recommendation 5.3: *An issuer should disclose the remuneration arrangements in place for the Chief Executive Officer in its Annual Report. This should include disclosure of the base salary, short term incentives and long term incentives and the performance criteria used to determine performance based payments.*

Further details on the Chief Executive Officer's remuneration are provided in the Remuneration section of this Annual Report. In addition to the remuneration information of the Chief Executive Officer, the Company discloses the Chief Financial

Officer's remuneration in the Remuneration section of the Annual Report.

PRINCIPLE 6: RISK MANAGEMENT

> **"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."**

Risk Management

Recommendation 6.1: *An issuer should have a risk management framework for its business and the issuer's Board should receive and review regular reports. A framework should also be put in place to manage any existing risks and to report the material risks facing the business and how these are being managed.*

The Company has a risk management framework for identifying, overseeing, managing and controlling risk. The identification and effective management of risks are a priority of the Board and the Audit and Risk Committee.

The processes involved are set out in the Company's Risk Management Policy and require the maintenance of a risk register that identifies key business risks and initiatives deployed to manage and mitigate those risks.

The Board has responsibility for the oversight of the risk management. The Company, through the Board, Audit and Risk Committee and senior management team, continually monitors and, where necessary, updates the operation and implementation of the risk management system to ensure that the Company continues to have an appropriate and effective system in place to manage material business risks.

The Company's Risk Management Policy is available to view at www.arvida.co.nz/For-Investors/Governance.

Health and Safety

Recommendation 6.2: *An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management*

The Company's health and safety objectives are met by:

- Documenting overarching performance standards with measurable indicators in a Health and Safety Management Plan. The Plan identifies health and safety risks and details how these risks are to be managed. It is continuously monitored and formally reviewed every two years.
- Documenting health and safety policies and communicating these to all employees.
- Monitoring, analysing and evaluating health and safety processes and performance data to identify areas of improvement and acting on any improvements identified.
- Monitoring and annually appraising the health and safety performance of senior managers and employees.

Detailed monthly reports are produced for the Board covering Health and Safety incidents, injury rates by severity, local site Health and Safety committee meetings and key initiatives undertaken.

PRINCIPLE 7: AUDITORS

> **"The board should ensure the quality and independence of the external audit process."**

Relationship with Auditor

Recommendation 7.1 and 7.2: *The Board should establish a framework for the issuer's relationship with its external auditor. This should include the procedures prescribed in the NZX Code. The external auditor should attend the issuer's annual meeting to answer questions from shareholders in relation to the audit.*

Oversight of 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. A formal policy on audit independence has been adopted by the Committee to meet this requirement.

The Audit Independence Policy covers the following areas:

- Provision of related assurance services by the external auditors.
- Auditor rotation.
- Relationships between the auditor and the Company.
- 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 judgement on all issues encompassed within the auditor's engagement. The external auditor (Ernst & Young) attends the Company's Annual Meeting and is available to answer questions from Shareholders in relation to the external audit.

Internal Audit Functions

Recommendation 7.3: *Internal audit functions should be disclosed.*

The Company does not have an internal audit function. The Board is confident the key risks of the business are being adequately managed and the internal control framework is operating effectively.

PRINCIPLE 8: SHAREHOLDER RIGHTS AND RELATIONS

> **"The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."**

Information for Shareholders

Recommendation 8.1: *An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.*

A comprehensive set of information regarding the Company's operations and results is made available on the Company's website including annual and half-year financial reports, investor presentations, investor newsletters, notice of meetings and market releases. The Company's corporate governance charters and policies, profiles of directors and senior management and key calendar dates are also made available on the website.

Communicating with Shareholders

Recommendation 8.2: *An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.*

The Company provides options for shareholders to receive communications electronically, to and from both the Company and its share registrar. The Company's website also contains an investor centre section for establishing electronic shareholder communications together with a Company phone number and email address for communications from Shareholders and investor relations enquiries.

All market releases carry contact details for the Chief Executive Officer and Chief Financial Officer for communications from shareholders. The Company responds to all shareholder communications within a reasonable time frame. An investor relations programme is also maintained by the Company to encourage engagement with investors.

Shareholder Voting Rights

Recommendation 8.3 and 8.4: *Shareholders should have the right to vote on major decisions which may change the nature of the company in which they are invested in. Each person who invests money in a company should have one vote per share of the company they own equally with other shareholders.*

The regulatory safeguards built into the NZX Listing Rules, the Companies Act 1993 and the Company's constitution operate to preserve shareholders' entitlement to vote on major decisions impacting the Company.

The Company conducts voting at its Annual Meeting by a poll of shareholders, where each person voting at the meeting and each Shareholder who casts a vote by proxy, has one vote for each share held.

Notice of Annual Meeting

Recommendation 8.5: *The Board should ensure that the annual shareholders notice of meeting is posted on the issuer's website as soon as possible and at least 28 days prior to the meeting.*

The Company encourages shareholder participation in Annual Meetings, including alternating the venue of the Annual Meeting between North and South Islands. The Board aims to ensure that all relevant information is provided to shareholders for consideration with sufficient notice in advance of the Annual Meeting (and at least 28 days prior to the Annual Meeting, including by posting the notice of annual meeting on the Company's website).

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Arvida

REMUNERATION

ARVIDA GROUP LIMITED
FOR THE YEAR ENDED
31 MARCH 2020

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 the Company.

Directors' fees are reviewed from time to time. The total pool of fees available to be paid to Directors is subject to shareholder approval. The current pool for non-executive directors' fees and board committee responsibilities was fixed at the 2016 Annual Meeting of Shareholders at $500,000 per annum.

As at 31 March 2020, the standard Director fees per annum are as follows:

	Position	Fees
Board of Directors	Chair	$150,000
	Member	$82,000
Audit and Risk Committee	Chair	$12,000
Remuneration Committee	Chair	$8,000

These allocations were approved by shareholder resolution at the 2017 Annual Meeting of Shareholders. The Board had sought external advice from The Institute of Directors on the levels of director remuneration. No additional fees are paid to committee members or Directors. Total remuneration paid to Directors during the financial year ended 31 March 2020 is set out in the table below. Remuneration paid excludes GST and expenses. 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.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Directors and Officers also have the benefit of Directors' and Officers' liability insurance. As provided for under its Constitution and in accordance with Section 162 of the Companies Act 1993, the Company arranged to indemnify all the Directors and Officers for all liabilities that arise out of the performance of their duties as Directors and Officers 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 Officers's liability insurance.

Director	Board Fees	Audit and Risk Committee	Remuneration Committee	Other Committee	Total Remuneration
Peter Wilson	$150,000 (Chair)	-	-	-	$150,000
Michael Ambrose	$82,000	-	-	-	$82,000
Anthony Beverley	$82,000	$12,000 (Chair)	-	-	$94,000
Susan Paterson	$82,000	-	-	-	$82,000
Paul Ridley-Smith	$82,000	-	$8,000 (Chair)	-	$90,000

EXECUTIVE REMUNERATION

The remuneration of the executive team is designed to promote a high-performance culture and to align rewards to the achievement of strategies and business objectives that create sustainable value for shareholders.

The Company's remuneration policy for members of the executive team provides the opportunity for them to receive, where performance merits, a total remuneration package in the median quartile for equivalent market-matched roles. The Remuneration Committee reviews the annual performance appraisal outcomes for all Executive Team members, including the Chief Executive Officer. External remuneration benchmarking is taken into account to ensure competitiveness with comparable market peers, along with consideration of an individual's performance, skills, expertise and experience.

Total remuneration is made up of three components:

- Fixed remuneration;
- Short-term performance-based cash remuneration; and
- Long-term performance-based equity remuneration.

Fixed Remuneration

Fixed remuneration consists of base salary and benefits. The Company's policy is to pay fixed remuneration with reference to the fixed pay market median.

Short-Term Incentives

Short-term incentives (STIs) are at-risk payments designed to motivate and reward for performance, in that financial year. The target value of a STI payment is set annually, usually as a percentage of the executive's base salary. For 2020, the relevant percentages were 20% to 33%. A proportion (usually around 50%) of the STI is related to achievement of annual performance metrics which aim to align executives to a shared set of key performance indicators (KPIs) based on business priorities for the next 12 months.

Target areas for the shared KPIs for 2020 are outlined below:

Target	Weighting
Health and safety compliance and culture	18%
Expense management against budget	18%
Aged care facility occupancy against national average +5%	18%
Gains on sales against budget	18%
Resident wellbeing measured through clinical systems and culture	14%
Resident satisfaction measured by an NPS survey	14%

The balance of the STI is related to individual performance measures.

The maximum amount of a STI payment for an executive team member is 125% of the STI on-target amount for that Executive Team member.

Long-Term Incentives

Long-term incentives (LTIs) are at-risk payments through a share plan, designed to align the reward of executive team members with the enhancement of shareholder value over a multi-year period. Under the LTI, executive team members are granted non-listed performance rights in Arvida Group Limited.

The LTI plan commenced on 1 April 2015, after the Company listed on the NZX Main Board. Vesting of shares is contingent on achievement of performance goals in relation to Total Shareholder Return hurdles from the commencement date to vesting date.

CHIEF EXECUTIVE OFFICER REMUNERATION

The remuneration of the Chief Executive Officer comprises of Fixed Remuneration and Pay for Performance. Fixed Remuneration includes a base salary only. Pay for Performance includes both Short Term Incentives (STI) and Long Term Incentives (LTI). These incentives remain at the same target percentage levels as previous years, being 33.3% of base salary each.

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 Total Shareholder Return (TSR) hurdles, in respect to future awards.

During the prior year, the Board commissioned an external remuneration benchmarking report. As a result, the Board determined the Chief Executive Officer annual base salary would be fixed at $500,000 effective from 1 July 2018 until the last one-off LTI vests on 31 March 2021, absent any special circumstances.

During the current year, two LTI grants vested. The one-off LTI grant with a vesting date of 31 March 2019 was determined. Arvida's TSR was second out of the four companies in the peer group and 16th out of 40 companies in the NZ50 group. The overall result was that 66% of the LTI entitlement vested into ordinary shares. The annual LTI grant with a vesting date of 31 March 2019 was determined. Arvida's TSR was first out of the four companies in the peer group and 12th out of 41 companies in the NZ50 group. The overall result was that 88% of the LTI entitlement vested into ordinary shares. As such, the Chief Executive Officer was issued 398,593 ordinary shares on 24 April 2019. The closing share price on the day of allotment was $1.29.

Remuneration for the financial years ended 31 March 2018 to 31 March 2020

	Fixed Remuneration			Pay for Performance			
	Salary	Other benefits[1]	Subtotal	STI[2]	LTI[3]	Subtotal	Total
FY2020	$500,602	-	$500,602	$150,000	$514,185	$664,185	$1,164,787
FY2019	$476,871	-	$476,871	$126,250	$104,777	$231,027	$707,898
FY2018	$405,466	-	$405,466	$120,000	-	$120,000	$525,466

1 The Chief Executive Officer did not receive any other benefits, such as health insurance or participate in KiwiSaver.
2 STI is the amount paid during the financial year and relates to the performance period of the previous financial year.
3 The Company's approach in reporting the value of LTI is to report the value of shares that were issued in the financial year (at the closing share price on the day of allotment) and relates to performance periods over previous financial years.

Three-year Summary

	Total Remuneration	%STI Awarded against on-plan Performance[1]	STI Performance Period	%LTI Vested against on-plan Performance[2]	Span of LTI Performance Periods
FY2020	$1,164,787	90%	FY2019	72%	FY16 to FY19
FY2019	$707,898	93%	FY2018	69%	FY16 to FY18
FY2018	$525,466	90%	FY2017	-	-

1 STI is the amount paid during the financial year and relates to the performance period of the previous financial year.
2 The Company's approach in reporting the value of LTI is to report the value of shares that were issued in the financial year (at the closing share price on the day of allotment) and relates to performance periods over previous financial years.

Plan	Description	Performance Measures
STI	Set at a gross target amount of one third of the base salary remuneration (giving a current target of $166,667) and is achievable in each financial year, up to a maximum of 1.25 times if outperformance occurs in all company performance and individual measures.	55% on company performance
		45% on individual measures
LTI	Equity based "share rights scheme" whereby the scheme grants comprise an annual grant with a target value of an amount equal to one third of the base salary remuneration at the commencement of the award period. The grant is subject to a three-year vesting period and TSR hurdles. In addition, the Chief Executive Officer was awarded one off LTI grants in relation to work undertaken to successfully complete the Initial Public Offering and company establishment. These grants are subject to four, five and six-year vesting periods and TSR hurdles.	50% measured against the comparable peer group TSR hurdle[3]
		50% measured against the NZ50 group TSR hurdle[4]

3 The Peer Group is assessed by the Board at the commencement of the grant. Broadly, for grants with four Peer Group companies the vesting scale is 100% of the LTI will vest if the Company has the highest TSR in the Peer Group, none will vest if the TSR is in the bottom half and either 70% or 90% will vest if the Company is second in the Peer Group, depending on how close the TSR is to the highest performer. For grants with five Peer Group companies the vesting scale is similar, with 50% payable if the Company has the third highest TSR in the Peer Group.

4 For the NZ50 group, 50% of the NZ50 comparator LTI vest if the 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.

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 LTI			
Commencement Date	1/04/2017	1/04/2018	1/04/2019
Vesting Date	31/03/2020	9/06/2021	8/06/2022
Unvested Rights	99,979	113,625	131,799

One-off LTI		
Commencement Date	1/04/2015	1/04/2015
Vesting Date	31/03/2020	31/03/2021
Unvested Rights	420,028	420,028

Subsequent to the end of the financial year, the outcomes were determined of the annual LTI and one-off LTI grants which had a vesting date of 31 March 2020. For the annual LTI grant, Arvida recorded the second highest TSR of the five companies in the peer group and 25th out of 45 companies in the NZ50 group. For the one-off LTI grant, Arvida's TSR was second out of the four companies in the peer group and 15th out of 39 companies in the NZ50 group. The overall result was that 35% of the annual LTI entitlement vested into ordinary shares and 77% of the one-off LTI entitlement vested into ordinary shares. As such, the Chief Executive Officer will be issued 359,297 ordinary shares subsequent to the date of this report.

CHIEF FINANCIAL OFFICER REMUNERATION

In the year ended 31 March 2020, the Chief Financial Officer received remuneration totalling $787,440. This amount included Fixed Remuneration of $380,130, a STI payment of $114,000 (relating to the performance period of the prior financial year) and a LTI entitlement valued at $293,310 (relating to performance periods over previous financial years).

EMPLOYEE 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 2020 is set out in the remuneration bands detailed in the table.

The remuneration figures shown in the "Remuneration Band" column includes all monetary payments actually paid during the course of the year ended 31 March 2020. The table also includes the value of any shares issued to individuals during the course of the same period under the LTI scheme but does not include the value of share rights issued under the same LTI scheme. The table does not include amounts paid or value of shares issued post 31 March 2020 that relate to the year ended 31 March 2020. This is consistent with methodology for calculating remuneration in previous financial years.

Remuneration Band	Number of Employees
$100k - $110k	3
$110k - $120k	8
$120k - $130k	6
$130k - $140k	11
$140k - $150k	3
$150k - $160k	4
$160k - $170k	6
$180k - $190k	3
$190k - $200k	2
$210k - $220k	1
$220k - $230k	1
$230k - $240k	1
$240k - $250k	1
$250k - $260k	1
$320k - $330k	1
$340k - $350k	1
$400k - $410k	1
$780k - $790k	1
$1,160k - $1,170k	1

DISCLOSURES

ARVIDA GROUP LIMITED
FOR THE YEAR ENDED
31 MARCH 2020

DIRECTORS' INTERESTS

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 2020:

Peter Wilson: No changes disclosed.

Michael Ambrose: Disclosed he was appointed to the following position in respect of the following entity: Senior Move Managers (Director).

Anthony Beverley: Disclosed he ceased to hold the following positions in respect of the following entities: Harbour Quays A1 Limited (Director), Harbour Quays D4 Limited (Director), Harbour Quays F1F2 Limited (Director) and Massey Property Foundation (Chair and Trustee).

Susan Paterson: Disclosed she ceased to hold the following position in respect of the following entity: NZ Golf (Board Member). Disclosed she was appointed to the following position in respect of the following entity: Reserve Bank of New Zealand (Director).

Paul Ridley-Smith: No changes disclosed.

SPECIFIC DISCLOSURES

There were no specific disclosures made during the year of any interests in transactions entered by the Company or any of its subsidiaries.

USE OF COMPANY INFORMATION

There were no notices 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 2020.

DIRECTORS' SECURITY HOLDINGS

Ordinary shares in which each Director had a relevant interest as at 31 March 2020 are set out in the table below.

Relevant interests of Directors

Director	Beneficial / Non-beneficial Interest	No. of shares held
Peter Wilson	Beneficial	532,941
	Non-beneficial	17,632
Michael Ambrose	Beneficial	1,644,465
	Non-beneficial	219,100
Anthony Beverley	Beneficial	374,977
Susan Paterson	Beneficial	189,028
Paul Ridley-Smith	Beneficial	132,627

SECURITIES DEALINGS OF DIRECTORS

Dealings by Directors in relevant interests in Arvida's ordinary shares during the year ending 31 March 2020 as entered in the Interests Register:

Director	No. of Shares	Nature of Relevant Interest	Acquisition/ Disposal	Consideration	Date of Transaction
Peter Wilson	79,543	Registered holder and beneficial owner	Acquisition	$1.15 per share	22/07/2019
Peter Wilson	2,632	Registered holder and non-beneficial owner	Acquisition	$1.15 per share	22/07/2019
Michael Ambrose	68,203	Registered holder and beneficial owner	Acquisition	$1.15 per share	22/07/2019
Michael Ambrose	32,700	Registered holder and non-beneficial owner	Acquisition	$1.15 per share	22/07/2019
Anthony Beverley	55,966	Registered holder and beneficial owner	Acquisition	$1.15 per share	22/07/2019
Susan Paterson	28,213	Registered holder and beneficial owner	Acquisition	$1.15 per share	22/07/2019
Paul Ridley-Smith	19,795	Registered holder and beneficial owner	Acquisition	$1.15 per share	22/07/2019

DIRECTOR APPOINTMENT DATES

The date of each Director's first appointment to the position of Director is provided below.

Since the date of first appointment, Directors have been re-appointed at Annual Meetings when retiring by rotation as required.

Director	Date first appointed	Date last re-appointed
Peter Wilson	13 November 2014	6 July 2018
Michael Ambrose	17 January 2014	7 July 2017
Anthony Beverley	13 November 2014	5 July 2019
Susan Paterson	7 May 2015	6 July 2018
Paul Ridley-Smith	7 May 2015	7 July 2017

DIRECTORS OF SUBSIDIARY COMPANIES

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, Jeremy Nicoll nor Tristan Saunders received additional remuneration or benefits for acting as directors of subsidiaries during the year.

William McDonald and Jeremy Nicoll are directors of all of the Company's wholly-owned subsidiaries as at 31 March 2020. The directors of the joint venture companies (Village at the Park Care Limited and Village at the Park Lifecare Limited) are William McDonald, Jeremy Nicoll, Euan Playle, Tristan Saunders, Anaru Smiler and Richard Te One.

During the financial year ending 31 March 2020, there were no divestment or amalgamation of subsidiary companies. On 3 July 2019, Bethlehem Country Club Village Limited, Bethlehem Shores Retirement Village Limited and Queenstown Country Club Village Limited were newly incorporated with William McDonald and Jeremy Nicoll appointed as directors. On 2 August 2019, Frasers Cafe Limited was acquired with William McDonald and Jeremy Nicoll appointed as directors.

TOP 20 SHAREHOLDERS AS AT 31 MARCH 2020

	Shareholder	No. of Shares	% of Shares
1	New Zealand Central Securities Depository Limited	136,988,498	25.3%
2	Forsyth Barr Custodians Limited	82,950,114	15.3%
3	Ian Hurst & Gloria Hurst & Geoffrey McPhail & Banco Trustees Limited	12,052,310	2.2%
4	FNZ Custodians Limited	9,375,837	1.7%
5	Donna Hurst & Douglas Hurst & Geoffrey McPhail & Banco Trustees Ltd	9,028,134	1.7%
6	New Zealand Depository Nominee Limited	7,493,355	1.4%
7	Kim Poynter & Scott Williams	7,000,000	1.3%
8	Waikanae Trustees Limited	6,860,447	1.3%
9	Forsyth Barr Custodians Limited	6,365,735	1.2%
10	Gordon Hartley & Karen Hartley & Rostock Trustees Limited	5,064,414	0.9%
11	Suzanne Marshall & Simon Marks	4,631,327	0.9%
12	Alison Davis & Purnell Creighton Trustees Limited	4,400,365	0.8%
13	Trevor Marshall & Simon Marks	4,065,636	0.8%
14	Scott Vernon & Wyndham Trustees Limited	3,526,315	0.7%
15	Terry Pratley & Amanda Pratley	3,259,152	0.6%
16	Ronald Williams & Andrena Williams & Arthur Keegan	3,010,000	0.6%
17	Karen Adamson & Simon Marks	2,993,630	0.6%
18	Stephen Darling & Gail Darling & Canterbury Trustees Limited	2,945,614	0.5%
19	Bethlehem Country Club Limited	2,828,905	0.5%
20	Bethlehem Shores Limited	2,828,905	0.5%
	Total	**317,668,693**	**58.6%**

SHAREHOLDERS HELD THROUGH THE NZCSD AS AT 31 MARCH 2020

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. The 10 largest shareholdings in the Company held through NZCSD were:

	Shareholder	No. of Shares	% of Shares
1	Generate Kiwisaver Public Trust Nominees Limited	27,870,201	5.1%
2	National Nominees Limited	23,990,056	4.4%
3	Accident Compensation Corporation	23,923,962	4.4%
4	Citibank Nominees (New Zealand) Limited	19,464,478	3.6%
5	HSBC Nominees (New Zealand) Limited	11,398,560	2.1%
6	BNP Paribas Nominees (NZ) Limited	5,359,734	1.0%
7	BNP Paribas Nominees (NZ) Limited	5,307,539	1.0%
8	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	3,908,521	0.7%
9	Tea Custodians Limited Client Property Trust Account	3,718,007	0.7%
10	Mint Nominees Limited	3,663,756	0.7%

SPREAD OF SHAREHOLDERS AS AT 31 MARCH 2020

The total number of listed ordinary shares as at 31 March 2020 was 541,891,815. The Company has only ordinary shares on issue.

Size of shareholding	Shareholders		Shares held	
	Number	%	Number	%
Under 2,000	833	13.7%	827,556	0.2%
2,000 to 4,999	1,147	18.9%	3,800,523	0.7%
5,000 to 9,999	1,182	19.5%	8,225,568	1.5%
10,000 to 99,999	2,503	41.3%	68,777,126	12.7%
100,000 to 499,999	286	4.7%	58,132,506	10.7%
500,000 and over	108	1.8%	402,128,536	74.2%
Total	6,059	100.0%	541,891,815	100.0%

SUBSTANTIAL PRODUCT HOLDER NOTICES AS AT 31 MARCH 2020

According to the records kept by the Company under the Financial Market Conducts Act 2013, the following were substantial holders in the Company as at 31 March 2020. The total number of listed ordinary shares as at 31 March 2020 was 541,891,815 (being the only voting products).

Shareholder	Relevant Interest	% held at date of notice	Date of Notice
Generate Investment Management Limited	20,900,123	5.1%	14 February 2018
Forsyth Barr Investment Management Limited	38,810,783	9.4%	27 June 2019

AUDITORS' FEE

Ernst & Young was appointed auditor of Arvida Group Limited and of the retirement village companies with the Arvida group. The amount payable to Ernst & Young as audit fees during the financial year ended 31 March 2020 was $396,500. The amount of fees payable to Ernst & Young for non-audit work during the financial year ended 31 March 2020 was $1,380.

WAIVERS FROM NZX LISTING RULES

No waivers from NZX Listing rules were sought in the year ending 31 March 2020.

CREDIT RATING

The Company has no credit rating.

DONATIONS

In accordance with section 211(1)(h) of the Companies Act, the Company records that $11,697 was donated by Arvida or its subsidiaries in the year ended 31 March 2020.

COMPANY INFORMATION

Registered Office of Arvida:	Arvida Group Limited Level 1, 39 Market Place Auckland 1010 PO Box 90217, Victoria Street West Auckland 1142 Phone: +64 9 972 1180 Email: info@arvida.co.nz Website: www.arvida.co.nz
Directors:	**Peter Wilson**, Independent Director and Chair **Michael Ambrose**, Independent Director **Anthony Beverley**, Independent Director **Susan Paterson**, Independent Director **Paul Ridley-Smith**, Independent Director
Group Auditor:	Ernst & Young
Valuer:	CBRE Limited Jones Lang LaSalle Limited
Legal Advisors:	Chapman Tripp Anthony Harper
Bankers:	ANZ Bank New Zealand Limited Bank of New Zealand
Statutory Supervisor:	Covenant Trustee Services Limited Anchorage 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

DIRECTORY

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 Country Club	111 Carmichael Road, Bethlehem, Tauranga 3110	07 579 2035
Bethlehem Shores	141 Bethlehem Road, Bethlehem, Tauranga 3110	07 579 2035
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
Mary Doyle	3 Karanema Drive, Havelock North 4130	06 873 8400
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
Queenstown Country Club	420 Frankton-Ladies Mile Hwy, Cnr Howards Drive, Queenstown 9371	0800 111 410
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
Strathallan	31 Konini Street, Gleniti, Timaru 7910	03 686 1996
The Wood	156 Milton Street, Nelson 7010	03 545 6059
Village at the Park	130 Rintoul St, Newtown, Wellington 6021	04 380 1361
Waikanae Lodge	394 Te Moana Road, Waikanae, Kapiti Coast 5036	04 902 6800
Waimea Plains	455 Lower Queen Street, Richmond 7020	03 922 9823

Arvida

arvida.co.nz