



**Summerset Group Holdings Limited**  
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**17 AUGUST 2020**

## **STOCK EXCHANGE ANNOUNCEMENT**

### **SUMMERSET GROUP HOLDINGS LIMITED (SNZ) 2020 INTERIM FINANCIAL STATEMENTS AND HALF YEAR REPORT**

The following are attached in relation to Summerset's 2020 interim results and half year report:

- Media release;
- Results presentation;
- Half year report (including interim financial statements for the six months ended 30 June 2020 and Ernst & Young's review report);
- NZX Results Announcement form;
- NZX Distribution Notice detailing the interim dividend. The ASX Online Appendix 3A.1 is provided as a separate announcement.

For the purposes of ASX Listing Rule 1.15.3, Summerset confirms that it continues to comply with the NZX Main Board Listing Rules.

**ENDS**

#### **For enquiries:**

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## **MEDIA RELEASE**

**17 AUGUST 2020**

### **SUMMERSET FIRST HALF UNDERLYING PROFIT OF \$45.1M**

- Underlying profit for 1H20 of NZ\$45.1 million, down 6% on 1H19
- Reported (IFRS) profit after tax of NZ\$1.0 million
- Total assets of NZ\$3.4 billion, up 13% on 1H19
- 139 new retirement units delivered
- 264 total sales of occupation rights
- Interim dividend of NZ6.0 cents per share

Retirement village operator Summerset Group Holdings Limited has announced an underlying profit of NZ\$45.1 million for the first half of 2020.

Summerset CEO Julian Cook said the result was at the top end of market guidance provided in early July which forecast underlying profit between NZ\$40 million and NZ\$45 million.

“Despite the impacts of COVID-19 on trading conditions in the first half of 2020 the result is pleasing and demonstrates the underlying strength of Summerset’s business. Following the April-May lockdown we saw sales and settlements rebound strongly.”

Mr Cook said it was too early to know how recent COVID-19 developments would impact on the business in the second half. He said Summerset closed its five Auckland retirement villages on Wednesday 12 August with level 3 restrictions put in place. These restrictions include no visitors on sites, temperature testing of staff and face masks being worn by staff in care centres. Summerset’s care centres across the country also closed to visitors as a precautionary measure.

The reduction in IFRS profit after tax compared to prior periods was primarily caused by a negative fair value movement in investment property. The negative movement was due to more conservative house price inflation forecasts by the valuer, and fewer units delivered in the half year due to COVID-19 related construction restrictions.

Mr Cook said the reduction in investment property value was less than 1% overall.

As at 30 June 2020, total assets were NZ\$3.4 billion, up 13% on 30 June 2019, and net assets at NZ\$1.1 billion. The company reported a development margin of 22.3%, in line with previously signalled expectation of margins in the 20-25% range.

Summerset delivered 139 new homes in the half year and anticipates delivering between 300 and 350 homes by year end, depending on the current and possible future COVID-19 lockdowns over the coming months. This compares to an expected build rate of 400 retirement units for 2020 prior to the COVID-19 pandemic.



It launched three new retirement villages and opened its main building at its Casebrook village in Christchurch over the six months. The new villages are in Tauranga, Napier and New Plymouth.

Casebrook's three-storey main building opened in early March, and has a care centre, 56 serviced apartments, and 20 memory care apartments designed for people living with dementia. More than half of the apartments had sold in three months and the 43-bed care centre was almost full.

In addition, Summerset lodged development approval for its first Australian retirement village in Cranbourne North, Melbourne. Mr Cook said the company hoped to receive approval for Cranbourne and start preliminary earthworks before the year is out. Master planning and engagement with council over a second site in Torquay, Victoria was also progressing positively.

Mr Cook said Summerset was closely watching the COVID-19 outbreak in Victoria, but the company's development was still in the early stages.

Summerset was accredited as dementia friendly by Alzheimers New Zealand in April, after 18 months of work towards meeting the award's standards. Mr Cook said the award reflected the company's commitment to providing the best of life for all its residents.

"We are proud to be recognised as dementia friendly by Alzheimers New Zealand. It shows our residents and their families that we are serious about looking after the growing number of people living with dementia," Mr Cook said.

After considering recent COVID-19 developments, the Board has declared an unimputed interim dividend of NZ6.0 cents per share. The record date will be Monday 31 August, with payment on Friday 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 31 villages completed or in development across the country. In addition, Summerset has eight sites for development in Milldale (Auckland), Parnell (Auckland), Prebbleton (Canterbury), Rangiora (Canterbury), Waikanae (Kapiti Coast), Blenheim (Marlborough), Cambridge (Waikato) and Lower Hutt (Wellington), plus two properties in Victoria, Australia, bringing the total number of sites to 41.
- It provides a range of living options and care services to more than 5,700 residents.
- The Summerset Group has villages in Aotea, Avonhead, Bell Block, Casebrook, Dunedin, Ellerslie, Hamilton, Hastings, Havelock North, Hobsonville, Karaka, Katikati, Kenepuru, Levin, Manukau, Napier, Nelson, New Plymouth, Palmerston North, Papamoa Beach, Paraparaumu, Richmond, Rototuna, St Johns, Taupo, Te Awa, Trentham, Wanganui, Warkworth, Whangarei and Wigram.

# Half year results presentation

Six months ended 30 June 2020

Summerset Group Holdings Limited

17 August 2020





# Agenda

1 1H20 result highlights

2 Strategic update

3 COVID-19 update

4 Business overview

5 Financial results

6 Interim dividend

7 Appendix



# 1H20 result highlights

# Summary

## COVID-19 pandemic

1. Positive 1H20 result achieved under the extraordinary operating environment of the COVID-19 global pandemic
2. Our priority is keeping our residents and staff safe with no cases in our villages and care centres to date
3. In level one, sales rates largely recovered however we remain cognisant that ongoing outbreaks may disrupt business operations for some time

## Key result highlights

1. Underlying profit for 1H20 of \$45.1m
2. Total assets now \$3.4b, up 13% on 1H19, with total equity of \$1.1b
3. Net operating cash flows of \$92.8m
4. Delivered 139 retirement units and 43 care beds and expect a build rate of around 300 to 350 retirement units in FY20
5. Opened the first of two main buildings due to be delivered in FY20 which include our market leading memory care apartments
6. Lodged the development approval application for our first Australian site





# 1H20 result snapshot



Underlying profit of \$45.1m driven by demand in our villages and care centres



\$45.1m

Underlying profit

**1H19** \$47.8m



\$92.8m

Net operating cash flows

**1H19** \$93.3m



\$1.0m

Net profit after tax

**1H19** \$92.6m



\$3.4b

Total assets

**1H19** \$3.0b



5,241

New Zealand and  
Australia land bank

**1H19** 4,883



\$766m

Embedded value

**1H19** \$694m



139

Retirement units  
delivered in 1H20



264

Sales of occupation  
rights

**1H19** 278



Casebrook

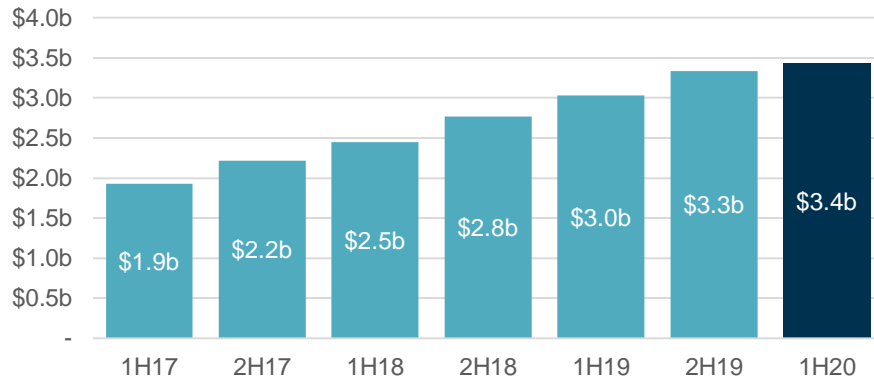
Main building opened with  
market leading memory care

# 1H20 result highlights

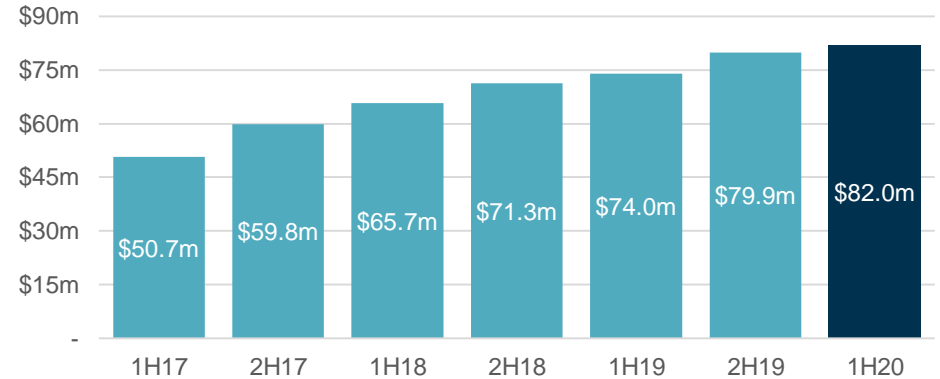


## Consistent asset growth over time

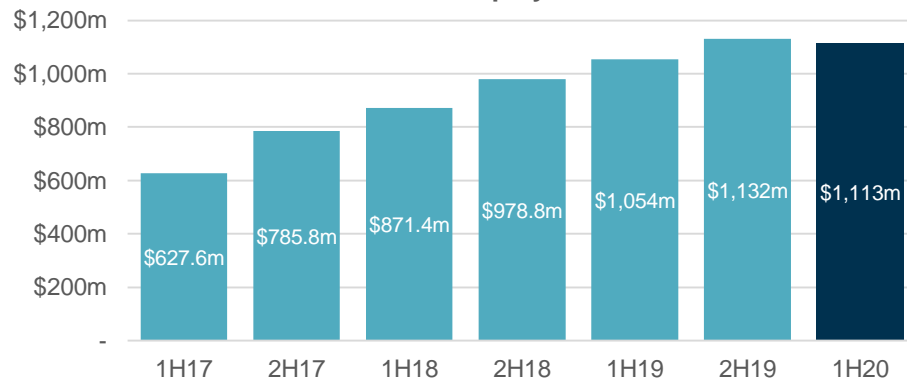
Total assets



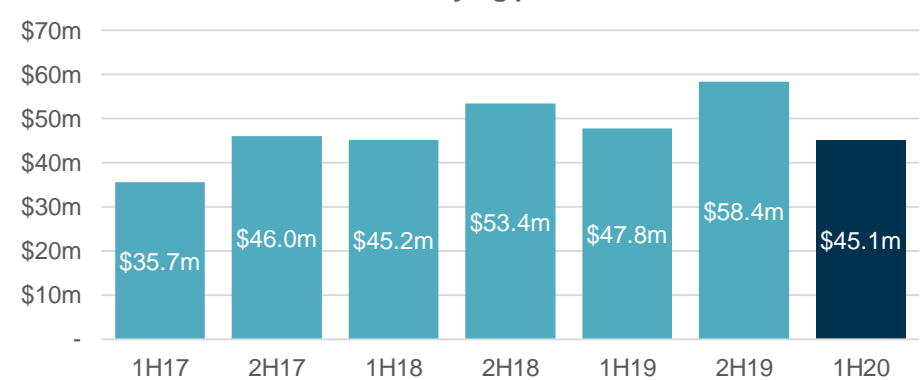
Total revenue



Total equity



Underlying profit





# Strategic update



# Summerset strategy



Summerset builds, owns and operates integrated retirement villages

- Continued focus on our response to the COVID-19 pandemic
- Emphasis 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
- Customer centric philosophy – bringing the best of life
- Leading memory care offering in New Zealand
- Expanding into Victoria, Australia



# Summerset snapshot

## Diversified portfolio throughout New Zealand

- 23 years of consistent delivery and asset growth
- Total assets have grown more than five times since listing on the NZX in 2011
- Portfolio of 4,225 retirement units and 901 care beds
- More than 5,700 residents
- 31 villages completed or under development
- Opened new concept main building in Casebrook
- Eight greenfield sites in New Zealand
- Two sites in Australia, in Cranbourne North, Melbourne and Torquay, Victoria
- Largest New Zealand land bank for a retirement village operator of 4,801 retirement units as at 1H20 (5,241 including Australia)







# COVID-19 update

# COVID-19 response

Prevention of COVID-19 in our villages and care centres remains our priority

## Our residents



- Remaining vigilant in response to the ongoing COVID-19 pandemic
- Focused on security and safety to ensure our villages remain a safe environment for residents
- Maintaining strict entry conditions during lockdowns
- Providing initiatives to keep residents connected, informed and happy throughout lockdowns

## Our staff



- Planned early to ensure systems and supplies were in place ahead of time
- Our response includes extra staffing, separated team rosters, temperature scanning, the use of face masks and PPE plus additional cleaning protocols
- Implemented pay increases in April-May lockdown period for care staff
- Continue to support staff to safely work from home

## Care



- Focus continues to be on our residents and COVID-19 prevention
- Care facility occupancy remains strong at over 96%
- Maintaining good PPE stocks to respond effectively to outbreaks
- Overwhelming support from families and residents to our COVID-19 plan

# COVID-19 response

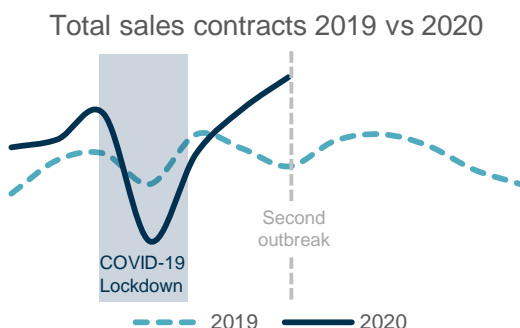
Prevention of COVID-19 in our villages and care centres remains our priority

## Cost control



- Broad cost control measures implemented from March 2020
- 20% reduction in salaries for directors, executive team and head office staff for ten weeks
- Reduced project spend to resident critical projects only
- Head office hiring freeze
- Emphasis remains on maintaining cost efficiencies gained in lockdown

## Sales



- Sales and settlements rebounded well following the April-May lockdown
- Increased enquiry seen at our sites
- The appeal of our villages has been enhanced as residents see the protections and support they provide
- Customer experience tools improved to assist current and future residents to navigate outbreaks, including virtual tours and Moving Made Easy package

## Development



- Delivered 139 retirement units and 43 care beds in 1H20
- Construction capacity managed around COVID-19 outbreaks
- Progressing new villages in Napier, Tauranga and New Plymouth
- Currently on track for build rate of around 300 to 350 retirement units



# COVID-19 response

## Prevention of COVID-19 in our villages and care centres remains our priority

### Debt management



- Strong financial disciplines upheld
- Sufficient bank debt headroom of around 44.9% (circa \$340m) remains to enable business flexibility and growth
- Gearing ratio remains appropriate at 35.8% (33.3% at FY19)
- Flexibility within our diversified and low capital intensive broad acre sites to adjust to market conditions quickly

### Investment property



- Investment property continues to grow with our portfolio, FV of \$17.7m attributed to new deliveries in 1H20
- Fair value of investment property portfolio remained broadly unchanged from FY19, down -0.46%
- Independent valuers' assumptions softened due to uncertainty regarding the financial impacts of COVID-19
- Landbank of 5,241 retirement units to be developed in Australia and NZ

### Financial management



- 1H20 underlying profit of \$45.1m despite impacts of COVID-19
- Net operating cash flows of \$92.8m in 1H20, in line with 1H19
- After considering recent developments, the Board has declared an interim dividend of 6.0 cents per share for 1H20
- The interim dividend will be paid on Friday 11 September 2020

# Resident and family feedback



## Overwhelming appreciation from residents, family and friends

**“ She feels safe and knows that all is OK in her world at Summerset.**

That is all thanks to you and your awesome team - who have created that safe bubble. Please will you pass on our thanks to your whole team - who are leaving their own bubble to support and care for Mum and all of your village...”

**Family member, Casebrook**



**“ Thank you, Summerset, for the grocery system.** That has taken a real weight off my mind, as Dad will now have a way of getting his shopping that does not involve me breaking isolation to deliver to him...”

**Family member, Casebrook**

**“ Thank you for the information you have sent us and for all the precautions you are taking to protect us all.**

**I personally feel very safe in my Summerset Village...”**

**Wigram resident**

**“ We would like to say a very big thank you to you and all the staff in our lovely village for the wonderful care,** attention and thoughtfulness that you have all shown us during this very unusual period...”

**Levin resident**







# Business overview

# Bringing the best of life

## Our staff, residents and wider community

- Awarded Dementia Friendly accreditation by Alzheimers New Zealand in April 2020 - reflecting 18 months work to make our villages more accessible for those living with dementia
- Continued our successful partnership with Dementia New Zealand and the Wellington Free Ambulance
- Supported the Australia Bushfire Appeal by raising over \$25,000 in resident and Summerset donations
- Introduced uniforms for Summerset staff of various cultures and faith
- Title sponsor of the National Bowls Championship in January
- Implemented a Construction Management Mentorship Programme
- Renewed our carbonzero certification with Toitū Envirocare in January 2020 and are a member of the Climate Leaders Coalition





# New main building design

## Delivery of our new concept main building design in Casebrook

- New concept main building delivered in Casebrook in 1H20
- The main building forms the heart of our village and has seen a fantastic response from residents, supported by positive sales and occupancy rates
- The building includes;
  - a fully certified care centre
  - serviced apartments
  - state-of-the-art memory care centre for people living with dementia
  - swimming pool and gymnasium
  - resident lounges, bar and dining rooms
  - library, theatre, beauty salon
- This new main building design will be available in our future villages, all including our new memory care centres





# New main building design

## Delivery of our new concept main building design in Casebrook

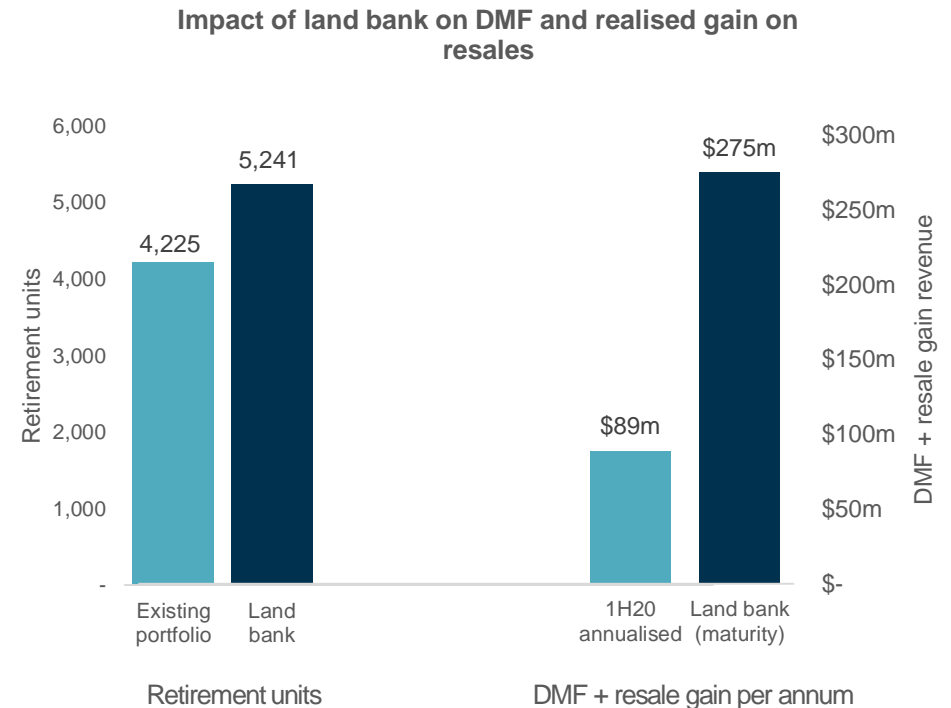
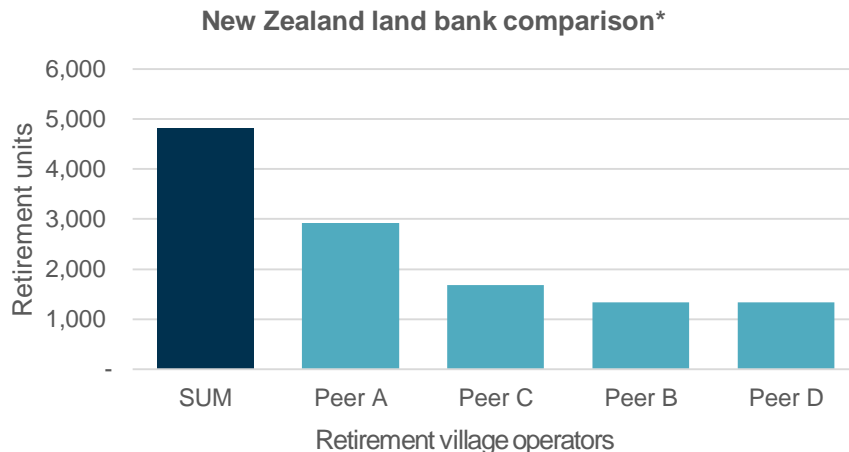
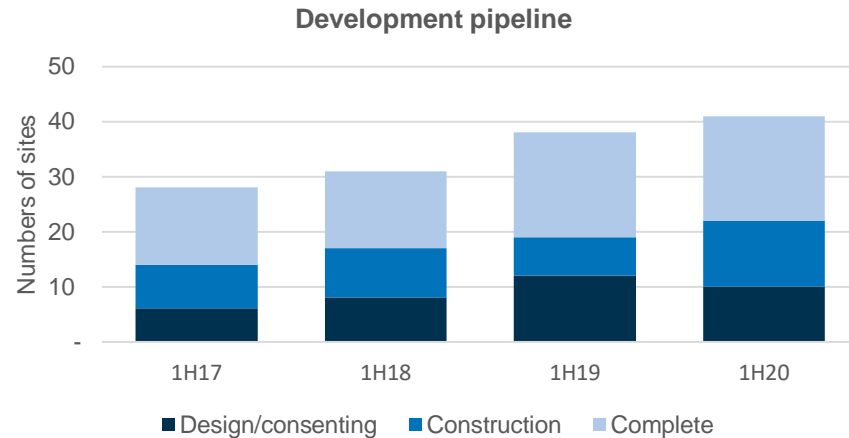
- Market leading memory care apartments incorporated into Casebrook and future villages
- The design brings apartment living for those with dementia to a secure environment
- Our new memory care centre includes;
  - communal indoor and outdoor areas
  - sensory room (includes interactive tables)
  - nature inspired design with unique wall murals
  - coloured panels to help residents find their way around



# Land bank diversification



Land bank to contribute significant boost in revenue each year once mature



\* Based on most recent results presentations



# 1H20 development activity

Delivered 139 retirement units and 43 care beds in 1H20 across four sites

Rototuna



Avonhead



Casebrook



Richmond



# 1H20 development activity

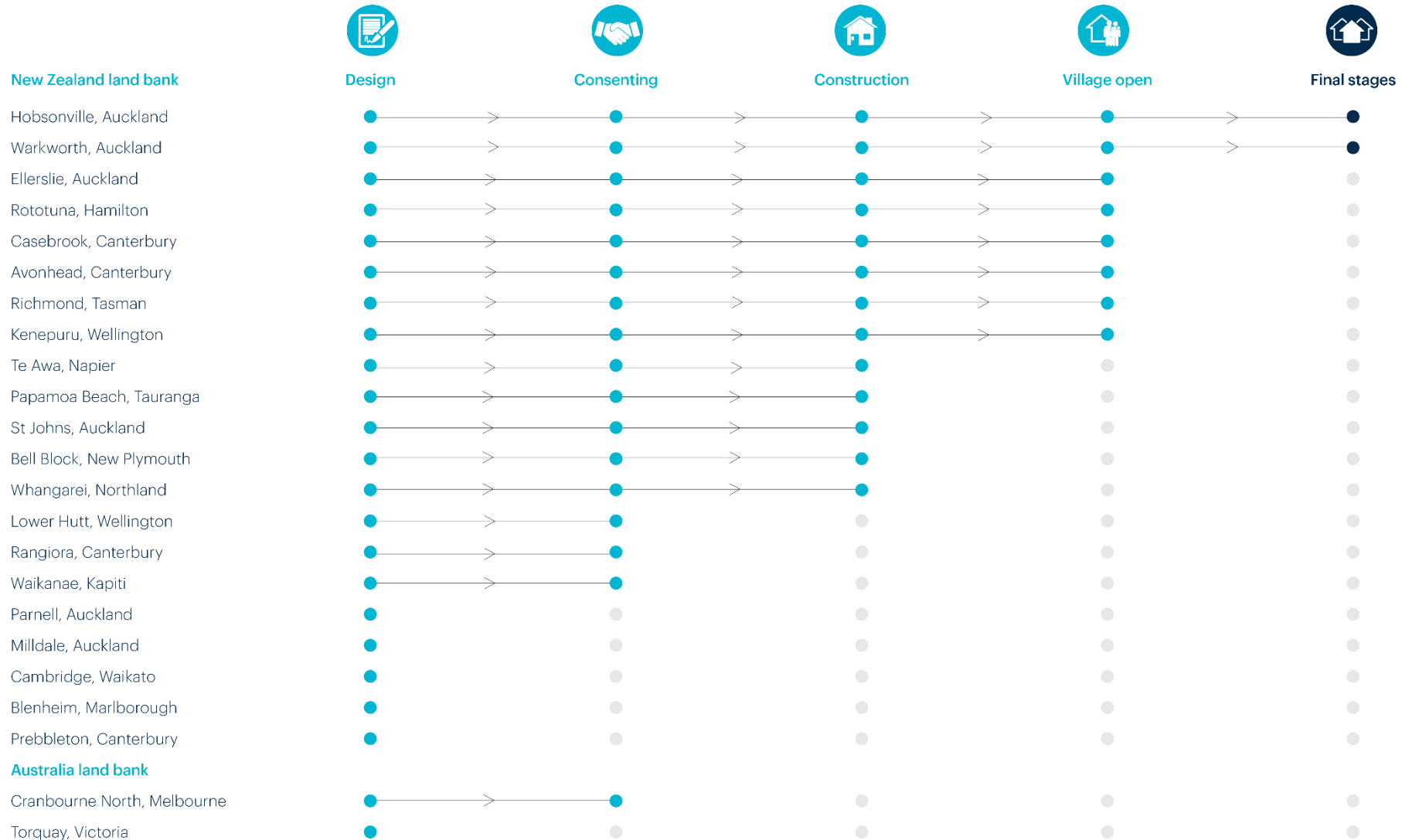


Delivered 139 retirement units and 43 care beds in 1H20 across four sites

Unit delivery 1H20	Villas	Serviced & memory care apartments	Total retirement units	Total care beds
Avonhead	13	-	13	-
Casebrook	17	76	93	43
Ellerslie	-	-	-	-
Hobsonville	-	-	-	-
Kenepuru	-	-	-	-
Richmond	20	-	20	-
Rototuna	13	-	13	-
Warkworth	-	-	-	-
<b>Total</b>	<b>63</b>	<b>76</b>	<b>139</b>	<b>43</b>

- 139 retirement units and 43 care beds were delivered across four villages. Currently on track to deliver around 300 to 350 retirement units in FY20
- Completed first new concept main building in Casebrook
- Delivered villa stages in Avonhead, Casebrook, Rototuna and Richmond with no apartment deliveries in the period
  - Advanced Kenepuru apartments, first block set to deliver in 2H20 and good progress made on the final apartment block in Ellerslie
  - Main building in Rototuna continues to progress, delivery timing will be impacted by COVID-19 outbreaks
- Expect to deliver first units in Bell Block (New Plymouth), Papamoa Beach (Tauranga) and Te Awa (Napier) in 2H20

# Development pipeline

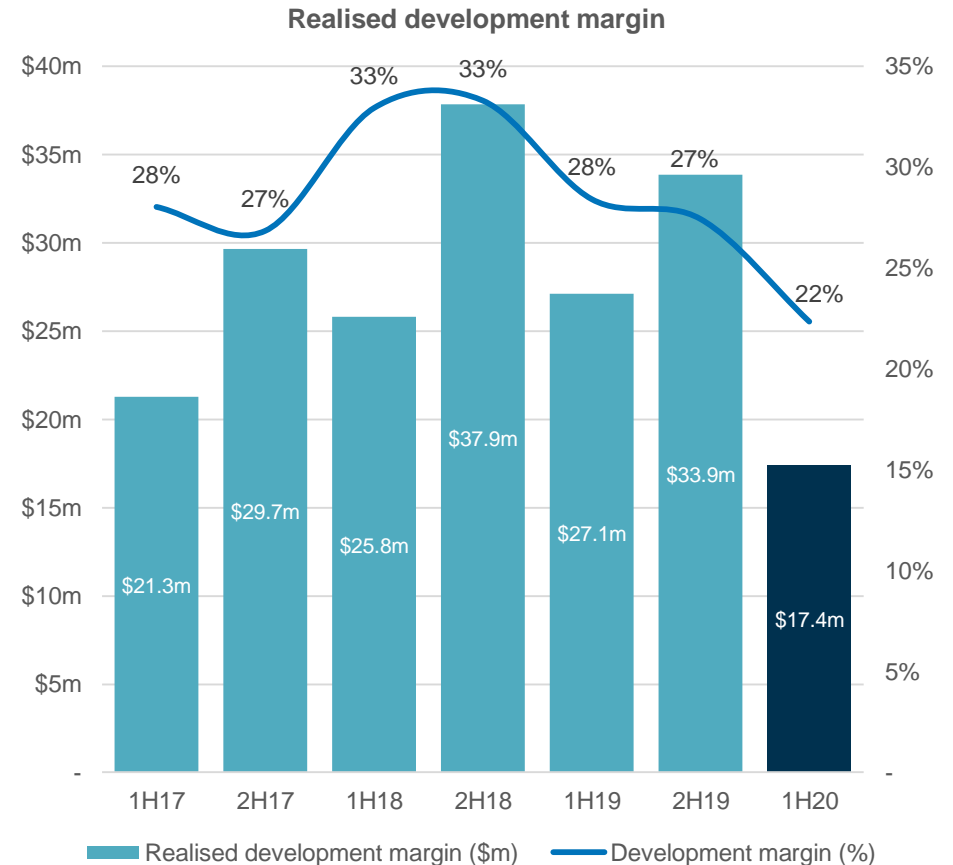




# Development margin

Realised development margin of \$17.4m, with a 22% development margin

- 1H20 realised development margin of \$17.4m. Lower than previous year with volumes remaining close to 1H19 levels
- Development margin of 22% achieved in 1H20 across 11 sites and reflective of the following;
  - a higher proportion of serviced and memory care apartments
  - higher proportion of sales outside Auckland highlighting more units being developed outside Auckland
- Settlements of new occupation rights were around 30% in our Auckland villages relative to 1H19 where 60% were in Auckland
- This was underpinned by no new deliveries in Auckland this half and reflects our diversification strategy to grow our business across New Zealand
- We continue to see good margins across our villa stages
- Over the medium term we continue to expect development margins to be within our target range of approximately 20% to 25%



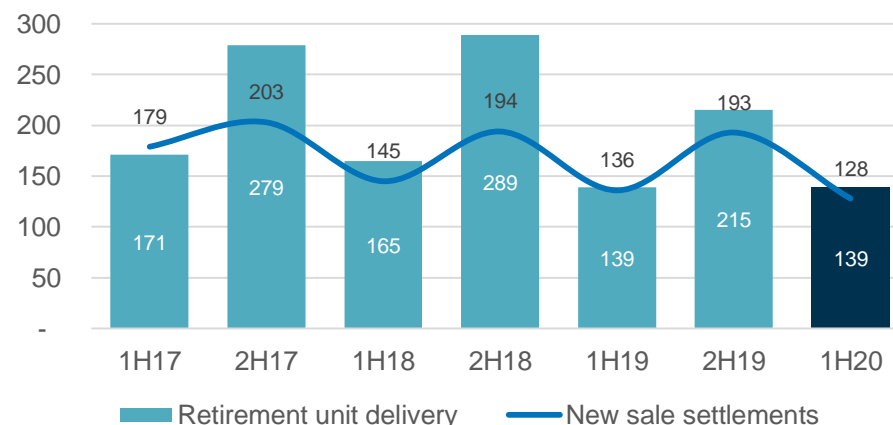
# New sales of occupation rights

Gross proceeds of \$78.0m, 128 new sales in the period

- New sales broadly in line with 1H19 despite the disruption of COVID-19 with residents unable to settle for around five weeks
- Overall, new sales only down 6% while around 35% of 1H20 sales activity was constrained by COVID-19 restrictions
- 128 new sales of occupation rights in 1H20 with gross proceeds of \$78.0m
- Average gross proceeds per new sale settlement of \$609k, down from \$701k in 1H19
- Decrease in gross proceeds driven by higher proportion of serviced and memory care apartments and fewer settlements in Auckland
- Strong demand seen in our newly opened Casebrook main building with first residents welcomed into our serviced and memory care apartments in March
- Now seeing the benefits of regional diversification – will improve further in 2H20 with new villages expected to open in Tauranga, Napier and New Plymouth

New sales	1H20	1H19	Variance	FY19
Gross proceeds (\$m)	78.0	95.3	(18%)	218.7
Villas	82	71	15%	216
Apartments	14	37	(62%)	62
Serviced and memory care apartments	32	28	14%	51
<b>Total occupation rights</b>	<b>128</b>	<b>136</b>	<b>(6%)</b>	<b>329</b>

New sales and retirement unit delivery



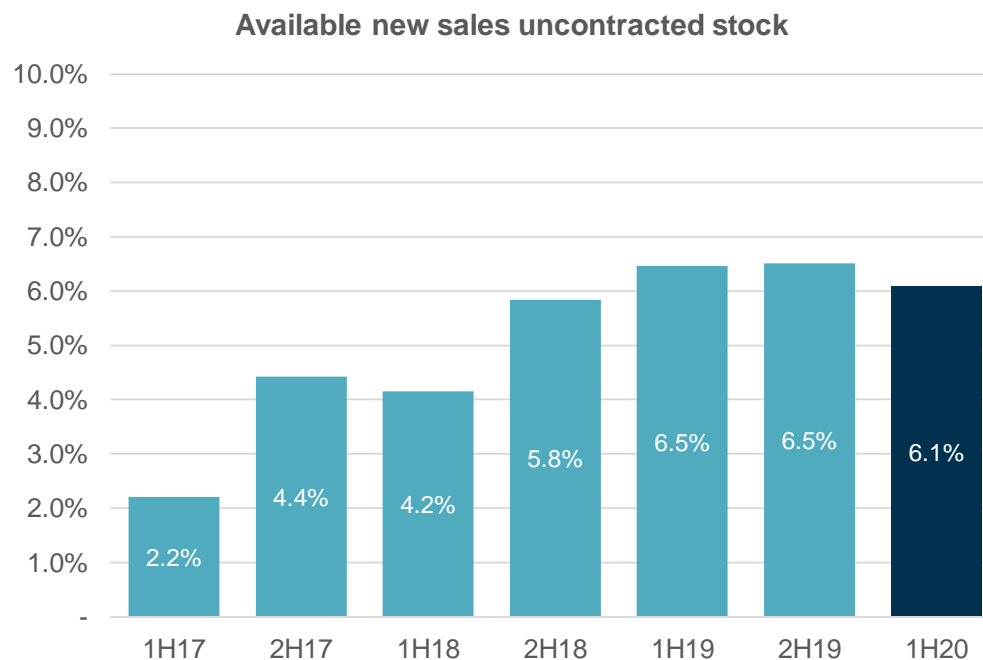
# New sales stock



## Stock levels remain stable relative to FY19

- Uncontracted new sale stock of 257 retirement units, down from 266 at FY19 (3%). Contracted new sale stock now at historically high levels
- Decrease in stock numbers seen in both villa and apartment retirement units with a higher proportion of both unit types now contracted
- Increase in serviced and memory care apartment stock driven by the delivery of Casebrook main building (76 units). Strong demand seen for these retirement units with over 45% contracted or settled within four months

New sales stock	1H20	FY19	1H19
Contracted	98	78	72
Uncontracted	257	266	250
<b>Total new sales stock</b>	<b>355</b>	<b>344</b>	<b>322</b>
Contracted	66	59	43
Uncontracted	121	147	158
<b>Villas</b>	<b>187</b>	<b>206</b>	<b>201</b>
Contracted	14	11	14
Uncontracted	70	87	44
<b>Apartments</b>	<b>84</b>	<b>98</b>	<b>58</b>
Contracted	18	8	15
Uncontracted	66	32	48
<b>Serviced &amp; memory care apartments</b>	<b>84</b>	<b>40</b>	<b>63</b>



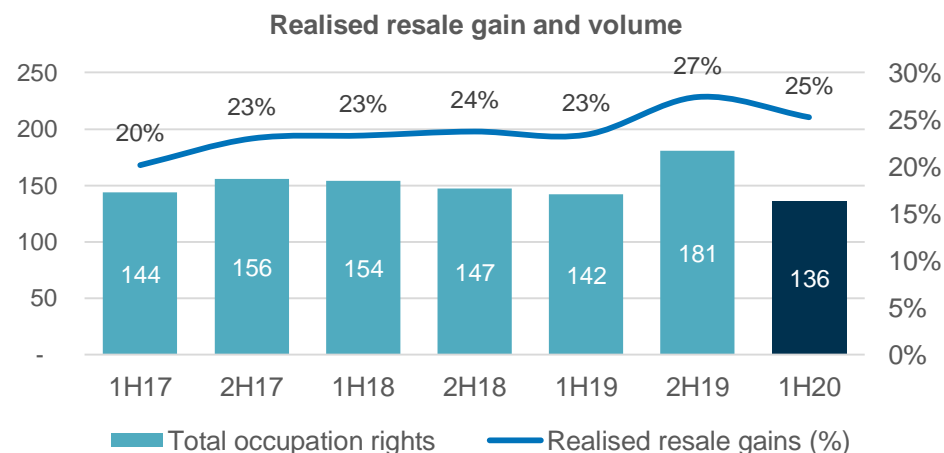
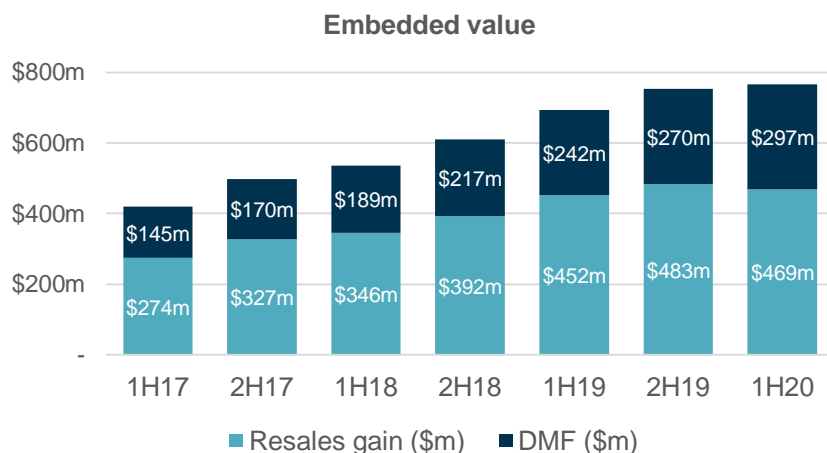


# Resales of occupation rights

## Strong realised resale gains for the period

- Realised resale gain has increased by 10% to \$15.7m in 1H20
- Resale gain continue to be strong at 25.2%, up from 23.4% at 1H19
- Resales of occupation rights similar to 1H19 with 136 for the period, despite the impacts of COVID-19 lockdown
- Average gross proceeds per resale settlement of \$457k, up 6% from \$430k in 1H19
- Realised resale gain up \$1.4m due to higher realised gain per unit of \$115k compared to \$101k in 1H19

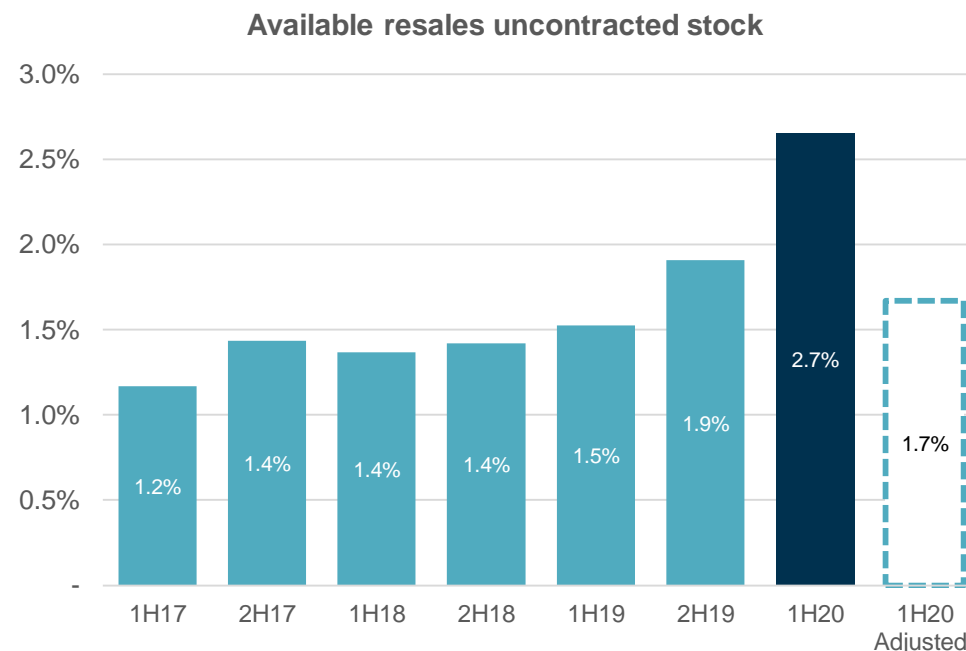
Resales	1H20	1H19	Variance	FY19
Gross proceeds (\$m)	62.2	61.1	2%	143.7
Realised resale gains (\$m)	15.7	14.3	10%	36.9
Realised resale gains (%)	25.2%	23.4%	8%	25.7%
DMF realisation (\$m)	7.7	8.0	(3%)	18.9
Villas	70	72	(3%)	173
Apartments	14	10	40%	31
Serviced and memory care apartments	52	60	(13%)	119
<b>Total occupation rights</b>	<b>136</b>	<b>142</b>	<b>(4%)</b>	<b>323</b>



## Resales stock levels impacted by the April-May COVID-19 shutdown

- Resales stock 35% to 40% higher than normal due to the impact of the first COVID-19 lockdown. The key driver being units were unable to be vacated during the lockdown period which delayed refurbishment and subsequent resale
- In level one, sales rates largely recovered with uncontracted stock as a proportion of total resale stock lower than FY19

Resales stock	1H20	FY19	1H19
Contracted	92	54	66
Uncontracted	112	78	59
<b>Total resales stock</b>	<b>204</b>	<b>132</b>	<b>125</b>
Contracted	59	29	42
Uncontracted	47	35	28
<b>Villas</b>	<b>106</b>	<b>64</b>	<b>70</b>
Contracted	8	5	5
Uncontracted	18	15	11
<b>Apartments</b>	<b>26</b>	<b>20</b>	<b>16</b>
Contracted	25	20	19
Uncontracted	47	28	20
<b>Serviced &amp; memory care apartments</b>	<b>72</b>	<b>48</b>	<b>39</b>



\* 1H20 adjusted – stock normalised for COVID-19 sales impact





# Financial results



# 1H20 reported profit (IFRS)



## 1H20 net profit after tax of \$1.0m

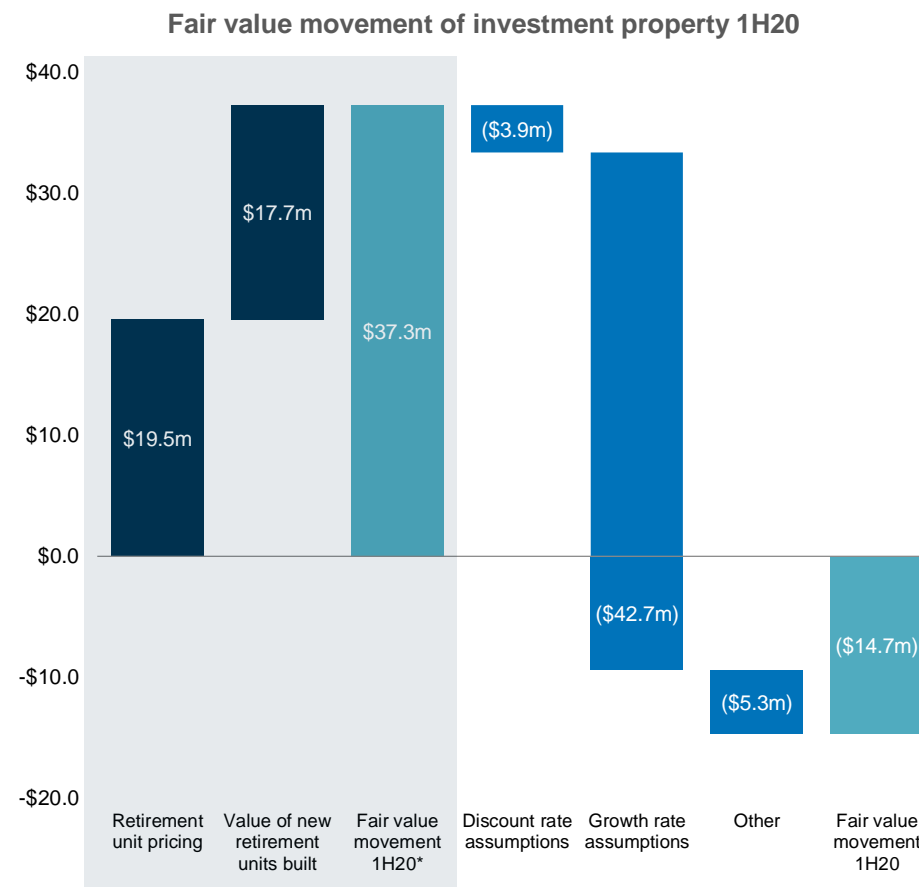
- 1H20 IFRS NPAT of \$1.0m a result of fair value movement in investment property of -\$14.7m
- Fair value movement impacted by material adjustments in short term HPI growth rates and discount rates applied by our independent valuers, CBRE
- Adjustments related to COVID-19 uncertainty and are in line with those applied to other RV operators
- Summerset achieved a core fair value gain in 1H20 of \$37.3m from retirement unit pricing and the delivery of 139 new units
- Assumption changes by CBRE had a negative impact on fair value of -\$51.9m
- Overall, the value of investment property remains largely unchanged, the fair value decrease of -\$14.7m being -0.46% of our total investment property asset base

NZ\$m	1H20	1H19	Variance	FY19
Total revenue	82.0	74.0	11%	153.9
Fair value movement of investment property	(14.7)	85.7	(117%)	165.3
<b>Total income</b>	<b>67.4</b>	<b>159.7</b>	<b>(58%)</b>	<b>319.2</b>
Total expenses	61.8	60.8	2%	130.2
Net finance costs	8.3	6.8	22%	15.4
<b>Net profit before tax</b>	<b>(2.7)</b>	<b>92.1</b>	<b>(103%)</b>	<b>173.6</b>
Tax expense / (credit)	(3.7)	(0.5)	612%	(1.7)
<b>Net profit after tax</b>	<b>1.0</b>	<b>92.6</b>	<b>(99%)</b>	<b>175.3</b>

# Fair value movement

## Core fair value movement of investment property of \$37.3m

- Total fair value movement of -\$14.7m, impacted by material changes in the assumptions applied by our independent valuers, CBRE
- CBRE have adopted a more conservative position in relation to short term growth assumptions due to COVID-19 uncertainty
- Summerset's core fair value movement for 1H20 was \$37.3m driven by;
  - Increases in retirement unit pricing of \$19.5m
  - New retirement units built of \$17.7m
- Refer to the appendices (slide 42 and 43) for key assumptions associated with the investment property valuation



\* Fair value movement before COVID-19 assumption changes

# 1H20 underlying profit



## Underlying profit down 6% on 1H19

- Underlying profit of \$45.1m highlights the strength of Summerset's core business
- Continued growth in our care and village operating performance driven by demand in our villages and care centres;
  - Care fees and village services of \$53.3m, up 9%
  - Deferred management fees of \$28.7m, up 15%
  - Realised gain on resales of \$15.7m, up 10%
- Additional COVID-19 related expenditure of \$4.0m in the period, offset by the Government Wage Subsidy (\$8.7m) and aged care funding grants (\$0.7m) which enabled Summerset to retain all staff
- Net impact from COVID-19 was around 15% on underlying profit for 1H20. This excludes any adjustment for lost sales activity through COVID-19 restrictions, in place for around 35% of 1H20

NZ\$m	1H20	1H19	Variance	FY19
Care fees and village services	53.3	48.8	9%	101.3
Deferred management fees	28.7	25.1	15%	52.5
Realised gain on resales	15.7	14.3	10%	36.9
Realised development margin	17.4	27.1	(36%)	61.0
Interest received	0.0	0.2	(86%)	0.2
<b>Total income</b>	<b>115.1</b>	<b>115.4</b>	<b>0%</b>	<b>251.8</b>
Operating expenses	57.8	56.9	2%	122.4
Depreciation and amortisation	3.9	3.9	0%	7.8
Net finance costs	8.3	6.8	22%	15.4
<b>Total expenses</b>	<b>70.0</b>	<b>67.6</b>	<b>4%</b>	<b>145.6</b>
<b>Underlying profit</b>	<b>45.1</b>	<b>47.8</b>	<b>(6%)</b>	<b>106.2</b>

Underlying profit is a non-GAAP measure and differs from NZ IFRS profit for the period. Underlying profit does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The Directors have provided an underlying profit measure in addition to IFRS profit to assist readers in determining the realised and unrealised 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 a measure which the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend pay-out to shareholders.

# 1H20 cash flows



## Net operating cash flow in line with 1H19

- Net operating cash flow of \$92.8m, in line with 1H19 operating cash flows of \$93.3m
- Net operating business cash flow of \$16.5m, up \$12.3m on 1H19 highlighting strong growth in our core business functions
- Net receipts from resales were up \$6.6m on 1H19 driven by uplift in resales margins
- Gross receipts from new sales down 14% on 1H19 due to lower sales volumes directly impacted by COVID-19
- Investing cash out flows increased 10% on 1H19 due to land settlements for Rangiora and Cambridge in the period
- Other investing cash out flows in 1H20 primarily reflects our investment in;
  - upgrading our assist call systems across our villages
  - the purchase of temporary recreation facilities for our developing villages

NZ\$m	1H20	1H19	Variance	FY19
Net operating business cash flow	16.5	4.2	297%	28.5
Receipts for residents' loans - new sales	76.3	89.2	(14%)	209.4
<b>Net operating cash flow</b>	<b>92.8</b>	<b>93.3</b>	<b>(1%)</b>	<b>237.9</b>
Settlement of land	(10.9)	1.4	(861%)	(57.3)
Construction of new IP & care facilities	(100.9)	(102.5)	(2%)	(248.2)
Refurb of existing IP & care facilities	(3.9)	(4.1)	(4%)	(7.3)
Other investing cash flows	(2.7)	(1.9)	39%	(3.7)
Capitalised interest paid	(5.1)	(5.4)	(6%)	(10.8)
<b>Net investing cash flow</b>	<b>(123.5)</b>	<b>(112.5)</b>	<b>10%</b>	<b>(327.4)</b>
Net proceeds from borrowings	41.6	37.8	10%	135.6
Dividends paid	(11.1)	(10.4)	7%	(19.5)
Other financing cash flows	(8.2)	(6.6)	25%	(12.6)
<b>Net financing cash flow</b>	<b>22.2</b>	<b>20.8</b>	<b>7%</b>	<b>103.5</b>

# 1H20 balance sheet



Total assets of \$3.4b, up 13% from \$3.0b at 1H19

- Total assets of \$3.4b, up 13% on 1H19 driven by continued development and growth in existing villages
- Investment property valuation of \$3.2b, up 14% on 1H19
- Other assets include land and buildings (primarily care centres)
- Care centres were valued as at 31 December 2017 (three yearly cycle)
  - Includes the delivery of Casebrook's care centre in 1H20
- Embedded value of \$765.7m, \$181k per retirement unit, as at 30 June 2020, comprised of:
  - \$468.5m resale gains
  - \$297.2m deferred management fees

NZ\$m	1H20	1H19	Variance	FY19
Investment property	3,206	2,824	14%	3,107
Other assets	227.1	204.0	11%	230.9
<b>Total assets</b>	<b>3,433</b>	<b>3,028</b>	<b>13%</b>	<b>3,338</b>
Residents' loans	1,365	1,206	13%	1,328
Face value of bank loans & bonds*	634.9	489.3	30%	587.1
Other liabilities	319.3	278.3	15%	291.3
<b>Total liabilities</b>	<b>2,319</b>	<b>1,974</b>	<b>17%</b>	<b>2,206</b>
<b>Net assets**</b>	<b>1,113</b>	<b>1,054</b>	<b>6%</b>	<b>1,132</b>
<b>Embedded value</b>	<b>765.7</b>	<b>693.5</b>	<b>10%</b>	<b>752.7</b>
<b>NTA (cents per share)</b>	<b>491.3</b>	<b>470.5</b>	<b>4%</b>	<b>502.0</b>

\* Face value of drawn bank debt and retail bonds. Excludes capitalised and amortised bond issue costs, and fair value movement on hedged borrowings.

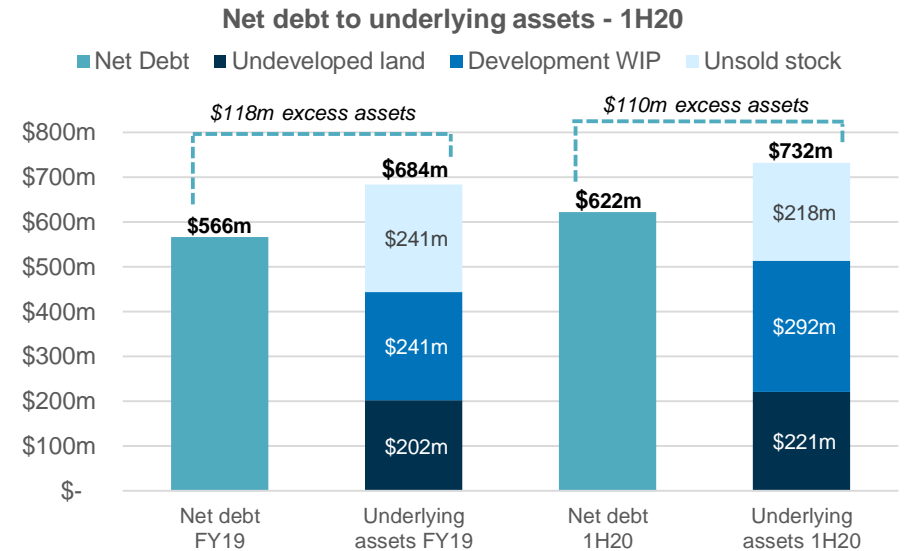
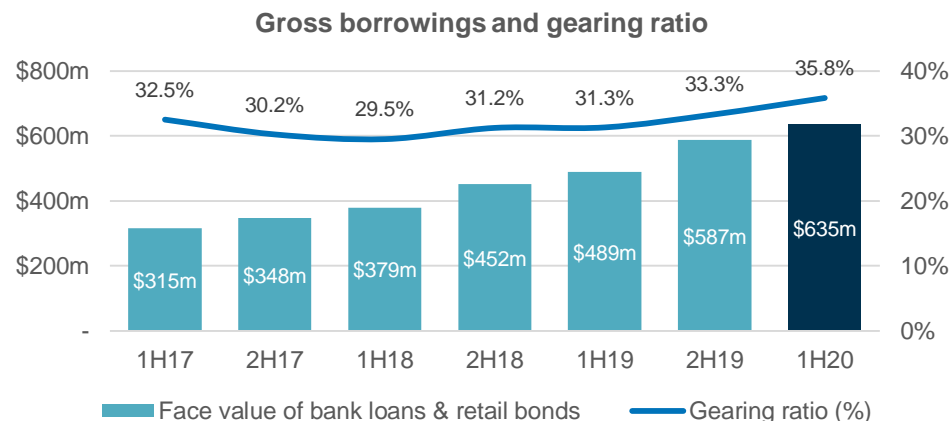
\*\* Net assets includes share capital, reserves, and retained earnings



# Gearing ratio

## Net debt of \$621.9m\* and gearing ratio of 35.8%

- Net debt of \$621.9m\* as at 30 June 2020, up \$56.3m on FY19
- Uplift in gross debt driven by land settlements in the period and construction progress on our developing sites
- \$225m of retail bonds and bank facility of approximately \$750m
- Gearing ratio of 35.8%, up from 33.3% at FY19. Expected to be around 34.5% without COVID-19 impact on IP valuations
- Development assets exceed the value of net debt by \$110m or 18%



NZ\$m	1H20	1H19	Variance	FY19
Gearing ratio (%)**	35.8%	31.3%	14.5%	33.3%
Bank & bond LVR (%)**	37.9%	32.8%	15.5%	35.9%

\* Face value of drawn bank debt and retail bonds. Excludes capitalised and amortised bond issue costs, and fair value movement on hedged borrowings less cash and cash equivalents

\*\* 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)

A photograph of a woman in a purple short-sleeved shirt with a colorful floral pattern on the sleeves, leaning over an elderly woman with short blonde hair wearing a red top and a patterned scarf. They are seated at a dark wooden table. On the table are white teacups, a teapot, and several dominoes. The elderly woman is holding a small piece of food. In the background, there is a large window with a view of a city building. A semi-transparent grey banner with the text "Interim dividend" is overlaid on the lower half of the image.

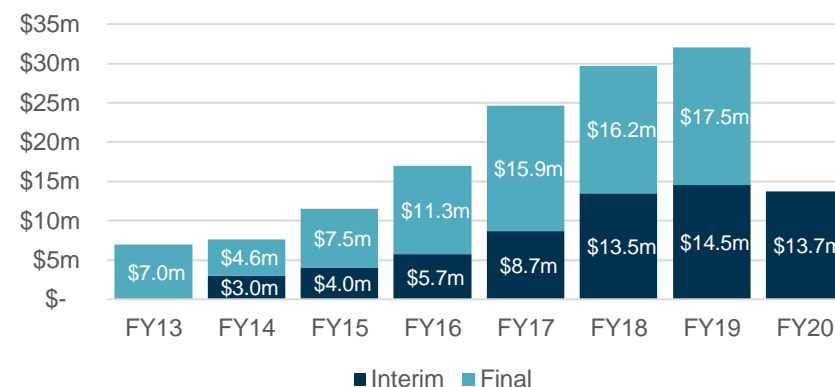
Interim dividend

# 1H20 interim dividend

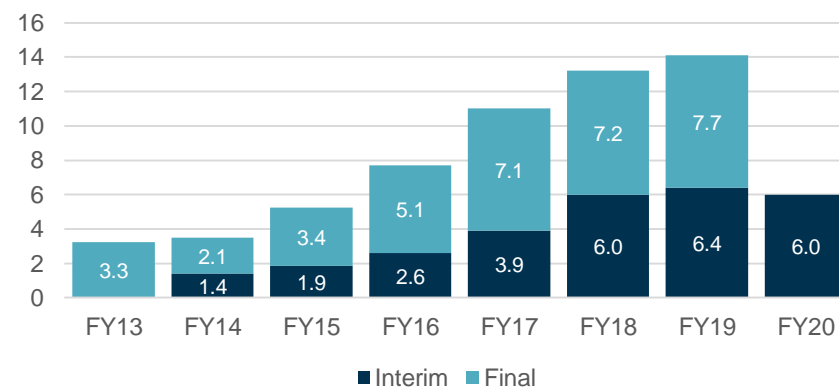
## 1H20 interim dividend of 6.0 cents per share

- The Board has declared an interim dividend of 6.0 cents per share, unimputed. This compares to a 2019 interim dividend of 6.4 cents per share
- This represents a pay-out for the first half of 2020 of approximately \$13.7m and is 30% of 1H20 underlying profit
- 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 5.30pm NZT on Tuesday 1 September 2020. Any applications received on or after this time will be applied to subsequent dividends
- The interim dividend will be paid on Friday 11 September 2020. The record date for final determination of entitlements to the interim dividend is Monday 31 August 2020

Dividend payout per year



Dividend per share by year





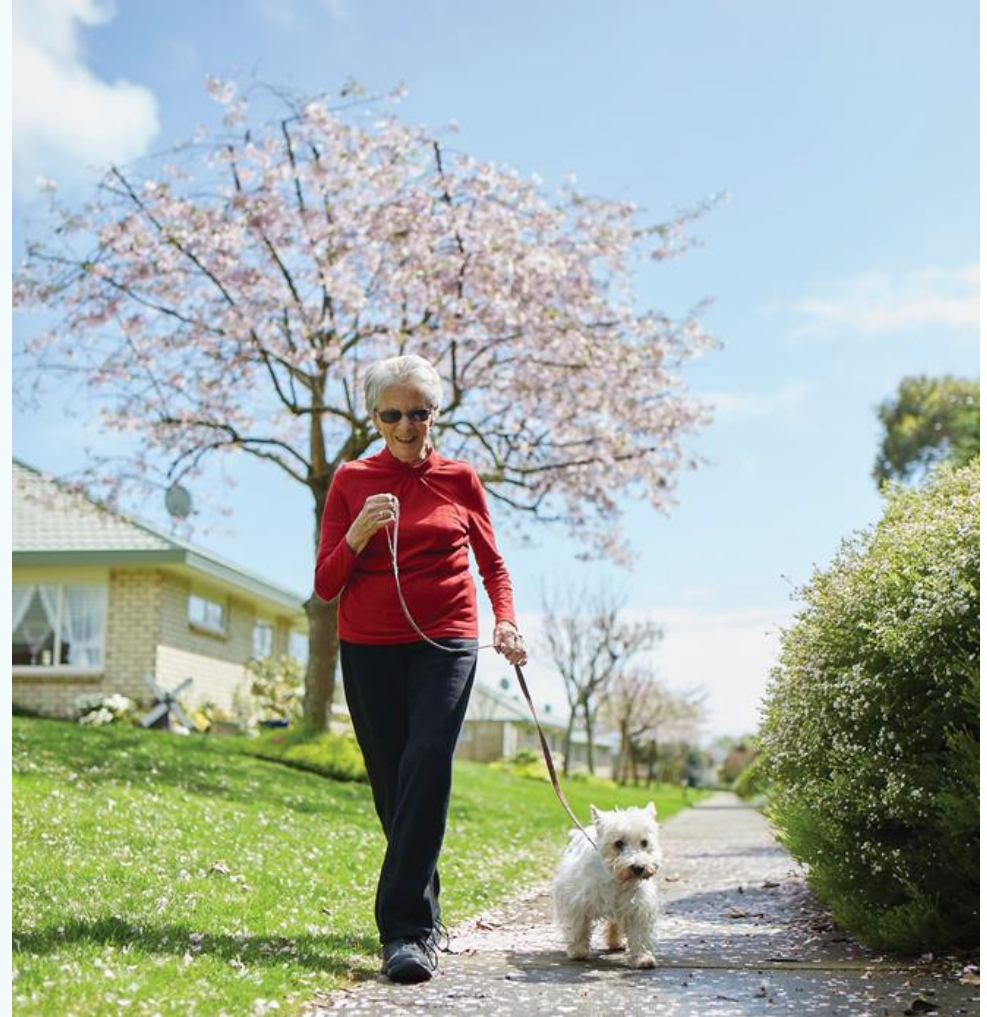
# Questions

A group of people are playing croquet on a green field. In the foreground, a man in a white polo shirt, khaki shorts, and a baseball cap is in the middle of a swing, hitting a ball with a mallet. To his left, three women are standing and watching. They are all holding croquet mallets. In the background, there are several houses and a clear blue sky. The word "Questions" is overlaid in a large, dark blue serif font on the left side of the image.



# Disclaimer

- 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





A photograph of three people in a hallway. On the left, a young woman with dark hair, wearing a purple top with a colorful floral pattern, is smiling and looking upwards. In the center, an older man with white hair, wearing a white polo shirt over a grey t-shirt, is smiling and looking towards the right. On the right, a woman with dark hair, wearing a purple top with a colorful floral pattern and a name tag that says "MARA", is smiling and looking towards the center. The background is a plain, light-colored wall with a circular light fixture and a rectangular light fixture visible.

# Appendix

# 1H20 result highlights



Underlying profit down 6% on 1H19

		1H20	1H19	Variance	FY19
Financial (NZ\$m)	Net profit before tax (IFRS)	(2.7)	92.1	(103%)	173.6
	<b>Net profit after tax (IFRS)</b>	<b>1.0</b>	<b>92.6</b>	<b>(99%)</b>	<b>175.3</b>
	Less reversal of impairment on land & buildings	-	-	n/a	-
	(Add)/ less fair value movement of investment property	14.7	(85.7)	(117%)	(165.3)
	Add realised gain on resales	15.7	14.3	10%	36.9
	Add realised development margin	17.4	27.1	(36%)	61.0
	Add/(less) deferred tax expense/(credit)	(3.7)	(0.5)	612%	(1.7)
	<b>Underlying profit*</b>	<b>45.1</b>	<b>47.8</b>	<b>(6%)</b>	<b>106.2</b>
Balance Sheet (NZ\$m)	Total assets	3,433	3,028	13%	3,338
	Net operating cash flow	92.8	93.3	(1%)	237.9
Operational	New sales of occupation rights	128	136	(6%)	329
	Resales of occupation rights	136	142	(4%)	323
	<b>Total sales of occupation rights</b>	<b>264</b>	<b>278</b>	<b>(5%)</b>	<b>652</b>
	New retirement units delivered	139	139	0%	354

\*Underlying profit is a non-GAAP measure and differs from NZ IFRS profit for the period. Underlying profit does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The Directors have provided an underlying profit measure in addition to IFRS profit to assist readers in determining the realised and unrealised 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 a measure which the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend pay-out to shareholders.

# Historical trends



Underlying profit 9 year CAGR of 31%

Half Year Results	9 Year CAGR*	1H20	2H19	1H19	2H18	1H18	2H17	1H17	FY11
New sales of occupation rights	10%	128	193	136	194	145	203	179	108
Resales of occupation rights	9%	136	181	142	147	154	156	144	123
<b>Total sales</b>	<b>10%</b>	<b>264</b>	<b>374</b>	<b>278</b>	<b>341</b>	<b>299</b>	<b>359</b>	<b>323</b>	<b>231</b>
New retirement units delivered	10%	139	215	139	289	165	279	171	122
Retirement units in portfolio	13%	4,225	4,086	3,871	3,732	3,443	3,278	2,999	1,486
Care beds in portfolio	13%	901	858	858	858	858	806	748	327
Total revenue (\$m)	19%	82.0	79.9	74.0	71.3	65.7	59.8	50.7	33.7
Net profit after tax (\$m)	-8%	1.0	82.7	92.6	118.1	96.4	149.7	90.3	4.3
Underlying profit** (\$m)	31%	45.1	58.4	47.8	53.4	45.2	46.0	35.7	8.1
Net operating cash flow (\$m)	17%	92.8	144.6	93.3	125.0	92.8	121.3	86.4	43.7
Total assets (\$m)	21%	3,433	3,338	3,028	2,766	2,451	2,233	1,932	616.9
Total equity (\$m)	19%	1,113	1,132	1,054	978.8	871.4	785.8	627.6	233.4
Interest bearing loans and borrowings (\$m)	28%	654.8	597.1	499.8	452.8	379.7	347.2	315.3	69.1
Cash and cash equivalents (\$m)		13.0	21.5	9.1	7.5	14.7	7.6	13.1	9.0
Gearing ratio (Net D/ Net D+E)		35.8%	33.3%	31.3%	31.2%	29.5%	30.2%	32.5%	20.5%
EPS (cents) (IFRS profit)	-11%	0.44	36.93	41.66	53.48	43.76	60.86	41.37	2.39
NTA (cents)	18%	491.3	502.0	470.5	438.4	391.9	347.6	285.7	109.3
Development margin (%)		22.3%	27.4%	28.4%	33.3%	33.0%	26.9%	28.0%	6.2%

\* Compound annual growth rate

\*\* Underlying profit differs from NZ IFRS reported profit after tax. The measure has been reviewed by Ernst & Young. Refer to slide 40 for a reconciliation between the two measures, and note 2 of the financial statements for detail on the components of underlying profit



# 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)		Key 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+
Summerset by the Park	Manukau	149.2	(2.1)	13.50%	(2.0%)	0.0%	2.5%	3.0%	3.5%
Summerset by the Lake	Taupo	62.2	(0.5)	16.00%	(2.0%)	0.0%	1.5%	2.5%	3.5%
Summerset in the Bay	Napier	72.5	(1.0)	14.13%	(2.0%)	0.0%	2.0%	2.5%	3.5%
Summerset in the Orchard	Hastings	78.0	(2.4)	15.25%	(2.0%)	0.0%	2.0%	2.5%	3.5%
Summerset in the Vines	Havelock North	61.7	(0.9)	14.88%	(2.0%)	0.0%	2.0%	2.5%	3.5%
Summerset in the River City	Wanganui	32.1	(0.6)	16.13%	(2.0%)	0.0%	1.5%	2.0%	2.5%
Summerset on Summerhill	Palmerston North	48.0	(1.4)	14.88%	(2.0%)	0.0%	2.0%	2.5%	3.0%
Summerset by the Ranges	Levin	30.7	0.3	15.88%	(2.0%)	0.0%	1.5%	2.0%	3.0%
Summerset on the Coast	Paraparaumu	60.2	(0.6)	14.50%	(2.0%)	0.0%	2.0%	2.5%	3.5%
Summerset at Aotea	Aotea	104.7	(0.1)	14.50%	(2.0%)	0.0%	2.0%	2.5%	3.5%
Summerset in the Sun	Nelson	149.1	0.1	13.75%	(2.0%)	0.0%	1.0%	2.5%	3.5%
Summerset at Bishopscourt	Dunedin	49.0	(1.2)	14.88%	(2.0%)	0.0%	1.5%	2.5%	3.0%
Summerset down the Lane	Hamilton	134.2	(0.9)	14.00%	(2.0%)	0.0%	2.0%	2.5%	3.5%
Summerset Mountain View	New Plymouth	72.2	(0.2)	14.88%	(2.0%)	0.0%	1.5%	2.5%	3.0%
Summerset Falls	Warkworth	177.6	(4.4)	14.13%	(2.0%)	0.0%	2.0%	3.0%	3.5%
Summerset at Karaka	Karaka	182.0	(2.5)	14.38%	(2.0%)	0.0%	2.0%	2.5%	3.5%
Summerset at Wigram	Wigram	121.0	0.5	14.63%	0.0%	0.0%	2.0%	3.0%	3.5%
Summerset at the Course	Trentham	160.8	(4.5)	14.00%	(2.0%)	0.0%	2.0%	2.5%	3.5%
Summerset by the Sea	Katikati	97.1	0.7	15.13%	(2.0%)	0.0%	1.5%	2.5%	3.5%
<b>Total for completed villages</b>		<b>1,842.2</b>	<b>(21.5)</b>						

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

# 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)	Key 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+
Summerset at Monterey Park	Hobsonville	254.4	(8.9)	14.13%	(2.0%)	0.0%	2.0%	2.5%	3.5%
Summerset at Heritage Park	Ellerslie	227.6	6.4	15.13%	(2.0%)	0.0%	2.0%	2.5%	3.5%
Summerset Rototuna	Rototuna	83.7	0.7	16.00%	(2.0%)	0.0%	2.0%	2.5%	3.5%
Summerset on Cavendish	Casebrook	134.1	4.2	15.38%	0.0%	0.0%	2.0%	3.0%	3.5%
Summerset Richmond Ranges	Richmond	41.1	2.7	16.25%	(2.0%)	0.0%	1.0%	2.5%	3.5%
Summerset at Avonhead	Avonhead	57.0	1.0	16.25%	0.0%	0.0%	2.0%	3.0%	3.5%
Summerset on the Landing	Kenepuru	35.2	1.7	16.50%	(2.0%)	0.0%	2.0%	2.5%	3.5%
Summerset Te Awa	Te Awa	10.3	(0.0)	n/a	n/a	n/a	n/a	n/a	n/a
Summerset by the Dunes	Papamoa Beach	14.7	(0.0)	n/a	n/a	n/a	n/a	n/a	n/a
Summerset St Johns	St Johns	39.2	0.0	n/a	n/a	n/a	n/a	n/a	n/a
Summerset Whangarei	Whangarei	8.9	0.0	n/a	n/a	n/a	n/a	n/a	n/a
Summerset Pohutukawa Place	Bell Block	9.8	0.0	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total for villages in development</b>		<b>915.9</b>	<b>7.9</b>						
<b>Total for proposed villages</b>		<b>165.3</b>	<b>(1.0)</b>						
<b>Total for all villages</b>		<b>2,923</b>	<b>(14.7)</b>						

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

# Portfolio as at 30 June 2020



4,225 retirement units and 901 care beds

Existing portfolio - as at 30 June 2020					
Village	Villas	Apartments	Serviced & memory care apartments	Total retirement units	Total care beds
Ellerslie	34	144	57	235	58
Hobsonville	125	73	52	250	52
Karaka	182	-	59	241	50
Manukau	89	67	27	183	54
Warkworth	202	2	44	248	41
<b>Auckland</b>	<b>632</b>	<b>286</b>	<b>239</b>	<b>1,157</b>	<b>255</b>
Hamilton	183	-	50	233	49
Rototuna	128	-	-	128	-
Taupo	94	34	18	146	-
<b>Waikato</b>	<b>405</b>	<b>34</b>	<b>68</b>	<b>507</b>	<b>49</b>
Katikati	156	-	20	176	49
<b>Bay of Plenty</b>	<b>156</b>	<b>-</b>	<b>20</b>	<b>176</b>	<b>49</b>
Hastings	146	5	-	151	-
Havelock North	94	28	-	122	45
Napier	94	26	20	140	48
<b>Hawke's Bay</b>	<b>334</b>	<b>59</b>	<b>20</b>	<b>413</b>	<b>93</b>
New Plymouth	108	-	40	148	52
<b>Taranaki</b>	<b>108</b>	<b>-</b>	<b>40</b>	<b>148</b>	<b>52</b>
Levin	64	22	10	96	41
Palmerston North	90	12	-	102	44
Wanganui	70	18	12	100	37
<b>Manawatu-Wanganui</b>	<b>224</b>	<b>52</b>	<b>22</b>	<b>298</b>	<b>122</b>

# Portfolio as at 30 June 2020<sub>(cont'd)</sub>



4,225 retirement units and 901 care beds

Village	Existing portfolio - as at 30 June 2020			Total retirement units	Total care beds
	Villas	Apartments	Serviced & memory care apartments		
Aotea	96	33	38	167	-
Kenepuru	29	-	-	29	-
Paraparaumu	92	22	-	114	44
Trentham	231	12	40	283	44
<b>Wellington</b>	<b>448</b>	<b>67</b>	<b>78</b>	<b>593</b>	<b>88</b>
Nelson	214	-	55	269	59
Richmond	51	-	-	51	-
<b>Nelson-Tasman</b>	<b>265</b>	<b>-</b>	<b>55</b>	<b>320</b>	<b>59</b>
Avonhead	73	-	-	73	-
Casebrook	151	-	76	227	43
Wigram	159	-	53	212	49
<b>Christchurch</b>	<b>383</b>	<b>-</b>	<b>129</b>	<b>512</b>	<b>92</b>
Dunedin	61	20	20	101	42
<b>Otago</b>	<b>61</b>	<b>20</b>	<b>20</b>	<b>101</b>	<b>42</b>
<b>Total</b>	<b>3,016</b>	<b>518</b>	<b>691</b>	<b>4,225</b>	<b>901</b>



# Future development



Largest NZ retirement village operator land bank, with 4,801 retirement units

Land bank – as at 30 June 2020					
Village	Villas	Apartments	Serviced & memory care apartments	Total retirement units	Total care beds
Whangarei	214	-	76	290	43
<b>Northland</b>	<b>214</b>	<b>-</b>	<b>76</b>	<b>290</b>	<b>43</b>
Ellerslie	4	75	-	79	-
Hobsonville	38	-	-	38	-
Milldale	105	117	76	298	43
Parnell	-	216	100	316	-
St Johns	-	225	73	298	30
<b>Auckland</b>	<b>147</b>	<b>633</b>	<b>249</b>	<b>1,029</b>	<b>73</b>
Papamoa	211	-	76	287	43
<b>Bay of Plenty</b>	<b>211</b>	<b>-</b>	<b>76</b>	<b>287</b>	<b>43</b>
Cambridge	207	-	76	283	43
Rototuna	60	-	76	136	43
<b>Waikato</b>	<b>267</b>	<b>-</b>	<b>152</b>	<b>419</b>	<b>86</b>
Bell Block	222	-	76	298	43
<b>Taranaki</b>	<b>222</b>	<b>-</b>	<b>76</b>	<b>298</b>	<b>43</b>
Te Awa	241	-	76	317	43
<b>Hawke's Bay</b>	<b>241</b>	<b>-</b>	<b>76</b>	<b>317</b>	<b>43</b>
Kenepuru	85	48	106	239	43
Lower Hutt	46	109	66	221	30
Waikanae	213	-	76	289	43
<b>Wellington</b>	<b>344</b>	<b>157</b>	<b>248</b>	<b>749</b>	<b>116</b>

# Future development (cont'd)

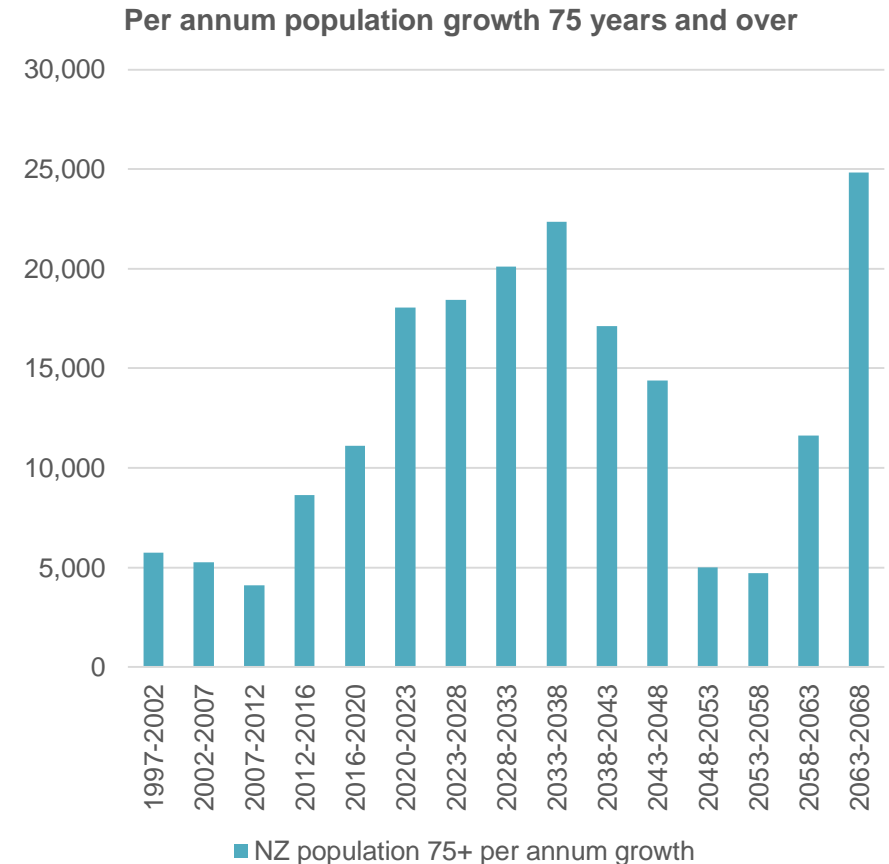
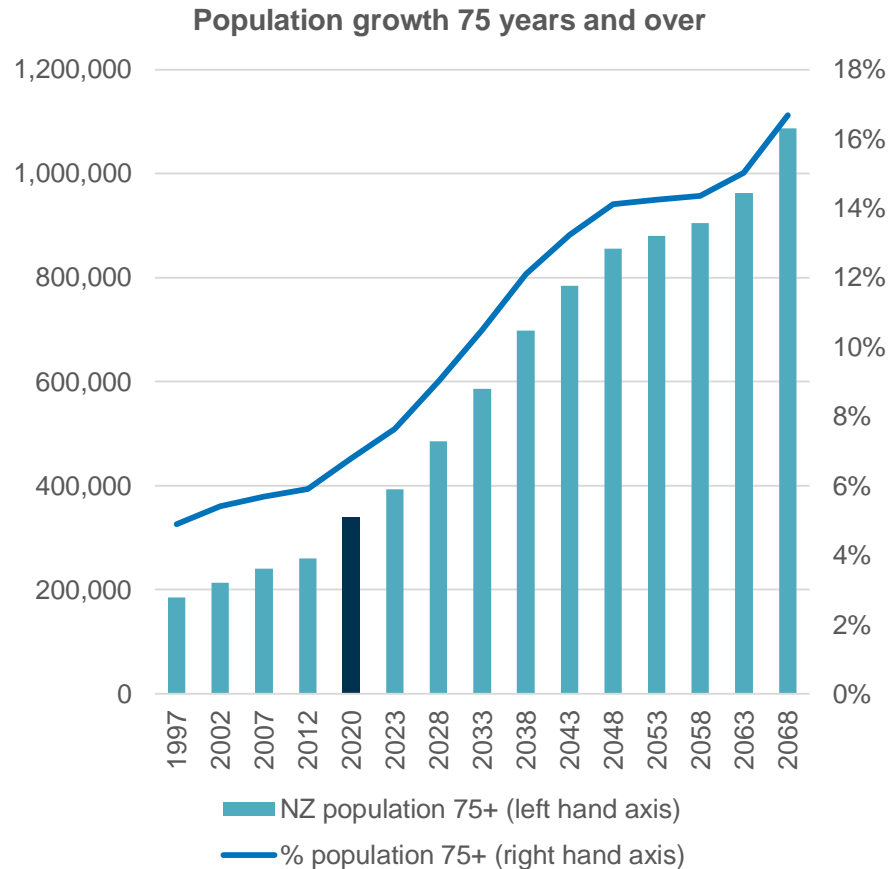


Largest NZ retirement village operator land bank, with 4,801 retirement units

Land bank – as at 30 June 2020					
Village	Villas	Apartments	Serviced & memory care apartments	Total retirement units	Total care beds
Richmond	183	-	76	259	43
<b>Nelson-Tasman</b>	<b>183</b>	<b>-</b>	<b>76</b>	<b>259</b>	<b>43</b>
Blenheim	136	-	80	216	20
<b>Marlborough</b>	<b>136</b>	<b>-</b>	<b>80</b>	<b>216</b>	<b>20</b>
Avonhead	92	-	99	191	43
Casebrook	119	-	-	119	-
Rangiora	261	-	76	337	43
Prebbleton	214	-	76	290	43
<b>Canterbury</b>	<b>686</b>	<b>-</b>	<b>251</b>	<b>937</b>	<b>172</b>
<b>Total NZ</b>	<b>2,651</b>	<b>790</b>	<b>1,360</b>	<b>4,801</b>	<b>639</b>
Cranbourne North	145	-	50	195	72
Torquay	195	-	50	245	72
<b>Total Australia</b>	<b>340</b>	<b>-</b>	<b>100</b>	<b>440</b>	<b>144</b>
<b>Total Combined</b>	<b>2,988</b>	<b>790</b>	<b>1,460</b>	<b>5,241</b>	<b>783</b>

# Demographics

Population over 75 years forecast to grow 220% from 2020 to 2068



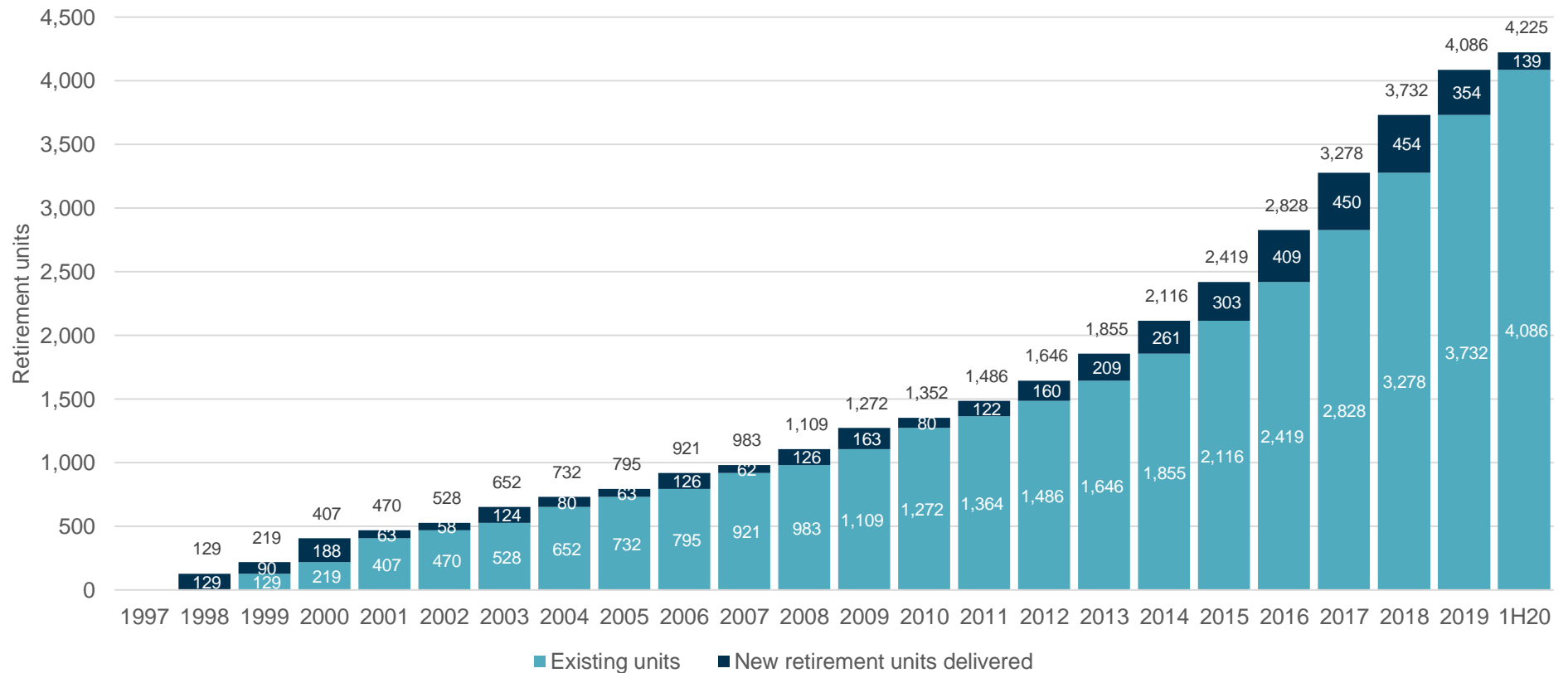
Source: Statistics New Zealand – National Population Projections

# Summerset growth



23 years of consistent delivery and growth

Summerset build rate

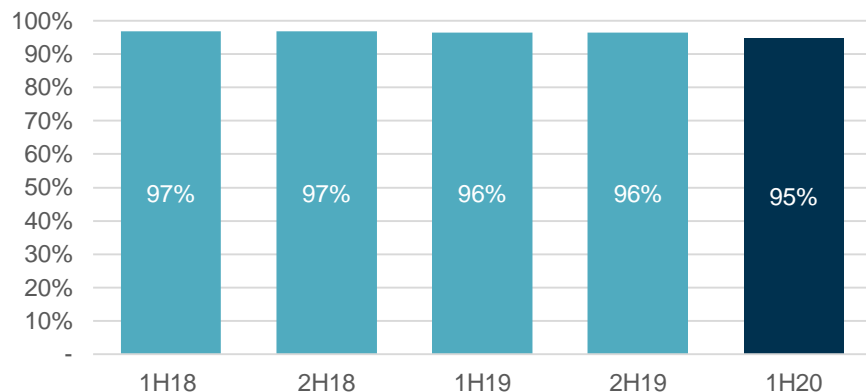




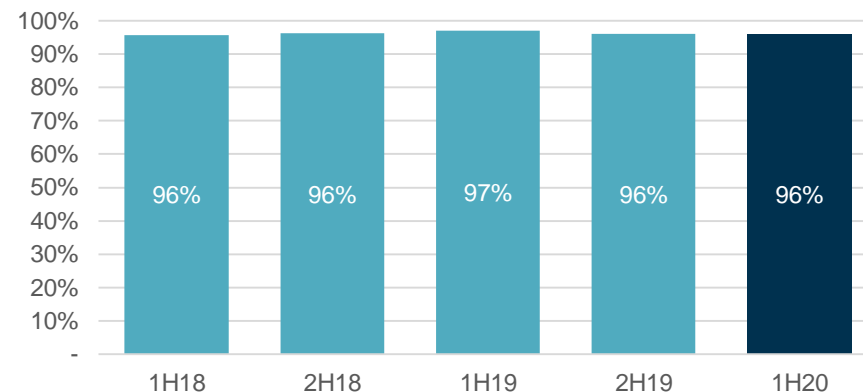
# Customer profile & occupancy

## Occupancy, tenure and resident demographic statistics

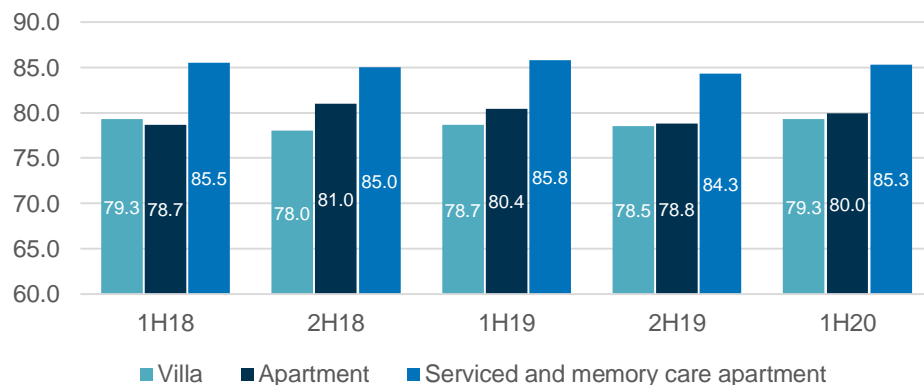
Occupancy - retirement villages



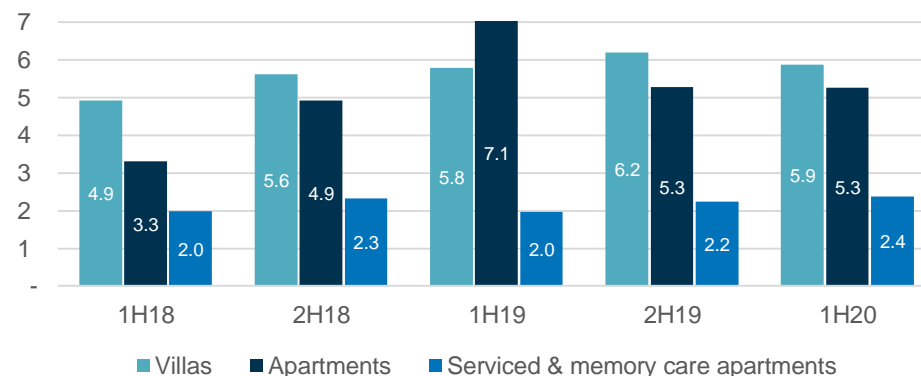
Occupancy - established care centres



Average entry age of residents (years)



Average tenure (years) on resales\*



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

# Half Year Report 2020







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# Contents

Summerset Snapshot	5
Chair and CEO Report	6
Financial Statements	11
Directory	30
Company Information	34







# Summeret Snapshot

More than  
 5,700  
residents

---

More than  
 1,700  
staff members

---

 31  
Villages completed or  
under development

---

 10  
Greenfield sites

---

 4,225  
Retirement units in portfolio

---

 901  
Care beds in portfolio

---

Land bank of  
 5,241  
retirement units

---

Land bank of  
 783  
care beds

---

Sales of  
 264  
occupation rights

 139  
Retirement units delivered

# Chair and CEO Report



Welcome to Summerset's half year report for the six months ended 30 June 2020. This report covers an extraordinary period with the COVID-19 pandemic sending shockwaves around the world. Our priority through this time has been keeping our residents and staff safe and we can report that to date we have had no COVID-19 cases.

Reported profit for the first half of 2020 has been impacted with underlying profit of \$45.1 million, down 5.7% on the prior period and IFRS net profit after tax of \$1.0 million. Independent valuers CBRE have adopted a more conservative position in relation to short term growth assumptions due to COVID-19 uncertainty. Summerset achieved a core fair value gain in 1H20 of \$37.2 million from retirement unit pricing and the delivery of 139 new units. Overall, the value of investment property remains largely unchanged, the fair value decrease of \$14.7 million being less than 1% of our total investment property asset base.

Through the April-May lockdown period, access to our villages was considerably restricted in order to prevent COVID-19 transmission. In April at alert level four, sales and settlements of occupation rights largely ceased with a small recovery in level three. In addition to this we have incurred around \$4 million of extra costs to date from measures to protect our residents and staff. This has had a significant impact on the business.

Following the April-May lockdown, sales and settlements largely recovered and we were seeing higher than normal enquiry and sales rates during alert level one.

## Our COVID-19 response

Early action to activate our pandemic planning and buy additional supplies of personal protective equipment put us in a good position. We are able to move quickly to protect residents in our villages and support them through the periods of lockdown.

Protections in place at alert levels four, three and two included manned gates to restrict visitor access, temperature screening of staff, 14-day isolation for new care centre residents, staff wearing face masks and additional cleaning protocols. We also required that incoming residents to our care centres return a negative COVID-19 test. These actions have strong evidential support and go over and above Ministry of Health recommendations.

Support for our residents and their families during the April-May lockdown period included regular email and newsletter contact, a grocery ordering service and a restructured activity programme to provide connection and stimulus for residents. In our care centres we provided iPads so residents could video call their families and we organised remote consultations for medical practitioners. The response from our residents and their families to our management of the crisis has been very positive.



Residents enjoying a free concert during lockdown

At the time of finalising this report, a further outbreak of COVID-19 in New Zealand has seen various restrictions put in place across the country. We are ready to resume all of the protections which we had previously put in place during the first outbreak as required.

At the outset of the crisis there was commentary that the appeal of retirement villages could be lessened due to the risks of COVID-19 transmission. In fact, the appeal of retirement villages for some people has been enhanced as residents have seen the benefit of the protections put in place to keep COVID-19 out and the support provided to them.

To keep our residents safe, at the outset of the first lockdown period we employed around 120 additional staff in our villages and introduced an additional monetary allowance for village staff through the time spent at levels four and three. This was a key part of the additional costs incurred in our initial COVID-19 response.

In May we received \$700,000 as part of the Government's \$26 million COVID-19 funding for aged care providers. The extra funding went towards supporting aged care providers with the additional costs incurred. It is noted that this is considerably less than our actual costs to date.

We also applied for the first tranche of the Government's wage subsidy scheme in late March at alert level four, a time of significant uncertainty. Sales and settlements of occupation rights had largely ceased – which had a significant impact on our revenue. The wage subsidy provided us with a grant of \$8.7 million. At this time, we also introduced a number of cost-saving measures including moving more than 200 staff based in our corporate offices to a four-day week for a period of 10 weeks to reduce wage costs. The Executive Leadership

Team and our Board of Directors also took a 20% pay reduction during this period.

Coming out of the April-May lockdown period we were buoyed by a return to good sales figures in June, but remain cognisant of the impact of community outbreaks and the effect these have on sales going forward. As the events of the current outbreak shows, we will be dealing with this virus for some time. Additionally, we face the impact of a likely economic recession in New Zealand.

#### **Growth and development**

Our 13 construction sites in New Zealand were closed and secured in March at the start of alert level four, with staff returning under level three in late April with appropriate health and hygiene processes. Like the rest of the country we had two days' notice of moving into the level four lockdown and our construction teams and contractors moved quickly to shut down sites.

**In the first half of this year we launched sales on three new retirement villages in Tauranga, Napier and New Plymouth. We are in the midst of construction on all these sites and hope to complete the first units this year.**

In early March we opened the main building at our Casebrook village in Christchurch. The main building includes a 43-bed care centre, 56 serviced apartments, swimming pool, resident lounges, and 20 memory care



apartments. Sales of the serviced and memory care apartments have been strong with over half already sold and the care centre is almost full.

Preliminary earthworks started at our St Johns site in Auckland's eastern suburbs in January, following a December 2019 resource consent approval. We are also expecting resource consent for our Lower Hutt village having received a positive interim decision from the Environment Court in March.

The shutdown of our construction sites in April has impacted our build rate and we now anticipate it will be between 300-350 retirement units this year, depending on the situation over the coming months. This is down from our estimate pre-COVID-19 of approximately 400 units.

We are slowing some projects in response to the uncertain outlook. Our large and diversified land bank, together with a predominance of single level villa construction, means we can increase our build rate quickly as market conditions become clearer.

### Australia

The COVID-19 outbreak in Melbourne is very serious and we are watching this closely but it does not significantly impact us at this stage given the early stage of our development activities there. If the outbreak does persist there is potential for some delays to our plans. We have lodged the development approval application for our first Australian retirement village, in Cranbourne North, Melbourne. We hope to receive approval this year and start preliminary earthworks before the year is out. Master planning and engagement with council over our Torquay site is also progressing positively.

### Villages and care

COVID-19 prevention has of course been the standout feature of our operations and care business over the last six months and this will continue going forward. Outside of this, performance in our care business continued to track well, with occupancy for the first six months of the year at 96.1% in our developed villages, versus 90% for the aged care sector overall. This is consistent with occupancy for the 2019 year.

### Our people

In the health and safety space, outside of COVID-19, we continue to focus on training and prevention of manual handling injuries for our care staff and will shortly introduce random drug and alcohol testing to all construction sites following trials. We have also changed the construction technique for flooring systems in multi-storey buildings to reduce falls risks.

### Summerset's place in the community

In April, we received accreditation as a dementia friendly organisation from Alzheimers New Zealand, reflecting 18 months of work to make our villages more accessible for those living with dementia.

### Sustainability

Summerset has achieved carbonzero status through a combination of carbon emission reduction targets across the business since 2018, and the purchase of carbon credits to offset our emissions for the last two years.

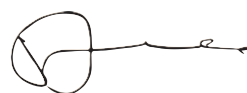
In January we renewed our carbonzero certification with Toitū Envirocare, recording a 7% reduction in carbon emissions intensity for 2019, based on a three-year rolling average. This was a positive result given we are only in our third year of the programme.

### Looking ahead

Like all New Zealanders, we were disappointed to hear of new COVID-19 cases in the community last week. At the time of writing we have put level three precautions in place across all of our Auckland villages and closed all of our care centres across the country to visitors. We are well prepared to ensure our residents are protected going forward.

After considering recent COVID-19 developments, the Board has declared an interim dividend of 6.0 cents per share. This reflects a 30% pay-out of underlying profit.

We would like to sincerely thank our residents, their families, and our staff for their understanding, resilience, and hard work over the last six months, most particularly during the COVID-19 lockdown.



**Rob Campbell**  
Chair



**Julian Cook**  
Chief Executive Officer



Latest dementia design principles have been used in developing  
Somerset's new Casebrook memory care centre



**We are proud to be  
Dementia Friendly**

Accredited by Alzheimers New Zealand

# Half Year Financial Highlights

## Results Highlights - Financial

	1H2020	1H2019	% Change	FY2019
Net profit before tax (NZ IFRS) (\$000)	(2,707)	92,082	-102.9%	173,561
Net profit after tax (NZ IFRS) (\$000)	988	92,601	-98.9%	175,262
Underlying profit (\$000) <sup>1</sup>	45,078	47,785	-5.7%	106,182
Total assets (\$000)	3,432,776	3,027,891	13.4%	3,337,882
Net tangible assets (cents per share)	491.29	470.47	4.4%	502.01
Net operating cash flow (\$000)	92,777	93,331	-0.6%	237,896

<sup>1</sup> Underlying profit differs from NZ IFRS profit for the period

## Results Highlights - Operational

	1H2020	1H2019	% Change	FY2019
New sales of occupation rights	128	136	-5.9%	329
Resales of occupation rights	136	142	-4.2%	323
New retirement units delivered	139	139	0.0%	354
Realised development margin (\$000)	17,429	27,108	-35.7%	60,973
Realised gains on resales (\$000)	15,699	14,305	9.7%	36,901

## Non-GAAP Underlying Profit

\$000	1H2020	1H2019	% Change	FY2019
Profit for the period <sup>1</sup>	988	92,601	-98.9%	175,262
Less: fair value movement of investment property <sup>1</sup>	14,657	(85,710)	-117.1%	(165,252)
Add: realised gain on resales	15,699	14,305	9.7%	36,901
Add: realised development margin	17,429	27,108	-35.7%	60,973
Add: deferred tax expense <sup>1</sup>	(3,695)	(519)	611.7%	(1,701)
<b>Underlying profit</b>	<b>45,078</b>	<b>47,785</b>	<b>-5.7%</b>	<b>106,182</b>

<sup>1</sup> Figure has been extracted from the financial statements

Underlying profit is a non-GAAP measure and differs from NZ IFRS profit for the period. Refer to note 2 of the financial statements for definitions of the components of underlying profit.



# Financial Statements

## Income Statement

For the six months ended 30 June 2020

	NOTES	6 MONTHS JUN 2020 UNAUDITED \$000	6 MONTHS JUN 2019 UNAUDITED \$000	12 MONTHS DEC 2019 AUDITED \$000
Care fees and village services		53,287	48,778	101,259
Deferred management fees		28,730	25,078	52,470
Interest received		22	156	217
<b>Total revenue</b>		<b>82,039</b>	<b>74,012</b>	<b>153,946</b>
Fair value movement of investment property	6	(14,657)	85,710	165,252
<b>Total income</b>		<b>67,382</b>	<b>159,722</b>	<b>319,198</b>
Operating expenses	3	(57,844)	(56,899)	(122,399)
Depreciation and amortisation expense		(3,927)	(3,915)	(7,833)
<b>Total expenses</b>		<b>(61,771)</b>	<b>(60,814)</b>	<b>(130,232)</b>
<b>Operating profit before financing costs</b>		<b>5,611</b>	<b>98,908</b>	<b>188,966</b>
Net finance costs		(8,318)	(6,826)	(15,405)
<b>(Loss)/profit before income tax</b>		<b>(2,707)</b>	<b>92,082</b>	<b>173,561</b>
Income tax credit	4	3,695	519	1,701
<b>Profit for the period</b>		<b>988</b>	<b>92,601</b>	<b>175,262</b>
Basic earnings per share (cents)	11	0.44	41.66	78.59
Diluted earnings per share (cents)	11	0.43	41.04	77.52

The accompanying notes form part of these financial statements.



## Statement of Comprehensive Income

For the six months ended 30 June 2020

	6 MONTHS JUN 2020 UNAUDITED	6 MONTHS JUN 2019 UNAUDITED	12 MONTHS DEC 2019 AUDITED
	\$000	\$000	\$000
<b>Profit for the period</b>	<b>988</b>	<b>92,601</b>	<b>175,262</b>
Fair value movement of interest rate swaps	(12,310)	(9,329)	(7,015)
Tax on items of other comprehensive income	3,447	2,612	1,964
(Loss)/gain on translation of foreign currency operations	(454)	56	266
<b>Other comprehensive income that will be reclassified subsequently to profit or loss for the period net of tax</b>	<b>(9,317)</b>	<b>(6,661)</b>	<b>(4,785)</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(8,329)</b>	<b>85,940</b>	<b>170,477</b>

*The accompanying notes form part of these financial statements.*

## Statement of Changes in Equity

For the six months ended 30 June 2020

	SHARE CAPITAL	HEDGING RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL EQUITY
	\$000	\$000	\$000	\$000	\$000	\$000
<b>As at 1 January 2019</b>	<b>269,467</b>	<b>(10,122)</b>	<b>24,941</b>	<b>694,508</b>	<b>5</b>	<b>978,799</b>
Adoption of NZ IFRS 16	-	-	-	(1,413)	-	(1,413)
<b>Adjusted balance at 1 January 2019</b>	<b>269,467</b>	<b>(10,122)</b>	<b>24,941</b>	<b>693,095</b>	<b>5</b>	<b>977,386</b>
Profit for the period	-	-	-	92,601	-	92,601
Other comprehensive loss for the period	-	(6,717)	-	-	56	(6,661)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>(6,717)</b>	<b>-</b>	<b>92,601</b>	<b>56</b>	<b>85,940</b>
Dividends paid	-	-	-	(16,091)	-	(16,091)
Shares issued	6,053	-	-	-	-	6,053
Employee share plan option cost	553	-	-	-	-	553
<b>As at 30 June 2019 (unaudited)</b>	<b>276,073</b>	<b>(16,839)</b>	<b>24,941</b>	<b>769,605</b>	<b>61</b>	<b>1,053,841</b>
Profit for the period	-	-	-	82,661	-	82,661
Other comprehensive income for the period	-	1,666	-	-	210	1,876
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>1,666</b>	<b>-</b>	<b>82,661</b>	<b>210</b>	<b>84,537</b>
Dividends paid	-	-	-	(14,495)	-	(14,495)
Shares issued	7,298	-	-	-	-	7,298
Employee share plan option cost	703	-	-	-	-	703
<b>As at 31 December 2019 (audited)</b>	<b>284,074</b>	<b>(15,173)</b>	<b>24,941</b>	<b>837,771</b>	<b>271</b>	<b>1,131,884</b>
Profit for the period	-	-	-	988	-	988
Other comprehensive loss for the period	-	(8,863)	-	-	(454)	(9,317)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>(8,863)</b>	<b>-</b>	<b>988</b>	<b>(454)</b>	<b>(8,329)</b>
Dividends paid	-	-	-	(17,342)	-	(17,342)
Shares issued	6,375	-	-	-	-	6,375
Employee share plan option cost	770	-	-	-	-	770
<b>As at 30 June 2020 (unaudited)</b>	<b>291,219</b>	<b>(24,036)</b>	<b>24,941</b>	<b>821,417</b>	<b>(183)</b>	<b>1,113,358</b>

The accompanying notes form part of these financial statements.

## Statement of Financial Position

As at 30 June 2020

	NOTES	6 MONTHS JUN 2020 UNAUDITED \$000	6 MONTHS JUN 2019 UNAUDITED \$000	12 MONTHS DEC 2019 AUDITED \$000
<b>Assets</b>				
Cash and cash equivalents		12,976	9,107	21,462
Trade and other receivables		24,675	30,171	36,662
Interest rate swaps		22,091	13,542	12,617
Property, plant and equipment	5	161,542	144,995	154,004
Intangible assets		5,774	6,211	6,123
Investment property	6	3,205,718	2,823,864	3,107,014
<b>Total assets</b>		<b>3,432,776</b>	<b>3,027,891</b>	<b>3,337,882</b>
<b>Liabilities</b>				
Trade and other payables		138,583	132,366	134,680
Employee benefits		11,455	8,485	11,434
Revenue received in advance		99,584	80,321	91,142
Interest rate swaps		33,385	23,387	21,075
Residents' loans	7	1,365,251	1,206,388	1,327,607
Interest-bearing loans and borrowings	9	654,846	499,794	597,081
Lease liability	8	10,937	10,256	10,460
Deferred tax liability	4	5,377	13,053	12,519
<b>Total liabilities</b>		<b>2,319,418</b>	<b>1,974,050</b>	<b>2,205,998</b>
<b>Net assets</b>		<b>1,113,358</b>	<b>1,053,841</b>	<b>1,131,884</b>
<b>Equity</b>				
Share capital		291,219	276,073	284,074
Reserves		722	8,163	10,039
Retained earnings		821,417	769,605	837,771
<b>Total equity attributable to shareholders</b>		<b>1,113,358</b>	<b>1,053,841</b>	<b>1,131,884</b>

The accompanying notes form part of these financial statements.

Authorised for issue on 14 August 2020 on behalf of the Board



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



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

## Statement of Cash Flows

For the six months ended 30 June 2020

	NOTE	6 MONTHS JUN 2020 UNAUDITED \$000	6 MONTHS JUN 2019 UNAUDITED \$000	12 MONTHS DEC 2019 AUDITED \$000
<b>Cash flows from operating activities</b>				
Receipts from residents for care fees and village services		52,904	48,654	101,116
Interest received		22	156	217
Payments to suppliers and employees		(55,847)	(57,486)	(116,811)
Receipts for residents' loans - new occupation right agreements		76,306	89,178	209,364
Net receipts for residents' loans - resales of occupation right agreements		19,392	12,829	44,010
<b>Net cash flow from operating activities</b>		<b>92,777</b>	<b>93,331</b>	<b>237,896</b>
<b>Cash flows to investing activities</b>				
(Payments for)/proceeds from investment property:				
- land		(10,873)	1,429	(57,344)
- construction of villages		(95,239)	(97,489)	(232,768)
- refurbishment of villages		(3,329)	(3,767)	(7,201)
Payments for property, plant and equipment:				
- construction of care centres		(5,688)	(5,010)	(15,413)
- refurbishment of care centres		(585)	(322)	(146)
- other		(2,478)	(1,758)	(3,172)
Payments for intangible assets		(184)	(162)	(567)
Capitalised interest paid		(5,085)	(5,438)	(10,800)
<b>Net cash flow to investing activities</b>		<b>(123,461)</b>	<b>(112,517)</b>	<b>(327,410)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from borrowings		41,592	37,832	135,636
Proceeds from issue of shares		165	324	2,215
Interest paid on borrowings		(7,682)	(6,370)	(13,549)
Payments in relation to lease liabilities		(733)	(607)	(1,264)
Dividends paid	12	(11,144)	(10,368)	(19,544)
<b>Net cash flow from financing activities</b>		<b>22,198</b>	<b>20,811</b>	<b>103,494</b>
Net (decrease)/increase in cash and cash equivalents		(8,486)	1,625	13,980
Cash and cash equivalents at beginning of period		21,462	7,482	7,482
<b>Cash and cash equivalents at end of period</b>		<b>12,976</b>	<b>9,107</b>	<b>21,462</b>

The accompanying notes form part of these financial statements.



## Reconciliation of Operating Results and Operating Cash Flows

For the six months ended 30 June 2020

	6 MONTHS JUN 2020 UNAUDITED	6 MONTHS JUN 2019 UNAUDITED	12 MONTHS DEC 2019 AUDITED
	\$000	\$000	\$000
<b>Profit for the period</b>	<b>988</b>	<b>92,601</b>	<b>175,262</b>
<b>Adjustments for:</b>			
Depreciation and amortisation expense	3,927	3,915	7,833
Fair value movement of investment property	14,657	(85,710)	(165,252)
Net finance costs paid	8,318	6,826	15,405
Income tax credit	(3,695)	(519)	(1,701)
Deferred management fee amortisation	(28,730)	(25,078)	(52,470)
Employee share plan option cost	781	559	271
Other non-cash items	(497)	62	1,256
	<b>(5,239)</b>	<b>(99,945)</b>	<b>(194,658)</b>
<b>Movements in working capital</b>			
Decrease/(increase) in trade and other receivables	640	(4,388)	(10,724)
Increase/(decrease) in employee benefits	179	(968)	1,980
Increase in trade and other payables	4,827	1,991	624
Increase in residents' loans net of non-cash amortisation	91,382	104,040	265,412
	<b>97,028</b>	<b>100,675</b>	<b>257,292</b>
<b>Net cash flows from operating activities</b>	<b>92,777</b>	<b>93,331</b>	<b>237,896</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

For the six months ended 30 June 2020

## 1. Summary of accounting policies

The consolidated interim financial statements presented for the six months ended 30 June 2020 are for Summerset Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"). The Group develops, owns and operates integrated retirement villages in New Zealand, including independent living, care centres with rest home and hospital-level care and memory care centres. The Group also owns land for development of retirement villages in Australia.

Summerset Group Holdings Limited is registered in New Zealand under the Companies Act 1993 and is an 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 consolidated 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, which is presented in addition to NZ GAAP compliant information. NZ GAAP in this instance being New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. These consolidated interim financial statements also comply with NZ IAS 34 – *Interim Financial Reporting* and IAS 34 – *Interim Financial Reporting*.

These consolidated 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 2019. The impact of COVID-19 has brought about no significant changes to the Group's accounting policies, other than additional disclosure around assumptions and judgements used by management and third parties, and confirmation of the accounting policy adopted in relation to government grants.

The consolidated interim financial statements for the six months ended 30 June 2020 are unaudited. They are presented in New Zealand dollars, which is the Company's and its New Zealand subsidiaries' functional currency. The functional currency of the Company's Australian subsidiaries is Australian dollars. All financial information has been rounded to the nearest thousand, unless otherwise stated.

### Segment reporting

The Group operates in one industry, being the provision of integrated retirement villages. The services provided across all of the Group's villages are similar, as are the type of customer and the regulatory environment. The chief operating decision makers, the Chief Executive Officer and the Board of Directors, review the operating results of the Group as a whole on a regular basis. On this basis, the Group has one reportable segment, and the Group results are the same as the results of the reportable segment. All resource allocation decisions across the Group are made to optimise the consolidated Group's result.

The Group continues to investigate expansion into Australia with two Australian sites purchased in 2019. It is intended that these sites will be developed into retirement villages. To date the expenditure incurred and assets acquired in Australia have been immaterial to the Group and as such are not reported as a separate operating segment as at 30 June 2020.

The Ministry of Health is a significant customer of the Group, as the Group derives care fee revenue in respect of eligible government subsidised aged care residents. Fees earned from the Ministry of Health for the period ended 30 June 2020 amounted to \$17.1 million (Jun 2019: \$15.7 million, Dec 2019: \$32.2 million). No other customers individually contribute a significant proportion of the Group revenue. All revenue is earned in New Zealand.

### Comparative information

No comparatives have been restated in the current period.

## Notes to the Financial Statements (continued)

### 2. Non-GAAP underlying profit

		6 MONTHS JUN 2020 UNAUDITED	6 MONTHS JUN 2019 UNAUDITED	12 MONTHS DEC 2019 AUDITED
	Ref	\$000	\$000	\$000
Profit for the period		988	92,601	175,262
Add/(less) fair value movement of investment property	a)	14,657	(85,710)	(165,252)
Add impairment of assets	b)	-	-	-
Add realised gain on resales	c)	15,699	14,305	36,901
Add realised development margin	d)	17,429	27,108	60,973
Less deferred tax credit	e)	(3,695)	(519)	(1,701)
<b>Underlying profit</b>		<b>45,078</b>	<b>47,785</b>	<b>106,182</b>

Underlying profit is a non-GAAP measure and differs from NZ IFRS profit for the period. Underlying profit does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The Directors have provided an underlying profit measure in addition to IFRS profit to assist readers in determining the realised and unrealised 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 a measure which the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend pay-out to shareholders.

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 profit for the period determined under NZ IFRS, adjusted for the impact of the following:

- Add/(less) fair value movement of investment property: reversal of investment property valuation changes recorded in NZ IFRS profit for the period, 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.
- Add/(less) impairment/(reversal of impairment) of assets: remove the impact of non-cash care centre valuation changes recorded in NZ IFRS profit for the period. Care centres are valued at least every three years (last 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 profit for the period. Where there is any impairment of a care centre, or reversal of a previous impairment that impacts NZ IFRS profit for the period, this is eliminated for the purposes of determining underlying profit.
- Add realised gain on resales: 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, with the recognition point being the cash settlement. Realised resale gains exclude deferred management fees and refurbishment costs.
- Add realised development margin: add realised development margin across all new sales of occupation rights during the period, with the recognition point being 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 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 within the retirement village (including a share of the proportionate costs listed above). This is because these areas 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.

Where costs are apportioned across more than one asset, the apportionment methodology is determined by considering the nature of the cost.

- e) Less deferred tax 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 profit for the period.

### 3. Operating expenses

	6 MONTHS JUN 2020 UNAUDITED	6 MONTHS JUN 2019 UNAUDITED	12 MONTHS DEC 2019 AUDITED
	\$000	\$000	\$000
Employee expenses	33,660	33,977	72,921
Property-related expenses	7,513	6,095	13,589
Repairs and maintenance expenses	2,409	2,418	5,185
Other operating expenses	14,262	14,409	30,703
<b>Total operating expenses</b>	<b>57,844</b>	<b>56,899</b>	<b>122,399</b>

During the period the Group received a \$8.7 million one-off government wage subsidy in relation to COVID-19. The subsidy related to a 12-week period between March and June 2020. A portion of the subsidy was capitalised, and the remaining balance was recorded as a deduction to employee expenses. The Group also received an additional \$0.7 million of funding as part of the Government's package to support residential aged care providers to keep COVID-19 at bay. This funding has been recorded as a deduction to other operating expenses.

Included in the above operating expenses is \$4.0 million of additional costs for measures to protect our residents and staff from COVID-19.

## Notes to the Financial Statements (continued)

## 4. Income tax

## (a) Income tax recognised in the income statement

	6 MONTHS JUN 2020 UNAUDITED \$000	6 MONTHS JUN 2019 UNAUDITED \$000	12 MONTHS DEC 2019 AUDITED \$000
<b>Tax expense comprises:</b>			
Deferred tax relating to the origination and reversal of temporary differences	(3,695)	(519)	(1,701)
<b>Total tax credit reported in income statement</b>	<b>(3,695)</b>	<b>(519)</b>	<b>(1,701)</b>

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	6 MONTHS JUN 2020 UNAUDITED \$000	%	6 MONTHS JUN 2019 UNAUDITED \$000	%	12 MONTHS DEC 2019 AUDITED \$000	%
<b>(Loss)/profit before income tax</b>	<b>(2,707)</b>		<b>92,082</b>		<b>173,561</b>	
Income tax using the corporate tax rate	(758)	28.0%	25,783	28.0%	48,597	28.0%
Capitalised interest	(1,503)	55.5%	(1,470)	(1.6%)	(2,935)	(1.7%)
Non-deductible expenses	234	(8.6%)	174	0.2%	399	0.2%
Non-assessable investment property revaluations	4,104	(151.6%)	(23,999)	(26.1%)	(46,271)	(26.7%)
Reinstatement of tax depreciation on non-residential buildings	(6,008)	221.9%	-	0.0%	-	0.0%
Other	236	(8.7%)	(1,007)	(1.1%)	(1,681)	(1.0%)
Prior period adjustments	-	0.0%	-	0.0%	190	0.1%
<b>Total income tax credit</b>	<b>(3,695)</b>	<b>136.5%</b>	<b>(519)</b>	<b>(0.6%)</b>	<b>(1,701)</b>	<b>(1.0%)</b>

Total Group tax losses available amount to \$208.3 million at 30 June 2020 (Jun 2019: \$145.1 million, Dec 2019: \$184.0 million). There are no unrecognised tax losses for the Group at 30 June 2020 (Jun 2019 and Dec 2019: nil).

## (b) Amounts charged or credited to other comprehensive income

	6 MONTHS JUN 2020 UNAUDITED \$000	6 MONTHS JUN 2019 UNAUDITED \$000	12 MONTHS DEC 2019 AUDITED \$000
<b>Tax expense comprises:</b>			
Fair value movement of interest rate swaps	(3,447)	(2,612)	(1,964)
<b>Total tax credit reported in statement of comprehensive income</b>	<b>(3,447)</b>	<b>(2,612)</b>	<b>(1,964)</b>

**(c) Imputation credit account**

There were no imputation credits received or paid during the half year and the balance at 30 June 2020 is nil (Jun 2019 and Dec 2019: nil).

**(d) Deferred tax**

Movement in the deferred tax balance comprises:

	BALANCE 1 JAN 2020	RECOGNISED IN INCOME	RECOGNISED IN OCI*	BALANCE 30 JUN 2020 UNAUDITED
	\$000	\$000	\$000	\$000
Property, plant and equipment	17,607	(5,775)	-	11,832
Investment property	29,188	3,210	-	32,398
Revenue in advance	23,479	5,740	-	29,219
Interest rate swaps	(5,901)	-	(3,447)	(9,348)
Income tax losses not yet utilised	(51,631)	(6,827)	-	(58,458)
Other items	(223)	(43)	-	(266)
<b>Net deferred tax liability</b>	<b>12,519</b>	<b>(3,695)</b>	<b>(3,447)</b>	<b>5,377</b>

	BALANCE 1 JAN 2019	RECOGNISED IN INCOME	RECOGNISED IN OCI*	BALANCE 30 JUN 2019 UNAUDITED
	\$000	\$000	\$000	\$000
Property, plant and equipment	17,062	81	-	17,143
Investment property	24,111	2,428	-	26,539
Revenue in advance	11,650	5,988	-	17,638
Interest rate swaps	(3,937)	-	(2,612)	(6,549)
Income tax losses not yet utilised	(31,802)	(8,920)	-	(40,722)
Other items	(900)	(96)	-	(996)
<b>Net deferred tax liability</b>	<b>16,184</b>	<b>(519)</b>	<b>(2,612)</b>	<b>13,053</b>

	BALANCE 1 JAN 2019	RECOGNISED IN INCOME	RECOGNISED IN OCI*	BALANCE 31 DEC 2019 AUDITED
	\$000	\$000	\$000	\$000
Property, plant and equipment	17,062	545	-	17,607
Investment property	24,111	5,077	-	29,188
Revenue in advance	11,650	11,829	-	23,479
Interest rate swaps	(3,937)	-	(1,964)	(5,901)
Income tax losses not yet utilised	(31,802)	(19,829)	-	(51,631)
Other items	(900)	677	-	(223)
<b>Net deferred tax liability</b>	<b>16,184</b>	<b>(1,701)</b>	<b>(1,964)</b>	<b>12,519</b>

\* Other comprehensive income



## Notes to the Financial Statements (continued)

### (e) Income tax legislation amendments during the period

During the period ended 30 June 2020, the Income Tax Act 2007 in New Zealand was amended to restore tax depreciation deductions for non-residential buildings. This amendment resulted in a \$6.0 million credit to tax expense during the period and a corresponding reduction in the deferred tax liability on property, plant and equipment.

## 5. Property, plant and equipment

### Impairment

The carrying amounts of the Group's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Summerset's care centres are disclosed as property, plant and equipment and are currently valued by CBRE every three years with the next valuation not due until 31 December 2020. Management has considered the fair value of these assets as at 30 June 2020 and determined there to be no indication of impairment on Summerset's care centres as a direct result of COVID-19 or any other event. The care centres are at a similar capacity to when the last valuation was performed in December 2017 and there has been no significant change in the revenue received. While expenses have increased, they have not increased by such a significant amount that would cause a need for impairment or a revaluation to be undertaken as at 30 June 2020.

## 6. Investment property

	6 MONTHS JUN 2020 UNAUDITED \$000	6 MONTHS JUN 2019 UNAUDITED \$000	12 MONTHS DEC 2019 AUDITED \$000
Balance at beginning of period	3,107,014	2,585,049	2,585,049
Additions	113,361	153,105	356,713
Fair value movement	(14,657)	85,710	165,252
<b>Total investment property</b>	<b>3,205,718</b>	<b>2,823,864</b>	<b>3,107,014</b>

	6 MONTHS JUN 2020 UNAUDITED \$000	6 MONTHS JUN 2019 UNAUDITED \$000	12 MONTHS DEC 2019 AUDITED \$000
Development land measured at fair value <sup>1</sup>	301,170	248,869	305,148
Retirement villages measured at fair value	2,629,485	2,360,299	2,580,855
Retirement villages under development measured at cost	275,063	214,695	221,011
<b>Total investment property</b>	<b>3,205,718</b>	<b>2,823,864</b>	<b>3,107,014</b>

<sup>1</sup> Included in development land is land excluded from the CBRE valuation of investment property. These pieces of land have been accounted for at cost, which has been determined to be fair value due to the proximity of the transaction to reporting date. At 30 June 2020 the land at cost was \$7.3 million (Jun 2019: \$77.3 million, Dec 2019: \$74.9 million).

	6 MONTHS JUN 2020 UNAUDITED	6 MONTHS JUN 2019 UNAUDITED	12 MONTHS DEC 2019 AUDITED
	\$000	\$000	\$000
Manager's net interest	1,740,883	1,537,155	1,688,265
Plus: revenue received in advance	99,584	80,321	91,142
Plus: liability for residents' loans	1,365,251	1,206,388	1,327,607
<b>Total investment property</b>	<b>3,205,718</b>	<b>2,823,864</b>	<b>3,107,014</b>

The Group is unable to reliably determine the fair value of the non-land portion retirement villages under development at 30 June 2020 and therefore these are carried at cost. This equates to \$275.1 million of investment property (Jun 2019: \$214.7 million, Dec 2019: \$221.0 million).

The fair value of investment property as at 30 June 2020 was determined by independent registered valuers CBRE Limited ("CBRE NZ") for villages including land in New Zealand and CBRE Valuations Pty Limited ("CBRE AU") for land in Australia. 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.

As required by NZ IAS 40 - *Investment Property*, the fair value as determined by the independent registered valuer is adjusted for assets and liabilities, such as residents' loans and revenue received in advance, already recognised on the balance sheet which are also reflected in the cash flow analysis.

To assess the fair value of the Group's interest in each New Zealand village, CBRE NZ has undertaken a cash flow analysis to derive a net present value. The Group's development land has been valued by CBRE NZ using the direct comparison approach. A desktop valuation was completed as at 30 June 2020.

The impact of COVID-19 has brought about changes to the way CBRE NZ and CBRE AU assess the fair value of the Group's investment property. The uncertainty around COVID-19 is having a direct impact on the retirement village sector, however the full scale of this impact is currently unknown and will largely depend on both the scale and longevity of the pandemic worldwide. Comparable transactions and market evidence since the pandemic are very limited and the valuation received is based on the information available at the date of valuation. Specifically, there have been changes to the assumptions and judgements used by CBRE NZ in their assessment. There is increased uncertainty around the underlying assumptions given the constantly changing nature of the situation and the time between the reporting date and the date of this half year report.

Significant assumptions used by the valuer in relation to the New Zealand investment property include a discount rate of between 13.5% and 16.5% (Jun 2019 and Dec 2019: between 13.5% and 16.5%) and a long-term nominal house price inflation rate (growth rate) of between -2.0% and 3.5% (Jun 2019 and Dec 2019 between 0% to 3.5%). Other assumptions used by the valuer include the average entry age of residents of between 72 years and 90 years (Jun 2019: 72 years and 89 years; Dec 2019: 72 years and 91 years) and the stabilised departing occupancy periods of retirement units of between 3.7 years and 8.9 years (Jun 2019: 3.7 years and 9.0 years; Dec 2019: 3.6 years and 8.8 years).

Other assumptions and judgements made by CBRE NZ that were a direct result of the COVID-19 pandemic include an adjustment to recycle frequencies in the early years of the discounted cash flows for the majority of independent living units. These have been adjusted to reflect CBRE NZ's view that there will be a temporary extension of resale periods and increased vacancy. Unit pricing remained unadjusted, as did terminal yields, which reflects CBRE NZ's view that the sector will remain unchanged in the long term.

A valuation was obtained for the first time at 30 June 2020 for the two sites in Australia. Both sites are under development and have been valued separately by CBRE AU. The Cranbourne North land was valued under the same methodology as development land in New Zealand. The Torquay land was valued under a modified direct comparison approach which takes into account the gross realisation of the proposed units 'as if complete'.

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*.

## Notes to the Financial Statements (continued)

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

To assess the market value of the Group's interest in a retirement village, CBRE NZ has undertaken a cash flow analysis to derive a net present value. As the fair value of investment property is determined using inputs that are significant and unobservable, the Group has categorised investment property as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 - *Fair Value Measurement*.

The sensitivities of the significant assumptions are shown in the table below:

	Adopted value <sup>1</sup>	Discount rate +50 bp	Discount rate -50 bp	Growth rates +50bp	Growth rates -50bp
<b>30 June 2020</b>					
Valuation (\$000)	945,650				
Difference (\$000)		(34,080)	36,330	59,576	(52,956)
Difference (%)		(3.6%)	3.8%	6.3%	(5.6%)
<b>30 June 2019</b>					
Valuation (\$000)	886,950				
Difference (\$000)		(31,710)	33,750	50,556	(39,026)
Difference (%)		(3.6%)	3.8%	5.7%	(4.4%)
<b>31 December 2019</b>					
Valuation (\$000)	963,530				
Difference (\$000)		(34,320)	36,610	57,812	(52,994)
Difference (%)		(3.6%)	3.8%	6.0%	(5.5%)

<sup>1</sup> Completed retirement units excluding unsold stock.

Other key components in determining the fair value of investment property are the average entry age of residents and the average occupancy of retirement units. A significant decrease (increase) in the occupancy period of retirement units would result in a significantly higher (lower) fair value measurement, and a significant increase (decrease) in the average entry age of residents would result in a significantly higher (lower) fair value measurement.

### Security

At 30 June 2020, all investment property relating to registered retirement villages under the Retirement Villages Act 2003 are subject to a registered first mortgage in favour of the Statutory Supervisor to secure the Group's obligations to the occupation right agreement holders.

## 7. Residents' loans

	6 MONTHS JUN 2020 UNAUDITED \$000	6 MONTHS JUN 2019 UNAUDITED \$000	12 MONTHS DEC 2019 AUDITED \$000
Balance at beginning of period	1,599,854	1,355,535	1,355,535
Net receipts for residents' loans - resales of occupation right agreements	5,290	5,812	26,294
Receipts for residents' loans - new occupation right agreements	78,029	89,178	218,025
<b>Total gross residents' loans</b>	<b>1,683,173</b>	<b>1,450,525</b>	<b>1,599,854</b>
Deferred management fees and other receivables	(317,922)	(244,137)	(272,247)
<b>Total residents' loans</b>	<b>1,365,251</b>	<b>1,206,388</b>	<b>1,327,607</b>

The fair value of residents' loans at 30 June 2020 is \$995.6 million (Jun 2019: \$846.6 million; Dec 2019: \$932.9 million). The method of determining fair value is disclosed in Note 15 of the Group's financial statements for the year ended 31 December 2019. 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*.

## 8. Leases

As a direct result of the COVID-19 pandemic the Group, as a lessee, received \$60,000 in rent concessions over the three-month period from April to June 2020. Management has applied the COVID-19 practical expedient, issued by the IASB in May 2020, and is accounting for the rent concessions as if they were not lease modifications. The rent concessions have instead been accounted for as a reduction to operating expenses.

## 9. Interest-bearing loans and borrowings

		6 MONTHS JUN 2020 UNAUDITED \$000	6 MONTHS JUN 2019 UNAUDITED \$000	12 MONTHS DEC 2019 AUDITED \$000
<b>Repayable after 12 months</b>				
Secured bank loans	Floating	409,912	264,335	362,139
Retail bond - SUM010	4.78%	100,000	100,000	100,000
Retail bond - SUM020	4.20%	125,000	125,000	125,000
<b>Total loans and borrowings at face value</b>		<b>634,912</b>	<b>489,335</b>	<b>587,139</b>
<b>Issue costs for retail bonds capitalised</b>				
Opening balance		(2,688)	(3,290)	(3,290)
Amortised during the period		301	301	602
<b>Total loans and borrowings at amortised cost</b>		<b>632,525</b>	<b>486,346</b>	<b>584,452</b>
Fair value adjustment on hedged borrowings		22,321	13,448	12,629
<b>Carrying value of interest-bearing loans and borrowings</b>		<b>654,846</b>	<b>499,794</b>	<b>597,081</b>

The weighted average interest rate for the six months to 30 June 2020 was 3.3% (Jun 2019: six-month average 3.7%; Dec 2019: 12-month average 3.9%). This includes the impact of interest rate swaps. 50.7% of the floating rate debt principal outstanding is hedged with interest rate swaps at 30 June 2020 (Jun 2019: 59.0%; Dec 2019: 48.9%).



## Notes to the Financial Statements (continued)

The secured bank loan facility at 30 June 2020 has a limit of approximately NZ\$750.0 million (Jun 2019: \$500.0 million; Dec 2019: \$500.0 million). Lending of NZ\$315.0 million expires in March 2022, AU\$120.0 million expires in November 2023 and NZ\$310.0 million expires in November 2024.

The Group has issued two retail bonds. The first retail bond was issued for \$100.0 million in July 2017 and has a maturity date of 11 July 2023. This retail bond is listed on the NZX Debt Market (NZDX) with the ID SUM010. The second retail bond was issued for \$125.0 million in September 2018 and has a maturity date of 24 September 2025. This retail bond is listed on the NZX Debt Market (NZDX) with the ID SUM020.

### Security

The banks loans, overdraft facility and retail bonds rank equally with the Group's other unsubordinated obligations and are secured by the following securities held by a security trustee:

- a first ranking registered mortgage over all land and permanent buildings owned (or leased under a registered lease) by each New Zealand-incorporated guaranteeing Group member that is not a registered retirement village under the Retirement Villages Act 2003;
- a second ranking registered mortgage over the land and permanent buildings owned (or leased under a registered lease) by each New Zealand-incorporated guaranteeing Group member that is a registered retirement village under the Retirement Villages Act 2003 (behind a first ranking registered mortgage in favour of the Statutory Supervisor);
- a first ranking registered mortgage over all land and permanent buildings owned (or leased under a registered lease) by each Australian-incorporated guaranteeing Group member;
- a General Security Deed, which secures all assets of the New Zealand-incorporated guaranteeing Group members, but in respect of which the Statutory Supervisor has first rights to the proceeds of security enforcement against all assets of the registered retirement villages to which the security trustee is entitled;
- a General Security Deed, which secures all assets of the Australian-incorporated guaranteeing Group members; and
- a Specific Security Deed in respect of each marketable security of Summerset Holdings (Australia) Pty Limited, held by Summerset Holdings Limited.

## 10. Financial Instruments

Exposure to credit, market and liquidity risk arises in the normal course of the Group's business. The Board reviews and agrees on policies for managing each of these risks and there has been no change to the policies presented in the Group's financial statements for the year ended 31 December 2019. The Group has seen no material change in its exposure to credit, market and liquidity risk as a result of the COVID-19 pandemic, but it will continue to monitor the situation. Further to this, given the Group's status as an 'essential service' during the COVID-19 pandemic, operations have been allowed to continue largely uninterrupted.

In January 2020 the Group completed a syndicated loan facility refinance, which brought the total bank debt facilities of the Group to approximately \$750.0 million. This is an increase from the \$500.0 million syndicated loan facility previously in place.

## 11. Earnings per share and net tangible assets

### Basic earnings per share

	6 MONTHS JUN 2020 UNAUDITED	6 MONTHS JUN 2019 UNAUDITED	12 MONTHS DEC 2019 AUDITED
Earnings (\$000)	988	92,601	175,262
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	224,907	222,258	223,006
<b>Basic earnings per share (cents per share)</b>	<b>0.44</b>	<b>41.66</b>	<b>78.59</b>

### Diluted earnings per share

	6 MONTHS JUN 2020 UNAUDITED	6 MONTHS JUN 2019 UNAUDITED	12 MONTHS DEC 2019 AUDITED
Earnings (\$000)	988	92,601	175,262
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	227,462	225,649	226,087
<b>Diluted earnings per share (cents per share)</b>	<b>0.43</b>	<b>41.04</b>	<b>77.52</b>

### Number of shares (in thousands)

	6 MONTHS JUN 2020 UNAUDITED	6 MONTHS JUN 2019 UNAUDITED	12 MONTHS DEC 2019 AUDITED
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	224,907	222,258	223,006
Weighted average number of ordinary shares issued under employee share plans	2,555	3,391	3,081
<b>Weighted average number of ordinary shares for the purpose of earnings per share (diluted)</b>	<b>227,462</b>	<b>225,649</b>	<b>226,087</b>

At 30 June 2020, there were a total of 2,540,811 shares issued under employee share plans held by Summerset LTI Trustee Limited (Jun 2019: 3,072,488 shares; Dec 2019: 2,577,328 shares).

### Net tangible assets per share

	6 MONTHS JUN 2020 UNAUDITED	6 MONTHS JUN 2019 UNAUDITED	12 MONTHS DEC 2019 AUDITED
Net tangible assets (\$000)	1,107,584	1,047,630	1,125,761
Shares on issue at end of period (basic and in thousands)	225,442	222,679	224,250
<b>Net tangible assets per share (cents per share)</b>	<b>491.29</b>	<b>470.47</b>	<b>502.01</b>

Net tangible assets are calculated as the total assets of the Group less intangible assets and less total liabilities. This measure is provided as it is commonly used for comparison between entities.

## Notes to the Financial Statements (continued)

### 12. Dividends

On 23 March 2020, a dividend of 7.7 cents per ordinary share was paid to shareholders (2019: on 21 March 2019 a dividend of 7.2 cents per ordinary share was paid to shareholders and on 9 September 2019 a dividend of 6.4 cents per ordinary share was paid to shareholders).

A dividend reinvestment plan applied to the dividend paid on 23 March 2020 and 1,155,370 ordinary shares were issued in relation to the plan (2019: 866,704 ordinary shares were issued in relation to the plan for the 21 March 2019 dividend and 928,017 ordinary shares were issued in relation to the plan for the 9 September 2019 dividend).

### 13. Commitments and contingencies

#### Guarantees

At 30 June 2020, NZX Limited held a guarantee in respect of the Group, as required by the NZX Listing Rules, for \$75,000 (Jun 2019 and Dec 2019: \$75,000).

Summerset Retention Trustee Limited holds guarantees in relation to retentions on construction contracts on behalf of the Group. At 30 June 2020 \$8.0 million was held for the benefit of the retentions beneficiaries (Jun 2019: \$7.5 million; Dec 2019: \$8.0 million).

#### Capital commitments

At 30 June 2020, the Group had \$145.9 million of capital commitments in relation to construction contracts (Jun 2019: \$75.6 million; Dec 2019: \$133.1 million).

#### Contingent liabilities

There were no known material contingent liabilities at 30 June 2020 (Jun 2019 and Dec 2019: nil).

### 14. Subsequent events

On 11 August 2020 the New Zealand Government announced that from midday 12 August 2020 Auckland would return to COVID-19 Alert Level 3 and the rest of New Zealand to Alert Level 2 for three days. On 14 August 2020 it was announced that these settings would continue until 11.59pm 26 August 2020. No adjustments have been made to the financial statements.

On 14 August 2020, the Directors approved an interim dividend of \$13.7 million, being 6.0 cents per share. The dividend record date is 31 August 2020 with payment on 11 September 2020.

On 17 August 2020, 137,174 shares will be issued to participating employees under Summerset's all staff employee share scheme. 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.

There have been no other events subsequent to 30 June 2020 that materially impact on the results reported.



Chartered Accountants

## 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 11 to 28, which comprise the statement of financial position of the group as at 30 June 2020 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the group for the six month 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.

Other than in our capacity as auditor we have no 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 11 to 28, do not present fairly, in all material respects, the financial position of the group as at 30 June 2020 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 2020 and our findings are expressed as at that date.

Ernst &amp; Young

Wellington

14 August 2020



# Directory

## New Zealand

### Northland

#### Summerset Whangarei

Wanaka Street, Tikipunga,  
Whangarei 0112  
Phone (09) 470 0282

### Auckland

#### Summerset Falls

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

#### Summerset Milldale <sup>1</sup>

Argent Lane, Milldale,  
Wainui 0992  
Phone (0800) 786 637

#### 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 2019  
Phone (09) 272 3950

#### Summerset at Karaka

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

#### Summerset Parnell <sup>1</sup>

23 Cheshire Street, Parnell,  
Auckland 1052  
Phone (09) 950 8212

#### Summerset St Johns

188 St Johns Road, St Johns,  
Auckland 1072  
Phone (09) 950 7982

### Waikato – Taupo

#### Summerset down the Lane

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

#### Summerset Rototuna

39 Kimbrae Drive,  
Rototuna North 3281  
Phone (07) 981 7822

#### Summerset by the Lake

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

#### Summerset Cambridge <sup>1</sup>

80 Laurent Road,  
Cambridge 3493  
Phone (07) 839 9482

### Bay of Plenty

#### Summerset by the Sea

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

#### Summerset by the Dunes

22 Manawa Road,  
Papamoa Beach, Tauranga 3118  
Phone (07) 542 9082

<sup>1</sup> Proposed villages

## Hawke's 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 Palms**

Corner Eriksen Road and Kenny Road,  
Te Awa, Napier 4110  
Phone: (06) 833 5852

### **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

### **Summerset at Pohutukawa Place**

Pohutukawa Place, Bell Block,  
New Plymouth 4312  
Phone (06) 824 8532

## Manawatu – 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**

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

## Wellington

### **Summerset Waikanae <sup>1</sup>**

Park Avenue,  
Waikanae 5036  
Phone (04) 293 0002

### **Summerset on the Coast**

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

### **Summerset on the Landing**

Bluff Road, Kenepuru,  
Porirua 5022  
Phone (04) 230 6722

### **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

### **Summerset Lower Hutt <sup>1</sup>**

Boulcott's Farm, Military Road,  
Lower Hutt 5010  
Phone (04) 568 1442

## Nelson – Tasman

### **Summerset in the Sun**

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

### **Summerset Richmond Ranges**

1 Hill Street North, Richmond,  
Tasman 7020  
Phone (03) 744 3432

## Marlborough

### **Summerset Blenheim <sup>1</sup>**

183 Old Renwick Road, Springlands,  
Blenheim 7272  
Phone (03) 520 6042

<sup>1</sup> Proposed villages

## Canterbury

### **Summerset Rangiora <sup>1</sup>**

141 South Belt, Waimakariri,  
Rangiora 7400  
Phone (03) 364 1312

### **Summerset at Wigram**

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

### **Summerset at Avonhead**

120 Hawthornden Road, Avonhead,  
Christchurch 8042  
Phone (03) 357 3202

### **Summerset on Cavendish**

147 Cavendish Road, Casebrook,  
Christchurch 8051  
Phone (03) 741 3340

### **Summerset Prebbleton <sup>1</sup>**

578 Springs Road,  
Prebbleton 7676  
Phone (03) 353 6312

## Otago

### **Summerset at Bishopscourt**

36 Shetland Street, Wakari,  
Dunedin 9010  
Phone (03) 950 3102

## Australia

## Victoria

### **Summerset Cranbourne North <sup>1</sup>**

1435 Thompsons Road,  
Cranbourne North,  
Melbourne, Australia  
Phone (1800) 321 700

### **Summerset Torquay <sup>1</sup>**

Grossmans Road and Briody Drive,  
Torquay,  
Victoria, Australia  
Phone (1800) 321 700







# 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, 2000  
Australia

### Auditor

Ernst & Young

### Solicitor

Russell McVeagh

### Bankers

ANZ Bank New Zealand Limited  
Australia and New Zealand Banking Group Limited  
Bank of New Zealand  
National Australia Bank  
Commonwealth Bank of Australia  
Westpac New Zealand Limited  
Westpac Banking Corporation  
Industrial and Commercial Bank of China (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  
Dr Marie Bismark  
Venasio-Lorenzo Crawley  
James Ogden  
Gráinne Trouté  
Anne Urlwin  
Dr Andrew Wong

### Company Secretary

Robyn Heyman

# Our villages

- Completed villages
- In development
- Proposed villages





[summerset.co.nz](http://summerset.co.nz)  
[summerset.com.au](http://summerset.com.au)

# Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Results for announcement to the market		
Name of issuer	Summerset Group Holdings Limited	
Reporting Period	6 months to 30 June 2020	
Previous Reporting Period	6 months to 30 June 2019	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$82,039	10.8%
Total Revenue	\$82,039	10.8%
Net profit/(loss) from continuing operations after tax	\$988	-98.9%
Total net profit/(loss) after tax	\$988	-98.9%
Underlying profit*	\$45,078	-5.7%
Interim/Final Dividend		
Amount per Quoted Equity Security	\$0.06 per Ordinary Share	
Imputed amount per Quoted Equity Security	Not imputed	
Record Date	31 August 2020	
Dividend Payment Date	11 September 2020	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$4.91	\$5.02
A brief explanation of any of the figures above necessary to enable the figures to be understood	<p>See also other attached documents (half year report, media release, results presentation and distribution notice).</p> <p>* Underlying profit is a non-GAAP measure and differs from NZ IFRS profit for the period. Underlying profit does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The Directors have provided an underlying profit measure in addition to IFRS profit to assist readers in determining the realised and unrealised 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 a measure which the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend pay-out to shareholders.</p>	



Authority for this announcement	
Name of person authorised to make this announcement	Robyn Heyman
Contact person for this announcement	Robyn Heyman
Contact phone number	027 506 5562
Contact email address	robyn.heyman@summerset.co.nz
Date of release through MAP	17 August 2020

Unaudited financial statements accompany this announcement.

Please note: all cash amounts in this form should be provided to 8 decimal places

Section 1: Issuer information				
Name of issuer	Summerset Group Holdings Limited			
Financial product name/description	Ordinary Shares			
NZX ticker code	SUM			
ISIN (If unknown, check on NZX website)	NZSUME0001S0			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year		Quarterly	
	Half Year	X	Special	
	DRP applies	X		
Record date	31/08/2020			
Ex-Date (one business day before the Record Date)	28/08/2020			
Payment date (and allotment date for DRP)	11/09/2020			
Total monies associated with the distribution <sup>1</sup>	\$13,687,213.14000000			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution <sup>2</sup>	\$0.06000000			
Total cash distribution <sup>3</sup>	\$0.06000000			
Excluded amount (applicable to listed PIEs)	\$0.00000000			
Supplementary distribution amount	\$0.00000000			
Section 3: Imputation credits and Resident Withholding Tax <sup>4</sup>				
Is the distribution imputed	No imputation			
If fully or partially imputed, please state imputation rate as % applied	N/A			
Imputation tax credits per financial product	N/A			
Resident Withholding Tax per financial product	\$0.01980000			

<sup>1</sup> Continuous issuers should indicate that this is based on the number of units on issue at the date of the form

<sup>2</sup> "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (RWT).

<sup>3</sup> "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should include any excluded amounts, where applicable to listed PIEs.

<sup>4</sup> The imputation credits plus the RWT amount is 33% of the gross distribution for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross distribution with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.

Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	2%	
Start date and end date for determining market price for DRP	01/09/2020	07/09/2020
Date strike price to be announced (if not available at this time)	08/09/2020	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	New issue	
DRP strike price per financial product	TBA	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	01/09/2020	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Robyn Heyman	
Contact person for this announcement	Robyn Heyman	
Contact phone number	+64 27 506 5562	
Contact email address	robyn.heyman@summerset.co.nz	
Date of release through MAP	17/08/2020	