



Summerset Group Holdings Limited
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23 FEBRUARY 2021

STOCK EXCHANGE ANNOUNCEMENT

SUMMERSET GROUP HOLDINGS LIMITED (SNZ) 2020 FULL YEAR RESULT AND ANNUAL REPORT

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

- Media release;
- Results presentation;
- Annual report (including audited financial statements for the year ended 31 December 2020);
- NZX results announcement form;
- NZX distribution notice (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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NZX & ASX RELEASE

23 FEBRUARY 2021

SUMMERSET POSTS \$98.3M FULL YEAR UNDERLYING PROFIT

- Underlying profit for FY20 of NZ\$98.3 million, down 7% on FY19
- Net profit after tax of NZ\$230.8 million, up 32% on FY19
- Total assets of NZ\$3.9 billion, up 17% on FY19
- 785 total sales of occupation rights, up 20% on FY19
- 356 new units delivered, up from 354 for FY19
- Land bank total of 5,129 retirement units and 863 care units across NZ and Australia
- Gearing ratio of 32.6%, down from 33.3% at FY19
- Final dividend of NZ 7.0 cents per share

Retirement village operator Summerset Group Holdings Limited today announced a full year underlying profit for the year ending 31 December 2020 of NZ\$98.3 million, down 7% on FY19.

Net (IFRS) profit after tax, which includes the impact of unrealised movements in the fair value of investment property, was up 32% on FY19 at NZ\$230.8 million.

Summerset Chief Executive Julian Cook said it had been a strong year for Summerset despite the COVID-19 pandemic.

“Summerset has maintained strong profitability and resilience throughout 2020.”

Mr Cook said underlying profit was down on the previous year due to expenditure on measures to keep residents safe from COVID-19 plus increases in employee wages.

“Despite the COVID-19 pandemic and lockdown, we have performed well. This is testament to New Zealand’s effective public health response, the Summerset team, our handling of the pandemic, and the underlying strength of Summerset’s business,” he said.

In 2020, Summerset opened next-generation main buildings in Christchurch and Hamilton and new retirement villages in Tauranga (Papamoa Beach), Napier (Te Awa) and New Plymouth (Bell Block).

It completed 356 units built across nine sites despite the closure of construction sites due to the COVID-19 lockdown.

Summerset now has 32 villages completed or in development and continues to have the largest land bank in the sector. The number of residents increased from just over 5,500 at the end of 2019 to over 6,200 as at 31 December 2020.

Summerset’s care business continued its strong performance over 2020 with occupancy at 96% in established care centres. Resident satisfaction was also steady at industry-leading levels of 97% for care residents and 95% for retirement village residents.



Summerset continued to build on its commitment to sustainability. It is now in its third year as a certified Toitū carbonzero organisation and set a new science-based carbon reduction target in 2020.

Looking ahead, Mr Cook said Summerset expected to open main buildings in its Richmond (Nelson) and Avonhead (Christchurch) retirement villages in 2021. The 9,000m² main buildings include extensive village amenities such as a swimming pool, gym and movie theatre, a care centre and memory care centre, and serviced apartments.

A 32% increase in net profit after tax was driven by an investment property revaluation uplift of NZ\$221.1 million on Summerset's retirement village assets for the year. The investment property valuation as at 31 December 2020 has rebounded strongly since the previous valuation as at 30 June 2020 when the residential property market was forecast to fall by up to 10% as a result of the COVID-19 pandemic.

The board has declared an unimputed final dividend of NZ7.0 cents per share. The record date will be Tuesday 9 March 2021 and the payment date will be Monday 22 March 2021. This brings the total dividend payment for 2020 to NZ13.0 cents per share. The dividend reinvestment plan will apply to the dividend, with a discount of 2% applicable to those shareholders participating in the plan.

ENDS

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ABOUT SUMMERSET

- Summerset is one of the leading operators and developers of retirement villages in New Zealand, with 32 villages completed or in development across the country. In addition, Summerset has eight sites for development in Half Moon Bay (Auckland), Milldale (Auckland), Parnell (Auckland), Prebbleton (Canterbury), Rangiora (Canterbury), Waikanae (Kapiti Coast), Blenheim (Marlborough), and Cambridge (Waikato), plus two sites in Victoria, Australia. This brings the total number of properties to 42.
- It provides a range of living options and care services to more than 6,200 residents.
- The Summerset Group has villages in Aotea, Avonhead, Bell Block, Casebrook, Dunedin, Ellerslie, Hamilton, Hastings, Havelock North, Hobsonville, Karaka, Katikati, Kenepuru, Levin, Lower Hutt, Manukau, Napier, Nelson, New Plymouth, Palmerston North, Papamoa Beach, Paraparaumu, Richmond, Rototuna, St Johns, Taupo, Te Awa, Trentham, Wanganui, Warkworth, Whangarei and Wigram.

Full year results presentation

Full Year Report 2020



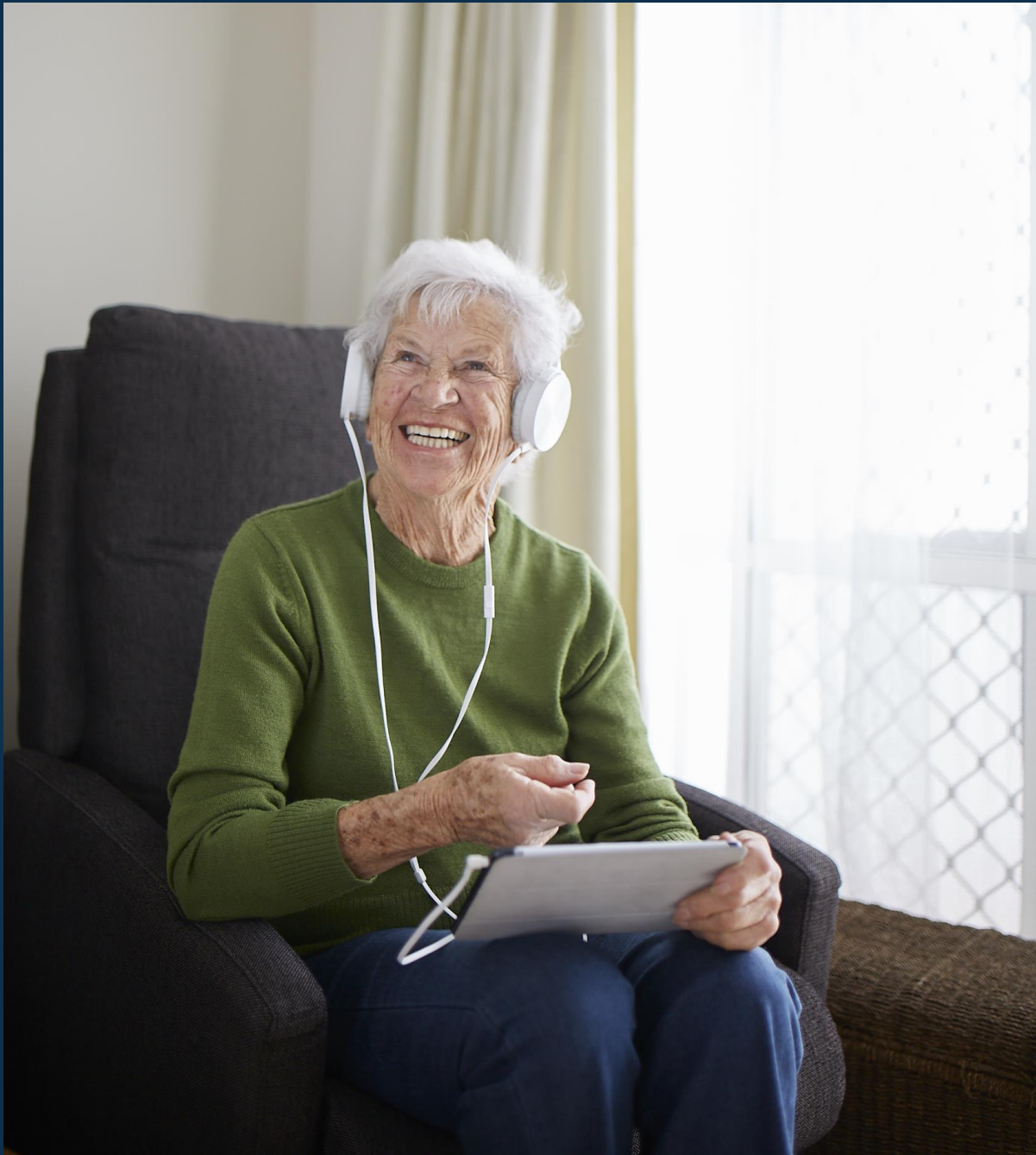
Summerset at Heritage Park

Agenda

- 01 Our highlights
- 02 Strategic update
- 03 Business overview
- 04 Financial results
- 05 Final dividend
- 06 Appendix

Our highlights

FY20



FY20 Summary

Key result highlights

- Continued focus on the COVID-19 pandemic to ensure the safety of our residents and staff
- Underlying profit for FY20 of \$98.3m
- Net profit after tax (NZ IFRS) of \$230.8m, up 32% on FY19
- Operating cash flows of \$266.8m
- Gearing ratio of 32.6%, down from 33.3% at FY19 and underpinned by strong financial discipline across FY20
- Record new and resale settlements of 785 units, up 20% on FY19
- Delivered 356 new units and 79 care beds relative to guidance of 300 to 350 units
- Expect a New Zealand build rate in the range of 500 to 550 units and around 50 care beds in FY21
- Opened three new villages in Papamoa Beach (Tauranga), Te Awa (Napier) and Bell Block (New Plymouth)
- Completed detailed design for our Cranbourne North village in Melbourne. The village will offer a full continuum of care to residents setting us apart from many Australian competitors
- Final dividend of 7.0 cents per share declared



Summerset at Monterey Park

FY20 result snapshot

IFRS net profit after tax of \$230.8m resulting in a 20% growth in company equity



\$98.3m

Underlying profit

FY19 \$106.2m



\$266.8m

Net operating cash flows

FY19 \$237.9m



\$230.8m

Net profit after tax

FY19 \$175.3m



\$3.9b

Total assets

FY19 \$3.3b



32.6%

Gearing ratio

FY19 33.3%



\$1.0b

Retained earnings

FY19 \$837.8m



356

New units
delivered in FY20

FY19 354



785

Sales of occupation
rights

FY19 652



6,171

New Zealand and Australia
land bank (including care)

FY19 6,206

Looking back – Our year in review

A showcase of key events from the past year



January

Earthworks start at St Johns site in Auckland

February

\$20,000 raised by staff and residents for Australian bush fire victims

March

Our next-generation village centre at Casebrook, Christchurch opened
Start of COVID-19 nationwide lockdown

April

Dementia friendly accreditation awarded

May

Construction sites fully back up and running after COVID-19 lockdown

June

New Plymouth's Bell Block village launched

Looking back – Our year in review

A showcase of key events from the past year



July

Connect speaker series restarts with our first virtual event

August

University of Otago student Riria Mohi-Dewhirst awarded Summerset's first Waitaha Te Houhou health scholarship
Second COVID-19 lockdown (Auckland)

September

First residents moved into Papamoa Beach village
\$150 million retail bond issue

October

Summerset enters NZ Aged Care Association Awards, winning staff training award
Half Moon Bay purchased in Auckland

November

Lower Hutt resource consent received

December

Rototuna main building opened
First residents moved into Bell Block village
Richmond extension purchased

Strategic update

FY20

8

Our strategy

Summerset builds, owns and operates integrated retirement villages

- 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

Our strategy



Bringing the best of life



Growth

We look for expansion opportunities and returns for our shareholders



Our people

We want to create a great place to work, where our people can thrive



Our customers

We continually improve and enhance our offering to residents



Wellbeing



Innovation



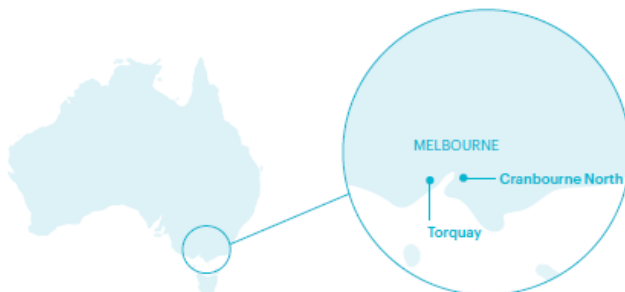
Sustainability

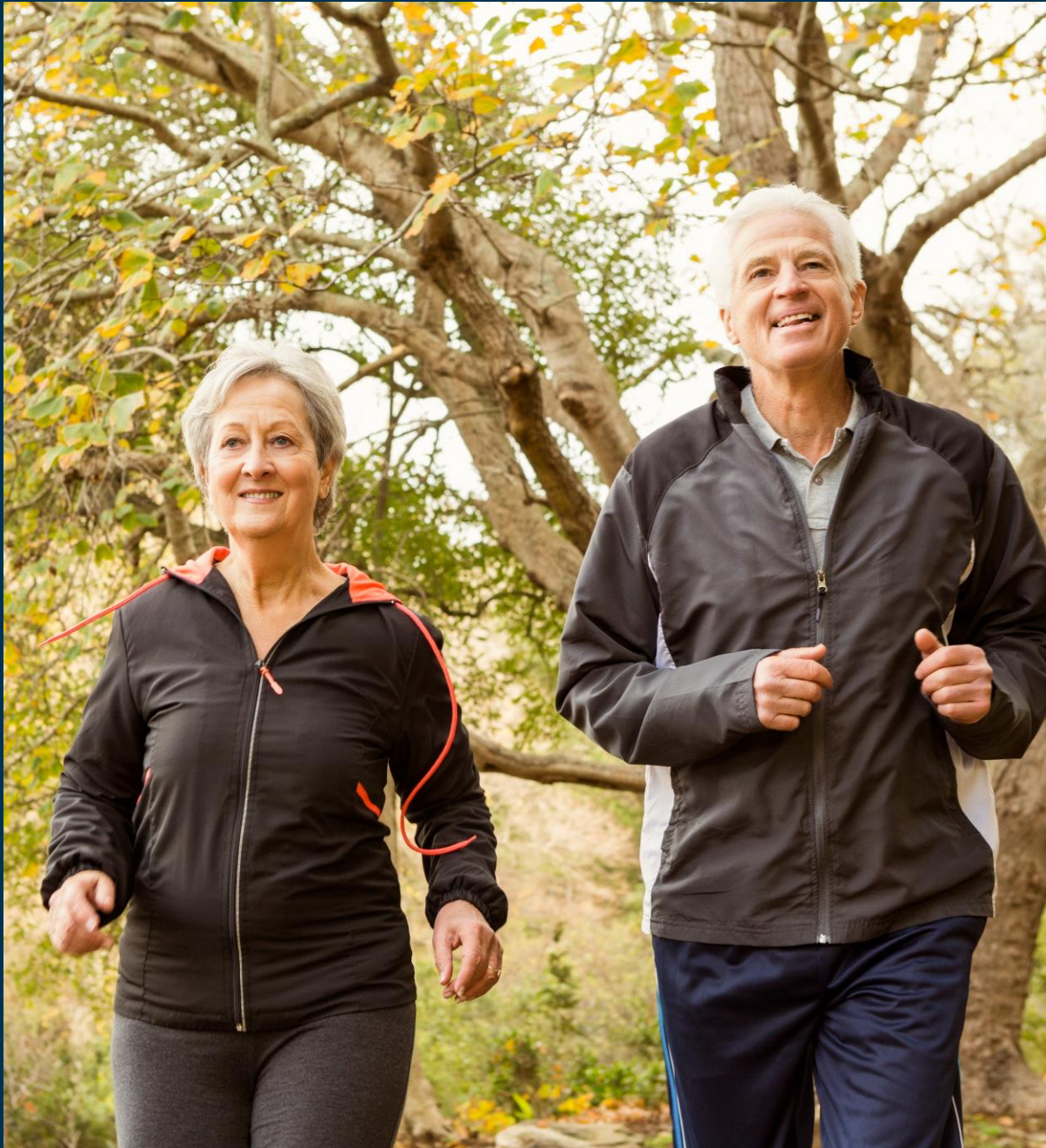
Our strategic goals are underpinned by our desire to bring increased **wellbeing** to our customers and staff, by harnessing the power of **innovation** and weaving **sustainability** into our work

Summerset snapshot

Diversified portfolio throughout New Zealand

- 23 years of consistent delivery and asset growth
- Total assets have grown more than six times since listing on the NZX in 2011
- Portfolio of 4,442 units and 915 care beds, home to more than 6,200 residents
- 32 villages completed or under development
- Opened two new concept main buildings, in Casebrook and Rototuna
- 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 5,612 units and beds (6,171 including Australia)
- Our land bank includes 364 memory care apartments and 499 care suites to be sold under occupation right agreement and 179 premium care beds





Business overview

FY20



Our people

6,200+

Residents

1,800+

Staff members

95%

Village resident satisfaction



Our care

97%

Care resident satisfaction

972

57 care units and 915 care beds in portfolio

1,042

863 care units and 179 care beds in land bank



Our portfolio

4,442

Total units in portfolio

5,992

Units in land bank

\$3.9b

Total assets

COVID-19 update

Prevention of COVID-19 remains our focus

- Our priority throughout 2020 was on keeping our residents and staff safe from the COVID-19 global pandemic
- New Zealand's effective public health response resulted in zero cases to date in our villages and care centres
- We look forward to the rollout of the COVID-19 immunisation programme, due in 2021
- Summerset invested \$9.2 million into preventative measures to keep residents and staff throughout 2020. This included over \$0.7 million spent on additional personal protective equipment
- Employed over 160 extra staff during lockdown to maintain care levels
- Implemented pay increases for April-May lockdown period for care staff
- Provided security at all village gates to screen visitors
- Required staff and approved visitors to undergo temperature checks and wear face masks
- Increased cleaning regimes and established a safe food delivery service direct to our residents front doors
- We have seen the attraction of our villages enhanced throughout 2020 as prospective residents focused on both security and community, we remain well positioned moving forward



Our residents

Bringing the best of life to residents every day

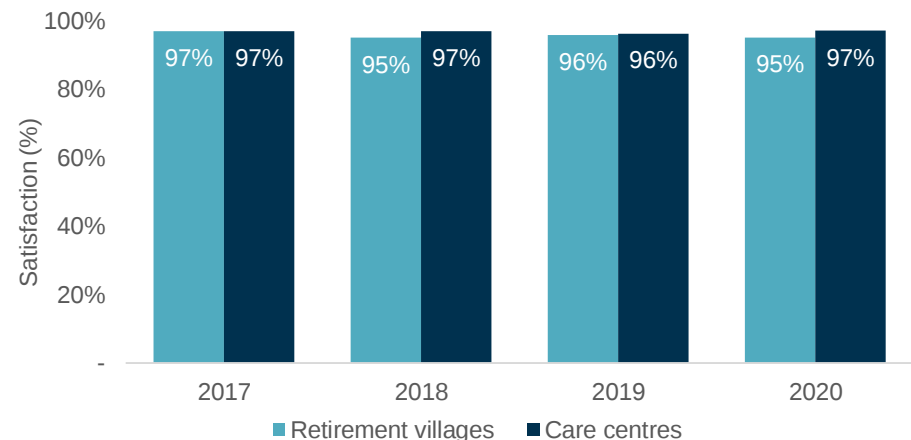
- Our care centres achieved 97% resident satisfaction with 95% for our retirement village residents in our 2020 survey
- Enhanced focus on resident wellbeing, with the development of an online wellness centre to help residents stay healthy and mentally active
- Introduced our signature fitness programme designed specifically for over-70's and accredited as a falls prevention class by the Ministry of Health and ACC
- Continued our 3-year partnership with Dementia NZ
- 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
- Held our second series of 'Understanding Dementia' talks and imported New Zealand's first Tovertafel – an interactive lightshow providing stimulation for people with cognitive impairments
- Continued our popular speaker series which included Olympic boardsailor Barbara Kendall and comedians Ginette McDonald and Pinky Agnew
- Increased in house food services team to support the consistent delivery of high quality food services to residents and visitors



OUR RESIDENTS

Bringing the best of life to our residents every day — resulting in high levels of resident satisfaction

Resident satisfaction



Our staff

Significant investment in staff development and training

- Winners of the Training and Staff Development Award at the NZ Aged Care Association Excellence in Care Awards
- Finalist in the HR New Zealand Awards for Talent Acquisition with the winner announced in March 2021
- Launched our Care Centre Manager and Clinical Nurse Lead leadership development programme
- Implemented a Construction Management Mentorship Programme
- Awarded our first Summerset Graduate Nursing Scholarship, in partnership with the University of Otago
- Introduced a new online learning system that provides staff with easy access to user friendly training modules
- Staff engagement increased to 7.8 out of 10 with a participation rate of 86% (up from 7.7 in 2019)
- Positive reduction in staff turnover with retention improving to 82% across FY20, up from 76% in FY19
- Progressed our diversity and inclusion strategy with a three year plan developed and approved by the Board
- Reaccredited for tertiary status in ACC's Accredited Employers Programme, driving our commitment to be leaders in health and safety



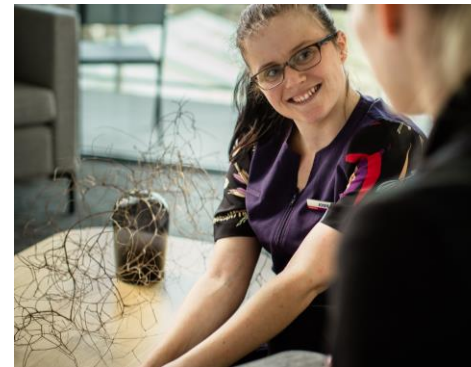
OUR PEOPLE

People are the heart of Summerset. Our values are:

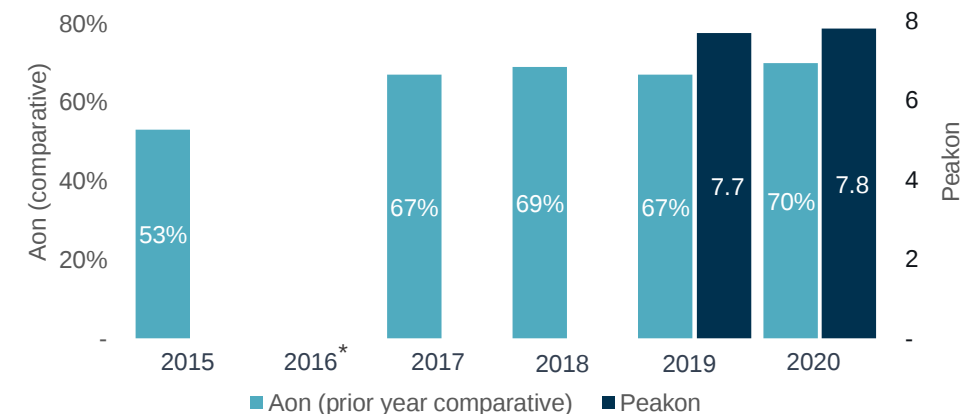
Strong enough to care

One team

Strive to be the best



Staff Engagement



* No survey completed in FY16

Our environment

Environmental performance and sustainability

- Continued to build on our commitment to sustainability throughout 2020
- Achieved an environmental, social and governance rating of AA from Morgan Stanley and submitted a non-scored survey to the Carbon Disclosure Project (CDP)
- Renewed our carbonzero certification with Toitū Envirocare in 2020, are New Zealand's first carbonzero™ certified retirement village operator
- From 2018 our carbon emissions have been independently audited by Toitū Envirocare to the ISO14064-1 standard
- We are the only New Zealand retirement village operator to include resident emissions within our carbon reduction programme
- In FY20 we gained membership to the New Zealand Green Building Council and are a signatory to the Climate Leaders Coalition
- Only retirement village operator to have set a science-aligned carbon reduction target, in line with the Global Paris Agreement, to reduce emissions by 62% by 2032
- We continue to focus on reducing our construction and operations waste and have achieved a 25% reduction in waste per resident going to landfill compared to 2017



OUR ENVIRONMENT

Every day we focus on:

Minimising waste

Increasing energy efficiency

Being more sustainable





Summerset Half Moon Bay (Auckland)



Summerset Richmond Extension (Nelson - Tasman)

Our new sites

One new site and one extension added to our land bank in FY20

- Acquisition of 2.8ha of land in Half Moon Bay to be home to our ninth Auckland village, first in eastern Auckland
- Acquisition of a 1.5ha extension to our highly successful Richmond village in Nelson



Richmond Extension,
Nelson - Tasman



Approximately 34
independent homes



Half Moon Bay,
Auckland



Approximately 274
independent homes



Rest home and
hospital-level care



Memory care centre

Summerset Cranbourne North (Melbourne)



Development - Australia

Substantial investment into growing our Australian team

- Appointed the heads of our design, sales and operations teams for Victoria throughout 2020
- Good progress on our Cranbourne North village:
 - Development approval expected shortly with preliminary earthworks to follow
 - Sales and marketing launch set for March 2021, including a show villa available for prospective residents to view from July 2021
 - Village expected to welcome first residents in late 2021/early 2022
- Summerset has been approved to provide residential aged care and home care services in Australia
- Our villages will offer a full continuum of care in Australia, which sets us apart from many Australian competitors
- We have developed a household model of care with no more than 18 residents in a household
- We continue to monitor COVID-19 developments in Victoria but it has not adversely affected progress to date



Summerset Richmond Ranges (Richmond)



Summerset on the Landing (Kenepuru, Wellington)

Development - New Zealand

Significant progress in executing our New Zealand development strategy

- Now have a total of 13 villages in construction across nine regions in New Zealand, up from seven in construction in 2018
- Delivered 356 units, two main buildings and 79 care beds in FY20
- Lodged Resource Consent for Blenheim, Cambridge, Parnell, Prebbleton, Rangiora and Waikanae
- Received Resource Consent approval for our Lower Hutt village and plan change approval for Rangiora
- Welcomed our first residents into three new villages at Papamoa Beach (Tauranga), Te Awa (Napier) and Bell Block (New Plymouth)
- Earthworks started on three new villages in Whangarei, St Johns (Auckland) and Lower Hutt
- Progressed final apartment block in Ellerslie, due for completion in early 2021
- Progressed main buildings in Richmond and Avonhead and apartment blocks in Kenepuru, all due for completion in 2021
- Expected FY21 New Zealand build rate of between 500 and 550 units and 50 care beds



Summerset by the Dunes (Papamoa Beach, Tauranga)



Summerset Palms (Te Awa, Napier)



Summerset at Pohutukawa Place (Bell Block, New Plymouth)



Summerset St Johns (Auckland)



New main building

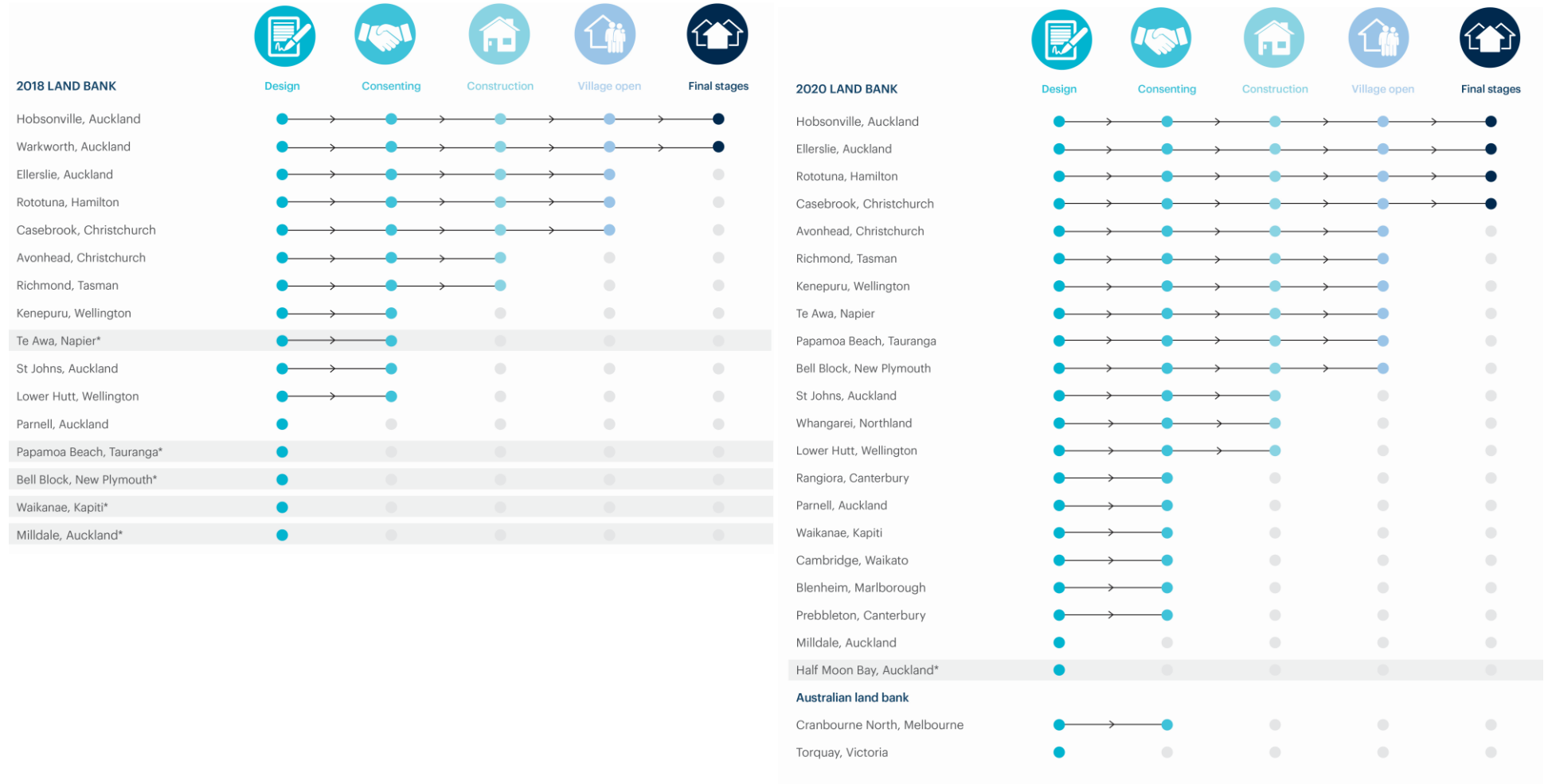
A vibrant community hub that forms the heart of our villages

- Completed two main buildings at our Casebrook and Rototuna villages
- These buildings reflect the evolution of our village centre design and provide a focal point to bring our residents, staff, families and friends together
- At 9,000m² our new main buildings are almost double the size of those in our earlier villages
- They include a state-of-the-art memory care centre for people living with dementia
- The building includes;
 - a fully certified care centre
 - serviced apartments
 - memory care centre
 - swimming pool and gymnasium
 - resident lounges, café, bar and dining rooms
 - library, theatre, hobby room and beauty salon



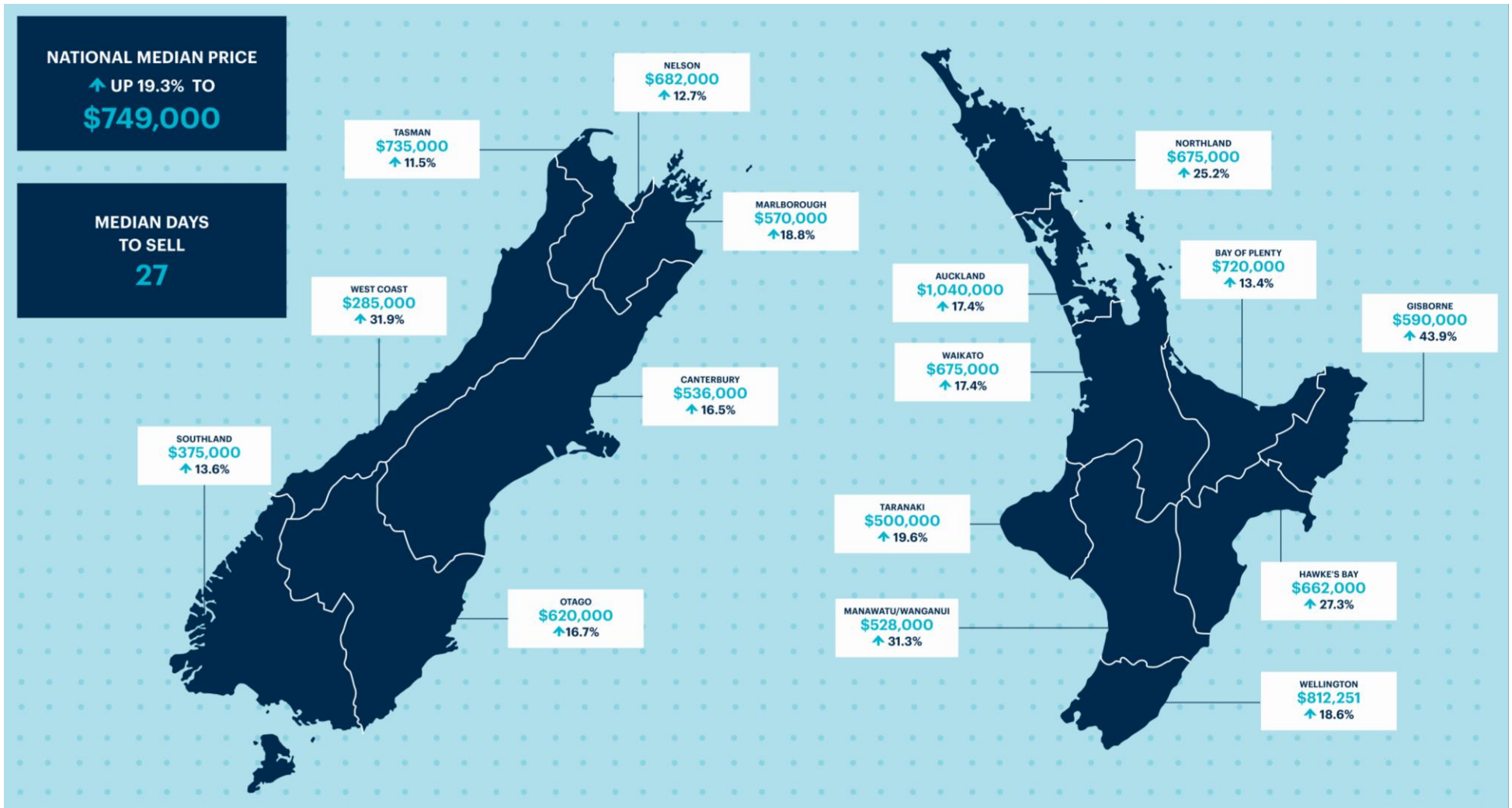
Development Pipeline (2018 to 2020)

Diversified development pipeline has grown from 16 sites in FY18 to 23 sites in FY20



House price inflation

REINZ annual residential house price inflation in New Zealand, national median price \$749k (record), up 19.3%



Retirement unit delivery

Delivered 356 units and 79 care beds in FY20 across nine sites

- 356 total units and 79 care beds were delivered across nine villages in FY20
- FY20 deliveries weighted towards the second half with 154 units (43%) delivered in Q4
- Completed two new main buildings, in Casebrook and Rototuna
- First seven care suites to be sold under ORA delivered as part of the main building in Rototuna
- Opened three new villages with first stages delivered in:
 - Bell Block (New Plymouth)
 - Papamoa Beach (Tauranga)
 - Te Awa (Napier)

356

Total units delivered

79

Care beds delivered

Unit delivery	Villas	Serviced apartments	Memory care apartments	Care suites	Total units*	Care beds
Avonhead	26	-	-	-	26	-
Bell Block	10	-	-	-	10	-
Casebrook	24	56	20	-	100	43
Ellerslie	2	-	-	-	2	-
Kenepuru	10	-	-	-	10	-
Papamoa Beach	21	-	-	-	21	-
Richmond	37	-	-	-	37	-
Rototuna	27	56	20	7	110	36
Te Awa	40	-	-	-	40	-
Total	197	112	40	7	356	79

* Total units include all units to be sold under occupation right agreement

Development margin

Realised development margin of \$48.2m, with a 20% development margin

- Full year realised development margin of \$48.2m
- Development margin of 20% achieved for FY20 and reflective of the following:
 - The settlement of a higher number of serviced and memory care apartments, up 59% on FY19
 - Fewer Auckland settlements and the continued sell down of the final delivered units in our Auckland villages
- Settlements of new occupation rights were around 26% in our Auckland villages relative to FY19 where 50% were in Auckland
- We continue to achieve good margins across our villa stages on all sites
- For FY21, we expect development margins to be at the lower end of our medium term target range of 20% to 25%

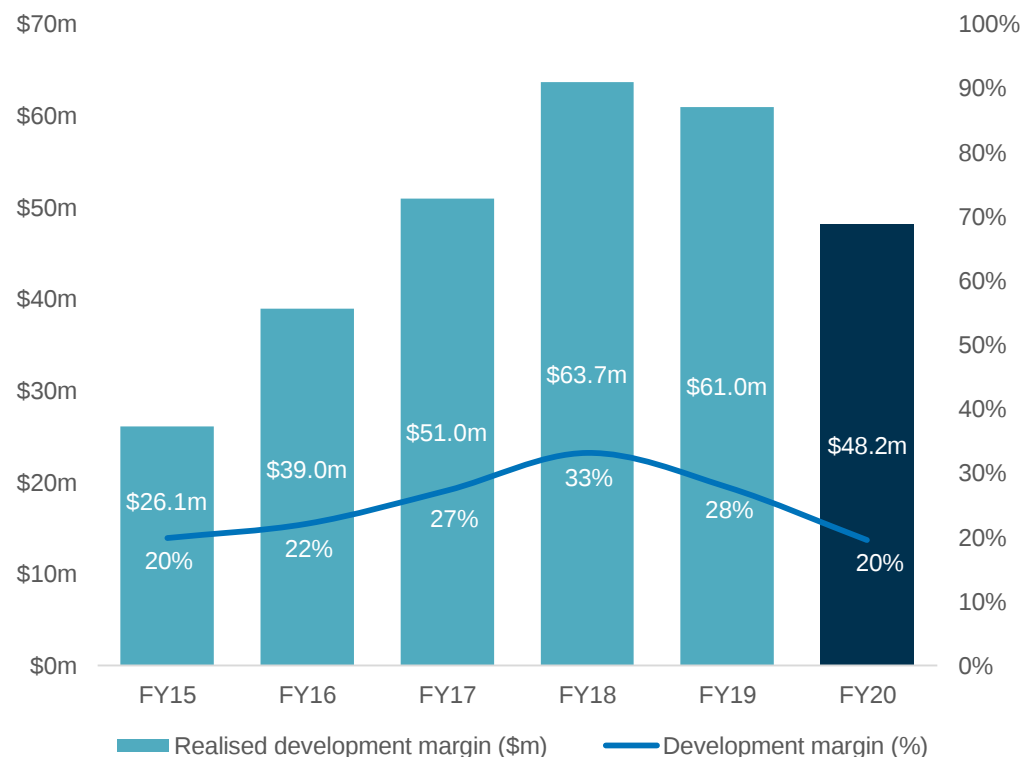
20%

Development margin

\$48.2m

Realised margin

Realised development margin



New sales

404 new sales in the period, record gross proceeds of \$245.4m

- 404 new sales of occupation rights in FY20, up 23% from FY19
- Record gross proceeds of \$245.4m, up 12%
- Average gross proceeds per new sale settlement of \$607k, down from \$665k in FY19 driven by a more balanced delivery of units outside of Auckland
- Strong demand seen in our newly opened villages with first residents moving in to Bell Block (New Plymouth), Papamoa Beach (Tauranga) and Te Awa (Napier) villages

404

New sale of occupation rights

\$245.4m

Gross proceeds

New sales	FY20	FY19	Variance	FY18
Gross proceeds (\$m)	245.4	218.7	12%	192.0
Villas	264	216	22%	235
Apartments	58	62	(6%)	16
Serviced apartments	63	51	24%	87
Memory care apartments	18	-	-	1
Care suites	1	-	-	-
Total occupation rights	404	329	23%	339

New sales stock

Uncontracted stock down 33% from FY19

- Uncontracted new sale stock of 179 units, down from 266 at FY19 (-33%)
- Of the 179 uncontracted stock, 67 (37%) were associated with the delivery of Rototuna's main building in late November
- Uncontracted stock as a percentage of total portfolio is now at the lowest level since 2016
- New sale stock has benefitted from strong sales rates in 2H20, contracted new sale stock now at highest ever levels
- Strong demand seen for villa, apartment and care suite stock with less than 85 delivered units still available for sale across all villages
- A total of 152 serviced and memory care apartments delivered in FY20 across Casebrook and Rototuna

179

Uncontracted stock

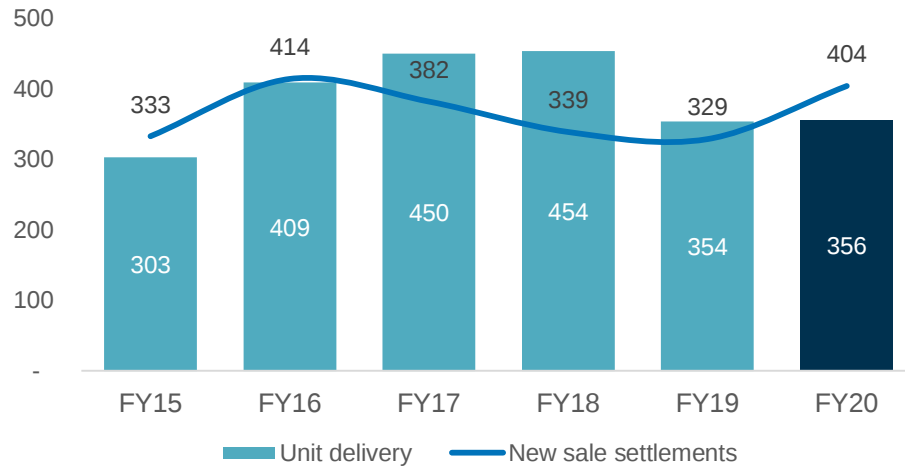
4.0%

Percentage of uncontracted stock

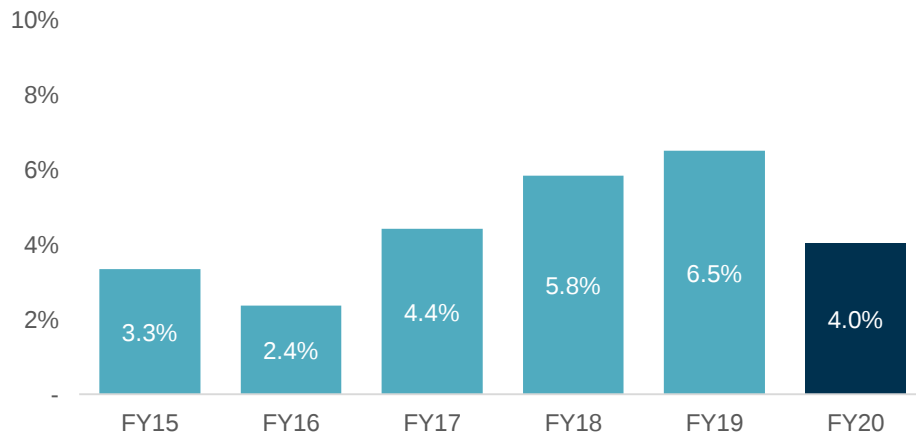
New sales stock	FY20	FY19	FY18
Contracted	117	78	101
Uncontracted	179	266	218
Total new sales stock	296	344	319
Contracted	78	59	45
Uncontracted	61	147	102
Villas	139	206	147
Contracted	20	11	38
Uncontracted	20	87	47
Apartments	40	98	85
Contracted	13	8	18
Uncontracted	76	32	69
Serviced apartments	89	40	87
Contracted	3	-	-
Uncontracted	19	-	-
Memory care apartments	22	-	-
Contracted	3	-	-
Uncontracted	3	-	-
Care suites	6	-	-

New sales performance

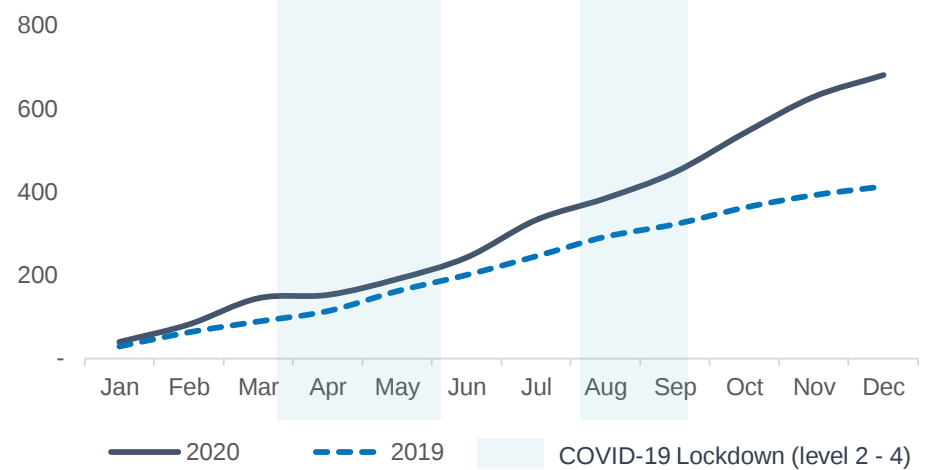
New sale settlements and unit delivery



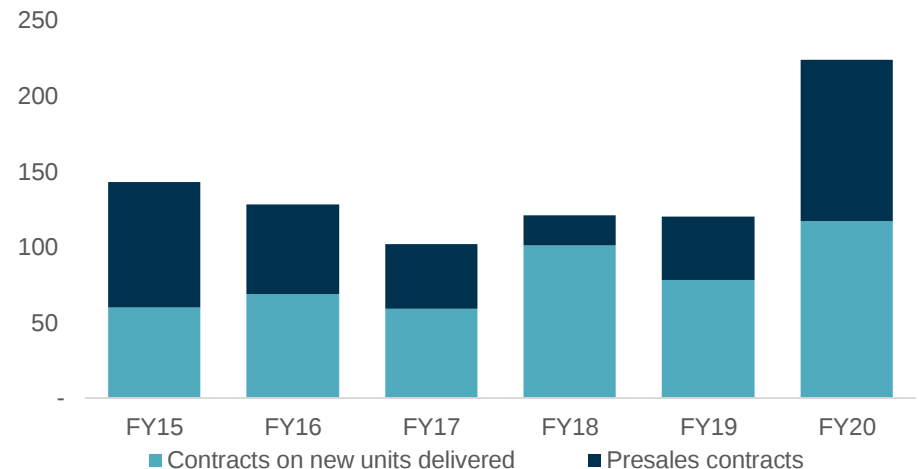
Uncontracted new sales stock as % of portfolio



Annual new sales contracts



Committed new sales pipeline



Resales

Record realised gain of \$46.1m, up 25%

- Resales of 381 occupation rights in FY20, up from 323 in FY19 (18%)
- Record realised resale gain of \$46.1m
- Gross proceeds of \$176.8m, up 23% on FY19
- Average gross proceeds per resale settlement of \$464k, up 4% from \$445k in FY19
- Embedded value of \$199k per unit, as at 31 December 2020, up from \$184k as at 31 December 2019
- Embedded resale gain of \$125k per unit, total embedded resale gain now \$556.9m

381

Resale of occupation rights

\$46.1m

Realised resale gain

Resales	FY20	FY19	Variance	FY18
Gross proceeds (\$m)	176.8	143.7	23%	122.2
Realised resale gains (\$m)	46.1	36.9	25%	28.7
Realised resale gains (%)	26%	26%	1%	24%
DMF realisation (\$m)	24.0	18.9	27%	15.0
Villas	200	173	16%	163
Apartments	46	31	48%	48
Serviced apartments	129	118	9%	87
Memory care apartments	6	1	500%	3
Care Suites	-	-	-	-
Total occupation rights	381	323	18%	301

Resales stock

Available resales stock remain at low levels

- Resales stock remains low with 105 retirement units under contract and 73 retirement units uncontracted at FY20
- Contracted stock has increased from 54 units at FY19 to 105 at FY20, up 94%
- We continue to see strong demand for resale units with available units contracting quickly and contracted resales stock at record levels
- Waitlist numbers continue to increase, up 17% on FY19

73

Uncontracted stock

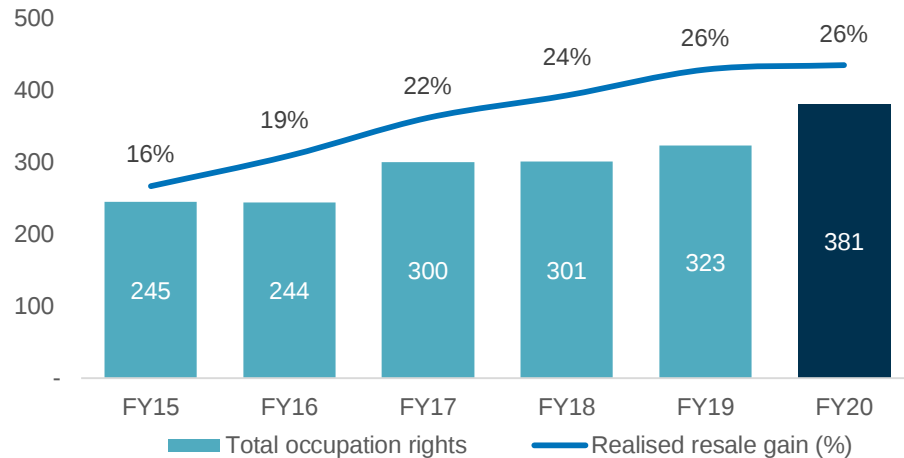
1.6%

Percentage of uncontracted stock

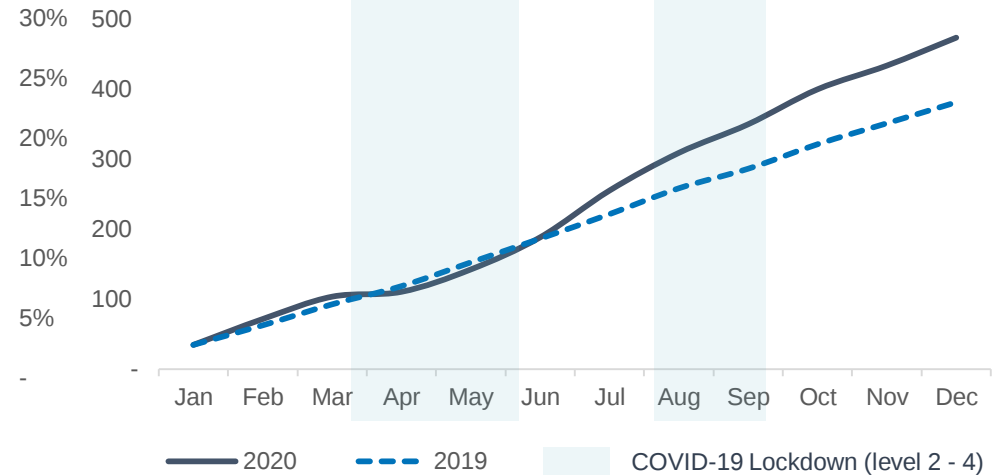
Resales stock	FY20	FY19	FY18
Contracted	105	54	58
Uncontracted	73	78	53
Total resales stock	178	132	111
Contracted	62	29	27
Uncontracted	13	35	33
Villas	75	64	60
Contracted	12	5	6
Uncontracted	18	15	3
Apartments	30	20	9
Contracted	29	20	24
Uncontracted	42	25	17
Serviced apartments	71	45	41
Contracted	2	-	1
Uncontracted	-	3	-
Memory care apartments	2	3	1
Contracted	-	-	-
Uncontracted	-	-	-
Care suites	-	-	-

Resales performance

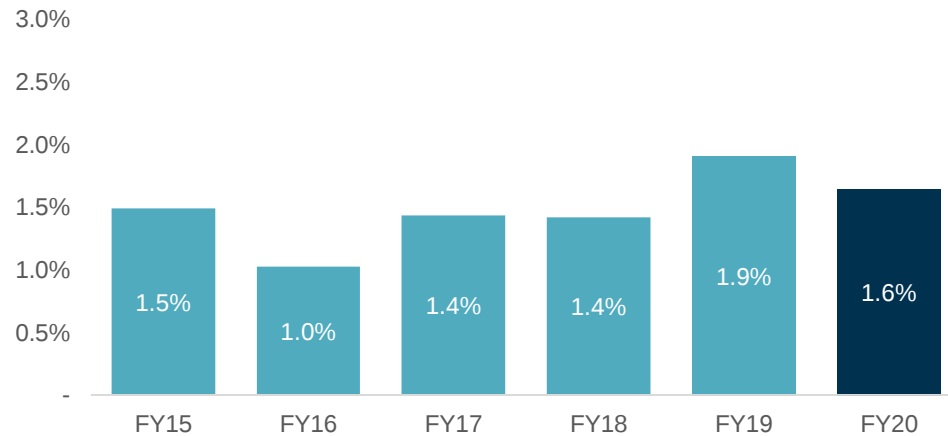
Realised resale gain and volume



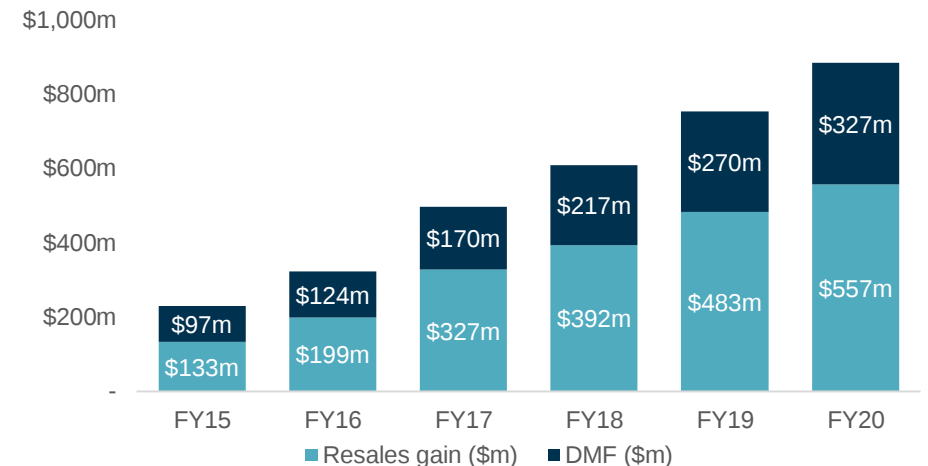
Annual resales contracts



Uncontracted resales stock as % of portfolio



Embedded value



Financial results

FY20

32



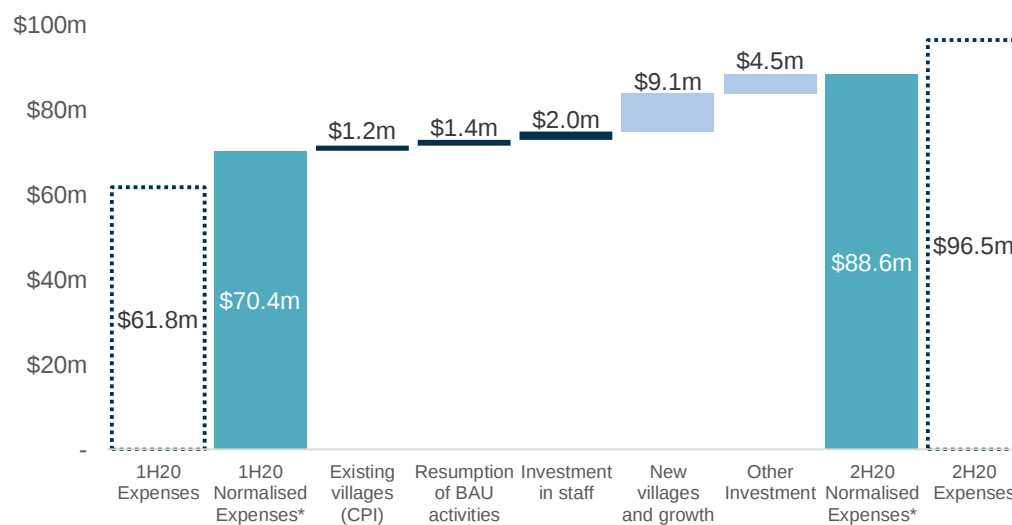
Summerset Falls

Reported profit (IFRS)

- IFRS NPAT of \$230.8m, up 32% on FY19
- Fair value movement of investment property of \$221.1m, including \$66.7m from new unit deliveries
- Total revenue of \$172.4m, up 12% relative to FY19
- Total expenses of \$158.3m include the following:
 - \$9.2m on response to COVID-19 pandemic, including \$0.8m on PPE equipment
 - \$9.5m relating to the opening of three new villages and the continued sell down of our developing sites
 - \$4.1m on previously signalled wage increases for all village and care staff
- Net finance costs underpinned by movement in market interest rates, the issuance of our third bond and increased capitalisation to construction projects

NZ\$m	FY20	FY19	Variance	FY18
Total revenue	172.4	153.9	12%	137.0
Fair value movement of investment property	221.1	165.3	34%	209.9
Total income	393.6	319.2	23%	346.9
Total expenses	158.3	130.2	22%	119.1
Net finance costs	13.5	15.4	(12%)	11.6
Net profit before tax	221.7	173.6	28%	216.2
Tax expense / (credit)	(9.0)	(1.7)	432%	1.7
Net profit after tax	230.8	175.3	32%	214.5

Movement in total expenses: 1H20 vs 2H20



* Normalised expenses excludes impact of wage and MOH subsidies

Fair value movement

- FY20 fair value movement of \$221.1m, up 33.8% on FY19
- Fair value movement has been driven by:
 - Unit pricing (\$76.6m): reflecting the tailwinds seen in the residential property market across the second half of 2020
 - New units built (\$66.7m): value of new units delivered in FY20
 - Growth rates (\$34.4m) and discount rates (\$5.3m): Changes to assumptions used by the valuers. Short term growth rate assumptions remain modest relative to residential housing market indicators
 - Stock discount assumptions. Reversal of previous discount applied to stock settled in FY20 (\$35.4m)
 - Other movements (\$2.7m): Change in all other valuers assumptions
- Refer to the appendices (slide 47 and 48) for key assumptions associated with the investment property valuation

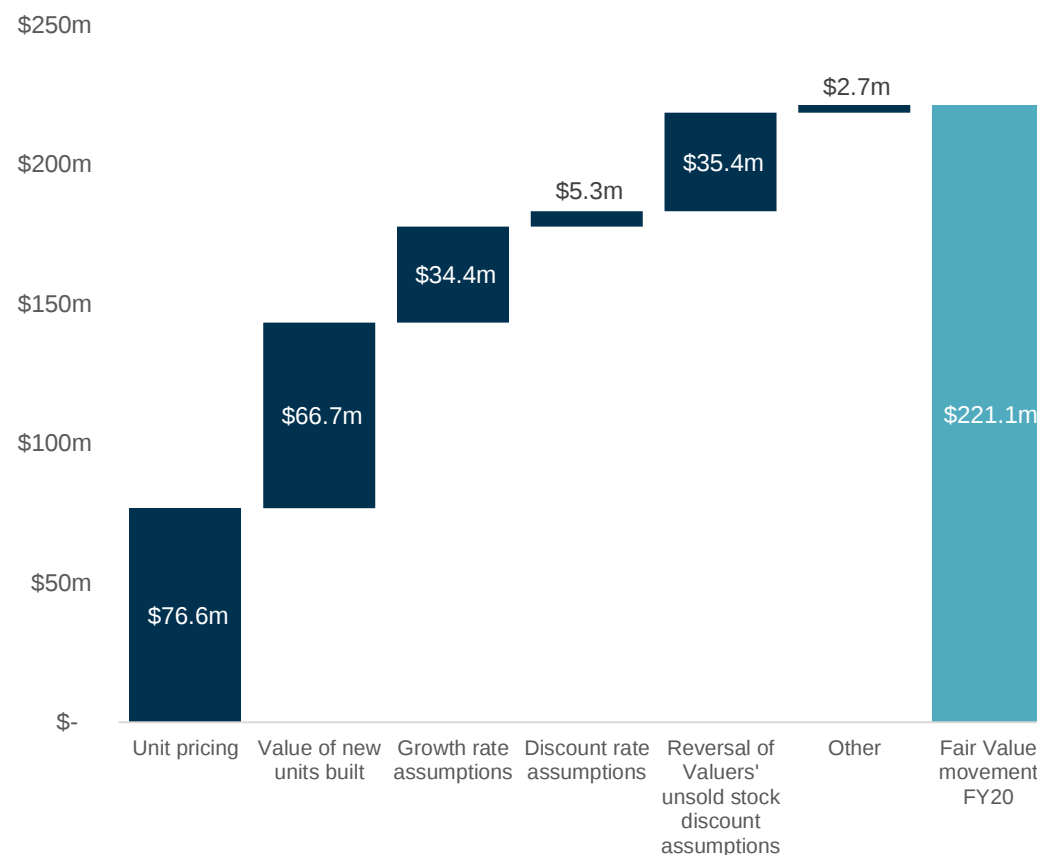
\$221.1m

Fair value movement

33.8%

Increase on FY19 ▲

Fair value movement of investment property FY20



Underlying profit

- Underlying profit of \$98.3m, down 7% on FY19
- This includes expenditure on our response to the COVID-19 pandemic. Excluding this, underlying profit would be \$107.5m, up \$1.3m on FY19
- The result was underpinned by record performance in operating earnings across our core business functions in FY20;
 - Care fees and village services of \$111.6m, up 10%
 - Deferred management fee of \$60.8m, up 16%
 - Realised gain on resales of \$46.1m achieved in FY20, up 25%
- Realised development margin of \$48.2m, reflective of the settlement of more serviced and memory care apartments and fewer Auckland settlements
- Underlying profit has seen an annual compounded increase of 32% since listing on the NZX in 2011

\$98.3m

Underlying profit ▼ 7%

\$9.2m

Additional COVID-19 expenditure

NZ\$m	FY20	FY19	Variance	FY18
Care fees and village services	111.6	101.3	10%	91.2
Deferred management fees	60.8	52.5	16%	45.6
Realised gain on resales	46.1	36.9	25%	28.7
Realised development margin	48.2	61.0	(21%)	63.7
Other income and interest received	0.1	0.2	(76%)	0.2
Total income	266.7	251.8	6%	229.4
Operating expenses	146.8	122.4	20%	112.4
Depreciation and amortisation	8.1	7.8	3%	6.7
Net finance costs	13.5	15.4	(12%)	11.6
Total expenses	168.4	145.6	16%	130.8
Underlying profit	98.3	106.2	(7%)	98.6

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, impairment 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 audited 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.

Cash flows

- Net operating cash flows of \$266.8m, up from \$237.9m at FY19
- Net operating business cash flow of \$29.8m, up 5% on FY19 and inclusive of expenditure on COVID-19 response
- Net receipts from resales were up \$17.3m on FY19 driven by uplift in resales margins and volumes
- Investing cash out flows include construction progress on larger commercial buildings to be delivered in FY21, namely:
 - Main buildings in Avonhead and Richmond
 - Apartments in Ellerslie and Kenepuru
- Other investing cash out flows in FY20 primarily reflects our investment in:
 - Upgrading our assist call systems across our villages
 - Fitout of our new Casebrook and Rototuna care centres
 - Additional IT equipment to support staff working from home

\$266.8m

Net operating cash flows

12%

Increase on FY19 ▲

NZ\$m	FY20	FY19	Variance	FY18
Net operating business cash flow	29.8	28.5	5%	30.5
Receipts for residents' loans - new sales	237.0	209.4	13%	187.3
Net operating cash flow	266.8	237.9	12%	217.8
Purchase of land	(43.2)	(57.3)	(25%)	(54.7)
Construction of new IP & care facilities	(245.9)	(248.2)	(1%)	(213.7)
Refurb of existing IP & care facilities	(9.4)	(7.3)	27%	(6.4)
Other investing cash flows	(8.4)	(3.7)	125%	(6.2)
Capitalised interest paid	(11.9)	(10.8)	10%	(9.3)
Net investing cash flow	(318.8)	(327.4)	(3%)	(290.4)
Net proceeds from borrowings	78.5	135.6	(42%)	103.7
Net dividends paid	(19.4)	(19.5)	(1%)	(19.7)
Other financing cash flows	(12.8)	(12.6)	1%	(11.5)
Net financing cash flow	46.3	103.5	(55%)	72.5

Balance sheet

- Total assets of \$3.9b, up 17% on FY19
- Investment property valuation of \$3.6b, up 17% on FY19
- Retained earnings are now \$1.0b, up 24% from \$837.8m at FY19. This continues to positively impact balance sheet strength and company gearing ratios
- Other assets include land and buildings (primarily care centres)
- Care centres were valued as at 31 December 2020 (three yearly cycle)
- Embedded value of \$883.6m, \$199k per unit, as at 31 December 2020, comprised of:
 - \$556.9m resale gains
 - \$326.7m deferred management fees

\$3.9b

Total assets ▲ 17%

\$1.0b

Retained earnings ▲ 24%

NZ\$m	FY20	FY19	Variance	FY18
Investment property	3,639	3,107	17%	2,585
Other assets	254.4	230.9	10%	181.3
Total assets	3,893	3,338	17%	2,766
Residents' loans	1,520	1,328	15%	1,137
Face value of bank loans & bonds*	672.6	587.1	15%	451.5
Other liabilities	345.5	291.3	19%	199.3
Total liabilities	2,538	2,206	15%	1,788
Net assets**	1,355	1,132	20%	978.8
Embedded value	883.6	752.7	17%	609.1
NTA (cents per share)	594.1	502.0	18%	438.4

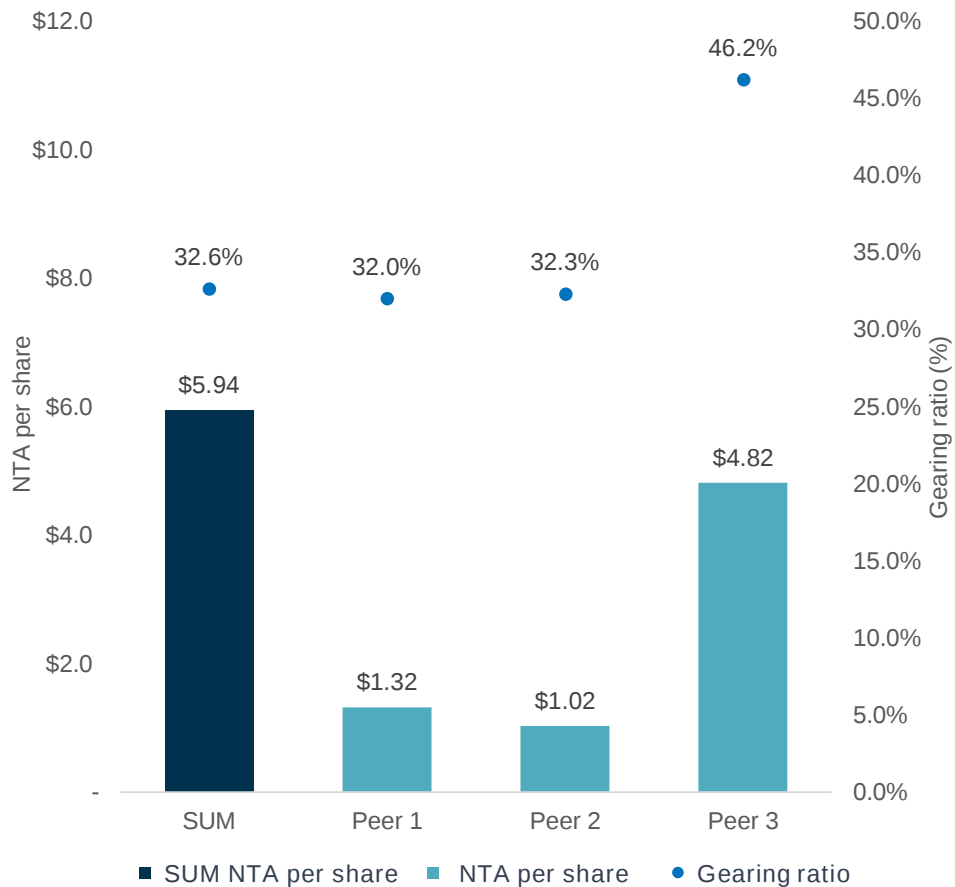
* Face value of drawn bank debt and retail bonds. Excludes capitalised and amortised bond issue costs, and fair value movement on hedged borrowings.

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

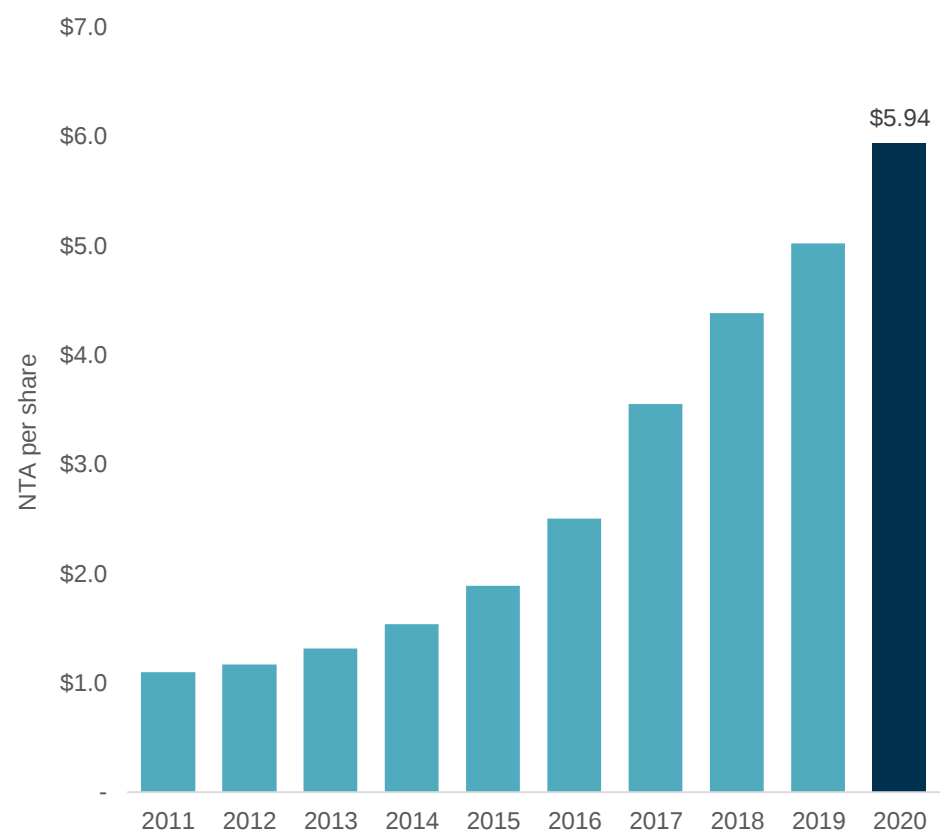
Net tangible assets

Strong financial disciplines underpinning net tangible assets and gearing

Net tangible assets and gearing*



Summerset net tangible assets per share



* Peer results based on most recent results presentations and annual or half year reports

Gearing ratio

- Net debt of \$656.8m* as at 31 December 2020, up \$91.1m on FY19
- Uplift in gross debt driven by land settlements in the period and construction progress on our developing sites
- \$375m of retail bonds and bank facility of approximately \$750m
- Gearing ratio of 32.6%, down from 33.3% at FY19 and underpinned by strong financial discipline across FY20
- Development assets exceed the value of net debt by \$127m, or 19%

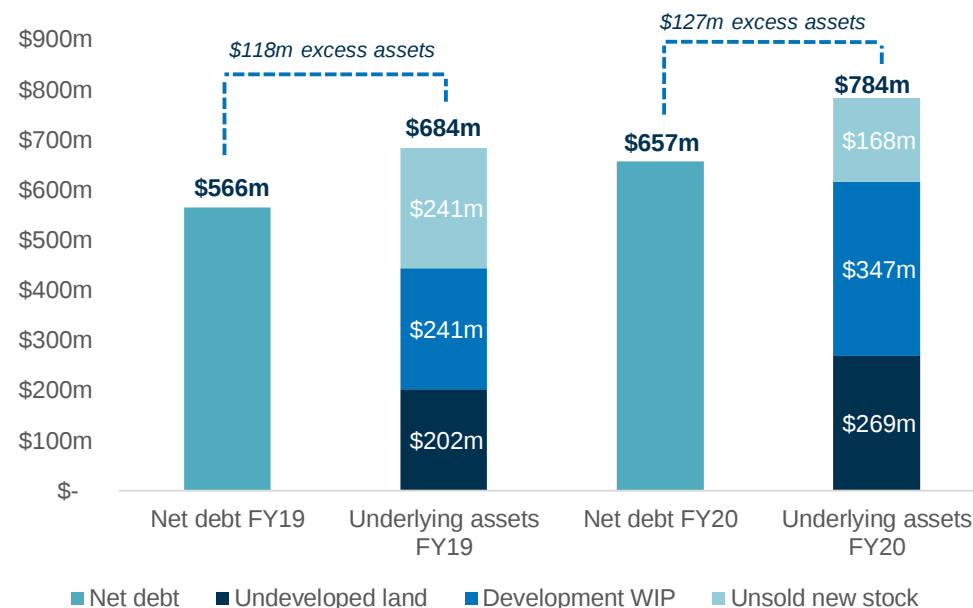
32.6%

Gearing ratio

35.9%

Bank & bond LVR

Net debt to underlying assets – FY20



NZ\$m	FY20	FY19	Variance	FY18
Gearing ratio (%)**	32.6%	33.3%	-2%	31.2%
Bank & bond LVR (%)**	35.9%	35.9%	0%	32.3%

* 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)



Final Dividend

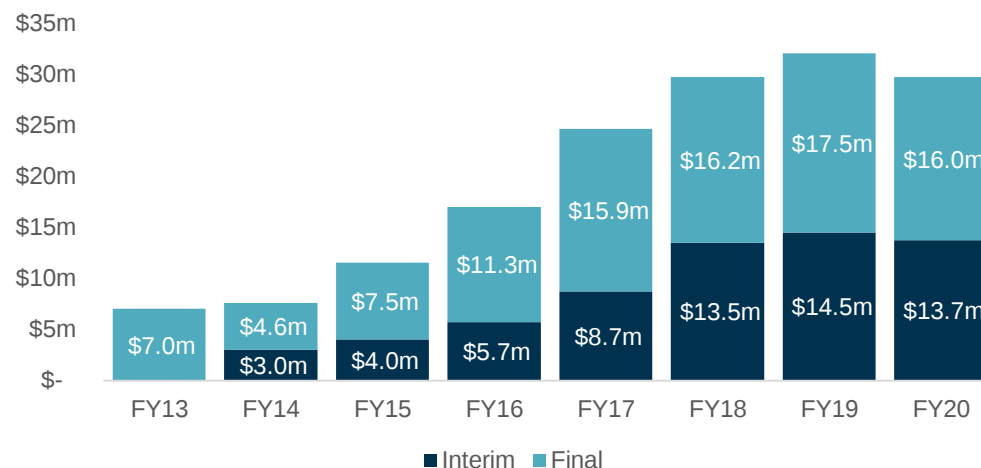
FY20

Final dividend

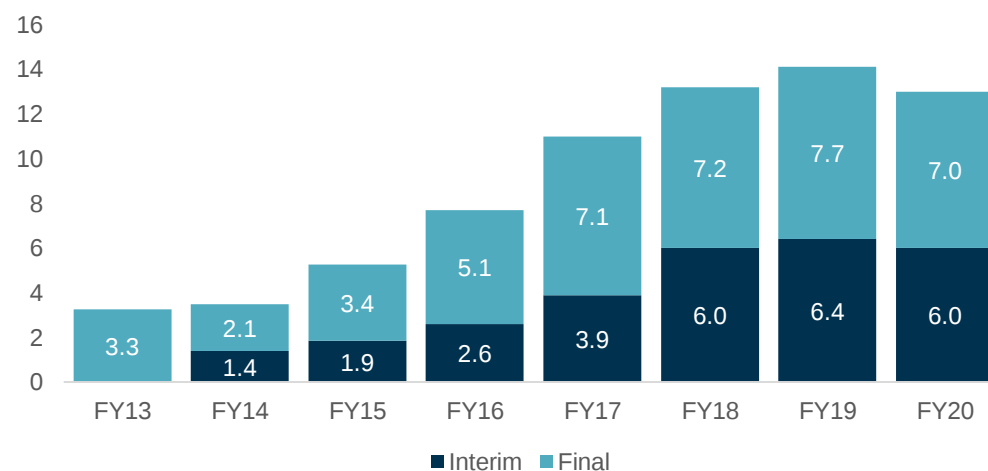
Declared FY20 final dividend of 7.0 cents per share

- The Board has declared an unimputed final dividend of 7.0 cents per share
- This bring total dividends for the 2020 year (interim and final) to 13.0 cents per share
- 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 Wednesday 10 March 2021. Any applications received on or after this time will be applied to subsequent dividends
- The final dividend will be paid on Monday 22 March 2021. The record date for final determination of entitlements to the final dividend is Tuesday 9 March 2021
- The dividend policy remains 30% to 50% of underlying profit for the full year period. As previously indicated, dividend payments are likely to continue to be at the bottom end of this range given the growth opportunities present for the business at this time

Dividend payout per year



Dividend per share





Questions

FY20

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



Appendix

FY20

FY20 underlying profit reconciliation

Reconciliation of underlying profit to reported net profit after tax

	FY20	FY19	Variance	FY18
Net profit before tax (IFRS)	221.7	173.6	28%	216.2
Net profit after tax (IFRS)	230.8	175.3	32%	214.5
Add impairment of assets	3.4	-	-	-
Less fair value movement of investment property	(221.1)	(165.3)	34%	(209.9)
Add realised gain on resales	46.1	36.9	25%	28.7
Add realised development margin	48.2	61.0	(21%)	63.7
Add/(less) deferred tax expense/(credit)	(9.0)	(1.7)	432%	1.7
Underlying profit*	98.3	106.2	(7%)	98.6

* 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, impairment 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 audited 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 32%

	Full Year Results	9 Year CAGR*	FY20	FY19	FY18	FY17	FY16	FY11 NZX listed
Operational	New sales of occupation rights	16%	404	329	339	382	414	108
	Resales of occupation rights	13%	381	323	301	300	244	123
	Total sales	15%	785	652	640	682	658	231
	New units delivered**	13%	356	354	454	450	409	122
	Total units in portfolio**	13%	4,442	4,086	3,732	3,278	2,828	1,486
	Care units in portfolio***	13%	972	868	868	816	758	327
Financial (NZ\$m)	Total revenue (\$m)	20%	172.4	153.9	137.0	110.5	86.1	33.7
	Net profit after tax (\$m)	56%	230.8	175.3	214.5	239.9	145.5	4.3
	Underlying profit**** (\$m)	32%	98.3	106.2	98.6	81.7	56.6	8.1
	Net operating cash flow (\$m)	22%	266.8	237.9	217.8	207.7	192.6	43.7
	Total assets (\$m)	23%	3,893	3,338	2,766	2,233	1,707	616.9
	Total equity (\$m)	22%	1,355	1,132	978.8	785.8	545.6	233.4
	Interest bearing loans and borrowings (\$m)	29%	687.1	597.1	452.8	347.2	274.0	69.1
	Cash and cash equivalents (\$m)	-	15.8	21.5	7.5	7.6	8.7	9.0
	Gearing ratio (Net D/ Net D+E)	-	32.6%	33.3%	31.2%	30.2%	32.7%	20.5%
	EPS (cents) (IFRS profit)	52%	102.3	78.6	97.1	109.8	66.9	2.4
	NTA (cents)	21%	594.1	502.0	438.4	355.1	249.9	109.3
	Development margin (%)	-	20%	28%	33%	27%	22%	6%

* Compound annual growth rate

** Units delivered includes retirement units, memory care apartments and care suites

*** Care units include care beds, memory care apartments and care suites

**** Underlying profit differs from NZ IFRS reported profit after tax. The measure has been audited by Ernst & Young. Refer to slide 45 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	155.2	3.4	13.50%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset by the Lake	Taupo	69.3	6.2	15.75%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset in the Bay	Napier	83.4	9.6	13.75%	3.3%	2.8%	2.5%	2.5%	3.5%
Summerset in the Orchard	Hastings	87.7	7.2	14.75%	3.3%	2.8%	2.5%	2.5%	3.5%
Summerset in the Vines	Havelock North	71.5	8.5	14.50%	3.3%	2.8%	2.5%	2.5%	3.5%
Summerset in the River City	Wanganui	35.6	2.5	16.00%	2.0%	1.0%	1.5%	2.0%	2.5%
Summerset on Summerhill	Palmerston North	54.5	4.8	14.75%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset by the Ranges	Levin	34.5	3.8	15.75%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset on the Coast	Paraparaumu	65.1	4.0	14.50%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Aotea	Aotea	112.3	7.1	14.25%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset in the Sun	Nelson	162.5	13.3	13.75%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Bishopscourt	Dunedin	55.0	4.7	14.75%	2.0%	1.0%	2.0%	3.0%	3.5%
Summerset down the Lane	Hamilton	141.1	5.8	14.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset Mountain View	New Plymouth	79.8	7.3	14.75%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset Falls	Warkworth	189.2	7.0	14.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Karaka	Karaka	188.6	3.9	14.25%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Wigram	Wigram	125.4	4.8	14.50%	2.0%	1.0%	2.0%	3.0%	3.5%
Summerset at the Course	Trentham	177.0	11.5	14.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset by the Sea	Katikati	103.8	7.2	15.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Total for completed villages		1,991	122.6						

* 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	267.0	3.5	14.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Heritage Park	Ellerslie	243.9	21.1	15.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset Rototuna	Rototuna	137.5	12.0	15.25%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset on Cavendish	Casebrook	148.3	21.4	15.25%	2.0%	1.0%	2.0%	3.0%	3.5%
Summerset Richmond Ranges	Richmond	59.0	9.9	16.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Avonhead	Avonhead	69.0	2.7	16.00%	2.0%	1.0%	2.0%	3.0%	3.5%
Summerset on the Landing	Kenepuru	46.5	7.5	16.50%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset Palms	Te Awa	37.7	9.1	16.50%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset by the Dunes	Papamoa Beach	29.0	5.1	16.50%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Pohutukawa Place	Bell Block	15.8	2.0	16.50%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset Boulcott	Lower Hutt	14.3	1.4	n/a	n/a	n/a	n/a	n/a	n/a
Summerset St Johns	St Johns	40.7	1.5	n/a	n/a	n/a	n/a	n/a	n/a
Summerset Whangarei	Whangarei	9.5	0.2	n/a	n/a	n/a	n/a	n/a	n/a
Total for villages in development		1,118	97.3						
Total for proposed villages		191.9	1.3						
Total for all villages		3,301	221.1						

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

Care centre valuation

Care centre valuation – key assumptions

Value of care facilities		Total care beds	Value of care facility	Assumed capitalisation rate	Assumed value per equivalent bed**
Village	Location	No.	NZ\$m	%	NZ\$'000
Summerset by the Park	Manukau	54	10.2	11.00%	182.8
Summerset in the Bay	Napier	48	7.7	12.00%	127.4
Summerset in the Vines	Havelock North	45	4.5	12.50%	103.8
Summerset in the River City	Wanganui	37	2.9	13.00%	71.3
Summerset on Summerhill	Palmerston North	44	4.3	13.50%	98.6
Summerset by the Ranges	Levin	41	5.3	13.50%	103.1
Summerset on the Coast	Paraparaumu	44	4.4	13.00%	101.0
Summerset in the Sun	Nelson	59	9.6	12.25%	122.1
Summerset at Bishopscourt	Dunedin	42	6.5	12.50%	130.5
Summerset down the Lane	Hamilton	49	7.8	12.00%	122.9
Summerset Mountain View	New Plymouth	52	7.7	13.50%	118.8
Summerset Falls	Warkworth	41	6.8	12.00%	128.6
Summerset at Karaka	Karaka	50	10.0	12.00%	163.5
Summerset at Wigram	Wigram	49	8.9	11.75%	128.9
Summerset at the Course	Trentham	44	5.4	12.00%	95.1
Summerset by the Sea	Katikati	27	3.6	13.50%	121.1
Summerset at Heritage Park	Ellerslie	58	10.7	11.00%	165.0
Total for existing care facilities		784	116.2		
Summerset at Monterey Park	Hobsonville	52	9.8	11.00%	162.4
Summerset Rototuna	Rototuna	36	8.5	12.00%	116.3
Summerset on Cavendish	Casebrook	43	9.0	12.00%	122.3
Total for new care facilities*		131	27.2		
Total for all villages		915	143.4		

* Built subsequent to the last care centre valuation as at 31 December 2017

** Value includes care beds and associated care profits from serviced and memory care apartments

Portfolio as at 31 December 2020

4,442 total units and 915 care beds

Existing portfolio - as at 31 December 2020							
Village	Villas	Apartments	Serviced apartments	Memory care apartments	Care suites	Care beds	Total units and care beds
Ellerslie	36	144	57	-	-	58	295
Hobsonville	125	73	52	-	-	52	302
Karaka	182	-	59	-	-	50	291
Manukau	89	67	27	-	-	54	237
Warkworth	202	2	44	-	-	41	289
Auckland	634	286	239	-	-	255	1,414
Hamilton	183	-	50	-	-	49	282
Rototuna	142	-	56	20	7	36	261
Taupo	94	34	18	-	-	-	146
Waikato	419	34	124	20	7	85	689
Katikati	156	-	20	-	-	27	203
Papamoa Beach	21	-	-	-	-	-	21
Bay of Plenty	177	-	20	-	-	27	224
Hastings	146	5	-	-	-	-	151
Havelock North	94	28	-	-	-	45	167
Napier	94	26	20	-	-	48	188
Te Awa	40	-	-	-	-	-	40
Hawke's Bay	374	59	20	-	-	93	546
Bell Block	10	-	-	-	-	-	10
New Plymouth	108	-	40	-	-	52	200
Taranaki	118	-	40	-	-	52	210

Portfolio as at 31 December 2020

4,442 total units and 915 care beds

Existing portfolio - as at 31 December 2020							
Village	Villas	Apartments	Serviced apartments	Memory care apartments	Care suites	Care beds	Total units and care beds
Levin	64	22	-	10	-	41	137
Palmerston North	90	12	-	-	-	44	146
Wanganui	70	18	12	-	-	37	137
Manawatu-Wanganui	224	52	12	10	-	122	420
Aotea	96	33	38	-	-	-	167
Kenepuru	39	-	-	-	-	-	39
Paraparaumu	92	22	-	-	-	44	158
Trentham	231	12	40	-	-	44	327
Wellington	458	67	78	-	-	88	691
Nelson	214	-	55	-	-	59	328
Richmond	68	-	-	-	-	-	68
Nelson-Tasman	282	-	55	-	-	59	396
Avonhead	86	-	-	-	-	-	86
Casebrook	158	-	56	20	-	43	277
Wigram	159	-	53	-	-	49	261
Christchurch	403	-	109	20	-	92	624
Dunedin	61	20	20	-	-	42	143
Otago	61	20	20	-	-	42	143
Total	3,150	518	717	50	7	915	5,357

Future development

Largest New Zealand land bank for a retirement village operator of 5,612 units and beds

Landbank – as at 31 December 2020							
Village	Villas	Apartments	Serviced apartments	Memory care apartments	Care suites	Care beds	Total units and care beds
Whangarei	217	-	60	20	27	7	331
Northland	217	-	60	20	27	7	331
Ellerslie	2	74	-	-	-	-	76
Half Moon Bay	-	224	50	20	48	-	342
Hobsonville	38	-	-	-	-	-	38
Milldale	103	120	60	20	27	7	337
Parnell	-	216	36	20	44	-	316
St Johns	-	225	73	-	30	-	328
Auckland	143	859	219	60	149	7	1,437
Papamoa Beach	190	-	60	20	27	7	304
Bay of Plenty	190	-	60	20	27	7	304
Cambridge	260	-	60	20	27	7	374
Rototuna	46	-	-	-	-	-	46
Waikato	306	-	60	20	27	7	420
Bell Block	212	-	60	20	27	7	326
Taranaki	212	-	60	20	27	7	326
Te Awa	201	-	56	20	14	29	320
Hawke's Bay	201	-	56	20	14	29	320
Kenepuru	73	48	86	20	14	29	270
Lower Hutt	46	109	56	10	24	-	245
Waikanae	217	-	60	20	27	7	331
Wellington	336	157	202	50	65	36	846

Future development

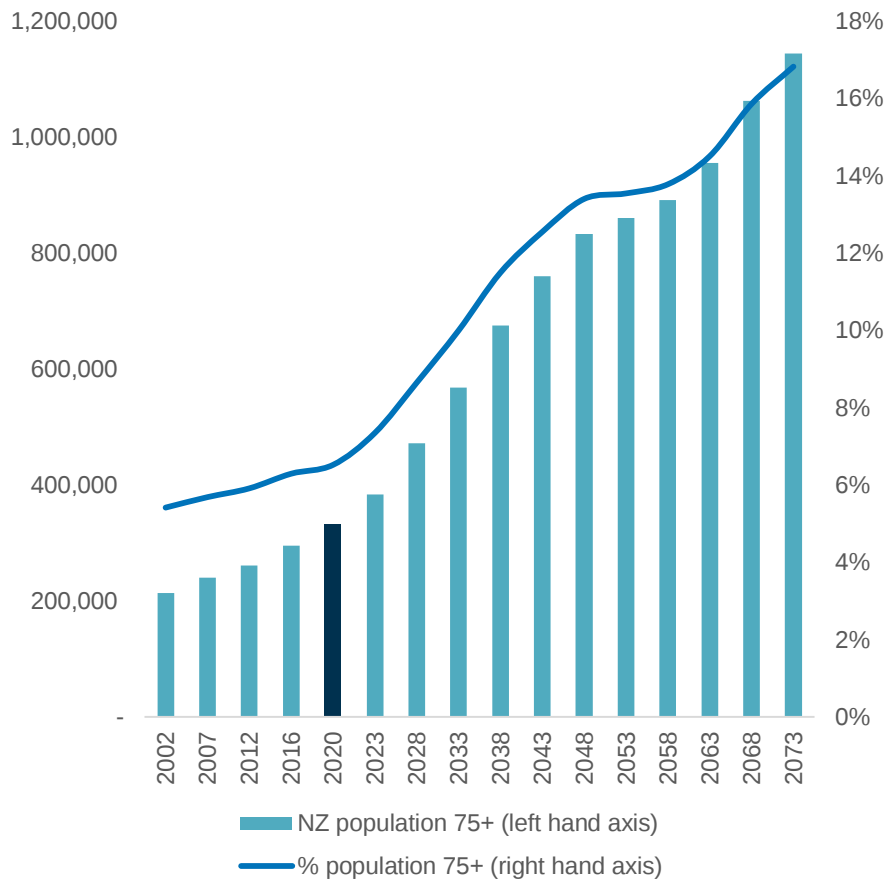
Largest New Zealand land bank for a retirement village operator of 5,612 units and beds

Landbank – as at 31 December 2020							
Village	Villas	Apartments	Serviced apartments	Memory care apartments	Care suites	Care beds	Total units and care beds
Richmond	200	-	56	20	14	29	319
Nelson-Tasman	200	-	56	20	14	29	319
Blenheim	148	-	61	20	27	7	263
Marlborough	148	-	61	20	27	7	263
Avonhead	79	-	79	20	14	29	221
Casebrook	112	-	-	-	-	-	112
Rangiora	261	-	60	20	27	7	375
Prebbleton	224	-	60	20	27	7	338
Canterbury	676	-	199	60	68	43	1,046
Total NZ	2,629	1,016	1,033	310	445	179	5,612
Cranbourne North	145	-	50	36	36	-	267
Torquay	203	-	53	18	18	-	292
Total Australia	348	-	103	54	54	-	559
Total NZ and Australia	2,977	1,016	1,136	364	499	179	6,171

Demographics

Population over 75 years forecast to grow 245% from 2020 to 2073

Population growth 75 years and over



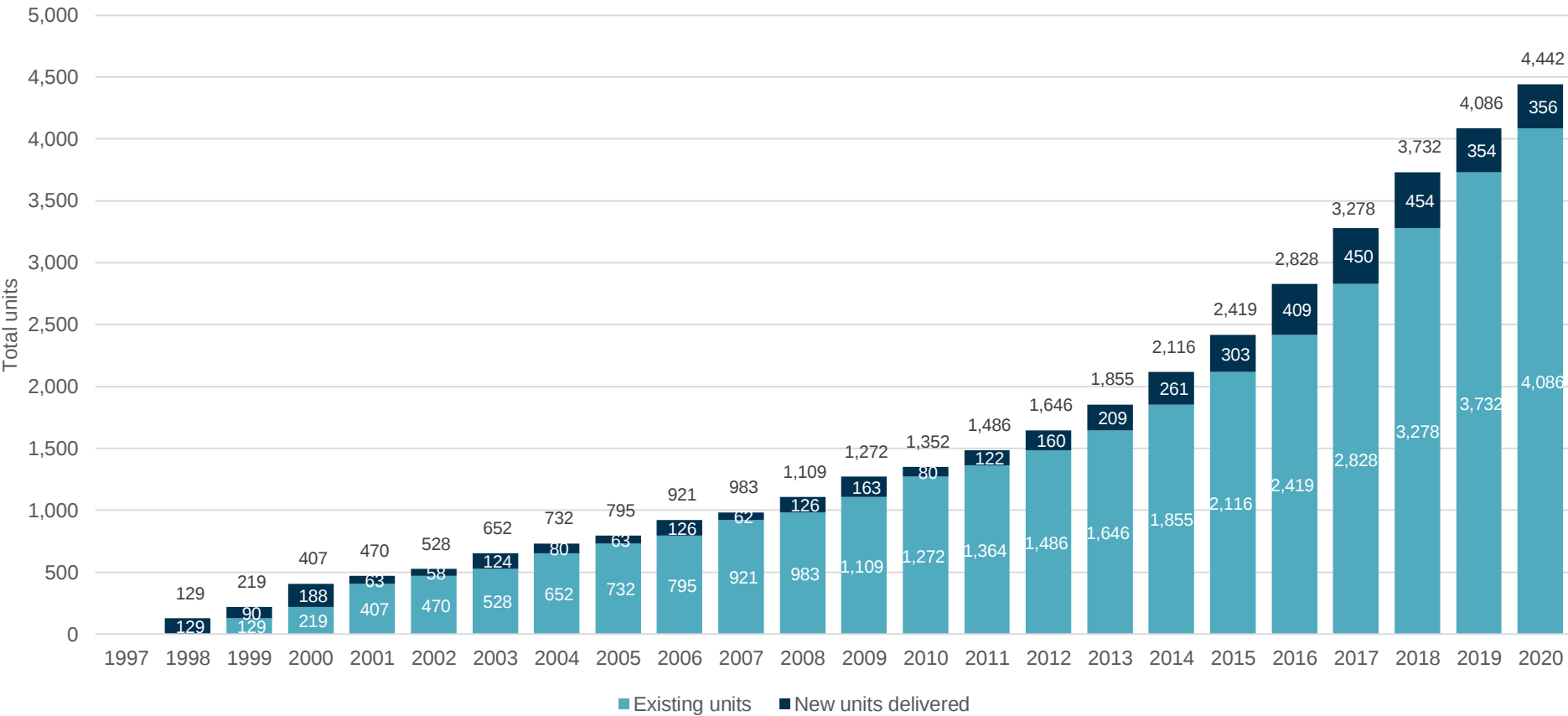
Per annum population growth 75 years and over



Summerset growth

23 years of consistent delivery and growth

Summerset build rate

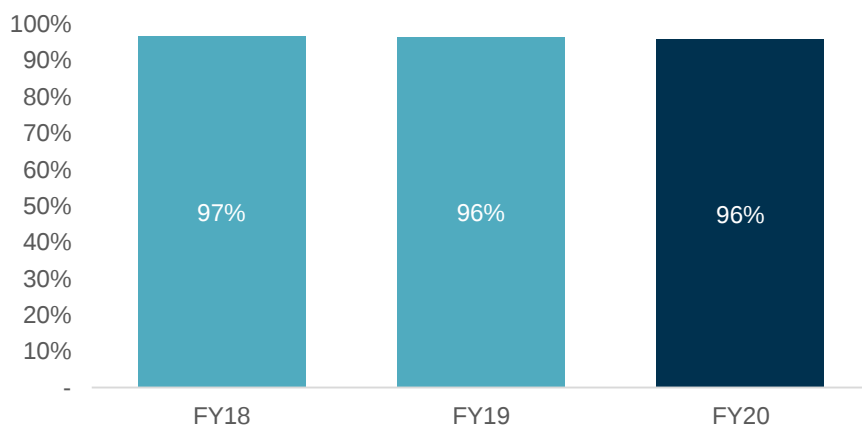


New units delivered includes retirement units, memory care apartments and care suites

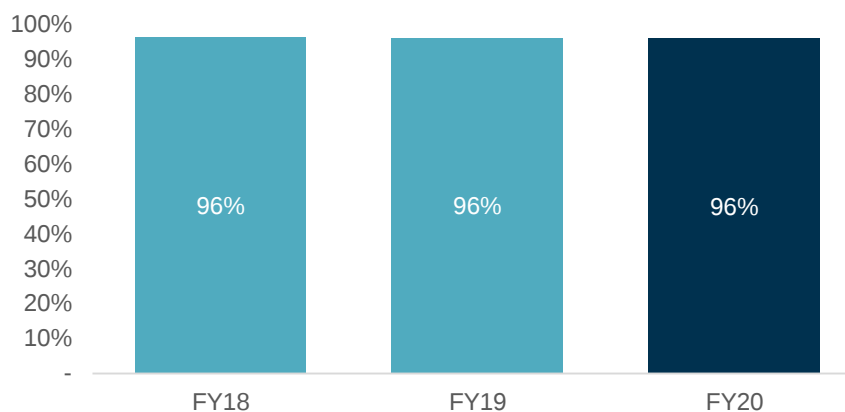
Customer profile & occupancy

Occupancy, tenure and resident demographic statistics

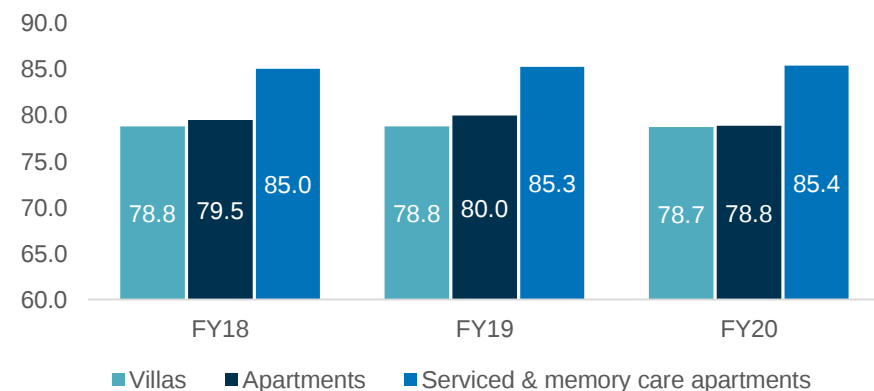
Occupancy – retirement villages



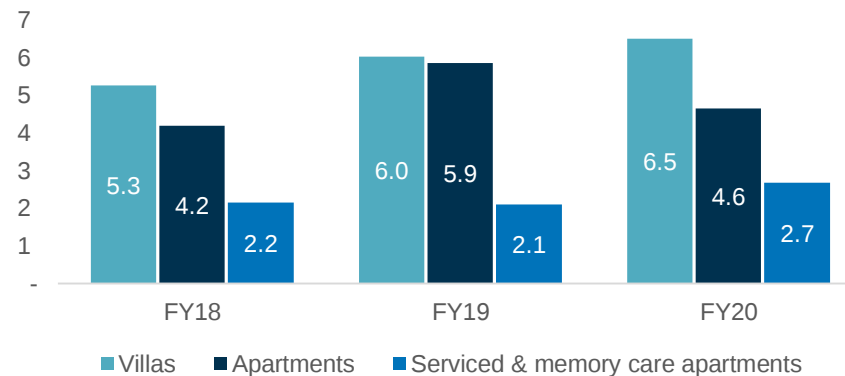
Occupancy – established care centres



Average entry age of residents (years)



Average tenure (years)





Ngā mihi

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Annual Report

2020





Artist's impression of Cranbourne North, Melbourne

Summerset is one of New Zealand's leading and fastest growing retirement village operators.

Our business spans development, design and construction,
through to running retirement villages and care centres.

We aim to develop our villages on both sides of the Tasman
responsibly and help create a more sustainable future for all.



OUR RESIDENTS

Bringing the best of life to
our residents every day —
resulting in high levels of
resident satisfaction



OUR ENVIRONMENT

Everyday we focus on:
Minimising waste
Increasing energy efficiency
Being more sustainable





OUR PEOPLE

People are the heart of
Summerset. Our values are:

Strong enough to care

One team

Strive to be the best



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Summerset Heritage Park, Ellerslie

ABOUT THIS REPORT

This Annual Report of Summerset Group Holdings Limited (Summerset) is prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), the NZX Listing Rules and Corporate Governance Code, the Companies Act 1993 and aligned with the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework.

This Annual Report covers all business operations for the year ended 31 December 2020. We have started to align our reporting to the

International Integrated Reporting Framework to improve the way we communicate and improve transparency, we will continue to build on this approach over the coming years.

'Bringing the best of life' to our residents is at the core of what we do. The strategic pillars that underpin this are **Growth, Our People** and **Our Customers**.

Themes of wellness, innovation, and sustainability run through our work. This includes the wellbeing of our people, being innovative in our approach to ideas and technology, and being more sustainable.

Our strategy



Bringing the best of life



Growth

We look for expansion opportunities and returns for our shareholders



Our people

We want to create a great place to work, where our people can thrive



Our customers

We continually improve and enhance our offering to residents



Wellbeing



Innovation



Sustainability

Our strategic goals are underpinned by our desire to bring increased **wellbeing** to our customers and staff, by harnessing the power of **innovation** and weaving **sustainability** into our work

Chair and CEO's report



Rob Campbell
Chair



Julian Cook
Chief Executive Officer

Welcome to Summerset's annual report for the 12 months ended 31 December 2020. This report covers an unprecedented year in which the COVID-19 pandemic had a major impact on our business, as it did throughout the world. Our priority has been keeping our residents and staff safe, and we currently maintain our record of no COVID-19 cases at Summerset.

This year we take our first step toward integrated reporting. This provides a fuller picture of Summerset's entire business, with financial and sustainability elements in one report.

Business performance

Reported underlying profit for the full year is \$98.3 million, a decrease of 7% on 2019. Our IFRS net profit after tax is \$230.8 million, up 32% on 2019. Overall, the value of investment property is \$3.6 billion, up 17% on 2019.

The financial performance of the business for 2020 has been pleasing. This is despite the impact of the COVID-19 lockdown. During this period prospects were unable to visit our villages or sell their properties and we have spent an additional \$9.2 million to date on COVID-19 related costs including preventative measures to keep residents and staff safe.

Our COVID-19 response

2020 was dominated by COVID-19 but we are pleased and grateful not to have had any cases among staff or residents to date. We activated our pandemic plan in early March, and moved quickly to protect our residents and support them through the subsequent lockdowns.

A range of protections were put in place to keep our residents and staff safe. The measures we took included mandatory temperature checks and face masks for staff, security on village gates to screen visitors, a negative COVID-19 test prior to admission for new care residents, and additional cleaning protocols. At the outset of the crisis we also took on extra staff in our care centres and villages to provide additional care for residents.

We stepped up physically distanced activities in the villages to provide connection and comfort for residents, operated a grocery delivery service for residents, and set up an online wellness centre to keep residents entertained. We also provided iPads so residents could video-call families and friends during the higher alert levels. The response from both residents and their families on our handling of the pandemic has been overwhelmingly positive. We would like to thank our dedicated staff for their professionalism, resilience and hard work throughout the lockdown periods.



\$98.3m

Underlying profit

In April 2020, we received \$8.6 million from the Government's initial wage subsidy scheme. This was a period of great uncertainty for the business.

At that time, sales of occupation rights — a major source of revenue — had ceased. We also introduced several cost-saving measures, including moving more than 230 corporate staff to a four-day week. The Executive Team and Board of Directors also took a 20% pay cut for the same 10-week period. We repaid the wage subsidy in full in December 2020 as trading for the business has been strong over the second half of 2020.

August's lockdown in Auckland was a reminder that COVID-19 will continue to impact our residents and staff for the foreseeable future.

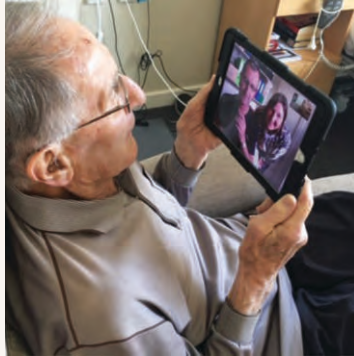
Villages and care

Village life has been affected by the COVID-19 pandemic and we look forward to the rollout of the COVID-19 immunisation programme, due this year.

We have been pleased to see heightened enquiries and sales from the third quarter of 2020 onwards. Performance in our care business continued to track well, with occupancy for the year at 96% in our developed villages, versus 90% for the aged care sector overall.

Protections were put in place to keep our residents and staff safe during lockdowns

2020 in review



Adapting to COVID-19

Summerset worked hard to ensure that its residents and staff were kept safe throughout 2020. We are pleased that we have had no cases of COVID-19 in our villages to date.

Expanding into Australia

Our first village in the Melbourne suburb of Cranbourne North is expected to receive development approval shortly. Summerset also holds eight hectares in Torquay on the Bellarine Peninsula in Victoria.

Chair Rob Campbell retires

Rob Campbell announced his retirement from the Board in December 2020, ending a decade as Chair. Mr Campbell oversaw Summerset's listing on the NZX in 2011, and under his leadership Summerset has grown to become one of the NZX's top 20 companies.

The Board thanks Mr Campbell for his outstanding leadership which covered a wide range of initiatives and achievements, including the introduction of memory care centres for people living with dementia, an improved staff offering, becoming New Zealand's first carbonzero™ retirement operator, and more recently, Summerset's expansion across the Tasman.

His depth of experience and genuine passion for the people at Summerset will be missed.

The Board commenced the search for a new Board member in December 2020 and once this search is complete, will appoint a director as the new Chair.

Growth and development

Despite the closure of our construction sites during the first COVID-19 lockdown, we completed next-generation main buildings at our Casebrook and Rototuna villages in 2020.

These new buildings reflect the evolution of our village centre designs. They include our new state-of-the-art memory care centre for people living with dementia, as well as serviced apartments and a care centre.

Earthworks have progressed well at our St Johns site in Auckland and construction work will start there in 2021. Building also starts in 2021 at our Lower Hutt site, where final resource consent was granted in November. We also lodged resource consent for our villages in Prebbleton and Rangiora. Our land bank continues to expand, with the acquisition of our ninth property in Auckland in October 2020.

Our latest land acquisition in Auckland is in Half Moon Bay. It will be our first retirement village in East Auckland.

We completed next-generation main buildings at our Casebrook and Rototuna villages

Our people

We were pleased to see our staff engagement results increase in 2020, which at the time of survey completion were at or above the Australia/New Zealand and global benchmarks of companies using the same engagement tool.

We started 2020 with a plan to prioritise pay and training for our teams. In January we increased the pay for care staff to equal the top pay rates in the sector and increased weekend allowances for care staff in April.

We introduced an online learning system and new training programmes in 2020, enhancing our onboarding and professional development programmes.

We also invested in our clinical leaders through the implementation of a leadership development programme.

Summerset was accredited with tertiary status in the Accident Compensation Corporation (ACC)'s Accredited Employers Programme for the third year running. During 2020, we launched three-year strategies for health and safety, learning and development, and diversity and inclusion. These strategies cover all parts of the business, with tailored plans created to meet the varying requirements of individual business groups.

Sustainability

We have continued to make positive progress on our carbon reduction targets this year. Notably, we have set a new science-aligned carbon reduction target that commits us to a 62% reduction in carbon emissions per square metre of building area by 2032 (from 2017 levels).

The Board has oversight of climate-related risks and opportunities through our current reporting framework. The forthcoming Task Force for Climate-related Financial Disclosures (TCFD) requirements will add further disclosure in this area and Summerset is well placed to meet these.

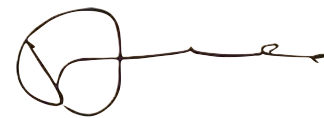
Looking ahead

Despite COVID-19, we have gained good ground since the end of New Zealand's nationwide lockdown in May 2020. Our third and fourth quarter sales were at record highs and our business continues to perform well.

We are optimistic about growth in 2021 and beyond. Our expansion into Australia will take a major step forward with the launch of our first retirement village in Victoria in late 2021/early 2022, and we anticipate an increased build rate across our New Zealand sites. We will make further progress toward sustainability across Summerset, particularly in design and construction.

We hold the largest land bank of units in New Zealand's retirement village sector, providing a strong outlook for our construction and sales teams. This provides us with a good spread of sites across the country, allowing us to change tempo depending on market conditions.

Thank you to everyone who has worked so hard throughout 2020. A special thank you to our Summerset staff, as well as their families and support networks, for helping to keep all our residents safe this year.



Rob Campbell
Chair



Julian Cook
Chief Executive Officer

Delivering value



A decade at the top

Farewell from Julian Cook

It has been a privilege for me to lead this company and to be part of an organisation and industry that has changed so many people's lives for the better.

I am retiring as Chief Executive on 29 March after 10 years at Summerset, seven of them as Chief Executive. Summerset has grown both in terms of size and maturity over the last decade, and now is the right time to hand it over for the next phase of growth in New Zealand and Australia.

I am enormously proud of what we deliver to residents, staff and our communities. Summerset started out over 23 years ago as a small family business founded by John and Rose O'Sullivan. Their goal was to create a retirement village that was good enough for their nana. This philosophy guides us still and we always ask ourselves, 'Is it good enough for Mum?'

In 2014, my first year as Chief Executive, we had 20 villages, 3,000 residents and 700 staff.

We now have 32 retirement villages and another 10 in the pipeline. We will open our first retirement village in Australia in late 2021/early 2022, and have another piece of land in Victoria for a second village. We are now the second largest retirement village operator in New Zealand, with over 6,200 residents and more than 1,800 staff.

We have grown sustainably over the years, and despite 2020's COVID-19 pandemic and lockdown, we are in a strong position to continue into the future.



I am enormously proud of what we deliver to residents, staff and our communities

Looking back, there are many highlights, three in particular will stay with me. The first of these is the 2011 stock exchange listing. This gave us the capital to accelerate our growth.

The introduction of comprehensive staff benefits, including health insurance and the all staff share scheme, was another step toward rewarding our staff for their hard work and loyalty. More recently, starting up Summerset's Australian arm has given us the chance to use all we have learnt in New Zealand to build a brand-new offering for Australian retirees.

In 2011, I knew Summerset had great potential for growth, but most importantly, I saw that there was scope to improve our offering to residents and staff.

My regular visits to our villages assure me we are bringing the best of life to our residents. I see a lot of joy and companionship in our villages, with people taking up new hobbies, sharing old ones with new friends, and creating a unique and vibrant community.

Over time, we have gradually refined and enhanced the homes, facilities and activities we offer our residents. New Zealand has a growing population of older people, and it makes me proud to see the lifestyle and comfort we provide those who choose to live in our villages.

I leave the company knowing we have fulfilled the potential I saw 10 years ago. I have loved my time at Summerset, and I will greatly miss all its people.

Julian



Introducing Scott Scoullar

I have had the pleasure of being Summerset's Chief Financial Officer for almost seven years now and the Deputy Chief Executive for three years. During this time, I have worked alongside Julian and our Board developing and implementing Summerset's strategy.

It's a great honour as well as a great opportunity to lead one of New Zealand's largest retirement providers into its next phase of development.

The possibilities as we embark on our growth strategy into Australia are exciting, and many of our new sites in New Zealand are truly ground-breaking.

At Summerset we are fortunate to play such an important part in people's lives.

Our residents look to us to provide a home and living environment that is fulfilling, and they trust us every day to look after them. The way I think about it, every resident living in our villages could be our mum, dad, nana or poppa – and therefore we will continue to make their lives as special as we can.

I'm looking forward to starting as Chief Executive and meeting as many residents and staff as possible. I'd like to thank Julian for everything he has achieved over the last 10 years.

Thank you to all our residents who have chosen to live with us, to our staff and to our shareholders. I look forward to working with you all over the coming years.

Scott

Who we are and what we deliver

Our people

6,200+

Residents

1,800+

Staff members

95%

Village resident satisfaction

Our care

97%

Care resident satisfaction

972

57 care units¹ and 915 care beds in portfolio

1,042

863 care units¹ and 179 care beds in land bank

Our performance

\$230.8m

Net profit after tax
FY19 \$175.3m

\$98.3m

Underlying profit
FY19 \$106.2m

\$266.8m

Operating cash flow
FY19 \$237.9m



¹ Care units include care suites and memory care apartments

HIGHLIGHTS

Our portfolio

4,442

Units
in portfolio

5,992

Land bank
of units

785

Sales of
occupation rights

\$3.9b

Total assets
FY19 \$3.3b

32

Villages completed or
under development

10

Greenfield sites



2020 highlights



January

Earthworks start at St Johns site in Auckland

April

Dementia friendly accreditation awarded



June

New Plymouth's Bell Block village launched



February

\$20,000 raised by staff and residents for Australian bush fire victims



March

Our next-generation main building at Casebrook, Christchurch, opened
Start of COVID-19 lockdown



May

Construction sites fully back up and running after COVID-19 lockdown

HIGHLIGHTS

November

Lower Hutt resource consent received

Resource consent notified for proposed retirement village in Parnell

September

First residents moved into our new Papamoa Beach (Tauranga) and Te Awa (Napier) villages

\$150 million bond issue offered



July

Connect speaker series restarts with our first virtual event hosted by Peta Mathias



August

University of Otago student Riria Mohi-Dewhirst became the first recipient of Summerset's new Waitaha Te Houhou health scholarship



October

Summerset enters NZ Aged Care Association Awards, winning staff training award

Half Moon Bay site purchased in Auckland

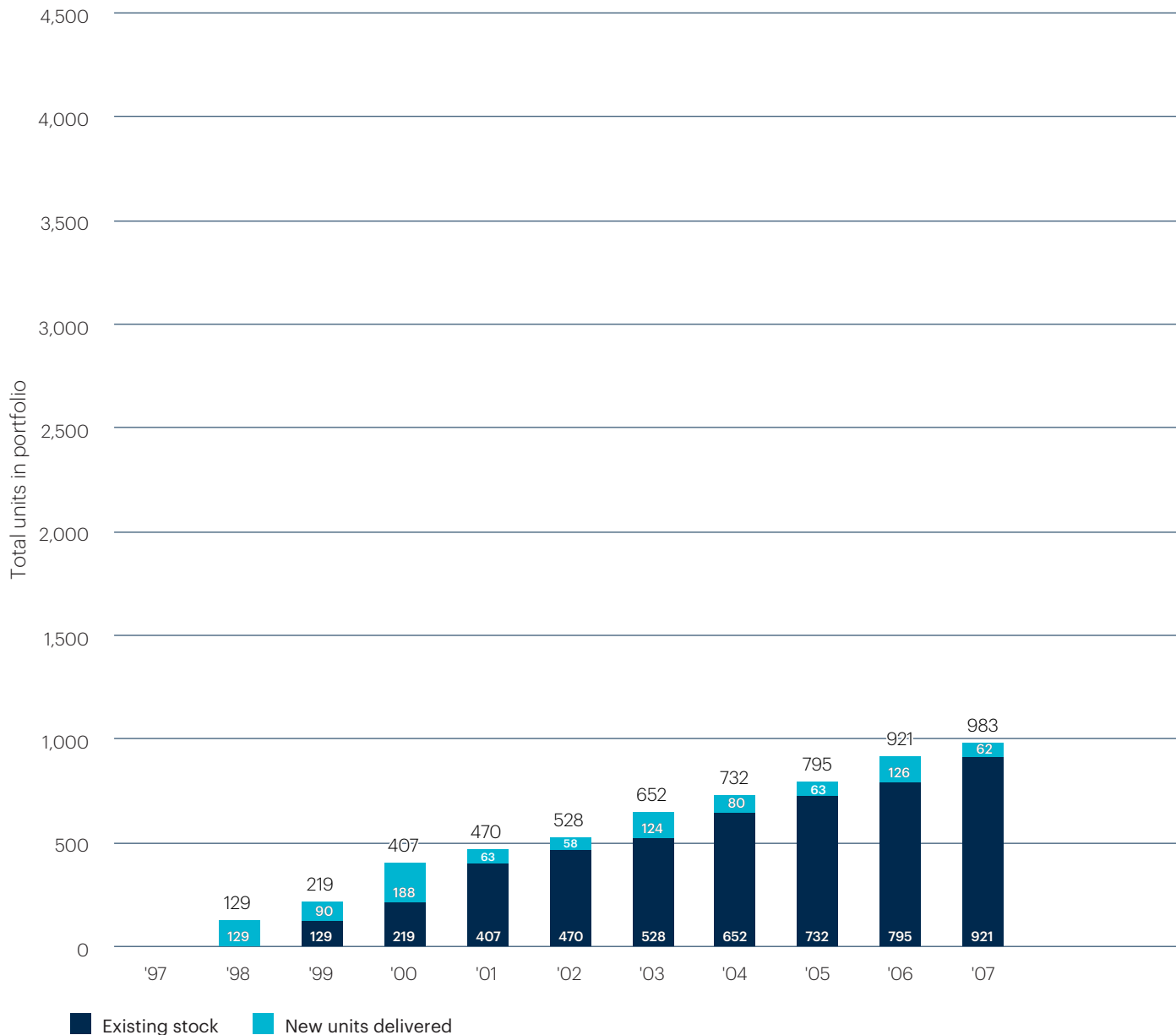


December

Melbourne's Cranbourne North tenders ready to issue to builders

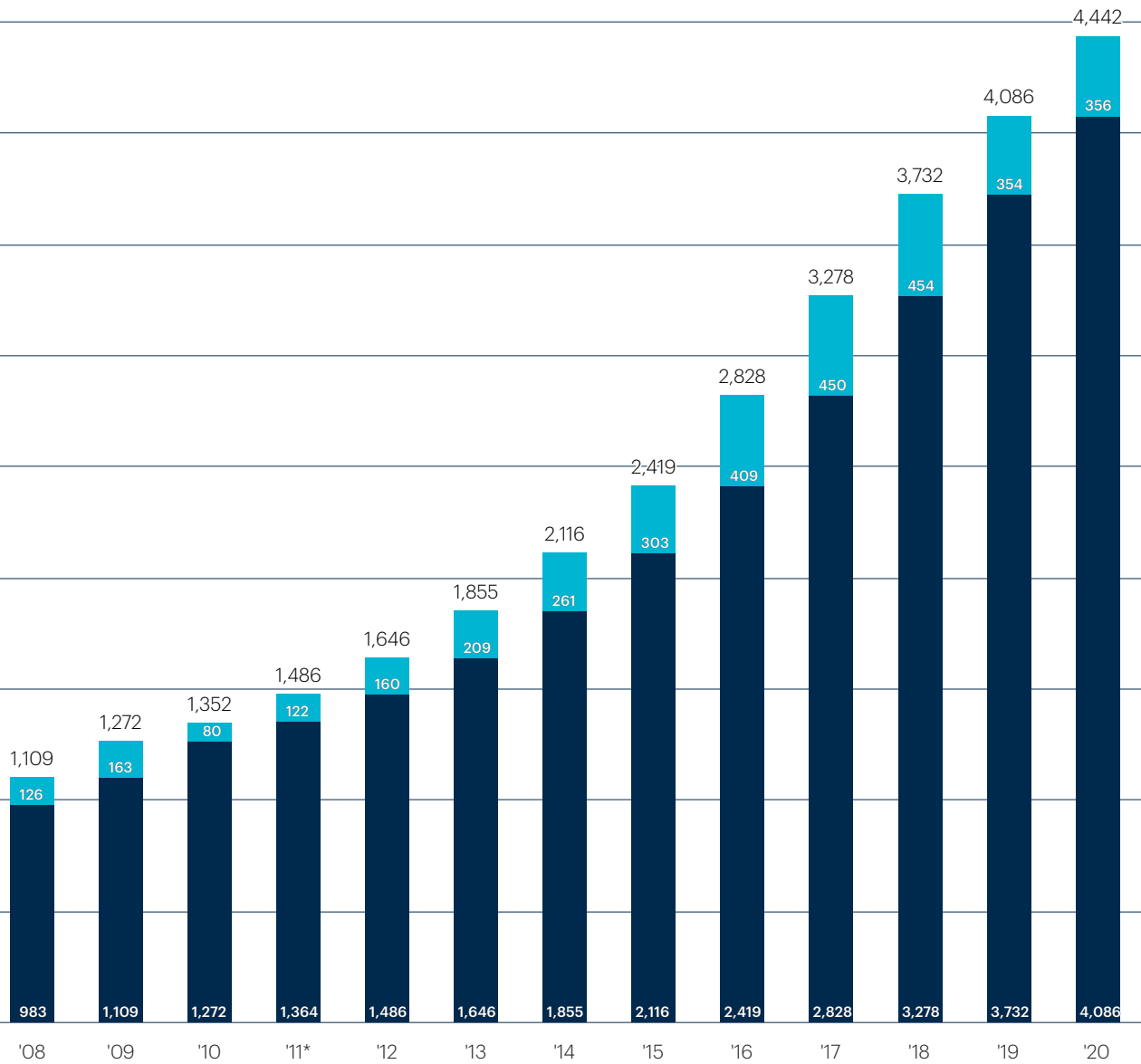
Portfolio growth

23 years of consistent growth and delivery¹



¹ Units include all units to be sold under occupation right agreement

HIGHLIGHTS



* 2011 existing stock included 12 units acquired as part of the Nelson site purchase

Our people and community

Summerset's annual satisfaction survey shows continued high satisfaction levels, with independent living residents at 95% and care centre residents at 97%.



Our Summerset community is made up of more than 6,200 residents in over 4,400 units and over 900 care beds. We employ over 1,800 staff across 32 retirement villages.

COVID-19

Due to the global pandemic, 2020 was difficult and challenging. However, New Zealand's effective public health response, and the plans and procedures we put in place, resulted in zero COVID-19 cases among our residents and staff to date.

We engaged our pandemic plan as soon as news of the virus emerged and pulled together our Crisis Response Team.

As events escalated, we worked quickly to safeguard our residents and staff through an evolving range of measures, working with other members of the aged care sector at the forefront of the response.

During the nationwide COVID-19 lockdown period we:

- Procured more than \$750,000 of additional personal protective equipment
- Required staff and approved visitors to undergo temperature checks and wear face masks
- Provided security at all village gates to screen visitors
- Increased our cleaning regimes, particularly in high-touch areas

- Established a safe food delivery service direct to our residents' front doors
- Provided regular updates via a new email newsletter for residents and their families
- Provided care packages and arranged physically distanced events for residents
- Developed an online wellness centre promoting physical and mental wellbeing for residents.

Throughout 2020, our staff have worked hard to support residents and their families to stay connected despite travel restrictions.

10 days

to implement a new nationwide home grocery delivery service

Over
2,000

third-party grocery orders processed and delivered

51,000

meals delivered to care centre residents in their rooms

41,000

meals delivered to village residents

131

residents tested for COVID-19 – all test results **negative**

76

staff on paid leave pending a COVID-19 test – all test results **negative**

16,600

visitors to the Wellness Centre, our online entertainment and education hub

7,000

care calls made to prospective residents

13

resident and next of kin newsletters sent in first 12 weeks of lockdown

Extra
42

nurses employed during lockdown to maintain care levels

Extra
80

care staff employed during lockdown to maintain care levels

Extra
39

village staff employed during lockdown to maintain care levels



Summerset by the Park, Manukau

Resident wellbeing

During 2020 we continued the rollout of our signature fitness programme for residents. Designed specifically for over-70s by an experienced personal training company, the programme has been accredited as a falls-prevention class by the Ministry of Health and ACC.

The new programme includes mental and physical exercises to improve and maintain coordination, balance and cognitive health. To ensure the effective delivery of the programme, each class is run by a fitness instructor. The programme is now available in seven villages and we will roll it out to a similar number in 2021.

Although we had to postpone our popular Connect speaker series during the COVID-19 lockdowns, we organised virtual events for our residents. These included a wine-tasting experience with Villa Maria and a food-focused talk by chef and author Peta Mathias.

We reintroduced face-to-face events in July 2020, with Connect talks from Olympic boardsailor Barbara Kendall and comedians Ginette McDonald and Pinky Agnew.

We also held a second series of 'Understanding dementia' talks in conjunction with Dementia New Zealand from September 2020. We plan to continue hosting virtual events alongside our village-based events into the future.

Resident wellbeing is at the centre of what we do and Summerset continues to plan for a variety of virtual and village based events

Dementia-friendly accreditation

In April 2020 we achieved dementia-friendly accreditation from Alzheimers New Zealand. This means we are nationally recognised as a safe, accepting and supportive place for people with dementia.

Alzheimers New Zealand's Chief Executive, Catherine Hall, said, "the Committee was impressed with the work Summerset has initiated to challenge stigma and create kinder, more accepting communities for people living with dementia,

and the wide range of creative dementia friendly initiatives observed during the audit."

To achieve this, we carried out intensive work across our villages, from training each staff member, to creatively meeting the individual needs of residents living with dementia.

More than 195 corporate staff have also completed an online training module to increase their understanding of dementia.

Summerset has a three-year partnership with Dementia New Zealand and has been working alongside the organisation to provide public talks at our villages to reduce stigma around the disease.

Summerset has been recognised as a safe and accepting place for people living with dementia

People are the heart of Somerset

In 2020 we prioritised the training and development of our staff, and this will continue into 2021 and beyond. We introduced a new online learning system that provides staff with easy access to user-friendly training modules.

Online training enables a consistent learning experience for all our staff, wherever they work. Our first online training programme was a six-module self-paced learning programme for our sales team.

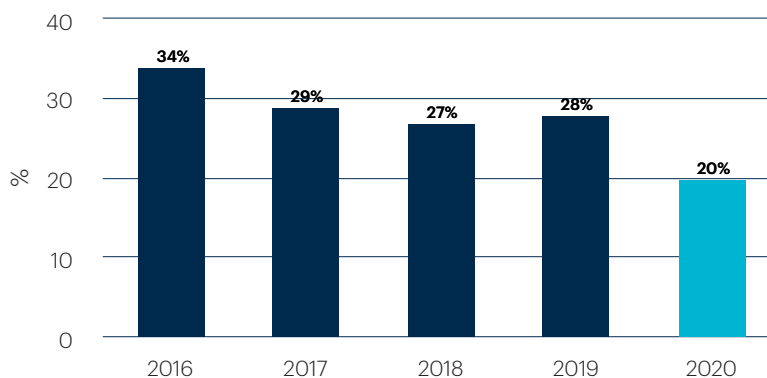
We also launched our Care Centre Manager and Clinical Nurse Lead leadership development programmes to build capability in these key frontline roles. They began with a series of face-to-face workshops and will continue to roll out over the next two to three years.

Online learning was invaluable during the nationwide lockdown, when we recruited more than 120 nurses and caregivers during the first six weeks. It allowed us to induct new staff into our processes, procedures, and health and safety protocols before they had even set foot on Somerset premises.

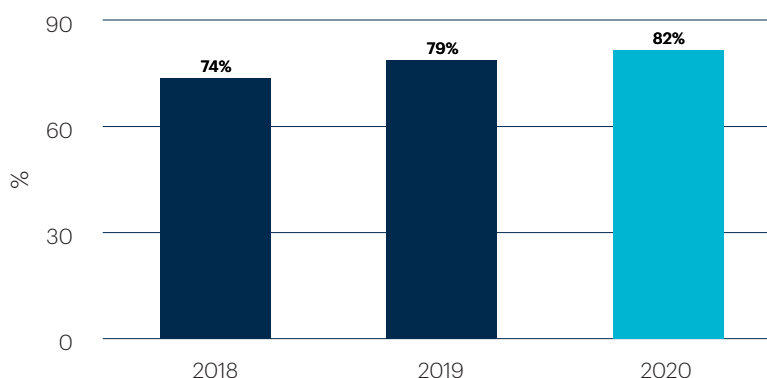
Our recruitment campaign for extra staff included contacting over 80 companies that were making redundancies due to COVID-19.

Online training enables a consistent learning experience for staff and was invaluable during the lockdown period

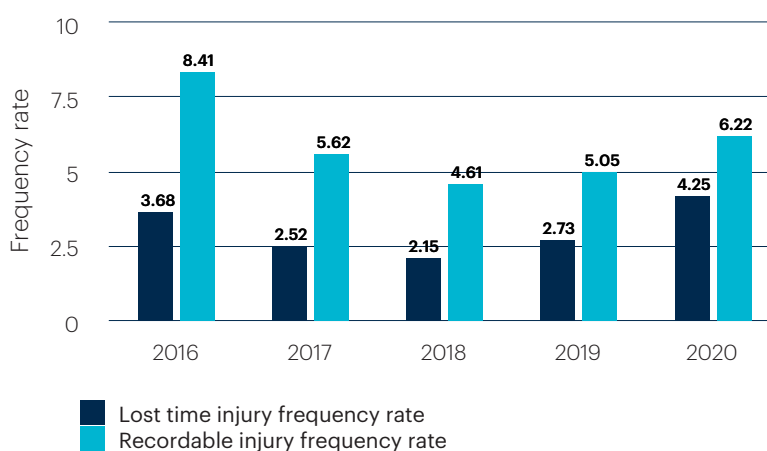
Employee attrition



Employee retention

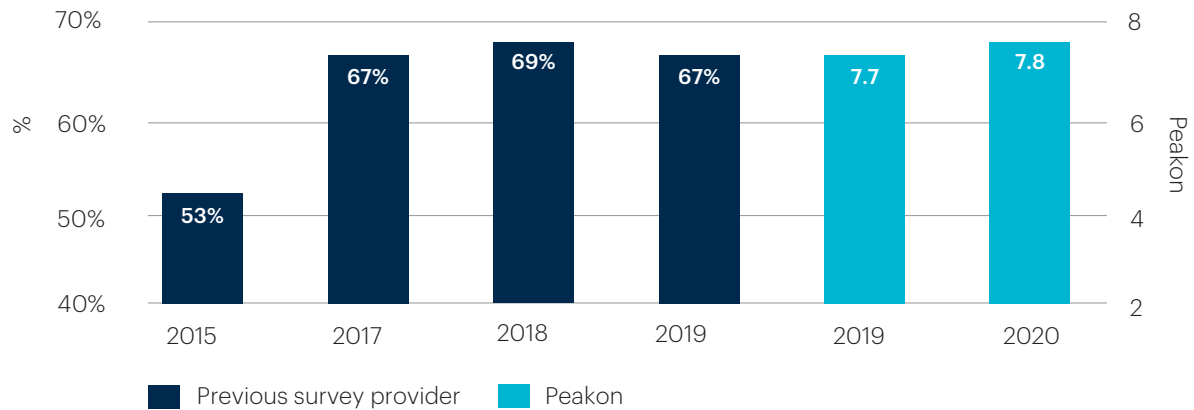


Workplace injury rates ¹



¹ The prior year (LTIFR) lost time injury frequency rate numbers have been updated due to Somerset changing to the benchmark methodology used by the Business Leaders' Health and Safety Forum.

Staff engagement¹



1. Peakon was provided the 2019 raw data to ensure year on year consistency — noting different scoring scales (67% = 7.7).

Attracting and retaining staff

Staff retention and turnover improved significantly over 2020, with turnover now below the industry average. This was partly due to the border closures and greater economic uncertainty brought about by COVID-19. However, it was also the result of ongoing improvements in our employee offering and culture.

During the year we changed our survey provider for measuring staff engagement. We now use the Peakon survey, whose much-improved technology assisted us in achieving 86% staff participation.

Our overall staff engagement score increased from 7.7 to 7.8 out of 10 in 2020, putting us at or above the top quartile of companies using Peakon globally.

Diversity and inclusion

During 2020 we also progressed our diversity and inclusion strategy. The specialist consultancy, Diversitas, thoroughly examined our policies and processes through a diversity and inclusion lens, and interviewed staff across the organisation. As a result of the review, we have now identified opportunities for continued improvement and a three-year plan has been developed with work starting in early 2021.

Continuing improvement in health and safety

We were pleased to be reaccruited with tertiary status in ACC's Accredited Employers Programme in 2020, which we have held since June 2017. The annual renewal audit provides an important snapshot of safety and injury management in our workplace. We are committed to the core values of this programme, creating safe work environments for our people and ensuring that we continue to be leaders in health and safety.



7.8

Staff engagement score
(out of 10)

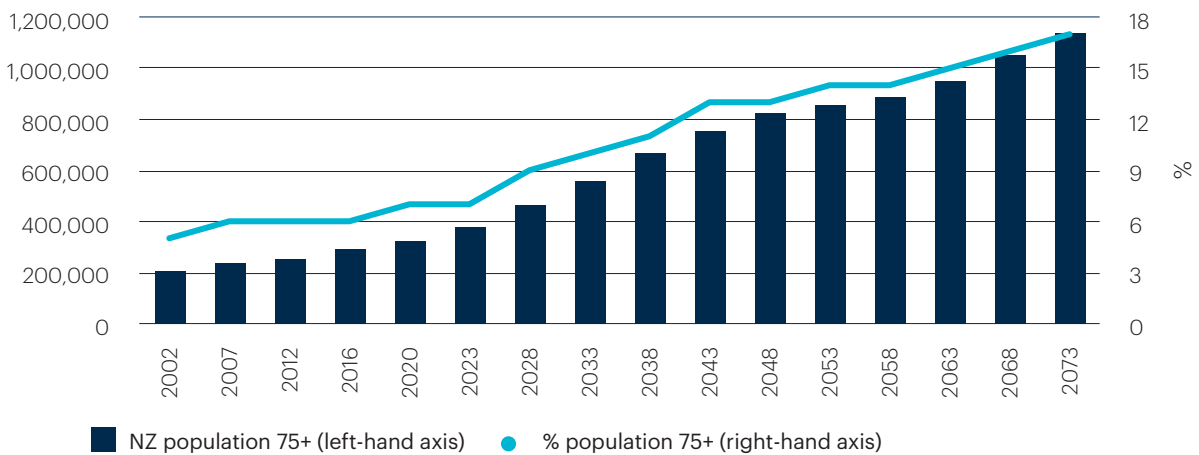
2020 highlights

- Strategy updated and three-year plan developed for implementation in 2021
- Increased visibility and training of senior leaders
- Improved risk reporting across the organisation
- Safety in design implemented and matured
- Improved incident reporting, data and analysis
- Improved third-party contractor management
- SiteWise pre-qualification programme well embedded
- Improved onboarding processes.

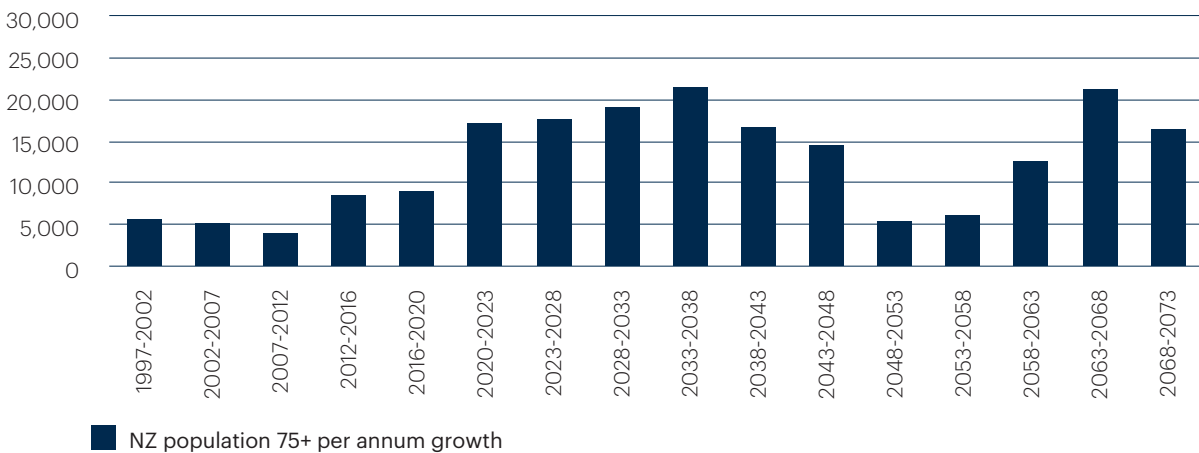
Strong wave of growth

The New Zealand population aged 75 and over is forecast to more than triple in the next 50 years.

NZ population 75+



Per annum New Zealand population growth 75+



Source: Statistics New Zealand – National Population Projections

Our villages

Summerset continues to grow its portfolio of high-quality retirement villages with amenities and facilities designed for Kiwi and Australian retirees.



Summerset has 32 villages in operation or in development across New Zealand, and a further eight sites in New Zealand held for future development. In 2020 we purchased 2.8 hectares of land in Auckland in Half Moon Bay.

Our land bank for future development is the largest in the New Zealand retirement sector, allowing us to double our current resident population. We have retirement villages in the main urban centres, including Auckland, New Zealand's most populous city, with five villages and four more in the pipeline. We also have villages in major provincial cities, including Nelson and New Plymouth, and popular retirement destinations such as Tauranga and the Kapiti Coast.

2020 successes

In 2020 we started earthworks at two sites and our first residents moved into three newly opened villages.

We also completed construction on two next-generation main buildings, at Casebrook in March and Rototuna in November.

Our main buildings form the heart of our villages, providing a vibrant community hub for residents, staff, families and friends.

At 9,000m², our new main buildings are almost double the size of those in our earlier villages.

Village highlights



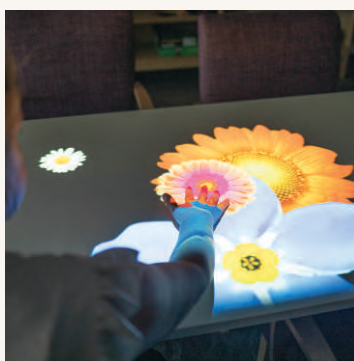
New residents

We were pleased to welcome our first residents to our new villages at Papamoa Beach (Tauranga), Te Awa (Napier) and Bell Block (New Plymouth). We now have two villages in the Bay of Plenty, four in the Hawke's Bay and two in Taranaki.



New earthworks

We started earthworks on two sites in 2020, at St Johns and Whangarei. Members of Ngāti Hau, a hapū of Ngāpuhi in the area of the new Whangarei village site, gathered for a morning blessing, alongside contractors, local kaumātua Mike Kake and Dave Coyne, and Group Construction Manager Jason Rahui.



New technology

We imported New Zealand's first Tovertafel — an interactive lightshow providing stimulation for people with cognitive impairments. The new technology is from the Netherlands for use in our newer memory care centres.

RESOURCE CONSENTS

SITE	DETAILS	PROGRESS
Prebbleton	Resource consent lodged Q3 2020	In progress
Rangiora	Plan change approved. Resource consent lodged Q4 2020	In progress
Blenheim	Resource consent lodged Q4 2020	In progress
Cambridge	Resource consent lodged Q4 2020	In progress
Waikanae	Resource consent lodged Q4 2020	In progress
Lower Hutt	Environment Court decision granted	Resource consent received Q4 2020
Parnell	Resource consent lodged Q3 2020	Public notification closed Hearing expected Q2 2021

Memory care centres

Summerset is a New Zealand leader in next-generation memory care. Since the 2017 opening of our award-winning memory care centre in Levin, we have refined the design and features for our newest centres in Casebrook and Rototuna.

Our in-house design and operations teams have used research from international dementia design specialists to create apartment-style living for residents with dementia. The modern design offers clear wayfinding, dementia-friendly signage, large communal areas and a secure outdoor courtyard for freedom of movement and independence.

Priorities for 2021

In 2021 we will complete our Ellerslie village by finishing the last independent apartment building. In addition, we will deliver our first units as part of the Hobsonville village extension.

We expect to see good progress in 2021 at our St Johns site. Bulk earthworks will finish in March 2021, and construction will start on the 8,500m² basement which will contain carparking for residents.

We also received final resource consent from the Environment Court for our Boulcott site in Lower Hutt in November 2020. Construction has started on the village, which will ultimately be home to more than 300 residents.

Regional main buildings will be delivered in both our Richmond and Avonhead villages in 2021. These will provide further well-appointed amenities for our residents.



6

Building
resource consents
lodged

Expanding the model into Australia

It is important that we have a strong local base as we expand into Australia. We are gradually developing our Australian team and appointed the heads of the design, sales and operations teams for Victoria in 2020.

Two of these roles were filled by existing Summerset staff, who will move to Melbourne early in 2021. We are looking forward to providing the Australian market with our continuum of care offering and the backing of a trusted brand with 23 years' experience in retirement living.

Providing a home for life in Australia

Summerset will offer a full continuum of care in Australia. This sets us apart from many competitors in Australia, where it is common for independent living and care to operate separately and across different locations.

We will be building Cranbourne North in carefully planned stages. We expect to deliver approximately 40 villas in the first stage of the development, from late 2021/early 2022.

Planning for our specialist care centre and care services at Cranbourne North is already well under way. The care centre will offer a unique household model, with no more than 18 residents in a household.

Each resident will have a private room and access to shared lounge and dining areas. This will provide them with the comfort, intimacy and closeness of a family unit, and will allow our care staff to focus on each individual resident.

Half Moon Bay

In October 2020 we announced the purchase of a 2.8-hectare site in Half Moon Bay.

Once consented, it will be our ninth village in Auckland and our very first in East Auckland.

It will include independent living and serviced apartments, care suites and a memory care centre. It is near the Half Moon Bay Marina with ferry services to the CBD and Waiheke Island.

Upper floors will have west-facing views across Half Moon Bay, towards the city and out to the Waitakeres.

The number of people in the 75+ age group in East Auckland is forecast to increase by over 50% in the next eight years.



Our villages

- Completed villages
- In development
- Proposed villages



Our land bank



New Zealand land bank

Design

Consenting

Construction

Village open

Final stages

Hobsonville, Auckland	●	→	●	→	●	→	●	→	●
Ellerslie, Auckland	●	→	●	→	●	→	●	→	●
Rototuna, Hamilton	●	→	●	→	●	→	●	→	●
Casebrook, Christchurch	●	→	●	→	●	→	●	→	●
Avonhead, Christchurch	●	→	●	→	●	→	●		●
Richmond, Tasman	●	→	●	→	●	→	●		●
Kenepuru, Wellington	●	→	●	→	●	→	●		●
Te Awa, Napier	●	→	●	→	●	→	●		●
Papamoa Beach, Tauranga	●	→	●	→	●	→	●		●
Bell Block, New Plymouth	●	→	●	→	●	→	●		●
St Johns, Auckland	●	→	●	→	●		●		●
Whangarei, Northland	●	→	●	→	●		●		●
Lower Hutt, Wellington	●	→	●	→	●		●		●
Rangiora, Canterbury	●	→	●		●		●		●
Parnell, Auckland	●	→	●		●		●		●
Waikanae, Kapiti	●	→	●		●		●		●
Cambridge, Waikato	●	→	●		●		●		●
Blenheim, Marlborough	●	→	●		●		●		●
Prebbleton, Canterbury	●	→	●		●		●		●
Milldale, Auckland	●		●		●		●		●
Half Moon Bay, Auckland*	●		●		●		●		●

Australian land bank

Cranbourne North, Melbourne	●	→	●		●		●		●
Torquay, Victoria	●		●		●		●		●

* New site purchased

Our commitment to sustainability

Summerset was certified as New Zealand's first carbonzero™ retirement village operator in 2018, and we have continued to build on our commitment to sustainability each year.



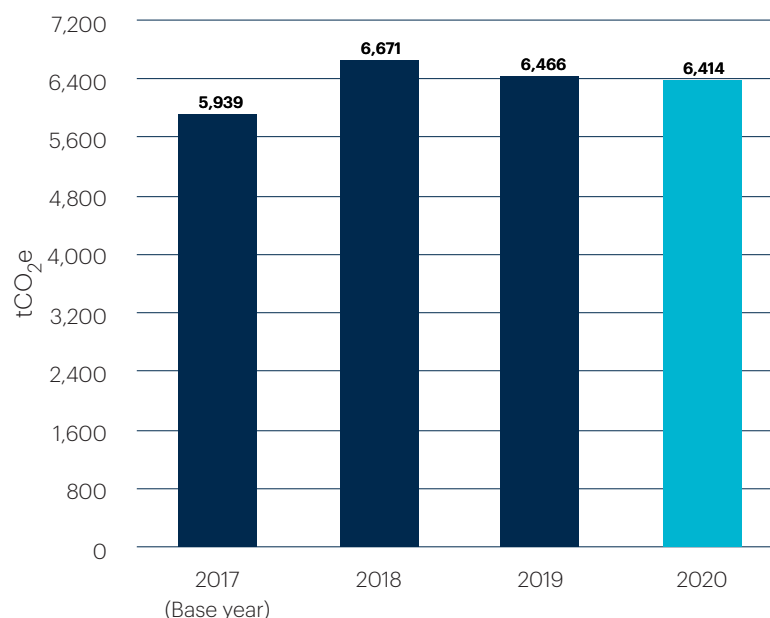
In 2020, Summerset committed to a science-aligned carbon reduction target, that commits us to a 62% reduction per square metre of building area by 2032 (from 2017 levels). We are the only New Zealand retirement village operator to have done this. Summerset is also working closely with its supply chains to reduce carbon emissions. We have also expanded our emissions reduction programme into our villages and started preparing for innovation in future village builds.

Summerset has a large construction business, giving us scope to reduce our carbon emissions and future-proof our villages against climate-related risks. We can reduce emissions by adopting new technologies in our building designs, using greener building materials and creating landscapes that are more water efficient.

As part of its goal of reaching net zero carbon emissions by 2050, the Government is expected to introduce regulation on the Building for Climate Change Programme in 2021. Summerset has made a submission on this as part of the consultation process.

Summerset has expanded its emissions reduction programme across its villages

Absolute emissions progress



Emissions reduction programme

Summerset is Toitū carbonzero™ certified. We have been measuring, managing and reporting on our carbon footprint since 2017. From 2018, our carbon emissions have been independently audited by Toitū Envirocare to the ISO14064-1 standard. We are on track to meet our target of a 5% reduction in all operational emissions intensity by the end of 2022.

Our internal tracking shows we have reduced our carbon emissions intensity by 31% since 2017.

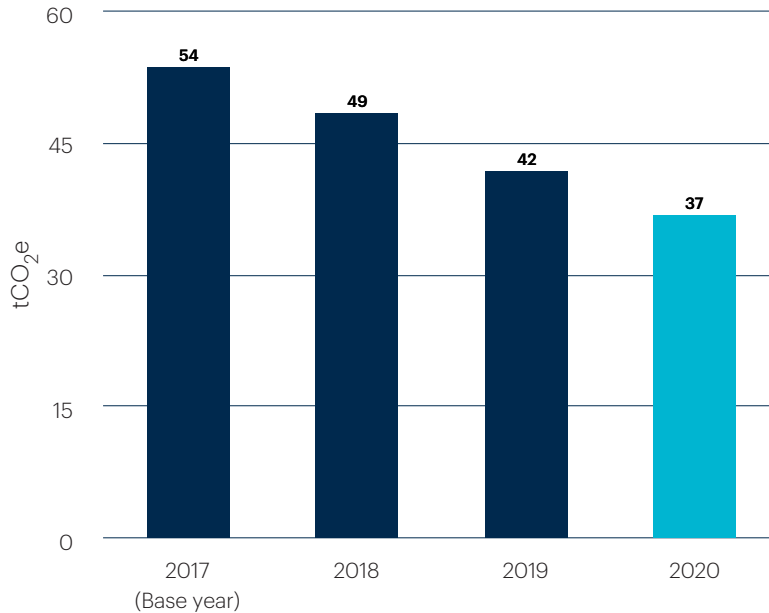
Given our significant property development activities, we calculate our total gross carbon emissions per square metre of build. This has decreased by 22% since 2017.

Decrease in absolute carbon emissions

Summerset's total emissions in 2020 were 6,414 tCO₂e, which is 1% lower than the previous year's total of 6,466 tCO₂e and 8% higher than the base year total of 5,939 tCO₂e. Energy use accounts for 80% of our carbon emissions.

SUMMERSET'S AFFILIATIONS



Emissions intensity – CO₂e tonnes per \$ million revenue

Progress in 2020

In 2020 we monitored our performance across two environmental, social and governance (ESG) indices. We achieved an AA rating from Morgan Stanley and submitted a non-scored survey to the Carbon Disclosure Project (CDP) for the first time.

In addition, Summerset joined New Zealand's main body for sustainable building knowledge in August. The New Zealand Green Building Council membership will provide our staff with access to technical knowledge on best environmental building practices.

Along with over 100 of New Zealand's leading companies, we are a signatory to the Climate Leaders Coalition and have set a science-aligned carbon reduction target for our business in 2021. This demonstrates our commitment to the Paris Agreement on global climate change.

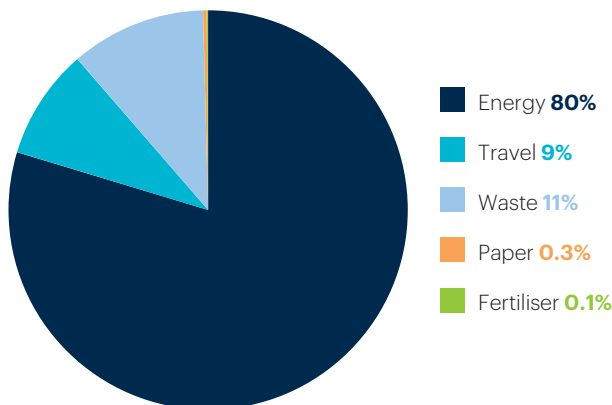
Summerset's five areas of focus as part of our emissions management reduction are *energy, waste, travel, paper and fertilisers*.



ENERGY

Reducing electricity and gas usage

We fine-tuned, maintained and upgraded equipment throughout 2020 to ensure energy efficiency. This included upgrading the gas boiler at our Manukau village and continuing our LED upgrade programme. In addition, we joined the New Zealand Green Building Council to ensure optimal energy performance for new builds.

2020 key impact areas by tCO₂e



WASTE

Minimising our waste to landfill

Reducing the amount of waste we send to landfill is an ongoing focus for our offices, operations and construction activities. In operations we achieved a 35% diversion from landfill, and in construction the figure was 30%. The Ellerslie construction site achieved a 75% avoidance. As a result of this focus on recycling, our facilities now send 25% less waste to landfill per resident compared to our 2017 base year.



TRAVEL

Being more efficient in the way we travel

Travel emissions are calculated for car hire and air travel. Compared to 2019 we achieved a 50% decrease in emissions from domestic, short-haul and international flights in 2020. This was due to COVID-19 travel restrictions and the increased use of communications technology.



PAPER

Reducing our paper consumption

Our paper use went up due to the increase in printed communications during the COVID-19 lockdowns. However, invoices are now sent via email to 51% of residents, up from 17% at the beginning of 2020.



FERTILISERS

Selecting environmentally friendly fertilisers

Fertilisers are a small but visible part of our emissions profile. We continue to reduce our fertiliser emissions by working with our landscaping teams, gardeners and suppliers to ensure we use products that have a low carbon footprint.

Governance

Roles and responsibilities

Board	Oversees climate-related issues and responsibility for sustainability. Reviews and approves direction and monitors progress against targets
CEO	Assesses and manages climate-related risks and opportunities. Reports programme performance and progress at Board meetings
Sustainability Forum	Includes senior managers from across the business. Shapes and monitors our sustainability strategy
Key functional workstreams	Covers operational impact areas related to the new build environment
Green Team	Implements specific actions and initiatives identified in the emissions reduction plan

Further details on our climate-related targets, measurements and results

Summerset is aware of work under way on making climate-related financial disclosures mandatory for listed companies by 2023. Climate-related risks are currently managed through our risk management framework and across our governance and reporting processes.

- Governance – for a statement on the Board's oversight of climate-related risks and opportunities see our governance section on page 79
- Strategy – details of our overall business strategy is on page 5 and our plan is to better understand climate-related material risks and opportunities for Summerset in the future
- Risk management – see our risk management framework presented on pages 86 to 88
- Metrics and targets – carbon performance metrics can be found above; operational performance metrics are on pages 18 to 27, financial performance metrics are on pages 34 to 38

Our performance

Summerset has maintained strong profitability and balance sheet resilience throughout 2020 and is well positioned for future sustained growth.

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Financial performance overview

Underlying profit for the year ended 31 December 2020 decreased by 7% on the prior year to \$98.3 million (2019: \$106.2 million), driven principally by significant additional operational costs associated with COVID-19 to ensure our residents remained safe, increased investment in care, employee wages and penal rates, and cost drag from opening new villages and main buildings.

Our sales of new and existing units were strong, with increased volumes for both. We also saw increased sale prices on our resale units, reflecting the strong residential property market. The margin on new units reduced due to changes in the mix of units sold, with more needs-based products and more regional sales.

Revenue for the year grew 12% to \$172.4 million (2019: \$153.9 million), reflecting the opening of three new villages and two main buildings, and strong financial performance across village operations. Our care occupancy rates in established villages remained high despite a small reduction following the two COVID-19 lockdowns.

Underlying profit is a non-GAAP measure. A detailed explanation is included in Note 2 to the Financial Statements (see page 49). In general terms, underlying profit removes the fair value movement of investment property and reinstates the realised gains associated with our resales and the development margin associated with our new sales. Underlying profit is used to determine the dividend pay-out to shareholders.

COVID-19 impact

COVID-19 had a significant impact on 2020 underlying profit. Increased operational costs of over \$9 million were predominantly from additional

staff resources, pandemic kits and personal protective equipment.

This included additional care and housekeeping staff, a \$2 per hour wage increase during level four lockdown, security at our sites, and extra sick leave as a precaution for staff either because of their health or that of their close contacts.

The costs outlined above are some of the direct costs related to our response, but we also incurred a number of indirect costs. These include the cost of paying the construction staff during lockdown while they were unable to be on site and significant investment in marketing and sales post lockdown to support our sales teams to ensure our sales were successful. There were also no sales during the national lockdown.

In May we received \$0.7 million as part of the Government's support to aged care providers for the additional costs incurred. We note that this is considerably less than our actual costs to date. We qualified for the COVID-19 wage subsidy as revenue fell by more than 30% in April, when retirement unit sales fell to zero, and received \$8.6 million. However, we repaid this in full once it became clear the business was in a stable financial position and the outlook was positive.

Sales were significantly better than expected once the country came out of lockdown, with the third and fourth quarters bringing record sales and the business continuing to perform well. While we have not yet experienced the economic downturn predicted by many economists, we are wary that COVID-19 will be with us for some time. We will continue to plan and prepare to ensure we are well positioned to deal with any future outbreaks.

Underlying profit has seen a compound annual growth rate of 32% since the company was listed on the NZX in 2011

Long-term growth

A key component of underlying profit is the realised development margin on new sales which was \$48.2 million in 2020 (2019: \$61.0 million). The development margin was 19.6%, down from 27.9% in the previous year. The decrease was due to increased construction costs across our main centres, an increase in needs-based products and fewer Auckland settlements. The long-term returns remain strong on needs-based products. Summerset's medium-term expectation of development margins is in the 20–25% range. This will continue to be an area of significant focus for the Board and management.

Good margins reflect the advantage of having strong in-house capabilities for each stage of village development, including land purchase, planning, consenting, design and construction management. We can achieve cost advantages through scale and standardisation of development programmes, while also being able to adapt each project to local needs and preferences.

Summerset continues to maintain the largest land bank for a retirement village operator in New Zealand, and acquired a new site at Half Moon Bay in Auckland during 2020. This brings our total land bank of units to 5,992.

Summary of sales and developments

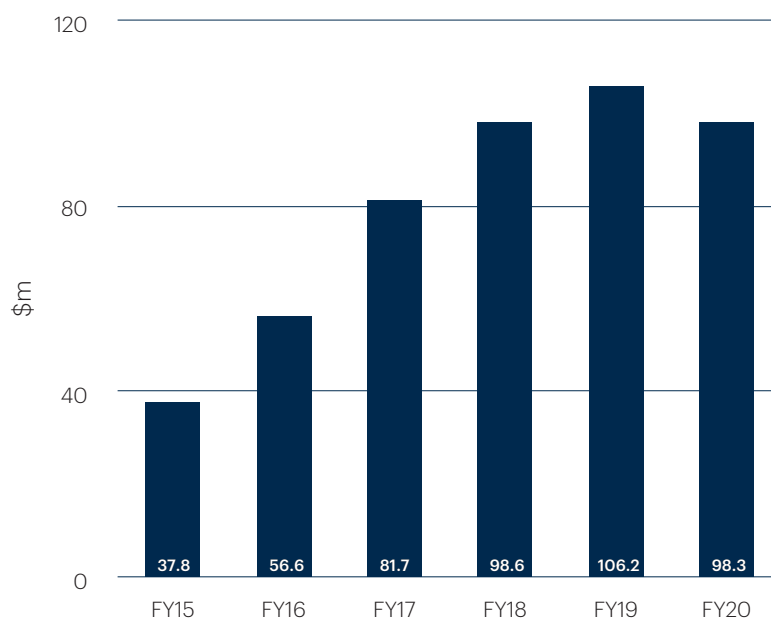
New Zealand's residential property market is continuing to hold strong despite early predictions from market analysts that the global pandemic could result in significant decreases in house prices nationwide. Prices continued to rise across most regions, partly fuelled by low interest rates and strong buyer demand.

Summerset had a record sales year, with 785 unit sales of occupation rights (2019: 652), 404 of them new unit sales and 381 resales. Average gross proceeds per new sale settlement of \$607,000 were down from \$665,000 in 2019 due to the change in mix of unit type and region of sales. Realised resale gain increased by 25% to \$46.1 million in 2020. Average gross proceeds per resale settlement were \$464,000, up 4% from 2019. This reflects the growth in the residential property market in some regions, as well as the length of time taken between sale of units.

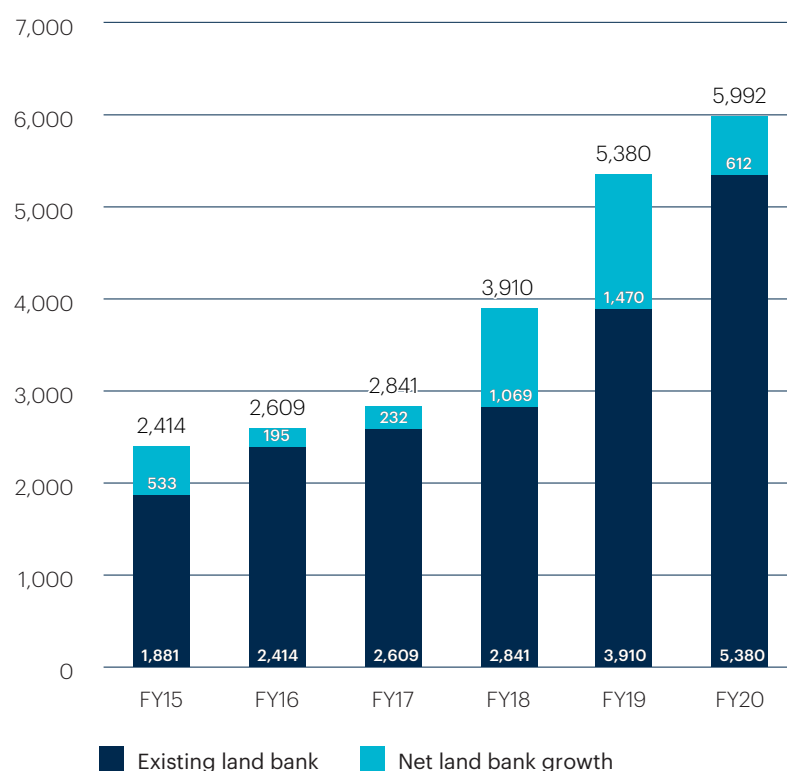
Key development milestones included the opening of three new villages: Papamoa Beach (Tauranga), Te Awa (Napier) and Bell Block (New Plymouth). For developing villages still under construction, new unit sales were strong at Casebrook (Christchurch), Rototuna (Hamilton) and Avonhead (Christchurch).

In addition, our Australian sites acquired to date illustrate Summerset's commitment to diversifying into an attractive overseas growth market.

Underlying profit



Land bank over time (units)¹



¹ Units include all units to be sold under occupation right agreement

Net profit after tax

Summerset recorded a net profit after tax of \$230.8 million for the year ended 31 December 2020, up from \$175.3 million in 2019.

This increase is largely due to the fair value movement on investment property (2020: \$221.1 million; 2019: \$165.3 million).

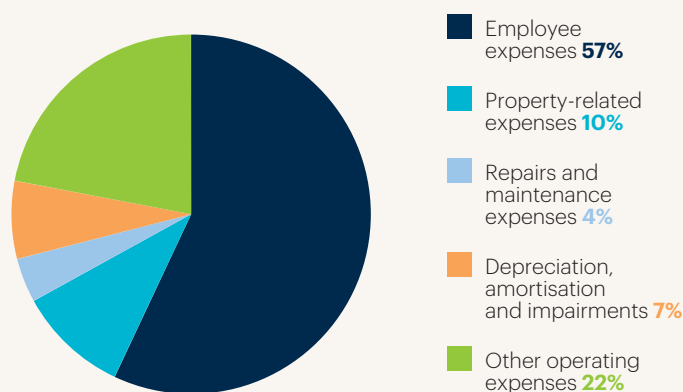
Fair value movement in 2020 of \$221.1 million reflects the delivery of 356 units in the financial year, the completion of two main buildings, strong sales rates across our villages reducing our vacant stock levels and changes to the key assumptions applied by the valuer. Assumption changes in the period were predominately to short term growth rates and recycle frequencies, reflecting the tailwinds seen in the residential property market across the second half of 2020.

Business growth and expenses

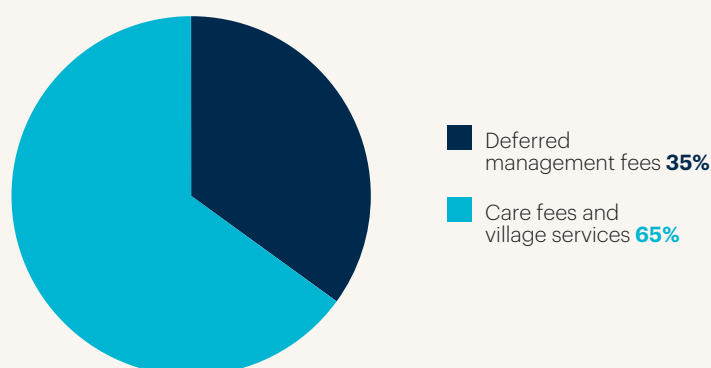
Summerset derives its revenue from selling units (deferred management fees) and providing village and care services. The company's revenue increased as a result of higher volumes, reflective of the scale and growth of our operations.

Deferred management fees on Summerset's investment property were \$60.8 million in 2020 (2019: \$52.5 million). The growth reflects the increase in the number, occupancy and value of Summerset's portfolio of units.

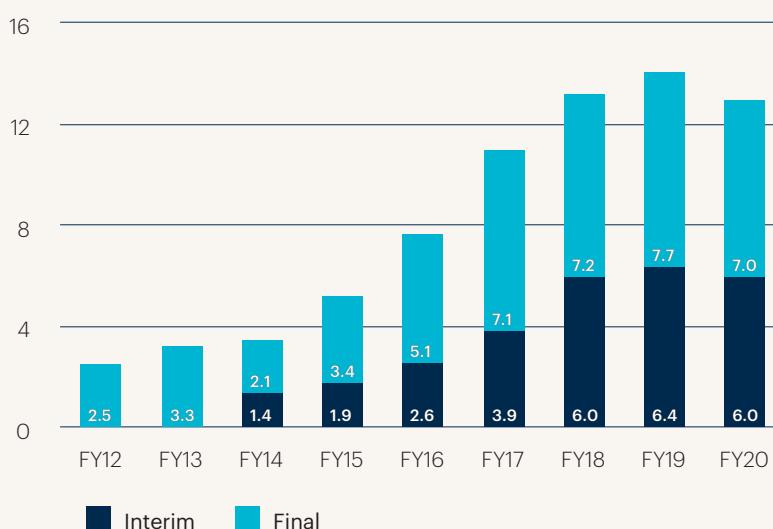
Expense breakdown



Revenue breakdown



Dividend cents per share





96%

Occupancy in our mature care centres

At 31 December 2020, Summerset's total unit portfolio reached 4,442 (2019: 4,086) and at year end there were only 179 new sales units and 73 resale units available for sale.

The final apartment building in Summerset's Ellerslie village is due for delivery in early 2021, and comprises a further 74 apartments. Strong progress has also been made on two main buildings in Avonhead and Richmond, both due to open in 2021.

Occupancy in our mature care centres was 96% which is above the industry average of 90%.

Total expenses increased in 2020 by 22% to \$158.3 million (2019: \$130.2 million), largely due to COVID-19 costs and cost drag of new care centres and villages opening in line with Summerset's ongoing business growth. We also invested in our employee offering and culture to ensure we remain a top employer, we had increased uncontrollable expenditure items such as rates and power, and spent more on additional sales and marketing expenses.

Operating activities

Summerset's net cash from operating activities was \$266.8 million for the year, up 12% from 2019 (2019: \$237.9 million). This was principally driven by gross receipts from new occupation right agreement sales, amounting to \$237.0 million, up from \$209.4 million in 2019.

Summerset is a growth company and reinvests operating cash flows back into the business to finance future growth. In 2020 Summerset invested \$318.8 million, primarily in new and existing retirement villages and care centres (2019: \$327.4 million).

Investment activities are principally the purchase of land and the development and refurbishment of new and existing retirement villages and care centres.

Assets rose to \$3.9 billion

Total assets rose 17% to \$3.9 billion at 31 December 2020 (2019: \$3.3 billion), mainly due to growth in the size and value of Summerset's investment property, which reached \$3.6 billion (2019: \$3.1 billion). At balance date, Summerset also had other property, plant and equipment valued at \$181.1 million (2019: \$154.0 million), most of this being care centres (these are operated to provide services and are therefore not included as investment property).

An increased embedded value of \$883.6 million (2019: \$752.7 million) demonstrates future cash that can be generated when units are resold.

Interest-bearing debt of \$687.1 million was 18% of total assets at year end (2019: \$587.1 million). Summerset raised \$150.0 million from a new retail bond in September 2020 which brings the year end debt at face value to \$297.6 million of bank borrowings and \$375.0 million of retail bonds.

Summerset also has residents' loans of \$1.5 billion (2019: \$1.3 billion). This in the form of licences paid by residents under occupation right agreements, these are repayable when residents vacate units and the associated occupation rights are resold.

Consistent strong growth performance

Summerset continued to pay dividends to shareholders during COVID-19 despite unprecedented circumstances. We will pay a final dividend of 7.0 cents per share (cps) on 22 March 2021, making a full pay-out for the 2020 year of 13.0 cps (2019: 14.1 cps).

Board policy remains for shareholder distributions in the range of 30–50% of each year's underlying profit. The 2020 distribution of \$29.7 million represents 30% of underlying profit (\$98.3 million), which is consistent with the last five years.

Summerset continues to offer shareholders a dividend reinvestment option, including a 2% discount to market share price.

Five year summary

Key operational and financial statistics for the five year period up to and including FY20 are as follows:

Results highlights - operational

	Unit	FY20	FY19	FY18	FY17	FY16	FY19 to FY20 % Change
New sales of occupation rights	No.	404	329	339	382	414	23%
Resales of occupation rights	No.	381	323	301	300	244	18%
Total sales of occupation rights	No.	785	652	640	682	658	20%
Development margin	%	19.6%	27.9%	33.2%	27.3%	22.2%	-30%
New units delivered	No.	356	354	454	450	409	1%
Units in portfolio	No.	4,442	4,086	3,732	3,278	2,828	9%
Care beds in portfolio	No.	915	858	858	806	748	7%

Results highlights - financial

	Unit	FY20	FY19	FY18	FY17	FY16	FY19 to FY20 % Change
Net operating cash flow	\$m	266.8	237.9	217.8	207.7	192.6	12%
Total assets	\$m	3,893.2	3,337.9	2,766.4	2,232.8	1,706.8	17%
Net assets	\$m	1,354.8	1,131.9	978.8	785.8	545.6	20%
Underlying profit	\$m	98.3	106.2	98.6	81.7	56.6	-7%
Profit before income tax (IFRS)	\$m	221.7	173.6	216.2	240.2	145.6	28%
Profit for the period (IFRS)	\$m	230.8	175.3	214.5	239.9	145.5	32%
Dividend per share	cents	13.0	14.1	13.2	11.0	7.7	-8%
Basic earnings per share	cents	102.3	78.6	97.1	109.8	66.9	30%

Financial statements

Income Statement

For the year ended 31 December 2020

	NOTE	2020 \$000	2019 \$000
Care fees and village services	4	111,619	101,259
Deferred management fees	4	60,752	52,470
Interest received	4	51	217
Total revenue		172,422	153,946
Fair value movement of investment property	11	221,142	165,252
Total income		393,564	319,198
Operating expenses	5	(146,805)	(122,399)
Depreciation and amortisation expense	9, 10	(8,097)	(7,833)
Impairment of property, plant and equipment	9	(3,431)	-
Total expenses		(158,333)	(130,232)
Operating profit before financing costs		235,231	188,966
Net finance costs	6	(13,496)	(15,405)
Profit before income tax		221,735	173,561
Income tax credit	7	9,041	1,701
Profit for the period		230,776	175,262
Basic earnings per share (cents)	20	102.30	78.59
Diluted earnings per share (cents)	20	101.23	77.52

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2020

	NOTE	2020 \$000	2019 \$000
Profit for the period		230,776	175,262
Fair value loss on interest rate swaps	14	(7,075)	(7,015)
Tax on items of other comprehensive income	7	1,981	1,964
(Loss)/gain on translation of foreign currency operations		(491)	266
Other comprehensive income that will be reclassified subsequently to profit or loss for the period net of tax		(5,585)	(4,785)
Net revaluation of property, plant and equipment	9	12,712	-
Tax on items of other comprehensive income	7	(3,145)	-
Other comprehensive income which will not be reclassified subsequently to profit or loss for the period net of tax		9,567	-
Total comprehensive income for the period		234,758	170,477

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2020

	SHARE CAPITAL \$000	HEDGING RESERVE \$000	REVALUATION RESERVE \$000	RETAINED EARNINGS \$000	FOREIGN CURRENCY TRANSLATION RESERVE \$000	TOTAL EQUITY \$000
As at 1 January 2019	269,467	(10,122)	24,941	694,508	5	978,799
Adjustment on adoption of IFRS 16	-	-	-	(1,413)	-	(1,413)
Adjusted balance at 1 January 2019	269,467	(10,122)	24,941	693,095	5	977,386
Profit for the period	-	-	-	175,262	-	175,262
Other comprehensive income for the period	-	(5,051)	-	-	266	(4,785)
Total comprehensive income for the period	-	(5,051)	-	175,262	266	170,477
Dividends paid	-	-	-	(30,586)	-	(30,586)
Shares issued	13,351	-	-	-	-	13,351
Employee share plan option cost	1,256	-	-	-	-	1,256
As at 31 December 2019	284,074	(15,173)	24,941	837,771	271	1,131,884
As at 1 January 2020	284,074	(15,173)	24,941	837,771	271	1,131,884
Profit for the period	-	-	-	230,776	-	230,776
Other comprehensive income for the period	-	(5,094)	9,567	-	(491)	3,982
Total comprehensive income for the period	-	(5,094)	9,567	230,776	(491)	234,758
Dividends paid	-	-	-	(31,222)	-	(31,222)
Shares issued	16,395	-	-	-	-	16,395
Employee share plan option cost	3,030	-	-	-	-	3,030
As at 31 December 2020	303,499	(20,267)	34,508	1,037,325	(220)	1,354,845

The accompanying notes form part of these financial statements.

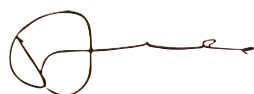
Statement of Financial Position

As at 31 December 2020

	NOTE	2020 \$000	2019 \$000
Assets			
Cash and cash equivalents		15,817	21,462
Trade and other receivables	8	33,395	36,662
Interest rate swaps	14	18,412	12,617
Property, plant and equipment	9	181,098	154,004
Intangible assets	10	5,709	6,123
Investment property	11	3,638,760	3,107,014
Total assets		3,893,191	3,337,882
Liabilities			
Trade and other payables	12	158,610	134,680
Employee benefits	13	15,438	11,434
Revenue received in advance	4	114,737	91,142
Interest rate swaps	14	28,150	21,075
Residents' loans	15	1,520,298	1,327,607
Interest-bearing loans and borrowings	17	687,099	597,081
Lease liability	16	11,184	10,460
Deferred tax liability	7	2,830	12,519
Total liabilities		2,538,346	2,205,998
Net assets		1,354,845	1,131,884
Equity			
Share capital	19	303,499	284,074
Reserves	19	14,021	10,039
Retained earnings		1,037,325	837,771
Total equity attributable to shareholders		1,354,845	1,131,884

The accompanying notes form part of these financial statements.

On behalf of the Board



Rob Campbell
Director and Chair of
the Board



James Ogden
Director and Chair of the
Audit Committee

Authorised for issue on 22 February 2021

Statement of Cash Flows

For the year ended 31 December 2020

	2020 \$000	2019 \$000
Cash flows from operating activities		
Receipts from residents for care fees and village services	110,719	101,116
Interest received	51	217
Payments to suppliers and employees	(142,205)	(116,811)
Receipts for residents' loans - new occupation right agreements	237,000	209,364
Net receipts for residents' loans - resales of occupation right agreements	61,282	44,010
Net cash flow from operating activities	266,847	237,896
Cash flows to investing activities		
Sale of investment property	1,154	-
Payments for investment property:		
- land	(44,386)	(57,344)
- construction of villages	(229,205)	(232,768)
- refurbishment of villages	(8,244)	(7,201)
Payments for property, plant and equipment:		
- construction of care centres	(16,651)	(15,413)
- refurbishment of care centres	(1,107)	(146)
- other	(7,760)	(3,172)
Payments for intangible assets	(668)	(567)
Capitalised interest paid	(11,910)	(10,800)
Net cash flow to investing activities	(318,777)	(327,410)
Cash flows from financing activities		
Net (repayments of)/proceeds from bank borrowings	(71,542)	135,636
Proceeds from issue of retail bonds	150,000	-
Proceeds from issue of shares	4,201	2,215
Interest paid on borrowings	(15,436)	(13,549)
Payments in relation to lease liabilities	(1,549)	(1,264)
Dividends paid	(19,389)	(19,544)
Net cash flow from financing activities	46,285	103,494
Net (decrease)/increase in cash and cash equivalents	(5,645)	13,980
Cash and cash equivalents at beginning of period	21,462	7,482
Cash and cash equivalents at end of period	15,817	21,462

The accompanying notes form part of these financial statements.

Reconciliation of Operating Results and Operating Cash Flows

For the year ended 31 December 2020

	2020 \$000	2019 \$000
Profit for the period	230,776	175,262
Adjustments for:		
Depreciation and amortisation expense	8,097	7,833
Impairment on property, plant and equipment	3,431	-
Fair value movement of investment property	(221,142)	(165,252)
Net finance costs paid	13,496	15,405
Income tax credit	(9,041)	(1,701)
Deferred management fee amortisation	(60,752)	(52,470)
Employee share plan option cost	1,576	1,256
Other non-cash items	90	271
	(264,245)	(194,658)
Movements in working capital		
Decrease/(increase) in trade and other receivables	1,632	(10,724)
Increase in employee benefits	4,004	1,980
Increase in trade and other payables	903	624
Increase in residents' loans net of non-cash amortisation	293,777	265,412
	300,316	257,292
Net cash flow from operating activities	266,847	237,896

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2020

1. Summary of accounting policies

Reporting entity

The consolidated financial statements presented for the year ended 31 December 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 a FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. The reporting entity is listed on the New Zealand Stock Exchange (NZX), being the Company's primary exchange, and is listed on the Australian Securities Exchange (ASX) as a foreign exempt listing.

Basis of preparation

These consolidated 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 refers to New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards.

These financial statements are expressed in New Zealand dollars, which is the Company's and 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.

All amounts are shown exclusive of goods and services tax (GST), except for trade receivables and trade payables, and except where the amount of GST incurred is not recoverable. When this occurs, GST is recognised as part of the cost of the asset or as an expense as applicable.

The measurement basis adopted in the preparation of these financial statements is historical cost, with the exception of the items noted below.

- Interest rate swaps – Note 14
- Investment property – Note 11
- Land and buildings – Note 9
- Retail bonds – Note 17

Basis of consolidation

Subsidiaries are fully consolidated at the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group transactions and balances arising within the Group are eliminated in full.

All subsidiary companies are 100% owned and incorporated in New Zealand or Australia with a balance date of 31 December.

Notes to the financial statements (continued)

The New Zealand subsidiaries are:

Summer Land Developments Limited	Summerset Villages (Milldale) Limited
Summerset Care Limited	Summerset Villages (Napier) Limited
Summerset Holdings Limited	Summerset Villages (Nelson) Limited
Summerset LTI Trustee Limited	Summerset Villages (New Plymouth) Limited
Summerset Management Group Limited	Summerset Villages (Number 42) Limited
Summerset Properties Limited	Summerset Villages (Number 43) Limited
Summerset Retention Trustee Limited	Summerset Villages (Number 44) Limited
Summerset Villages (Aotea) Limited	Summerset Villages (Number 45) Limited
Summerset Villages (Avonhead) Limited	Summerset Villages (Palmerston North) Limited
Summerset Villages (Bell Block) Limited	Summerset Villages (Papamoa) Limited
Summerset Villages (Blenheim) Limited	Summerset Villages (Paraparaumu) Limited
Summerset Villages (Cambridge) Limited	Summerset Villages (Parnell) Limited
Summerset Villages (Casebrook) Limited	Summerset Villages (Prebbleton) Limited
Summerset Villages (Dunedin) Limited	Summerset Villages (Rangiora) Limited
Summerset Villages (Ellerslie) Limited	Summerset Villages (Richmond) Limited
Summerset Villages (Half Moon Bay) Limited	Summerset Villages (Rototuna) Limited
Summerset Villages (Hamilton) Limited	Summerset Villages (St Johns) Limited
Summerset Villages (Hastings) Limited	Summerset Villages (Taupo) Limited
Summerset Villages (Havelock North) Limited	Summerset Villages (Te Awa) Limited
Summerset Villages (Hobsonville) Limited	Summerset Villages (Trentham) Limited
Summerset Villages (Karaka) Limited	Summerset Villages (Waikanae) Limited
Summerset Villages (Katikati) Limited	Summerset Villages (Wanganui) Limited
Summerset Villages (Kenepuru) Limited	Summerset Villages (Warkworth) Limited
Summerset Villages (Levin) Limited	Summerset Villages (Whangarei) Limited
Summerset Villages (Lower Hutt) Limited	Summerset Villages (Wigram) Limited
Summerset Villages (Manukau) Limited	Welhom Developments Limited

The Australian subsidiaries are:

Summerset Care (Australia) Pty Limited	Summerset Villages (Number 3) Pty Limited
Summerset Holdings (Australia) Pty Limited	Summerset Villages (Number 4) Pty Limited
Summerset Management Group (Australia) Pty Limited	Summerset Villages (Number 5) Pty Limited
Summerset Villages (Cranbourne North) Pty Limited	Summerset Villages (Number 6) Pty Limited
Summerset Villages (Number 2) Pty Limited	Welhom Developments (Australia) Pty Limited

Accounting policies

Accounting policies that summarise the measurement basis used and that are relevant to the understanding of the financial statements are provided throughout the accompanying notes.

The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements.

The Group adopted all mandatory new and amended NZ IFRS Standards and Interpretations, and there has been no material impact on the Group's financial statements.

There are no new standards, amendments or interpretations that have been issued and are not yet effective, that are expected to have a significant impact on the Group.

Critical accounting estimates and judgements

In preparing the financial statements, management has made estimates and assumptions about the future that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from those estimates.

Estimates and assumptions are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The principal areas of judgement in preparing these financial statements are described in the following notes:

- Deferred management fees – Note 4
- Deferred taxation – Note 7
- Interest rate swaps – Note 14

- Leases – Note 16
- Revenue in advance – Note 4
- Valuation of investment property – Note 11
- Valuation of land and buildings – Note 9
- Valuation of retail bonds – Note 17

Comparative information

No comparatives have been restated in the current year.

2. Non-GAAP underlying profit

	Ref	2020 \$000	2019 \$000
Profit for the period		230,776	175,262
Less fair value movement of investment property	a)	(221,142)	(165,252)
Add impairment of assets	b)	3,431	-
Add realised gain on resales	c)	46,072	36,901
Add realised development margin	d)	48,208	60,973
Less deferred tax credit	e)	(9,041)	(1,701)
Underlying profit		98,304	106,182

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, impairment 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 that 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:

- 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 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 2020), 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.

Notes to the financial statements (continued)

Components of the cost of developing 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 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) Add/(less) deferred tax expense/(credit): reversal of the impact of deferred taxation.

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

3. 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 proceed with its expansion into Australia. Two Australian sites were 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 so are not reported as a separate operating segment as at 31 December 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 year ended 31 December 2020 amounted to \$36.2 million (2019: \$32.2 million). No other customers individually contribute a significant proportion of the Group revenue. All revenue is earned in New Zealand.

4. Revenue

Care fees and village services income are recognised over the period in which the service is rendered.

Deferred management fees, which entitle residents to accommodation and the use of the community facilities within the village, are recognised over the period of service, being the greater of the expected period of tenure or the contractual right to revenue. The expected periods of tenure, being based on historical Group averages, are estimated to be seven to eight years for villas, five years for apartments, three years for serviced apartments and memory care apartments and two years for care suites. Where the deferred management fees over the contractual period exceed the amortisation of the deferred management fee based on estimated tenure, the amount is recorded as a liability (revenue in advance). At balance date, the majority of the revenue in advance balance is non-current. Deferred management fees are recognised on a gross basis in the receipts for residents' loans section of the statement of cash flows.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

5. Operating expenses

	2020 \$000	2019 \$000
Employee expenses	90,691	72,921
Property-related expenses	16,187	13,589
Repairs and maintenance expenses	5,824	5,185
Other operating expenses	34,103	30,703
Total operating expenses	146,805	122,399

Other operating expenses include:

	2020 \$000	2019 \$000
Remuneration paid to auditors:		
- Audit and other assurance related services review of financial statements	205	194
Donations	34	58
Rent ¹	158	217

¹ Outgoings and short term and low value amounts exempt under NZ IFRS 16 - Leases.

Employee expenses include post-employment benefits (KiwiSaver/Superannuation) of \$2.3 million (2019: \$2.0 million).

During the year the Group received a \$8.6 million one-off Government wage subsidy in relation to COVID-19. The subsidy related to a 12-week period between March and June 2020. Although the Group was entitled to receive the wage subsidy, the Directors subsequently determined that it was appropriate to return the subsidy back to the Government and the full \$8.6 million was repaid on 23 December 2020. This resulted in a net nil impact to other operating expenses for the year ended 31 December 2020.

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 \$9.2 million of additional costs incurred as a result of COVID-19.

6. Net finance costs

	2020 \$000	2019 \$000
Interest on bank loans, retail bonds and related fees	22,156	22,664
Interest on interest rate swaps	3,193	2,623
Interest on lease liability	466	442
Capitalised finance costs	(12,323)	(10,481)
Fair value movement of interest rate swaps through profit or loss	(5,795)	(7,991)
Fair value movement of retail bonds designated as fair value through profit or loss	5,782	8,082
Other	17	66
Net finance costs	13,496	15,405

Interest expense comprises interest payable on borrowings and is calculated using the effective interest rate method.

Notes to the financial statements (continued)

Borrowing costs are capitalised for property, plant and equipment (Note 9), and investment property (Note 11), if they are directly attributable to the construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset commence and expenditure and borrowing costs are incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use.

Borrowing costs of \$12.3 million (2019: \$10.5 million) have been capitalised during the period of construction in the current year. The weighted average capitalisation rate on funds borrowed representing the borrowing costs of the loans used to finance projects is 3.15% per annum (2019: 3.87% per annum).

Two of the Group's retail bonds are designated in a fair value hedging relationship. Details of fair value hedging are included in Note 14.

7. Income tax

Tax expense comprises current and deferred tax, calculated using the tax rate enacted or substantively enacted at balance date and any adjustment to tax payable in respect of prior years. Tax expense is recognised in the income statement, except when it relates to items recognised directly in the statement of comprehensive income, in which case the tax expense is recognised in the statement of comprehensive income.

Deferred tax expense is recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable it will be utilised. Temporary differences for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, unless they arise from business combination, are not provided for.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(a) Income tax recognised in the income statement

	2020 \$000	2019 \$000
Tax expense comprises:		
Deferred tax relating to the origination and reversal of temporary differences	(9,041)	(1,701)
Total tax credit reported in income statement	(9,041)	(1,701)

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:

	2020		2019	
	\$000	%	\$000	%
Profit before income tax	221,735		173,561	
Income tax using the corporate tax rate	62,086	28.0%	48,597	28.0%
Capitalised interest	(3,450)	(1.6%)	(2,935)	(1.7%)
Other non-deductible expenses	208	0.1%	399	0.2%
Non-assessable investment property revaluations	(62,501)	(28.2%)	(46,271)	(26.7%)
Reinstatement of tax depreciation on non-residential buildings	(6,008)	(2.7%)	-	0.0%
Other	180	0.1%	(1,681)	(1.0%)
Prior period adjustments	444	0.2%	190	0.1%
Total income tax credit	(9,041)	(4.1%)	(1,701)	(1.0%)

Total Group tax losses available amounted to \$250.5 million (2019: \$184.0 million). There are no unrecognised tax losses for the Group at 31 December 2020 (2019: nil).

(b) Amounts charged or credited to other comprehensive income

	2020	2019
	\$000	\$000
Tax expense comprises:		
Net gain on revaluation of land and buildings	3,145	-
Fair value movement of interest rate swaps	(1,981)	(1,964)
Total tax expense/(credit) reported in statement of comprehensive income	1,164	(1,964)

(c) Amounts charged or credited directly to equity

	2020	2019
	\$000	\$000
Tax expense comprises:		
Deferred tax relating to employee share option plans	(1,812)	-
Total tax credit reported directly in equity	(1,812)	-

(d) Imputation credit account

There were no imputation credits received or paid during the year and the balance at 31 December 2020 is nil (2019: nil).

(e) Deferred tax

Movement in the deferred tax balance comprises:

	BALANCE 1 JAN 2020 \$000	RECOGNISED IN INCOME \$000	RECOGNISED DIRECTLY IN EQUITY \$000	RECOGNISED IN OCI* \$000	BALANCE 31 DEC 2020 \$000
Property, plant and equipment	17,607	(6,581)	-	3,145	14,171
Investment property	29,188	6,043	-	-	35,231
Revenue in advance	23,479	11,680	-	-	35,159
Interest rate swaps	(5,901)	-	-	(1,981)	(7,882)
Income tax losses not yet utilised	(51,631)	(18,678)	-	-	(70,309)
Other items	(223)	(1,505)	(1,812)	-	(3,540)
Net deferred tax liability	12,519	(9,041)	(1,812)	1,164	2,830

	BALANCE 1 JAN 2019 \$000	RECOGNISED IN INCOME \$000	RECOGNISED IN OCI* \$000	BALANCE 31 DEC 2019 \$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)
Net deferred tax liability	16,184	(1,701)	(1,964)	12,519

* Other comprehensive income

Notes to the financial statements (continued)

(f) Income tax legislation amendments during the period

During the period, 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 related to property, plant and equipment.

8. Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses. Trade receivables are not significant on an individual basis and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate, less an allowance for impairment. The allowance for doubtful debts is made up of expected credit losses based on assessment of trade receivables debt at the individual level for impairment, plus an additional allowance on the remaining balance for potential credit losses not yet identified. The expected credit losses allowance requirement on the remaining balance has been set at 2%.

	2020	2019
	\$000	\$000
Trade receivables	3,357	2,912
Allowance for doubtful debts	(237)	(169)
Net trade receivables	3,120	2,743
Prepayments	12,215	8,331
Accrued income	1,092	923
Sundry debtors	16,968	24,665
Total trade and other receivables	33,395	36,662

9. Property, plant and equipment

Property, plant and equipment includes care centres, both complete and under development, and corporate assets held.

All property, plant and equipment is initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed care centres includes directly attributable construction costs and other costs necessary to bring the care centres to working condition for their intended use. These other costs include professional fees and consents, interest during the build period and head office costs directly related to the construction of the care centres. Where costs are apportioned across more than one asset, the apportionment methodology is determined by considering the nature of the cost.

Subsequent to initial recognition, completed care centres are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on care centres and accumulated impairment losses, if any, since the assets were last revalued. Other corporate assets are subsequently measured at cost less accumulated depreciation and impairment losses, if any. Where an item of plant and equipment is disposed of, the gain or loss recognised in the income statement is calculated as the difference between the net sales price and the carrying amount of the asset.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is recognised in other comprehensive income unless it reverses a revaluation decrease of the same asset previously recognised in the income statement. Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus in the same asset in other comprehensive income. Any accumulated depreciation at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

Note 6 provides details on capitalised borrowing costs.

Depreciation is charged to the income statement on a straight-line (SL) basis over the estimated useful life of each item of property, plant and equipment, with the exception of land, which is not depreciated. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Major depreciation rates are as follows:

- Buildings (2% to 13% SL)
- Motor vehicles (10% SL)
- Furniture and fittings (7% to 20% SL)
- Plant and equipment (2% to 50% SL)

Also included in the buildings category is building fit-out.

Right of use assets are depreciated on a SL basis over the term of their lease. Refer to Note 16.

	LAND AND BUILDINGS \$'000	MOTOR VEHICLES \$'000	PLANT AND EQUIPMENT \$'000	FURNITURE AND FITTINGS \$'000	RIGHT OF USE ASSETS \$'000	TOTAL \$'000
Cost						
Balance at 1 January 2019	123,104	1,545	12,603	7,303	-	144,555
Additions	15,394	354	2,866	202	9,203	28,019
Disposals	-	(66)	-	-	-	(66)
Balance at 31 December 2019	138,498	1,833	15,469	7,505	9,203	172,508
Additions	17,511	617	6,326	1,285	1,806	27,545
Transfer	(2,885)	-	-	-	-	(2,885)
Impairment through profit or loss	(3,634)	-	-	-	-	(3,634)
Net revaluations through other comprehensive income	5,882	-	-	-	-	5,882
Balance at 31 December 2020	155,372	2,450	21,795	8,790	11,009	199,416
Accumulated depreciation						
Balance at 1 January 2019	2,307	857	5,661	2,984	-	11,809
Depreciation charge for the year	2,357	161	2,189	1,144	910	6,761
Disposals	-	(66)	-	-	-	(66)
Balance at 31 December 2019	4,664	952	7,850	4,128	910	18,504
Depreciation charge for the year	2,537	186	2,078	1,070	1,144	7,015
Transfer	(168)	-	-	-	-	(168)
Impairment through profit or loss	(203)	-	-	-	-	(203)
Net revaluations through other comprehensive income	(6,830)	-	-	-	-	(6,830)
Balance at 31 December 2020	-	1,138	9,928	5,198	2,054	18,318
Carrying amounts						
As at 31 December 2019	133,834	881	7,619	3,377	8,293	154,004
As at 31 December 2020	155,372	1,312	11,867	3,592	8,955	181,098

Buildings include \$16.9 million of care centres under development carried at cost at 31 December 2020 (2019: \$20.4 million). Right of use assets relate to the Group's leased office premises and car park spaces; refer to Note 16 for further information.

Notes to the financial statements (continued)

Transfer

As at 31 December 2020, a number of care rooms have been decommissioned as they are to be converted to serviced apartments and accordingly have been transferred from property, plant and equipment to investment property. The care rooms were transferred to investment property at their fair value which totalled \$2.5 million. An impairment loss of \$0.2 million was recognised on transfer via the revaluation reserve.

Revaluations

An independent valuation to determine the fair value of all completed care centres that are classified as land and buildings was carried out as at 31 December 2020 by CBRE Limited ("CBRE NZ"), an independent registered valuer. Valuations are carried out every three years unless there are indicators of a significant change in fair value. CBRE NZ determines the fair value of all care centre assets using an earnings-based multiple approach and the amount apportioned to goodwill of \$18.9 million is not recognised (2017: \$16.8 million). Significant assumptions used in the most recent valuation include market value per care bed of between \$71,300 and \$231,600, and individual unit earning capitalisation rate of between 11.0% and 13.5%.

As the fair value of land and buildings is determined using inputs that are unobservable, the Group has categorised property, plant and equipment as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

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

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolios of land and buildings are the capitalisation rates applied to individual unit earnings and the market value per care bed. A significant decrease (increase) in the capitalisation rate would result in a significantly higher (lower) fair value measurement, and a significant increase (decrease) in the market value per care bed would result in a significantly higher (lower) fair value measurement.

Cost model

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	2020 LAND AND BUILDINGS \$000	2019 LAND AND BUILDINGS \$000
Cost	126,225	111,599
Accumulated depreciation and impairment losses	(18,971)	(16,602)
Net carrying amount	107,254	94,997

Security

At 31 December 2020, all care centres held by retirement villages registered under the Retirement Villages Act 2003 are subject to a registered first mortgage in favour of the Statutory Supervisor.

10. Intangible assets

Intangible assets acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in the income statement on a SL basis over the estimated useful lives of intangible assets from the date that they are available for use. The intangible assets are software and the amortisation rates at 31 December 2020 are between 10-20% SL basis.

	TOTAL \$'000
Cost	
Balance at 1 January 2019	9,804
Additions	567
As at 31 December 2019	10,371
Additions	668
As at 31 December 2020	11,039
Accumulated amortisation	
Balance at 1 January 2019	3,176
Amortisation charge for the year	1,072
As at 31 December 2019	4,248
Amortisation charge for the year	1,082
As at 31 December 2020	5,330
Carrying amounts	
As at 31 December 2019	6,123
As at 31 December 2020	5,709

Notes to the financial statements (continued)

11. Investment property

Investment property is held to earn current and future rental income (deferred management fees). It comprises land and buildings, and associated equipment and furnishings, relating to retirement villages and common facilities in the retirement village. Investment property includes buildings under development, excluding care centres under development, which are included in property, plant and equipment. Initial recognition of investment property is at cost and it is subsequently measured at fair value, with any change in fair value recognised in the income statement.

The cost of retirement villages includes directly attributable construction costs and other costs necessary to bring the retirement villages to working condition for their intended use. These other costs include professional fees and consents, interest during the build period and head office costs directly related to the construction of the retirement villages. Where costs are apportioned across more than one asset, the apportionment methodology is determined by considering the nature of the cost.

Land acquired with the intention of constructing investment property on it is classified as investment property from the date of acquisition.

Rental income from investment property, being deferred management fees, is accounted for as described in Note 4.

Depreciation is not charged on investment property.

Note 6 provides details on capitalised borrowing costs.

	2020 \$000	2019 \$000
Balance at beginning of period	3,107,014	2,585,049
Additions	309,024	356,713
Disposals	(920)	-
Transfer from property, plant and equipment	2,500	-
Fair value movement	221,142	165,252
Total investment property	3,638,760	3,107,014

	2020 \$000	2019 \$000
Development land measured at fair value ¹	335,694	305,148
Retirement villages measured at fair value	2,973,040	2,580,855
Retirement villages under development measured at cost	330,026	221,011
Total investment property	3,638,760	3,107,014

¹ Included in development land are pieces of land that were acquired close to balance date and as such were excluded from the 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 balance date. At 31 December 2020 the land at cost was \$9.9 million (2019: \$74.9 million).

	2020 \$000	2019 \$000
Manager's net interest	2,003,725	1,688,265
Plus: revenue received in advance	114,737	91,142
Plus: liability for residents' loans	1,520,298	1,327,607
Total investment property	3,638,760	3,107,014

The Group is unable to reliably determine the fair value of non-land retirement villages under development at 31 December 2020 and therefore these are carried at cost. This equates to \$330.0 million of investment property (2019: \$221.0 million).

The fair value of investment property as at 31 December 2020 was determined by independent registered valuers CBRE Limited ("CBRE NZ") and Jones Lang LaSalle Limited ("JLL") 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 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 and JLL have 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.

Each valuer continues to review market conditions in relation to the COVID-19 global pandemic. Since 30 June 2020 the level of uncertainty and unknown impact has decreased with markets becoming more used to operating under COVID-19 conditions. Because of this, the valuers have reversed their COVID-19 specific adjustments relating to near term growth rates and recycle frequencies when determining value at 31 December 2020.

The valuers' view is that the longer-term economic impact as a result of COVID-19 on the New Zealand aged care sector still remains largely unknown with comparable transactions and market evidence since the outbreak limited. Therefore they advise that a higher degree of caution should be exercised when relying upon the valuation.

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

Two sites under development in Australia 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*.

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 and JLL have 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 ¹	Discount rate +50 bp	Discount rate -50 bp	Growth rates +50bp	Growth rates -50bp
31 December 2020					
Valuation (\$000)	1,142,825				
Difference (\$000)		(40,635)	43,395	53,550	(70,865)
Difference (%)		(3.6%)	3.8%	4.7%	(6.2%)
31 December 2019					
Valuation (\$000)	963,530				
Difference (\$000)		(34,320)	36,610	57,812	(52,994)
Difference (%)		(3.6%)	3.8%	6.0%	(5.5%)

¹ Completed units excluding unsold stock.

Notes to the financial statements (continued)

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

Operating expenses

Direct operating expenses arising from investment property during the period amounted to \$41.1 million (2019: \$34.3 million).

Security

At 31 December 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.

12. Trade and other payables

Trade and other payables are carried at amortised cost. Due to their short-term nature they are not discounted.

	2020	2019
	\$000	\$000
Trade payables	3,687	2,071
Accruals - development of retirement units and care centres	118,185	114,735
Accruals - other	14,275	13,480
Short-term advance	15,750	-
Sundry payables	6,713	4,394
Total trade and other payables	158,610	134,680

13. Employee benefits

A provision is made for benefits accruing to employees in respect of wages, salaries, annual leave and short-term incentives when it is probable that settlement will be required and the amount can be estimated reliably.

	2020	2019
	\$000	\$000
Leave liabilities	8,284	5,755
Other employee benefits	7,154	5,679
Total employee benefits	15,438	11,434

14. Interest rate swaps

The Group uses interest rate swaps to manage its risk associated with interest rate fluctuations. Interest rate swaps are initially recognised at fair value on the date a contract is entered into and are subsequently measured at fair value on each reporting date. The fair values of the interest rate swaps are determined based on cash flows discounted to present value using current market interest rates.

Cash flow hedges

The Group has entered into interest rate swaps to manage its interest rate risk in relation to its floating rate debt. These interest rate swaps qualify for cash flow hedge accounting. When interest rate swaps meet the criteria for cash flow hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while the ineffective portion is recognised in the income statement. Amounts taken to reserves are transferred out of reserves and included in the measurement of the hedged transaction when the forecast transaction occurs. When interest rate swaps do not meet the criteria for cash flow hedge accounting, all movements in fair value of the hedging instrument are recognised in the income statement.

Under the interest rate swap agreements that qualify for cash flow hedge accounting, the Group has a right to receive interest at variable rates and to pay interest at fixed rates. At 31 December 2020, the Group had interest rate swap agreements in place with a total notional principal amount of \$337.0 million (2019: \$377.0 million). Of the swaps in place, at 31 December 2020 \$312.0 million (2019: \$292.0 million) are being used to cover approximately 45% (2019: 49%) of the floating rate debt principal outstanding. These agreements effectively change the Group's interest exposure on the principal covered by the interest rate swaps from a floating rate to fixed rates, which range between 1.22% and 3.87% (2019: 1.22% and 4.43%).

The fair value of these agreements at 31 December 2020 is a \$28.2 million liability, comprised of \$29.2 million of swap liabilities and \$1.0 million of swap assets (2019: liability of \$21.1 million, comprised of \$22.6 million of swap liabilities and \$1.5 million of swap assets). Of this, a liability of \$274,000 is estimated to be current (2019: \$515,000). The agreements cover notional amounts for terms of up to eight years.

The notional principal amounts and the period of expiry of the cash flow hedge interest rate swap contracts are as follows:

	2020 \$'000	2019 \$'000
Less than 1 year	25,000	40,000
Between 1 and 2 years	70,000	25,000
Between 2 and 3 years	-	70,000
Between 3 and 4 years	105,000	45,000
Between 4 and 5 years	-	60,000
Between 5 and 6 years	77,000	25,000
Between 6 and 7 years	50,000	52,000
Between 7 and 8 years	10,000	50,000
Between 8 and 9 years	-	10,000
Total	337,000	377,000
Current	312,000	292,000
Forward starting	25,000	85,000
Total	337,000	377,000

Fair value hedges

The Group has entered into interest rate swaps to manage its interest rate risk in relation to its fixed rate debt arising from the retail bonds. The hedge is for the future fair value movements in the retail bonds as a result of market interest rate movements. The Group has designated \$225.0 million of its retail bonds in fair value hedge relationships.

Both the hedging instrument (interest rate swap) and the hedged risk are recognised at fair value. The change in the fair value of both items offset in the statement of comprehensive income to the extent the hedging relationship is effective. The increase in fair value of the interest rate swaps of \$5.8 million (2019: \$8.0 million) has been recognised in finance costs and has been offset with a similar fair value loss on the retail bonds to leave an ineffective amount in finance costs of \$13,000 (2019: \$92,000).

Under the interest rate swap agreements that qualify for fair value hedge accounting, the Group has a right to receive interest at fixed rates and to pay interest at floating rates. At 31 December 2020, the Group had interest rate swap agreements in place with a total notional principal amount of \$225.0 million (2019: \$225.0 million). Of the interest rate swaps in place, at 31 December 2020 \$225.0 million (2019: \$225.0 million) are being used to cover 60% (2019: 100%) of the fixed interest rate retail bonds outstanding.

Notes to the financial statements (continued)

The notional principal amounts and the period of expiry of the fair value hedge interest rate swap contracts are as follows:

	2020 \$000	2019 \$000
Between 3 and 4 years	100,000	100,000
Between 4 and 5 years	-	-
Between 5 and 6 years	125,000	125,000
Total	225,000	225,000
Current	225,000	225,000
Total	225,000	225,000

15. Residents' loans

Residents' loans are amounts payable under occupation right agreements. An occupation right agreement confers a right of occupancy to a villa, apartment, serviced apartment, care suite or memory care apartment. The consideration received on the grant of an occupation right agreement is allocated to the resident's loan in full. These loans are non-interest-bearing and are payable when both an occupation right agreement is terminated and there has been settlement of a new occupation right agreement for the same retirement unit and the proceeds from the new settlement have been received by the Group. Residents' loans are initially recognised at fair value and subsequently measured at amortised cost.

The Group holds a contractual right to set-off the deferred management fee receivable on termination of an agreement against the resident's loan to be repaid. Residents' loans are therefore recognised net of the deferred management fee receivable on the balance sheet. Deferred management fees are payable by residents in consideration for the supply of accommodation and the right to share in the use of community facilities. Deferred management fees are paid in arrears, with the amount payable calculated as a percentage of the resident's loan amount as per the resident's occupation right agreement. Deferred management fee receivable is calculated and recorded based on the current tenure of the resident and the contractual right to deferred management fee earned at balance date. Refer to Note 4 for further detail on recognition of deferred management fee revenue.

	2020 \$000	2019 \$000
Balance at beginning of period	1,599,854	1,355,535
Net receipts for residents' loans - resales of occupation right agreements	27,830	26,294
Receipts for residents' loans - new occupation right agreements	245,052	218,025
Total gross residents' loans	1,872,736	1,599,854
Deferred management fees and other receivables	(352,438)	(272,247)
Total residents' loans	1,520,298	1,327,607

Note 18 provides a split between current and non-current residents' loans.

16. Leases

The leases to which NZ IFRS 16 applies are the leases of office premises and car parks occupied by the Group in New Zealand and Australia. In respect of these leases, a right of use asset is disclosed along with a corresponding lease liability. The right of use assets are depreciated on a SL basis, while the lease liability is measured at the present value of the lease payments that are not yet paid, discounted using the Group's incremental borrowing rate.

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases of office spaces, car parks and information technology equipment that have a lease term of 12 months or less, or as a transitional expedient, have less than 12 months left on the lease term as at the date of application of NZ IFRS 16. The Group recognises the lease payments associated with these leases as incurred as a rental expense over the lease term.

Right of use assets are classified as property, plant and equipment and lease liabilities are disclosed as such in the Group's statement of financial position.

The following practical expedients have been utilised in relation to the Group's operating leases as lessee:

- A single discount rate has been applied to a portfolio of leases with reasonably similar characteristics
- Leases with a term ending within 12 months of the date of application have been treated as short term leases
- Initial direct costs have been excluded from the measurement of the right of use asset at the date of initial application
- Exclusion of leases for which the underlying asset is of low value

The weighted average incremental borrowing rates used to measure lease liabilities at the date of application are between 3.80% and 4.67% (2019: 4.17% and 4.67%).

When the Group has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances, including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help determine the lease term. Other assumptions and judgements used by management include calculating the appropriate discount rate.

As a direct result of the COVID-19 pandemic the Group, as a lessee, received \$60,000 in rent concessions over a three-month period from April to June 2020. Management has applied the COVID-19 practical expedient, issued by the IASB in May 2020, and has accounted 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.

As a lessee

Right of use assets disclosed:

	2020 Buildings \$000	2019 Buildings \$000
Balance at beginning of period	8,293	8,557
Additions	1,806	646
Depreciation charge for the year	(1,144)	(910)
Balance at end of period	8,955	8,293

Lease liabilities disclosed:

	2020 \$000	2019 \$000
Less than 1 year	1,123	919
Between 1 and 5 years	4,994	4,106
More than 5 years	5,067	5,435
Total lease liabilities at end of period	11,184	10,460

Amounts recognised in the profit and loss:

	2020 \$000	2019 \$000
Interest on lease liabilities	466	442
Expenses relating to short-term and low-value asset leases	4	125
Depreciation on right of use assets	1,144	910
Total amounts recognised in profit or loss	1,614	1,477

Notes to the financial statements (continued)

As a lessor

The Group acts as a lessor under occupation right agreements with village residents, along with a small amount of residential rental properties. The assets leased by the group as a lessor are disclosed as investment property and lease income on occupation right agreements is generated in the form of deferred management fees. The lease term is determined to be the greater of the expected period of tenure or the contractual right to revenue. The Group uses the portfolio approach to account for leases of units to village residents and allocates individual leases to different portfolios depending on the type of unit. The Group does not have any sub-leases.

17. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings include secured bank loans and unsubordinated fixed-rate retail bonds.

Interest-bearing loans and borrowings are recognised initially at fair value net of directly attributable transaction costs. Subsequent to initial recognition, the borrowings are measured at amortised cost, with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate. The retail bonds SUM010 and SUM020 are designated in fair value hedge relationships, which means that any change in market interest rates result in a change in the fair value adjustment on that debt. Retail bond issue expenses, fees and other costs incurred in arranging retail bond finance are capitalised and amortised over the term of the relevant debt instrument.

		2020 \$000	2019 \$000
Repayable after 12 months			
Secured bank loans	Floating	297,576	362,139
Retail bond - SUM010	4.78%	100,000	100,000
Retail bond - SUM020	4.20%	125,000	125,000
Retail bond - SUM030	2.30%	150,000	-
Total loans and borrowings at face value		672,576	587,139
Issue costs for retail bonds capitalised:			
Opening balance		(2,688)	(3,290)
Capitalised during the period		(1,876)	-
Amortised during the period		676	602
Closing balance		(3,888)	(2,688)
Total loans and borrowings at amortised cost		668,688	584,452
Fair value adjustment on hedged borrowings		18,411	12,629
Carrying value of interest-bearing loans and borrowings		687,099	597,081

The non-cash movements included in the table above are the issue costs for retail bonds amortised during the period and the fair value adjustment on hedged borrowings.

A summary of the changes in the Group's borrowings is provided below:

	2020 \$000	2019 \$000
Borrowings at the start of the year	597,081	452,760
Net cash borrowed	85,436	135,637
Cash change in deferred financing costs	(1,876)	-
Non-cash change in deferred financing costs	676	602
Non-cash change in fair value adjustment	5,782	8,082
Borrowings at the end of the year	687,099	597,081

The weighted average interest rate for the year to 31 December 2020 was 3.15% (2019: 3.87%). This includes the impact of interest rate swaps (see Note 14).

The secured bank loan facility at 31 December 2020 has a limit of approximately NZD\$750.0 million (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 three 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 NZDX with the ID SUM020. The third retail bond was issued for \$150.0 million in September 2020 and has a maturity date of 21 September 2027. This retail bond is listed on the NZDX with the ID SUM030.

Security

The banks loans 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.

18. 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 as summarised below.

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.

Categories of financial instruments

Financial assets

All financial assets of the Group are classified at amortised cost except for interest rate swaps, which are classified as fair value through profit and loss, and those assets that are designated in a hedge relationship.

Financial liabilities

All financial liabilities except interest rate swaps and retail bonds are classified as liabilities at amortised cost. Refer to Note 17 for detail on the retail bonds.

Credit risk

Credit risk is the risk of financial loss to the Group if a resident or counterparty to a financial instrument fails to meet their contractual obligations. The Group's exposure to credit risk relates to receivables from residents and bank balances. The Group manages its exposure to credit risk. The Group's cash is held with its principal banker; with the level of exposure to credit risk considered minimal, with low levels of cash generally held. Receivables balances are monitored on an ongoing basis and funds are placed with high-credit-quality financial institutions. The level of risk associated with sundry debtors is considered minimal due to the recoverability of this balance being assessed as high. The Group does not require collateral from its debtors and the Directors consider the Group's exposure to any concentration of credit risk to be minimal.

There has been no instances of residents or counterparties failing to meet their contractual obligations as a direct result of COVID-19. There has been no change to credit terms and aging of receivables remains consistent with the prior years.

Notes to the financial statements (continued)

The carrying amount of financial assets represents the Group's maximum credit exposure. The status of trade receivables is as follows:

	2020		2019	
	GROSS RECEIVABLE \$000	IMPAIRMENT \$000	GROSS RECEIVABLE \$000	IMPAIRMENT \$000
Not past due	2,894	(44)	2,624	(31)
Past due 31 to 60 days	236	(55)	90	(33)
Past due 61 to 90 days	118	(54)	31	(26)
Past due more than 90 days	109	(84)	167	(79)
Total	3,357	(237)	2,912	(169)

In summary, trade receivables are determined to be impaired as follows:

	2020 \$000	2019 \$000
Gross trade receivables	3,357	2,912
Impairment	(237)	(169)
Net trade receivables	3,120	2,743

Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group's exposure to interest rate risk is managed by seeking to obtain the most competitive rate of interest at all times. The Group has entered into interest rate swap agreements in order to provide an effective cash flow hedge against the variability in floating interest rates. The Group has also entered into other interest swap agreements to reduce interest rate repricing risk in relation to retail bonds. See Note 14 for details of interest rate swap agreements.

To comply with the Group's risk management policy, the hedge ratio is based on the interest rate swap notional amount to hedge the same notional amount of bank loans or retail bonds. This results in a hedge ratio of 1:1. This is the same as used for actual risk management purposes, and such a ratio is appropriate for the purposes of hedge accounting as it does not result in an imbalance that would create hedge ineffectiveness.

In these hedge relationships the main sources of ineffectiveness are:

- a significant change in the credit risk of either party to the hedging relationship;
- where the hedge instrument has been transacted on a date different to the rate set date of the bank loan or retail bonds, interest rates could differ; and
- differences in repricing dates between the swaps and the borrowings.

Other than these sources, due to the alignment of the hedged risk in the hedged item and hedged instrument, hedge ineffectiveness is not expected to arise.

At 31 December 2020 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit by approximately \$2.8 million (2019: decrease by \$3.5 million) and increase total comprehensive income by approximately \$8.7 million (2019: increase by \$8.0 million).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity by maintaining adequate reserves and undrawn banking facilities, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. The Group manages liquidity risk on residents' loans and related sundry debtors through the contractual requirements of occupation rights agreements, whereby a resident's loan is repaid only on receipt of the loan monies from the incoming resident.

The following table sets out the contractual cash flows for all financial liabilities for the Group (including contractual interest obligations on bank loans):

	2020		2019	
	LESS THAN 1 YEAR \$000	GREATER THAN 1 YEAR \$000	LESS THAN 1 YEAR \$000	GREATER THAN 1 YEAR \$000
Financial liabilities				
Trade and other payables	158,610	-	134,680	-
Residents' loans	118,724	1,401,574	113,278	1,214,329
Interest-bearing loans and borrowings	20,562	706,908	22,524	491,228
Interest rate swaps	8,315	32,882	6,774	30,292
Lease liability	1,123	10,061	919	9,541
Total	307,334	2,151,425	278,175	1,745,390

Residents' loans are non-interest bearing and are not required to be repaid following termination of an occupation right agreement until receipt of cash for the new resident loan from the incoming resident. The figures above have been calculated using best estimates of resident loan repayments based on historical information. To date, cash for new residents' loans received has always exceeded cash to repay residents' loans, net of deferred management fees.

Foreign currency risk

Foreign currency risk is the risk that the value of the Group's assets, liabilities and financial performance will fluctuate due to changes in foreign currency rates.

The Group is primarily exposed to currency risk through its subsidiaries in Australia.

The risk to the Group is that the value of the overseas subsidiaries' financial position and financial performance will fluctuate in economic terms and as recorded in the Group financial statements due to changes in foreign exchange rates. Due to limited activity in the Australian subsidiaries in 2020, the Group did not have a material exposure to foreign exchange risk.

Fair values

The carrying amounts shown in the balance sheet approximate the fair value of the financial instruments, with the exception of residents' loans and retail bonds, shown below:

	2020		2019	
	CARRYING AMOUNT \$000	FAIR VALUE \$000	CARRYING AMOUNT \$000	FAIR VALUE \$000
Residents' loans	(1,520,298)	(1,082,943)	(1,327,607)	(932,932)
Retail bonds	(389,523)	(394,303)	(234,942)	(239,817)
Total	(1,909,821)	(1,477,246)	(1,562,548)	(1,172,749)

The fair value of residents' loans is based on the present value of projected cash flows. Future cash flows are based on the assumption that the average tenure periods are those disclosed above and have been discounted at 14% (2019: 14%). The fair value of residents' loans is categorised as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

The fair value of retail bonds is based on the price traded at on the NZX market as at 31 December 2020. The fair value of the retail bonds is categorised as Level 1 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

The fair value of interest rate swaps is determined using inputs from third parties that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Based on this, the Company and Group have categorised these financial instruments as Level 2 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

Notes to the financial statements (continued)

Capital management

The Group's capital includes share capital, reserves and retained earnings. The objective of the Group's capital management is to ensure a strong credit position to support business growth and maximise shareholder value. The Group is subject to capital requirements imposed by the bank lenders (through covenants in the Syndicated Facility Agreement) and bond holders (through covenants in the Master Trust Deed). The Group has met all of these externally imposed capital requirements for the year ended 31 December 2020 (2019: all requirements met). The Group capital structure is managed, and adjustments are made, with Board approval. There were no changes to objectives, policies or processes during the year ended 31 December 2020 (2019: none).

19. Share capital and reserves

At 31 December 2020, there were 228,785,314 ordinary shares on issue (2019: 226,827,675). All ordinary shares are fully paid and have no par value. All shares carry one vote per share and carry the right to dividends.

	2020	2019
	\$000	\$000
Share capital		
On issue at beginning of year	284,074	269,467
Shares issued under the dividend reinvestment plan	11,833	11,100
Shares paid under employee share plans	4,562	2,214
Other	-	37
Employee share plan option cost	3,030	1,256
On issue at end of year	303,499	284,074

	2020	2019
Share capital (in thousands of shares)		
On issue at beginning of year	224,250	221,734
Shares issued under the dividend reinvestment plan	1,820	1,795
Shares issued under employee share plans	1,003	721
On issue at end of year	227,073	224,250

The total shares on issue at 31 December 2020 of 228,785,314 for the Company differs from the share capital for the Group due to shares held in 100% owned subsidiary, Summerset LTI Trustee Limited. As at 31 December 2020, 1,712,181 shares are held by Summerset LTI Trustee Limited for employee share plans, which are eliminated on consolidation. Refer to Note 21 for further details on employee share plans.

Revaluation reserve

The revaluation reserve is used to record the revaluation of care centre land and buildings.

Hedging reserve

The hedging reserve is used to record gains or losses on instruments used as cash flow hedges. The amounts are recognised in profit and loss when the hedged transaction affects profit and loss.

Foreign currency translation reserve

The foreign currency translation reserve is used to record the gain on translation of foreign currency subsidiaries to the Group's reporting currency.

Dividends

On 23 March 2020 a dividend of 7.7 cents per ordinary share was paid to shareholders and on 11 September 2020 a dividend of 6.0 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 dividends paid. 1,155,370 ordinary shares were issued in relation to the plan for the March 2020 dividend and 665,095 ordinary shares were issued in relation to the plan for the September 2020 dividend. (2019: 866,704 ordinary shares were issued in March 2019 and 928,017 ordinary shares were issued in September 2019).

20. Earnings per share and net tangible assets

Basic earnings per share

	2020	2019
Earnings (\$000)	230,776	175,262
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	225,591	223,006
Basic earnings per share (cents per share)	102.30	78.59

Diluted earnings per share

	2020	2019
Earnings (\$000)	230,776	175,262
Weighted average number of ordinary shares for the purpose of earnings per share (diluted) (in thousands)	227,979	226,087
Diluted earnings per share (cents per share)	101.23	77.52

Number of shares (in thousands)

	2020	2019
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	225,591	223,006
Weighted average number of ordinary shares issued under employee share plans	2,388	3,081
Weighted average number of ordinary shares for the purpose of earnings per share (diluted)	227,979	226,087

At 31 December 2020, there were a total of 1,712,181 shares issued under employee share plans held by Summerset LTI Trustee Limited (2019: 2,577,328 shares).

Net tangible assets per share

	2020	2019
Net tangible assets (\$000)	1,349,136	1,125,761
Shares on issue at end of period (basic and in thousands)	227,073	224,250
Net tangible assets per share (cents per share)	594.14	502.01

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)

21. Employee share plans

Senior employee share plan - share option scheme

Effective from 2018, the Group operates an employee share plan granting share options to selected senior employees ("Participants"). The exercise price of the granted share options is determined from the volume weighted average price on the NZX during the 10 trading day period determined by the Board prior to the grant.

	SHARE OPTION PLAN (2018 grant)	SHARE OPTION PLAN (2019 grant)	SHARE OPTION PLAN (2020 grant)
Commencement date	10 Dec 2018	9 Dec 2019	18 Dec 2020
Exercise price at grant	\$6.34	\$7.62	\$10.85
Years the performance goals relate to	2019 to 2021	2020 to 2022	2021 to 2023
% of options vested	50% ¹	0%	0%
Vesting date of final tranche	31 Dec 2021	31 Dec 2022	31 Dec 2023
Final exercise date of final tranche	30 Jun 2023	30 Jun 2024	30 Jun 2025

¹ The first tranche of the December 2018 grant had a vesting date of 31 December 2020.

The performance hurdles for the option grant made in 2020 are based on:

- 50% absolute earnings (cumulative actual underlying net profit after tax for the Group against budget)
- 20% relative earnings (earnings per share growth of the Group compared to a defined peer group)
- 10% clinical delivery
- 10% employee initiatives
- 10% customer initiatives

While there is a requirement to remain employed by Summerset up to vesting date, there are no performance hurdles for vesting of share options to senior management team members, other than the members of the Executive Leadership Team, whose performance hurdles are described above.

A total of 576,852 options vested at 31 December 2020 (2019: nil) and subsequently became exercisable.

The share option scheme is an equity-settled scheme and measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate that the share options will vest. These options were valued using the Black-Scholes valuation model, and the option cost for the year ending 31 December 2020 of \$980,000 has been recognised in the income statement of the Company and the Group for that period (2019: \$422,000). The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

	2020		
	SHARE OPTION PLAN (2018 grant)	SHARE OPTION PLAN (2019 grant)	SHARE OPTION PLAN (2020 grant)
Options held at year end (in thousands)	1,058	1,004	549
Valuation assumptions			
Discount to reflect options may not meet vesting criteria	15%	15%	15%
Risk free rate of return	2%	1%	0.5%
Volatility	23%	24%	26%

	2019	
	SHARE OPTION PLAN (2018 grant)	SHARE OPTION PLAN (2019 grant)
Options held at year end (in thousands)	1,084	1,064
Valuation assumptions		
Discount to reflect options may not meet vesting criteria	15%	15%
Risk free rate of return	2%	1%
Volatility	23%	24%

	2020		2019	
	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS 000's	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS 000's
Balance at beginning of period	\$6.97	2,148	\$6.34	1,154
Granted during the year	\$10.85	549	\$7.62	1,064
Forfeited during the year	\$7.23	(85)	\$6.34	(70)
Balance at end of period	\$7.78	2,612	\$6.97	2,148

Senior employee share plan - share and loan scheme

Up to and including 2017, the Group operated employee share plans for selected senior employees ("Participants") to purchase shares in the Company (the "2013 share plan"). The shares for the plans are held by a nominee as share options on behalf of Participants, until such time after the vesting of shares that the nominee is directed by the Participant that they wish to exercise the share option, or the shares are sold or cancelled by the nominee if vesting criteria are not met. The shares carry the same rights as all other ordinary shares.

The Group provided Participants with interest-free limited recourse loans to fund the acquisition of the shares for these plans. These loans are held by Summerset LTI Trustee Limited and eliminate on consolidation.

The issue price of shares under the 2013 share plan was determined from the volume weighted average price on the NZX during the ten trading days prior to issue.

	2013 SHARE PLAN (2016 issue)	2013 SHARE PLAN (2017 issues)
Commencement date	16 Dec 2013	16 Dec 2013
Issue price	\$4.76	\$5.19 & \$5.24
Expiry date of interest-free limited recourse loans	30 Jun 2021	30 Jun 2022
Years the performance goals relate to	2017 to 2019	2018 to 2020
% of shares vested	83%	94% ¹
Vesting date of final tranche	31 Dec 2019	31 Dec 2020

¹ The final tranche of the December 2017 issue had a vesting date of 31 December 2020 and a first release date of 25 February 2021.

The performance hurdles for the grant of shares under the 2013 share plan between 2016 and 2017 to Executive Leadership Team members are based on:

- 50% absolute earnings (cumulative actual underlying net profit after tax for the Group against budget)
- 25% relative earnings (earnings per share growth of the Group compared to a defined peer group)
- 10% employee initiatives
- 10% customer initiatives

Notes to the financial statements (continued)

- 5% clinical strategy initiatives

While there is a requirement to remain employed by Summerset up to vesting date, there are no performance hurdles for grants of shares to senior management team members, other than the members of the Executive Leadership Team, whose performance hurdles are described above.

A total of 888,346 shares were vested and eligible for exercise at 31 December 2020 (2019: 866,717). The exercise prices range from \$4.76 to \$5.24 (2019: \$3.91 to \$5.19). An additional 392,473 shares were vested on 31 December 2020 but are not eligible for exercise until 25 February 2021.

The share and loan scheme is an equity-settled scheme and is measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate that the shares will vest. These options were valued using the Black-Scholes valuation model, and the option cost for the year ending 31 December 2020 of \$128,000 has been recognised in the income statement of the Company and the Group for that period (2019: \$471,000).

	2020	
	2013 SHARE PLAN (2016 issue)	2013 SHARE PLAN (2017 issues)
Shares held at year end on behalf of participants (in thousands)	245	1,036
Shares held at year end as a percentage of shares on issue	0.1%	0.5%
Valuation assumptions		
Discount to reflect that shares may not meet vesting criteria	0-15%	0-15%
Risk-free rate of return	2.5%	2-2.5%
Volatility	23%	23%

	2019		
	2013 SHARE PLAN (2015 issue)	2013 SHARE PLAN (2016 issue)	2013 SHARE PLAN (2017 issues)
Shares held at year end on behalf of participants (in thousands)	341	706	1,170
Shares held at year end as a percentage of shares on issue	0.2%	0.3%	0.5%
Valuation assumptions			
Discount to reflect that shares may not meet vesting criteria	0-30%	0-15%	0-15%
Risk-free rate of return	2.8%	2.5%	2-2.5%
Volatility	22%	23%	23%

The range of exercise prices at 31 December 2020 is \$4.76 to \$5.24 (2019: \$3.91 to \$5.24).

	2020		2019	
	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES 000's	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES 000's
Balance at beginning of period	\$4.89	2,218	\$4.54	2,936
Exercised during the year	\$4.51	(931)	\$3.34	(663)
Forfeited during the year	\$5.24	(6)	\$4.84	(55)
Balance at end of period	\$5.16	1,281	\$4.89	2,218

All-staff employee share plan

The Group operates an all-staff employee share plan. A total of 1,282 employees participated in the share issue under the plan for the year ended 31 December 2020 (2019: 1,060 employees). In 2020 the Group contributed \$800 per participating employee (being the total value of the shares issued). A total of 137,174 Company shares were issued under the scheme at \$7.4712 per share (2019: 148,400 shares at \$5.6938 per share). The shares are held by Summerset LTI Trustee Limited and vest to participating employees after a three-year period.

The cost for the year ending 31 December 2020 of \$370,000 has been recognised in the income statement of the Company and the Group for that period (2019: \$366,000).

22. Related party transactions

Refer to Note 21 for employee share plan details.

Transactions with companies associated with Directors

During the year ended 31 December 2020, Summerset Villages (Half Moon Bay) Limited purchased land at Half Moon Bay in Auckland from BeGroup New Zealand Limited ("the vendor"). James Ogden is the Chair of the Investment Committee for Pencarrow IV Investment Fund, which owns 48% of the vendor. Due to this conflict, James Ogden abstained from all aspects of the transaction in both entities. As at 31 December 2020, there is an amount of \$15.8 million outstanding in relation to this purchase, which is expected to be paid to the vendor by 26 February 2021 in line with the agreement to purchase.

During the year ended 31 December 2020, Summerset Management Group Limited entered into a three year contract for the supply of natural gas with Contact Energy. Venasio-Lorenzo Crawley is the Chief Customer Officer at Contact Energy. The procurement process in relation to this contract was conducted on an arms-length basis with no involvement from Venasio-Lorenzo Crawley. The agreement is in effect from 1 January 2021.

On 1 October 2020, Rob Campbell became a director of UFF Holdings Limited which provides services to Summerset villages. During the period from 1 October to 31 December 2020, the Group paid \$60,000 to Ultrafast Fibre Limited, a subsidiary of UFF Holdings Limited, for fibre reticulation at villages.

There were no other related party transactions for the year ended 31 December 2020 (2019: nil).

23. Key management personnel compensation

The compensation of the key management personnel of the Group is set out below:

	2020	2019
	\$000	\$000
Directors' fees	786	684
Short-term employee benefits	3,861	3,799
Share-based payments	729	686
Total	5,376	5,169

There were seven Directors from 1 February 2020 (2019: six Directors).

Refer to Note 21 for employee share plan details for key management personnel and for loans advanced to key management personnel under the terms of employee share plans.

Notes to the financial statements (continued)

24. Commitments and contingencies

Guarantees

As at 31 December 2020, NZX Limited held a guarantee in respect of the Group, as required by the NZX Listing Rules, for \$75,000 (2019: \$75,000).

Summerset Retention Trustee Limited holds guarantees in relation to retentions on construction contracts on behalf of the Group. As at 31 December 2020, \$10.0 million was held for the benefit of the retentions beneficiaries (2019: \$8.0 million).

Capital commitments

At 31 December 2020, the Group had \$139.7 million of capital commitments in relation to construction contracts (2019: \$133.1 million).

Contingent liabilities

There were no known material contingent liabilities at 31 December 2020 (2019: nil).

25. Subsequent events

On 22 February 2021, the Directors approved a final dividend of \$16.0 million, being 7.0 cents per share. The dividend record date is 9 March 2021 with a payment date of 22 March 2021.

There have been no other events subsequent to 31 December 2020 that materially impact on the results reported.

Independent Auditor's Report to the Shareholders of Summerset Group Holdings Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Summerset Group Holdings Limited ("the company") and its subsidiaries (together "the Group") on pages 41 to 74, which comprise the consolidated statement of financial position of the Group as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 41 to 74 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's 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 audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young provides other assurance related services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of investment property and freehold land and buildings

Why significant

As disclosed in notes 9 and 11 to the consolidated financial statements:

- the Group's investment property portfolio was valued at \$3,639 million at 31 December 2020 and included completed investment property and investment property under development
- the Group's freehold land and buildings were valued at \$155 million at 31 December 2020. This included freehold land and buildings operated by the Group for the provision of care services, and land and buildings to be developed into care facilities in the future.

The Group's accounting policy is to measure these assets at fair value.

Independent valuations of all investment property and freehold land and buildings were carried out by third party valuers, CBRE Limited and Jones Lang LaSalle Limited (the Valuers). The valuation of investment property and freehold land and buildings is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. As discussed in note 11 to the consolidated financial statements, the Valuers have advised that a degree of caution should be exercised when relying on the valuations. This caution reflects the ongoing uncertainty compared to prior years as a result of the COVID-19 pandemic.

Completed investment property and care suites are recorded in the consolidated financial statements based on the value determined by the Valuers.

How our audit addressed the key audit matter

To address the key audit matter, we:

External valuations

- read the valuation reports and discussed them directly with the Valuers. We assessed the valuation approach and confirmed that this was in accordance with the relevant accounting standards; and
- tested on a sample basis, whether property specific information supplied to the Valuers by the Group reflected the underlying property records held by the Group.

Assumptions and estimates

- held discussions with the Valuers to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This included understanding the impact that ongoing market uncertainty had on their assessment of significant inputs and assumptions. We also sought to understand and consider whether any restrictions had been imposed on the valuation process;
- considered whether the valuation sought to make appropriate assumptions for a sample of individual properties to reflect their characteristics, overall quality, geographic location and desirability as a whole; and
- engaged our in-house Real estate valuation experts to challenge the work performed by the Valuers and assess the reasonableness of the assumptions used based on their knowledge gained from reviewing valuations of similar properties, known transactions and available market data.

Our work over the assumptions focused on the largest properties within the portfolio and those properties where the assumptions used and/or year-on-year fair value movement suggested a possible outlier compared to the rest of the portfolio and the market data for the sector.

Valuation estimates

As a result of the judgement involved in determining valuations for individual properties and the existence of alternative assumptions and valuation methods, there is a range of values which can be considered reasonable when evaluating the independent property valuations used by the Group. If we identified an error in a property valuation or determined that the valuation was outside of a reasonable range, we evaluated the error or difference to determine if there was a material misstatement in the consolidated financial statements.

Disclosures

We considered the adequacy of the disclosures made in notes 9 and 11 to the consolidated financial statements. These notes explain the key judgements made in relation to the valuation of investment property and freehold land and buildings and the estimation uncertainty involved in the valuation process.

Deferred Management Fee Revenue Recognition

Why significant	How our audit addressed the key audit matter
Deferred management fee (“DMF”) revenue is 35% of the Group's total revenue. The Group recognises deferred management fee revenue from residents over the longer of the expected period of tenure or the contractual right to revenue in accordance with the terms of the resident's occupational right agreement. The amount of revenue recognised in each year is subject to the Group's judgement of each resident's expected tenure in the village as well as the terms of the occupational right agreement and the type of unit occupied. A change in the assumed tenure may have a material impact on revenue recognised in the year. Disclosures in relation to DMF revenue and the associated DMF receivable and revenue in advance balances are included in note 4 to the consolidated financial statements.	To address the key audit matter, we: • for a sample of residents, assessed the accuracy of a sample of the inputs to, and calculation of, the DMF revenue recognised during 2020; • agreed the contractual terms used in the revenue recognition calculation for a sample of residents to the occupational right agreement; • assessed the movements year on year in revenue recognised by each village based on an expectation derived from underlying village data; • compared the Group's assessment of assumed tenure against actual observed tenure; and • assessed the adequacy of the related financial statement disclosures.

Information other than the financial statements and auditor's report

The directors of the company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

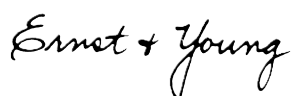
In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Grant Taylor.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Ernst & Young
Chartered Accountants
Wellington
22 February 2021

Governance

Summerset is committed to following best-practice governance structures and principles and to having good governance of the way in which the Company operates. It also takes account of the Company's listings on both the NZX and ASX.

Summerset has adopted the principles below as an appropriate way to demonstrate its commitment to these fundamental principles and to illustrate the transparency of the Company's approach to corporate governance for the benefit of its Shareholders and other stakeholders. These principles are from the NZX Corporate Governance Code issued in January 2019 ("NZX Code"). Each principle of the NZX Code is set out below with an explanation on how Summerset meets each principle.

As at 31 December 2020, Summerset considers that it was in full compliance with NZX Listing Rules and the NZX Code. Summerset's Board and Committee Charters, and a number of the policies and guidelines referred to in this section, are available to view at <https://www.summerset.co.nz/investor-centre/governance-documents/>.

Principle 1: Code of ethical behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Ethical standards

The Board maintains high standards of ethical conduct and expects the Company's employees to act legally and with integrity in a manner consistent with the policies, guiding principles and values that are in place. These include the following:

- **Code of Ethics** – This guide sets out the basic principles of legal and ethical conduct expected of all employees and Directors. The Company encourages open and honest communication by staff about any current or potential problem, complaint, suggestion, concern or question.
- **Securities trading** – In accordance with the Company's Securities Trading Policy, the NZX Listing Rules, and the Financial Markets Conduct Act 2013, Directors and employees of the Company are subject to limitations on their ability to buy or sell Company shares.
- **Diversity and inclusion** – This policy outlines the Company's guiding principles for diversity and inclusion. Refer to Principle 2 for further details.
- **Code of Conduct** – This policy sets out the expected behaviours while in employment with the Company. Company employees are expected to act honestly, conscientiously, reasonably and in good faith while at all times having regard to their responsibilities, the interests of Summerset, and the welfare of our residents and staff.

- **Whistle blowing** – This policy encourages employees to come forward if they have concerns regarding serious wrongdoing, and ensures that employees have access to a confidential process in which they can report any issues in relation to serious wrongdoing without fear of reprisal or victimisation.
- **Conflicts of interest** – Summerset's Code of Ethics outlines the standards of integrity, professionalism and confidentiality to which all employees and Directors of the Company must adhere with respect to their work and behaviour. To maintain integrity in decision-making, each Director must advise the Board of any potential conflict of interest if such arises. If a conflict of interest exists, the Director concerned will have no involvement in the decision-making process relating to the matter.
- **Gifts, entertainment and inducements** – This policy governs the acceptance and reporting of benefits given to staff by third parties.
- **Interests Register** – In accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013, the Company maintains an Interests Register in which all relevant transactions and matters involving the Directors are recorded.

The Code of Ethics Policy, Securities Trading Policy and Guidelines and Whistle Blowing Policy can be found on the Company's website and internal intranet.

Principle 2: Board composition and performance

“To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.”

Role of the Board of Directors

The Board of Directors is elected by Shareholders, and has responsibility for taking appropriate steps to protect and enhance the value of the assets of the Company in the best interests of its Shareholders. The Board has adopted a formal Board Charter detailing its authority, responsibilities, membership and operation.

The key responsibilities of the Board include setting the overall direction and strategy of the Company, establishing appropriate policies and monitoring performance of management. The Board appoints the Chief Executive Officer and delegates the day-to-day operating of the business to the Chief Executive Officer. The Chief Executive Officer implements policies and strategies set by the Board and is accountable to it. The Board also has responsibility for ensuring the Company's financial position is sound, financial statements comply with generally accepted accounting practice, and that the Company adheres to high standards of ethical and corporate behaviour.

A summary of the Board mandate is as follows:

- A majority of the Board should be Independent Directors as defined in the NZX Listing Rules;
- The Chair of the Board should be independent;
- The Chair and the Chief Executive Officer should be different people;
- Directors should possess a broad range of skills, qualifications and experience, and remain current on how best to perform their duties as Directors;
- Information of sufficient content, quality and timeliness as the Board considers necessary shall be provided by management to allow the Board to discharge its duties effectively;
- The effectiveness and performance of the Board and its individual members should be re-evaluated on an annual basis.

Directors receive an induction upon appointment to the Board to ensure their full knowledge of the Company and the industry in which it operates. The Directors are expected to keep themselves abreast of changes and trends in the business and to keep themselves up to date to ensure they best perform their duties as Directors of the Company.

All Directors have been issued letters setting out the terms and conditions of their appointment.

Delegation of authority

The Board delegates to the Chief Executive Officer responsibility for implementing the Board's strategy and for managing the Company's operations. The Chief Executive Officer and management have Board-approved levels of authority and, in turn, sub-delegate authority in some cases to direct reports. This is documented in the Delegated Authority Policy.

Before approving the Company and Group's financial statements, a management representation letter is obtained from the Chief Executive Officer and the Deputy Chief Executive Officer and Chief Financial Officer declaring that, in their opinion, the financial records of the Company and Group have been properly maintained and the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and Group.

Retirement and re-election

In accordance with the Company's Constitution and the NZX Listing Rules, Directors are required to retire three years after their appointment or at the third Annual Shareholder Meeting following their appointment (whichever is later). Directors who have been appointed by the Board must also retire at the next Annual Shareholder Meeting following their appointment. Directors may offer themselves for re-election by Shareholders each year at the Annual Shareholder Meeting. Procedures for the appointment and removal of Directors are also governed by the Constitution. The People and Culture Committee identifies and nominates candidates to fill Director vacancies for Board approval. Information about candidates for election or re-election is included in the Notice of Meeting to assist Shareholders in deciding whether or not to elect or re-elect the candidate.

Board composition

The Company's Constitution prescribes that the Board shall be comprised of a minimum of three Directors, with at least two Directors ordinarily resident in New Zealand. As at 31 December 2020, the Board was comprised of seven non-executive Independent Directors. In determining whether a Director is Independent, the Board has regard to the NZX Listing Rules.

The Board considers all current Directors to be Independent in that they are not executives of the Company and do not have a direct or indirect interest or relationship that could reasonably influence, in a material way, their decisions in relation to the Company.

As at 31 December 2020, the non-executive Independent Directors were Rob Campbell (Chair), Dr Andrew Wong, Anne Urlwin, Gráinne Troute, James Ogden, Dr Marie Bismark and Venasio-Lorenzo Crawley.

The Board is comprised of Directors who have a mix of skills, knowledge, experience and diversity to adequately meet and discharge its responsibilities and to add value to the Company through efficient and effective governance leadership. The current Directors have a varied and balanced mix of skills relevant to the Group's operations. A summary of the key skills and experience held across the Board as at 31 December 2020, is set out in the table below.

	Rob Campbell	Dr Andrew Wong	Anne Urlwin	Gráinne Troute	James Ogden	Dr Marie Bismark	Venasio-Lorenzo Crawley
Governance	✓	✓	✓	✓	✓	✓	✓
Listed company governance experience	✓	✓	✓	✓	✓	✓	✓
Executive Leadership	✓	✓		✓	✓		✓
NZ and international business leadership and CEO experience	✓	✓		✓	✓		✓
Finance & Accounting	✓		✓		✓		
Senior executive or board experience in financial accounting and reporting, corporate finance and internal controls	✓		✓		✓		
Customer & Operations	✓	✓	✓	✓	✓	✓	✓
Deep understanding of business operations and sales, marketing and brand strategies	✓	✓	✓	✓	✓	✓	✓
Health & Clinical		✓	✓			✓	
Health and clinical industry experience (in New Zealand and/or Australian environments)		✓	✓			✓	
Property & Construction	✓		✓		✓		✓
Property, construction and development management experience	✓		✓		✓		✓
Health & Safety	✓		✓	✓	✓	✓	✓
Experience and understanding of health and safety and wellbeing requirements	✓		✓	✓	✓	✓	✓
Human Resources	✓	✓		✓	✓	✓	✓
People and performance strategy and management experience	✓	✓		✓	✓	✓	✓
Digital & Technology		✓	✓		✓		✓
Experience overseeing IT and digital innovation and an understanding of the opportunity and risks associated with technological development		✓	✓		✓		✓
Strategy	✓	✓	✓	✓	✓	✓	✓
Experience in the development and execution of growth strategies and the ability to assess strategic options and business plans	✓	✓	✓	✓	✓	✓	✓
Australian Experience	✓	✓	✓			✓	
Australian property and business experience	✓	✓	✓			✓	

More information on the Directors, including their interests, qualifications and security holdings, is provided in the Board of Directors and Disclosures sections of this report.

The Board holds regular scheduled meetings. The Directors generally receive material for Board meetings five working days in advance, except in the case of special meetings, for which the time period may be shorter owing to the urgency of the matter to be considered.

The Company Secretary attends all Board meetings, and in this capacity is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

All Directors have access to the Executive Leadership Team to discuss issues or obtain information on specific areas in relation to items to be considered at Board meetings or other areas as considered appropriate. Key Executives and managers are invited to attend and participate in appropriate sessions at Board meetings. Directors have unrestricted access to Company records and information.

Directors are entitled to obtain independent professional advice relating to the affairs of the Company or other responsibilities. Prior approval of the Chair is required before seeking such advice and Directors are expected to ensure that the cost of such advice is reasonable.

Diversity and inclusion

The Company and its Board are committed to a workplace culture that promotes and values diversity and inclusiveness. This is outlined in the Company's Diversity and Inclusion Policy, which is available on the Company's website.

Diversity is defined as the characteristics that make one individual different from another. Diversity encompasses gender, race, ethnicity, disability, age, sexual orientation, physical capability, family responsibilities, education, cultural background and more.

Inclusion is defined as a sense of belonging, respecting and valuing all individuals, providing fair access to opportunity, and removing discrimination and other barriers to involvement. The Board recognises that inclusion leads to a better experience of work for Summerset's employees, makes teams stronger, leads to greater creativity and performance, contributes to a more meaningful relationship with residents, their families and stakeholders, and ultimately increases value to Shareholders.

The Board believes that diversity across the workforce makes Summerset stronger and better able to connect with, and bring the best of life to, residents on a day-to-day basis. When there is a variety of thinking styles, backgrounds, experiences, perspectives and abilities, employees are more able to understand residents' needs and to respond effectively to them.

The Diversity and Inclusion Policy establishes the following objectives for achieving diversity:

- Facilitate and promote equal employment opportunities at all levels, and identify and remove any barriers to equal opportunity;
- Facilitate and promote a merit-based environment in which all employees have the opportunity to develop and perform to their full potential; and
- Reward excellence and ensure all employees are treated fairly, evaluated objectively, and have equitable access to opportunities for progression and promotion on the basis of performance.

	GENDER	2020	2019
Directors	Male	4	3
	Female	3	3
Total		7	6
Senior Managers	Male	2	2
	Female	-	-
Total		2	2
Executive Leadership Team	Male	6	6
	Female	2	2
Total		8	8
All staff	Male	438	349
	Female	1,382	1,199
	Gender diverse	3	-
Total staff		1,823	1,548

Each year the Board reviews and assesses performance against these objectives. The Board considers that for the year ended 31 December 2020, the objectives for achieving diversity have been met.

As at 31 December 2020 (and 31 December 2019 for the prior comparative period), the mix of gender of those employed by the Company is set out in the table above.

Senior Managers of the Company are the Chief Executive Officer and the Deputy Chief Executive Officer and Chief Financial Officer. The Executive Leadership Team comprises the Chief Executive Officer, the Deputy Chief Executive Officer and Chief Financial Officer, and all General Managers who report to the Chief Executive Officer.

These figures include permanent full-time, permanent part-time, fixed-term and casual employees, but not independent contractors.

Board performance

The Board is committed to evaluating its performance on a regular basis, generally with a formal, external review bi-annually with an internal self-review each intervening year. In 2020 the Board completed an externally-facilitated review which provided the opportunity for directors to independently evaluate board and committee performance and processes as well as to give individual feedback on and to each director. The process, including evaluation criteria, is considered by the People and Culture Committee and approved by the Board.

Executive Leadership Team performance

The Board evaluates annually the performance of the Chief Executive Officer. The Chief Executive Officer reviews the performance of direct reports and reports to the Board on those reviews. The evaluation is based on criteria that include the performance of the business and the accomplishment of longer-term strategic objectives. It may include quantitative and qualitative measures. During the most recent financial year, performance evaluations were conducted in accordance with this process.

Principle 3: Board committees

“The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.”

Board committees

The Board has four standing committees: the Audit Committee, the People and Culture Committee, the Clinical Governance Committee, and the Development and Construction Committee. Each committee operates under a charter approved by the Board, and any recommendations they make are recommendations to the Board. The charter for each committee is reviewed annually. All Directors are entitled to attend committee meetings.

Audit Committee

While the ultimate responsibility to ensure the integrity of the Company's financial reporting rests with the Board, the Company has in place processes to ensure the accurate presentation of its financial position. These include:

- An appropriately resourced Audit Committee operating under a written charter with specific responsibilities for financial reporting and risk management;
- Review and consideration by the Audit Committee of the financial information and preliminary releases of results to the market, which then makes recommendations to the Board;
- A process to ensure the independence and competence of the Company's external auditors and a process to ensure their compliance with the Company's External Audit Independence Policy;
- Responsibility for appointment of the external auditors residing with the Audit Committee;
- The Audit Committee monitors the strength of the internal control environment by considering the effectiveness and adequacy of Summerset's internal controls, reviewing the findings of the external auditors' review of internal control over financial reporting, and being involved in setting the scope for the internal audit programme.

One of the main purposes of the Audit Committee is to ensure the quality and independence of the external audit process. The Audit Committee make enquiries of management and the external auditors so that it is satisfied as to the validity and accuracy of all aspects of the Company's financial reporting. All aspects of the external audit are reported back to the Audit Committee and the external auditors are given the opportunity at Audit Committee meetings to meet with Directors.

The Audit Committee must comprise a minimum of three Directors, the majority of whom must be Independent. The committee is chaired by an Independent Director who is not the Chair of the Board. The Committee currently comprises of James Ogden (Chair), Anne Urlwin, Rob Campbell and Gráinne Troute.

The Audit Committee generally invites the Chief Executive Officer, Deputy Chief Executive Officer and Chief Financial Officer, Head of Finance, internal auditors and external auditors to attend meetings. The Committee also meets and receives regular reports from the external auditors without management present, concerning any matters that arise in connection with the performance of their role.

People and Culture Committee

The role of the People and Culture Committee is to assist the Board in establishing and reviewing remuneration policies and practices for the Company and in reviewing Board composition. Specific objectives include:

- Supporting the Board in ensuring the Company's vision and commitment to its people strategy is aligned with and is an enabler of the Company's business strategy;
- Assisting the Board in planning the Board's composition;
- Evaluating the competencies required of prospective Directors (both non-executive and executive);
- Identifying those prospective Directors and establishing their degree of independence;
- Developing the succession plans for the Board, and making recommendations to the Board accordingly;
- Overseeing the process of the Board's annual performance self-assessment and the performance of the Directors;
- Establishing remuneration policies and practices, and setting and reviewing the remuneration of the Company's Chief Executive Officer, Executive Leadership Team and Directors.

The People and Culture Committee must comprise a minimum of three Directors, the majority of whom must be Independent. The Committee currently comprises Gráinne Troute (Chair), Dr Marie Bismark, James Ogden, Anne Urlwin and Venasio-Lorenzo Crawley.

The Board's policy is that the Board needs to have an appropriate mix of skills, experience and diversity to ensure that it is well equipped. The Board reviews and evaluates on a regular basis the skill mix required, and identifies any existing gaps.

Clinical Governance Committee

The role of the Clinical Governance Committee is to assist the Board in ensuring a systematic approach to maintaining and improving the quality of care provided by the Company. Specific objectives include:

- Providing oversight that appropriate clinical governance mechanisms are in place and are effective throughout the organisation;
- Supporting the leadership role of the Chief Executive Officer in relation to issues of quality, safety and clinical risk;
- Working with management to identify priorities for improvement;
- Ensuring that the principles and standards of clinical governance are applied to the health improvement and health protection activities of the Board;
- Ensuring that appropriate mechanisms are in place for the effective engagement of representatives of residents and clinical staff.

The Clinical Governance Committee must comprise a minimum of three Directors. The Committee currently comprises Dr Marie Bismark (Chair), Anne Urlwin, Gráinne Troute and Dr Andrew Wong.

Development and Construction Committee

The role of the Development and Construction Committee is to assist the Board in:

- Supporting management to establish and achieve development and construction objectives within the Company's long-term plan;

- Supporting management to develop and implement strategies to achieve the Company's development and construction objectives in line with best practice;
- Helping the Company maintain appropriate risk management strategies to identify, mitigate and manage development and construction risks;
- Maintaining a good understanding of, and confidence in, the Company's frameworks, systems, processes and personnel required to manage the Company's development and construction activities effectively, including the assessment and realisation of opportunities and the application of appropriate risk management;
- Working with management to identify areas for improvement and innovation in construction and development practices.

The Development and Construction Committee must comprise a minimum of three Directors. The Committee currently comprises Anne Urlwin (Chair), James Ogden and Rob Campbell.

Attendance at Board and committee meetings

A total of six Board meetings, seven Audit Committee meetings, five People and Culture Committee meetings, three Clinical Governance Committee meetings and three Development and Construction Committee meetings were held in 2020. Director attendance at Board meetings and committee member attendance at committee meetings is shown below.

	Board	Audit Committee	People and Culture Committee	Clinical Governance Committee	Development and Construction Committee
Total number of meetings held	6	7	5	3	3
Rob Campbell	6 (Chair)	7	5*	3*	3
Anne Urlwin	6	7	5	3	3 (Chair)
Dr Andrew Wong	6	7*	5*	3	3*
Gráinne Troute	6	7	5 (Chair)	3	3*
James Ogden	6	7 (Chair)	5	3*	3
Dr Marie Bismark	6	7*	5	3 (Chair)	2*
Venasio-Lorenzo Crawley	6	5*	2**	2*	2*

* attended the meeting as a non-committee member

** appointed to the People and Culture Committee on 24 February 2020 (after the first two meetings had been held)

Principle 4: Reporting and disclosure

“The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.”

Making timely and balanced disclosures

The Company is committed to promoting Shareholder confidence through open, timely and accurate market communication. The Company has in place procedures designed to ensure compliance with its disclosure obligations under the NZX and ASX Listing Rules. The Company's Market Disclosure and Communications Policy sets out the responsibilities of the Board and management in disclosure and communication, and procedures for managing this obligation.

Copies of key governance documents, including the Code of Ethics, Securities Trading Policy and Guidelines, Board and Committee Charters, Diversity and Inclusion Policy, Board and Executive Remuneration Policy, and Market Disclosure and Communications Policy are all available on the Company's website at <https://www.summerset.co.nz/investor-centre/governance-documents/>.

Non-financial disclosures, such as the Company's approach to health and safety, our people, the community and the environment are included within this Annual Report. The Company recognises it is in the early stages of reporting on non-financial information, and intends to continue to enhance future disclosure in this area.

Principle 5: Remuneration

“The remuneration of directors and executives should be transparent, fair and reasonable.”

Remuneration of Directors and the Executive Leadership Team is reviewed by the Board's People and Culture Committee. Its membership and role are set out under Principle 3. The Committee makes recommendations to the Board on remuneration packages, keeping in mind the requirements of the Board and Executive Remuneration Policy. The level of remuneration paid to the Directors and the Executive Leadership Team will be determined by the Board. However, Directors' fees must be within the limits approved by the Shareholders of the Company.

Further details on remuneration are provided in the Remuneration section of this Annual Report.

Principle 6: Risk management

“Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.”

Summerset has robust risk management and reporting frameworks in place whereby material business risks are regularly identified, monitored and managed. The Board reviews this risk management framework on an annual basis to ensure it remains fit for purpose. A review was undertaken by the Board during the 2020 financial year.

The members of Summerset's Executive Leadership Team are required to regularly identify the major risks affecting the business, record them in the risk register (which identifies the likelihood and consequence of each risk to Summerset's business), and develop structures, practices and processes to manage and monitor these risks.

Summerset has introduced a co-sourced model for internal audit with an in-house Internal Audit Manager appointed. As part of the co-sourced model, Summerset has engaged KPMG as its partner to assist with carrying out internal audit work on various parts of the Group's operations and all major risk and internal control issues are reported on at each Board meeting.

Health and safety (including in relation to risks, performance and management) is discussed regularly at Board meetings and specific reviews are sought as required. Monthly reporting is prepared and used to assist in risk management, covering areas such as health and safety incidents, injury and near miss frequency rates, and actions undertaken. Further information is covered in the health and safety section of this Annual Report.

Summerset has a Tax Governance Policy in place which sets out its tax risk management objectives, tax reporting requirements to the Audit Committee and policies and processes to manage tax risk. This Tax Governance Policy is reviewed by the Board every two years. It is next due for review in December 2022. The Board is satisfied that Summerset has effective policies and processes in place to ensure the Company is meeting its obligations. Summerset adopts a risk averse stance in relation to tax issues and, where possible, seeks certainty on tax positions through proactive engagement with tax authorities.

Summerset's Current Key Strategic Residual Risks

LIKELIHOOD	HIGHLY LIKELY		Climate Change					
			Property Market	Staff Retention & Capability				
			Corporate Governance & Compliance Strategy & Innovation		COVID-19 Construction & Development	Care Occupational H&S		
				Diversity & Inclusion	Reputational	Resident / Customer Experience		
			Australia Market Entry	Data Privacy & Confidentiality	Asset Maintenance & Upgrades	Sector Penetration Rates		
	EXTREMELY UNLIKELY							
		LOW		CRITICAL				
CONSEQUENCES								

Summerset has considered whether it has any material exposure to economic, environmental and social sustainability risks (as defined in the ASX Corporate Governance Principles) and has determined the following:

- **Climate change risk:** Over the longer term, Summerset expects to operate in a climate that will progressively depart from the weather conditions and events currently experienced, to more acute challenges and risks arising from increasing climate variability. This is likely to have various impacts on the longer-term plans and operation of the Group – specifically in relation to the design, build and construction of villages, as well as in the provision of care services to frail residents and the overall lifestyle satisfaction enjoyed in Summerset's villages. Summerset responds to these risks in the following way:
 - Summerset is a certified carbonzero organisation. This requires us to measure our greenhouse gas emissions, understand our carbon liabilities, and put in place management plans to reduce emissions within the organisation and more widely through our supply chain.
 - The Company is structured internally with two key working groups in place. One which focuses

on future proofing our designs, understanding emerging risks and improving our resilience, with the other responsible for implementing specific actions and initiatives identified in our emissions reduction plan. Both of these working groups report into the Sustainability Forum who report through to the Board on sustainability strategy and targets, including our key climate-related targets and risks.

- Climate change considerations are integrated into the due diligence process for potential acquisitions to assess the climate change risks inherent at each site.
- Climate related risks are included within our corporate risk matrix.
- The Board has oversight of climate-related issues and responsibility for sustainability.

These measures and our approach to sustainability are discussed in more detail on page 31 of this report.

- **Property market risk:** Property market factors could adversely affect sales, occupancy levels or revenue streams. This may have a flow on impact to the value of Summerset's property assets and the associated investment property valuation, which would in turn impact Summerset's financial performance.
- **Staff retention and capability risk:** In a tight and highly competitive labour market, Summerset is at risk of staff shortages. Key areas within our construction and nursing teams will continue to be monitored closely. Given COVID-19, this is currently not considered an extreme risk, but one for consideration in the medium to long term.
- **Corporate governance and compliance:** Changes in regulation could have a material impact on Summerset's business operations. Summerset's governance procedures are continually monitored. Failure to comply with regulatory, societal and investor expectations in relation to corporate and environmental sustainability could impact Summerset's reputation and financial performance over the longer term.
- **Strategy and innovation:** There is a moderate risk with regard to Summerset's strategic direction and ability to continue to innovate. Summerset's intention is to stay at the forefront in all areas of its business including technology, design, development and care. However, there is a risk that a competitor may bring something new to market.
- **Diversity and inclusion:** Developments in our diversity and inclusion strategy mean there is some level of risk in terms of fulfilling all our obligations in this area, especially in a tight labour market. This needs to be monitored closely and the staff survey will bring out useful research and information in this area.
- **COVID-19:** The unknown factors surrounding the COVID-19 pandemic mean this remains a high-risk area at the time of writing this report. However, global research and work on various vaccines, better management of care overall and New Zealand's positive response to date all mean we are in a good position. The risk of community transmission and moving alert levels remains.
- **Construction and development risk:** Summerset faces construction and property development risks when developing new villages. These risks include project delays, default risk, governance and design risk and potential labour and materials shortages.
- **Care:** This is a high-risk area for Summerset, which requires constant monitoring, management and policy review. Good training and professional development, retention of staff and investment into health and safety all help mitigate risk in this area.
- **Resident and customer experience:** Providing top level resident and customer experience at all times is a challenge due to the nature of the organisation. Summerset has various methods in which it manages and monitors these issues closely, including move-in surveys, on-going resident feedback surveys, close one-on-one feedback sessions and close contact with residents, families, next of kin and prospects.
- **Occupational health and safety risk:** This remains a material risk. Its importance has increased further this year for staff given the mental health risks associated with the uncertainty of COVID-19. The physical and mental wellbeing of all Summerset staff is one of our top priorities.
- **Australia market entry:** Entering a new market requires a measured and well researched approach. Summerset is mitigating many new market entry risks by setting up a new local team, entering a well-researched market and developing product and service offerings, procedures and processes tailored for the new market. Progress in Australia will be closely managed.
- **Data privacy and confidentiality:** Summerset actively monitors and manages these risks through the risk management and reporting frameworks.
- **Asset maintenance and upgrades:** Summerset has a co-ordinated approach to asset management and upgrades in all areas of the business. This is constantly up for review and progress is managed accordingly.
- **Sector penetration rates:** Summerset is fortunate to operate in the high growth New Zealand retirement sector. The risk is a declining penetration (or participation) in the market. Current forecasts show this is unlikely to be the case in New Zealand but is a risk to be monitored. Competitors making significant changes to their revenue models or pricing strategy could impact on the revenue earned by Summerset.
- **Reputational risk:** Summerset operates in a sensitive market involving care of vulnerable members of society. Summerset's performance and reputation could be adversely impacted should it suffer adverse publicity, particularly in respect of care or health and safety issues.

Principle 7: Auditors

“The board should ensure the quality and independence of the external audit process.”

The Board’s relationship with its auditors, both external and internal, is governed by the Audit Committee Charter, External Audit Independence Policy and the Internal Audit Charter. These charters and policies set out the types of engagements that can be performed by the external and internal auditors.

The external auditor (Ernst & Young) attends the Company’s Annual Shareholder Meeting, and is available to answer questions from Shareholders in relation to the external audit.

External audit work for the Group was tendered during 2017, with Ernst & Young remaining in this role.

KPMG was appointed in the role of internal auditor of the Company in December 2016 and with the establishment of a co-source model approach to internal audit in 2020, they currently remain the Company’s co-source partner. Their internal audit role is governed by the Internal Audit Charter.

The primary objective of internal audit is to increase the strength of the Company’s control environment. This is guided by a philosophy of adding value to improve the operations of the Company. It assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of its governance, risk management and internal controls.

The scope of the internal audit programme is set by the Audit Committee.

Principle 8: Shareholder rights and relations

“The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.”

Respecting the rights of Shareholders

The Company seeks to ensure that its Shareholders understand its activities by communicating effectively with them and giving them ready access to clear and balanced information about the Company.

To assist with this, the Company’s website is maintained with relevant information, including copies of presentations and reports. The Company’s key corporate governance policies are also included on the website.

The Company’s major communications with Shareholders during the financial year include its annual and half-year reports and the Annual Shareholder Meeting. The annual and half-year reports are available in electronic and hard-copy format.

Communicating with Shareholders

The Company welcomes communication and feedback from Shareholders. The Company’s investor centre (on its website) provides a Company phone number and email address for communications from Shareholders and investor relations enquiries. All Shareholder communications are responded to within a reasonable time frame.

The Company provides options for Shareholders to receive and send communications electronically, to and from both the Company and its share and bond registrar. The Company’s investor centre includes contact details for Link Market Services, through which all Company shares and bonds are managed.

Shareholder voting rights

Shareholders have the right to vote on major decisions as required by the NZX Listing Rules. Further information on Shareholder voting rights is set out in the Company’s Constitution.

Notice of Annual and Special Shareholder Meetings

Notice of Annual and Special Shareholder Meetings are sent to Shareholders and published on the Company’s website at least 20 working days prior to the relevant meeting.

Board of Directors



Rob Campbell *(BA (Hons 1st), MPhil (Econ))*

Chair, Independent

Rob is the Chair of the Board. He has over 40 years' experience as a director and an investor.

He is currently the Chair of SKYCITY Entertainment Group, WEL Group, Tourism Holdings and a director of Precinct Properties NZ.

Rob is also an investor and director of a number of substantial private companies and is a director of, or an advisor to, a number of private investment funds.

Rob has been Chair of Summerset since 2011, when he was appointed to Summerset to lead its listing on the NZX.



Dr Marie Bismark *(MBChB, LLB, MBHL, MPH, MD, MPsyCh, FAICD, FAFPHM)*

Independent

Marie is the Chair of Summerset's Clinical Governance Committee. She holds degrees in law, medicine, bioethics and public health, and has completed a Harkness Fellowship in Healthcare Policy at Harvard University.

Marie works as a psychiatry registrar with Melbourne Health, and as an Associate Professor at Melbourne University.

Her research focuses on patients' rights, quality of care, and medical regulation. Marie is an experienced company director, serving on the board of GMHBA Health Insurance, Royal Womens Hospital in Melbourne and on the Veterans' Health Advisory Panel.

Marie has been a director of Summerset since 2013.



Venasio-Lorenzo Crawley *(MBA, BA)*

Independent

Venasio-Lorenzo is the Chief Customer Officer at Contact Energy and an Advisory Board Member at the Auckland University of Technology. He has also recently completed a term as a Future Board Director for The Warehouse Group.

Venasio-Lorenzo's previous directorships and trustee positions include the Electricity Retailers Association of NZ Electricity, Gas Complaints Commission (now Utilities Disputes), Loyalty New Zealand and Workbase.

He has held senior executive positions at ASB Group and at IAG in both New Zealand and the United Kingdom and has worked across a wide variety of areas including strategy, finance, IT, pricing, data analytics, digital technology, culture and brand.

Venasio-Lorenzo has been a director of Summerset since 2020.



James Ogden *(BCA (Hons 1st), FCA, CFInstD, INFINZ (Cert))*

Independent

James is the Chair of Summerset's Audit Committee. He is a director of Vista Group International and Foundation Life (NZ). James is the Chair of the Investment Committee of Pencarrow Private Equity.

James has had a career as an investment banker, including six years as Country Manager for Macquarie Bank and five years as a director of Credit Suisse First Boston. He also worked in the New Zealand dairy industry for eight years in chief executive and finance roles.

He holds a Bachelor of Commerce and Administration with First Class Honours, and is a Chartered Fellow of the Institute of Directors and a Fellow of Chartered Accountants Australia and New Zealand (CAANZ).

James has been a director of Summerset since 2011 when he was appointed to Summerset prior to its listing on the NZX.



Gráinne Troute *(GradDipBusStuds, CMInstD)*

Independent

Gráinne is Chair of Summerset's People and Culture Committee. She is a Chartered Member of the Institute of Directors and is also Chair of Tourism Industry Aotearoa and a director of Tourism Holdings and Investore Property.

Gráinne is a professional director with many years' experience in senior executive roles. She was General Manager, Corporate Services at SKYCITY Entertainment Group and Managing Director of McDonald's Restaurants (NZ). She also held senior management roles with Coopers and Lybrand (now PwC) and HR Consultancy Right Management.

Gráinne has vast expertise in operating customer-focused businesses in highly competitive sectors. She has also spent many years as a trustee and Chair in the not-for-profit sector, including having been the Chair of Ronald McDonald House Charities New Zealand for five years.

Gráinne has been a director of Summerset since 2016.



Anne Urlwin *(BCom, FCA, CFInstD, MAICD, ACIS, FNZIM)*

Independent

Anne is the Chair of Summerset's Development and Construction Committee. She is a professional director with experience in a diverse range of sectors including construction, health, infrastructure, telecommunications, regulation and financial services.

She is the Deputy Chair of Southern Response Earthquake Services, and a director of Precinct Properties New Zealand, Tilt Renewables and Queenstown Airport Corporation. Her other directorships include City Rail Link and Cigna Life New Zealand.

Anne is a former director of Chorus and a former Chair of national commercial construction group Naylor Love Enterprises and of the New Zealand Blood Service.

Anne is a Chartered Accountant with experience in senior finance management roles in addition to her governance roles.

Anne has been a director of Summerset since 2014.



Dr Andrew Wong *(BHB, MbChB, MPH)*

Independent

Andrew is the Managing Director of Mercy Ascot Hospitals and HealthCare Holdings, having held these positions since 2009.

He holds a medical degree and has previously practised as a Public Health Medicine specialist.

Andrew is also a director of a number of medical organisations. These cover a diverse range of areas such as surgical hospitals, day surgeries, diagnostic radiology and cancer care.

Andrew has been a director of Summerset since 2017.

Executive Leadership Team



Julian Cook

(MAF, MSc, BSc, BA)

Chief Executive Officer

Julian has overall responsibility for Summerset and is focused on developing and operating vibrant villages, and ensuring that respect for our customers is always at the core of everything we do.

Prior to becoming Chief Executive Officer in 2014, Julian was Summerset's Chief Financial Officer after joining Summerset in 2010. He oversaw Summerset's transition to become a publicly listed company on the New Zealand Stock Exchange and the Australian Securities Exchange.

Julian is a member of the Executive Committee for the New Zealand Retirement Villages Association.



Scott Scoullar

(CA, FCPA, BCA)

Deputy Chief Executive Officer and Chief Financial Officer

Scott has overall responsibility for the financial management of the company and corporate services functions.

Before joining Summerset in 2014, Scott held CFO roles at Housing New Zealand and Inland Revenue.

Scott was named CFO of the Year at the New Zealand CFO Summit Awards in 2019 and was NZICA's Public Sector CFO of the Year in 2011. Scott is also a Fellow of CPA Australia, and a CPA New Zealand Council Board Member.



Dave Clegg

(MBA)

General Manager Human Resources

Dave is responsible for leading Summerset's Human Resources and Health and Safety teams to build and grow Summerset's people capability and engagement.

Before joining Summerset in 2018, Dave was the General Manager of People and Culture at Steel & Tube. Dave has over 25 years' experience in human resources leadership roles in New Zealand and overseas.

Dave holds an MBA from Southern Cross University in Australia.



Fay French

(RNZcmpN)

General Manager Sales

Fay leads our national sales team and can be found at Summerset's Wellington office or at one of our many New Zealand villages.

Fay has a breadth of experience across sales, hospitality and the health sector. Prior to joining Summerset in 2015, she held a sales leadership role at a leading New Zealand e-commerce platform, where she was responsible for leading a team of business development managers.

Trained as a registered nurse, Fay has worked in various nursing roles and medical sales for Roche Pharmaceuticals.



Paul Morris

(Dip. BS)

**General Manager
Development Australia**

Paul leads Summerset's investigation of development opportunities in the Australian market.

Paul has been with Summerset since early 2000. He commenced in the GM Development Australia role in 2018, having previously been GM Development New Zealand since 2003.



Aaron Smail

(BE (Civil), BBS)

**General Manager
Development**

Aaron leads Summerset's development team in New Zealand, which covers identifying and purchasing new sites, project feasibilities, consents, design concepts, master planning and design standards for villages.

Previous roles in his 25 plus years of property and development experience include senior positions at Todd Property Group and Kiwi Property.

Aaron has been with Summerset since 2015.



Dean Tallentire

(BSc (Hons), HND, RICS)

**General Manager
Construction**

Dean leads our design management, building consents, procurement, cost management, construction management and administration support teams in the construction team.

Dean has extensive construction and development experience and has led teams in the public and private sectors within developer and main contractor environments.

Dean has been with Summerset since 2015.



Eleanor Young

(BSc (Hons))

**General Manager
Operations and Customer
Experience**

Eleanor oversees the operational performance across all Summerset villages. Her focus on service experience and delivery ensures Summerset's residents receive the highest quality facilities and care.

Before joining Summerset in 2016, Eleanor held senior roles at Inland Revenue. This included four years as the Group Manager of Customer Services, managing over 2,000 staff across New Zealand to deliver services to customers.

Eleanor has a background in human resources within both the public and private sectors, having worked in managerial roles for the Ministry of Social Development, Mighty River Power and Air New Zealand.

Remuneration

Director remuneration

The Company distinguishes the structure of non-executive Directors' remuneration from that of executive Directors. The total amount of remuneration and other benefits received by each Director during the year ended 31 December 2020 is provided below.

Director	Board Fees	Audit Committee	Clinical Governance Committee	People and Culture Committee	Development and Construction Committee	Other committees ¹	Total remuneration
Rob Campbell	\$173,077 (Chair)					\$9,372	\$182,449
Dr Andrew Wong	\$86,538					\$4,500	\$91,038
Anne Urlwin	\$86,538				\$7,212 (Chair)	\$9,372	\$103,122
Gráinne Troute	\$86,538			\$7,212 (Chair)			\$93,750
James Ogden	\$86,538	\$17,308 (Chair)				\$9,372	\$113,218
Dr Marie Bismark	\$86,538		\$14,423 (Chair)				\$100,961
Venasio-Lorenzo Crawley ²	\$76,154						\$76,154
Total	\$681,921	\$17,308	\$14,423	\$7,212	\$7,212	\$32,616	\$760,692

¹ Fees for being on additional sub-committees of the Board throughout the period, including a Due Diligence Committee in relation to the issue of retail bonds in September 2020 and a sub-committee formed in relation to group strategy.

² Venasio-Lorenzo Crawley was appointed as a Director on 1 February 2020.

The above amounts reflect the 20% pay reduction that Directors took for a period of 10 weeks in response to the COVID-19 pandemic.

Directors' fees were reviewed during 2020 and an increase to the Directors' fees pool was approved by Shareholders, in order to provide a surplus for payment of non-standard fees to Directors for assuming additional responsibilities above and beyond the normal duties of the Board or any standard committee. Standard Directors' fees remained unchanged. However, the appointment of a seventh Director in February 2020 increased the total amount of Directors' fees payable.

As at 31 December 2020, the maximum aggregate amount of remuneration payable by Summerset to Directors (in their capacity as Directors) was \$840,000 per annum (2019: \$750,000) and annualised standard Directors' fees were \$768,000, inclusive of additional remuneration for committee Chairs (2019: \$678,000).

As at 31 December 2020, the standard Director fees per annum are as follows:

	Position	Fees (per annum)
Board of Directors	Chair	\$180,000
	Member	\$90,000
Audit Committee	Chair	\$18,000
Clinical Governance Committee	Chair	\$15,000
People and Culture Committee	Chair	\$7,500
Development and Construction Committee	Chair	\$7,500

No additional fees are paid to committee members.

Directors' fees exclude GST, where appropriate. Directors are entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs.

Directors and Officers also have the benefit of Directors' and Officers' liability insurance. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for Summerset. There are some exclusions within the policy. The insurance cover is supplemented by the provision of Director and Officer indemnities from the Company, but this does not extend to criminal acts.

Executive remuneration

The remuneration of members of the Executive Leadership Team (Chief Executive Officer and direct reports) is designed to promote a high-performance culture and to align Executive reward to the development and achievement of strategies and business objectives to create sustainable value for Shareholders.

The Board is assisted in delivering its responsibilities and objectives for Executive remuneration by the People and Culture Committee. The role and membership of this Committee is set out in the Statement of Corporate Governance.

Summerset's remuneration policy for members of the Executive Leadership Team provides the opportunity for them to receive, where performance merits, a total remuneration package in the upper quartile for equivalent market-matched roles. The People and Culture Committee reviews the annual performance appraisal outcomes for all Executive Leadership Team members, including the Chief Executive Officer. The review takes into account external benchmarking to ensure competitiveness with comparable market peers, along with consideration of an individual's performance, skills, expertise and experience.

Total remuneration is made up of three components: fixed remuneration, short-term performance-based cash remuneration and long-term performance-based equity remuneration.

Fixed remuneration

Fixed remuneration consists of base salary and benefits. Summerset's policy is to pay fixed remuneration with reference to the fixed pay market median.

Short-term incentives

Short-term incentives (STIs) are at-risk payments designed to motivate and reward for performance, typically in that financial year. The target value of an STI payment is set annually, as a percentage of the Executive Leadership Team member's fixed remuneration. For 2020, the relevant percentages were 25% to 50%.

A proportion (80% for the Chief Executive Officer, 30% to 40% for other Executive Leadership Team members) of the STI is related to achievement of annual performance metrics which aim to align executives to a shared set of key performance indicators (KPIs) based on business priorities for the next 12 months. Target areas for the shared KPIs for 2020 are outlined below:

Target	Weighting
Underlying EBITDA	40%
Retirement unit delivery	20%
New sales development margin	10%
Resales net cash	10%
Customer satisfaction	5%
Customer clinical quality of care	5%
Health and safety	5%
Staff - HR	5%

There are three performance levels within each target area - gate-opener, on-target and maximum performance - with 100% of the amount allocated to that target area being payable when the on-target level is achieved. The maximum performance levels allow employees to be rewarded for performance above target levels. The maximum amount of an STI payment for an Executive Leadership Team member is 112% of the STI on-target amount for that Executive Leadership Team member.

The balance of the STI is related to individual performance measures.

In the event that gate-opener underlying EBITDA performance against budget is not achieved, no STI payment will be made.

Long-term incentives

Long-term incentives (LTIs) are at-risk payments through a share option plan, designed to align the reward of Executive Leadership Team members with the enhancement of shareholder value over a multi-year period.

LTI Plan

The Executive Leadership Team members are participants of an LTI option plan. Under this plan, Executive Leadership Team members are granted share options. These share options are exercisable in relation to shares in Summerset Group Holdings Limited.

Option grants are made annually, with the value of each grant being set at the date of each grant and determined as a percentage of the Executive Leadership Team member's fixed remuneration. There have now been three option grants under this plan. For 2020, the relevant percentages were 20% to 40% (2019: 20% to 40%). Vesting of the share options is subject to achievement of performance hurdles, which are assessed over two and three-year periods.

The performance hurdles for the option grant made in 2020 are based on:

- 50% absolute earnings (cumulative actual underlying net profit after tax for the Group against budget);
- 20% relative earnings (earnings per share growth of the Group compared to a defined peer group);
- 10% clinical delivery;
- 5% staff engagement;
- 5% staff turnover;
- 5% customer satisfaction - village residents;
- 5% customer satisfaction - care centre residents

The performance hurdles above were consistent with those for 2019.

Performance hurdles are set by the Board with the objective of aligning Executive reward to the development and achievement of strategies and business objectives to create sustainable value for Shareholders. The Board considers that the performance hurdles reflect the drivers of sustainable value for Shareholders.

In addition to the LTI share option plan in place for Executive Leadership Team members, Summerset also operates an unhurdled LTI share option plan for other senior managers.

A total of 262,324 share options were granted to Executive Leadership Team members in December 2020. A total of 1,618,274 share options have been granted to Executive Leadership Team members in the 2018, 2019 and 2020 grants. 386,528 of these share options vested as at 31 December 2020, (out of a total of 386,528 eligible to vest), and subsequently became exercisable. The Executive Leadership Team includes the Chief Executive Officer. The Chief Executive Officer section provides further details of share option movements under the LTI Plan for the Chief Executive Officer.

LTI Plan prior to 2018

Prior to 2018, Executive Leadership Team members were able to purchase shares in Summerset Group Holdings Limited under an LTI share purchase plan. The shares under this plan are held by a nominee on behalf of the Executive Leadership Team members until such time after the vesting of shares that the nominee is directed by the Executive Leadership Team member to transfer or sell the shares, or the shares are sold or cancelled by the nominee if vesting criteria are not met. The shares carry the same rights as all other ordinary shares.

The Group has provided Executive Leadership Team members participating in the LTI share purchase plans with interest-free limited recourse loans to fund the acquisition of the shares for these plans. These loans must be repaid in full before shares are transferred to Executives from the nominee.

Grants under this plan were made annually, with performance measured over two and three-year periods. The value of each grant was set at the date of the grant and determined as a percentage of the Executive Leadership Team member's fixed remuneration, ranging from 15% to 40%. Vesting of shares is subject to achievement of performance hurdles, which were assessed over two and three-year periods.

The performance hurdles for each grant under the LTI plan made between 2013 and 2015 are based on Summerset's total shareholder return (TSR) relative to the performance of relevant peers and the NZX 50.

The performance hurdles for the grants made in 2016 and 2017 were based on:

- 50% absolute earnings (cumulative actual underlying net profit after tax for the Group against budget);
- 25% relative earnings (earnings per share growth of the Group compared to a defined peer group);
- 10% employee initiatives;
- 10% customer initiatives;
- 5% clinical strategy initiatives.

Performance hurdles were set by the Board with the objective of aligning Executive reward to the development and achievement of strategies and business objectives to create sustainable value for Shareholders. The Board considers that the performance hurdles reflect the drivers of sustainable value for Shareholders.

In addition to the LTI share purchase plan in place for Executive Leadership Team members, Summerset also operated an unhurdled LTI share purchase plan for other senior managers.

A total of 1,169,450 shares are held by Summerset LTI Trustee Limited under the LTI share purchase plan on behalf of the Executive Leadership Team as at 31 December 2020. As at 31 December 2020, 335,170 shares vested to the Executive Leadership Team (out of a total 335,170 available to vest at this date). These shares have a first exercise date of 25 February 2021. This is the final tranche of shares to vest under the LTI share purchase plan. The Executive Leadership Team includes the Chief Executive Officer. The following section provides further details of share movements under the LTI Plan for the Chief Executive Officer.

Chief Executive Officer remuneration

Remuneration for years ended 31 December 2018 to 2020

	Fixed remuneration			Pay for performance			Total remuneration
	Salary	Other benefits ¹	Subtotal ²	STI	LTI	Subtotal	
FY2020	\$623,242	\$1,758	\$625,000	\$261,625 ³	\$0 ⁴	\$261,625	\$886,625
FY2019	\$623,405	\$1,595	\$625,000	\$282,734 ⁵	\$250,000 ⁶	\$532,734	\$1,157,734
FY2018	\$547,720	\$2,280	\$550,000	\$271,400 ⁷	\$220,000 ⁸	\$491,400	\$1,041,400

¹ Other benefits include medical insurance. The Chief Executive Officer chooses not to participate in KiwiSaver

² Fixed remuneration reflects entitlement for the year, and therefore excludes the 20% pay reduction the Chief Executive Officer took for a period of 10 weeks in response to the COVID-19 pandemic during FY2020

³ STI for FY2019 performance period (paid FY2020)

⁴ No LTI value granted in FY2020

⁵ STI for FY2018 performance period (paid FY2019)

⁶ LTI value granted in FY2019 period (which was to vest based on performance in FY2020 to FY2022)

⁷ STI for FY2017 performance period (paid FY2018)

⁸ LTI value granted in FY2018 period (which was to vest based on performance in FY2019 to FY2021)

Three-year summary

	Total remuneration	% STI awarded against on-plan performance	STI performance period	% LTI vested against on-plan performance	Span of LTI performance periods
FY2020	\$886,625	83.7%	FY2019	100% ¹	FY2017 - FY2019
FY2019	\$1,157,734	102.8%	FY2018	97.9% ²	FY2016 - FY2018
FY2018	\$1,041,400	98.7%	FY2017	83.7% ³	FY2015 - FY2017

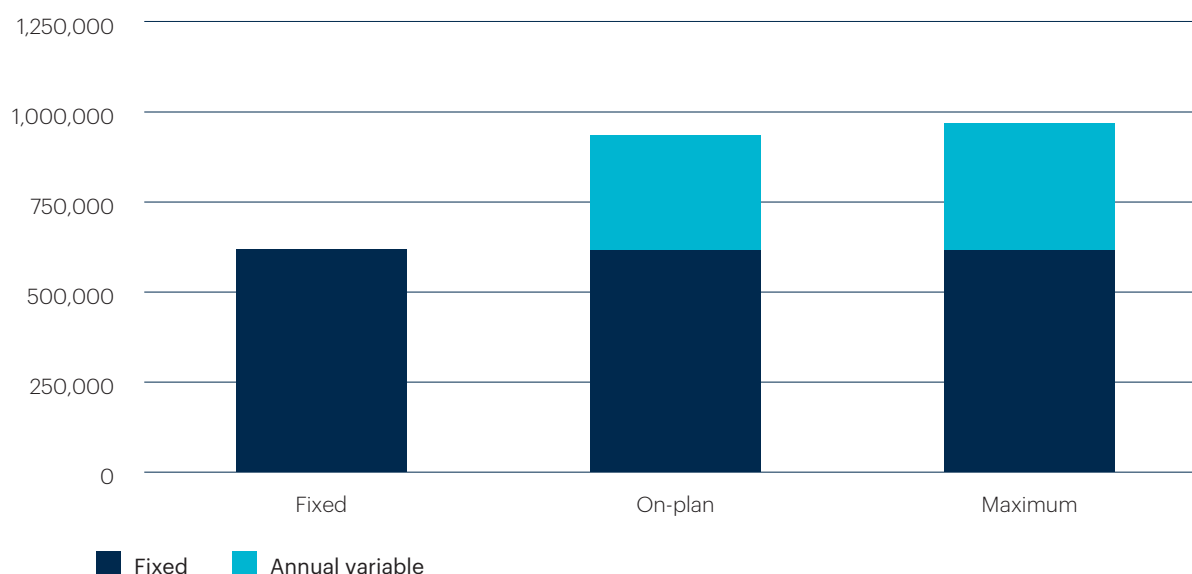
¹ Vesting date 31 December 2019, release date 27 February 2020

² Vesting date 31 December 2018, release date 27 February 2019

³ Vesting date 31 December 2017, release date 26 February 2018

The STI in the table above is based on amounts paid in the financial period. The LTI vested in the table above refers to shares eligible for vesting during the financial period.

Components of CEO remuneration



As at 31 December 2020, the Chief Executive Officer's fixed remuneration comprised salary and taxable benefits set at \$625,000 per annum. The annual variable element pays out at 50% of fixed remuneration for on-plan performance or 56% for maximum performance.

Description of Chief Executive Officer remuneration for performance for the year ended 31 December 2020

Plan	Description	Performance measures	Percentage awarded against on-plan performance
STI	Set at 50% of fixed remuneration for FY2020 on-plan performance, up to a maximum of 1.12 times (equal to 56% of fixed remuneration), where the highest levels of both company and individual performance measures are achieved.	80% based on the company target areas (see table on page 123 for weightings) 20% based on individual measures	100.0% 100.0%
LTI	In February 2020, vesting for 108,434 shares issued under the LTI Scheme at \$4.76 on 14 December 2016 was assessed per the Plan Rules. The assessment period was 1 January 2017 to 31 December 2019. The vesting criteria were met and all shares vested.	50% based on absolute earnings 25% based on relative earnings 10% based on employee initiatives 10% based on customer initiatives 5% based on clinical strategy initiatives	100.0%
	In February 2020, vesting for 142,857 shares issued under the LTI Scheme at \$5.24 on 12 December 2017 was assessed per the Plan Rules. The assessment period was 1 January 2018 to 31 December 2019. The vesting criteria were met and all shares vested.	50% based on absolute earnings 25% based on relative earnings 10% based on employee initiatives 10% based on customer initiatives 5% based on clinical strategy initiatives	100.0%

The above STI payment will be paid in FY2021.

Chief Executive Officer LTI share movements for the year ended 31 December 2020

	Dec 2015 issue	Dec 2016 issue	Dec 2017 issue	Total
Balance at 1 January 2020	139,355	237,005	263,736	640,096
Forfeited	-	-	-	-
Loan repaid and shares transferred to CEO	(139,355)	(128,571)	-	(267,926)
Balance at 31 December 2020	-	108,434	263,736	372,170
Vesting status	Vested	Vested	Vested	
Issue price	\$3.91	\$4.76	\$5.24	

120,879 shares were vested on 31 December 2020 (out of a potential 120,879 shares eligible to vest on that date). These vested shares are not eligible for exercise until 25 February 2021.

Chief Executive Officer LTI share option movements for the year ended 31 December 2020

	Dec 2018 grant	Dec 2019 grant
Balance at 1 January 2020	224,074	200,352
Forfeited	-	-
Granted	-	-
Exercised	-	-
Balance at 31 December 2020	224,074	200,352
Vesting status	Partially vested	Unvested
Exercise price at grant	\$6.34	\$7.62

122,222 share options were vested on 31 December 2020 (out of a potential 122,222 share options eligible to vest on that date).

Employee remuneration

The number of employees or former employees (including employees holding office as Directors of subsidiaries), who received remuneration and other benefits valued at or exceeding \$100,000 during the financial year ended 31 December 2020 is specified in the table below.

The remuneration figures shown in the "Remuneration" column include all monetary payments actually paid during the course of the year ended 31 December 2020. The table also includes the grant value of shares issued to individual employees under Summerset's LTI Plan during the same period. The table does not include amounts paid after 31 December 2020 that relate to the year ended 31 December 2020.

The method of calculating remuneration is consistent with the method applied for the previous year.

Remuneration	No. of employees	Remuneration	No. of employees
\$100,000 to \$109,999	42	\$250,000 to \$259,999	1
\$110,000 to \$119,999	35	\$260,000 to \$269,999	2
\$120,000 to \$129,999	42	\$270,000 to \$279,999	3
\$130,000 to \$139,999	33	\$310,000 to \$319,999	2
\$140,000 to \$149,999	22	\$340,000 to \$349,999	1
\$150,000 to \$159,999	15	\$350,000 to \$359,999	1
\$160,000 to \$169,999	4	\$370,000 to \$379,999	1
\$170,000 to \$179,999	8	\$390,000 to \$399,999	1
\$180,000 to \$189,999	5	\$480,000 to \$489,999	1
\$190,000 to \$199,999	10	\$500,000 to \$509,999	1
\$200,000 to \$209,999	6	\$510,000 to \$519,999	1
\$210,000 to \$219,999	2	\$540,000 to \$549,999	1
\$220,000 to \$229,999	2	\$810,000 to \$819,999	1
\$230,000 to \$239,999	1	\$910,000 to \$919,999	1
\$240,000 to \$249,999	4		

Pay gap

The pay gap represents the number of times greater the Chief Executive Officer remuneration is to the remuneration of an employee paid at the median of all Summerset employees. For the purposes of determining the median paid to all Summerset employees, all permanent full-time, permanent part-time and fixed-term employees are included, with part-time employee remuneration adjusted to a full-time equivalent amount.

At 31 December 2020, the Chief Executive Officer's base salary of \$625,000 was 11.6 times (2019: 11.8 times) that of the median employee at \$53,830 per annum. The Chief Executive Officer's total remuneration, including STI and LTI, of \$886,625, was 16.0 times (2019: 21.5 times) the total remuneration of the median employee at \$55,445.



Disclosures

Director changes during the year ended 31 December 2020

Venasio-Lorenzo Crawley was appointed to the Board on 1 February 2020.

Directors' interests

Directors made the following entries in the Interests Register pursuant to Section 140 of the Companies Act 1993 during the year ended 31 December 2020:

Rob Campbell: Disclosed the following positions in respect of the following entities: New Zealand Rural Land Company Limited (Chair), Paua Wealth Management Limited (Advisory Board Member), Ara Ake Limited (Chair), UFF Holdings Limited (Director), He Toutou Mo Te Ahika Trust (Trustee). Disclosed he ceased to hold the following position in respect of the following entity: King Tide Asset Management Limited (Chair).

Anne Urlwin: Disclosed the following positions in respect of the following entities: Cigna Life New Zealand Limited (Director), Tilt Renewables Insurance Limited (Director), Queenstown Airport Corporation Limited (Director). Disclosed she ceased to hold the following positions in respect of the following entities: Onepath Life (NZ) Limited (Director), Steel and Tube Holdings Limited (Director).

James Ogden: No new disclosures were made.

Dr Marie Bismark: Disclosed the following positions in respect of the following entities: Royal Women's Hospital, Melbourne (Director), North Western Mental Health (Psychiatry Registrar). Disclosed she ceased to hold the following positions in respect of the following entities: Royal Children's Hospital Melbourne (Psychiatry Registrar).

Gráinne Troute: Disclosed the following position in respect of the following entity: Tourism Industry Aotearoa (Chair).

Dr Andrew Wong: Disclosed the following positions in respect of the following entities: Auckland University of Technology (Adjunct Professor), MyACC (Director). Disclosed he ceased to hold the following positions in respect of the following entities: Ninety Nine Investments Limited (Director), Mercy Angiography Limited (Director).

Venasio-Lorenzo Crawley: Disclosed the following positions in respect of the following entities: Contact Energy Limited (Chief Customer Officer and Shareholder), Crawley Rowlands Family Trust (Trustee).

Information used by Directors

There were no notices from Directors of the Company requesting to disclose or use Company information received in their capacity as Directors that would not otherwise have been available to them.

Directors' security holdings

Securities in the Company in which each Director has a relevant interest as at 31 December 2020 are specified in the table below:

Director	Ordinary shares	SUM010 retail bonds	SUM020 retail bonds	SUM030 retail bonds
Rob Campbell	60,274	-	-	-
Anne Urlwin	31,413	30,000	-	30,000
James Ogden	239,504	15,000*	100,000*	150,000*
Dr Marie Bismark	23,828	-	-	-
Gráinne Troute	25,000	-	-	-
Dr Andrew Wong	10,500	-	-	-
Venasio-Lorenzo Crawley	-	-	-	-
Total	390,519	45,000	100,000	180,000

*James Ogden has a non-beneficial interest in 15,000 SUM010 retail bonds of which he is the registered holder in his capacity as trustee of the Wakapua Trust. Clara Ogden has a legal and beneficial interest in 100,000 SUM020 retail bonds and 150,000 SUM030 retail bonds, of which James Ogden has the power to acquire or dispose.

Securities dealings of Directors

During the year, Directors disclosed the following transactions in respect of Section 148(2) of the Companies Act 1993. These transactions took place in accordance with the Company's Securities Trading Policy.

Director	Date of transaction	Number of securities acquired/(disposed)	Consideration
Rob Campbell	23 March 2020	570	Issue of shares under dividend reinvestment plan at \$5.36 per share
	11 September 2020	424	Issue of shares under dividend reinvestment plan at \$8.47 per share
Anne Urlwin	23 March 2020	250	Issue of shares under dividend reinvestment plan at \$5.36 per share
	28 May 2020	5,000	On-market acquisition of ordinary shares at an average price of \$6.01 per share
	11 September 2020	148	Issue of shares under dividend reinvestment plan at \$8.47 per share
	21 September 2020	30,000	Issue of SUM030 retail bonds during initial offer period at \$1.00 per bond
James Ogden	21 September 2020	150,000	Issue of SUM030 retail bonds during initial offer period at \$1.00 per bond
	10 November 2020	(150,000)	On-market disposal of ordinary shares at average price of \$10.85 per share
Dr Marie Bismark	23 March 2020	285	Issue of shares under dividend reinvestment plan at \$5.36 per share
	11 September 2020	142	Issue of shares under dividend reinvestment plan at \$8.47 per share

Director appointment dates

The date of each Director's first appointment to the position of Director is provided below. Since the date of appointment, Directors have been re-appointed at Annual Meetings when retiring by rotation as required.

Director	Appointment date
Rob Campbell	2 September 2011
Anne Urlwin	1 March 2014
James Ogden*	2 September 2011
Dr Marie Bismark	1 September 2013
Gráinne Troute	1 September 2016
Dr Andrew Wong	1 March 2017
Venasio-Lorenzo Crawley	1 February 2020

**James Ogden was also a Director from 1 October 2007 to 26 March 2009.*

Indemnity and insurance

In accordance with Section 162 of the Companies Act 1993 and the constitution of the Company, the Company has arranged insurance for, and indemnities to, Directors and Officers of the Company, including Directors of subsidiary companies, for losses from actions undertaken in the course of their legitimate duties or costs incurred in any proceeding.

Directors of subsidiary companies

The remuneration of employees acting as Directors of subsidiaries is disclosed in the relevant banding of remuneration set out under the heading 'Employee remuneration' in the Remuneration section of the Report. Employees did not receive additional remuneration or benefits for acting as Directors during the year.

Julian Cook, Scott Scoullar, Aaron Smail and Robyn Heyman were Directors of all the Company's New Zealand incorporated subsidiaries as at 31 December 2020, with the exception of Summerset LTI Trustee Limited (the Directors of which are Rob Campbell and Dr Marie Bismark). Julian Cook, Scott Scoullar, Paul Morris and Robyn Heyman were Directors of all the Company's Australian incorporated subsidiaries as at 31 December 2020. No extra remuneration is payable to any Director of the Company for any Directorship of a subsidiary.

Top 20 Shareholders as at 31 December 2020

Rank	Registered Shareholder	Number of shares	% of shares
1	New Zealand Central Securities Depository Limited	131,739,136	57.58%
2	FNZ Custodians Limited	6,270,443	2.74%
3	Forsyth Barr Custodians Limited	6,014,003	2.63%
4	Custodial Services Limited	6,004,756	2.62%
5	Hobson Wealth Custodian Limited	5,041,801	2.20%
6	Custodial Services Limited	4,884,744	2.14%
7	New Zealand Depository Nominee Limited	3,684,294	1.61%
8	Custodial Services Limited	2,676,051	1.17%
9	Custodial Services Limited	2,010,100	0.88%
10	Motutapu Investments Limited	1,894,283	0.83%
11	Summerset LTI Trustee Limited	1,678,240	0.73%
12	Paul Stanley Morris & Clive Stephen Morris	1,623,487	0.71%
13	Custodial Services Limited	1,191,680	0.52%
14	ASB Nominees Limited	1,049,913	0.46%
15	JBWere (NZ) Nominees Limited	980,793	0.43%
16	FNZ Custodians Limited	927,434	0.41%
17	PT Booster Investments Nominees Limited	925,139	0.40%
18	Custodial Services Limited	897,014	0.39%
19	Investment Custodial Services Limited	738,130	0.32%
20	Loto Jade Pty Limited	678,977	0.30%
Total		180,910,418	79.07%

Shareholders held through the NZCSD as at 31 December 2020

New Zealand Central Securities Depository Limited (NZCSD) provides a custodian depository service that allows electronic trading of securities to its members and does not have a beneficial interest in these shares. As at 31 December 2020, the ten largest shareholdings in the Company held through NZCSD were:

Rank	Registered Shareholder	Number of shares	% of shares
1	Citibank Nominees (NZ) Limited	20,230,475	8.84%
2	Tea Custodians Limited	17,914,549	7.83%
3	HSBC Nominees (New Zealand) Limited	16,986,945	7.42%
4	National Nominees New Zealand Limited	13,219,709	5.78%
5	Accident Compensation Corporation	10,754,926	4.70%
6	JPMorgan Chase Bank	10,385,719	4.54%
7	HSBC Nominees (New Zealand) Limited	9,127,270	3.99%
8	New Zealand Superannuation Fund Nominees Limited	6,630,837	2.90%
9	Cogent Nominees Limited	6,248,634	2.73%
10	BNP Paribas Nominees NZ Limited (BPSS40)	5,418,993	2.37%

Spread of Shareholders as at 31 December 2020

Size of shareholding	Shareholders Number	Shareholders %	Shares Number	Shares %
1 to 1,000	3,152	33.74%	1,412,576	0.62%
1,001 to 5,000	4,029	43.13%	10,213,552	4.46%
5,001 to 10,000	1,214	13.00%	8,774,188	3.84%
10,001 to 50,000	829	8.87%	15,507,653	6.78%
50,001 to 100,000	58	0.62%	4,006,761	1.75%
100,001 and over	60	0.64%	188,870,584	82.55%
Total	9,342	100.00%	228,785,314	100.00%

Substantial product holder notices received as at 31 December 2020

According to the records kept by the Company and notices given under the Financial Market Conducts Act 2013 the following were substantial holders in the Company as at 31 December 2020. The total number of voting products on issue at 31 December 2020 was 228,785,314 ordinary shares.

Shareholder	Relevant interest	% held at date of notice	Date of notice
Jarden Securities Limited*	18,981,594	8.296%	2 October 2020
Harbour Asset Management Limited**	18,981,594	8.296%	2 October 2020
Milford Funds Limited	12,006,954	5.267%	6 May 2020
Fisher Funds Management Limited	14,184,637	6.222%	28 April 2020

* As at the date of the notice, Jarden Securities Limited held 2,691,168 shares (1.176% of issued capital). The relevant interest disclosed includes the interest of Harbour Asset Management Limited as related body corporate.

** As at the date of the notice, Harbour Asset Management Limited held 16,290,426 shares (7.120% of issued capital). The relevant interest disclosed includes the interest of Jarden Securities Limited as related body corporate.

Spread of bondholders as at 31 December 2020

SUM010

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1 to 5,000	79	9.26%	395,000	0.40%
5,001 to 10,000	217	25.44%	2,109,000	2.11%
10,001 to 50,000	466	54.63%	12,775,000	12.77%
50,001 to 100,000	54	6.33%	4,561,000	4.56%
100,001 and over	37	4.34%	80,160,000	80.16%
Total	853	100.00%	100,000,000	100.00%

SUM020

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1 to 5,000	45	6.68%	225,000	0.18%
5,001 to 10,000	128	19.02%	1,220,000	0.97%
10,001 to 50,000	409	60.77%	11,234,000	8.99%
50,001 to 100,000	45	6.69%	3,937,000	3.15%
100,001 and over	46	6.84%	108,384,000	86.71%
Total	673	100.00%	125,000,000	100.00%

SUM030

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1 to 5,000	48	6.40%	240,000	0.16%
5,001 to 10,000	173	23.06%	1,680,000	1.12%
10,001 to 50,000	428	57.07%	11,571,000	7.71%
50,001 to 100,000	53	7.07%	4,452,000	2.97%
100,001 and over	48	6.40%	132,057,000	88.04%
Total	750	100.00%	150,000,000	100.00%

Waivers from the NZX Listing Rules

No waivers from the application of NZX Listing Rules have been utilised by the Company during the year ended 31 December 2020.

Credit rating

The Company has no credit rating.

Auditor fees

Ernst & Young Wellington has continued to act as auditors of the company. The amount payable by Summerset and its subsidiaries to Ernst & Young Wellington in respect of FY20 audit fees was \$205,000. In addition, Ernst & Young Wellington undertook assurance services in relation to Summerset's long term incentive plan during the year, the fees for this engagement were \$4,000. No other non-audit work was undertaken by Ernst & Young during the year.

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, Summerset records that it donated \$34,000 during the year ended 31 December 2020.

Dividend reinvestment plan

The last date of receipt for a participation election from a shareholder who wishes to participate in the dividend reinvestment plan is 10 March 2021.

This Annual Report is authorised for and on behalf of the Board by:

A stylized, handwritten signature in black ink, consisting of a large, rounded 'R' followed by a horizontal line that ends in a small arrowhead.

Rob Campbell
Director and Chair of
the Board

A handwritten signature in black ink, appearing to read 'J Ogden' in a cursive, flowing script.

James Ogden
Director and Chair of the
Audit Committee

Authorised for issue on 22 February 2021

Directory

New Zealand

Northland

Summerset Mount Denby

7 Par Lane, Tikipunga,
Whangarei 0112
Phone (09) 470 0282

Auckland

Summerset Falls

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

Summerset Milldale¹

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 Parnell¹

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

Summerset Half Moon Bay¹

25 Thurston Place
Half Moon Bay,
Auckland 2012
Phone (09) 306 1422

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 Cambridge¹

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

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

¹ 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

136 Eriksen 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 Waikanae¹

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

1-3 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

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 Blenheim¹

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

Canterbury

Summerset Rangiora¹

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 Prebbleton¹

578 Springs Road,
Prebbleton 7604
Phone (03) 353 6312

Otago

Summerset at Bishopscourt

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

Australia

Victoria

Summerset Cranbourne North¹

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

Summerset Torquay¹

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

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

Directors

Rob Campbell
Dr Marie Bismark
Venasio-Lorenzo Crawley
James Ogden
Gráinne Troute
Anne Urlwin
Dr Andrew Wong

Company Secretary

Robyn Heyman



summerset.co.nz
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	12 months to 31 December 2020	
Previous Reporting Period	12 months to 31 December 2019	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$172,422	12.0%
Total Revenue	\$172,422	12.0%
Net profit/(loss) from continuing operations after tax	\$230,776	31.7%
Total net profit/(loss) after tax	\$230,776	31.7%
Underlying profit*	\$98,304	-7.4%
Final Dividend		
Amount per Quoted Equity Security	\$0.07 per Ordinary Share	
Imputed amount per Quoted Equity Security	Not imputed	
Record Date	9 March 2021	
Dividend Payment Date	22 March 2021	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$5.94	\$5.02
A brief explanation of any of the figures above necessary to enable the figures to be understood	See also other attached documents (annual report, media release, results presentation and distribution notice). * 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, impairment 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.	

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	23 February 2021

Audited 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	X	Quarterly	
	Half Year		Special	
	DRP applies	X		
Record date	09/03/2021			
Ex-Date (one business day before the Record Date)	08/03/2021			
Payment date (and allotment date for DRP)	22/03/2021			
Total monies associated with the distribution ¹	\$16,014,971.98000000 based on the number of shares currently on issue. Final amount may differ as a result of an expected allotment of ordinary shares under Summerset's Share Option Plan on or around 3 March 2021			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution ²	\$0.07000000			
Total cash distribution ³	\$0.07000000			
Excluded amount (applicable to listed PIEs)	\$0.00000000			
Supplementary distribution amount	\$0.00000000			
Section 3: Imputation credits and Resident Withholding Tax ⁴				
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			

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

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

³ "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.

⁴ 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.

Resident Withholding Tax per financial product	\$0.02310000	
Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	2%	
Start date and end date for determining market price for DRP	10/03/2021	16/03/2021
Date strike price to be announced (if not available at this time)	17/03/2021	
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	10/03/2021	
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	23/02/2021	