



INTERIM REPORT

30 SEPTEMBER 2019

HIGHLIGHTS

TO 30 SEPTEMBER 2019

1

GREENFIELD
SITE

32

LOCATIONS
NATIONALLY



CONTENTS

Chair & CEO Report	4
Financial Highlights	10
Financial Statements	12
Notes to the Accounts	17
Company Information	26
Directory	27

RESIDENTS

5,000+



CARE BEDS

1,682



RETIREMENT UNITS

2,359



UNIT DEVELOPMENT PIPELINE

1,693



REVENUE

\$80m || +5%

UNDERLYING PROFIT¹

\$23m || +31%

OPERATING CASH FLOW

\$30m || +17%

TOTAL ASSETS

\$1.8b || +53%

STAFF SURVEY

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

CARE OCCUPANCY

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

4 YEAR CERTIFICATION

18 of 25 care facilities with 4 year certification, with an additional facility achieving this high standard in the period

RESALE GAINS

41% higher at \$12.7 million on 10% higher unit resale volumes and 17% higher average resale pricing

DELIVERY

94 new units constructed in first half; on track to deliver a total of 200 new units this year

ACQUISITION

3 high quality villages added to portfolio; now comprising 339 existing units with further 491 units to be developed

DIVIDEND

1.45 cents per share declared for second quarter, 12% up on last year

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 2019.

PETER WILSON
Chair

BILL MCDONALD
Chief Executive Officer

Arvida reported a 31% lift in underlying profit to \$23.4 million for the half year ended 30 September 2019. This was an excellent result demonstrating sound underlying business performance and continued execution to strategy.

We are now one of the larger retirement village and aged care operators in New Zealand with total assets of over \$1.8 billion. The next stage in our growth strategy places a greater focus on realising the value from the substantial development pipeline we have established, new greenfield development opportunities and broader community engagement, whilst continuing to evaluate acquisition opportunities.

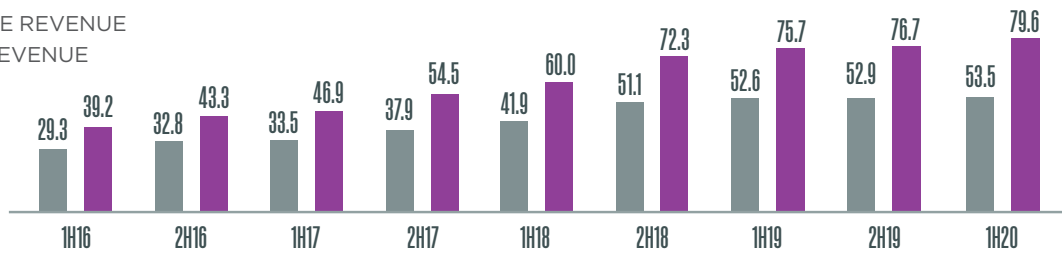
18 December 2019 will mark a milestone of five years as a listed company on the NZX. Since listing we have established a track record of performance and delivering value to our stakeholders, particularly our highly valued residents and staff.

LIVING WELL

Performance of our care business continued to track well over the half, with consistently high care occupancy of 95% maintained. Eighteen of our 25 care facilities have now fully achieved the gold standard of four-year Ministry of Health certification. We have a track record of improvement to Ministry clinical standards that is both a reflection of the work completed by village and clinical managers on clinical quality, as well as implementing The Attitude of Living Well model of care across the Group.

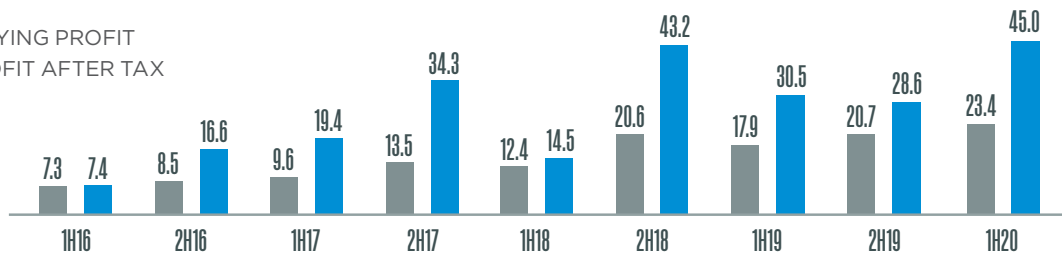
REVENUE \$M

■ CARE FEE REVENUE
■ TOTAL REVENUE



EARNINGS \$M

■ UNDERLYING PROFIT
■ NET PROFIT AFTER TAX (IFRS)



Our electronic resident management system is embedded in all of our 25 care facilities enabling individualised and real time care to meet the changing needs of residents. This centralised system provides transparency and easy access to information for internal and external benchmarking, informs decision making, and enables identification of areas for continuous improvement. It is also utilised beyond clinical care as a central repository of resident information for accounts and administration staff reducing duplication, and improving communication flow through notifications and reports.

The Medimap electronic medication management system has also been integrated with this system. Program features and associated transparency has further improved risk management and staff efficiency. Enhancements allow real time accessibility to medical information by authorised external providers and integration with medication logistics.

Our second annual survey of staff engagement and motivation was completed this half. We were encouraged to see further improvement on a higher survey response rate. In comparison to the previous baseline reported:

- Staff engagement in their everyday work was indexed at 86%, up from 78%
- 96% of staff again confirmed they were determined to give their best effort at work each day; and
- 85% of staff felt motivated to go above and beyond what was required, up from 83%.

We are very focused on staff engagement as we consider it fundamental to delivering high quality service to our residents. Our challenge will be to continue to develop our workplace environment to attract and retain great staff and maintain high engagement around these levels.

The culture and know-how brought together in our person-centred care service offering – The Attitude of Living Well – forms a critical component of delivering quality services. The model comprises five pillars: eating; thinking; resting; moving; and engaging well. Investment in programmes to bring The Attitude of Living Well to life and the development of our Wellness leaders and Wellness teams in each village continues.

We continue to invest in staff with more than 13,500 training courses completed through the Altura learning portal in the half year.



BUYING WELL

In June we announced the agreement to acquire three villages from the Sanderson Group for \$180 million. The acquisition is considered to be complementary to the existing portfolio and Arvida strategy, provide development opportunities in high quality locations and has delivered immediate valuation and earnings accretion.

Completion went to plan and we are now well progressed with the integration phase of bringing these villages into the Group. The ability to acquire and integrate well is core to our growth strategy of accessing immediate new cash flows and new development opportunities.

As part of the transaction we also welcomed the construction teams at Tauranga and Queenstown to Arvida. With a significant development pipeline now established, particularly in the Bay of Plenty region, we saw the opportunity to further internalise our construction capabilities. The addition of on-the-ground construction teams allows us to continue with development at these villages as planned, while also saving cost and obtaining better development visibility, resource oversight and, importantly, the ability to evolve the design characteristics to align with our model and strategy. In total, these villages have an embedded future development opportunity of an additional 491 new units.

The acquisition strategy includes building care facilities at Bethlehem Shores and

Queenstown Country Club. Integrated care provides residents with the confidence that care services will be available to them, while adding value to the overall village proposition. Plans for care facilities at these two villages are currently being refined.

During the half we also took the decision to close the Wendover Retirement Village in Christchurch. This was after consideration of redevelopment options for the site to address the building and ground related earthquake damage suffered in 2011. All of the Wendover residents have been transferred to new homes and the majority stayed within the Group. The property is currently being marketed for sale.

BUILDING WELL

A total of 94 new units were delivered in the first half, comprising 66 villas and 28 apartments. Developments completed in the first half included:

- 12 villas at Lauriston Park (Cambridge);
- 24 apartments at Village at the Park (Wellington);
- 38 villas and townhouses in the first stage at Waimea Plains (Richmond);
- 4 apartments at St Albans (Christchurch);
- 3 villas at Mary Doyle (Havelock North);
- 13 villas across Bethlehem Shores (Tauranga), Bethlehem Country Club (Tauranga) and Queenstown Country Club.

As at 30 September 2019, we had settled sales on 44 of new units. In addition, sales of 12 new units were settled at the acquired



villages prior to 31 July 2019. In the second half to date, 20 new sales have settled.

We are on track to deliver a further 106 units by financial year end, including:

- 49 apartments at Park Lane (Christchurch) – construction is progressing ahead of programme. The building is now weather tight with internal fitout progressing.
- 21 apartments at St Albans (Christchurch) – construction is on target for delivery at year end. The building is closed in and internal fitout is progressing.
- 10 apartments at Glenbrae (Rotorua) – the exterior of the building is nearing completion with fitout advancing on the interior.
- 9 villas at Mary Doyle (Havelock North) – construction on the the adjoining Cherry Acre development is progressing well with pre-sales activity under way. A further 9 villas will be completed during the following financial year.
- 17 villas across the three acquired villages – construction is at various stages and the majority have been pre-sold.

Development is progressing to programme at Aria Bay in Auckland and Copper Crest in Tauranga on new care and apartment facilities. The care facilities in both developments are designed around the Living Well household model, where small clusters of care suites share their support facilities, staff and common areas. This creates a home-like environment for the residents allowing a more intimate and less institutionalised living space. These

developments represent the first care suites that we plan to offer under our new care occupational right agreement structure. In aggregate, these developments will deliver 143 new units in late FY2021.

Resource consent for the care and apartment building at Lauriston Park in Cambridge was received. Works on this development will likely proceed next year as we look to best resource project and construction capabilities across multiple developments in the Bay of Plenty and Waikato regions. Consent for enabling works to commence on the first stage of our greenfield development in Kerikeri is pending. We expect to receive approvals shortly allowing works to proceed this summer.

We continue to actively look for additional bare land opportunities in areas we consider represent attractive retirement locations and are supported by favourable demographics. Sites within main centres are also considered should the feasibility analysis support an Arvida-style urban development.

With a development land bank of 1,693 units, the target annual rate of new unit delivery will increase in the 2021 financial year to over 250 new units.

From a health and safety perspective, no health and safety incidents were reported to Worksafe in the period albeit minor incidents of a non-serious nature occurred and Worksafe did carry out an assessment visit. A positive culture of reporting accidents and incidents exists and an electronic quality,



health, safety and environmental management reporting tool has been implemented. In the staff survey 88% of staff considered Arvida to have a safe work environment, a strong improvement on the prior survey.

A recent external audit of all of our development and construction sites illustrates a positive health and safety environment and has provided us with some helpful feedback and suggestions for improvement in the management of contractors.

ENGAGING WELL

In the 2019 Annual Report we mentioned receiving strong interest in the launch event held for Waimea Plains (Richmond). This flowed through to sales, where over half of the 38 villas and townhouses in stage one of the development had contracts in place prior to completion.

Much interest was received in our outwardly facing community concept at Waimea Plains, which is a key offering to be incorporated in our new villages. This concept is an integral part of the village and helps make the connection to the community by creating a “neighbourhood” that may include a health and fitness centre, hospitality, allied health and mixed retail.

The development at Park Lane (Christchurch) is to include a similar concept where both residents and the wider community will have access to a new on-site

facility and complementary health and wellbeing services.

We are very excited about the community product and services we are developing and that we are looking to first introduce into the Christchurch community. Construction of the new facility at Park Lane is expected to be completed in FY2021.

LOOKING FORWARD

With a strong first half now behind us, good momentum in earnings and a lift in our full year targets following completion of the recent acquisitions, we remain confident to follow through with our priorities in the second half of FY2020. We expect the momentum in the first half to continue for the balance of this financial year.

Our immediate focus is on completing the integration of the recently acquired villages and refining our planning for the development opportunities existing within our portfolio. Both are well progressed.

Creating and maintaining a truly caring and homely environment for residents at all stages will be enhanced by further developments to The Attitude of Living Well and sustained delivery of our five pillars.

While we are mindful of the challenges of weaker business confidence, slower residential activity in some markets and awareness of outcomes in Australia following the Royal Commission report, we are satisfied the strategies we have in place will be favourable to our stakeholders.

Peter Wilson
Chair

Bill McDonald
Chief Executive Officer

DEVELOPMENT STAGING

BROWNFIELD DEVELOPMENT

	UNITS		DESIGN	CONSENTING	CONSTRUCTION	SALES
Mary Doyle	18	Villas	→	→	→	→
Bethlehem Country Club	20	Villas	→	→	→	→
Bethlehem Shores	193	Villas, Apartments & Care	→	→	→	→
Queenstown Country Club	278	Villas, Apartments & Care	→	→	→	→
Park Lane	49	Apartments	→	→	→	→
Glenbrae	22	Care & Apartments	→	→	→	→
Copper Crest	86	Villas, Apartments & Care	→	→	→	
St Albans	41	Care & Apartments	→	→	→	
Rhodes on Cashmere	31	Care & Apartments	→	→	→	
Aria Bay	117	Care & Apartments	→	→	→	
Lauriston Park	90	Care & Apartments	→	→		
Cascades	90	Care & Apartments	→	→		
Aria Park	95	Care & Apartments	→	→		
Village at the Park	16	Villas	→	→		
Oakwoods	30	Apartments	→			
TOTAL BROWNFIELD	1,176					

GREENFIELD DEVELOPMENT

Waimea Plains	237	Villas, Apartments & Care	→	→	→	→
Kerikeri	280	Villas, Apartments & Care	→	→		
TOTAL GREENFIELD	517					

TOTAL UNITS 1,693

FINANCE UPDATE

PERFORMANCE

For the first half of the 2020 financial year we recorded \$45.0 million net profit after tax, up 47% on the same period last year and a 31% lift in underlying profit to \$23.4 million. This is an excellent result when compared with the prior period.

Included in the result are two months of contributions from the acquired villages which settled on 31 July 2019. Contributions from the acquired villages are not included in prior period comparisons.

Revenue grew 5% on the same period last year to \$79.6 million. Care fee revenue was \$53.5 million, \$1.0 million up on last year and represented 67% of total revenue.

In September, the Ministry of Health and District Health Boards released a report on the Aged Residential Care Funding Model Review that was carried out by advisory firm Ernst & Young over an 18 month period. A key recommendation was for further stratification of the funding model's care categories using the industry clinical assessment tool, interRAI. If adopted, this will help smooth the transition between care categories based on needs and better assist to align resources with funding.

Whilst the purpose of the report was not to address the sufficiency of overall sector funding, this remains a key challenge for the sector, along with immigration and the disparity of funding between registered nurses working in aged care and their counterparts in public hospitals.

We are addressing the nurse pay disparity where we can to ensure we remain an attractive employer, although we continue to

see instability in the nurse workforce. The government has placed aged care registered nurses back on the Long Term Skill Shortage List which was a broadly welcomed policy change.

We are also seeing increases in other costs, particularly property related expenses such as insurances and local authority rates.

SALES ACTIVITY

Settlement volumes of occupation right agreements were strong with a total of 148 resales and 44 new sales settled in the six months to September, up 16% on last year as an aggregate. Total gains were \$17.9 million, a significant 53% increase on gains reported in the prior corresponding period. Total sales settled in the period were \$88.2 million, comprising \$53.9 million of resales and \$34.3 million of new sales. Average resale prices were 3% above the pricing independently assessed by our valuers at 31 March 2019, highlighting continued momentum and demand for homes in our villages.

FINANCIAL POSITION

Total assets grew to \$1.8 billion, up \$542.0 million since the start of the financial year with the inclusion of the acquired villages, development activity and an increase in the value of Investment Property from a desktop valuation of the portfolio undertaken by CBRE Limited and Jones Lang LaSalle Limited. Embedded value in the portfolio, which calculates future cash that can be generated when a unit is re-licenced, grew to \$370.7 million.

The net implied value of the portfolio was \$1.39 per share, up 5% on the corresponding period last year.

DIVIDENDS

The Directors approved a dividend of 1.45 cents (partially imputed) per share amounting to \$7.9 million for the September quarter to be paid on 11 December 2019. The record date for the dividend entitlement is 3 December 2019.



FINANCIAL HIGHLIGHTS¹ \$000	6 months Sept 2019 Unaudited	6 months Sept 2018 Unaudited	12 months March 2019 Audited
Total revenue	79,553	75,695	152,437
Net profit before tax (NZIFRS)	45,748	32,683	61,864
Net profit after tax (NZIFRS)	45,016	30,541	59,075
Net operating cash flow	30,381	26,045	69,141
Total assets	1,841,661	1,202,937	1,299,648

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

UNDERLYING PROFIT² \$000	6 months Sept 2019 Unaudited	6 months Sept 2018 Unaudited	12 months March 2019 Unaudited
Reported net profit after tax (NZIFRS)	45,016	30,541	59,075
Changes in fair values	(36,101)	(25,011)	(49,087)
Deferred tax	(237)	469	(201)
Impairment of goodwill	0	0	1,512
Gain on acquisition	(3,718)	0	0
One-off costs	506	180	276
Underlying Operating Profit	5,466	6,179	11,575
Gain on resales	12,731	9,058	19,514
Development margin on new units	5,160	2,621	7,546
Underlying Profit	23,357	17,858	38,635

2. Underlying Profit is a non-GAAP unaudited financial measure used by Arvida to monitor financial performance and determine dividend distributions. Arvida calculates Underlying Profit by making a number of adjustments to Reported Net Profit after Tax. 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.

FINANCIAL STATEMENTS

ARVIDA GROUP LIMITED
FOR THE SIX MONTHS
ENDED 30 SEPTEMBER
2019 (UNAUDITED)



CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019 (unaudited)

\$000	Note	6 months Sept 2019 Unaudited	6 months Sept 2018 Unaudited	12 months March 2019 Audited
Income				
Care fees and village services		64,104	62,697	125,580
Deferred management fees		12,850	10,356	21,447
Other income		2,599	2,642	5,410
Total revenue		79,553	75,695	152,437
Gain on acquisition of villages		3,718	0	0
Change in fair value of investment property	4	35,294	25,285	48,686
Change in fair value of interest rate swaps		(1,736)	(811)	(2,458)
Change in fair value in property, plant and equipment		(207)	75	110
Share of profit arising from joint venture		3,109	660	3,382
Total income		119,731	100,904	202,157
Expenses				
Employee costs		46,534	43,124	88,607
Property costs		7,601	6,590	12,502
Depreciation and amortisation		2,726	2,448	5,048
Impairment of goodwill		0	0	1,512
Finance costs		2,316	1,714	3,622
Transaction costs		506	180	276
Other expenses		14,300	14,165	28,726
Total expenses		73,983	68,221	140,293
Profit before tax		45,748	32,683	61,864
Income tax expense	3	732	2,142	2,789
Profit after tax		45,016	30,541	59,075
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net gain on revaluation of property, plant and equipment		573	2,925	2,457
Total comprehensive income		45,589	33,466	61,532
Earnings per share:				
Basic (cents per share)	8	9.62	7.38	14.27
Diluted (cents per share)	8	9.58	7.33	14.17

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 2019 (unaudited)

\$'000	Note	Retained Earnings	Asset Revaluation Reserve	Share Based Payment Reserve	Share Capital	Total
Opening Balance at 1 April 2018		96,725	10,865	629	402,243	510,462
Profit for the period		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
Opening Balance at 1 October 2018		115,389	13,790	513	402,359	532,051
Profit for the period		28,534	0	0	0	28,534
Other comprehensive income		0	(468)	0	0	(468)
Total comprehensive income		28,534	(468)	0	0	28,066
Dividends paid		(10,725)	0	0	0	(10,725)
Share based payments	7	0	0	332	0	332
Balance at 31 March 2019 (audited)		133,198	13,322	845	402,359	549,724
Opening Balance at 1 April 2019		133,198	13,322	845	402,359	549,724
Adoption of NZ IFRS 16 Leases	1	(24)	0	0	0	(24)
Adjusted Opening Balance at 1 April 2019		133,174	13,322	845	402,359	549,700
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	7	0	0	0	(3,455)	(3,455)
Balance at 30 September 2019 (unaudited)		164,301	13,895	506	550,974	729,676

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

CONSOLIDATED INTERIM BALANCE SHEET

As at 30 September 2019 (unaudited)

\$000	Note	As at Sept 2019 Unaudited	As at Sept 2018 Unaudited	As at March 2019 Audited
Assets				
Cash and cash equivalents		5,128	2,457	4,574
Trade receivables and other assets		14,312	9,825	7,990
Tax receivable		2,604	1,591	2,071
Resident advances		11,074	4,505	9,470
Accrued income		6,192	7,468	7,030
Property, plant and equipment		173,801	170,516	168,714
Investment properties	4	1,547,877	929,134	1,021,582
Investment in joint venture		26,763	21,832	24,254
Intangible assets		53,910	55,609	53,963
Total assets		1,841,661	1,202,937	1,299,648
Liabilities				
Trade and other payables		35,797	16,952	21,796
Employee entitlements		9,893	9,027	10,061
Revenue in advance		46,261	29,865	31,162
Interest rate swaps		4,775	1,392	3,039
Lease liability	1	4,912	0	0
Interest bearing loans and borrowings	6	273,388	149,599	190,072
Resident's loans	5	712,975	435,447	466,075
Deferred tax liabilities		23,984	28,604	27,719
Total liabilities		1,111,985	670,886	749,924
Net assets		729,676	532,051	549,724
Equity				
Share capital	7	550,974	402,359	402,359
Reserves		14,401	14,303	14,167
Retained earnings		164,301	115,389	133,198
Total equity		729,676	532,051	549,724

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 2019 (unaudited)

\$000	Note	6 months Sept 2019 Unaudited	6 months Sept 2018 Unaudited	12 months March 2019 Audited
Cash flows from operating activities				
Receipts from residents for care fees and village services		66,565	65,430	130,861
Receipts of residents' loans from resales		48,826	35,686	76,319
Receipts of residents' loans from new sales		18,422	15,580	39,603
Interest received		94	71	120
Payments to suppliers and employees		(67,120)	(66,620)	(124,274)
Repayments of residents' loans		(32,782)	(20,409)	(46,272)
Interest paid		(2,119)	(1,688)	(3,459)
Income tax paid		(1,505)	(2,005)	(3,757)
Net cash inflow from operating activities		30,381	26,045	69,141
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets		(2,550)	(2,300)	(4,341)
Payments for village acquisitions	9	(169,546)	0	0
Purchase of investment properties		(63,097)	(38,728)	(105,501)
Capitalised interest paid		(2,364)	(1,232)	(3,198)
Net cash (outflow) from investing activities		(237,557)	(42,260)	(113,040)
Cash flows from financing activities				
Proceeds from borrowings		184,500	36,500	90,500
Repayment of borrowings		(101,000)	(8,900)	(22,500)
Net proceeds of share issue		141,731	0	0
Transaction costs		(3,961)	(180)	(276)
Payments for lease liabilities		(251)	0	0
Dividends paid		(13,889)	(11,877)	(22,680)
Dividends received		600	0	300
Net cash inflow from financing activities		207,730	15,543	45,344
Net increase/(decrease) in cash and cash equivalents		554	(672)	1,445
Cash and cash equivalents at the beginning of the financial period		4,574	3,129	3,129
Cash and cash equivalents at the end of the financial period		5,128	2,457	4,574

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 2019 (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 18 November 2019.

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 2019;
- 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 2019.

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 2019, 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.

New Standards and Interpretations Adopted

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

Operating leases have been recognised on the balance sheet as a right-of-use asset and a corresponding lease liability, based on the present value of the lease payments. As at 1 January 2019, Arvida Group recognised \$5.0 million of right-of-use assets within property, plant and equipment and a lease liability of \$5.1 million. The leases are for support office premises and a care facility at Glenbrae Village. Operating lease expenses previously recognised on a straight-line basis within expenses are recognised as depreciation for right-of-use assets and finance costs for lease liabilities in the statement of comprehensive income.

The impact of adoption to the statement of comprehensive income for the six months ended 30 September 2019 is a decreased profit of \$0.1 million. Operating lease payments previously classified as cash flows from operating activities are reclassified as cash flows from financing activities for principal repayments of the lease liability. The interest paid on the lease remains in

operating activities. There is no impact on actual cash payments.

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

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 \$36.1 million (31 March 2019: \$70.9 million; and 30 September 2018: \$35.3 million).

Key Judgements and Estimates

Deferred management fees are recognised as revenue on a straight-line basis. This requires management to estimate the period of occupancy for units and serviced apartments. The expected period of tenure, being based on historical results, experience and industry averages, are estimated at 4.1 to 5.0 years for studios and serviced apartments (31 March 2019: 3.9 to 5.0 years; and 30 September 2018: 3.9 to 5.0 years) and are estimated at 6.3 to 9.2 years (31 March 2019: 6.2 to 9.0 years; and 30 September 2018: 5.9 to 9.1 years) for independent apartments and villas.

3. INCOME TAX EXPENSE

\$000	6 months Sept 2019 Unaudited	6 months Sept 2018 Unaudited	12 months March 2019 Audited
Reconciliation to profit before tax			
Profit before tax	45,748	32,683	61,864
Tax at 28%	12,809	9,151	17,322
<i>Tax effects of amounts which are not deductible (taxable) in calculating taxable income:</i>			
Changes in fair values	(9,338)	(6,874)	(13,663)
Gain on acquisition of villages	(1,041)	0	0
Share of profit arising from joint venture (net of tax)	(871)	(185)	(947)
Non-taxable income and non-deductible expenditure	(640)	109	85
Other	(187)	(59)	(8)
Income tax expense	732	2,142	2,789

4. INVESTMENT PROPERTY

\$000	As at Sept 2019 Unaudited	As at Sept 2018 Unaudited	As at March 2019 Audited
Balance at beginning of period	1,021,582	806,294	862,615
Acquisition of villages	426,619	0	0
Additions	64,382	97,555	110,281
Fair value movement - unrealised	35,294	25,285	48,686
Total investment property	1,547,877	929,134	1,021,582
Valuation of managers' net interest	597,035	394,780	430,339
Development land	105,650	40,330	53,150
Investment property under construction	92,148	36,180	47,885
Liability for residents' loans	712,975	435,447	466,075
Net revenue in advance / (accrued revenue)	40,069	22,397	24,133
Total investment property	1,547,877	929,134	1,021,582

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 2019 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 2019 to determine the current valuation of each property. The reviews indicated an overall uplift in the valuation of the properties of \$35.3 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 6.3 to 9.2 years (31 March 2019: 6.2 to 9.0 years; and 30 September 2018: 5.9 to 9.1 years) for independent apartments and villas and 4.1 to 5.0 years for studios and serviced apartments (31 March 2019: 3.9 to 5.0 years; and 30 September 2018: 3.9 to 5.0 years)
House price inflation	Between 0.0% and 3.5% (31 March 2019: between 0.0% and 3.5%; and 30 September 2018: between 0.0% and 3.5%)
Discount rate	Between 12.3% and 17.0% (31 March 2019: between 12.3% and 16.5%; and 30 September 2018: between 12.3% and 16.5%)
Average age on entry	Between 71 and 91 years (31 March 2019: 73 and 84 years; and 30 September 2018: 73 and 83 years) for independent apartments and villas and between 80 and 88 years (31 March 2019: 80 and 86 years; and 30 September 2018: 79 and 86 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 2019 Unaudited	As at Sept 2018 Unaudited	As at March 2019 Audited
Opening balance	466,075	415,201	415,201
Amounts repaid on termination of ORAs	(30,134)	(20,360)	(46,303)
Amounts received on issue of new ORAs	66,201	52,702	120,803
Amounts from acquired villages	226,242	0	0
Movement in DMF receivable and residents' portion of capital gains	(15,409)	(12,096)	(23,626)
Total residents' loans	712,975	435,447	466,075

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

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

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

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

6. INTEREST BEARING LOANS AND BORROWINGS

\$000	As at Sept 2019 Unaudited	As at Sept 2018 Unaudited	As at March 2019 Audited
Secured bank loans	274,000	150,100	190,500
Capitalised financing costs	(612)	(501)	(428)
Total interest bearing loans and borrowings	273,388	149,599	190,072

		As at Sept 2019 Unaudited	As at Sept 2018 Unaudited	As at March 2019 Audited
Funding facilities	Limit	Drawn Amount	Drawn Amount	Drawn Amount
Facility A maturing 5 June 2021	\$125m	\$125.0m	\$125.0m	\$125.0m
Facility B maturing 5 June 2023	\$125m	\$24.0m	\$25.1m	\$65.5m
Facility C maturing 24 June 2022	\$125m	\$125.0m	\$0.0m	\$0.0m
Total Drawn Facilities	\$375m	\$274.0m	\$150.1m	\$190.5m

Secured bank loans

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

The bank loans are secured by various mortgages over certain of the Group 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 2019 ranged from 2.3% to 3.1% pa (year to 31 March 2019: 2.8% to 3.2% pa; and six months to 30 September 2018: 2.7% to 3.2% pa). A separate line fee is charged over the facility limit.

7. SHARE CAPITAL

Shares 000	As at Sept 2019 Unaudited	As at Sept 2018 Unaudited	As at March 2019 Audited
Opening balance	413,950	413,741	413,741
Shares issued	127,942	209	209
Closing balance	541,892	413,950	413,950

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

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

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

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

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

In the six months to 30 September 2019 the Company incurred transaction costs of \$4.0 million (year to 31 March 2019: \$0.3 million; and six months to 30 September 2018: \$0.2 million) with costs of \$3.5 million relating to the issue of new shares deducted from equity (year to 31 March 2019: \$nil; and six months to 30 September 2018: \$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

	As at Sept 2019 Unaudited	As at Sept 2018 Unaudited	As at March 2019 Audited
Profit attributable to equity holders (\$000)	45,016	30,541	59,075
<i>Basic earnings per share</i>			
Weighted average number of ordinary shares on issue (thousands)	468,125	413,927	413,938
Basic earnings per share (cents)	9.62	7.38	14.27
<i>Diluted earnings per share</i>			
Weighted average number of ordinary shares on issue (thousands)	470,120	416,514	416,948
Diluted earnings per share (cents)	9.58	7.33	14.17

9. ACQUISITION ACCOUNTING

Acquisitions

The provisional fair values of the identifiable assets and liabilities of the retirement villages acquired during the six months to 30 September 2019 are:

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

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

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

Recognition and Measurement

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

The businesses acquired during the period contributed \$1.8 million of revenue and \$17.6 million of net profit after tax for the six months to 30 September 2019. If the businesses were acquired by the Group at 1 April 2019, they could have contributed \$5.3 million of revenue and \$18.7 million of net profit after tax. A \$17.1 million change in fair value of investment property is included within the net profit after tax figures.

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

10. SUBSEQUENT EVENTS

On 18 November 2019, the directors approved a dividend of 1.45 cents per share amounting to \$7.9 million. The dividend is partially imputed at 0.10 cents per share. A supplementary dividend of 0.05 cents per share will be paid to non-resident shareholders. The dividend record date is 3 December 2019 and payment is due to be made on 11 December 2019.

11. CAPITAL COMMITMENTS

As at 30 September 2019, the Group had \$64.5 million of capital commitments in relation to construction contracts (31 March 2019: \$42.3 million; and 30 September 2018: \$30.4 million).

As at 30 September 2019, the Group also had \$0.6 million of commitments in relation to the purchase of land (31 March 2019: \$nil; and 30 September 2018: \$13.9 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 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 NZ 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

VILLAGE DIRECTORY

32

LOCATIONS

16

NORTH IS.

16

SOUTH IS.



AUCKLAND



HAMILTON



CAMBRIDGE



TAURANGA



ROTORUA



NEW PLYMOUTH



HAVELOCK NORTH



PALMERSTON NORTH



MASTERTON



WAIKANAЕ



WELLINGTON



NELSON



BLENHEIM



RANGIORA



CHRISTCHURCH



TIMARU



QUEENSTOWN



