Arvida

INTERIM REPORT

30 SEPTEMBER 2020

HIGHLIGHTS

TO 30 SEPTEMBER 2020

33

LOCATIONS NATIONALLY

RESIDENTS

4,750+

CARE BEDS

1,690

RETIREMENT UNITS

2,521

UNIT DEVELOPMENT PIPELINE

1,574

CONTENTS

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NET PROFIT AFTER TAX

$42m

UNDERLYING PROFIT[1]

$21m

OPERATING CASH FLOW

$53m

TOTAL ASSETS

$2.0b

STAFF SURVEY

95% of staff are determined to give their best effort at work every day, with staff engagement index at 85%

CARE OCCUPANCY

94% average for the period, which remains consistently above wider industry experience

4 YEAR CERTIFICATION

21 of 25 care centres now with the gold standard 4 year certification

TOTAL SALES

Sales of 145 occupation rights, comprising 103 resales and 42 new sales

NEW UNIT DELIVERY

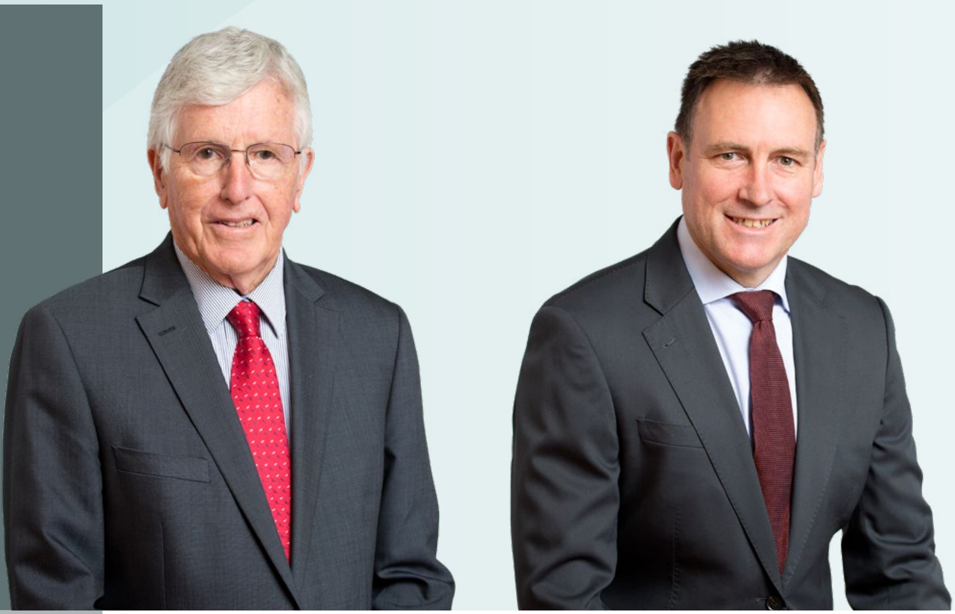
48 new units constructed in first half; on track to deliver a total of 247 new units this year

DIVIDEND

1.2 cents per share declared for second quarter, delivering 2.4 cents per share for the half

1. Underlying Profit is a non-GAAP (unaudited) financial measure and differs from NZ IFRS net profit after tax. Please refer to page 11 for a reconciliation to Reported Profit under IFRS.

CHAIR & CEO REPORT



Welcome to Arvida's interim report for the six months ended 30 September 2020.

PETER WILSON
Chair

BILL MCDONALD
Chief Executive Officer

Across the Group, our people have worked tirelessly to maintain Covid-free and safe communities for our residents. To date, we have been successful in keeping Covid-19 out with no positive cases recorded amongst residents or staff.

OUR RESPONSE TO COVID-19

These past six months have been extraordinary. We have all had to adapt to living and working in a different way.

The 2021 financial year started with restrictions in place at all our retirement villages and then quickly progressed to full lockdown with the rest of New Zealand. The rate at which this change took place required us to act quickly and decisively.

During the early period of the pandemic, much was still unknown about the transmission risk of Covid-19 and its associated health effects, however we knew the most vulnerable cohort was represented in our resident population. We saw tragic events unfold in aged care settings overseas, so we were determined to keep the virus out of Arvida.

The safety and wellbeing of our people, both residents and staff was our priority, and we had no tolerance for risk exposure. As highlighted in previous reporting, Arvida moved quickly in February to ensure Group-wide preparedness.

We had three priorities from the outset: ensure our staff were fully prepared and safe; safeguard the health and wellbeing of our residents; and protect our business.

FINANCIAL PERFORMANCE

Profit after tax for the six months to 30 September 2020 was $41.8 million.

Strong underlying business performance delivered an 8% increase in revenue for the period to $86.2 million and a 74% increase in operating cash flow to $52.9 million.

However bottom line financial performance for the period was impacted by a number of pandemic-related factors. As an essential service we incurred significant costs to maintain the highest levels of risk management during the early stages of the pandemic in April and May. An estimated $5 million of one-off operating costs were incurred in the period April to June. This was partially offset through Government subsidies that in aggregate totalled $2 million (rest home relief, essential worker and wage subsidies).

The ability of our sales team to effectively carry out normal daily sales tasks was also impacted by the varying alert level restrictions imposed on the country. The disruptions meant the ability to sell retirement village units over the first quarter was very limited, particularly in relation to serviced apartments where restrictions to care centres prevented access. However, once through these periods of disruption, sales activity returned quickly.

Underlying profit[1] for the period was $20.5 million, down $2.9 million on the $23.4 million reported in the same period in the prior financial year. Further detail on our financial performance is provided on page 10.

The pandemic has further evidenced the important role of the aged care sector and, while appropriate support has been provided to address Covid-19 challenges, the level of sustainable sector pricing must be addressed. The funding recommendations arising from the Royal Commission findings in Australia highlight what needs to occur in New Zealand.

We are encouraged that the new Government has highlighted a desire to address the sustainability of New Zealand's health system as a priority this term.

OUR PEOPLE

We completed our third annual survey of staff engagement and motivation this half. Given the stresses and challenges of Covid-19, the continued positive engagement across the Group is a result of our continuing efforts to nurture a positive culture.

- Staff engagement in their everyday work was indexed at 85%;
- 95% of staff confirmed they were determined to give their best effort at work each day; and
- 83% of staff felt motivated to go above and beyond what was required.

The culture and know-how brought together in The Attitude of Living Well™ model is a critical component of quality service delivery. It is uniquely Arvida, designed by our people and empowers our staff to provide service in a style that is right for their community.

This model works well with each of our retirement communities, which successfully operate independently but also collaborate with our other communities to share knowledge, experience and expertise.

While risk appetite and capital allocation are determined at Group level, the people running our retirement communities are best-placed to make local decisions. This approach enables maximum agility and responsiveness to changing needs. It is also a model for maintaining a sustainable and enduring competitive advantage that positions the business well for the future.

We believe a positive and engaged organisational culture is fundamental to delivering consistently high quality service to our residents.

1. *Underlying Profit is a non-GAAP (unaudited) financial measure and differs from NZ IFRS net profit after tax. Please refer to page 11 for a reconciliation to Reported Profit under IFRS.*

OUR STRATEGY IN ACTION

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

As an independent endorsement to the milestones achieved, Arvida was recently included in the Refinitiv Top 100 Diversity & Inclusion Index. This index ranks over 7,000 companies globally and identifies the top 100 publicly-traded companies with the most diverse and inclusive workplaces. Arvida was the only New Zealand company to be included in the index, joining many well known global companies and brands such as Vodafone, Sony, Singapore Airlines, Johnson & Johnson and Coca Cola.

CARE CENTRES

At half year, 20 of our 25 care centres had four-year Ministry of Health certification. Since then, an additional facility has achieved this gold standard. We now have 84% of our care centres independently audited as having achieved the highest level of certification for New Zealand clinical standards.

Occupancy of our care business tracked to an average of 94%. Strict practices were applied during alert levels 4 and 3 that limited new care centre admissions. This resulted in slightly lower occupancy than our long-term average experience, although occupancy returned to usual levels once admission restrictions were eased in line with Ministry of Health guidelines.

At the end of September, our care occupancy was at 95%. Our level of care occupancy remains consistently higher than sector average experience.

DEVELOPMENT UPDATE

Through the initial lockdown period in April, all construction activity ceased. This resulted in delays to construction programmes. The recent return to level 3 in Auckland and level 2 nationally disrupted some on-site construction activity and building material supply lines, but there has been no impact on this year's target build volumes.

A total of 48 new units were delivered in the first half. Developments completed included:

- 25 villas in the second stage at Waimea Plains (Richmond);
- 10 villas at Bethlehem Country Club (Tauranga);
- 9 villas at Queenstown Country Club (Queenstown); and
- 4 duplex villas at Glenbrae (Rotorua).

We currently plan to deliver a further 199 new units and beds by financial year end, which is above the development guidance of 200+ new units constructed. Delivery in the second half is dependent on alert levels but currently comprises: 59 care suites at Aria Bay (Auckland); 55 care suites and 29 apartments at Copper Crest (Tauranga); 5 villas at Bethlehem Country Club (Tauranga); 7 villas at Bethlehem Shores (Tauranga); 4 duplex villas at Glenbrae Village (Rotorua); 7 villas at Mary Doyle (Havelock North); 8 serviced apartments and 19 care beds at St Albans (Christchurch); 6 villas at Queenstown Country Club (Queenstown).

Development activity continues to expand at the sites acquired in FY20 with 37 new villas targeted for FY21 delivery across these sites. Construction of the next stage of 20 villas at Waimea Plains has also commenced. The sales enquiry continues to be strong for these retirement villages.

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

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

At Bethlehem Shores, the wetland area regeneration project was completed. The remediation involved the movement of some 30,000m3 of soil. Walking tracks and viewing platforms will complete this new resident amenity. As part of our sustainability objectives, we have committed to mitigating and managing the impacts and risks of our business activities on the environment. Regeneration projects are planned for Waimea Plains and Kerikeri.

At Kerikeri, resource consent was received and construction of the first stage of villas commenced. We named the village Te Puna Waiora, which translates to the source of wellbeing. It will be our thirty-third retirement community.

Construction of resident clubhouses at Waimea Plains and Queenstown Country Club are also progressing well to target completion dates.

CARE SUITE STRATEGY

Arvida has a clear strategy set for sustainable growth. We seek to grow our portfolio through the acquisition of quality retirement villages that meet stated criteria and we build integrated retirement communities that meet future requirements.

Execution to this strategy has delivered significant value over the short period since listing on the NZX and has established Arvida as one of the larger owners and operators of retirement villages in New Zealand.

Provision of care is core to our proposition. It provides residents with the confidence that care services are available at a flexible needs based level as they age.

Care centre developments at Aria Bay (Auckland) and Copper Crest (Tauranga) are nearing completion and will be the first of our planned new care suite developments. Care suites generate resident-funded revenue through an entry payment under an occupation right agreement. Initial resident feedback from Copper Crest pre-launch marketing has been strongly favourable and has led to a number of transfer applications from residents.

Similar care suite developments are planned for Bethlehem Shores, Lauriston Park, Queenstown Country Club and Waimea Plains. These retirement villages can all be characterised as large broad-acre villages with premium facilities, currently only offering independent living and having an ageing resident base. The demand for on-site premium care centres is resident-led.

The Aria Bay development presents differently as a redevelopment of the site to extract better value from a premium location. The new care centre will provide much improved resident amenity and higher returns than the beds they replace.

The proportion of care in our portfolio has gradually reduced with the acquisition of lifestyle villages and the addition of independent living units through our development programme. Our care suite programme will ensure our portfolio retains a high 'needs-based' proportion going forward and a continuum of care for our residents.

DEVELOPMENT STAGING

BROWNFIELD DEVELOPMENT	UNITS		DESIGN	CONSENTING	CONSTRUCTION	SALES
Mary Doyle	7	Villas	→	→	→	→
Bethlehem Country Club	5	Villas	→	→	→	→
Bethlehem Shores	182	Villas, Apartments & Care	→	→	→	→
Queenstown Country Club	235	Villas, Apartments & Care	→	→	→	→
Glenbrae	12	Apartments	→	→	→	→
Copper Crest	86	Villas, Apartments & Care	→	→	→	→
St Albans	27	Care & Apartments	→	→	→	→
Rhodes on Cashmere	37	Care & Apartments	→	→	→	→
Aria Bay	116	Care & Apartments	→	→	→	→
Village at the Park	25	Villas	→	→	→	
Lauriston Park	81	Care & Apartments	→	→		
Lansdowne Park	50	Villas	→	→		
Cascades	130	Care & Apartments	→	→		
Aria Park	75	Care & Apartments	→	→		
Oakwoods	31	Apartments	→			
TOTAL BROWNFIELD	1,099					
GREENFIELD DEVELOPMENT						
Waimea Plains	195	Villas, Apartments & Care	→	→	→	→
Te Puna Waiora	280	Villas, Apartments & Care	→	→	→	
TOTAL GREENFIELD	475					
TOTAL UNITS	1,574					

GOOD FRIENDS

A trial of our new Good Friends service and technology platform is currently being conducted as part of the Christchurch pilot. A range of home care services are being delivered to trial participants that include both residents and members of the community. The trial will help us refine our service offering in preparation for a Christchurch launch.

The Wellness Centre at Park Lane in Christchurch is now fully enclosed and on target for completion in February. The centre will offer a variety of health and wellness amenities to our Christchurch residents and the local community as part of our Good Friends proposition. An opening of this centre is planned for March 2021.

We continue to work well with the Five Good Friends team in Brisbane in developing our New Zealand home care technology platform. The model for delivery of quality aged care services in Australia is rapidly evolving following the Royal Commission findings for both greater home care package allocation and greater home care use within retirement communities. We continue to monitor the landscape in Australia as the Royal Commission's recommendations are adopted.

DIVIDEND UPDATE

The Board set the level of the first quarter dividend on the expected earnings for the first half of the financial year. As noted, the first half includes a period of significant disruption to business operations and sales activities.

A dividend of 1.2 cents per share has been declared for the second quarter, bringing total dividends for the first half to 2.4 cents per share. This represents a payout ratio of 63% of underlying profit for the first half, which is in line with Arvida's dividend policy to distribute between 50% and 70% of underlying profit per annum.

In February 2021, the Board expects to review the level of dividends payable in respect of the second half of the 2021 financial year. At this time there will be more clarity on the full year trading performance.

BOARD COMPOSITION

The appointment of Susan Peterson as an independent director to your Board was announced with effect from 1 November 2020. Susan brings an extensive range of skills and insights gained from governance roles at a number of listed and private companies, along with significant previous leadership roles within the banking and legal sectors.

Susan will hold office until Arvida's next annual meeting scheduled for July 2021, at which point she will stand for election by shareholders. The Board now comprises six independent directors.

A WORD OF THANKS AND REFLECTION

Covid-19 has presented significant risks for Arvida in keeping everyone safe. We would like to thank all of our 2,600 staff for their commitment and contributions over the last six months. They have achieved incredible results through the most challenging of circumstances, always with an unwavering focus on our residents and a commitment to supporting our communities.

From those working on the frontline delivering care services to those working in a support or operations role, we recognise that each of you has made a very important contribution. Thank you.

Peter Wilson
Chair

Bill McDonald
Chief Executive Officer

FINANCE UPDATE

PERFORMANCE

For the first half of the 2021 financial year we recorded an 8% increase in total revenue when compared to the prior corresponding period. This included a 21% lift in deferred management fees, which in combination reflected units added through development and acquisition activities and the resale of units at higher prices. The prior corresponding period included two months of contributions from the three acquired villages that settled on 31 July 2019.

Care centre occupancy remained high at an average of 94% for the period. Some softness was experienced through alert levels 4 and 3 as a result of restrictions applied on new admissions. Occupancy at September was 95%.

The fair value increase of $37.7 million reflected an improvement in the unit prices and the partial reversal of Covid-related assumptions applied at year end by the independent valuers CBRE Limited and Jones Lang LaSalle Limited. The residential property market has rebounded strongly from the uncertain outlook prevailing at year end and led to a revision of key assumptions. We consider some conservatism remains in the valuers' assumptions when compared to pre-Covid assumptions applied.

Operating expenses increased $6.9 million when compared to the prior corresponding period. Two components contributed to the increase: an additional $5 million incurred directly as a result of Covid-19; and a full six months contribution from the acquired villages. Covid-related costs have now normalised, with only additional Group-wide cleaning costs continuing in our care centres.

Other major cost increases were evident in property rates, insurances and nurse wages.

Generally, the business performed well through a very challenging period.

SALES ACTIVITY

Total sales of $79.2 million were settled in the period, comprising $42.5 million of resales and $36.7 million of new sales.

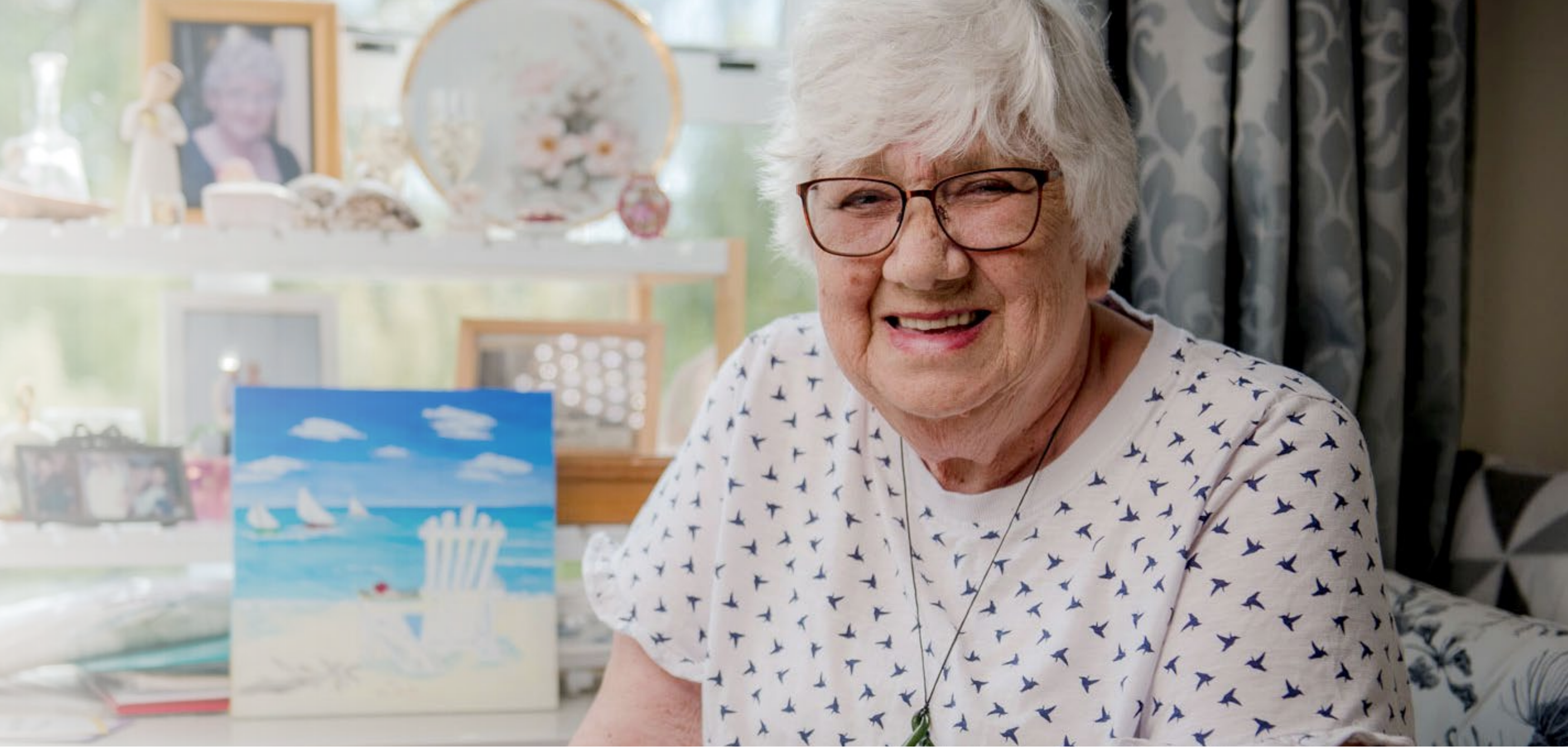
The varying alert levels over the last six months presented considerable challenges for the sales team. Through levels 4 and 3 normal sales and marketing tasks, such as coordinating open homes and conducting settlements, were significantly disrupted. At level 2 and as restrictions were gradually removed, the sales team was once again able to operate. The level of sales enquiry and activity increased as restrictions were removed.

Settlement volumes of occupation right agreements in the six months to September were 103 resales and 42 new sales. In total, this represented 47 less settlements than the corresponding period last year. Serviced apartments were a key area impacted as a result of the access restrictions around care centres, with 52 resales of serviced apartments in the period compared with 93 last year.

Average resale prices were 3% above the pricing independently assessed by our valuers at 31 March 2020, highlighting sustained momentum in the property market. This continued to support strong resale and development margins across the portfolio.

FINANCIAL POSITION

Total assets grew to $2.0 billion, up $117.9 million since the start of the financial year on increased development activity and an increase in the fair value of the villages. Embedded value in the portfolio, which calculates future cash that can be generated when a unit is re-licenced, grew to $410 million from $389 million at the start of the financial year.



FINANCIAL HIGHLIGHTS[1] $000	6 months Sept 2020 Unaudited	6 months Sept 2019 Unaudited	12 months March 2020 Audited
Total revenue	86,199	79,553	163,653
Net profit before tax (NZIFRS)	43,175	45,748	22,273
Net profit after tax (NZIFRS)	41,844	45,016	42,640
Net operating cash flow	52,883	30,381	102,917
Total assets	2,024,974	1,841,661	1,907,070

1. Refer to the financial statements for the period and the accompanying notes.

UNDERLYING PROFIT[2] $000	6 months Sept 2020 Unaudited	6 months Sept 2019 Unaudited	12 months March 2020 Unaudited
Reported net profit after tax (NZIFRS)	**41,844**	**45,016**	**42,640**
Changes in fair values	(37,987)	(36,101)	(22,084)
Deferred tax	1,364	(237)	(23,098)
Impairment of goodwill	0	0	17,864
Gain on acquisition	0	(3,718)	(3,718)
One-off costs[3]	29	506	826
Underlying Operating Profit	**5,250**	**5,466**	**12,430**
Gain on resales	10,315	12,731	23,667
Development margin on new units	4,967	5,160	15,589
Underlying Profit	**20,532**	**23,357**	**51,686**

2. Underlying Profit is a non-GAAP (unaudited) financial measure and differs from NZ IFRS net profit after tax by replacing the unrealised fair value adjustment in property values with the Board's estimate of realised components of movements in investment property value and to eliminate other unrealised, deferred tax and one-off items.
3. Non-operating one-off items that relate to transactional activity.

Arvida

FINANCIAL STATEMENTS

ARVIDA GROUP LIMITED
FOR THE SIX MONTHS
ENDED 30 SEPTEMBER
2020 (UNAUDITED)

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020 (unaudited)

$000	Note	6 months Sept 2020 Unaudited	6 months Sept 2019 Unaudited	12 months March 2020 Audited
Income				
Care fees and village services		65,892	64,104	129,480
Deferred management fees		15,527	12,850	29,044
Other income		4,780	2,599	5,129
Total revenue		**86,199**	**79,553**	**163,653**
Gain on acquisition of villages		0	3,718	3,718
Change in fair value of investment property	4	37,685	35,294	22,199
Change in fair value of interest rate swaps		(1,346)	(1,736)	(2,671)
Change in fair value in property, plant and equipment		(35)	(207)	508
Share of profit arising from joint venture		1,989	3,109	2,826
Total income		**124,492**	**119,731**	**190,233**
Expenses				
Employee costs		51,609	46,534	95,125
Property costs		8,006	7,601	14,808
Depreciation and amortisation		3,061	2,726	5,826
Impairment of goodwill		0	0	17,864
Finance costs		2,867	2,316	4,067
Transaction costs		29	506	576
Other expenses		15,745	14,300	29,694
Total expenses		**81,317**	**73,983**	**167,960**
Profit before tax		**43,175**	**45,748**	**22,273**
Income tax expense / (credit)	3	1,331	732	(20,367)
Profit after tax		**41,844**	**45,016**	**42,640**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Net gain on revaluation of property, plant and equipment		491	573	11,191
Total comprehensive income		**42,335**	**45,589**	**53,831**
Earnings per share:				
Basic (cents per share)	8	**7.72**	9.62	8.44
Diluted (cents per share)	8	**7.68**	9.58	8.40

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 2020 (unaudited)

$000	Note	Retained Earnings	Asset Revaluation Reserve	Share Based Payment Reserve	Share Capital	Total
Opening Balance at 1 April 2019		**133,198**	**13,322**	**845**	**402,359**	**549,724**
Profit for the period		45,016	0	0	0	45,016
Other comprehensive income		0	573	0	0	573
Total comprehensive income		**45,016**	**573**	**0**	**0**	**45,589**
Dividends paid		(13,889)	0	0	0	(13,889)
Share based payments	7	0	0	(339)	339	0
Share capital issued	7	0	0	0	151,731	151,731
Transaction costs		0	0	0	(3,455)	(3,455)
Balance at 30 September 2019 (unaudited)		**164,325**	**13,895**	**506**	**550,974**	**729,700**
Opening Balance at 1 October 2019		**164,325**	**13,895**	**506**	**550,974**	**729,700**
Profit for the period		(2,376)	0	0	0	(2,376)
Other comprehensive income		0	10,618	0	0	10,618
Total comprehensive income		**(2,376)**	**10,618**	**0**	**0**	**8,242**
Dividends paid		(15,696)	0	0	0	(15,696)
Share based payments	7	0	0	320	0	320
Balance at 31 March 2020 (audited)		**146,253**	**24,513**	**826**	**550,974**	**722,566**
Opening Balance at 1 April 2020		**146,253**	**24,513**	**826**	**550,974**	**722,566**
Profit for the period		41,844	0	0	0	41,844
Other comprehensive income		0	491	0	0	491
Total comprehensive income		**41,844**	**491**	**0**	**0**	**42,335**
Dividends paid		(14,376)	0	0	0	(14,376)
Share based payments	7	0	0	(408)	408	0
Balance at 30 September 2020 (unaudited)		**173,721**	**25,004**	**418**	**551,382**	**750,525**

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

CONSOLIDATED INTERIM BALANCE SHEET

As at 30 September 2020 (unaudited)

$000	Note	As at Sept 2020 Unaudited	As at Sept 2019 Unaudited	As at March 2020 Audited
Assets				
Cash and cash equivalents		8,209	5,128	4,241
Trade receivables and other assets		11,462	14,312	11,180
Tax receivable		1,835	2,604	1,342
Resident advances		15,448	11,074	18,301
Accrued income		5,827	6,192	5,907
Property, plant and equipment		183,668	173,801	183,151
Investment properties	4	1,735,230	1,547,877	1,621,087
Investment in joint venture		27,269	26,763	25,880
Intangible assets		36,026	53,910	35,981
Total assets		**2,024,974**	**1,841,661**	**1,907,070**
Liabilities				
Trade and other payables		30,153	35,797	27,714
Employee entitlements		11,206	9,893	10,801
Revenue in advance		55,463	46,261	49,809
Interest rate swaps		7,056	4,775	5,711
Lease liability		4,872	4,912	4,871
Interest bearing loans and borrowings	6	358,231	273,388	312,504
Resident's loans	5	802,328	712,975	769,477
Deferred tax liabilities		5,140	23,984	3,617
Total liabilities		**1,274,449**	**1,111,985**	**1,184,504**
Net assets		**750,525**	**729,676**	**722,566**
Equity				
Share capital	7	551,382	550,974	550,974
Reserves		25,422	14,401	25,339
Retained earnings		173,721	164,301	146,253
Total equity		**750,525**	**729,676**	**722,566**

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 2020 (unaudited)

$000	Note	6 months Sept 2020 Unaudited	6 months Sept 2019 Unaudited	12 months March 2020 Audited
Cash flows from operating activities				
Receipts from residents for care fees and village services		72,419	66,565	132,603
Receipts of residents' loans from resales		40,673	48,826	90,916
Receipts of residents' loans from new sales		38,254	18,422	75,845
Interest received		33	94	250
Payments to suppliers and employees		(73,728)	(67,120)	(128,083)
Repayments of residents' loans		(21,962)	(32,782)	(62,897)
Interest paid		(2,306)	(2,119)	(3,653)
Income tax paid		(500)	(1,505)	(2,064)
Net cash inflow from operating activities		**52,883**	**30,381**	**102,917**
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets		(2,592)	(2,550)	(6,145)
Payments for village acquisitions		0	(169,546)	(178,953)
Purchase of investment properties		(74,960)	(63,097)	(146,423)
Proceeds from sale of assets		0	0	3,406
Capitalised interest paid		(3,175)	(2,364)	(6,305)
Net cash (outflow) from investing activities		**(80,727)**	**(237,557)**	**(334,420)**
Cash flows from financing activities				
Proceeds from borrowings		56,000	184,500	244,500
Repayment of borrowings		(10,000)	(101,000)	(122,000)
Net proceeds of share issue		0	141,731	141,731
Transaction costs		(29)	(3,961)	(4,031)
Payments for lease liabilities		(383)	(251)	(645)
Dividends paid		(14,376)	(13,889)	(29,585)
Dividends received		600	600	1,200
Net cash inflow from financing activities		**31,812**	**207,730**	**231,170**
Net increase/(decrease) in cash and cash equivalents		**3,968**	**554**	**(333)**
Cash and cash equivalents at the beginning of the financial period		4,241	4,574	4,574
Cash and cash equivalents at the end of the financial period		**8,209**	**5,128**	**4,241**

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020 (unaudited)

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 23 November 2020.

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 and 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 2020;
- 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 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 2020.

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 2020, 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

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 $38.7 million (31 March 2020: $73.1 million; and 30 September 2019: $36.1 million).

Key Judgements and Estimates

Deferred management fees are recognised as revenue on a straight-line basis. This requires management to estimate the period of occupancy for units and serviced apartments. The expected period of tenure, being based on historical results, experience and industry averages, are estimated at 4.0 to 5.0 years for studios and serviced apartments (31 March 2020: 4.1 to 5.0 years; and 30 September 2019: 4.1 to 5.0 years) and are estimated at 6.5 to 9.1 years (31 March 2020: 5.9 to 9.4 years; and 30 September 2019: 6.3 to 9.2 years) for independent apartments and villas.

3. INCOME TAX EXPENSE

$000	6 months Sept 2020 Unaudited	6 months Sept 2019 Unaudited	12 months March 2020 Audited
Reconciliation to profit before tax			
Profit before tax	43,175	45,748	22,273
Tax at 28%	**12,089**	**12,809**	**6,236**
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:			
Changes in fair values	(10,542)	(9,824)	(6,358)
Reversal of deferred tax	0	0	(22,896)
Gain on acquisition of villages	0	(1,041)	0
Share of profit arising from joint venture (net of tax)	(557)	(871)	(791)
Non-taxable income and non-deductible expenditure	(397)	(154)	3,428
Other	738	(187)	14
Income tax expense	**1,331**	**732**	**(20,367)**

4. INVESTMENT PROPERTY

$000	As at Sept 2020 Unaudited	As at Sept 2019 Unaudited	As at March 2020 Audited
Balance at beginning of period	1,621,087	1,021,582	1,021,582
Acquisition of villages	0	426,619	426,619
Additions	76,461	64,382	151,369
Reclassification from / (to) property, plant and equipment	(3)	0	(682)
Fair value movement - unrealised	37,685	35,294	22,199
Total investment property	**1,735,230**	**1,547,877**	**1,621,087**
Valuation of managers' net interest	653,280	597,035	614,750
Development land	95,135	105,650	100,230
Investment property under construction	134,851	92,148	92,728
Liability for residents' loans	802,328	712,975	769,477
Net revenue in advance / (accrued revenue)	49,636	40,069	43,902
Total investment property	**1,735,230**	**1,547,877**	**1,621,087**

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 2020 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 of the investment properties should be undertaken at each year end and a desktop review should be undertaken at each interim period.

CBRE and JLL completed the desktop review as at 30 September 2020 to determine the current valuation of each property. The reviews indicated an overall uplift in the valuation of the properties of $37.7 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.

Valuation Uncertainty

Independent registered valuers CBRE and JLL have both highlighted the ongoing uncertainty 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. 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 highlighted uncertainty remains due to the longer-term economic impacts of Covid-19. 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 valuation of investment property includes within its forecast cash flows, the Group's expected costs relating to any known or anticipated remediation works. The fair value as determined by the independent valuer is adjusted for assets and liabilities already recognised in the balance sheet which are also reflected in the DCF. As the fair value of investment property is determined using inputs that are unobservable, the Group has categorised investment property as level 3 under the fair value hierarchy in accordance with NZ IFRS 13 'Fair Value Measurement'. Significant assumptions used by the valuer include:

Assumption	Estimate Used
Occupancy periods of units	Stabilised departing occupancy of 6.5 to 9.1 years (31 March 2020: 5.9 to 9.4 years; and 30 September 2019: 6.3 to 9.2 years) for independent apartments and villas and 4.0 to 5.0 years for studios and serviced apartments (31 March 2020: 4.1 to 5.0 years; and 30 September 2019: 4.1 to 5.0 years)
House price inflation	Between 0.0% and 3.5% (31 March 2020: between -5.0% and 3.5%; and 30 September 2019: between 0.0% and 3.5%)
Discount rate	Between 12.5% and 17.3% (31 March 2020: between 12.5% and 17.5%; and 30 September 2019: between 12.3% and 17.0%)
Average age on entry	Between 71 and 87 years (31 March 2020: 71 and 84 years; and 30 September 2019: 71 and 91 years) for independent apartments and villas and between 80 and 87 years (31 March 2020: 80 and 87 years; and 30 September 2019: 80 and 88 years) for studios and 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.

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 2020 Unaudited	As at Sept 2019 Unaudited	As at March 2020 Audited
Opening balance	769,477	466,075	466,075
Amounts repaid on termination of ORAs	(21,959)	(30,134)	(62,149)
Amounts received on issue of new ORAs	75,998	66,201	175,151
Amounts from acquired villages	0	226,242	226,242
Movement in DMF receivable and residents' portion of capital gains	(21,188)	(15,409)	(35,842)
Total residents' loans	**802,328**	**712,975**	**769,477**

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 2020 Unaudited	As at Sept 2019 Unaudited	As at March 2020 Audited
Secured bank loans	359,000	274,000	313,000
Capitalised financing costs	(769)	(612)	(496)
Total interest bearing loans and borrowings	**358,231**	**273,388**	**312,504**

		As at Sept 2020 Unaudited	As at Sept 2019 Unaudited	As at March 2020 Audited
Funding facilities	**Limit**	**Drawn Amount**	**Drawn Amount**	**Drawn Amount**
Facility A maturing 6 April 2025	$125m	$125.0m	$125.0m	$125.0m
Facility B maturing 5 June 2023	$125m	$115.0m	$24.0m	$69.0m
Facility C maturing 24 June 2022	$125m	$119.0m	$125.0m	$119.0m
Facility D maturing 6 October 2021	$100m	$0.0m	$0.0m	$0.0m
Total Drawn Facilities	**$475m**	**$359.0m**	**$274.0m**	**$313.0m**

Secured bank loans

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 not substantially different.

On 18 September 2020 a Deed of Amendment and Restatement was executed with ANZ Bank New Zealand Limited and Bank of New Zealand. The agreement adjusts some terms to allow for other forms of debt instruments to be used by the Group. 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 2020 ranged from 1.4% to 1.6% pa (year to 31 March 2020: 1.7% to 3.1% pa; and six months to 30 September 2019: 2.3% to 3.1% pa). A separate line fee is charged over the facility limit.

7. SHARE CAPITAL

Shares 000	As at Sept 2020 Unaudited	As at Sept 2019 Unaudited	As at March 2020 Audited
Opening balance	541,892	413,950	413,950
Shares issued	596	127,942	127,942
Closing balance	**542,488**	**541,892**	**541,892**

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.

On 27 May 2020 Arvida Group Limited issued 595,983 ordinary shares to senior executives under the terms of its long-term incentive plan.

In the six months to 30 September 2020 the Company incurred transaction costs of $0.0 million (year to 31 March 2020: $4.0 million; and six months to 30 September 2019: $4.0 million) with costs of $0.0 million relating to the issue of new shares deducted from equity (year to 31 March 2020: $3.5 million; and six months to 30 September 2019: $3.5 million).

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

8. EARNINGS PER SHARE

	6 months Sept 2020 Unaudited	6 months Sept 2019 Unaudited	12 months March 2020 Audited
Profit attributable to equity holders ($000)	41,844	45,016	42,640
Basic earnings per share			
Weighted average number of ordinary shares on issue (thousands)	542,302	468,125	505,008
Basic earnings per share (cents)	**7.72**	**9.62**	**8.44**
Diluted earnings per share			
Weighted average number of ordinary shares on issue (thousands)	544,802	470,120	507,706
Diluted earnings per share (cents)	**7.68**	**9.58**	**8.40**

9. SUBSEQUENT EVENTS

On 23 November 2020, the directors approved a dividend of 1.20 cents per share amounting to $6.5 million. The dividend does not have any imputations attached and no supplementary dividend will be paid to non-resident shareholders. The dividend record date is 2 December 2020 and payment is due to be made on 10 December 2020.

10. CAPITAL COMMITMENTS

As at 30 September 2020, the Group had $29.9 million of capital commitments in relation to construction contracts (31 March 2020: $42.5 million; and 30 September 2019: $64.5 million).

As at 30 September 2020, the Group had $nil of commitments in relation to the purchase of land (31 March 2020: $0.2 million; and 30 September 2019: $0.6 million).

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 **Susan Peterson**, 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
Te Puna Waiora	57 Hall Road, Kerikeri 0230	0800 20 24 20
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

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