

15 August 2017

## **STOCK EXCHANGE ANNOUNCEMENT**

### **SUMMERSET GROUP HOLDINGS LIMITED (SNZ) INTERIM FINANCIAL STATEMENTS AND HALF YEAR REPORT**

Documents included in this release:

- Media release;
- Results presentation;
- Half year report (including interim financial statements for the six months ended 30 June 2017 and Ernst & Young's review report);
- NZX Appendix 1;
- Appendix 7 (as required by NZX Listing Rule 7.12.2) detailing the interim dividend of NZ 3.9 cents per ordinary share to be paid on 11 September 2017 to those shareholders on the company's share register as at 5pm on 29 August 2017. The ASX Online Appendix 3A.1 is provided as a separate announcement.

ENDS

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## **NZX, ASX AND MEDIA RELEASE**

**15 AUGUST 2017**

### **SUMMERSET REPORTS STRONG PROFIT GROWTH FOR FIRST HALF OF 2017**

- Net profit after tax of NZ\$90.3m, up 78% from 1H16
- Underlying profit for 1H17 NZ\$35.7m, up 45% on 1H16
- Total assets of NZ\$1.9b, up 27% on 1H16
- 323 total sales of occupation rights, up 6% on 1H16
- 171 new retirement homes delivered
- Interim dividend of NZ 3.9 cents per share
- Record development margin of 28%

Retirement village operator Summerset Group Holdings Limited has announced net profit after tax for the first half of 2017 of NZ\$90.3 million, an increase of 78% from the first half of 2016.

Summerset's underlying profit, which excludes unrealised valuation gains in the fair value of investment property, was NZ\$35.7 million for the half year to 30 June 2017, up 45% on the same period last year.

Summerset CEO Julian Cook said the company experienced a strong six month period, with good sales levels and a record development margin of 28%. "This is particularly pleasing. We have previously signalled we are seeing cost pressure in the Auckland construction market and despite this we have delivered our strongest development margin for any six month period ever. This has been driven by our in-house construction model and strong demand for our homes."

The total value of assets for the group grew to NZ\$1.9 billion at 30 June 2017, up from \$1.5 billion on the year before.

New sales and resales of occupation rights were 6% higher than the first half of 2016, with 171 homes delivered. Mr Cook said the company's development pipeline was weighted towards the second half of the year. "We are on track to build approximately 450 retirement units across our villages in 2017 and expect new sales levels over each half of the year to reflect this."

Summerset's total current land bank represents approximately 2,670 retirement homes and 412 care beds, inclusive of recently purchased land in Avonhead, Christchurch. This is a total of around six years' supply at Summerset's current build rate.

"Investment in our existing villages continues with the refurbishment of the recreation area at our Paraparaumu village, extension of the main building and a new café at Levin, as well as the construction of a new village centre at Trentham, due for completion in December. We are particularly proud of our innovative new one bedroom secure memory care apartments at our Levin village for people living with dementia. These are a first in New Zealand and have proven

to be extremely popular. We are committed to building safe, one bedroom homes for people living with dementia in all our future villages.”

Last month we celebrated the opening of the main building of Summerset’s newest Auckland village, Summerset at Heritage Park in Ellerslie, and were joined by the Prime Minister, the Right Honourable Bill English. “We are very pleased to open the Ellerslie village main building. This will be our flagship village for the group when complete,” said Mr Cook.

In March a syndicated loan facility refinancing was completed. Summerset also issued a \$100 million, six year fixed interest rate retail bond in early July, the first for Summerset and the first for the New Zealand retirement village and aged care sector. The bond provides diversification of funding sources and increases the tenor of funding for Summerset.

Total debt facilities are now \$600 million (inclusive of the retail bond), an increase on the \$450 million in place at the beginning of the period. This allows Summerset to continue funding growth initiatives across both existing and future retirement villages, said Mr Cook.

Moving in to the second half of the year, presales of the first homes at Summerset’s second Christchurch village in Casebrook will commence in September. Additional homes will become available at the company’s Warkworth and Wigram villages, while earthworks have also begun at the Rototuna village site in Hamilton. A resource consent application for the proposed St Johns village has been lodged with Auckland Council, and planning is underway to lodge a resource consent for the Boulcott, Lower Hutt village later this year.

The board has declared an interim dividend of NZ 3.9 cents per share. This will be paid on 11 September.

## ENDS

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## ABOUT SUMMERSET

- Summerset is one of the leading operators and developers of retirement villages in New Zealand, with 22 villages completed or in development across the country. In addition, Summerset has six sites for development in Avonhead (Christchurch), Richmond (Nelson), Rototuna (Hamilton), Lower Hutt (Wellington), St Johns (Auckland) and Parnell (Auckland), bringing the total number of sites to 28.
- It provides a range of living options and care services to more than 4,400 residents.
- Four-time winner of Retirement Village of the Year and Silver Award winner in the Reader’s Digest Quality Service Awards 2016.
- The Summerset Group has villages in Aotea, Casebrook, Dunedin, Ellerslie, Hamilton, Hastings, Havelock North, Hobsonville, Karaka, Katikati, Levin, Manukau, Napier, Nelson, New Plymouth, Palmerston North, Paraparaumu, Taupo, Trentham, Wanganui, Warkworth and Wigram.





# HALF YEAR RESULTS PRESENTATION

SIX MONTHS ENDED 30 JUNE 2017

SUMMERSET GROUP HOLDINGS LIMITED

15 August 2017





# AGENDA

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1H17 Result Highlights

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Business Overview

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Financial Results

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A photograph of two elderly women smiling. The woman on the left has short white hair and is wearing a dark blue top. The woman on the right has short grey hair, wears glasses, and a colorful beaded necklace. They are sitting in front of a floral patterned chair. A dark blue semi-transparent banner is overlaid on the bottom half of the image.

# 1H17 RESULT HIGHLIGHTS





# 1H17 RESULT HIGHLIGHTS

## STRONG PROFIT GROWTH FOR FIRST HALF OF 2017

		1H17 Actual	1H16 Actual	1H17 Actual vs. 1H16 Actual*	FY16 Actual
Operational	New sales of occupation rights	179	183	-2%	414
	Resales of occupation rights	144	123	17%	244
	Total sales of occupation rights	323	306	6%	658
	New retirement units delivered	171	190	-10%	409
Financial (NZ\$m)	Net operating cash flow	86.4	84.4	2%	192.6
	Total assets	1,932	1,521	27%	1,707
	Underlying profit**	35.7	24.7	45%	56.6
	Net profit before tax (IFRS)	90.7	51.0	78%	145.6
	Net profit after tax (IFRS)	90.3	50.6	78%	145.5

\* Percentage movements based on unrounded amounts

\*\* Underlying profit differs from NZ IFRS reported profit after tax. The measure has been reviewed by Ernst & Young. Refer to slide 25 for a reconciliation between the two measures, and note 2 of the financial statements for detail on the components of underlying profit



# 1H17 RESULT HIGHLIGHTS

## ANOTHER RECORD HALF YEAR UNDERLYING PROFIT

- 1H17 net profit after tax (NZ IFRS) of \$90.3m, up 78% on 1H16
- 1H17 underlying profit of \$35.7m, up 45% on 1H16 – a new first half record
- Record low level of new sales stock with 128 retirement units in stock, 14% lower than a year ago
- 179 new sales with delivery of 171 new retirement units
- Record development margin of 28.0%, up from 20.3% in 1H16
- 144 resales, up from 123 in 1H16 and the highest level of resales in a six month period
- Resale gain of 20.2%, up from 19.8% in 1H16
- Interim dividend of 3.9 cents per share declared, amounting to \$8.7m
- Operating cash flow of \$86.4m, and gearing ratio remaining down at 32.5%
- Total assets of \$1.9b, up 27% on 1H16



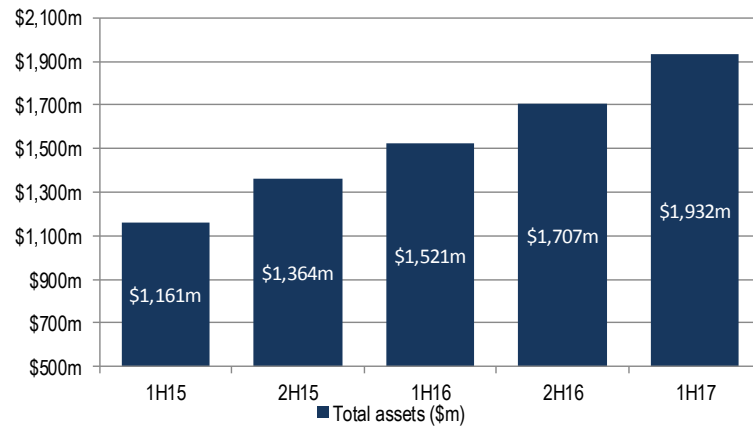




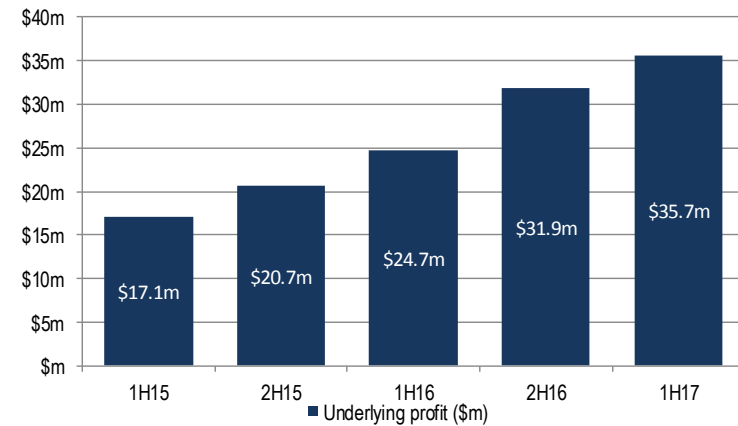
# 1H17 RESULT HIGHLIGHTS

## STRONG TRENDS CONTINUE ACROSS THE BUSINESS

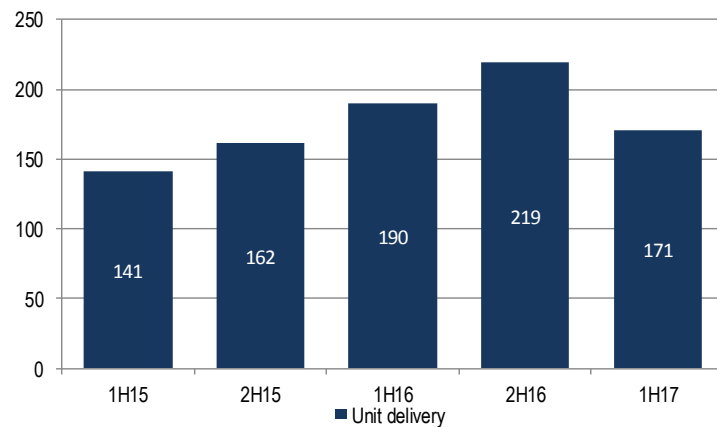
TOTAL ASSETS



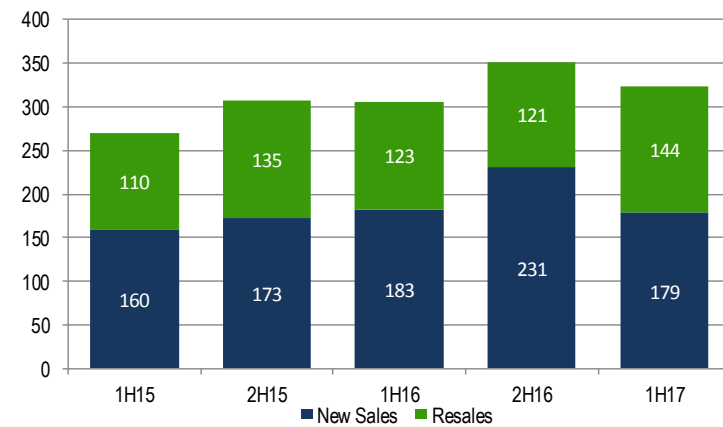
UNDERLYING PROFIT



RETIREMENT UNIT DELIVERY



SALE OF OCCUPATION RIGHTS





# BUSINESS OVERVIEW







# 1H17 REVIEW

## 171 RETIREMENT UNITS DELIVERED, RECORD UNDERLYING PROFIT OF \$35.7M

- Delivered 171 retirement units across eight villages in 1H17
- Deliveries this year are weighted to the second half – on track to achieve delivery target of 450 retirement units in FY17
- Delivered our first retirement units in the Ellerslie main building and completed the main building in Karaka
- Construction and earthworks underway on Casebrook and Rototuna villages, with first retirement unit delivery expected in 2018
- Strong sales across New Zealand with a total of 323 retirement units sold, up 6% on 1H16, and continuing to see historically low levels of uncontacted stock
- Total debt facilities lifted from \$450.0m to \$600.0m (inclusive of retail bond)
- Successfully raised \$100.0m retail bond to provide further funding diversification and tenor
- Undrawn facility capacity of \$284.7m at 30 June 2017
- Recently announced land acquisition in Avonhead, Christchurch
- On track to achieve a record full year underlying profit of between \$72.0m and \$75.0m



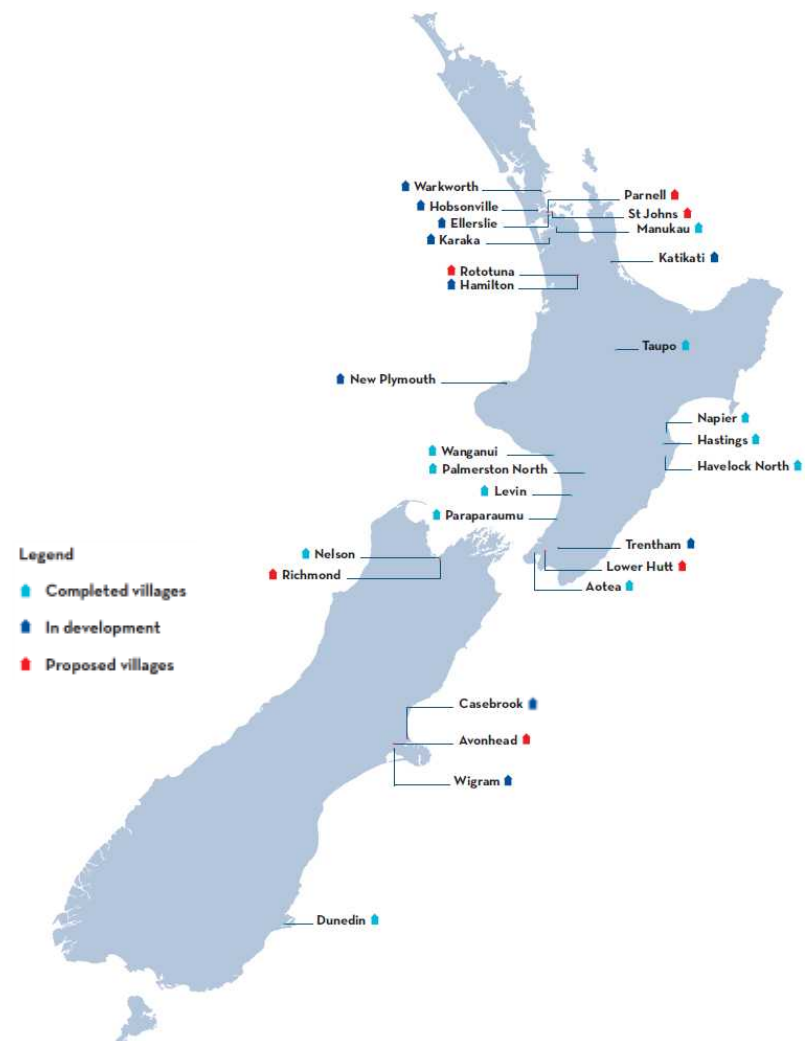
Underlying profit differs from NZ IFRS reported profit after tax. The measure has been reviewed by Ernst & Young. Refer to slide 25 for a reconciliation between the two measures, and note 2 of the financial statements for detail on the components of underlying profit



# SUMMERSET SNAPSHOT

## SECOND LARGEST RETIREMENT VILLAGE DEVELOPER IN NEW ZEALAND

- 20 years of consistent delivery and growth
- Listed on the NZX in 2011, and the ASX in 2013
- Balance sheet growth of 213% since listing
- 2,999 retirement units (villas, apartments, serviced apartments and memory care apartments)
- 748 care beds
- More than 4,400 residents
- 22 operating villages completed or under development
- Six greenfield sites at Avonhead, Lower Hutt, Parnell, Richmond, Rototuna, and St Johns not yet started
- Land bank of 2,670 retirement units as at 30 June 2017
- Four-time winner of Best Retirement Village Operator at the Australasian Over 50s Housing Awards
- Received a Highly Commended in the Reader's Digest Trusted Brands Survey three years running, from 2015-2017







# SUMMERSET STRATEGY

## SUMMERSET BUILDS, OWNS AND OPERATES RETIREMENT VILLAGES IN NZ

- Focus on continuum of care model
- High quality care and facilities across all villages
- Villages designed to integrate into local communities
- Internal development and construction model
- Nationwide brand offering
- Customer centric philosophy – “we love the life you bring to us”
- Targeting a delivery of 450 retirement units in 2017 to meet strong demand





# OPERATIONS AND STAFF

## FOCUS ON STAFF INITIATIVES AND SYSTEMS AND PROCESS IMPROVEMENTS

- Pay equity decision will see a substantial increase in caregiver wages, largely funded by Government – positive outcome for our caregivers
- Second year of the all staff share scheme with 83% of our employees signing up
- New staff uniform review currently underway
- Continuing to invest in Health and Safety systems - pilot programmes to reduce annual handling injuries and construction site hand injuries starting shortly
- 94% care customer satisfaction rating and 94% village customer satisfaction rating
- We have continued to invest in our older villages with the upgrade of the care centre and recreation centre in Paraparaumu, and the extension and upgrade of the recreation centre and café in Levin
- New asset management system and V-Care customer management system implementations progressing well
- Levin memory care centre warmly received by residents and their families since opening
- Excellent certification audit results continue with ten care centres achieving three years, and four care centres awarded the maximum four years certification
- Summerset finance team awarded Finance Team of the Year award at the 2017 CFO Awards

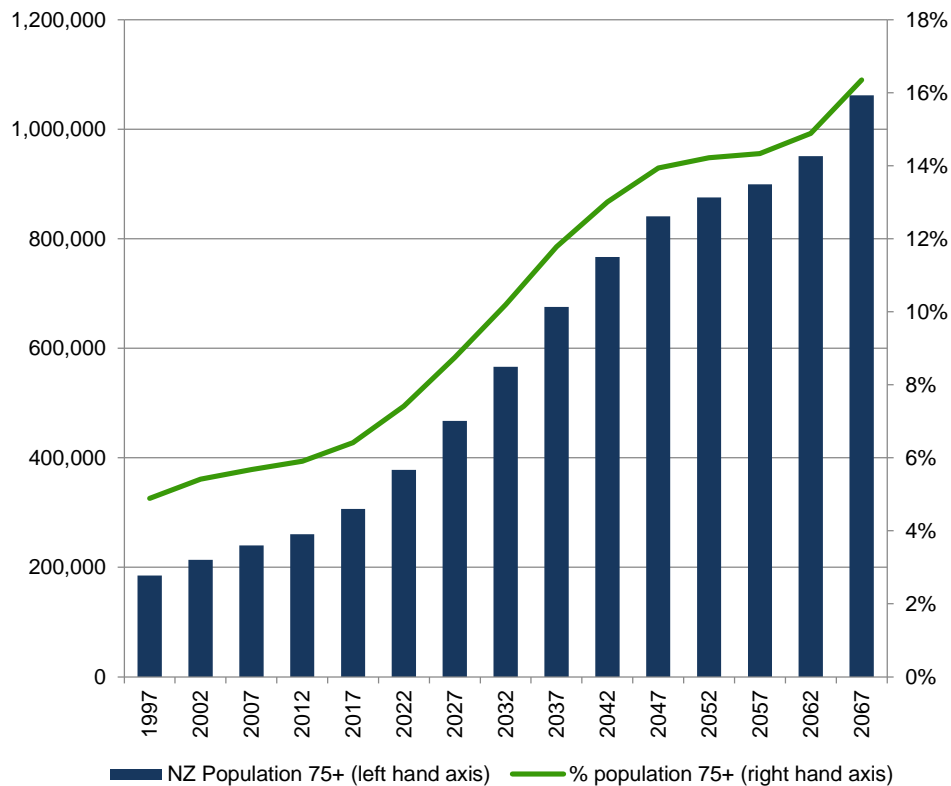




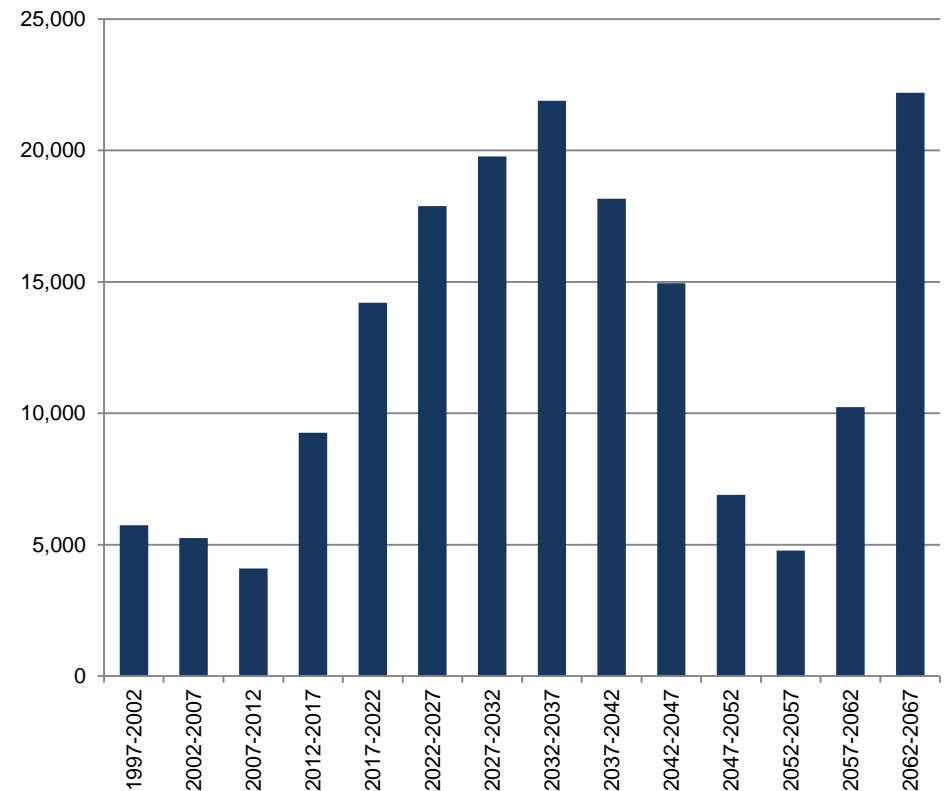
# DEMOGRAPHICS

## POPULATION OVER 75 YEARS FORECAST TO GROW 254% FROM 2017 TO 2068

POPULATION GROWTH 75 YEARS AND OVER



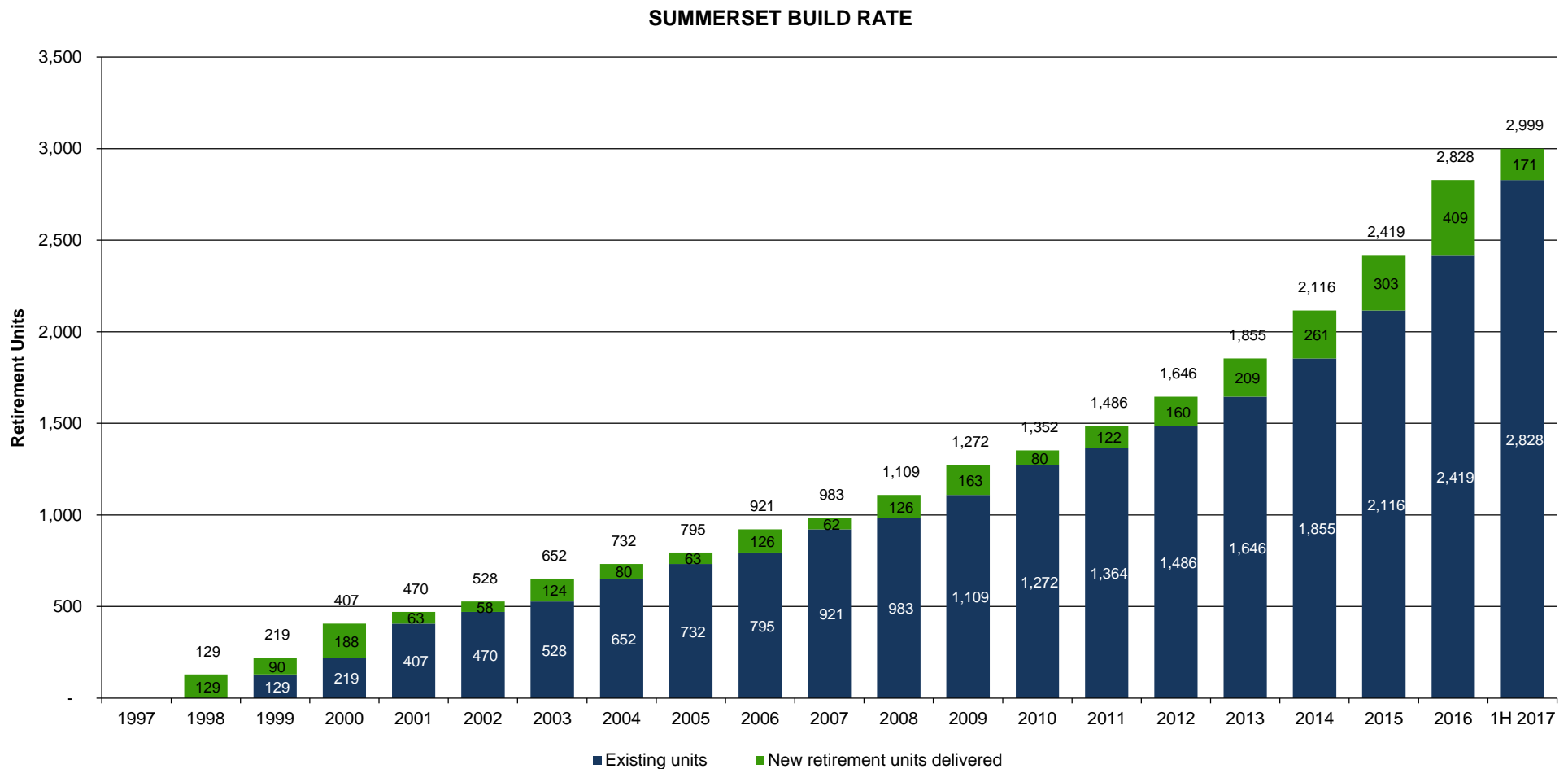
PER ANNUM POPULATION GROWTH 75 YEARS AND OVER





# SUMMERSET GROWTH

## 20 YEARS OF CONSISTENT DELIVERY AND GROWTH







# 1H17 DEVELOPMENT ACTIVITY

## DELIVERY OF 171 RETIREMENT UNITS IN 1H17 ACROSS EIGHT SITES

Unit Delivery 1H17	Villas	Serviced Apartments	Total
Ellerslie	1	23	24
Hamilton	8	0	8
Hobsonville	4	0	4
Karaka	8	39	47
Katikati	25	0	25
New Plymouth	18	0	18
Trentham	23	0	23
Wigram	22	0	22
<b>Total</b>	<b>109</b>	<b>62</b>	<b>171</b>

- 171 retirement units delivered across eight villages
- 44% of build within Auckland, 56% across the rest of the country
- Delivered our first serviced apartments in Ellerslie
- Completed the main building in Karaka with delivery of the 39 unit serviced apartment module
- Construction and earthworks underway on Casebrook and Rototuna villages



# 1H17 DEVELOPMENT ACTIVITY

DELIVERY OF 171 RETIREMENT UNITS IN 1H17 ACROSS EIGHT SITES

Ellerslie



Hamilton



Hobsonville



Karaka





# 1H17 DEVELOPMENT ACTIVITY

DELIVERY OF 171 RETIREMENT UNITS IN 1H17 ACROSS EIGHT SITES

**Katikati**



**New Plymouth**



**Trentham**



**Wigram**







# FUTURE DEVELOPMENT

## LAND BANK OF 2,670 RETIREMENT UNITS AND 412 CARE BEDS

Village	Land Bank - as at 30 June 2017*				
	Villas	Apartments	Serviced & Memory Care Apartments	Total Retirement Units	Care Beds
Avonhead	150	14	76	240	43
Casebrook	197	0	76	273	43
Ellerslie	29	221	34	284	58
Hamilton	6	0	30	36	0
Hobsonville	14	60	52	126	52
Karaka	96	0	0	96	0
Katikati	54	0	0	54	0
Lower Hutt	42	96	43	181	49
New Plymouth	14	0	20	34	0
Parnell	3	261	76	340	48
Richmond	220	0	60	280	38
Rototuna	187	0	76	263	43
St Johns	0	220	70	290	38
Trentham	10	0	20	30	0
Warkworth	79	0	0	79	0
Wigram	64	0	0	64	0
<b>Total</b>	<b>1,165</b>	<b>872</b>	<b>633</b>	<b>2,670</b>	<b>412</b>

- Land bank of 2,670 retirement units spread across brownfield and greenfield sites

\* Land bank reflects current intentions as at 30 June 2017

- Targeting delivery of 450 retirement units in 2017. Land bank provides around six years of supply at 2017 build rate



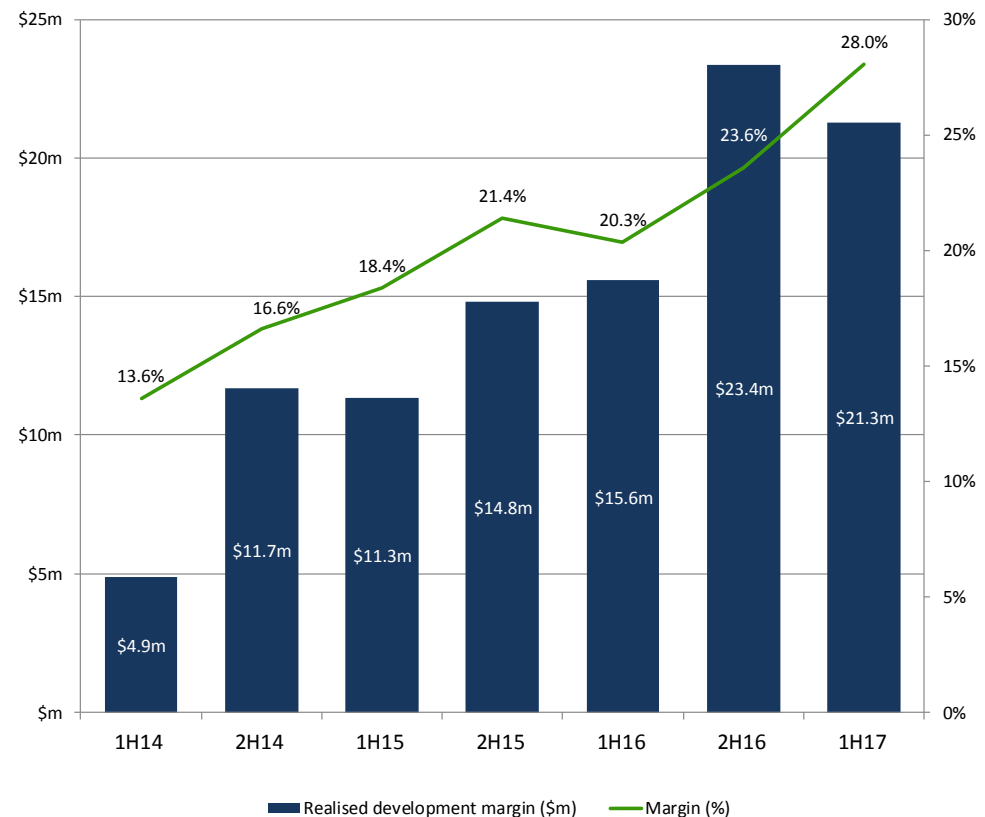


# DEVELOPMENT MARGIN

## RECORD DEVELOPMENT MARGIN OF 28.0% WITH A REALISED MARGIN OF \$21.3M

- Realised development margin of \$21.3m, up 37% from \$15.6m in 1H16
- Development margin of 28.0% in 1H17, this is up from 20.3% in 1H16
- Record development margin achieved in 1H17 with strong margins across all villages
- Benefits of in-house design and construction teams continue to be realised
- Seeing good development margins coming out of our regional villages with the average margin across our non-Auckland sites being around 27%
- Sales of new occupation rights were predominately in regional New Zealand with 23% in our Auckland region villages and 77% across the rest of our developing villages

REALISED DEVELOPMENT MARGIN - HALF ON HALF MARGINS





# NEW SALES OF OCCUPATION RIGHTS

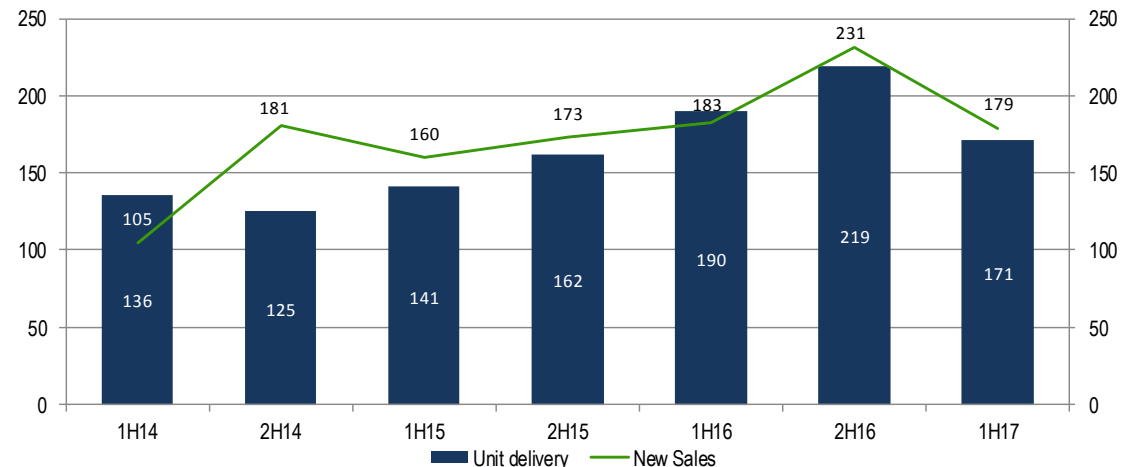
## NEW SALES GROSS PROCEEDS OF \$75.9M

- New sales gross proceeds of \$75.9m in 1H17
- Strong new sales volumes in Wigram, New Plymouth, Katikati and Trentham
- New sales of occupation rights slightly down versus 1H16:
  - Villas: 115, down 22% on 1H16
  - Apartments: 1, down 86% on 1H16
  - Serviced apartments: 60, up 107% on 1H16
  - Memory care apartments: 3, first memory care apartments delivered in 2H16
- Serviced and memory care apartments made up 35% of settlements in 1H17, this compares to 16% in 1H16 and 26% in FY16
- Although there was a higher proportion of serviced and memory care apartments in 1H17, the average gross proceeds per new sale settlement achieved of \$424k was up on 1H16 (\$419k) and in line with FY16 (\$424k)

New Sales	1H17 Actual	1H16 Actual	1H17 Actual vs. 1H16 Actual*	FY16 Actual
Gross proceeds (\$m)	75.9	76.6	-1%	175.6
Villas	115	147	-22%	293
Apartments	1	7	-86%	15
Serviced apartments	60	29	107%	104
Memory care apartments	3	0	-	2
<b>Total occupation rights</b>	<b>179</b>	<b>183</b>	<b>-2%</b>	<b>414</b>

\* Percentage movements based on unrounded amounts

### NEW SALES AND RETIREMENT UNIT DELIVERY





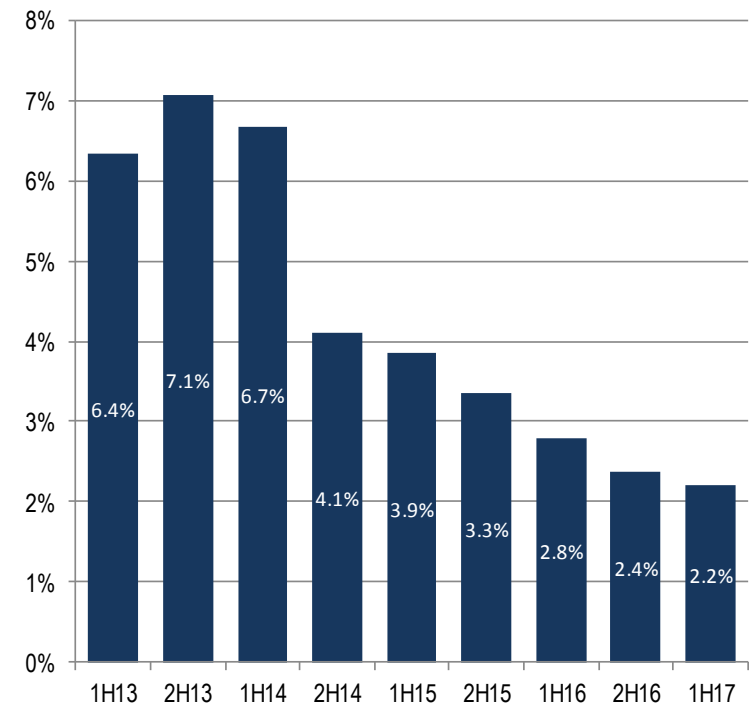
# NEW SALES STOCK

## NEW SALES STOCK LEVELS CONTINUE TO SIT AT RECORD LOWS

- New sales stock has reduced to a total of 128 retirement units at 1H17, this compares to 148 at 1H16 and 136 at FY16
- 48% of new sale retirement units in stock were contracted at 1H17, this remains relatively consistent with 51% contracted at 1H16 and FY16
- Historically low levels of new sales stock with uncontracted new sales stock making up 2.2% of our total retirement unit portfolio at 1H17, this is down from 2.8% at 1H16 and 3.9% at 1H15

New Sales Stock	1H17 Actual	1H16 Actual	FY16 Actual
Contracted	62	75	69
Uncontracted	66	73	67
<b>Total new sales stock</b>	<b>128</b>	<b>148</b>	<b>136</b>
Contracted	36	53	44
Uncontracted	14	25	12
<b>Villas</b>	<b>50</b>	<b>78</b>	<b>56</b>
Contracted	0	2	0
Uncontracted	0	7	1
<b>Apartments</b>	<b>0</b>	<b>9</b>	<b>1</b>
Contracted	26	20	25
Uncontracted	52	41	54
<b>Serviced and memory care apartments</b>	<b>78</b>	<b>61</b>	<b>79</b>

AVAILABLE NEW SALES STOCK\*



\* Uncontracted new sales stock as a proportion of the total retirement unit portfolio at balance date



# RESALES OF OCCUPATION RIGHTS

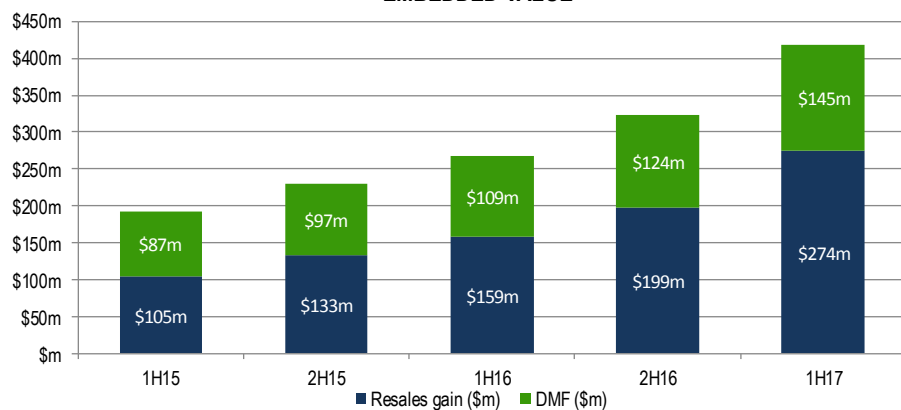
## RESALES OF 144 OCCUPATION RIGHTS IN 1H17

- Gross proceeds of \$53.4m, up 28% on 1H16
- Realised resale gain of 20.2%
- Embedded value up to \$140k per retirement unit, as at 30 June 2017. This is up from \$103k as at 30 June 2016 and \$114k as at 31 December 2016
- Embedded resale gain of \$91k per retirement unit, up from \$61k as at 30 June 2016

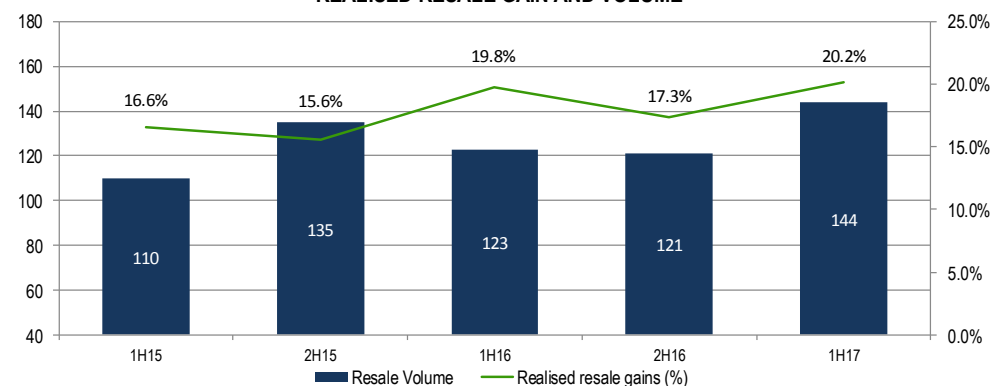
Resales	1H17 Actual	1H16 Actual	1H17 Actual vs. 1H16 Actual*	FY16 Actual
Gross proceeds (\$m)	53.4	41.7	28%	83.1
Realised resale gains (\$m)	10.8	8.3	31%	15.4
Realised resale gains (%)	20.2%	19.8%	2%	18.6%
DMF realisation (\$m)	6.2	5.3	16%	10.3
Villas	82	75	9%	142
Apartments	25	20	25%	44
Serviced apartments	37	28	32%	58
Memory care apartments	0	0	-	0
<b>Total occupation rights</b>	<b>144</b>	<b>123</b>	<b>17%</b>	<b>244</b>

\* Percentage movements based on unrounded amounts

EMBEDDED VALUE



REALISED RESALE GAIN AND VOLUME







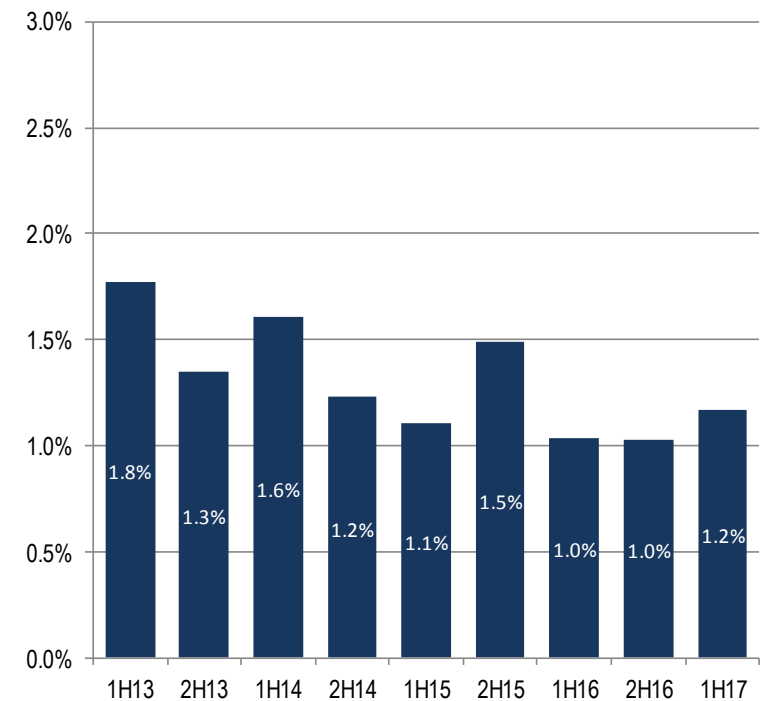
# RESALES STOCK

## RESALES STOCK LEVELS CONTINUE TO SIT AT RECORD LOWS

- Resales stock remains low with 53 retirement units under contract and 35 retirement units uncontracted at 1H17
- We are seeing good demand for resale units across all villages
- As a proportion of our total retirement unit stock, uncontracted resales stock makes up 1.2%

Resales Stock	1H17 Actual	1H16 Actual	FY16 Actual
Contracted	53	55	56
Uncontracted	35	27	29
<b>Total resales stock</b>	<b>88</b>	<b>82</b>	<b>85</b>
Contracted	30	26	29
Uncontracted	18	15	17
<b>Villas</b>	<b>48</b>	<b>41</b>	<b>46</b>
Contracted	3	11	9
Uncontracted	8	6	4
<b>Apartments</b>	<b>11</b>	<b>17</b>	<b>13</b>
Contracted	20	18	18
Uncontracted	9	6	8
<b>Serviced and memory care apartments</b>	<b>29</b>	<b>24</b>	<b>26</b>

AVAILABLE RESALES STOCK\*



\* Uncontracted resales stock as a proportion of the total retirement unit portfolio at balance date

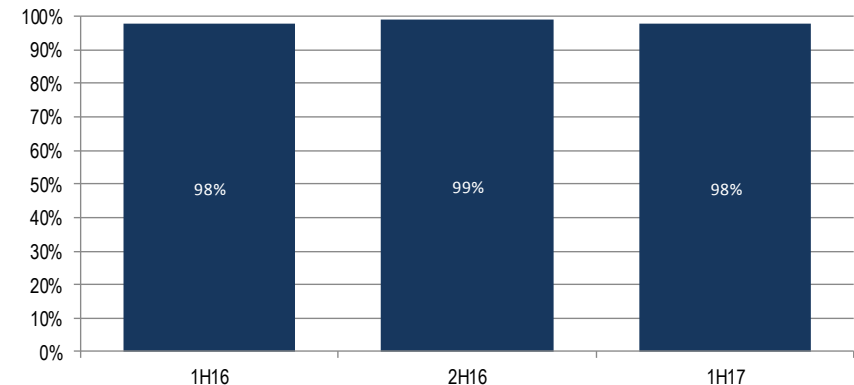


# CUSTOMER PROFILE & OCCUPANCY

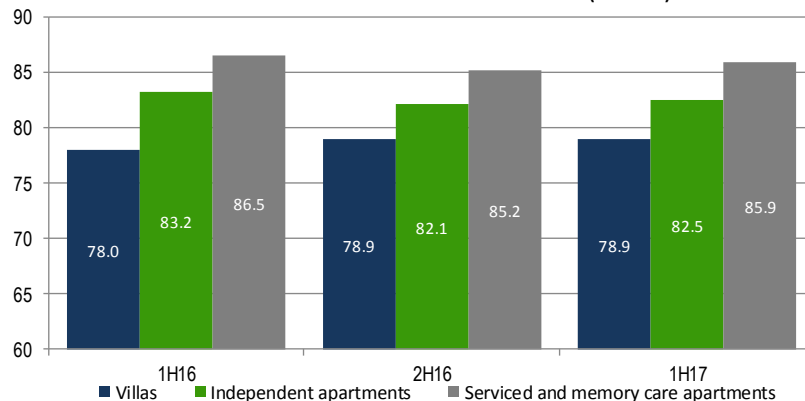
## OCCUPANCY, TENURE AND RESIDENT DEMOGRAPHIC STATISTICS

- Occupancy within our established care centres is stable with an average occupancy of 98% for 1H17
- Average tenure on 1H17 resale retirement units was 5.0 years for villas, 4.7 years for independent apartments, and 1.4 years for serviced and memory care apartments
- Average entry age on 1H17 new and resale retirement units was 78.9 years for villas, 82.5 years for independent apartments, and 85.9 years for serviced and memory care apartments

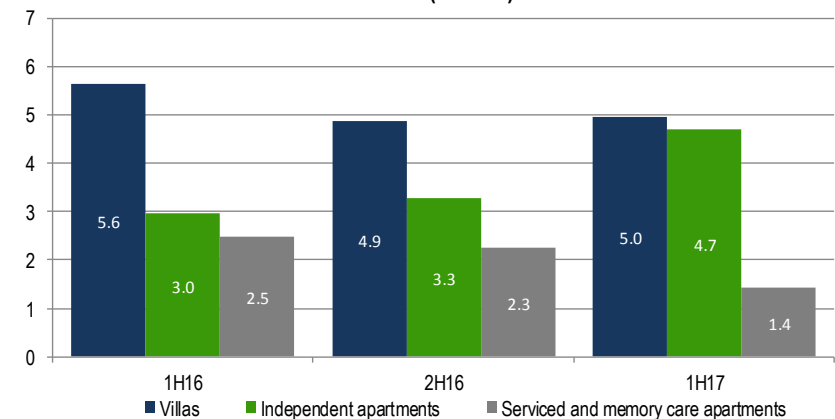
OCCUPANCY - ESTABLISHED CARE CENTRES



AVERAGE ENTRY AGE OF RESIDENTS (YEARS)



AVERAGE TENURE (YEARS) ON REALES\*



\* Average tenure has been calculated using the previous resident's occupancy on resales within the reporting period



# FINANCIAL RESULTS





# 1H17 REPORTED PROFIT (IFRS)

## NET PROFIT AFTER TAX UP 78% VERSUS 1H16

- NPAT up \$39.7m relative to 1H16
- Fair value movement of \$87.1m for 1H17, up 74% on 1H15
- Fair value movement has been driven by:
  - Strong retirement unit price inflation on existing retirement units within the portfolio
  - Additional retirement units delivered through the year resulting in a development margin and DCF uplift
- 1H17 expenses include higher operating costs associated with new villages and opening of care facilities since 1H16
  - Opened our village in Ellerslie
  - Opened new care facility in Wigram and delivered additional care beds in Karaka, Katikati and New Plymouth
  - Opened new serviced apartments in Wigram, Karaka, Katikati, New Plymouth and Ellerslie
- Refer to the appendices for key assumptions associated with the investment property valuation

NZ\$m	1H17 Actual	1H16 Actual	1H17 Actual vs. 1H16 Actual*	FY16 Actual
Total revenue	50.7	40.0	27%	86.1
Fair value movement of investment property	87.1	50.2	74%	143.5
Total income	137.8	90.2	53%	229.5
Total expenses	41.7	34.8	20%	74.8
Net finance costs	5.5	4.4	25%	9.1
<b>Net profit before tax</b>	<b>90.7</b>	<b>51.0</b>	<b>78%</b>	<b>145.6</b>
Tax expense / (credit)	0.4	0.4	-3%	0.2
<b>Net profit after tax</b>	<b>90.3</b>	<b>50.6</b>	<b>78%</b>	<b>145.5</b>

\* Percentage movements based on unrounded amounts





# 1H17 UNDERLYING PROFIT

## UNDERLYING PROFIT UP 45% ON 1H17, 44% CAGR OVER LAST 6 YEARS

- Record half year underlying profit of \$35.7m, up 45% on 1H16
- Realised development margin of \$21.3m achieved in 1H17, up from \$15.6m in 1H16 driven by a record high margin of 28.0%
- Realised gain on resales of \$10.8m achieved in 1H17, a record half year result, driven by a higher sales volume and strong sales price growth
- Underlying profit has seen an annual compounded increase of 44% since we listed in 2011
- On track to achieve a record full year underlying profit of between \$72.0m and \$75.0m

NZ\$m	1H17 Actual	1H16 Actual	1H17 Actual vs. 1H16 Actual*	FY16 Actual
Reported profit after tax	90.3	50.6	78%	145.5
Less fair value movement of investment property	(87.1)	(50.2)	74%	143.5
Add realised gain on resales	10.8	8.3	31%	15.4
Add realised development margin	21.3	15.6	37%	39.0
Add/(less) deferred tax expense/credit	0.4	0.4	-3%	0.2
<b>Underlying profit</b>	<b>35.7</b>	<b>24.7</b>	<b>45%</b>	<b>56.6</b>

\* Percentage movements based on unrounded amounts

Underlying profit differs from NZ IFRS reported profit after tax. The directors have provided an underlying profit measure to assist readers in determining the realised and non-realised components of fair value movement of investment property and tax expense in the Group's income statement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions and has been reviewed by Ernst & Young. Underlying profit is an industry wide measure which the Group uses consistently across reporting periods. See note 2 of the financial statements for detail on the components of underlying profit



# 1H17 CASH FLOWS

## CONTINUED INVESTMENT IN NEW VILLAGE BUILDS

- Net operating cash flow of \$86.4m for 1H17, up 2% on 1H16
- Cash flow from care fees and village services was up \$8.5m on 1H16
- Net receipts from sale of occupation rights of \$89.2m was flat on 1H16 driven by a lower volume of new sales within the period
- Net investing cash flow of \$109.7m, up 27% on 1H16 with additional land settlements and increased construction spend
- Refer to the 2017 Half Year Report for a detailed breakdown of the cash flows and additional disclosures made

NZ\$m	1H17 Actual	1H16 Actual	1H17 Actual vs. 1H16 Actual*	FY16 Actual
Care fees and village services	34.9	26.4	32%	57.2
Interest received	0.0	0.1	-66%	0.2
Payments to suppliers and employees	(37.8)	(31.5)	20%	(68.6)
Net receipts for resident loans	89.2	89.4	0%	203.7
<b>Net operating cash flow</b>	<b>86.4</b>	<b>84.4</b>	<b>2%</b>	<b>192.6</b>
Acquisition of PPE & IP	104.8	84.7	24%	(193.8)
Other investing cash flows	4.9	2.0	143%	(6.0)
<b>Net investing cash flow</b>	<b>109.7</b>	<b>86.7</b>	<b>27%</b>	<b>(199.9)</b>
Proceeds from bank loans	41.3	14.5	185%	25.8
Dividends paid	(11.2)	(7.4)	51%	(13.1)
Proceeds from issue of shares	3.5	2.4	50%	4.2
Other financing cash flows	(6.1)	(4.5)	35%	(7.6)
<b>Net financing cash flows</b>	<b>27.6</b>	<b>5.0</b>	<b>452%</b>	<b>9.2</b>
Net increase in cash	4.4	2.7	62%	2.0

\* Percentage movements based on unrounded amounts



# 1H17 BALANCE SHEET

## TOTAL ASSETS OF \$1.9B, UP 27% FROM \$1.5B IN 1H16

- Total assets of \$1.9b, up 27% on 1H16
- Retained earnings have increased from \$199.9m as at 30 June 2016 to \$368.2m as at 30 June 2017. This will continue to positively impact balance sheet strength and company gearing ratios
- Investment property valuation of \$1.8b, up 28% on 1H16
- Other assets include land and buildings (primarily care facilities)
- Embedded value of \$418.9m, \$140k per retirement unit, as at 30 June 2017:
  - \$274.2m resale gains
  - \$144.8m deferred management fees

NZ\$m	1H17 Actual	1H16 Actual	1H17 Actual vs. 1H16 Actual*	FY16 Actual
Investment property	1,806	1,416	28%	1,591
Other assets	125.8	105.2	20%	115.4
<b>Total assets</b>	<b>1,932</b>	<b>1,521</b>	<b>27%</b>	<b>1,707</b>
Residents' loans	867.2	711.4	22%	801.3
Bank loans	315.3	262.7	20%	274.0
Other liabilities	122.0	98.5	24%	85.9
<b>Total liabilities</b>	<b>1,305</b>	<b>1,073</b>	<b>22%</b>	<b>1,161</b>
<b>Net assets</b>	<b>627.6</b>	<b>448.7</b>	<b>40%</b>	<b>545.6</b>
<b>Embedded value</b>	<b>418.9</b>	<b>267.6</b>	<b>57%</b>	<b>322.6</b>
<b>NTA (cents per share)</b>	<b>285.7</b>	<b>206.1</b>	<b>39%</b>	<b>249.9</b>

\* Percentage movements based on unrounded amounts



# GEARING RATIO

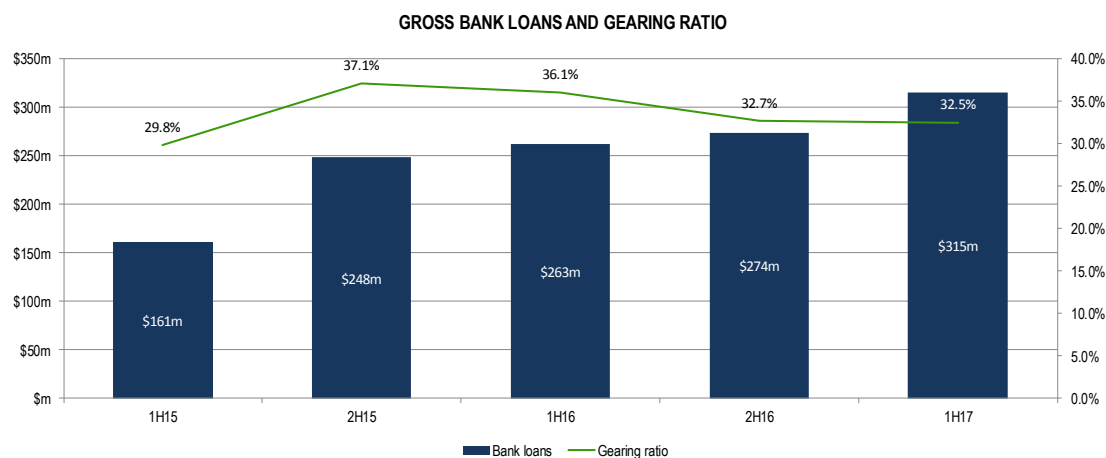
## GROSS DEBT OF \$315M AND GEARING RATIO OF 32.5%

- Gross debt of \$315.3m as at 30 June 2017, up \$41.3m from 31 December 2016
- Uplift in gross debt principally due to settlement of land in Richmond and development spend in Ellerslie (main building and apartment block), Hobsonville main building, and civil works in Casebrook, Karaka, Rototuna and Warkworth
- Total debt facilities lifted from \$450.0m to \$600.0m (inclusive of retail bond)
- Successfully raised \$100.0m retail bond to provide further funding diversification and tenor
- Undrawn facility capacity of \$284.7m at 30 June 2017
- Gearing ratio of 32.5% is down from 32.7% as at 31 December 2016. This is in line with expectations and remains at a prudent level
- Gross debt does not include the full land purchase in Avonhead, Christchurch

\*\* Gearing ratio calculation (net debt / net debt plus book equity) differs from the Summerset Group's bank and bond LVR covenant (Total Debt of the Summerset Group / Property Value of the Summerset Group)

NZ\$m	1H17 Actual	1H16 Actual	1H17 Actual vs. 1H16 Actual*	FY16 Actual
Bank loans	315.3	262.7	20%	274.0
Cash and cash equivalents	(13.1)	(9.4)	39%	(8.7)
<b>Net debt</b>	<b>302.2</b>	<b>253.3</b>	<b>19%</b>	<b>265.3</b>
<b>Net assets</b>	<b>627.6</b>	<b>448.7</b>	<b>40%</b>	<b>545.6</b>
<b>Gearing ratio (%)**</b>	<b>32.5%</b>	<b>36.1%</b>	<b>-10%</b>	<b>32.7%</b>
<b>Loan to value ratio (%)**</b>	<b>34.3%</b>	<b>37.0%</b>	<b>-7%</b>	<b>34.0%</b>

\* Percentage movements based on unrounded amounts



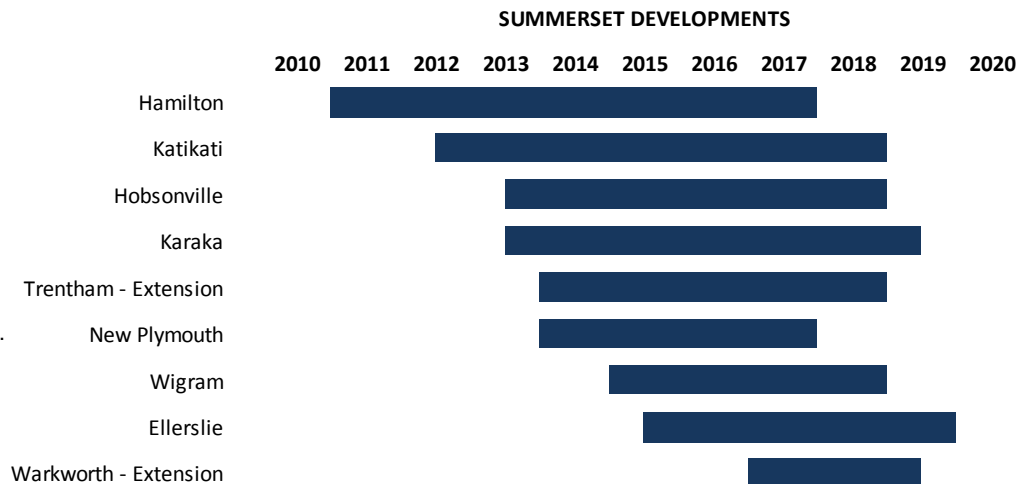




# PROJECT CASH PROFITS

## DELIVERING SIGNIFICANT POSITIVE CASH FLOW VILLAGES

- Positive cash flows allow us to recycle our capital into future deliveries
- Our Auckland sites require a large amount of capital but are forecast to deliver significant cash profits upon sell down of the village
- Our regional sites require a lower amount of capital, while all producing positive cash flows
- From the time construction of a village starts through to the last retirement unit being delivered takes, on average, around four to six years



Village	Forecast Capital Investment (\$m)	Forecast Net Cash Position* (\$m)
Ellerslie Hobsonville Karaka	\$100m +	\$20m +
Hamilton Trentham - Extension Warkworth - Extension Wigram	\$35m +	\$5m - \$20m
Katikati New Plymouth		\$0 - \$5m

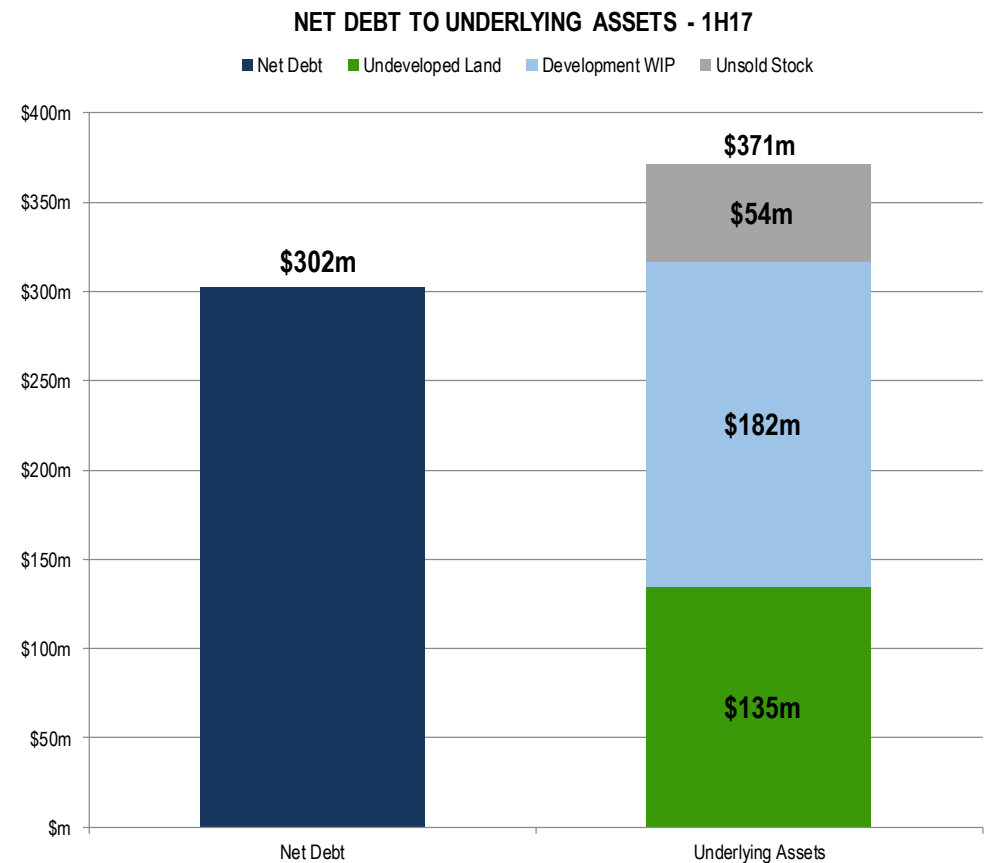
\*Forecast net position represents cash profits post land cost, ILU development costs, recreation and administration facility costs, care facility costs, management fees and interest costs



# COMPOSITION OF DRAWN DEBT

## STRONG ASSET BACKING TO NET DEBT

- Development projects are debt funding. Development assets exceed the value of net debt by \$68.8m or 22%
- All debt is associated with development activities
- Development assets could be realised to reduce debt
- Total underlying assets of around \$371.0m are made up of:
  - Undeveloped land of \$135.1m
  - Development WIP of \$181.5m
  - Vacant new sale stock of \$54.4m





# 6 YEAR METRICS SUMMARY

## UNDERLYING PROFIT 6 YEAR CAGR OF 44%

		6 Year CAGR*	1H17	2H16	1H16	2H15	1H15	2H14	1H14	FY11
Operational	New sales of occupation rights	22%	179	231	183	173	160	181	105	108
	Resales of occupation rights	15%	144	121	123	135	110	82	90	123
	Total sales	19%	323	352	306	308	270	263	195	231
	New retirement units delivered	19%	171	219	190	162	141	125	136	122
	Retirement units in portfolio	13%	2999	2828	2609	2419	2257	2116	1991	1486
	Care beds in portfolio	15%	748	748	621	616	523	485	483	327
Financial (NZ\$m)	Total revenue (\$m)	20%	50.7	46.0	40.0	36.2	32.6	29.1	25.2	33.7
	Net profit after tax (\$m)	86%	90.3	94.9	50.6	48.5	35.7	38.9	15.3	4.3
	Underlying profit** (\$m)	44%	35.7	31.9	24.7	20.7	17.1	15.0	9.4	8.1
	Net operating cash flow (\$m)	26%	86.4	108.2	84.4	76.7	63.6	73.9	36.5	43.7
	Total assets (\$m)	21%	1,932.1	1,706.8	1,521.4	1,363.5	1,161.3	1,043.2	921.3	616.9
	Total equity (\$m)	18%	627.6	545.6	448.7	409.8	363.7	332.3	292.9	233.4
	Interest bearing loans and borrowings (\$m)	29%	315.3	274.0	262.7	248.2	160.9	150.8	132.4	69.1
	Cash and cash equivalents (\$m)	6%	13.1	8.7	9.4	6.7	6.5	4.9	4.6	9.0
	Gearing ratio (Net D/ Net D+E)	8%	32.5%	32.7%	36.1%	37.1%	29.8%	30.5%	30.4%	20.5%
	EPS (cents) (IFRS profit)	81%	41.4	43.6	23.3	22.4	16.5	18.1	7.1	2.4
	NTA (cents)	17%	285.7	249.9	206.1	188.5	167.5	153.3	135.5	109.3
	Development margin (%)	29%	28.0%	23.6%	20.3%	21.4%	18.4%	16.6%	13.6%	6.2%

\* Compound annual growth rate. Annualised 1H17 result compared to FY11

\*\* Underlying profit differs from NZ IFRS reported profit after tax. The measure has been reviewed by Ernst & Young. Refer to slide 25 for a reconciliation between the two measures, and note 2 of the financial statements for detail on the components of underlying profit

# INTERIM DIVIDEND







# 1H17 INTERIM DIVIDEND

## SUMMERSET BOARD DECLARES 1H17 INTERIM DIVIDEND

- The Summerset Board have declared a interim dividend of 3.9 cents per share, unimputed. This compares to a 2016 interim dividend of 2.6 cents per share
- This represents a pay-out for the first half of 2017 of approximately \$8.7m
- The dividend reinvestment plan (DRP) will apply to this dividend enabling shareholders to take shares in lieu of the cash dividend
- A discount of 2% will be applied when determining the price per share of shares issued under the DRP
- Eligible investors wishing to take up the DRP must register by 5pm NZT on Wednesday the 30<sup>th</sup> of August 2017. Any applications received on or after this time will be applied to subsequent dividends
- The interim dividend will be paid on Monday the 11<sup>th</sup> of September 2017. The record date for final determination of entitlements to the interim dividend is Tuesday the 29<sup>th</sup> of August 2017
- The dividend policy remains 30% to 50% of underlying profit for the full year period. As previously indicated, dividend payments are likely to continue to be at the bottom end of this range given the growth opportunities present for the business at this time



# QUESTIONS?

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# DISCLAIMER

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This presentation may contain projections or forward looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties.

Actual results may differ materially from those stated in any forward looking statement based on a number of important factors and risks.

Although management may indicate and believe the assumptions underlying the forward looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward looking statements will be realised.

Furthermore, while all reasonable care has been taken in compiling this presentation, Summerset accepts no responsibility for any errors or omissions.

This presentation does not constitute investment advice.

# APPENDIX







# PORTFOLIO AS AT 30 JUNE 2017

## 2,999 RETIREMENT UNITS AND 748 CARE BEDS

	Existing Portfolio – as at 30 June 2017					
Village	Villas	Apartments	Serviced Apartments	Memory Care Apartments	Total Retirement Units	Care Beds
Aotea	96	33	38	0	167	0
Dunedin	61	20	20	0	101	42
Ellerslie	13	0	23	0	36	0
Hamilton	177	0	20	0	197	49
Hastings	146	5	0	0	151	0
Havelock North	94	28	0	0	122	45
Hobsonville	111	13	0	0	124	0
Karaka	86	0	59	0	145	50
Katikati	102	0	20	0	122	49
Levin	64	22	0	10	96	41
Manukau	89	67	27	0	183	54
Napier	94	26	20	0	140	48
Nelson	214	0	55	0	269	59
New Plymouth	94	0	20	0	114	52
Palmerston North	90	12	0	0	102	44
Paraparaumu	92	22	0	0	114	44
Taupo	94	34	18	0	146	0
Trentham	221	12	20	0	253	44
Wanganui	70	18	12	0	100	37
Warkworth	123	2	44	0	169	41
Wigram	95	0	53	0	148	49
<b>Total</b>	<b>2,226</b>	<b>314</b>	<b>449</b>	<b>10</b>	<b>2,999</b>	<b>748</b>



# LAND BANK AS AT 30 JUNE 2017

## LAND BANK OF 2,670 RETIREMENT UNITS AND 412 CARE BEDS

	Land Bank - as at 30 June 2017*				
Village	Villas	Apartments	Serviced & Memory Care Apartments	Total Retirement Units	Care Beds
Avonhead	150	14	76	240	43
Casebrook	197	0	76	273	43
Ellerslie	29	221	34	284	58
Hamilton	6	0	30	36	0
Hobsonville	14	60	52	126	52
Karaka	96	0	0	96	0
Katikati	54	0	0	54	0
Lower Hutt	42	96	43	181	49
New Plymouth	14	0	20	34	0
Parnell	3	261	76	340	48
Richmond	220	0	60	280	38
Rototuna	187	0	76	263	43
St Johns	0	220	70	290	38
Trentham	10	0	20	30	0
Warkworth	79	0	0	79	0
Wigram	64	0	0	64	0
<b>Total</b>	<b>1,165</b>	<b>872</b>	<b>633</b>	<b>2,670</b>	<b>412</b>

\* Land bank reflects current intentions as at 30 June 2017



# FAIR VALUE MOVEMENT

## FAIR VALUE MOVEMENT OF INVESTMENT PROPERTY – KEY ASSUMPTIONS

Fair Value Movement of Investment Property		Value of Investment Property*	Fair Value Gain/(Loss)	Valuation Assumptions					
Village	Location	NZ\$m	NZ\$m	Discount Rate	Growth Rate Yr 1	Growth Rate Yr 2	Growth Rate Yr 3	Growth Rate Yr 4	Growth Rate Yr 5+
<b>Completed villages</b>									
Summerset by the Park	Manukau	134.2	3.7	13.75%	1.5%	2.0%	2.5%	3.0%	3.5%
Summerset by the Lake	Taupo	51.9	1.1	15.75%	0.0%	0.5%	1.5%	2.5%	3.5%
Summerset in the Bay	Napier	59.9	0.8	14.00%	0.0%	1.0%	2.0%	2.5%	3.5%
Summerset in the Orchard	Hastings	59.4	2.2	15.00%	0.0%	0.5%	1.0%	2.5%	3.5%
Summerset in the Vines	Havelock North	50.2	1.2	14.75%	0.0%	1.0%	2.0%	2.5%	3.5%
Summerset in the River City	Wanganui	24.6	0.4	16.00%	0.0%	1.0%	1.5%	2.0%	2.5%
Summerset on Summerhill	Palmerston North	39.8	0.5	14.75%	0.0%	1.0%	2.0%	2.5%	3.0%
Summerset by the Ranges	Levin	22.0	0.8	15.75%	0.0%	1.0%	1.5%	2.0%	2.5%
Summerset on the Coast	Paraparaumu	46.8	4.0	14.50%	0.5%	1.0%	2.0%	2.5%	3.5%
Summerset at Aotea	Aotea	83.0	1.7	14.25%	1.0%	1.0%	2.0%	2.5%	3.5%
Summerset in the Sun	Nelson	123.5	2.7	14.25%	0.5%	1.0%	1.0%	2.5%	3.5%
Summerset at Bishopscourt	Dunedin	40.5	1.1	15.00%	0.0%	1.0%	1.5%	2.5%	3.0%
<b>Total for completed villages</b>		<b>735.8</b>	<b>20.3</b>						
<b>Villages in development</b>									
Summerset Falls	Warkworth	102.4	7.6	14.50%	0.5%	1.5%	2.0%	3.0%	3.5%
Summerset at Monterey Park	Hobsonville	132.1	11.5	14.00%	1.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Heritage Park	Ellerslie	41.7	2.4	15.75%	1.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Karaka	Karaka	99.4	15.4	14.50%	1.0%	1.0%	2.0%	2.5%	3.5%
Summerset Down the Lane	Hamilton	95.4	3.5	14.50%	0.0%	1.0%	2.0%	2.5%	3.5%
Summerset by the Sea	Katikati	58.7	3.8	15.50%	0.0%	0.5%	1.5%	2.5%	3.5%
Summerset Mountain View	New Plymouth	53.7	5.7	15.25%	0.0%	0.5%	1.5%	2.5%	3.0%
Summerset at the Course	Trentham	116.5	8.3	14.50%	0.5%	1.0%	2.0%	2.5%	3.5%
Summerset Wigram	Wigram	76.9	8.3	15.00%	0.5%	1.5%	2.0%	3.0%	3.5%
<b>Total for villages in development</b>		<b>777.0</b>	<b>66.5</b>						
<b>Total for proposed villages</b>		<b>112.0</b>	<b>0.2</b>	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total for all villages</b>		<b>1,624.8</b>	<b>87.1</b>						

\* Value of non-land capital work in progress not represented in the above table

A photograph of an elderly man with a white beard and a wide-brimmed hat, sitting on a dark wooden bench. He is wearing a maroon zip-up sweater over a light blue shirt and khaki shorts. He is holding a leash for a small, scruffy brown dog standing on a concrete sidewalk in the foreground. The background shows a modern house with light-colored stone or brick siding, large windows, and a white pergola structure. There are some potted plants and a green bush near the house. The sky is clear and blue.

# HALF YEAR REPORT 2017

 **Summerset**





**Summerset Snapshot** ..... 2

**Half Year Business Highlights** ..... 5

**Half Year Financial Highlights** ..... 7

**Joint Chair and CEO’s Report** ..... 10

**Financial Statements** ..... 15

**Directory** ..... 30

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*Cover image: Karaka resident with his dog    Contents image: Summerset at Bishopscourt*

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## SUMMERSET SNAPSHOT

MORE THAN  
**4,400**  
RESIDENTS

**6\***  
GREENFIELD  
SITES

**22**  
VILLAGES COMPLETED  
OR UNDER DEVELOPMENT

**450**  
RETIREMENT UNITS:  
BUILD RATE FOR 2017

LAND BANK OF  
**2,670\***  
RETIREMENT  
UNITS

LAND BANK OF  
**412\***  
CARE BEDS

**2,999**  
RETIREMENT UNITS  
IN PORTFOLIO

*\*These figures include the purchase of land in Avonhead, Christchurch.*







## HALF YEAR BUSINESS HIGHLIGHTS

SALES OF  
**323**  
OCCUPATION RIGHTS

**171**  
NEW RETIREMENT  
UNITS DELIVERED

**28%**  
DEVELOPMENT  
MARGIN

KARAKA  
MAIN BUILDING  
COMPLETED

**\$100M**  
RETAIL BOND  
SUCCESSFULLY  
ISSUED

VILLAGES  
UNDERWAY IN  
CASEBROOK AND  
ROTOTUNA

## HALF YEAR FINANCIAL HIGHLIGHTS

**\$90.3m**

NET PROFIT  
AFTER TAX 1H2017



**78%**

INCREASE  
ON 1H2016

**\$35.7m**

UNDERLYING  
PROFIT 1H2017



**45%**

INCREASE  
ON 1H2016

**\$1.9b**

TOTAL ASSETS 1H2017



**27%**

INCREASE  
ON 1H2016

**3.9 cents per share**

INTERIM DIVIDEND



**50%**

INCREASE  
ON 1H2016



# HALF YEAR FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2017

## NON GAAP UNDERLYING PROFIT

\$000	1H2017	1H2016	% CHANGE	FY2016
Reported profit after tax *	\$90,253	\$50,587	78.4%	\$145,480
Less fair value movement of investment property*	(\$87,091)	(\$50,175)	73.6%	(\$143,459)
Add realised gain on resales	\$10,785	\$8,252	30.7%	\$15,423
Add realised development margin	\$21,294	\$15,576	36.7%	\$38,954
Add/(less) deferred tax expense/(credit)	\$412	\$425	-3.1%	\$158
<b>Underlying profit</b>	<b>\$35,653</b>	<b>\$24,665</b>	<b>44.6%</b>	<b>\$56,556</b>

\*Figure has been extracted from financial statements

Underlying profit differs from NZ IFRS reported profit after tax. The directors have provided an underlying profit measure to assist readers in determining the realised and non-realised components of fair value movement of investment property and tax expense in the Group's income statement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions and has been reviewed by Ernst & Young. Underlying profit is an industry wide measure which the Group uses consistently across reporting periods.

Refer to note 2 of the financial statements for definitions of the components of underlying profit.

## RESULTS HIGHLIGHTS – FINANCIAL

\$000	1H2017	1H2016	% CHANGE	FY2016
Net operating cash flow	\$86,423	\$84,370	2.4%	\$192,610
Net profit before tax (NZ IFRS)	\$90,665	\$51,012	77.7%	\$145,638
Net profit after tax (NZ IFRS)	\$90,253	\$50,587	78.4%	\$145,480
Underlying profit	\$35,653	\$24,665	44.6%	\$56,556
Total assets	\$1,932,122	\$1,521,373	27.0%	\$1,706,773
Net tangible assets (cents per share)	285.72	206.06	38.7%	249.90

Underlying profit differs from NZ IFRS net profit after tax. See reconciliation on the previous page.

## RESULTS HIGHLIGHTS – OPERATIONAL

	1H2017	1H2016	% CHANGE	FY2016
New sales of occupation rights	179	183	-2.2%	414
Resale of occupation rights	144	123	17.1%	244
New retirement units delivered	171	190	-10.0%	409
Realised development margin (\$000)	\$21,294	\$15,576	36.7%	\$38,954
Gross proceeds (new sales) (\$000)	\$75,930	\$76,590	-0.9%	\$175,641
Realised gains on resales (\$000)	\$10,785	\$8,252	30.7%	\$15,423

# JOINT CHAIR AND CEO'S REPORT

For the six months ended 30 June 2017



*Summerset performed well in the first six months of 2017, with 171 retirement units built and overall sales up six percent on the same period last year. Despite a challenging Auckland construction market, we are on track to deliver a large number of retirement units in the second half of the year to meet our build rate of 450 retirement units for the full 2017 year.*

In the first half of 2017, we recorded \$90.3 million net profit after tax, up 78% on the same period last year, and \$35.7 million underlying profit, up 45% on the first six months of 2016. We now have more than 4,400 residents who call Summerset home and these residents are supported by more than 1,100 staff.

## Growth and development of the business

We have continued to experience robust occupation right sales across all our villages, boosted by strong demand, good pre-sales and settlement times.

We also continue to expand our offering around the country. Construction has begun on our second Christchurch village in Casebrook, Summerset on Cavendish. Earthworks have also started on our Rototuna site in Hamilton. Both villages will open next year and will have memory care centres (providing secure dementia care). Pre-sales in Casebrook will commence later this year.

In addition to these two villages we have development sites at St Johns and Parnell in Auckland, Boulcott in Lower Hutt, Richmond in Nelson and Avonhead in Christchurch. We have lodged resource consent with Auckland Council for our St Johns village and intend to apply for resource consent for our Boulcott village later this year.

Investment in our existing villages continues with the refurbishment of the recreation centre at our Paraparaumu village, extension of the main building and a new café at Levin, and the construction of a new village centre at Trentham, which is due for completion in December.

Our new customer management system is planned to go live in the second half of this year and will be rolled out progressively across all our villages. This is part of an overhaul of our internal systems, which also includes new payroll and asset management systems.

Total current land bank for the group is approximately 2,670 retirement homes and 412 care beds, inclusive of recently purchased land in Avonhead, Christchurch. This equates to around six years' supply at Summerset's current build rate.

## Financial results

Our net profit after tax was \$90.3 million, up 78% from 1H2016.

Our underlying profit for the first half of 2017 was \$35.7 million, representing a 45% increase on our 1H2016 result.

New sales and resales have both been consistently strong across all villages together are 6% higher than for the same period in 2016.



Manukau main centre

The company's development margin for 1H2017 was a record 28%, with 23% of new sales in Auckland and 77% across the rest of New Zealand. This is particularly pleasing given we are seeing cost pressure in the Auckland construction market. Strong demand for our homes and our in-house construction model has meant margins remain strong.

In March we completed a syndicated loan facility refinancing, which allows us to continue funding growth initiatives across both existing and future retirement villages. We also issued a \$100 million, six year fixed interest rate retail bond in early July, the first for Summerset and the first for the New Zealand retirement village and aged care sector. The bond provides diversification of funding sources and increases the tenor of funding for Summerset.

Total debt facilities are now \$600 million (inclusive of the retail bond), an increase on the \$450 million in place at the beginning of the period.

The Board has declared an interim dividend of 3.9 cents per share, to be paid on 11 September, amounting to a total of \$8.7 million.

## Our people

We welcomed the Government's April pay equity announcement for caregivers, which will see a substantial increase in caregiver wages over the next three years. The wage increase will be funded by the Government and private payers under the means testing regime.

We hope this settlement, in addition to recognising the important work our carers do, also attracts more people into this sector to help lift the standard of care which we provide to our residents. We recognise the efforts of the Government, unions and the New Zealand Aged Care Association in reaching this historic settlement.

We have been working on other non-wage related initiatives to recognise and reward staff for the vital role they play in the ongoing success of the company. Once again Summerset staff were offered the opportunity to participate in the financial performance of the company with the second annual issue under an all-staff share scheme. Our staff embraced this opportunity with 83% of our employees signing up to the scheme, an increase on 81% in 2016.

Our Summerset finance team were honoured to win the Finance Team of the Year award at the 2017 CFO Awards in March. For a fast growing company like ours, being acknowledged for continually focusing on improving our systems, reporting and capability to deliver a better service is something we're very proud of.

## Care and operations

We opened our first purpose built memory care centre in our Levin village last year. This centre is specifically designed for those needing secure dementia care.

There are 10 care rooms and 10 one bedroom apartments each with their own kitchenette, lounge and bathroom.

The larger apartments mean residents are able to bring more belongings and spend time with visitors in their own lounge. They have more freedom and independence, something people living with dementia often no longer have. The apartments also provide a quiet space for residents when they need time away from common areas.

We are delighted to be the first aged care provider in New Zealand to offer apartment style living for people with dementia in a licence to occupy model. The one bedroom memory care apartments on offer at Levin

have proven so successful that we will be basing our future memory care centre designs on this model, starting with Casebrook.

High-end Christchurch food company White Tie Health Services will provide meals and café services at our two newest Auckland villages in Ellerslie and Hobsonville. White Tie Health Services already cooks and serves nearly 200 meals a day as well as all the café food at our Wigram village. We are really excited about White Tie Health Services partnering with us in Auckland enhancing the quality food offering to our residents.

## Development

We recently celebrated the opening of our main building at our newest Auckland village - Summerset at Heritage Park in Ellerslie and we were joined by the Prime Minister, the Right Honourable Bill English. The village is really coming to life as new residents move in and construction of additional homes continues.

Despite the pressures in the Auckland construction market, we are on track to deliver our forecast 2017 build rate of 450 retirement units. In 2017, retirement unit delivery is weighted towards the second half of the year and we expect the development margin from new sales of occupation rights to be weighted in a similar way.



Artist's impression of Ellerslie's apartments

As outlined at our Annual Meeting in April, we have seen some delays on Auckland projects, including our Ellerslie village by a few months. Our construction model, whereby we act as the main contractor on sites, largely protects us from the cost pressures and delays being seen in Auckland but we are not immune. Such delays are becoming commonplace across the wider Auckland construction market. We expect the market pressures we are seeing to be likely to continue for some time, with industry commentators indicating peak activity not being reached until 2019.

From an earnings perspective we still expect good development margin performance in the second half of the year as we are currently able to manage these pressures. However, we are mindful that we will need to continue to plan carefully to be successful in such a market.

## Looking ahead

As we head towards our 20th anniversary in November and sixth year since listing, Summerset is well placed to continue to deliver quality retirement living and the corresponding financial results from which our residents, staff and investors all benefit.

Summerset has a clear runway of projects in New Zealand. It is our intention to add further sites in the main centres and select regional locations where we see strong ongoing demand.

As indicated at the Annual Meeting, we are contemplating how our core model might expand over time, including the possibility of expansion into Australia. This will take us time to research and consider and we will update our shareholders as appropriate.

It is a pleasure to present this half year report. Thank you to our investors, residents and staff. Your support is invaluable to us.

**Rob Campbell**  
Chair

**Julian Cook**  
Chief Executive Officer



Summerset by the Ranges, Levin memory care centre



# FINANCIAL STATEMENTS

## INCOME STATEMENT

For the six months ended 30 June 2017

	NOTES	6 MONTHS JUN 2017 UNAUDITED \$000	6 MONTHS JUN 2016 UNAUDITED \$000	12 MONTHS DEC 2016 AUDITED \$000
Care fees and village services		34,126	26,853	57,769
Deferred management fees		16,539	13,012	28,036
Interest received		46	135	249
Other income		–	16	–
<b>Total revenue</b>		<b>50,711</b>	<b>40,016</b>	<b>86,054</b>
Fair value movement of investment property	4	87,091	50,175	143,459
<b>Total income</b>		<b>137,802</b>	<b>90,191</b>	<b>229,513</b>
Operating expenses	3	(39,603)	(33,030)	(71,087)
Depreciation and amortisation expense		(2,060)	(1,753)	(3,736)
<b>Total expenses</b>		<b>(41,663)</b>	<b>(34,783)</b>	<b>(74,823)</b>
<b>Operating profit before financing costs</b>		<b>96,139</b>	<b>55,408</b>	<b>154,690</b>
Net finance costs		(5,474)	(4,396)	(9,052)
<b>Profit before income tax</b>		<b>90,665</b>	<b>51,012</b>	<b>145,638</b>
Income tax expense		(412)	(425)	(158)
<b>Profit for the period</b>		<b>90,253</b>	<b>50,587</b>	<b>145,480</b>
Basic earnings per share (cents)	7	41.37	23.30	66.93
Diluted earnings per share (cents)	7	40.67	22.97	66.03
Net tangible assets per share (cents)	7	285.72	206.06	249.90

The accompanying notes form part of these interim financial statements.



## STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	6 MONTHS JUN 2017 UNAUDITED \$000	6 MONTHS JUN 2016 UNAUDITED \$000	12 MONTHS DEC 2016 AUDITED \$000
<b>Profit for the period</b>	<b>90,253</b>	<b>50,587</b>	<b>145,480</b>
Fair value movement of interest rate swaps	(1,442)	(9,515)	(1,769)
Tax on items of other comprehensive income	405	2,665	496
Other comprehensive income which will be reclassified subsequently to profit or loss for the period net of tax	(1,037)	(6,850)	(1,273)
<b>Total comprehensive income for the period</b>	<b>89,216</b>	<b>43,737</b>	<b>144,207</b>

The accompanying notes form part of these interim financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	SHARE CAPITAL \$000	HEDGING RESERVE \$000	REVALUA- TION RESERVE \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
<b>As at 1 January 2016</b>	<b>244,309</b>	<b>(2,247)</b>	<b>11,043</b>	<b>156,681</b>	<b>409,786</b>
Profit for the period	-	-	-	50,587	50,587
Other comprehensive loss for the period	-	(6,850)	-	-	(6,850)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>(6,850)</b>	<b>-</b>	<b>50,587</b>	<b>43,737</b>
Dividends paid	-	-	-	(7,397)	(7,397)
Shares issued	2,368	-	-	-	2,368
Employee share plan option cost	245	-	-	-	245
<b>As at 30 June 2016 (unaudited)</b>	<b>246,922</b>	<b>(9,097)</b>	<b>11,043</b>	<b>199,871</b>	<b>448,739</b>
Profit for the period	-	-	-	94,893	94,893
Other comprehensive income for the period	-	5,577	-	-	5,577
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>5,577</b>	<b>-</b>	<b>94,893</b>	<b>100,470</b>
Dividends paid	-	-	-	(5,702)	(5,702)
Shares issued	1,824	-	-	-	1,824
Employee share plan option cost	284	-	-	-	284
<b>As at 31 December 2016 (audited)</b>	<b>249,030</b>	<b>(3,520)</b>	<b>11,043</b>	<b>289,062</b>	<b>545,615</b>
Profit for the period	-	-	-	90,253	90,253
Other comprehensive loss for the period	-	(1,037)	-	-	(1,037)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>(1,037)</b>	<b>-</b>	<b>90,253</b>	<b>89,216</b>
Dividends paid	-	-	-	(11,159)	(11,159)
Shares issued	3,545	-	-	-	3,545
Employee share plan option cost	369	-	-	-	369
<b>As at 30 June 2017 (unaudited)</b>	<b>252,944</b>	<b>(4,557)</b>	<b>11,043</b>	<b>368,156</b>	<b>627,586</b>

The accompanying notes form part of these interim financial statements.

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTES	6 MONTHS JUN 2017 UNAUDITED \$000	6 MONTHS JUN 2016 UNAUDITED \$000	12 MONTHS DEC 2016 AUDITED \$000
<b>Assets</b>				
Cash and cash equivalents		13,060	9,395	8,654
Trade and other receivables		19,750	16,255	15,369
Limited recourse loans		-	1,520	-
Property, plant and equipment		89,458	77,189	89,825
Intangible assets		3,578	826	1,562
Investment property	4	1,806,276	1,416,188	1,591,363
<b>Total assets</b>		<b>1,932,122</b>	<b>1,521,373</b>	<b>1,706,773</b>
<b>Liabilities</b>				
Trade and other payables		59,651	47,954	34,687
Employee benefits		4,883	4,139	5,002
Revenue received in advance		39,372	23,897	29,519
Interest rate swaps		6,331	12,637	4,890
Residents' loans	5	867,226	711,417	801,327
Interest-bearing loans and borrowings	6	315,309	262,737	273,976
Deferred tax liability		11,764	9,853	11,757
<b>Total liabilities</b>		<b>1,304,536</b>	<b>1,072,634</b>	<b>1,161,158</b>
<b>Net assets</b>		<b>627,586</b>	<b>448,739</b>	<b>545,615</b>
<b>Equity</b>				
Share capital		252,944	246,922	249,030
Reserves		6,486	1,946	7,523
Retained earnings		368,156	199,871	289,062
<b>Total equity attributable to shareholders</b>		<b>627,586</b>	<b>448,739</b>	<b>545,615</b>

The accompanying notes form part of these interim financial statements.

On behalf of the Board



**Rob Campbell**  
Director and Chairman of the Board



**James Ogden**  
Director and Chairman  
of the Audit Committee

Authorised for issue on 14 August 2017

## STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	NOTE	6 MONTHS JUN 2017 UNAUDITED \$000	6 MONTHS JUN 2016 UNAUDITED \$000	12 MONTHS DEC 2016 AUDITED \$000
<b>Cash flows from operating activities</b>				
Receipts from residents for care fees and village services		34,896	26,397	57,208
Interest received		46	135	249
Payments to suppliers and employees		(37,759)	(31,514)	(68,563)
Receipts for residents' loans - new occupation right agreements		73,698	74,794	176,938
Net receipts for residents' loans - resales of occupation right agreements		15,542	14,559	26,778
<b>Net cash flow from operating activities</b>		<b>86,423</b>	<b>84,370</b>	<b>192,610</b>
<b>Cash flows from investing activities</b>				
Purchase and construction of investment property				
Construction of new investment property		(89,885)	(70,503)	(153,042)
Purchase of land		(7,578)	(2,722)	(18,461)
Refurbishment of existing investment property		(1,404)	(2,266)	(2,872)
Purchase and construction of property, plant and equipment				
Construction of new care facilities		(4,678)	(7,837)	(15,036)
Refurbishment of existing care facilities		(230)	(222)	(467)
Other		(1,034)	(1,114)	(3,938)
Purchase of intangible assets		(2,357)	(10)	(1,013)
Capitalised interest paid		(2,497)	(1,991)	(5,028)
<b>Net cash flow from investing activities</b>		<b>(109,663)</b>	<b>(86,665)</b>	<b>(199,857)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from borrowings		41,333	14,526	25,764
Repayment of limited recourse loans		-	-	1,520
Proceeds from issue of shares		3,545	2,368	4,192
Interest paid on borrowings		(6,073)	(4,489)	(9,158)
Dividends paid	8	(11,159)	(7,397)	(13,099)
<b>Net cash flow from financing activities</b>		<b>27,646</b>	<b>5,008</b>	<b>9,219</b>
Net increase in cash and cash equivalents		4,406	2,713	1,972
Cash and cash equivalents at beginning of period		8,654	6,682	6,682
<b>Cash and cash equivalents at end of period</b>		<b>13,060</b>	<b>9,395</b>	<b>8,654</b>

The accompanying notes form part of these interim financial statements.

Comparatives have been updated to reflect revised classifications in cash flow activities.

## RECONCILIATION OF OPERATING RESULTS AND OPERATING CASHFLOWS

For the six months ended 30 June 2017

	6 MONTHS JUN 2017 UNAUDITED \$000	6 MONTHS JUN 2016 UNAUDITED \$000	12 MONTHS DEC 2016 AUDITED \$000
<b>Net profit for the period</b>	<b>90,253</b>	<b>50,587</b>	<b>145,480</b>
<b>Adjustments for:</b>			
Depreciation and amortisation expense	2,060	1,753	3,736
(Gain)/Loss on sale of plant and equipment	51	(16)	(37)
Fair value movement of investment property	(87,091)	(50,175)	(143,459)
Net finance costs paid	5,474	4,396	9,052
Deferred tax	412	425	158
Deferred management fee amortisation	(16,539)	(13,012)	(28,036)
Employee share plan option cost	369	245	529
	<b>(95,264)</b>	<b>(56,384)</b>	<b>(158,057)</b>
<b>Movements in working capital</b>			
(Increase)/Decrease in trade and other receivables	(3,984)	(1,341)	906
(Decrease)/Increase in employee benefits	(119)	(175)	688
Increase in trade and other payables	3,299	603	1,456
Increase in residents' loans net of non-cash amortisation	92,238	91,080	202,137
	<b>91,434</b>	<b>90,167</b>	<b>205,187</b>
<b>Net cash flows from operating activities</b>	<b>86,423</b>	<b>84,370</b>	<b>192,610</b>

The accompanying notes form part of these interim financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 1. SUMMARY OF ACCOUNTING POLICIES

The interim financial statements presented for the six months ended 30 June 2017 are for Summerset Group Holdings Limited (the "Company") and its subsidiaries (collectively, "the Group"). The Group develops, owns and operates integrated retirement villages, rest homes, memory care centres and hospitals for older New Zealanders.

Summerset Group Holdings Limited is registered in New Zealand under the Companies Act 1993 and is a FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. The reporting entity is listed on the New Zealand Stock Exchange (NZX), being the Company's primary exchange, and is listed on the Australian Securities Exchange (ASX) as a foreign exempt listing.

The interim financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP), except for note 2 Non-GAAP underlying profit. NZ GAAP in this instance being New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and are in compliance with NZ IAS 34 – Interim Financial Reporting and IAS 34 – Interim Financial Reporting.

These interim financial statements have been prepared using the same accounting policies as, and should be read in conjunction with, the Group's financial statements for the year ended 31 December 2016. The interim financial statements for the six months ended 30 June 2017 are unaudited. They are presented in New Zealand dollars, which is the Group's functional currency. All financial information has been rounded to the nearest thousand, unless otherwise stated.

### 2. NON-GAAP UNDERLYING PROFIT

	REF	6 MONTHS JUN 2017 UNAUDITED \$000	6 MONTHS JUN 2016 UNAUDITED \$000	12 MONTHS DEC 2016 AUDITED \$000
Reported profit after tax		90,253	50,587	145,480
Less fair value movement of investment property	a)	(87,091)	(50,175)	(143,459)
Add/(Less) impairment/(reversal of impairment) of land and buildings	b)	-	-	-
Add realised gain on resales	c)	10,785	8,252	15,423
Add realised development margin	d)	21,294	15,576	38,954
Add/(Less) deferred tax expense/(credit)	e)	412	425	158
<b>Underlying profit</b>		<b>35,653</b>	<b>24,665</b>	<b>56,556</b>

Underlying profit differs from NZ IFRS reported profit after tax. The directors have provided an underlying profit measure to assist readers in determining the realised and non-realised components of fair value movement of investment property and tax expense in the Group's income statement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions. Underlying profit is an industry wide measure which the Group uses consistently across reporting periods.

## NOTES TO THE FINANCIAL STATEMENTS

(continued)

This statement presented is for the Group, prepared in accordance with the Basis of preparation: underlying profit described below.

### Basis of preparation: underlying profit

Underlying profit is determined by taking reported profit after tax determined under NZ IFRS, adjusted for the impact of the following:

- a) Less fair value movement of investment property: reversal of investment property valuation changes recorded in NZ IFRS reported profit after tax, which comprise both realised and non-realised valuation movements. This is reversed and replaced with realised development margin and realised resale gains during the period, effectively removing the unrealised component of the fair value movement of investment property.
- b) Add/(less) impairment/(reversal of impairment) of land and buildings: remove the impact of non-cash care centre valuation changes recorded in NZ IFRS reported profit after tax. Care centres are valued every three years (due to be valued as at 31 December 2017), with fair value gains flowing through to the revaluation reserve unless the gain offsets a previous impairment to fair value that was recorded in NZ IFRS reported profit after tax. Where there is any impairment of a care centre, or reversal of a previous impairment that impacts NZ IFRS reported profit after tax, this is eliminated for the purposes of determining underlying profit.
- c) Add realised resale gains: add the realised gains across all resales of occupation rights during the period. The realised gain for each resale is determined to be the difference between the licence price for the previous occupation right for a retirement unit and the occupation right resold for that same retirement unit during the period. Realised resale gains are a measure of the cash generated from increases in selling prices of occupation rights to incoming residents, less cash amounts repaid to vacated residents for the repayment of the price of their refundable occupation right purchased in an earlier period. Realised resale gains exclude DMF and refurbishments.
- d) Add realised development margin: add realised development margin across all new sales of occupation rights during the period, the recognition point is the cash settlement. Realised development margin is the margin earned on the first time sale of an occupation right following the development of a retirement unit. The margin for each new sale is determined to be the licence price for the occupation right, less the cost of developing that retirement unit.

Components of the cost of developing retirement units include directly attributable construction costs and a proportionate share of the following costs:

- infrastructure costs
- land cost on the basis of the purchase price of the land
- interest incurred during the build period
- head office costs directly related to the construction of retirement units

All costs above include non-recoverable GST.

Development margin excludes the costs of developing common areas of the main building within the retirement village (including a share of the proportionate costs listed above). This is because they are assets that support the sale of occupation rights for not just the new sale but for all subsequent resales. It also excludes the costs of developing care centres, which are treated as Property, Plant and Equipment for accounting purposes. These costs are both excluded in line with industry standard.

- e) Add/(less) deferred tax expense/(credit): reversal of the impact of deferred taxation.

Underlying profit does not include any adjustments for abnormal items or fair value movements on financial instruments that are included in NZ IFRS reported profit after tax.

### 3. OPERATING EXPENSES

	6 MONTHS JUN 2017 UNAUDITED	6 MONTHS JUN 2016 UNAUDITED	12 MONTHS DEC 2016 AUDITED
	\$000	\$000	\$000
Employee expenses	22,802	19,416	40,455
Property-related expenses	6,118	4,931	11,607
Other operating expenses	10,683	8,683	19,025
<b>Total operating expenses</b>	<b>39,603</b>	<b>33,030</b>	<b>71,087</b>

### 4. INVESTMENT PROPERTY

	6 MONTHS JUN 2017 UNAUDITED	6 MONTHS JUN 2016 UNAUDITED	12 MONTHS DEC 2016 AUDITED
	\$000	\$000	\$000
Balance at beginning of period	1,591,363	1,261,170	1,261,170
Additions	127,857	104,845	186,747
Disposals	(35)	(2)	(13)
Fair value movement:			
Realised	32,079	23,828	54,377
Unrealised	55,012	26,347	89,082
Fair value movement	87,091	50,175	143,459
<b>Total investment property</b>	<b>1,806,276</b>	<b>1,416,188</b>	<b>1,591,363</b>



## NOTES TO THE FINANCIAL STATEMENTS

(continued)

	6 MONTHS JUN 2017 UNAUDITED \$000	6 MONTHS JUN 2016 UNAUDITED \$000	12 MONTHS DEC 2016 AUDITED \$000
Development land measured at fair value	149,300	122,450	140,900
Retirement villages measured at fair value	1,475,454	1,175,727	1,328,126
Retirement villages under development measured at cost	181,522	118,011	122,337
<b>Total investment property</b>	<b>1,806,276</b>	<b>1,416,188</b>	<b>1,591,363</b>

The Group has deemed it is unable to reliably determine the fair value of retirement villages under development at 30 June 2017 and therefore is carried at cost. This equates to \$181.5 million of investment property (Jun 2016: \$118.0 million, Dec 2016: \$122.3 million).

The fair value of investment property as at 30 June 2017 was determined by CBRE Limited, an independent registered valuer. The fair value of the Group's investment property is determined on a semi-annual basis, based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. To assess the fair value of the Group's interest in the village, CBRE has undertaken a cashflow analysis to derive a net present value. There has been no change in valuation technique since the previous valuation which was completed as at 31 December 2016.

Significant assumptions used by the valuer include a discount rate of between 13.75% and 16% (Jun 2016: between 14% and 16%, Dec 2016: between 13.75% and 16%) and a long-term nominal house price inflation rate of between 0% and 3.5% (Jun 2016 and Dec 2016: between 0% and 3.5%). Other assumptions used by the valuer include the average entry age of residents and occupancy periods of units.

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.

### Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolios of investment property are the discount rate, the long-term nominal house price inflation rate, the average entry age of residents and the occupancy period of units. A significant decrease (increase) in the discount rate or the occupancy period of units would result in a significantly higher (lower) fair value measurement and a significant increase (decrease) in the average entry age of residents or the long-term nominal house price inflation rate would result in a significantly higher (lower) fair value measurement.

### Security

As at 30 June 2017, all investment property relating to Summerset's village companies (being the 21 retirement village companies registered under the Retirement Villages Act 2003) is subject to a first ranking registered mortgage in favour of the Statutory Supervisor (Public Trust). That mortgage secures the rights that Summerset's residents have under their occupation right agreements.

## 5. RESIDENTS' LOANS

	6 MONTHS JUN 2017 UNAUDITED \$000	6 MONTHS JUN 2016 UNAUDITED \$000	12 MONTHS DEC 2016 AUDITED \$000
Balance at beginning of period	924,848	732,578	732,578
Net receipts for residents' loans - resales of occupation right agreements	12,522	11,140	15,332
Receipts for residents' loans - new occupation right agreements	73,698	74,794	176,938
<b>Total gross residents' loans</b>	<b>1,011,068</b>	<b>818,512</b>	<b>924,848</b>
<b>Deferred management fees receivable</b>	<b>(143,842)</b>	<b>(107,095)</b>	<b>(123,521)</b>
<b>Total residents' loans</b>	<b>867,226</b>	<b>711,417</b>	<b>801,327</b>

The fair value of residents' loans at 30 June 2017 is \$558.3 million (Jun 2016: \$445.7 million; Dec 2016: \$511.0 million). The method of determining fair value is disclosed in Note 16 of the Group's financial statements for the year ended 31 December 2016. As the fair value of residents' loans is determined using inputs that are unobservable, the Group has categorised residents' loans as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 – Fair Value Measurement.

## 6. INTEREST-BEARING LOANS AND BORROWINGS

	6 MONTHS JUN 2017 UNAUDITED \$000	6 MONTHS JUN 2016 UNAUDITED \$000	12 MONTHS DEC 2016 AUDITED \$000
<b>Repayable after 12 months</b>			
Secured bank loans	315,309	262,737	273,976
<b>Total loans and borrowings</b>	<b>315,309</b>	<b>262,737</b>	<b>273,976</b>

The weighted average interest rate for the six months to 30 June 2017 was 3.49% (Jun 2016: six month average 3.68%; Dec 2016: twelve month average 3.58%). This includes the impact of interest rate swaps. 69% of the secured bank loans are hedged with interest rate swaps at 30 June 2017 (Jun 2016: 53%; Dec 2016: 65%).

Summerset's bank loan facility as at 30 June 2017 has a maximum limit of \$600.0 million (Jun 2016: limit was \$450.0 million; Dec 2016: limit was \$450.0 million). Lending of \$225.0 million expires in August 2020 and \$375.0 million of lending expires in March 2022. The bank loans are secured by a general security deed in favour of Summerset's syndicate of lenders. That Deed secures all the assets of the Summerset Group but Summerset's Statutory Supervisor (Public Trust) has first rights to the proceeds of security enforcement against all village assets within the Group.

Subsequent to balance date, the Group issued \$100.0 million of guaranteed, secured, unsubordinated fixed rate bonds. Proceeds from the bond issue were used to repay \$100.0 million of bank loans and the maximum limit of the bank loan facility was decreased by the same amount.

## NOTES TO THE FINANCIAL STATEMENTS

(continued)

### 7. EARNINGS PER SHARE AND NET TANGIBLE ASSETS

#### Basic earnings per share

	6 MONTHS JUN 2017 UNAUDITED	6 MONTHS JUN 2016 UNAUDITED	12 MONTHS DEC 2016 AUDITED
Earnings (\$000)	90,253	50,587	145,480
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	218,141	217,121	217,352
<b>Basic earnings per share (cents per shares)</b>	<b>41.37</b>	<b>23.30</b>	<b>66.93</b>

#### Diluted earnings per share

	6 MONTHS JUN 2017 UNAUDITED	6 MONTHS JUN 2016 UNAUDITED	12 MONTHS DEC 2016 AUDITED
Earnings (\$000)	90,253	50,587	145,480
Weighted average number of ordering shares for the purpose of earnings per share (in thousands)	221,910	220,220	220,322
<b>Diluted earnings per share (cents per share)</b>	<b>40.67</b>	<b>22.97</b>	<b>66.03</b>

#### Number of shares (in thousands)

	6 MONTHS JUN 2017 UNAUDITED	6 MONTHS JUN 2016 UNAUDITED	12 MONTHS DEC 2016 AUDITED
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	218,141	217,121	217,352
Weighted average number of ordinary shares issued under employee share plans	3,769	3,099	2,970
<b>Weighted average number of ordinary shares for the purpose of earnings per share (diluted)</b>	<b>221,910</b>	<b>220,220</b>	<b>220,322</b>

At 30 June 2017, there were 3,929,248 shares issued under employee share plans (Jun 2016: 2,656,363; Dec 2016: 3,629,248 shares).

#### Net tangible assets per share

	6 MONTHS JUN 2017 UNAUDITED	6 MONTHS JUN 2016 UNAUDITED	12 MONTHS DEC 2016 AUDITED
Net tangible assets (\$000)	624,008	447,913	544,053
Shares on issue at end of period (basic and in thousands)	218,396	217,375	217,709
<b>Net tangible assets per share (cents per share)</b>	<b>285.72</b>	<b>206.06</b>	<b>249.90</b>

### 8. DIVIDENDS

On 22 March 2017 a dividend of 5.1 cents per ordinary share was paid to shareholders (2016: on 24 March 2016 a dividend of 3.4 cents per ordinary share was paid to shareholders and on 9 September 2016 a dividend of 2.6 cents per ordinary share was paid to shareholders).

A dividend reinvestment plan applied to the dividend paid on 22 March 2017 and 687,184 ordinary shares were issued in relation to the plan (2016: 557,924 ordinary shares were issued in relation to the plan for the 24 March 2016 dividend and 333,618 ordinary shares were issued in relation to the plan for the 9 September 2016 dividend).

### 9. CAPITAL COMMITMENTS

At 30 June 2017, the Group had capital commitments in relation to construction contracts of \$61.9 million (Jun 2016: \$76.4 million; Dec 2016: \$73.8 million).

### 10. SUBSEQUENT EVENTS

On 11 July 2017, the Group issued \$100.0 million of guaranteed, secured, unsubordinated fixed rate bonds. These bonds are for a six year period, maturing on 11 July 2023, and have an annual interest rate of 4.78%. Subsequent to balance date, the proceeds from the bond issue were used to repay \$100.0 million of bank loans and the maximum limit of the bank loan facility was decreased by the same amount. This enables the Group to diversify its funding streams which are currently from banks only, and increase the tenor of debt.

On 24 July 2017, 117,236 shares were issued under the Group's all staff employee share plan at \$4.9183 per share. The shares are held by Summerset LTI Trustee Limited and vest to participating employees after a three-year period, subject to meeting the criteria of the plan.

On 14 August 2017, the Directors approved an interim dividend of \$8.7 million, being 3.9 cents per share. The dividend record date is 29 August 2017 with payment on 11 September 2017.

There have been no other events subsequent to 30 June 2017 that materially impact on the results reported.

## REVIEW REPORT TO THE SHAREHOLDERS OF SUMMERSET GROUP HOLDINGS LIMITED ("THE COMPANY") AND ITS SUBSIDIARIES (TOGETHER "THE GROUP")

We have reviewed the interim financial statements on pages 15 to 27, which comprise the statement of financial position of the group as at 30 June 2017, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the group for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our review work, for this report, or for our findings.

### Directors' Responsibilities

The directors are responsible for the preparation and fair presentation of interim financial statements which comply with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

### Reviewer's Responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*. As the auditor of the group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

### Basis of Statement

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

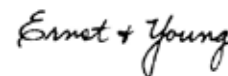
The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Ernst & Young provided market analysis advisory services to the Group and assurance services in relation to the audit of underlying profit disclosures. We have no other relationship with, or interests in, the group.

### Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 15 to 27, do not present fairly, in all material respects, the financial position of the group as at 30 June 2017 and its financial performance and cash flows for the six month period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

Our review was completed on 14 August 2017 and our findings are expressed as at that date.



Ernst & Young  
Wellington

# DIRECTORY

## AUCKLAND

### SUMMERSET FALLS

31 Mansel Drive, Warkworth 0910  
Phone (09) 425 1200

### SUMMERSET AT MONTEREY PARK

1 Squadron Drive, Hobsonville, Auckland 0618  
Phone (09) 951 8920

### SUMMERSET AT HERITAGE PARK

8 Harrison Road, Ellerslie, Auckland 1060  
Phone (09) 950 7960

### SUMMERSET BY THE PARK

7 Flat Bush School Road, Flat Bush 2016  
Phone (09) 272 3950

### SUMMERSET AT KARAKA

49 Pararekau Road, Karaka 2580  
Phone (09) 951 8900

## WAIKATO

### SUMMERSET DOWN THE LANE

206 Dixon Road, Hamilton 3206  
Phone (07) 843 0157

### SUMMERSET BY THE LAKE

2 Wharewaka Road, Wharewaka, Taupo 3330  
Phone (07) 376 9470

## BAY OF PLENTY

### SUMMERSET BY THE SEA

181 Park Road, Katikati 3129  
Phone (07) 985 6890

## HAWKES BAY

### SUMMERSET IN THE BAY

79 Merlot Drive, Greenmeadows, Napier 4112  
Phone (06) 845 2840

### SUMMERSET IN THE ORCHARD

1228 Ada Street, Parkvale, Hastings 4122  
Phone (06) 974 1310

### SUMMERSET IN THE VINES

249 Te Mata Road, Havelock North 4130  
Phone (06) 877 1185

## TARANAKI

### SUMMERSET MOUNTAIN VIEW

35 Fernbrook Drive, Vogeltown,  
New Plymouth 4310  
Phone (06) 824 8900

## MANUWATU – WANGANUI

### SUMMERSET IN THE RIVER CITY

40 Burton Avenue, Wanganui East,  
Wanganui 4500  
Phone (06) 343 3133

### SUMMERSET ON SUMMERHILL

180 Ruapehu Drive, Fitzherbert,  
Palmerston North 4410  
Phone (06) 354 4964

### SUMMERSET BY THE RANGES

102 Liverpool Street, Levin 5510  
Phone (06) 367 0337

## WELLINGTON

### SUMMERSET ON THE COAST

104 Realm Drive, Paraparaumu 5032  
Phone (04) 298 3540

### SUMMERSET AT AOTEA

15 Aotea Drive, Aotea, Porirua 5024  
Phone (04) 235 0011

### SUMMERSET AT THE COURSE

20 Racecourse Road, Trentham,  
Upper Hutt 5018  
Phone (04) 527 2980

## NELSON

### SUMMERSET IN THE SUN

16 Sargeson Street, Stoke, Nelson 7011  
Phone (03) 538 0000

## CANTERBURY

### SUMMERSET ON CAVENDISH

147 Cavendish Road, Casebrook,  
Christchurch 8057  
Phone (03) 741 3340

### SUMMERSET AT WIGRAM

135 Awatea Road, Wigram, Christchurch 8025  
Phone (03) 741 0870

## OTAGO

### SUMMERSET AT BISHOPSCOURT

36 Shetland Street, Wakari, Dunedin 9010  
Phone (03) 950 3110

# COMPANY INFORMATION

## REGISTERED OFFICES

### New Zealand

Level 27, Majestic Centre,  
100 Willis Street, Wellington 6011,  
New Zealand

PO Box 5187,  
Wellington 6140

Phone: +64 4 894 7320

Email: [reception@summerset.co.nz](mailto:reception@summerset.co.nz)  
[www.summerset.co.nz](http://www.summerset.co.nz)

### Australia

Deutsche Bank Place,  
Level 4, 126 Phillip Street,  
Sydney, NSW,  
Australia 2000

### Auditor

Ernst & Young

### Bankers

ANZ Bank New Zealand Limited  
ASB Bank Limited  
Bank of New Zealand Limited

### Statutory Supervisor

Public Trust

### Bond Supervisor

The New Zealand Guardian Trust Company Limited

### Share Registrar

Link Market Services,  
PO Box 91976, Auckland 1142,  
New Zealand

Phone: +64 9 375 5998

Email: [enquiries@linkmarketservices.co.nz](mailto:enquiries@linkmarketservices.co.nz)

### Directors

Rob Campbell  
Gráinne Trouté  
Dr Marie Bismark  
James Ogden  
Anne Urlwin  
Dr Andrew Wong

### Company Secretary

Leanne Walker







<b>Summerset Group Holdings Limited</b>	
<b>Results for announcement to the market</b>	
Reporting Period	Six months to 30 June 2017
Previous Reporting Period	Six months to 30 June 2016

	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ\$50,711	+26.7%
Total income from ordinary activities	NZ\$137,802	+52.8%
Profit from ordinary activities after tax attributable to security holder	NZ\$90,253	+78.4%
Net profit attributable to security holders	NZ\$90,253	+78.4%
Underlying profit	NZ\$35,663	+44.6%

Interim Dividend	Amount per security	Imputed amount per security
	NZ 3.9 cents per share	Not imputed

Record Date	29 August 2017
Dividend Payment Date	11 September 2017
Dividend Reinvestment Plan	Applies at 2% discount

Comments:	<p>See also other attached documents (unaudited half-year financial statements and half-year report, media release, results presentation and Appendix 7).</p> <p>Underlying profit differs from NZ IFRS reported profit after tax. The directors have provided an underlying profit measure to assist readers in determining the realised and non-realised components of fair value movement of investment property and tax expense in the group's income statement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions. Underlying profit is an industry wide measure which the group uses consistently across reporting periods.</p>
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Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.  
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one  
(Please provide any other relevant  
details on additional pages)

Full name of Issuer	Summerset Group Holdings Limited		
Name of officer authorised to make this notice	Leanne Walker	Authority for event, e.g. Directors' resolution	Directors' Resolution
Contact phone number	(04) 894 7361	Contact fax number	
		Date	14 / 08 / 2017

<b>Nature of event</b> Tick as appropriate	Bonus Issue <input type="checkbox"/>	If ticked, state whether: Taxable <input type="checkbox"/> / Non Taxable <input type="checkbox"/>	Conversion <input type="checkbox"/>	Interest <input type="checkbox"/>	Rights Issue Renounceable <input type="checkbox"/>
	Rights Issue non-renounceable <input type="checkbox"/>	Capital change <input type="checkbox"/> Call <input type="checkbox"/> Dividend <input checked="" type="checkbox"/>	If ticked, state whether: Interim <input checked="" type="checkbox"/> Full Year <input type="checkbox"/>	Special <input type="checkbox"/>	DRP Applies <input checked="" type="checkbox"/>

<b>EXISTING securities affected by this</b>	If more than one security is affected by the event, use a separate form.	
Description of the class of securities	Ordinary Shares	ISIN NZSUME0001S0
		If unknown, contact NZX

<b>Details of securities issued pursuant to this event</b>	If more than one class of security is to be issued, use a separate form for each class.	
Description of the class of securities		ISIN
		If unknown, contact NZX
Number of Securities to be issued following event		Minimum Entitlement
Conversion, Maturity, Call Payable or Exercise Date		Treatment of Fractions
	Enter N/A if not applicable	Tick if <i>pari passu</i> <input type="checkbox"/> OR provide an explanation of the ranking
Strike price per security for any issue in lieu or date Strike Price available.		

<b>Monies Associated with Event</b>	Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.	
In dollars and cents		Source of Payment
Amount per security (does not include any excluded income)	3.9 cents per share	Revenue Reserves
Excluded income per security (only applicable to listed PIEs)	Nil	
Currency	New Zealand Dollars	Supplementary dividend details - NZSX Listing Rule 7.12.7
Total monies	\$8,675,247	Amount per security in dollars and cents
		Date Payable

<b>Taxation</b>	Amount per Security in Dollars and cents to six decimal places	
In the case of a taxable bonus issue state strike price	\$	Resident Withholding Tax
		1.287 cents per share
		Imputation Credits (Give details)
		Nil
		Foreign Withholding Tax
		\$
		FDP Credits (Give details)

<b>Timing</b>	(Refer Appendix 8 in the NZSX Listing Rules)	
<b>Record Date 5pm</b> For calculation of entitlements -	29 August, 2017	<b>Application Date</b> Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.
		11 September, 2017
<b>Notice Date</b> Entitlement letters, call notices, conversion notices mailed		<b>Allotment Date</b> For the issue of new securities. Must be within 5 business days of application closing date.
		11 September, 2017

OFFICE USE ONLY  
Ex Date:  
Commence Quoting Rights:  
Cease Quoting Rights 5pm:  
Commence Quoting New Securities:  
Cease Quoting Old Security 5pm:

Security Code:  
Security Code:

