Arvida Group

INTERIM REPORT

30 SEPTEMBER 2018

HIGHLIGHTS

TO 30 SEPTEMBER 2018

29

VILLAGES NATIONALLY

2

GREENFIELD DEVELOPMENT SITES

REVENUE

$76m +26%

UNDERLYING PROFIT [1]

$18m +45%

OPERATING CASH FLOW

$26m +80%

TOTAL ASSETS

$1.2b +42%

1. Underlying Profit is a non-GAAP (unaudited) financial measure and differs from NZ IFRS net profit after tax. Please refer to page 8 for a reconciliation to Reported Profit under IFRS.

CONTENTS

RESIDENTS

4,000+

CARE BEDS

1,743

RETIREMENT UNITS

1,909

UNIT DEVELOPMENT PIPELINE

1,385

INAUGURAL STAFF SURVEY

96%

of staff determined to give their best effort everyday, and 83% motivated to go beyond what is required.

CARE OCCUPANCY

96%

average for the period, significantly above wider industry experience.

4 YEAR CERTIFICATION

14 of **26**

a further two facilities achieved 4 year certification, now 14 of 26 care facilities at this high level.

RESALE VOLUMES

38% higher

at 135 units at a 9% increase in average resale pricing delivered 74% higher resale gains.

DELIVERY

61 new premium units in first half, on track to deliver

112 units this year

ACQUISITION

18 hectares

in Kerikeri added 280 units to future development programme.

DIVIDEND

1.3 cents per share

declared for second quarter, 13% up on last year.

CHAIR & CEO REPORT

Welcome to Arvida's interim report for the six months ended 30 September 2018. It has been another strong half of operational and financial performance.

PETER WILSON
Chair

BILL MCDONALD
Chief Executive Officer

OUR PEOPLE

We are passionate about pursuing a truly differentiated position and to improve the lives and well being of our residents. As highlighted in previous reports to shareholders, Arvida's Attitude of Living Well model of care strives to provide a rich and more meaningful life for residents and increased satisfaction for staff.

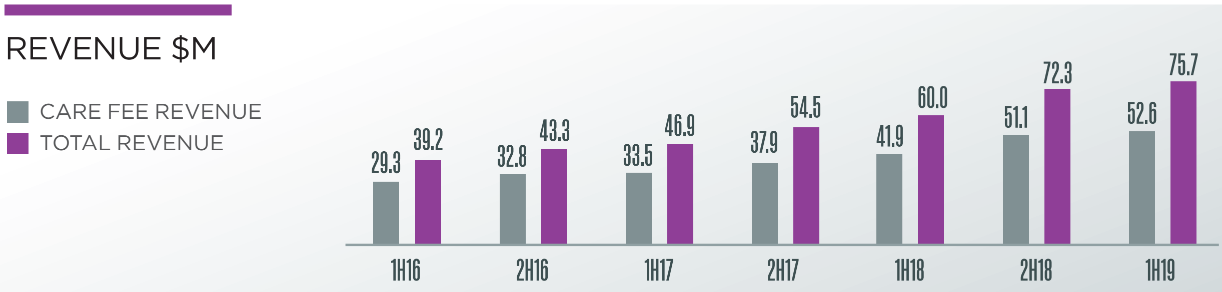
We adopted the Net Promoter Score as a primary internal metric for measuring resident satisfaction – and achieved excellent scores in both annual surveys completed to date. These results reinforced our belief that we are on track with residents affirming their support through survey responses.

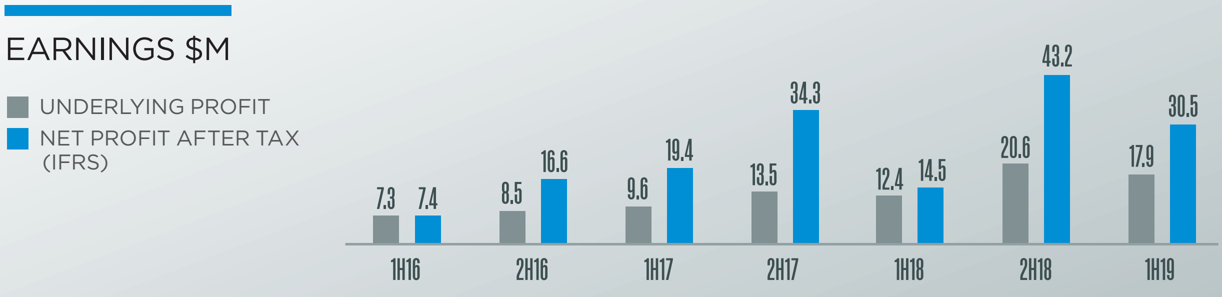
This year we also committed to undertaking our first survey of staff to measure engagement and motivation. The feedback received from that survey has also been excellent with very strong positive feedback received. In particular:

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

The survey offers some terrific insights into the culture developing across the organisation. Reporting of results has been provided to staff to a granular level to enable all functional areas to benefit from those insights.

Bringing the Attitude of Living Well to life has involved a commitment across the organisation. Its implementation has been facilitated through the development of a leadership programme, introduction of Wellness leaders and Wellness teams in each village and a new staffing structure to support household living.





The model has five wellness pillars – eating, thinking, resting, moving and engaging well. The aim is to support residents to live their best life in a home-like environment where they set the pace and rhythm of their day.

Staff are empowered to act as support partners, providing help and assistance where needed and allowing choice and autonomy, as much as practicable. These highly-valued, decentralised teams are key in nurturing small groups of residents to create a home together, foster relationships, determine their own lives and build communities.

OUR FINANCIAL PERFORMANCE

In the first six months to 30 September 2018, we reported net profit after tax of $30.5 million and a 45% lift in Underlying Profit to $17.9 million.

Total revenue grew 26% on the same period last year to $75.7 million reflecting a combination of full period contributions from acquisitions made last year and continued strong care facility occupancy rates. Villages acquired in the second half of last year performed well and above expectations. Contributions from these three acquired villages are not included in prior period comparisons.

Revenue from care fees was $52.6 million, $10.7 million up on last year and represented 69% of total revenue. Care fees deliver growing recurring cash flows to the business underpinned by growth in bed numbers, premium fees and continued high care occupancy that was maintained above 95% for the period. Net cash flow from operations was $26.0 million for the half.

During the period we lengthened Ministry of Health certification periods for our care facilities to an average of 3.54 years, with two further facilities achieving four-year certification. Over half our facilities have now obtained this gold standard accreditation.

Settlement volumes of occupation right agreements were strong notwithstanding a slowing residential housing market. A total of 135 resales and 30 new sales were settled in the six months to September. Compared to the same period last year, we achieved a significant lift in resale gains to $9.1 million. This was a result of a 38% increase in resale volumes and an increase in resale margins to 22%. The total resale price was 5% above the pricing independently assessed by our valuers at 31 March 2018, highlighting continued momentum and demand for homes in our villages. $17.3 million of new unit sales settled in the period at a development margin of 16%.

We continue to see the benefits of an integrated retirement living and care offering with independent living home stock levels remaining low across our villages. We maintain a high needs-based portfolio with 67% of our portfolio comprising serviced apartments and care beds.

OUR FINANCIAL POSITION

Total assets grew to $1.2 billion, up $70.5 million since the start of the financial year. The increase was from continued development activity and an increase in the value of Investment Property from a desktop valuation of the portfolio undertaken by CBRE and JLL.

The net implied value of the portfolio increased to $1.32 per share, up 10.9% on last year.

In June, BNZ was introduced alongside ANZ into an extended $250 million syndicated bank debt facility. The facility is split evenly into 3 and 5 year maturities and provides sufficient headroom to fund our current development activity. Debt was $149.6 million at 30 September 2018 with the bulk of this applied to funding development activity across the Group.

DEVELOPMENT MILESTONES

Key development milestones were met this half with the delivery of the initial stages of the Living Well Park Lane development in Christchurch and the Aria Bay development in Auckland. Together, these developments added 54 new premium apartments to our portfolio. We are on track to deliver 112 new retirement units this financial year, in line with guidance provided.

We are especially pleased with the Living Well Park Lane development. The project was designed by Jasmax architects who borrowed from the Living Building Challenge concept to create a development that aimed to be regenerative rather than just environmentally sustainable.

Focusing on locally sourced materials, residents use of communal electric vehicles, high insulation properties, solar voltaic panels

DEVELOPMENT PIPELINE

ARIA BAY AUCKLAND

Consented with enabling works due to commence. **117** CARE & APTS

COPPER CREST TAURANGA

Under construction, delivery of 19 in 2H19. **24** VILLAS

Consented with earthworks in progress. **79** CARE & APTS

LAURISTON PARK CAMBRIDGE

Under construction, delivery FY20. **12** VILLAS

Consented with enabling works due to commence. **90** CARE & APTS

MARY DOYLE HAVELOCK NORTH

Under construction, delivery of nine in 2H19. **41** VILLAS

VILLAGE AT THE PARK WELLINGTON

Under construction, delivery FY20. **24** APTS

ST ALBANS CHRISTCHURCH

Under construction, delivery FY20. **25** APTS

Consented. **20** CARE & APTS

PARK LANE CHRISTCHURCH

Consented with enabling works due to commence. **50** APTS

RHODES ON CASHMERE CHRISTCHURCH

Under construction, delivery 2H19. **23** APTS

Consented. **50** CARE & APTS

WAIMEA PLAINS RICHMOND

Under construction, delivery of 34 Villas in FY20. **267** VILLAS, CARE & APTS and high seismic strength makes this a unique retirement development in New Zealand.

Additionally, the planned development of adjoining community facing wellness and health facilities that have been designed for the use of both Park Lane residents and the local community adds to the regenerative focus through inclusion of the local community.

The Living Well Park Lane apartment development is a “blueprint” for future Arvida villages.

FUTURE DEVELOPMENT

In August 2018 we announced the purchase of 18 hectares of undeveloped land in Kerikeri for approximately $14 million.

The site is well located to Kerikeri town centre and of a scale that allows a large master planned retirement village to be built providing 200 independent living villas, an 80 bed care facility together with community and recreational facilities. Planning and design are underway in preparation for our resource consent application.

We are very encouraged by the level of enquiry that we have already received from people expressing interest in the village. We consider the village will provide much-needed additional accommodation and care for the local community.

The acquisition of the Kerikeri site increases our future development pipeline to 1,385 homes with our annual build rate lifting to more than 200 homes by 2021.

OUR GROWTH STRATEGY

While no villages were acquired in the period, a number of opportunities were reviewed. A considered approach is taken to evaluating acquisition opportunities ensuring delivery to stated strategy and creation of a balanced national portfolio.

Development is taking a greater focus as we establish scale in our programme. We will be continuing to evaluate land acquisitions that offer greenfield development villages.

DIVIDENDS

The Directors approved a dividend of 1.3 cents (partially imputed) per share amounting to $5.4 million for the September quarter to be paid on 20 December 2018. The record date for the dividend entitlement is 12 December 2018.

LOOKING FORWARD

The Ministry of Health and District Health Boards in collaboration with a cross-sector steering group have commissioned an independent review to assess improvements to funding the New Zealand aged care sector. This includes examining the existing funding model and running a process to select a preferred funding model, and a transition plan. The review is expected to be largely complete by December 2018.

The Australian government recently announced a Royal Commission into Australian aged care quality and safety to better understand potential industry issues. The Commission’s terms of reference include considering the future challenges and opportunities for delivering aged care services in the context of the changing demographics.

Both initiatives highlight the importance of strong governance. The Board’s approach has always been to ensure best practice governance structures and that the highest ethical standards and integrity are maintained at Arvida.

Arvida continues to perform and is well positioned to deliver improved financial performance for the year. We are committed to using our expertise in a way that supports the delivery of our strategy, with a strong focus on keeping our people well, through empowerment and supporting healthy communities.

Peter Wilson
Chair

Bill McDonald
Chief Executive Officer

The Living Well Park Lane apartment development is a "blueprint" for future Arvida villages.

FINANCIAL HIGHLIGHTS $000	6 months Sept 2018 Unaudited	6 months Sept 2017 Unaudited	12 months March 2018 Audited
Total revenue	75,695	60,042	132,298
Net profit before tax (NZIFRS)	32,683	16,984	61,915
Net profit after tax (NZIFRS)	30,541	14,504	57,637
Net operating cash flow	26,045	14,483	53,877
Total assets	1,202,937	847,293	1,132,445

UNDERLYING PROFIT [1] $000	6 months Sept 2018 Unaudited	6 months Sept 2017 Unaudited	12 months March 2018 Unaudited
Reported net profit after tax (NZIFRS)	**30,541**	**14,504**	**57,637**
Less: Changes in fair values	(25,011)	(8,600)	(46,974)
Add: Deferred tax	469	458	327
Add: Impairment of goodwill	0	0	1,213
Add: One-off costs	180	285	980
Underlying Operating Profit	**6,179**	**6,647**	**13,183**
Add: Gain on resale of existing units	9,058	5,193	13,299
Add: Development margin on new units	2,621	510	6,537
Underlying Profit	**17,858**	**12,350**	**33,019**

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

Arvida's 29 villages are located nationally, comprising 1,909 retirement units and 1,743 care beds. Each village operates independently and expresses its own character, personality and identity. The corporate structure supports village operations ensuring quality and consistency in service, which ultimately benefits residents, village staff and shareholders.

Arvida provides more than 4,000 residents with a continuum of care that extends from independent living to full rest home, hospital and dementia level care and a range of flexible care plans depending on their needs.

AGED CARE

Aged care is an integral part of Arvida's continuum of care offering with 21 co-located and 5 standalone care facilities. 14 care facilities hold four-year certification from the Ministry of Health.

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

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

RETIREMENT LIVING

Independent Living

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

Assisted Living

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

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

ARVIDA GROUP AT A GLANCE

TOTAL AGED CARE BEDS

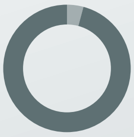
743 Rest Home

733 Hospital

267 Dementia Care

907 North Island

836 South Island



96%

Occupancy of Aged Care Beds

TOTAL RETIREMENT UNITS

1,221 Independent Living Units

671 Serviced Apartments

17 Care Suites

1,271 North Island

638 South Island

81 years Current Average Age of Independent Living Residents

87 years Current Average Age of Serviced Apartment Residents

ArvidaGroup

FINANCIAL STATEMENTS

ARVIDA GROUP LIMITED
FOR THE SIX MONTHS
ENDED 30 SEPTEMBER
2018 (UNAUDITED)

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018 (unaudited)

$000	Note	6 months Sept 2018 Unaudited	6 months Sept 2017 Unaudited	12 months March 2018 Audited
Income				
Care fees and village services	2	62,697	49,938	109,896
Deferred management fees	2	10,356	8,386	18,147
Other income	2	2,642	1,718	4,255
Total revenue		**75,695**	**60,042**	**132,298**
Change in fair value of investment property	4	25,285	8,911	41,192
Change in fair value of interest rate swaps		(811)	(373)	(581)
Change in fair value in property, plant and equipment		75	62	1,358
Share of profit arising from joint venture		660	0	5,141
Total income		**100,904**	**68,642**	**179,408**
Expenses				
Employee costs		43,124	32,750	75,109
Property costs		6,590	4,693	9,745
Depreciation and amortisation		2,448	1,858	4,252
Impairment of goodwill		0	0	1,213
Finance costs		1,714	902	2,203
Transaction costs		180	285	980
Other expenses		14,165	11,170	23,991
Total expenses		**68,221**	**51,658**	**117,493**
Profit before tax		**32,683**	**16,984**	**61,915**
Income tax expense	3	2,142	2,480	4,278
Profit after tax		**30,541**	**14,504**	**57,637**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Net gain on revaluation of property, plant and equipment		2,925	407	7,619
Total comprehensive income		**33,466**	**14,911**	**65,256**
Earnings per share:				
Basic (cents per share)	8	7.38	4.34	15.53
Diluted (cents per share)	8	7.33	4.30	15.41

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018 (unaudited)

$000	Note	Retained Earnings	Asset Revaluation Reserve	Share Based Payment Reserve	Share Capital	Total
Opening Balance at 1 April 2017		**56,292**	**3,246**	**316**	**311,698**	**371,552**
Profit for the period		14,504	0	0	0	14,504
Other comprehensive income		0	407	0	0	407
Total comprehensive income		**14,504**	**407**	**0**	**0**	**14,911**
Dividends paid		(7,780)	0	0	0	(7,780)
Balance at 30 September 2017 (unaudited)		**63,016**	**3,653**	**316**	**311,698**	**378,683**
Opening Balance at 1 October 2017		**63,016**	**3,653**	**316**	**311,698**	**378,683**
Profit for the period		43,133	0	0	0	43,133
Other comprehensive income		0	7,212	0	0	7,212
Total comprehensive income		**43,133**	**7,212**	**0**	**0**	**50,345**
Dividends paid		(9,424)	0	0	0	(9,424)
Share based payments		0	0	313	0	313
Share capital issued	7	0	0	0	92,879	92,879
Transaction costs	7	0	0	0	(2,334)	(2,334)
Balance at 31 March 2018 (audited)		**96,725**	**10,865**	**629**	**402,243**	**510,462**
Opening Balance at 1 April 2018		**96,725**	**10,865**	**629**	**402,243**	**510,462**
Profit for the period		30,541	0	0	0	30,541
Other comprehensive income		0	2,925	0	0	2,925
Total comprehensive income		**30,541**	**2,925**	**0**	**0**	**33,466**
Dividends paid		(11,877)	0	0	0	(11,877)
Share based payments	7	0	0	(116)	116	0
Balance at 30 September 2018 (unaudited)		**115,389**	**13,790**	**513**	**402,359**	**532,051**

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

CONSOLIDATED INTERIM BALANCE SHEET

As at 30 September 2018 (unaudited)

$000	Note	As at Sept 2018 Unaudited	As at Sept 2017 Unaudited	As at March 2018 Audited
Assets				
Cash and cash equivalents		2,457	1,861	3,129
Trade receivables and other assets		9,825	7,293	7,351
Tax receivable		1,591	784	1,430
Resident advances		4,505	2,963	4,589
Accrued income		7,468	7,704	7,324
Property, plant and equipment		206,696	189,925	225,409
Investment properties	4	892,954	585,654	806,294
Investment in joint venture		21,832	0	21,172
Intangible assets		55,609	51,109	55,747
Total assets		**1,202,937**	**847,293**	**1,132,445**
Liabilities				
Trade and other payables		16,952	13,906	16,075
Employee entitlements		9,027	6,476	9,100
Revenue in advance		29,865	22,197	28,155
Interest rate swaps		1,392	373	581
Interest bearing loans and borrowings	6	149,599	109,588	122,241
Resident's loans	5	435,447	294,641	415,201
Deferred tax liabilities		28,604	21,429	30,630
Total liabilities		**670,886**	**468,610**	**621,983**
Net assets		**532,051**	**378,683**	**510,462**
Equity				
Share capital		402,359	311,698	402,243
Reserves		14,303	3,969	11,494
Retained earnings		115,389	63,016	96,725
Total equity		**532,051**	**378,683**	**510,462**

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018 (unaudited)

$000	Note	6 months Sept 2018 Unaudited	6 months Sept 2017 Unaudited	12 months March 2018 Audited
Cash flows from operating activities				
Receipts from residents for care fees and village services		65,430	49,522	113,139
Receipts of residents' loans from resales		35,602	24,407	63,341
Receipts of residents' loans from new sales		15,580	1,175	27,935
Interest received		71	24	66
Payments to suppliers and employees		(66,620)	(46,864)	(106,318)
Repayments of residents' loans		(20,409)	(12,124)	(37,701)
(Advances) to and repayments from residents		84	1,538	(4)
Interest paid		(1,688)	(748)	(1,940)
Income tax paid		(2,005)	(2,447)	(4,641)
Net cash inflow from operating activities		**26,045**	**14,483**	**53,877**
Cash flows from investing activities				
Cash acquired from subsidiaries		0	0	2,962
Purchase of property, plant and equipment and intangible assets		(34,888)	(33,320)	(66,178)
Payments for investments in joint venture		0	0	(11,931)
Payments for investments in subsidiaries		0	0	(43,780)
Purchase of investment properties		(6,140)	(8,082)	(12,101)
Net insurance claim proceeds		0	86	0
Capitalised interest paid		(1,232)	(790)	(1,880)
Net cash (outflow) from investing activities		**(42,260)**	**(42,106)**	**(132,908)**
Cash flows from financing activities				
Proceeds from borrowings		36,500	43,750	73,750
Repayment of borrowings		(8,900)	(7,500)	(49,250)
Net proceeds of share issue		0	0	76,879
Transaction costs		(180)	(285)	(3,314)
Dividends paid		(11,877)	(7,780)	(17,204)
Net cash inflow from financing activities		**15,543**	**28,185**	**80,861**
Net increase/(decrease) in cash and cash equivalents		**(672)**	**562**	**1,830**
Cash and cash equivalents at the beginning of the financial period		3,129	1,299	1,299
Cash and cash equivalents at the end of the financial period		**2,457**	**1,861**	**3,129**

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL INFORMATION

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

The Group is in the business of owning, operating and developing retirement villages and rest homes for the elderly in New Zealand. These consolidated interim financial statements ("interim financial statements") have been approved for issue by the Board of Directors on 26 November 2018.

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

Basis of Preparation

These interim financial statements have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with NZ IAS 34 Interim Financial Reporting;
- using the same accounting policies and methods of computation as were followed in the Group annual financial statements for the period ended 31 March 2018;
- by adopting NZ IFRS 15 Revenue from Contracts with Customers, which replaces NZ IAS 18 Revenue effective from 1 April 2018. The standard establishes a five-step model to account for revenue arising from contracts with customers. Under NZ IFRS 15, revenue is apportioned to individual performance obligations within customer contracts based on their relative stand-alone selling price. Based on certain criteria, revenue is then recognised either over time or at a point in time as these performance obligations are satisfied. The adoption of NZ IFRS 15 has not had a material impact on recognition of care fees and villages services. The Group adopted NZ IFRS 15 using the retrospective approach, and there is no restatement of prior year financial statements due to immaterial impact to the Group's financial statements;
- by adopting NZ IFRS 9 Financial Instruments, which replaces NZ IAS 39 Financial Instruments: Recognition and Measurement effective from 1 April 2018. There is no significant effect on the Group's accounting for financial liabilities as NZ IFRS 9 largely retains the existing requirements in NZ IAS 39 for the classification and measurement of financial liabilities. However, the standard has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. Previously the Group assessed trade receivables for impairment on an individual basis and any impairment recognised in the income statement as incurred. Under the new ECL model the Group takes a simplified approach to assess trade receivables when a significant increase in credit risk has occurred. The Group applied NZ IFRS 9 retrospectively to all comparative periods and the effect was not material;
- in accordance with the requirements of the Financial Markets Conduct Act 2013;
- under the historical cost convention, as modified by the revaluation of investment properties and land and buildings (included in property, plant and equipment);
- on the liquidity basis where the assets and liabilities are presented on the balance sheet in the order of their liquidity;
- in New Zealand dollar terms, rounded to the nearest thousand dollars; and
- with all amounts shown exclusive of goods and services tax ("GST"), other than trade debtors and trade creditors, except where the amount of GST incurred is not recoverable from the taxation authority. When this occurs, the GST is recognised as part of the cost of the asset or as an expense, as applicable.

These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Group annual financial statements for the period ended 31 March 2018.

Critical Accounting Estimates and Judgements

The preparation of the interim financial statements requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Directors, in determining the appropriate treatment, have carefully evaluated all of the available information and consider the adopted policies to be appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are: Revenue recognition; Income taxes; Fair value of investment property; Fair value of care facility; and Impairment of goodwill.

Judgements used remain materially unchanged from the financial statements for the period ended 31 March 2018, aside from the assumptions around expected period of tenure used for revenue recognition and the fair value of investment property which has since had a desktop review undertaken. Further detail on revenue recognition assumptions are available in note 2 and on the fair value of investment property in note 4.

Basis of Consolidation

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

Segment Reporting

An operating segment is a component of an entity that engages in business activities which earn revenue and incur expenses and where the Chief Operating Decision Maker ("CODM") 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 CODM, the Board of Directors, reviews the operating results on a regular basis and makes decisions on resource allocation based on the review of Group results and cash flows as a whole. The nature of the products and services provided and the type and class of customers have similar characteristics within the operating segment. All revenue earned and assets held are in New Zealand.

2. INCOME

$000	6 months Sept 2018 Unaudited	6 months Sept 2017 Unaudited	12 months March 2018 Audited
Income			
Care fees and village services	62,697	49,938	109,896
Deferred management fees	10,356	8,386	18,147
Other income	2,642	1,718	4,255
Total revenue	**75,695**	**60,042**	**132,298**

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 $35.3 million (31 March 2018: $61.1 million; and 30 September 2017: $28.6 million).

Key Judgements and Estimates

Deferred management fees are recognised as revenue on a straight-line basis. This requires management to estimate the period of occupancy for units and serviced apartments. The expected period of tenure, being based on historical results, experience and industry averages, are estimated at 3.9 to 5.0 years for studios and serviced apartments (31 March 2018: 4.0 to 5.0 years; and 30 September 2017: 4.1 to 5.0 years) and are estimated at 5.9 to 9.1 years (31 March 2018: 6.3 to 9.0 years; and 30 September 2017: 6.2 to 9.0 years) for independent apartments and villas.

3. INCOME TAX EXPENSE

$000	6 months Sept 2018 Unaudited	6 months Sept 2017 Unaudited	12 months March 2018 Audited
Reconciliation to profit before tax			
Profit before tax	32,683	16,984	61,915
Tax at 28%	**9,151**	**4,756**	**17,336**
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:			
Changes in fair values	(6,874)	(2,408)	(11,751)
Share of profit arising from joint venture (net of tax)	(185)	0	(1,439)
Non-taxable income and non-deductible expenditure	109	(189)	101
Other	(59)	321	31
Income tax expense	**2,142**	**2,480**	**4,278**

4. INVESTMENT PROPERTY

$000	As at Sept 2018 Unaudited	As at Sept 2017 Unaudited	As at March 2018 Audited
Balance at beginning of period	806,294	569,855	569,855
Purchase on acquisition	0	0	154,291
Additions	7,535	6,888	13,698
Reclassification from property, plant and equipment	53,840	0	27,258
Fair value movement - unrealised	25,285	8,911	41,192
Total investment property	**892,954**	**585,654**	**806,294**
Valuation of managers' net interest	394,780	247,010	336,162
Development land	40,330	29,510	34,100
Liability for residents' loans	435,447	294,641	415,201
Net revenue in advance / (accrued revenue)	22,397	14,493	20,831
Total investment property	**892,954**	**585,654**	**806,294**

The fair value of investment property is determined on a six monthly basis. The fair value of completed investment properties and development land at 30 September 2018 was 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 Group's policy is that a full valuation should be undertaken at each year end of the investment properties and a desktop review should be undertaken at each interim period.

CBRE and JLL completed the desktop review as at 30 September 2018 to determine the current valuation of each property. The reviews indicated an overall uplift in the valuation of the properties of $25.3 million which has been recognised as a change in the fair value of investment properties in the consolidated interim statement of comprehensive income. CBRE and JLL reviewed key information (resident schedules and sales data) associated with each property, however full property inspections were not undertaken as part of the desktop review.

Key Judgements and Estimates

The valuation of investment property includes within its forecast cash flows, the Group's expected costs relating to any known or anticipated remediation works. The fair value as determined by the independent valuer is adjusted for assets and liabilities already recognised in the balance sheet which are also reflected in the DCF. As the fair value of investment property is determined using inputs that are unobservable, the Group has categorised investment property as level 3 under the fair value hierarchy in accordance with NZ IFRS 13 'Fair Value Measurement'. Significant assumptions used by the valuer include:

Assumption	Estimate Used
Occupancy periods of units	Stabilised departing occupancy of 5.9 to 9.1 years (31 March 2018: 6.3 to 9.0 years; and 30 September 2017: 6.2 to 9.0 years) for independent apartments and villas and 3.9 to 5.0 years for studios and serviced apartments (31 March 2018: 4.0 to 5.0 years; and 30 September 2017: 4.1 to 5.0 years)
House price inflation	Between 0.0% and 3.5% (31 March 2018: between 0.0% and 3.5%; and 30 September 2017: between 0.0% and 3.5%)
Discount rate	Between 12.3% and 16.5% (31 March 2018: between 12.3% and 16.5%; and 30 September 2017: between 12.5% and 16.0%)

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.

An increase (decrease) in the stabilised departing occupancy period will have a negative (positive) impact on the valuation. A significant decrease (increase) in the discount rate or increase (decrease) in the inflation rate would result in a significantly higher (lower) fair value measurement.

5. RESIDENTS' LOANS

$000	As at Sept 2018 Unaudited	As at Sept 2017 Unaudited	As at March 2018 Audited
Opening balance	415,201	290,894	290,894
Amounts repaid on termination of ORAs	(20,360)	(15,358)	(37,870)
Amounts received on issue of new ORAs	52,702	26,696	91,685
Amounts acquired on investment property	0	0	88,879
Movement in DMF receivable and residents' portion of capital gains	(12,096)	(7,591)	(18,387)
Total residents' loans	**435,447**	**294,641**	**415,201**

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 CBRE Limited or Jones Lang LaSalle Limited in the valuation of the investment property.

6. INTEREST BEARING LOANS AND BORROWINGS

$000	As at Sept 2018 Unaudited	As at Sept 2017 Unaudited	As at March 2018 Audited
Secured bank loans	150,100	109,750	122,500
Capitalised financing costs	(501)	(162)	(259)
Total interest bearing loans and borrowings	**149,599**	**109,588**	**122,241**

		As at Sept 2018 Unaudited	As at Sept 2017 Unaudited	As at March 2018 Audited
Funding facilities	**Limit**	**Drawn Amount**	**Drawn Amount**	**Drawn Amount**
Facility A maturing 30 June 2020	$75m refinanced	$0	$71.5m	$69.5m
Facility B maturing 30 June 2022	$75m refinanced	$0	$38.3m	$53.0m
Facility A maturing 5 June 2021	$125m	$125.0m	$0	$0
Facility B maturing 5 June 2023	$125m	$25.1m	$0	$0
Total Drawn Facilities		**$150.1m**	**$109.8m**	**$122.5m**

Secured bank loans

On 5 June 2018 a Deed of Amendment and Restatement was executed with ANZ Bank New Zealand Limited and Bank of New Zealand. The agreement comprises Facility A of $125.0 million and Facility B of $125.0 million. 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 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 the retirement village companies, limited to 50% of their net tangible assets.

Interest

Interest on the bank loan is charged using the BKBM Bill Rate plus a margin. Interest rates applicable in the six months to 30 September 2018 ranged from 2.7% to 3.2% pa (year to 31 March 2018: 2.5% to 2.9% pa; and six months to 30 September 2017: 2.5% to 2.8% pa). A separate line fee is charged over the facility limit.

7. SHARE CAPITAL

Shares 000	As at Sept 2018 Unaudited	As at Sept 2017 Unaudited	As at March 2018 Audited
Opening balance	413,741	334,261	334,261
Shares issued	209	0	79,480
Closing balance	**413,950**	**334,261**	**413,741**

On 13 October 2017 Arvida Group Limited issued 12,628,255 ordinary shares at $1.267 to the vendors of Mary Doyle, Strathallan and Village at the Park in part satisfaction of the purchase price.

On 13 October 2017 Arvida Group Limited issued 66,851,393 ordinary shares at $1.15 to existing investors by way of a 1-for-5 pro-rata renounceable rights issue to replenish cash reserves after the acquisition of Mary Doyle, Strathallan and Village at the Park.

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

In the six months to 30 September 2018 the Company incurred transaction costs of $0.2 million (year to 31 March 2018: $3.3 million; and six months to 30 September 2017: $0.3 million) with no costs relating to the issue of new shares deducted from equity (year to 31 March 2018: $2.3 million; and six months to 30 September 2017: $nil).

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

8. EARNINGS PER SHARE

$000	As at Sept 2018 Unaudited	As at Sept 2017 Unaudited	As at March 2018 Audited
Profit attributable to equity holders	30,541	14,504	57,637
Basic earnings per share			
Weighted average number of ordinary shares on issue (thousands)	413,927	334,261	371,061
Basic earnings per share (cents)	**7.38**	**4.34**	**15.53**
Diluted earnings per share			
Weighted average number of ordinary shares on issue (thousands)	416,514	337,152	373,953
Diluted earnings per share (cents)	**7.33**	**4.30**	**15.41**

9. SUBSEQUENT EVENTS

On 26 November 2018, the directors approved a dividend of 1.30 cents per share amounting to $5.4 million. The dividend is partially imputed at 0.25 cents per share. A supplementary dividend of 0.11 cents per share will be paid to non-resident shareholders. The dividend record date is 12 December 2018 and payment is due to be made on 20 December 2018.

10. CAPITAL COMMITMENTS

As at 30 September 2018, the Group had $30.4 million of capital commitments in relation to construction contracts (31 March 2018: $22.0 million; and 30 September 2017: $34.5 million).

As at 30 September 2018, the Group also had $13.9 million of commitments in relation to the purchase of land that was settled on 2 November 2018.

COMPANY INFORMATION

Registered Office of Arvida:	Arvida Group Limited Level 1, 39 Market Place Auckland 1010 Phone: +64 9 972 1180 Email: info@arvida.co.nz Website: www.arvida.co.nz
Directors:	**Peter Wilson,** Independent Director and Chair **Michael Ambrose,** Non-Independent Director **Anthony Beverley,** Independent Director **Susan Paterson,** Independent Director **Paul Ridley-Smith,** Independent Director
Group Auditor:	Ernst & Young
Valuers:	CBRE Limited Jones Lang LaSalle Limited
Legal Advisors:	Chapman Tripp Anthony Harper
Bankers:	ANZ Bank NZ Limited Bank of New Zealand
Statutory Supervisor:	Covenant Trustee Services Limited
Share Registrar:	Computershare Investor Services Limited Level 2, 159 Hurstmere Road Takapuna Auckland 0622 Phone: +64 9 488 8777 Email: enquiry@computershare.co.nz

VILLAGE DIRECTORY

29 VILLAGES

14 NORTH ISLAND

15 SOUTH ISLAND

Location	Village	
AUCKLAND	Aria Bay	ARVIDA RETIREMENT & CARE
	Aria Gardens	ARVIDA CARE & WELLBEING
	Aria Park	ARVIDA RETIREMENT & CARE
HAMILTON	Cascades	ARVIDA RETIREMENT & CARE
CAMBRIDGE	Lauriston Park	ARVIDA LIFESTYLE & CARE
TAURANGA	Bethlehem Views	ARVIDA CARE & WELLBEING
	Copper Crest	ARVIDA LIFESTYLE & CARE
ROTORUA	Glenbrae	ARVIDA RETIREMENT & CARE
NEW PLYMOUTH	Molly Ryan	ARVIDA RETIREMENT & CARE
HAVELOCK NORTH	Mary Doyle	ARVIDA RETIREMENT & CARE
PALMERSTON NORTH	Olive Tree	ARVIDA RETIREMENT & CARE
MASTERTON	Lansdowne Park	ARVIDA LIFESTYLE & CARE
WAIKANAE	Waikanae Lodge	ARVIDA RETIREMENT & CARE
WELLINGTON	Village at the Park	ARVIDA RETIREMENT & CARE
NELSON	Oakwoods	ARVIDA RETIREMENT & CARE
	The Wood	ARVIDA RETIREMENT & CARE
BLENHEIM	Ashwood Park	ARVIDA RETIREMENT & CARE
RANGIORA	Bainswood House	ARVIDA RETIREMENT & CARE
	Bainswood on Victoria	ARVIDA CARE & WELLBEING
	Bainlea House	ARVIDA CARE & WELLBEING
CHRISTCHURCH	Ilam	ARVIDA RETIREMENT & CARE
	Maples	ARVIDA RETIREMENT & CARE
	Mayfair	ARVIDA RETIREMENT & CARE
	Park Lane	ARVIDA RETIREMENT & CARE
	Rhodes on Cashmere	ARVIDA RETIREMENT & CARE
	St Albans	ARVIDA RETIREMENT & CARE
	St Allisa	ARVIDA CARE & WELLBEING
	Wendover	ARVIDA RETIREMENT & CARE
TIMARU	Strathallan	ARVIDA RETIREMENT & CARE

ArvidaGroup

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