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23 February 2017

STOCK EXCHANGE ANNOUNCEMENT

SUMMERSET GROUP HOLDINGS LIMITED (SNZ) 2016 FULL YEAR RESULT AND ANNUAL REPORT

The following are attached in relation to Summerset's 2016 full year results and annual report:

- Media release;
- Results presentation;
- Annual report (including audited financial statements for the year ended 31 December 2016);
- NZX Appendix 1;
- NZX Appendix 7 (ASX Online Appendix 3A.1 is provided as a separate announcement).
- Section 209 notice to investors

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 2017

SUMMERSET ACHIEVES 50% GROWTH IN UNDERLYING PROFIT

- Underlying profit for FY16 of NZ$56.6 million, up 50% on FY15
- Net profit after tax of NZ$145.5 million, up 73% on FY15
- NZ$200 million invested into new and existing villages
- Total assets of NZ$1.7 billion, up 25% on FY15
- 658 total sales of occupation rights, up 14% on FY15
- 414 new sales of occupation rights, up 24% on FY15
- 409 new retirement units delivered, up 35% on FY15
- Final dividend of NZ 5.1 cents per share
- Development margin of 22.2%, up from 20.0% for FY15
- FY17 build rate target increased to 450 retirement units, up from 400 for FY16

Summerset Group Holdings Limited has announced an underlying profit of $56.6 million for the year ending 31 December 2016, up 50% on the previous year. Annual growth in underlying profit has averaged 48% in the five years since listing in November 2011.

The result indicates the continued growth being experienced by the retirement village developer and operator as it expands its offering throughout New Zealand.

Net profit after tax, which includes unrealised valuation gains in the fair value of investment properties, was up 73% for FY16 at NZ$145.5 million, driven by new retirement units built and good demand across all of Summerset's villages. Summerset's total asset value increased by 25% to NZ$1.7 billion. The development margin on new retirement units also increased to 22.2%, up from 20% for FY15.

Summerset CEO Julian Cook said the company now has more than 4,200 residents living at its 21 villages, 700 more than a year ago. "During 2016 we accomplished a number of milestones, including 658 new sales and resales of occupation rights, a 14% increase on the year before, and it is the sixth year in a row that we have increased our occupation rights sales. We also now have more than 1,000 staff across the country, up 200 on the same time last year.

"The delivery of a record 409 retirement units across the country was in line with our FY16 build rate target of 400. We have increased our target build rate to around 450 new units in 2017. We also delivered 121 care beds in 2016, bringing the number of care beds across our villages to 748."

At the end of 2016, Summerset's total land bank represented 2,609 retirement units and 366 care beds – a total of around six years' supply.

The company reinvested NZ$200 million into new and existing villages in 2016, which included extending the recreation areas at Wanganui and Hastings and starting construction on a new recreation centre at Levin and village centre at Trentham.

In May, the company opened the village centre at Summerset at Monterey Park in Hobsonville, while the opening of the care centre and village centre at its first Christchurch retirement village in Wigram was celebrated in September.

"Christchurch was a visible gap in our development portfolio. It is great to be able to ease the pressure for quality affordable housing in Canterbury," said Mr Cook.

"A significant milestone for us in 2016 was the opening of our first dementia centre at Summerset by the Ranges in Levin. It provides rest home level dementia care in a safe, homely environment, modelled on international design standards. It is the first New Zealand dementia centre to offer one bedroom apartments, giving residents the option to have a larger home instead of a care room if they prefer. We intend to incorporate dementia care into our new villages, with the next centre likely to be at our Casebrook village in Christchurch."

The first residents moved into their homes at Summerset's fourth Auckland village in Ellerslie during October. This village will feature a lake with an island and apartments with views to central Auckland.

"Like all our villages, the development of our latest Auckland offering is focused on good urban design to create an attractive environment and community that people are proud to be part of. We are on track to complete the Ellerslie village centre and care centre in mid-2017."

Planning for Summerset's other Auckland villages in St Johns and Parnell, and Boulcott in Lower Hutt continue to progress. The company also purchased two new development sites in Richmond, Nelson and the Hamilton suburb of Rototuna in 2016, bringing the total number of Summerset sites to 27. Summerset already has existing villages in these areas, which have strong demand for retirement village living.

Summerset's annual resident and care satisfaction surveys are a key test of how residents living both independently and in rest home level care perceive the service they receive. This year, performance was rated at 94% by both care and independent living residents. Mr Cook said the company is proud of these results. "But we continue to focus on doing even better this year." Summerset was also delighted to receive a Highly Commended award in the *Aged Care and Retirement Villages* category of the annual Reader's Digest Trust Brand awards.

Some changes were made to the Board of Directors in 2016. Following the retirement of director Norah Barlow early in the year, Gráinne Troute was appointed to the Board in September. Dr Andrew Wong will also join the Board from 1 March 2017.

Andrew and Gráinne's appointments bring the Board of Directors to six members. Both Gráinne and Andrew bring to the Board a strong mix of experience and skills. Gráinne has held senior management roles at SKYCITY Entertainment Group, McDonalds and Coopers & Lybrand and has experience in operating customer-focused businesses in highly competitive sectors. Andrew is currently Managing Director of MercyAscot Hospital Group and HealthCare Holdings Limited, and is a director of a number of medical organisations.

Mr Cook said Summerset's robust sales and profit during FY16 can largely be attributed to strong demand for its existing and new villages.

"As one of the country's largest retirement village developers and operators, we have established an offering that sees us develop new villages efficiently and operate them well. Our focus for FY17 will be on continuing to grow Summerset as well as continuing to refine and improve our customer offering. This should mean continued earnings growth for shareholders.

"Our sales and settlement rates are strong across the country, including Auckland, and we are seeing no slow down. However, we are well aware that the property market does move in cycles. Ultimately, demand for our villages is driven by the increased number of older New Zealanders and what we offer them. Since 1997, when we opened our first retirement village, Summerset has seen two property market downturns and during each, demand in our villages remained consistent.

"We also guard ourselves against a downturn by adopting a prudent approach to debt levels. All our debt relates to development projects and we carry no debt that must be serviced from our core earnings. At the end of FY16, the value of our development working capital, being land, work in progress and completed homes awaiting settlement, totalled NZ$307 million, compared to net outstanding debt of NZ$265 million. Additionally, over the year our gearing reduced to 32.7% from 37.1% at December 2015. This conservative approach to how much debt we take on and the demand for retirement village living puts us in good shape in the event of a property downturn."

Summerset announced a final 2016 dividend of NZ 5.1 cents per share, a total dividend payment of NZ 7.7 cents per share for the year. This is an increase of NZ 2.45 cents per share on the total dividend paid in the previous year. 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 21 villages across the country. In addition, Summerset has six sites for development in Richmond, Rototuna, Casebrook, Lower Hutt, St Johns and Parnell, bringing the total number of sites to 27.
- It provides a range of living options and care services to more than 4,200 residents.
- Four-time winner of Retirement Village of the Year and Silver Award winner in the Reader's Digest Quality Service Awards 2016.
- The Summerset Group has villages in Aotea, Dunedin, Ellerslie, Hamilton, Hastings, Havelock North, Hobsonville, Karaka, Katikati, Levin, Manukau, Napier, Nelson, New Plymouth, Palmerston North, Paraparaumu, Taupo, Trentham, Wanganui, Warkworth and Wigram.

FULL YEAR RESULTS PRESENTATION

YEAR ENDED 31 DECEMBER 2016

SUMMERSET GROUP HOLDINGS LIMITED

23 February 2017

Summerset

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AGENDA

FY16 RESULT HIGHLIGHTS

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FY16 RESULT HIGHLIGHTS

RECORD RETIREMENT UNIT DELIVERY AND UNDERLYING PROFIT

		FY16 Actual	FY15 Actual	*FY16 Actual vs. FY15 Actual**	FY14 Actual
Operational	New sales of occupation rights	414	333	*24.3%*	286
	Resales of occupation rights	244	245	*-0.4%*	172
	Total sales	658	578	*13.8%*	458
	New retirement units delivered	409	303	*35.0%*	261
Financial (NZ$m)	Net operating cash flow	192.6	140.3	*37.3%*	110.4
	Total assets	1,707	1,364	*25.2%*	1,043.2
	Underlying profit**	56.6	37.8	*49.6%*	24.4
	Net profit before tax (IFRS)	145.6	82.8	*75.9%*	54.0
	Net profit after tax (IFRS)	145.5	84.2	*72.7%*	54.2

* Percentage movements based on unrounded amounts
** Underlying profit differs from net profit after tax (IFRS). Underlying profit is unaudited. Refer to slide 22 for the definition of underlying profit

FY16 RESULT HIGHLIGHTS

ANOTHER RECORD RETIREMENT UNIT DELIVERY AND UNDERLYING PROFIT

- FY16 underlying profit of $56.6m, up 50% on FY15
- FY16 net profit after tax (NZ IFRS) of $145.5m, up 73% on FY15
- New sales 24% higher than FY15 – highest level of sales in a full year
- Resale gain of 18.6%, up from 16.0% in FY15
- Development margin of 22.2%, up from 20.0% in FY15
- Final dividend of 5.1 cents per share declared, bringing total FY16 dividend to 7.7 cents per share, and $17.0m
- Operating cash flow up 37% on FY15
- Total assets of $1.7b, up 25% on FY15

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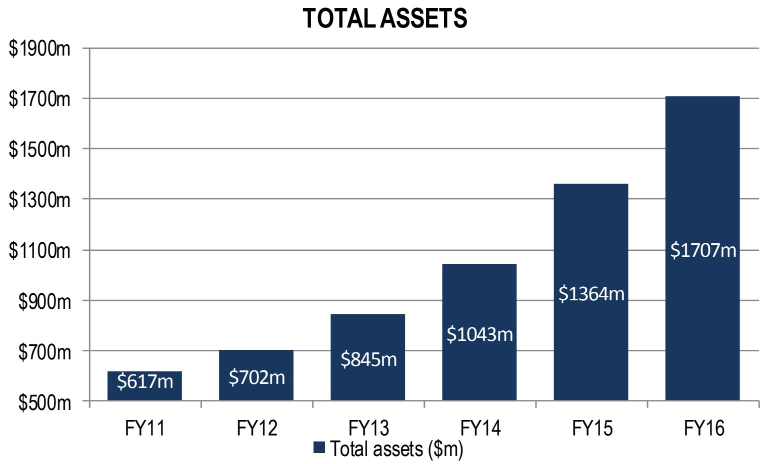
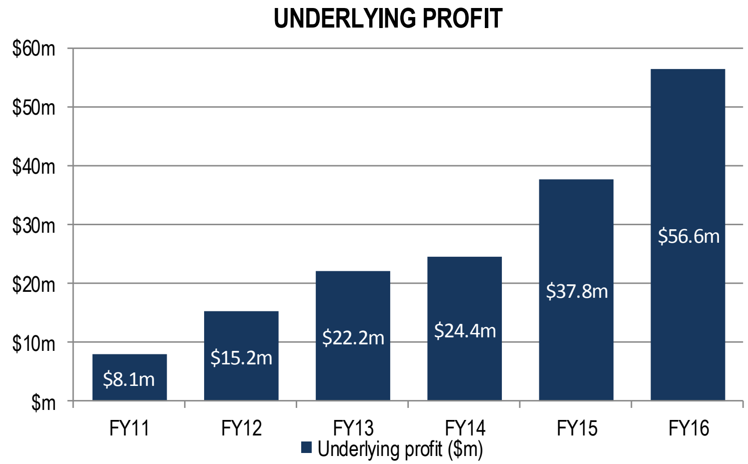
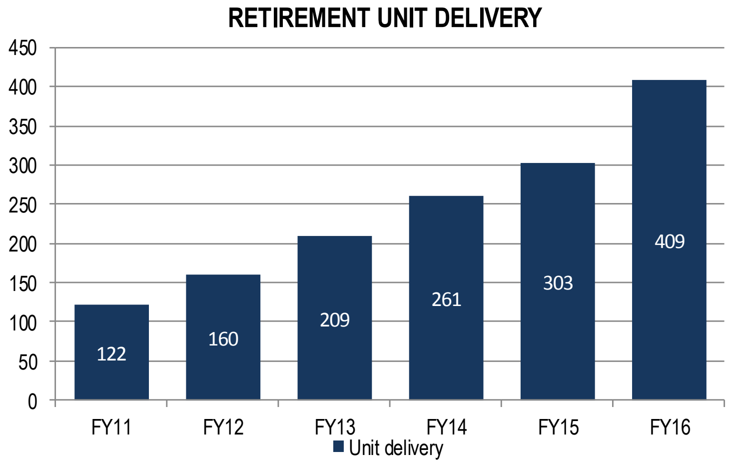
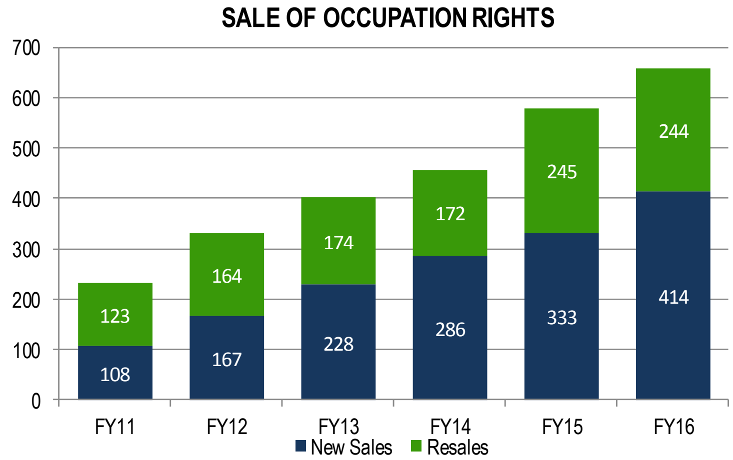
FY16 RESULT HIGHLIGHTS

STRONG TRENDS CONTINUE ACROSS THE BUSINESS









BUSINESS OVERVIEW

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FY16 REVIEW

409 RETIREMENT UNITS DELIVERED, TARGETING 450 DELIVERIES FOR FY17

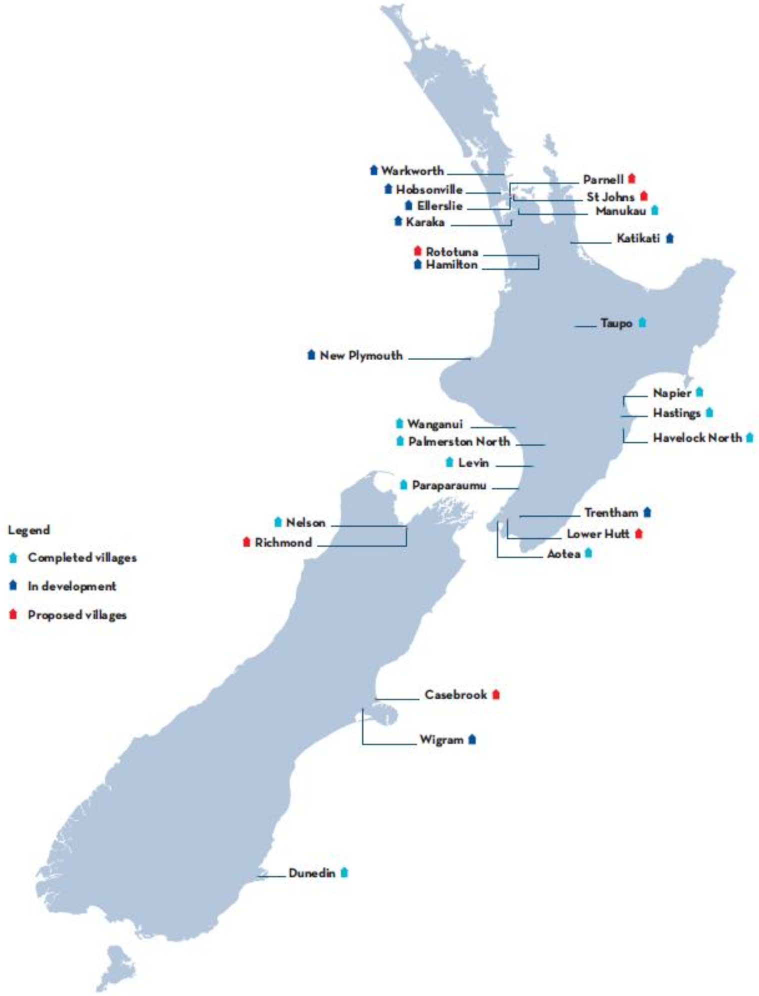
- Delivered 409 retirement units in FY16, a record for Summerset, and 35% more than FY15
- Targeting delivery of 450 retirement units in FY17. All deliveries are from existing sites
- Delivered our first retirement units in Ellerslie
- New village centres opened in Hobsonville and Wigram
- Serviced apartment buildings opened in Nelson, Warkworth, Karaka, New Plymouth and Katikati
- Delivered our first dementia centre in Levin
- Completed our village in Nelson
- Announced land acquisitions in Rototuna (Hamilton) and Richmond (Nelson)
- Strong sales across New Zealand with a total of 658 retirement units sold, up 14% on FY15

Underlying profit differs from net profit after tax (IFRS). Underlying profit is unaudited. Refer to slide 22 for the definition of underlying profit.

SUMMERSET SNAPSHOT

FASTEST GROWING RETIREMENT VILLAGE PROVIDER IN NEW ZEALAND

- 2,828 retirement units (villas, apartments, serviced apartments and care suites)
- 748 care beds
- More than 4,200 residents
- 409 retirement units delivered in FY16
- 19 years of consistent delivery and growth
- 21 villages completed or in development
- 6 greenfield sites at Casebrook, Lower Hutt, Parnell, Richmond, Rototuna, and St Johns not yet started
- Land bank of 2,609 retirement units
- Four-time winner of Retirement Village of the Year
- Silver Award winner in the Reader’s Digest Quality Service Awards 2016
- Received a Highly Commended in the Reader’s Digest Trusted Brands Survey in 2015 and 2016



SUMMERSET STRATEGY

SUMMERSET BUILDS, OWNS AND OPERATES RETIREMENT VILLAGES IN NZ

- Focus on continuum of care model
- High quality care and facilities within every village
- Village designed to integrate into local communities
- Internal development model
- Nationwide brand offering
- Customer centric philosophy – “we love the life you bring to us”
- New Zealand focus
- Delivered 409 retirement units in 2016 and targeting a delivery of 450 retirement units in 2017 to meet strong demand

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OPERATIONS AND STAFF

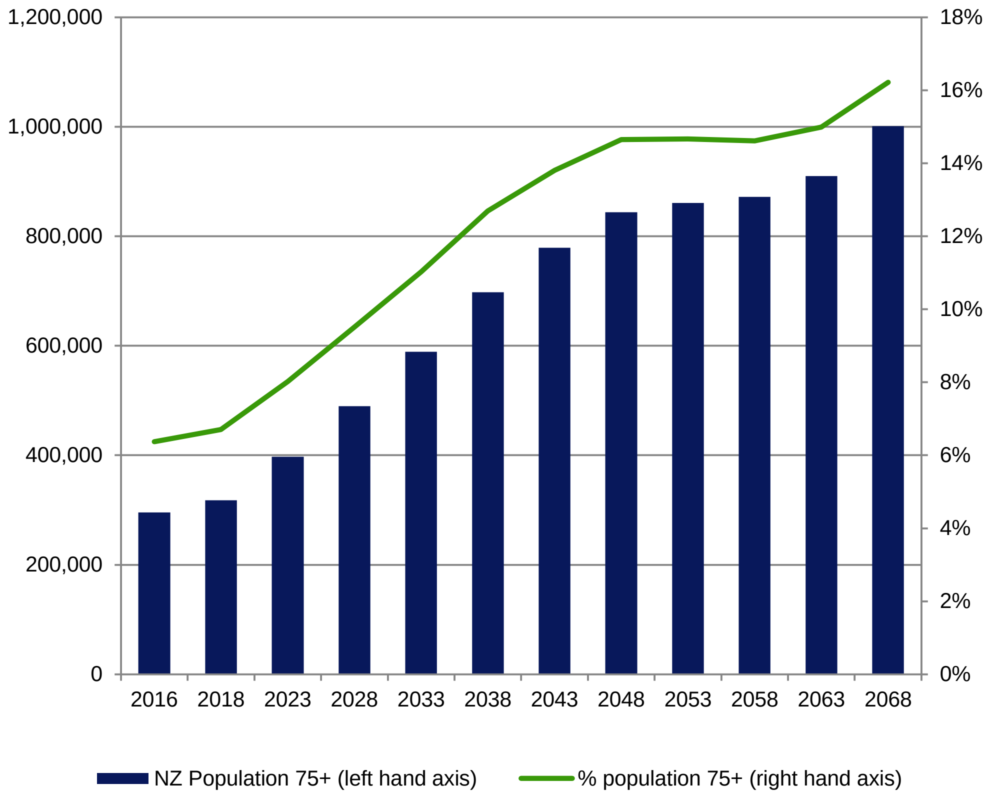
FOCUS ON CLINICAL QUALITY AND STAFF TRAINING

- 94% care customer satisfaction rating and 94% village customer satisfaction rating
- Opened our first dementia facility in Levin and we will incorporate dementia into the design of new villages
- Launched an all staff share scheme with over 80% of our employees signing up
- Introduced free weekly happy hours across all villages
- Exercise programme, *Use it or Lose it,* introduced into our villages
- New customer management system selected with new clinical care practice functionality
- Continued Careerforce training programme participation, and qualification attainment
- We have continued to invest in our older villages with the extension of recreation areas at Levin, Wanganui and Hastings villages and a new village centre at Trentham currently under construction
- Excellent certification audit results continue with ten care centres achieving three years, and four care centres awarded the maximum four years certification
- Established a dedicated Heath and Safety function in the business and have implemented a health and safety system to collect incident data and risk assessments

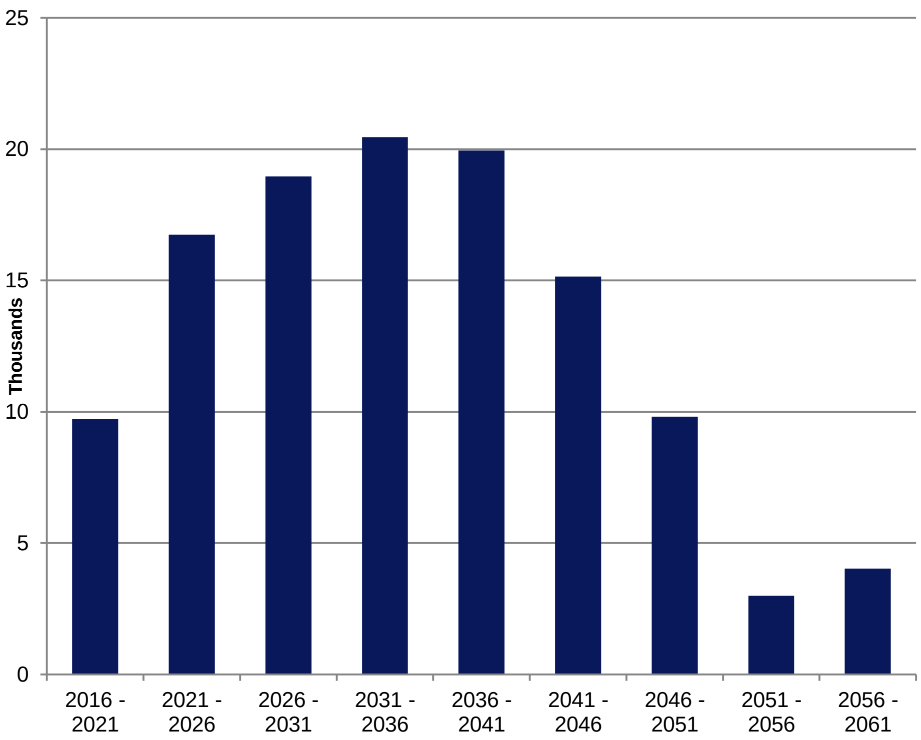
DEMOGRAPHICS

POPULATION OVER 75 YEARS FORECAST TO GROW 239% FROM 2016 TO 2068

POPULATION GROWTH 75 YEARS AND OVER



PER ANNUM POPULATION GROWTH 75 YEARS AND OVER



Source: Statistics New Zealand

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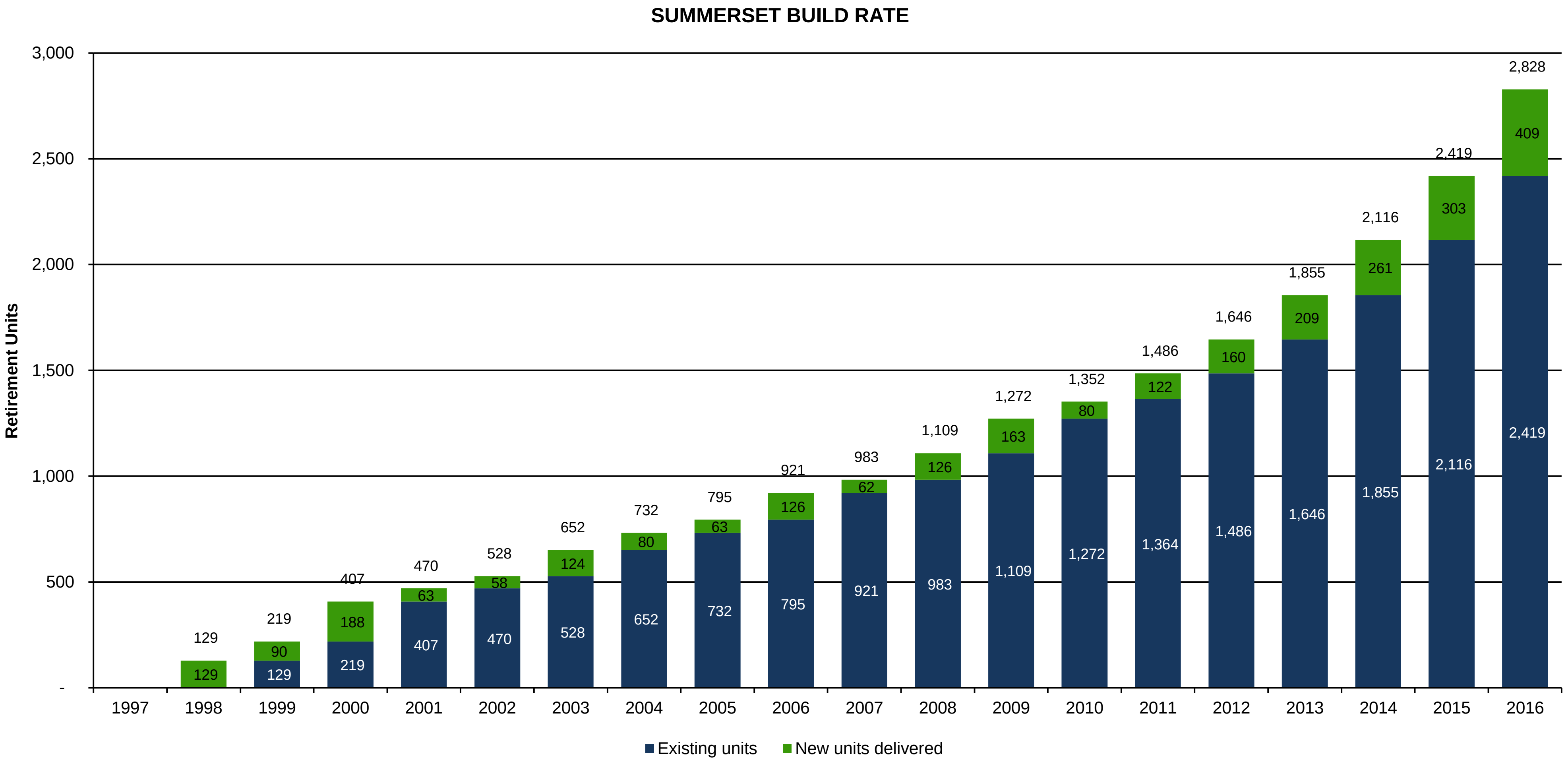
SUMMERSET GROWTH

19 YEARS OF CONSISTENT DELIVERY AND GROWTH



FY16 DEVELOPMENT ACTIVITY

DELIVERY OF 409 RETIREMENT UNITS IN FY16 ACROSS 11 SITES

Unit Delivery FY16	Villas	Apartments	Serviced Apartments	Care Suites	Total	Care Beds
Ellerslie	12	0	0	0	12	0
Hamilton	39	0	0	0	39	0
Hobsonville	28	13	0	0	41	0
Karaka	12	0	10	0	22	19
Katikati	30	0	10	0	40	19
Levin	0	0	0	10	10	10
Nelson	12	0	30	0	42	0
New Plymouth	30	0	12	0	42	24
Trentham	34	0	0	0	34	0
Warkworth	0	0	36	0	36	0
Wigram	38	0	53	0	91	49
Total	**235**	**13**	**151**	**10**	**409**	**121**

- 409 retirement units delivered across 11 villages – 190 in 1H16 and 219 in 2H16
- 27% of build within Auckland, 73% across the rest of the country
- Delivered our first units in Ellerslie
- New village centres opened in Hobsonville and Wigram, and delivered serviced apartment buildings in Nelson, Warkworth, Karaka, New Plymouth and Katikati
- Completed our village in Nelson

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FY16 DEVELOPMENT ACTIVITY

DELIVERY OF 409 RETIREMENT UNITS IN FY16 ACROSS 11 SITES

Ellerslie

Hobsonville

Karaka

Ellerslie

Hamilton

Katikati

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FY16 DEVELOPMENT ACTIVITY

DELIVERY OF 409 RETIREMENT UNITS IN FY16 ACROSS 11 SITES

Nelson

Trentham

Warkworth

Wigram

Levin

New Plymouth

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FUTURE DEVELOPMENT

LAND BANK OF 2,609 RETIREMENT UNITS AND 366 CARE BEDS

	Land Bank - as at 31 December 2016*				
Village	**Villas**	**Apartments**	**Serviced & Dementia Apartments**	**Total Retirement Units**	**Care Beds**
Casebrook	197	0	76	273	43
Ellerslie	30	221	57	308	58
Hamilton	14	0	30	44	0
Hobsonville	18	60	52	130	52
Karaka	104	0	39	143	0
Katikati	79	0	0	79	0
Lower Hutt	42	96	43	181	49
New Plymouth	32	0	20	52	0
Parnell	3	261	76	340	48
Richmond	220	0	60	280	38
Rototuna	191	0	80	271	40
St Johns	0	220	70	290	38
Trentham	33	0	20	53	0
Warkworth	79	0	0	79	0
Wigram	86	0	0	86	0
Total	**1,128**	**858**	**623**	**2,609**	**366**

- Land bank of 2,609 retirement units spread across brownfield and greenfield sites
- Targeting delivery of 450 retirement units in 2017
- Land bank provides around six years of supply at 2017 build rate

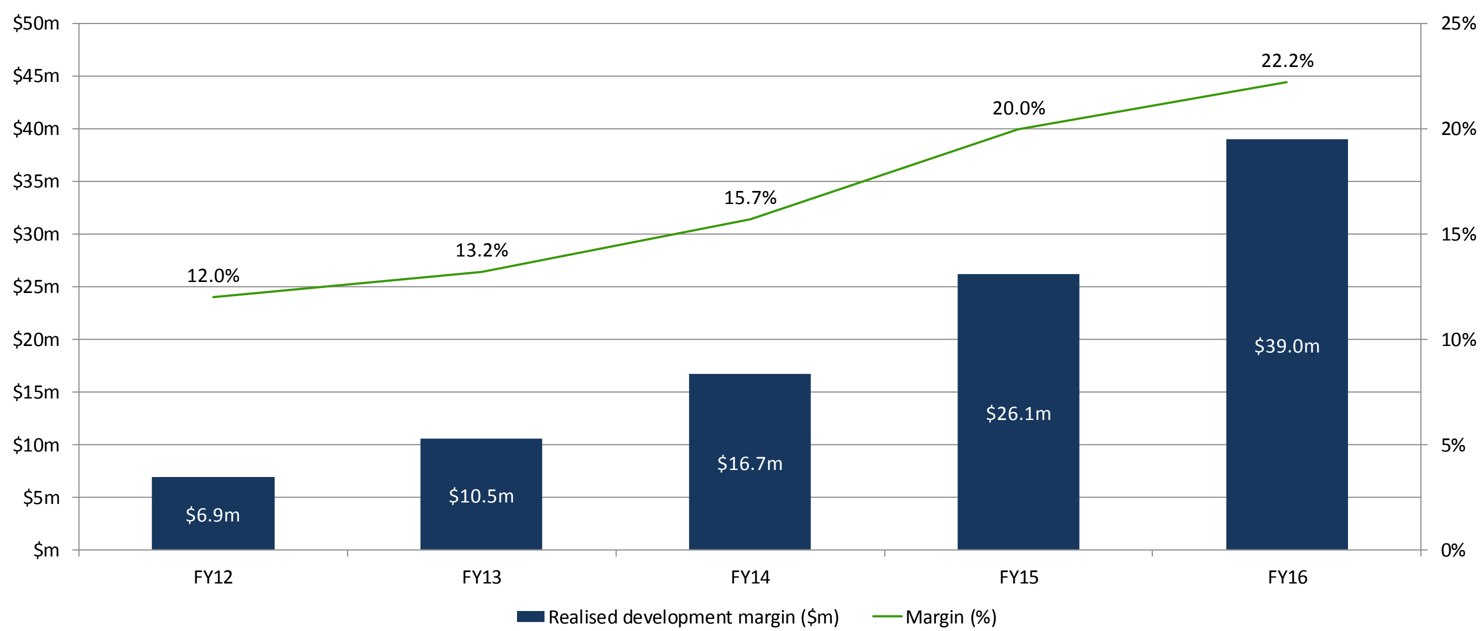
* Land bank reflects current intentions as at 31 December 2016

DEVELOPMENT MARGIN

REALISED DEVELOPMENT MARGIN OF $39.0M

- Realised development margin of $39.0m, up 49% from $26.1m in FY15
- Development margin of 22.2% in FY16, this is up from 20.0% in FY15
- Development margin of 23.6% in 2H16, this is up from 20.3% in 1H16 and 21.4% in 2H15

REALISED DEVELOPMENT MARGIN - FULL YEAR MARGINS



NEW SALES OF OCCUPATION RIGHTS

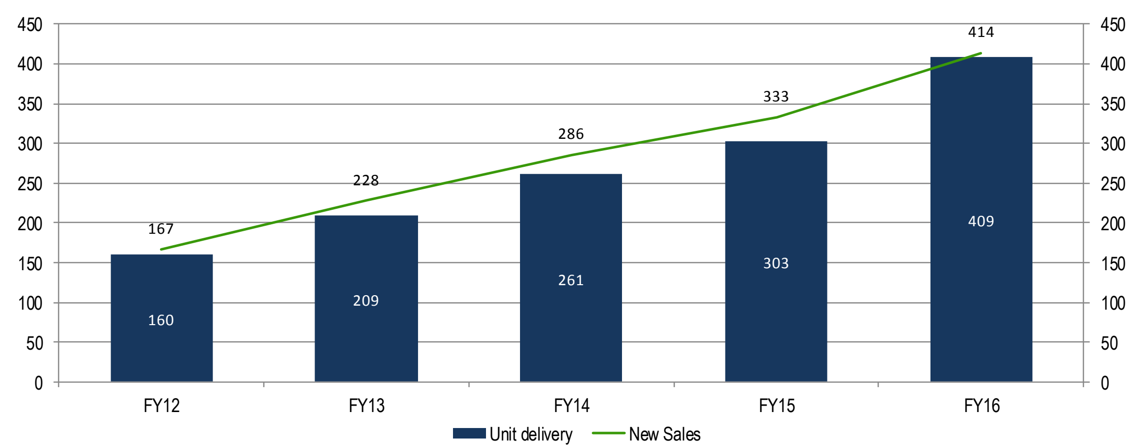
NEW SALES GROSS PROCEEDS UP 34% ON FY15 TO $176M

- FY16 lift in sales associated with continued build programme with an additional 106 retirement units delivered compared to FY15
- Strong new sales volumes in Wigram, Trentham, Hamilton, New Plymouth, Hobsonville and Nelson
- New sale gross proceeds of $175.6m in FY16, a $44.6m increase in proceeds relative to FY16
- New sales of occupation rights up versus FY15:
    - Villas: 293, up 5% on FY15
    - Apartments: 15, up 200% on FY15
    - Serviced apartments: 104, up 112% on FY15
    - Care suites: 2, first care suites delivered
- Settlements have began in Ellerslie with 6 retirement units settled as at 31 December 2016. We have seen good demand with strong presales being achieved on the villas and apartments to date
- Serviced apartments and care suites made up 26% of settlements in FY16, this compares to 15% in FY15 and 10% in FY14

New Sales	FY16 Actual	FY15 Actual	*FY16 Actual vs. FY15 Actual **	FY14 Actual
Gross proceeds ($m)	175.6	131.0	*34.1%*	106.3
Villas	293	279	*5.0%*	237
Apartments	15	5	*200.0%*	20
Serviced apartments	104	49	*112.2%*	29
Care suites	2	0	-	0
Total occupation rights	**414**	**333**	*24.3%*	**286**

* Percentage movements based on unrounded amounts

NEW SALES AND RETIREMENT UNIT DELIVERY



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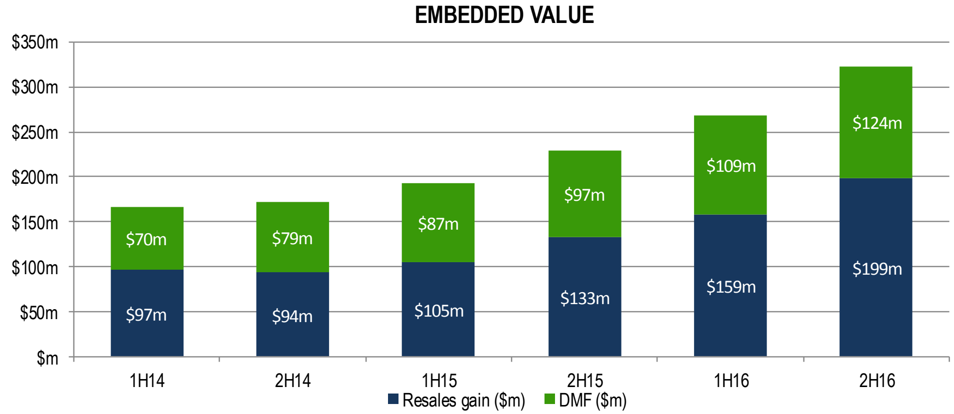
RESALES OF OCCUPATION RIGHTS

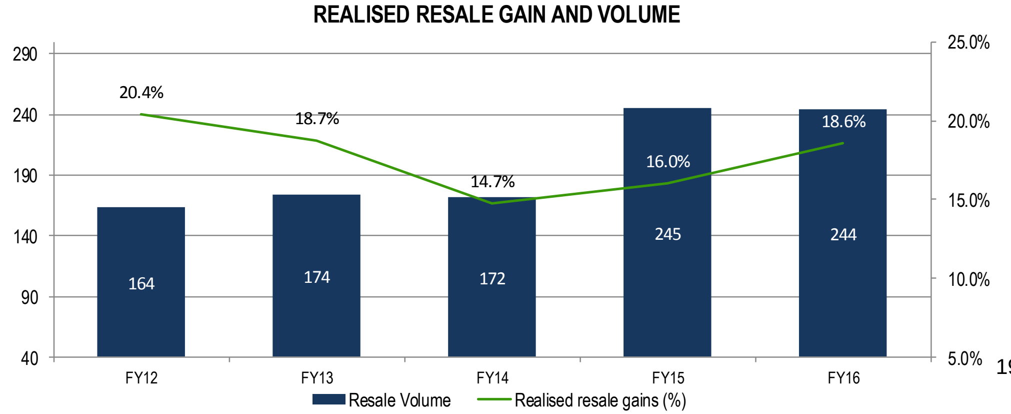
RESALES OF 244 OCCUPATION RIGHTS IN FY16

- Gross proceeds of $83.1m, up 8% on FY15
- Realised resale gains up to 18.6% driven by a strong underlying property market and increased sophistication of sales pricing
- Only 29 resale occupation rights available for sale, as at 31 December 2016
- Embedded value up to $114k per retirement unit, as at 31 December 2016 – up 20% from 31 December 2015

Resales	FY16 Actual	FY15 Actual	*FY16 Actual vs. FY15 Actual **	FY14 Actual
Gross proceeds ($m)	83.1	77.0	*7.9%*	54.9
Realised resale gains ($m)	15.4	12.3	*24.9%*	8.1
Realised resale gains (%)	18.6%	16.0%	*15.7%*	14.7%
DMF realisation ($m)	10.3	9.4	*8.8%*	6.2
Villas	142	139	*2.2%*	99
Apartments	44	63	*-30.2%*	51
Serviced apartments	58	43	*34.9%*	22
Care suites	0	0	-	0
Total occupation rights	**244**	**245**	*-0.4%*	**172**

* Percentage movements based on unrounded amounts






FINANCIAL RESULTS
Summerset

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FY16 REPORTED PROFIT (IFRS)

NET PROFIT AFTER TAX UP 73% VERSUS FY15

- NPAT up $61.2m relative to FY15
- FY16 total revenue up 25% versus FY15
- FY16 total expenses up 23% versus FY15
- FY16 expenses include higher operating costs associated with new villages and opening of care facilities since FY15
  - Opened our village in Ellerslie
  - Opened new care facilities in Karaka, Katiakti, New Plymouth and Wigram
  - Opened new serviced apartment buildings in Nelson, Warkworth, Karaka, New Plymouth and Katikati
- Fair value movement of $143.5m for FY16 driven by:
  - Additional units delivered through the year, primarily driven by Wigram and Hobsonville deliveries
  - Strong retirement unit price inflation across all villages

NZ$m	FY16 Actual	FY15 Actual	*FY16 Actual vs. FY15 Actual **	FY14 Actual
Total revenue	86.1	68.8	*25.2%*	54.3
Fair value movement of investment property	143.5	83.5	*71.9%*	52.5
Total income	229.5	152.2	*50.8%*	108.6
Total expenses	74.8	61.1	*22.5%*	47.8
Net finance costs	9.1	8.4	*8.1%*	6.8
Net profit before tax	**145.6**	**82.8**	*75.9%*	**54.0**
Tax expense / (credit)	0.2	(1.5)	*N/A*	(0.2)
Net profit after tax	**145.5**	**84.2**	*72.7%*	**54.2**

* Percentage movements based on unrounded amounts

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FY16 UNDERLYING PROFIT

UNDERLYING PROFIT UP 50% ON FY15, 48% CAGR OVER LAST 5 YEARS

- Record full year underlying profit of $56.6m, up 50% on FY15
- Record half year underlying profit of $31.9m, up from $24.7m in 1H16
- Realised development margin of $39.0m achieved in FY16, a record full year result, driven by a combination of increased volume (+81 settlements) and improved return from internal development model
- Realised gain on resales of $15.4m achieved in FY16, a record full year result, driven by strong sales price growth
- Underlying profit has seen an annual compounded increase of 48% since we listed in 2011

NZ$m	FY16 Actual	FY15 Actual	*FY16 Actual vs. FY15 Actual **	FY14 Actual
Reported profit after tax	145.5	84.2	*72.7%*	54.2
Less fair value movement of investment property	143.5	83.5	*71.9%*	(52.5)
Add realised gain on resales	15.4	12.3	*24.9%*	8.1
Add realised development margin	39.0	26.1	*49.0%*	16.7
Add/(less) deferred tax expense/credit	0.2	(1.5)	*N/A*	(0.2)
Underlying profit	**56.6**	**37.8**	*49.6%*	**24.4**

* Percentage movements based on unrounded amounts

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

FY16 CASH FLOWS

CONTINUED INVESTMENT IN NEW VILLAGE BUILDS

- Net operating cash flow of $192.6m for FY16, up 37% on FY15
- Positive cash flow increases primarily driven by a combination of a lift in sales volume and a lift in realised margin
- Net investing cash flow of $199.9m, down 10% on FY15
- Lift in development spend to delivery higher build rate was off-set by lower new land settlements compared to FY15

NZ$m	FY16 Actual	FY15 Actual	*FY16 Actual vs. FY15 Actual **	FY14 Actual
Care fees and village services	57.2	46.4	*23.2%*	36.2
Interest received	0.2	0.5	*-52.4%*	0.3
Payments to suppliers and employees	(68.6)	(57.0)	*20.3%*	(42.0)
Net receipts for resident loans	203.7	150.3	*35.6%*	115.9
Net operating cash flow	**192.6**	**140.3**	*37.3%*	**110.4**
Acquisition of PPE & IP	(193.8)	(220.7)	*-12.2%*	(139.8)
Other investing cash flows	(6.0)	(2.1)	*187.2%*	(2.2)
Net investing cash flow	**(199.9)**	**(222.8)**	*-10.3%*	**(142.1)**
Proceeds from bank loans	25.8	97.4	*-73.5%*	45.6
Dividends paid	(13.1)	(8.6)	*52.8%*	(10.0)
Proceeds from issue of shares	4.2	3.0	*38.9%*	4.4
Other financing cash flows	(7.6)	(7.6)	*1.1%*	(6.5)
Net financing cash flows	**9.2**	**84.3**	*-89.1%*	**33.5**
Net increase in cash	2.0	1.8	*9.9%*	1.8

* Percentage movements based on unrounded amounts

.

FY16 BALANCE SHEET

TOTAL ASSETS OF $1.7B, UP 25% FROM $1.4B IN FY15

- Total assets of $1.7b, up 25% on FY15
- Retained earnings have increased by 84% to $289.1m as at 31 December 2016, benefiting from company growth and associated positive impact on annual profits. This will continue to positively impact balance sheet strength and company gearing ratios
- Investment property valuation of $1.6b, up 26% on FY15
- Other assets include land and buildings (primarily care facilities)
- Embedded value of $322.6m, $114k per retirement unit, as at 31 December 2016:
  - $198.6m resales gain
  - $124.1m deferred management fee

NZ$m	FY16 Actual	FY15 Actual	*FY16 Actual vs. FY15 Actual **	FY14 Actual
Investment property	1,591.4	1,261.2	*26.2%*	958.2
Other assets	115.4	102.4	*12.7%*	85.0
Total assets	**1,706.8**	**1,363.5**	*25.2%*	**1,043.2**
Residents' loans	801.3	637.2	*25.8%*	513.7
Bank loans	274.0	248.2	*10.4%*	150.8
Other liabilities	85.9	68.3	*25.6%*	46.4
Total liabilities	**1,161.2**	**953.8**	*21.7%*	**710.9**
Net assets	**545.6**	**409.8**	*33.1%*	**332.3**
Embedded value	**322.6**	**229.7**	*40.5%*	**172.1**
NTA (cents per share)	**249.9**	**188.5**	*32.6%*	**153.3**

* Percentage movements based on unrounded amounts

BE SUMMERSET SURE

GEARING RATIO

GROSS DEBT OF $274M AND GEARING RATIO OF 32.7%

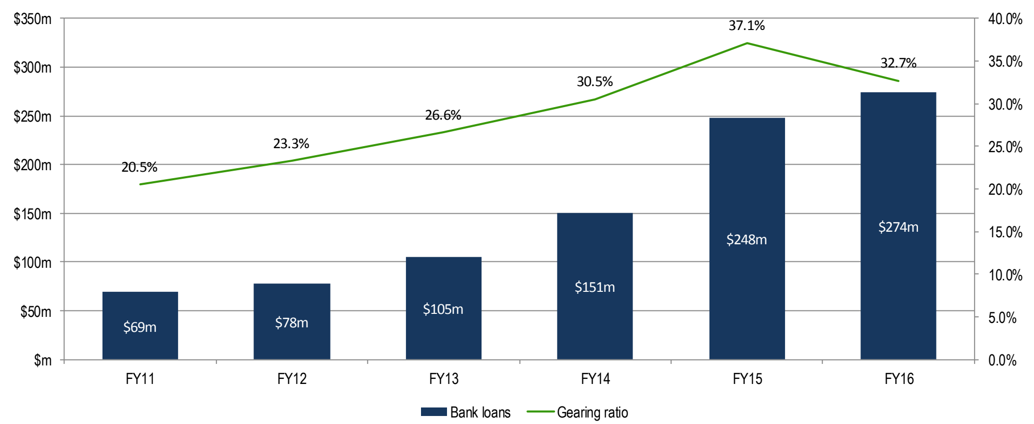
- Gross debt of $274.0m as at 31 December 2016, up $11.3m from 30 June 2016
- Uplift of $11.3m in gross debt principally due to land and property purchases
- Have seen lift in development expenditure with large builds in Ellerslie, Hobsonville and Wigram, principally offset by new sale settlements and operational cash flows
- Bank facility was increased from $255m to $450m in 2015 to support our increased build rate and to provide additional financial flexibility
- Gearing ratio of 32.7% is down from 36.1% as at 30 June 2016. This is in line with expectations and remains at a prudent level
- Gross debt does not include the full land purchase in Richmond

.

NZ$m	2H16 Actual	1H16 Actual	*2H16 Actual vs. 1H16 Actual **	FY15 Actual
Bank loans	274.0	262.7	*4.3%*	248.2
Cash and cash equivalents	8.7	9.4	*-7.9%*	6.7
Net debt	**265.3**	**253.3**	***4.7%***	**241.5**
Net assets	**545.6**	**448.7**	***21.6%***	**409.8**
Gearing ratio (%)	**32.7%**	**36.1%**	***-9.4%***	**37.1%**

* Percentage movements based on unrounded amounts

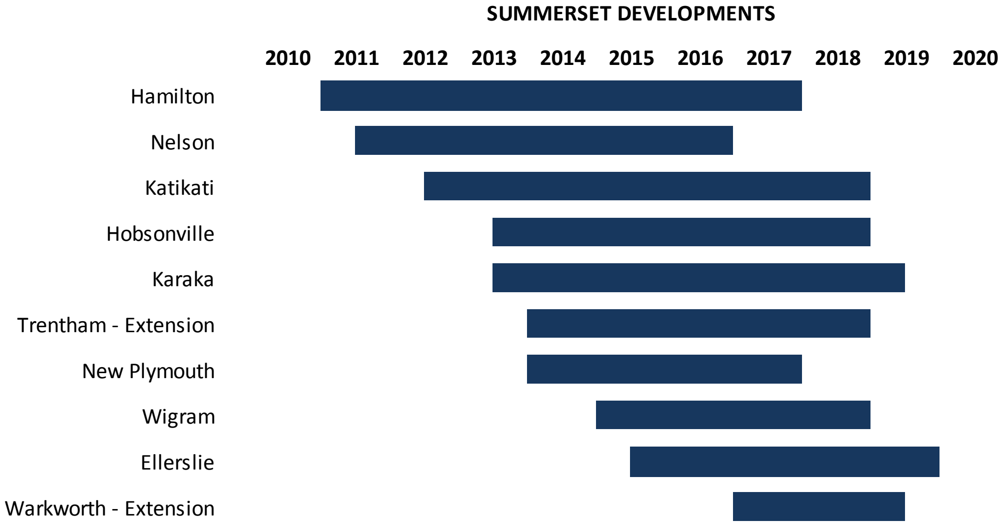
GROSS BANK LOANS AND GEARING RATIO



PROJECT CASH PROFITS

DELIVERING SIGNIFICANT POSITIVE CASH FLOW VILLAGES

- Positive cash flows allow us to recycle our capital into future deliveries
- Our Auckland sites require a large amount of capital but are forecast to deliver significant cash profits upon sell down of the village
- Our regional sites require a lower amount of capital and are forecast to deliver lower, but still positive, cash profits
- Our villages, on average, are completed over a 5 year period



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

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

ASSET BACKING

STRONG ASSET BACKING TO NET DEBT

- We adopt a prudent approach to debt. All our debt relates to development projects with our net debt of $265m primarily made up of undeveloped land, vacant new sale stock and work in progress
- Our asset backing is strong with a value to debt ratio of around 1.2x. Total underlying assets of around $307m are made up of:
  - Undeveloped land of $135m
  - Development WIP of $122m
  - Vacant new sale stock of $50m

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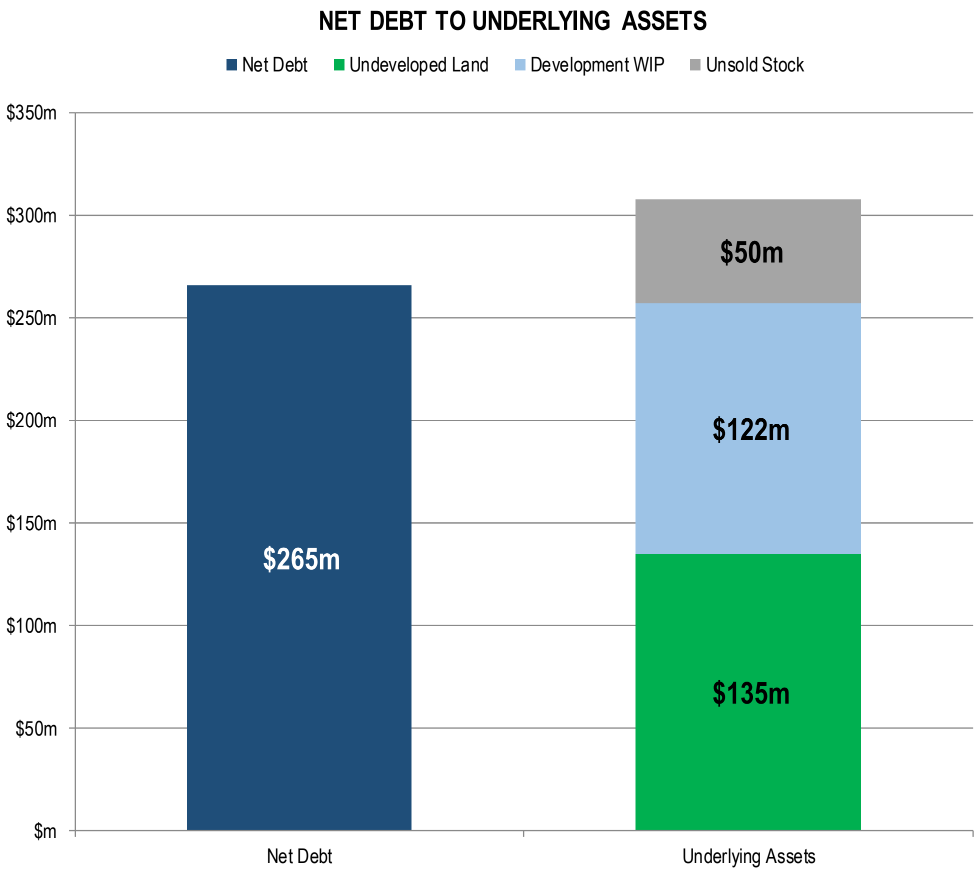

BE SUMMERSET SURE

5 YEAR METRICS SUMMARY

UNDERLYING PROFIT 5 YEAR CAGR OF 48%

		5 Year CAGR*	FY16	FY15	FY14	FY13	FY12	FY11
Operational	New sales of occupation rights	31%	414	333	286	228	167	108
	Resales of occupation rights	15%	244	245	172	174	164	123
	Total sales	23%	658	578	458	402	331	231
	New units delivered	27%	409	303	261	209	160	122
	Retirement units in portfolio	14%	2828	2419	2116	1855	1646	1486
	Care beds in portfolio	18%	748	616	485	442	327	327
Financial (NZ$m)	Total revenue ($m)	21%	86.1	68.8	54.3	45.2	38.1	33.7
	Net profit after tax ($m)	102%	145.5	84.2	54.2	34.2	14.8	4.3
	Underlying profit* ($m)	48%	56.6	37.8	24.4	22.2	15.2	8.1
	Net operating cash flow ($m)	35%	192.6	140.3	110.4	88.6	66.3	43.7
	Total assets ($m)	23%	1,706.8	1,363.5	1,043.2	844.9	702.3	616.9
	Total equity ($m)	19%	545.6	409.8	332.3	281.9	248.8	233.4
	Interest bearing loans and borrowings ($m)	32%	274.0	248.2	150.8	105.3	78.2	69.1
	Cash and cash equivalents ($m)	-1%	8.7	6.7	4.9	3.0	2.8	9.0
	Gearing ratio (Net D/ Net D+E)	10%	32.7%	37.1%	30.5%	26.6%	23.3%	20.5%
	EPS (cents) (IFRS profit)	95%	66.93	38.94	25.16	15.99	6.96	2.39
	NTA (cents)	18%	249.90	188.52	153.33	131.24	116.49	109.33
	Development margin (%)	29%	22.2%	20.0%	15.7%	13.2%	12.0%	6.2%

* Compounded annual growth rate.

FINAL DIVIDEND

FY16 FINAL DIVIDEND

SUMMERSET BOARD DECLARES FY16 FINAL DIVIDEND

- The Summerset Board have declared a final dividend of 5.1 cents per share, unimputed. This compares to a 2015 final dividend of 3.4 cents per share
- This represents a total pay-out for the second half of 2016 of approximately $11.3m
- Total dividends for the 2016 year (interim and final) of 7.7 cents per share, being approximately $17.0m, representing 30.1% of underlying profit and up 47% on FY15
- The dividend reinvestment plan (DRP) will apply to this dividend enabling shareholders to take shares in lieu of the cash dividend
- A discount of 2% will be applied when determining the price per share of shares issued under the DRP
- Eligible investors wishing to take up the DRP must register by 5pm NZT on Friday the 10th of March 2017. Any applications received on or after this time will be applied to subsequent dividends
- The final dividend will be paid on Wednesday the 22nd of March 2017. The record date for final determination of entitlements to the final dividend is Thursday the 9th of March 2017
- The dividend policy remains 30% to 50% of underlying profit for the full year period. As previously indicated, dividend payments are likely to continue to be at the bottom end of this range given the growth opportunities present for the business at this time

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QUESTIONS?

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
Summerset

BE SUMMERSET SURE

PORTFOLIO AS AT 31 DECEMBER 2016

2,828 RETIREMENT UNITS AND 748 CARE BEDS

	Existing Portfolio – as at 31 December 2016					
Village	Villas	Apartments	Serviced Apartments	Care Suites	Total Retirement Units	Care Beds
Aotea	96	33	38	0	167	0
Dunedin	61	20	20	0	101	42
Ellerslie	12	0	0	0	12	0
Hamilton	169	0	20	0	189	49
Hastings	146	5	0	0	151	0
Havelock North	94	28	0	0	122	45
Hobsonville	107	13	0	0	120	0
Karaka	78	0	20	0	98	50
Katikati	77	0	20	0	97	49
Levin	64	22	0	10	96	41
Manukau	89	67	27	0	183	54
Napier	94	26	20	0	140	48
Nelson	214	0	55	0	269	59
New Plymouth	76	0	20	0	96	52
Palmerston North	90	12	0	0	102	44
Paraparaumu	92	22	0	0	114	44
Taupo	94	34	18	0	146	0
Trentham	198	12	20	0	230	44
Wanganui	70	18	12	0	100	37
Warkworth	123	2	44	0	169	41
Wigram	73	0	53	0	126	49
Total	**2,117**	**314**	**387**	**10**	**2,828**	**748**

BE SUMMERSET SURE

LAND BANK AS AT 31 DECEMBER 2016

LAND BANK OF 2,609 RETIREMENT UNITS AND 366 CARE BEDS

	Land Bank - as at 31 December 2016*				
Village	**Villas**	**Apartments**	**Serviced & Dementia Apartments**	**Total Retirement Units**	**Care Beds**
Casebrook	197	0	76	273	43
Ellerslie	30	221	57	308	58
Hamilton	14	0	30	44	0
Hobsonville	18	60	52	130	52
Karaka	104	0	39	143	0
Katikati	79	0	0	79	0
Lower Hutt	42	96	43	181	49
New Plymouth	32	0	20	52	0
Parnell	3	261	76	340	48
Richmond	220	0	60	280	38
Rototuna	191	0	80	271	40
St Johns	0	220	70	290	38
Trentham	33	0	20	53	0
Warkworth	79	0	0	79	0
Wigram	86	0	0	86	0
Total	**1,128**	**858**	**623**	**2,609**	**366**

* Land bank reflects current intentions as at 31 December 2016

ANNUAL REPORT 2016

Summerset

Cover image: Fay in Havelock North's Divine Café

Jean and Stan, Paraparaumu

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SUMMERSET SNAPSHOT

MORE THAN
4,200
RESIDENTS

748
CARE BEDS
IN PORTFOLIO

MORE THAN
1,000
STAFF MEMBERS

2,828
RETIREMENT UNITS
IN PORTFOLIO

409
RETIREMENT UNITS
BUILT IN 2016

6
GREENFIELD
SITES

LAND BANK OF
366
CARE BEDS

LAND BANK OF
2,609
RETIREMENT
UNITS

21
VILLAGES COMPLETED
OR UNDER DEVELOPMENT

450
RETIREMENT UNITS:
BUILD RATE FOR 2017

















BUSINESS HIGHLIGHTS

2
CARE CENTRE OPENINGS
WIGRAM CARE CENTRE & LEVIN DEMENTIA CENTRE

MILESTONE
22.2%
DEVELOPMENT MARGIN

2
LAND ACQUISITIONS
ROTOTUNA, HAMILTON & RICHMOND, NELSON

SALES OF
658
OCCUPATION RIGHTS

121
CARE BEDS DELIVERED

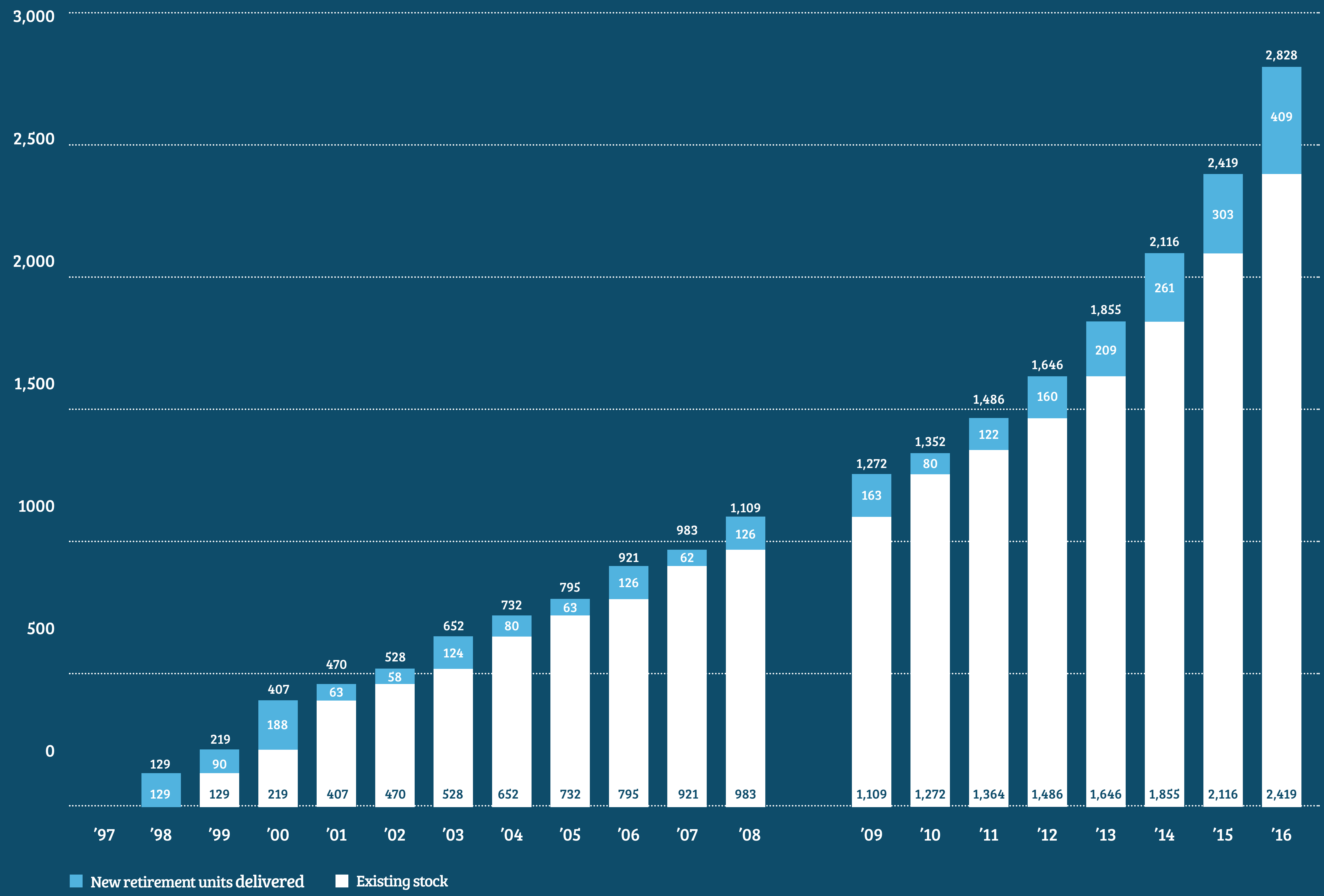
NELSON VILLAGE COMPLETED

409
RETIREMENT UNITS DELIVERED

FIRST RESIDENTS MOVE INTO ELLERSLIE, AUCKLAND VILLAGE

PORTFOLIO GROWTH

19 years of consistent delivery and growth



2016 HIGHLIGHTS

409

new retirement units completed

35%

more units built than in 2015

2,828

total retirement units in portfolio

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

The number of people aged 75 and over is projected to increase **from 295,000 in 2016 to 1,001,000 by 2068**. This is an increase from 6% of the population to 16%.

The number of people aged 85 and over is projected to increase from **83,000 in 2016 to 387,000 in 2068. This is an increase from 1.8% of the population to 6.3%.**

FINANCIAL HIGHLIGHTS

$56.6m UNDERLYING PROFIT FY2016 > **50%** INCREASE ON FY2015

$145.5m NET PROFIT AFTER TAX FY2016 > **73%** INCREASE ON FY2015

$1.7b TOTAL ASSETS > **25%** INCREASE ON FY2015

$192.6m OPERATING CASH FLOW > **37%** INCREASE ON FY2015

Napier residents enjoying a game of croquet

FINANCIAL HIGHLIGHTS

Continued

UNDERLYING PROFIT

$000	FY2016	FY2015	% CHANGE
Reported profit after tax	145,480	84,245	72.7%
Less fair value movement of investment property *	(143,459)	(83,458)	71.9%
Add realised gain on resales	15,423	12,345	24.9%
Add realised development margin	38,954	26,138	49.0%
Add/(less) deferred tax expense/(credit)*	158	(1,470)	N/A
Underlying profit	**56,556**	**37,800**	**49.6%**

**Figure has been extracted from financial statements.*

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

RESULTS HIGHLIGHTS – FINANCIAL

	FY2016	FY2015	% CHANGE
Net operating cash flow ($000)	192,610	140,268	37.3%
Net profit before tax (NZ IFRS) ($000)	145,638	82,775	75.9%
Net profit after tax (NZ IFRS) ($000)	145,480	84,245	72.7%
Underlying profit * ($000)	56,556	37,800	49.6%
Total assets ($000)	1,706,773	1,363,539	25.2%
Net tangible assets (cents per share)	249.90	188.52	32.6%

**Underlying profit differs from NZ IFRS net profit after tax.*

RESULTS HIGHLIGHTS – OPERATIONAL

	FY2016	FY2015	% CHANGE
New sales of occupation rights	414	333	24.3%
Resale of occupation rights	244	245	(0.4%)
New retirement units delivered	409	303	35.0%
Realised development margin ($000)	38,954	26,138	49.0%
Gross proceeds (new sales) ($000)	175,641	131,017	34.1%
Realised gains on resales ($000)	15,423	12,345	24.9%

Bev and Molly, Karaka

PEOPLE HIGHLIGHTS

MORE THAN
4,200
RESIDENTS

MORE THAN
1,000
STAFF MEMBERS

94%
VILLAGE RESIDENT SATISFACTION

200
NEW ROLES CREATED

94%
CARE RESIDENT AND FAMILY SATISFACTION

NEW STAFF SHARE PLAN LAUNCHED

CHAIRMAN'S REPORT

Welcome to Summerset's Annual Report for the financial year to 31 December 2016. We report on another year of good performance and a strong set of annual results. This year we continued to expand our offering around the country with two land acquisitions, the successful opening of the village centres at our Wigram and Hobsonville villages, and our first dementia service, in Levin.

In 2016 Summerset delivered an underlying profit of $56.6 million, an increase of 50% on 2015, and a net profit after tax of $145.5 million, a 73% increase on 2015. We deliver these results by providing our residents with an offering that meets or exceeds their expectations, ensuring they are proud to live at a Summerset village.

In November 2016 we opened our new purpose-built dementia centre at Summerset by the Ranges in Levin – a first for Summerset.

We intend to extend this service to our new villages in the future. We also continue to invest in our older villages, recently extending the recreation areas at Wanganui and Hastings, and starting construction on a new recreation centre in Levin and a new village centre in Trentham.

The Board has declared a final dividend of 5.1 cents per share. This is a total dividend payment for 2016 of 7.7 cents per share, which represents 30% of underlying profit.

The last date for receipt of an election notice, from a shareholder, for participation in the dividend reinvestment plan is 10 March 2017.

I am delighted to announce the appointment of a new Summerset Board member, Dr Andrew Wong, who will join the Board from 1 March 2017. Andrew's appointment brings the Board of Directors to six members and follows the appointment of Gráinne Troute in September 2016.

Both Gráinne and Andrew bring a strong mix of experience and skills to the Summerset Board.

Gráinne has held senior management roles at SKYCITY Entertainment Group, McDonalds, and Coopers & Lybrand, and has experience operating customer-focused businesses in highly competitive sectors. Andrew is currently Managing Director of MercyAscot Hospital Group and HealthCare Holdings Limited and director of a number of medical organisations. His mix of medical and commercial experience will bring a unique skill set to our board table.

Artist's impression of Trentham's new village centre

As forecast in last year's annual results, our earnings grew strongly in 2016. Looking to 2017, Summerset is well placed to continue to deliver quality retirement living and the corresponding financial results from which our residents, staff and investors all benefit.

Summerset has grown very quickly since its listing, and our market, capital resources and people all enable continued growth. Some of this growth will be in new or expanded physical assets, while other parts will be in the development of a wider range of services.

In the coming year, the Board will give a lot of attention to the best allocation of resources to achieve the best outcomes for the business and our residents.

On behalf of the Board, I thank you for your continued support.

Rob Campbell
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

With over 4,200 residents, 700 more than last year, growth was a key driver of Summerset's performance in 2016. This strengthens our position as New Zealand's fastest-growing retirement village and aged care provider.

Summerset accomplished a number of milestones in 2016. We achieved 658 occupation right sales (new sales and resales), a 14% increase on the 578 sales in 2015. Our development margin hit 22.2%, up from 20% in 2015, and we exceeded our forecast build rate of 400 retirement units, with an increase of over 100 homes built from the previous year. We also recorded a $56.6 million underlying profit, up 50% on the same period last year.

Auckland and Christchurch growth

Auckland and Christchurch will be a focus during the next few years.

In September we opened the village centre and care centre at our first Christchurch village in Wigram. Earthworks have begun at our Casebrook site for a village that will offer over 170 townhouses and villas, 40 care beds and our second dementia care offering.

Christchurch was previously a visible gap in our development portfolio, and it is pleasing to be part of the city as it rebuilds, helping to ease the significant pressure for quality, affordable housing in Christchurch. We expect our future development plans in Auckland will also go some way to relieving the housing challenges in New Zealand's largest city.

Artist's impression of Ellerslie's apartments

The first residents moved into their new homes at Summerset at Heritage Park in Ellerslie in October, and we are on track to complete their village centre and care centre in mid-2017. When completed, the village will feature a lake with an island, upon which the bowling green and barbeque facilities will be located. Our Ellerslie village will have buildings ranging from two to seven levels with a focus on creating an attractive environment that feels like a real home and community that people want to be part of. This attention to good urban design is essential to making larger villages work well for residents and the surrounding communities.

We continue to carry out planning for our two other Auckland sites in St Johns and Parnell. We hope to be in a position to apply for resource consent for our St Johns village in the early part of 2017, and are progressing the design for our Parnell village. Again, with both of these villages, we are focused on good urban design and creating vibrant communities for our residents.

Plans for our Boulcott, Lower Hutt village are progressing, though at a slower rate than we would like. In October 2016, Hutt City Council approved our application to rezone 2.9 hectares of our Boulcott site from General Recreational Activity to General Residential Activity with special provision for a retirement village. We will continue to work through this process and hope to lodge a resource consent application later this year.

In 2016 we purchased two new sites for development. One site is in Richmond, Nelson and the other in the Hamilton suburb of Rototuna. These purchases bring the total number of Summerset locations to 27 nationwide. We have existing villages in Nelson and Hamilton and have found there is strong demand for retirement living in these areas.

At the end of 2016, Summerset's total land bank represented 2,609 retirement units and 366 care beds. This is a total of around six years' supply based on our intended build programme for retirement units in 2017 of around 450 units.

Supporting our people

Our staff play an integral part in the happiness and wellbeing of our residents and the ongoing success of Summerset. In 2016, we launched a number of initiatives that recognise the role our staff play. We plan to continue this investment in staff over the next few years as this is a key part of building a dedicated team, and gives us a competitive advantage. Some of the initiatives launched last year are outlined below.

In June we introduced a staff share plan so that staff can participate in Summerset's financial performance. More than 80% of our staff have signed up to the share plan, which provides each staff member with $780 worth of shares that vest after three years if they remain with the company. It is intended that an offer of $780 worth of shares is made annually to staff. While there is a cost to shareholders from this plan, we believe it is a worthwhile investment.

Health and Safety is an area of focus for many businesses. This year we have made good progress towards improving our systems and culture with the ultimate aim of preventing and reducing harm to employees, residents, contractors and visitors to our villages. We established a dedicated Health and Safety function and have implemented a Health and Safety system to collect incident data and risk assessments. With guidance and input from our Board, we are committed to continuing to progress this area in 2017.

To recognise the hard work our caregivers do, and the important role they play in the lives of our residents, we implemented a number of initiatives and staff benefits in 2016, including an annual uniform allowance. In addition to this, our caregivers, nurses and clinical staff who work overtime, double or night shifts now enjoy a meal from their village kitchen or café during their shift. In 2017, we will be undertaking a review of our uniform in consultation with the people who wear it to ensure they are comfortable and supported in their work. This is an exciting project for us and we are keen to come up with a stylish and practical design that our staff will be proud to wear.

Katikati's coastal villas

In December, we welcomed Eleanor Young to the position of GM Operations and Customer Service. Eleanor's role is an integral one for Summerset's executive team, reflecting the importance of the operations part of our business to deliver on our customer promise in our villages. Eleanor comes from Inland Revenue where she ran the Customer Services group. We are excited to have her join our team.

Summerset's simple philosophy

"Love the Life" respects the wonderful lives residents bring to Summerset villages. The annual resident and care satisfaction surveys are a key test of whether we are delivering on this.

Our performance in the 2016 survey was 94% satisfaction for people living independently and 94% satisfaction for residents living in our care facilities, a slight increase on last year's care centre results. We are proud of these results and I would like to thank our staff who work hard to achieve them. Of course, there is always room to do better and this will, as always, be something we focus on in 2017. I have previously indicated that I visit all of our villages every year, where I talk with residents and staff. Staying connected with residents, staff and village life is an essential part of my role.

For many people the social life and events at our thriving Summerset communities is a big factor in their decision to move to one of our villages. This year we announced that we will provide free drinks at the popular weekly happy hours – this is one of the ways we say thanks to our residents. We also introduced a nationwide exercise programme at all of our villages called "Use it or Lose it". This has been very popular with residents and is designed to provide a range of beneficial exercises in a fun and interactive environment.

Each village has an activities co-ordinator whose role is to ensure there is always something happening. This year we've had many great events at our villages, including It's in the Bag, masquerade dances, market days, concerts, residents' wedding, fashion parades, and even a onesie dance shuffle fundraiser that made it on to the TV news. We also launched our Summerset Facebook page in September, meaning we can now share these exciting activities with a wider audience.

The opening of our first purpose-built dementia centre at our Levin village is an important step for us. The centre provides rest home-level dementia care in a safe, homely environment, modelled on international design standards. It has 10 care rooms and 10 one-bedroom apartments, complete with a kitchenette and living area, giving residents the choice to live in a larger home if they prefer. It is the first dementia centre in New Zealand to offer this type of apartment-style living.

Our Levin village was chosen as the location for the dementia centre because it is an established village that has been part of the local community for 15 years. Dementia is a key cause of disability later in life and the number of people with dementia is expected to increase in coming years. The centre will ensure people at our Levin village and the wider community won't have to move far if they find themselves requiring this level of care. We plan to incorporate dementia care into future villages, with the next facility to be at our Casebrook village in Christchurch.

During 2016, Summerset received a Highly Commended award in the Aged Care and Retirement Villages category of the annual Reader's Digest Trusted Brand awards. We were delighted with the comments from participants about our villages, including "Summerset villages are the nicest ones I've been to."

Courtyard of Levin's dementia centre

Looking to the future

We are experiencing a period of demographic change in New Zealand. As one of New Zealand's largest retirement village developers and operators, we have established an offering that sees us develop new villages efficiently and operate them well. Our focus will remain on growing the business and refining and improving how we run our villages.

For shareholders, this should mean continued growth in earnings. We have discussed our approach to property market cycles in previous annual reports. In short, demand for our villages is driven by the increased number of older New Zealanders and the value we offer them in that stage of life. This demand is not driven by the property market. Since opening our first village almost 20 years ago, Summerset has seen two property market downturns and during each, demand for our services remained consistent.

To guard against a downturn, we adopt a prudent approach to debt levels. All of our debt relates to development projects. As at 31 December 2016, the value of our development working capital (being land, work in progress, and completed homes awaiting settlement) totalled $307 million. This compared to net outstanding debt at the same time of $265 million. We believe that our conservative approach to how much debt we take on, and the underlying demand for retirement village living, puts us in good shape in the event of a property downturn.

It is a pleasure to present you with the 2016 Annual Report. Thank you to our investors who continue to support Summerset, our residents who have chosen a Summerset village as their home, and our staff, who work to ensure our residents love the life they lead at Summerset.

Julian Cook
Chief Executive Officer

DIRECTORS' PROFILES

Rob Campbell

Independent Chairman

Rob Campbell has over 30 years' experience as a director and investor.

He is currently the Chair of Tourism Holdings Ltd, G3 Group Ltd, and a director of Precinct Properties New Zealand Ltd and T&G Global Ltd all listed companies in New Zealand.

Rob is also an investor in and director of a number of substantial private companies and is a director of, or an advisor to, a number of private global equity and hedge funds. Rob holds a Bachelor of Arts with First Class Honours in Economic History and Political Science and a Masters of Philosophy in Economics.

James Ogden

Non-executive Independent

James is Chair of Tegel Group Holdings, and a director of The Warehouse Group, Vista Group International and Alliance Group Ltd as well as Chair of Summerset's Audit Committee.

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. James also worked in the New Zealand dairy industry for eight years in chief executive and finance roles.

James 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 the NZ Institute of Chartered Accountants.

Dr Marie Bismark

Non-executive Independent

Marie is dually trained as a lawyer and doctor, and divides her time between Australia and New Zealand. She has worked in the health sector for many years; her areas of expertise include patient safety and healthcare complaints resolution.

She is an associate professor at the University of Melbourne and a consultant on the health law team at legal firm Buddle Findlay in Wellington. She serves as a director on the board of GMHBA Health Insurance and is a member of the Veterans' Health Advisory Panel.

Anne Urlwin

Non-executive Independent

Anne is a professional director with experience in a diverse range of sectors including construction, health, infrastructure, financial services and telecommunications.

She is Chair of national commercial construction company Naylor Love Enterprises Ltd and Deputy Chair of Southern Response Earthquake Services Ltd.

Anne's other directorships include Steel and Tube Holdings Ltd, Chorus Ltd and ANZ Bank subsidiary OnePath Life (NZ) Ltd.

Anne is a chartered accountant with experience in senior finance management roles in addition to her governance roles. She is also the independent Chair of Te Rūnanga o Ngāi Tahu Audit and Risk Committee.

Gráinne Troute

Non-executive Independent

Gráinne has many years' experience in senior executive roles with Coopers and Lybrand (now PwC), McDonald's Restaurants NZ, HR Consultancy Right Management and most recently as General Manager Corporate Services at SKYCITY Entertainment Group. She is also a director of Tourism Holdings Limited.

Gráinne has vast knowledge of operating customer-focused businesses in highly competitive sectors and in board and charitable trust governance roles in New Zealand. She has also spent many years as a trustee and chair in the not-for-profit sector, including as Chair of Ronald McDonald House Charities NZ for five years.

EXECUTIVE TEAM PROFILES

Julian Cook

Chief Executive Officer

Julian has overall responsibility for the company, its operations and its strategy. In his previous role as Chief Financial Officer, Julian oversaw Summerset as it became a publicly listed company, first on the NZX in November 2011, and then the Australian Securities Exchange (ASX) in July 2013.

Prior to joining Summerset, Julian spent 11 years in the investment sector, which included a significant amount of work with retirement village and aged-care companies.

Scott Scoullar

Chief Financial Officer
General Manager, Corporate Services

As Chief Financial Officer (CFO) Scott has overall responsibility for the financial management of the company. Scott also leads the corporate services area at Summerset which includes the Finance, Legal, Human Resources, Property, Marketing and IT teams. Before joining the company in 2014, Scott held CFO roles at Housing New Zealand and Inland Revenue. A chartered accountant, Scott has a background in banking and was at National Bank in various roles for over 12 years. He was the recipient of NZICA's Public Sector CFO of the Year award for 2011, and received a Special Commendation at the 2012 New Zealand CFO Summit Awards. Scott is also a Fellow of CPA Australia and a CPA New Zealand Council Board Member.

Paul Morris

General Manager, Development

Paul leads Summerset's development division, which covers all aspects of the development process of our villages, from site identification and purchase, to consenting, concept and master plans and design standards.

Paul joined Summerset in 2000 after more than 20 years in banking, including 15 years in retirement village and aged-care sector business banking.

Paul held several senior roles at Summerset before taking up his current position, giving him a sound understanding of all aspects of the business.

Eleanor Young

General Manager, Operations and Customer Experience

Eleanor joined Summerset as GM Operations and Customer Experience in 2016. Her role oversees the operational performance across all Summerset villages. Eleanor's particular focus on service experience and delivery ensures Summerset residents receive the highest-quality service and care.

Before joining Summerset, Eleanor held senior roles in Inland Revenue, including four years as the Group Manager of Customer Services, managing services to customers with around 2,000 staff in various locations across New Zealand. Eleanor also has a background in human resources within both the public and private sector working in managerial roles for the Ministry of Social Development, Mighty River Power, and Air New Zealand.

Jarrod Smith

General Manager, Sales

Jarrod leads the national sales team, which is based in villages across the country and in Wellington.

Jarrod has significant general management experience across a range of industries and has successfully led large national and international sales divisions across multiple countries and channels to deliver year-on-year revenue growth, sustained market share growth and margin expansion in highly competitive and dynamic markets.

Prior to joining Summerset, Jarrod held senior sales and service leadership roles with IAG, Bayleys Real Estate, Coast to Coast Group, and iSentia.

Dean Tallentire

General Manager, Construction

Dean joined Summerset to lead the construction team in January 2015. In this role Dean has responsibility for the design and building consent process, cost management and tendering and construction of Summerset's projects.

Dean has extensive experience in all aspects of property development and construction. Prior to joining Summerset, Dean spent over a decade with Fletcher Building in a variety of roles, gaining experience in both residential and commercial sectors.

FIVE YEAR HISTORICAL SUMMARY

Key operational and financial statistics for the five year period up to and including FY2016 are as follows:

OPERATIONAL

	FY2016	FY2015	FY2014	FY2013	FY2012
New sales of occupation rights	414	333	286	228	167
Resales of occupation rights	244	245	172	174	164
Total sales of occupation rights	658	578	458	402	331
Development margin	22.2%	20.0%	15.7%	13.2%	12.0%
New retirement units delivered	409	303	261	209	160
Retirement units in portfolio	2,828	2,419	2,116	1,855	1,646
Care beds in portfolio	748	616	485	442	327

FINANCIAL

	FY2016	FY2015	FY2014	FY2013	FY2012
Net operating cash flow ($000)	192,610	140,268	110,433	88,590	66,254
Total assets ($000)	1,706,773	1,363,540	1,043,189	844,932	702,339
Net assets ($000)	545,615	409,786	332,270	281,912	248,794
Underlying profit ($000)	56,556	37,800	24,420	22,154	15,223
Net profit before tax (IFRS) ($000)	145,638	82,775	53,994	31,755	14,414
Net profit after tax (IFRS) ($000)	145,480	84,245	54,173	34,223	14,821
Dividend per share (cents)	7.70	5.25	3.50	3.25	2.50
Basic earnings per share (cents)	66.93	38.94	25.16	15.99	6.96

Daughter Jeanette with her mother Dorrie in her serviced apartment, Karaka

FINANCIAL STATEMENTS

INCOME STATEMENT

For the year ended 31 December 2016

	NOTE	2016 $000	2015 $000
Care fees and village services	3	57,769	46,455
Deferred management fees	3	28,036	21,779
Interest received	3	249	523
Total revenue		**86,054**	**68,757**
Fair value movement of investment property	10	143,459	83,458
Total income		**229,513**	**152,215**
Operating expenses	4	(71,087)	(57,337)
Depreciation and amortisation expense	8, 9	(3,736)	(3,733)
Total expenses		**(74,823)**	**(61,070)**
Operating profit before financing costs		**154,690**	**91,145**
Net finance costs	5	(9,052)	(8,370)
Profit before income tax		**145,638**	**82,775**
Income tax (expense)/credit	6	(158)	1,470
Profit for the period		**145,480**	**84,245**
Basic earnings per share (cents)	18	66.93	38.94
Diluted earnings per share (cents)	18	66.03	38.46
Net tangible assets per share (cents)	18	249.90	188.52

The accompanying notes form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTE	2016 $000	2015 $000
Profit for the period		145,480	84,245
Fair value movement of interest rate swaps	13	(1,769)	(2,109)
Tax on items of other comprehensive income	6	496	592
Other comprehensive income which will be reclassified subsequently to profit or loss for the period net of tax		(1,273)	(1,517)
Total comprehensive income for the period		**144,207**	**82,728**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	SHARE CAPITAL $000	HEDGING RESERVE $000	REVALUATION RESERVE $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
As at 1 January 2015	**240,946**	**(730)**	**11,043**	**81,011**	**332,270**
Profit for the period	-	-	-	84,245	84,245
Other comprehensive income for the period	-	(1,517)	-	-	(1,517)
Total comprehensive income for the period	**-**	**(1,517)**	**-**	**84,245**	**82,728**
Dividends paid	-	-	-	(8,575)	(8,575)
Shares issued	3,018	-	-	-	3,018
Employee share plan option cost	345	-	-	-	345
As at 31 December 2015	**244,309**	**(2,247)**	**11,043**	**156,681**	**409,786**
As at 1 January 2016	**244,309**	**(2,247)**	**11,043**	**156,681**	**409,786**
Profit for the period	-	-	-	145,480	145,480
Other comprehensive income for the period	-	(1,273)	-	-	(1,273)
Total comprehensive income for the period	-	(1,273)	-	145,480	144,207
Dividends paid	-	-	-	(13,099)	(13,099)
Shares issued	4,192	-	-	-	4,192
Employee share plan option cost	529	-	-	-	529
As at 31 December 2016	**249,030**	**(3,520)**	**11,043**	**289,062**	**545,615**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	NOTE	2016 $000	2015 $000
Assets			
Cash and cash equivalents		8,654	6,682
Trade and other receivables	7	15,369	16,074
Limited recourse loans	19, 20	-	1,520
Property, plant and equipment	8	89,825	77,041
Intangible assets	9	1,562	1,052
Investment property	10	1,591,363	1,261,170
Total assets		**1,706,773**	**1,363,539**
Liabilities			
Trade and other payables	11	34,687	28,520
Employee benefits	12	5,002	4,314
Revenue received in advance	3	29,519	20,291
Interest rate swaps	13	4,890	3,122
Residents' loans	14	801,327	637,200
Interest-bearing loans and borrowings	15	273,976	248,211
Deferred tax liability	6	11,757	12,095
Total liabilities		**1,161,158**	**953,753**
Net assets		**545,615**	**409,786**
Equity			
Share capital	17	249,030	244,309
Reserves	17	7,523	8,796
Retained earnings		289,062	156,681
Total equity attributable to shareholders		**545,615**	**409,786**

The accompanying notes form part of these financial statements.

On behalf of the Board

Rob Campbell
Director and Chairman of the Board

James Ogden
Director and Chairman of the Audit Committee

Authorised for issue on 22 February 2017

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 $000	2015 $000
Cash flows from operating activities		
Receipts from residents for care fees and village services	57,208	46,444
Interest received	249	523
Payments to suppliers and employees	(68,563)	(56,970)
Receipts for residents' loans	261,762	208,878
Repayment of residents' loans	(58,046)	(58,607)
Net cash flow from operating activities	**192,610**	**140,268**
Cash flows from investing activities		
Purchase and construction of investment property	(177,526)	(200,091)
Purchase and construction of property, plant and equipment (including care facilities)	(16,290)	(20,560)
Purchase of intangible assets	(1,013)	(359)
Capitalised interest paid	(5,028)	(1,745)
Net cash flow from investing activities	**(199,857)**	**(222,755)**
Cash flows from financing activities		
Net proceeds from borrowings	25,764	97,392
Repayment of limited recourse loans	1,520	-
Proceeds from issue of shares	4,192	3,018
Interest paid on borrowings	(9,158)	(7,556)
Dividends paid	(13,099)	(8,575)
Net cash flow from financing activities	**9,219**	**84,279**
Net increase in cash and cash equivalents	1,972	1,792
Cash and cash equivalents at beginning of period	6,682	4,890
Cash and cash equivalents at end of period	**8,654**	**6,682**

The accompanying notes form part of these financial statements.

In 2016 deferred management fees received have been reclassified from receipts for residents' loans to net-off the repayment of residents' loans. The comparative year has been restated to align to this classification. Other comparative cash flows have been restated where appropriate to better reflect the nature of the transactions.

RECONCILIATION OF OPERATING RESULTS AND OPERATING CASH FLOWS

	2016 $000	2015 $000
Net profit for the period	145,480	84,245
Adjustments for:		
Depreciation and amortisation expense	3,736	3,733
(Gain)/loss on disposal of property, plant and equipment	(37)	255
Fair value movement of investment property	(143,459)	(83,458)
Net finance costs paid	9,052	8,370
Deferred tax expense/(credit)	158	(1,470)
Deferred management fee amortisation	(28,036)	(21,779)
Employee share plan option cost	529	345
	(158,057)	**(94,004)**
Movements in working capital		
Increase/(decrease) in trade and other receivables	906	(1,155)
Increase in employee benefits	688	1,766
Increase/(decrease) in trade and other payables	1,456	(1,501)
Increase in residents' loans net of non-cash amortisation	202,137	150,917
	205,187	**150,027**
Net cash flows from operating activities	**192,610**	**140,268**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1 SUMMARY OF ACCOUNTING POLICIES

Reporting entity

The financial statements presented are for Summerset Group Holdings Limited ('The Company') and its subsidiaries (collectively, 'The Group').

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 primary exchange, and 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) and the Financial Markets Conduct Act 2013. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities, and with International Financial Reporting Standards.

These financial statements are expressed in New Zealand dollars, which is Summerset's functional currency. All financial information has been rounded to the nearest thousand, unless otherwise stated.

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 13
- Investment property – Note 10
- Land and buildings – Note 8

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 parent company, Summerset Group Holdings Limited, 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 with a balance date of 31 December.
The subsidiaries are:

Summerset Care Limited	Summerset Villages (Havelock North) Limited	Summerset Villages (Paraparaumu) Limited
Summerset Holdings Limited	Summerset Villages (Hobsonville) Limited	Summerset Villages (Parnell) Limited
Summerset LTI Trustee Limited	Summerset Villages (Karaka) Limited	Summerset Villages (Richmond) Limited
Summerset Management Group Limited	Summerset Villages (Katikati) Limited	Summerset Villages (Rototuna) Limited
Summerset Properties Limited	Summerset Villages (Levin) Limited	Summerset Villages (St Johns) Limited
Summerset Villages (Aotea) Limited	Summerset Villages (Lower Hutt) Limited	Summerset Villages (Taupo) Limited
Summerset Villages (Casebrook) Limited	Summerset Villages (Manukau) Limited	Summerset Villages (Trentham) Limited
Summerset Villages (Dunedin) Limited	Summerset Villages (Napier) Limited	Summerset Villages (Wanganui) Limited
Summerset Villages (Ellerslie) Limited	Summerset Villages (Nelson) Limited	Summerset Villages (Warkworth) Limited
Summerset Villages (Hamilton) Limited	Summerset Villages (New Plymouth) Limited	Summerset Villages (Wigram) Limited
Summerset Villages (Hastings) Limited	Summerset Villages (Palmerston North) Limited	Welhom Developments Limited

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Accounting policies

Accounting policies that summarise the measurement basis used and 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.

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.

The Group adopted all mandatory new and amended NZ IFRS Standards and Interpretations. These new and amended NZ IFRS Standards and Interpretations had a disclosure impact only on these financial statements.

NZ IFRS Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual report period ending 31 December 2016 are outlined below:

NZ IFRS 15 – Revenue from contracts with customers

This standard will replace the current revenue recognition guidance in *NZ IAS 18 – Revenue* and *NZ IAS 11 – Construction* contracts. This standard requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess the full impact of this standard, however, the impact of this standard is not expected to be significant for the Group.

NZ IFRS 16 – Leases

This standard will replace *NZ IAS 17 – Leases*. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The Group has yet to assess the full impact of this standard, however, the impact of this standard is not expected to be significant for 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 fee – Note 3
- Interest rate swaps – Note 13
- Revenue in advance – Note 3
- Valuation of investment property – Note 10
- Valuation of land and buildings – Note 8

2 SEGMENT REPORTING

The Group operates in one industry, being the provision of integrated retirement villages in New Zealand. The services provided across all of the Group's villages are similar, as are the type of customer and the regulatory environment. 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 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 2016 amounted to $20.4 million (2015: $16.7 million). No other customers individually contribute a significant proportion of the Group revenue. All revenue is earned in New Zealand.

3 REVENUE

Care fees and villages services income is 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 Summerset averages, are estimated to be seven to eight years for villas, five years for apartments and three years for serviced apartments. Where the deferred management fees over the contractual period exceeds the amortisation of the deferred management fee based on estimated tenure, the amount is recorded as a liability (revenue in advance). Deferred management fees are recognised on a gross basis in the receipts for residents' loans section of the statement of cashflows.

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

4 OPERATING EXPENSES

	2016 $000	2015 $000
Employee expenses	40,455	32,215
Property-related expenses	11,607	8,726
Other operating expenses	19,025	16,396
Total operating expenses	**71,087**	**57,337**

Other operating expenses include:

	2016 $000	2015 $000
Remuneration paid to auditors:		
Audit and review of financial statements	193	184
Donations	-	4
Rent	647	451

5 NET FINANCE COSTS

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

	2016 $000	2015 $000
Interest on bank loans and related fees	11,491	9,655
Interest on swaps	2,312	685
Capitalised finance costs	(4,782)	(1,999)
Finance charges on finance leases	31	29
Net finance costs	**9,052**	**8,370**

Borrowing costs are capitalised for property, plant and equipment (Note 8) and investment property (Note 10) 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 expenditures and borrowing costs are incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

6 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 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 income statement

	2016 $000	2015 $000
Tax expense comprises:		
Deferred tax relating to the origination and reversal of temporary differences	158	(1,470)
Total tax expense/(credit) reported in income statement	**158**	**(1,470)**

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:

	2016 $000	%	2015 $000	%
Profit before tax	145,638		82,775	
Income tax using the corporate tax rate	40,779	28.0%	23,177	28.0%
Capitalised interest	(1,339)	(0.9%)	(560)	(0.7%)
Other non-deductible expenses	148	0.1%	97	0.1%
Non-assessable investment property revaluations	(40,168)	(27.6%)	(23,368)	(28.2%)
Other	415	0.3%	(565)	(0.7%)
Prior period adjustments	323	0.2%	(251)	(0.3%)
Total income tax expense/(credit)	**158**	**0.1%**	**(1,470)**	**(1.8%)**

(b) Amounts charged or credited to other comprehensive income

	2016 $000	2015 $000
Tax expense comprises:		
Fair value movement of interest rate swaps	(496)	(592)
Total tax credit reported in statement of comprehensive income	**(496)**	**(592)**

(c) Imputation credit account

There were no imputation credits received or paid during the year and the balance at 31 December 2016 is nil (2015: nil).

(d) Deferred tax

The deferred tax balance comprises:

	2016 $000	2015 $000
Property, plant and equipment	10,105	10,080
Investment property	16,097	12,896
Revenue in advance	(8,266)	(5,681)
Interest rate swaps	(1,371)	(875)
Income tax losses not yet utilised	(3,578)	(3,620)
Other items	(1,230)	(705)
Net deferred tax liability	**11,757**	**12,095**

Movement in the deferred tax balance comprises:

	BALANCE 1 JAN 2016 $000	RECOGNISED IN INCOME $000	RECOGNISED IN OCI* $000	BALANCE 31 DEC 2016 $000
Property, plant and equipment	10,080	25	-	10,105
Investment property	12,896	3,201	-	16,097
Revenue in advance	(5,681)	(2,585)	-	(8,266)
Interest rate swaps	(875)	-	(496)	(1,371)
Income tax losses not yet utilised	(3,620)	42	-	(3,578)
Other items	(705)	(525)	-	(1,230)
Net deferred tax liability	**12,095**	**158**	**(496)**	**11,757**

	BALANCE 1 JAN 2015 $000	RECOGNISED IN INCOME $000	RECOGNISED IN OCI* $000	BALANCE IN 31 DEC 2015 $000
Property, plant and equipment	9,764	316	-	10,080
Investment property	12,248	648	-	12,896
Revenue in advance	(4,266)	(1,415)	-	(5,681)
Interest rate swaps	(283)	-	(592)	(875)
Income tax losses not yet utilised	(2,754)	(866)	-	(3,620)
Other items	(552)	(153)	-	(705)
Net deferred tax liability	**14,157**	**(1,470)**	**(592)**	**12,095**

** Other comprehensive income*

NOTES TO THE FINANCIAL STATEMENTS
(continued)

7 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. Impairment is assessed on an individual basis.

Sundry debtors includes amounts owing for occupation right agreements settled but not yet paid in full at balance date.

	2016 $000	2015 $000
Trade receivables	2,100	1,244
Allowance for doubtful debts	(96)	(43)
	2,004	**1,201**
Prepayments	1,564	1,426
Accrued income	617	435
Sundry debtors	11,184	13,012
Total trade and other receivables	**15,369**	**16,074**

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes care facilities, 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 assets includes material and direct labour, and any other costs directly attributable to bringing the asset to its working condition for its intended use.

Subsequent to initial recognition, land and buildings related to care facilities are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses, if any, since the assets were last revalued. Plant and equipment is 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 5 provides details on capitalised borrowing costs.

Depreciation is charged to the income statement on a diminishing value basis over the estimated useful lives of each item of property, plant and equipment, with the exception of land, which is not depreciated, and buildings which are depreciated on a straight-line basis. Depreciation methods, useful lives and residual values are reassessed at the reporting date. Major depreciation rates are as follows:

Buildings 2%	Motor vehicles 20% to 31%
Furniture and fittings 8% to 40%	Plant and equipment 8% to 67%

	LAND $000	BUILDINGS $000	MOTOR VEHICLES $000	PLANT AND EQUIPMENT $000	FURNITURE AND FITTINGS $000	TOTAL $000
Cost						
Balance at 1 January 2015	3,080	55,112	2,343	6,887	2,666	70,088
Additions	-	14,120	669	3,932	2,913	21,634
Disposals	-	(16)	(221)	(1,479)	(533)	(2,249)
Reclassification	-	(4,900)	-	-	-	(4,900)
Balance at 31 December 2015	3,080	64,316	2,791	9,340	5,046	84,573
Additions	-	12,089	321	2,434	1,269	16,113
Disposals	-	-	(356)	-	-	(356)
Reclassification	-	4,900	(1,472)	(4,080)	(1,533)	(2,185)
Balance at 31 December 2016	**3,080**	**81,305**	**1,284**	**7,694**	**4,782**	**98,145**
Accumulated depreciation						
Balance at 1 January 2015	-	-	1,568	3,297	1,664	6,529
Depreciation charge for the year	-	1,228	289	1,213	335	3,065
Impairment	-	-	(185)	(1,381)	(496)	(2,062)
Balance at 31 December 2015	-	1,228	1,672	3,129	1,503	7,532
Depreciation charge for the year	-	1,522	239	1,000	471	3,232
Disposals	-	-	(346)	-	-	(346)
Reclassification	-	(8)	(934)	(854)	(302)	(2,098)
Balance at 31 December 2016	**-**	**2,742**	**631**	**3,275**	**1,672**	**8,320**
Carrying amounts						
As at 31 December 2015	3,080	63,088	1,119	6,211	3,543	77,041
As at 31 December 2016	**3,080**	**78,563**	**653**	**4,419**	**3,110**	**89,825**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluations

An independent valuation to determine the fair value of all completed care facilities which are classified as land and buildings was carried out as at 31 December 2014 by CBRE Limited, an independent registered valuer. Valuations are carried out every three years unless there are indicators of a significant change in fair value. CBRE determine the fair value of all care facility assets using an earnings-based multiple approach. Significant assumptions used in the most recent valuation include market value per care bed of between $79,000 and $144,000 and individual unit earning capitalisation rate of between 12.25% and 15.5%.

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.

Reclassification

The reclassifications in 2016 relate to motor vehicles, plant and equipment and furniture and fittings that were reclassified as investment property at 31 December 2015. The 2016 reclassifications correct the 31 December 2015 transfers from property, plant and equipment to investment property to the appropriate classes of assets within property, plant and equipment.

Cost model

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

	2016			2015		
	LAND $000	BUILDINGS $000	TOTAL $000	LAND $000	BUILDINGS $000	TOTAL $000
Cost	3,115	73,155	76,270	3,115	61,066	64,181
Accumulated depreciation and impairment losses	-	(10,218)	(10,218)	-	(8,696)	(8,696)
Net carrying amount	**3,115**	**62,937**	**66,052**	**3,115**	**52,370**	**55,485**

Security

At 31 December 2016, care centres registered under the Retirement Villages Act 2003 are subject to a registered first mortgage in favour of the Statutory Supervisor.

9 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 diminishing value basis over the estimated useful lives of intangible assets from the date that they are available for use. The intangible assets are software. The major amortisation rate is 50%.

	TOTAL $000
Cost	
Balance at 1 January 2015	**2,935**
Additions	359
Disposals	(493)
As at 31 December 2015	**2,801**
Additions	1,014
As at 31 December 2016	**3,815**

Accumulated amortisation	
Balance at 1 January 2015	**1,571**
Amortisation charge for the year	668
Disposals	(490)
As at 31 December 2015	**1,749**
Amortisation charge for the year	504
Balance at 31 December 2016	**2,253**

Carrying amounts	
As at 31 December 2015	**1,052**
As at 31 December 2016	**1,562**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

10 INVESTMENT PROPERTY

Investment properties are held to earn rental income and for capital appreciation. They comprise land and buildings and associated equipment and furnishings relating to independent living units, serviced apartments and common facilities in the retirement village. Investment properties include buildings under development. 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.

Land acquired with the intention of constructing an 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 3.

Depreciation is not charged on investment property.

Note 5 provides details on capitalised borrowing costs.

	2016 $000	2015 $000
Balance at beginning of period	1,261,170	958,171
Additions	186,747	220,117
Disposals	(13)	(576)
Fair value movement:		
Realised	54,377	38,483
Unrealised	89,082	44,975
Total investment property	**1,591,363**	**1,261,170**

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

Significant assumptions used by the valuer include a discount rate of between 13.75% and 16.0% (2015: 14.0% to 16.0%) and a long-term nominal house price inflation rate of between 0% and 3.5% (2015: 0% to 3.5%). Other assumptions used by the valuer include the average entry age of residents and occupancy periods of units.

The Group has deemed it is unable to reliably determine the fair value of non-land capital work in progress at 31 December 2016 and therefore is carried at cost. This equates to $122.3 million of investment property (2015: $99.5 million).

	2016 $000	2015 $000
Valuation of manager's net interest	790,036	623,970
Liability for residents' loans	801,327	637,200
Total investment property	**1,591,363**	**1,261,170**

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

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

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

Operating expenses

Direct operating expenses arising from investment property that generated rental income during the period amounted to $21.9 million (2015: $17.7 million). There were eight retirement units excluding work in progress (2015: 23) in investment property that did not generate rental income during the period.

Security

At 31 December 2016, 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 agreement holders.

11 TRADE AND OTHER PAYABLES

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

	2016 $000	2015 $000
Trade payables	2,966	849
Accruals	23,458	21,848
Other payables	8,263	5,823
Total trade and other payables	**34,687**	**28,520**

12 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.

	2016 $000	2015 $000
Holiday pay accrual	2,781	2,390
Other employee benefits	2,221	1,924
Total employee benefits	**5,002**	**4,314**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

13 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.

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, the Group has a right to receive interest at variable rates and to pay interest at fixed rates. At 31 December 2016, the Group had interest rate swap agreements in place with a total notional principal amount of $251 million (2015: $236 million). Of the swaps in place, at 31 December 2016 $179 million (2015: $94 million) are being used to cover approximately 65% (2015: 38%) of the loan 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 3.54% and 4.47% (2015: 3.15% and 4.47%).

The fair value of these agreements at 31 December 2016 is $4.9 million liability, comprised of $5.8 million of swap liabilities and $0.9 million swap assets (2015: liability of $3.1 million, comprised of $3.9 million swap liabilities and $0.8 million swap assets). Of this, a liability of $264,000 (2015: $134,000) is estimated to be current. The agreements cover notional amounts for a term of between one and ten years.

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

	2016 $000	2015 $000
Less than 1 year	22,000	30,000
Between 1 and 2 years	27,000	22,000
Between 2 and 3 years	37,000	27,000
Between 3 and 4 years	40,000	37,000
Between 4 and 5 years	25,000	30,000
Between 5 and 6 years	30,000	10,000
Between 6 and 7 years	10,000	30,000
Between 7 and 8 years	20,000	10,000
Between 8 and 9 years	25,000	20,000
Between 9 and 10 years	15,000	20,000
Total	**251,000**	**236,000**

14 RESIDENTS' LOANS

An occupation right agreement confers a right of occupancy to a villa, apartment or serviced apartment. The consideration received on the grant of an occupation right agreement is allocated to the resident's loan in full. Residents' loans are amounts payable under occupation right agreements. 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 3 for further detail on recognition of deferred management fee revenue.

	2016 $000	2015 $000
Balance at beginning of period	732,578	574,718
Amounts repaid on termination of occupation right agreements	(69,492)	(51,018)
Amounts received on issue of new occupation right agreements	261,762	208,878
Total gross residents' loans	**924,848**	**732,578**
Deferred management fees receivable	**(123,521)**	**(95,378)**
Total residents' loans	**801,327**	**637,200**

Note 16 provides a split between current and non-current residents' loans.

15 INTEREST-BEARING LOANS AND BORROWINGS

As at 31 December 2016, secured bank loans totalled $274.0 million (2015: $248.2 million).

Interest-bearing loans and borrowings are recognised initially at fair value net of directly attributable transaction costs, with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest rate basis.

The weighted average interest rate for the year to 31 December 2016 was 3.58% (2015: 3.59%). This includes the impact of interest rate swaps (see Note 13).

The secured bank loan facility at 31 December 2016 has a maximum of $450.0 million (2015: $450.0 million). Lending of $125.0 million expires in August 2018 and $325.0 million of lending expires in August 2020.

Security

The bank loans are secured by a general security agreement over the assets of Summerset Holdings Limited (a subsidiary of the Company) subject to a first priority to the Statutory Supervisor over the village assets.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

16 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 no exposure to foreign currency or any other substantial market price risk.

Categories of financial instruments

All financial assets are classified as loans and receivables except for limited recourse loans which are designated as fair value through profit or loss and interest rate swaps which are classified as derivatives held for trading. All financial liabilities except interest rate swaps are classified as liabilities at amortised cost.

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. 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.

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

	2016		2015	
	GROSS RECEIVABLE $000	IMPAIRMENT $000	GROSS RECEIVABLE $000	IMPAIRMENT $000
Not past due	1,797	-	1,041	-
Past due 31 to 60 days	162	-	101	-
Past due 61 to 90 days	47	(2)	46	-
Past due more than 90 days	94	(94)	56	(43)
Total	**2,100**	**(96)**	**1,244**	**(43)**

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

	2016 $000	2015 $000
Gross trade receivables	2,100	1,244
Impairment	(96)	(43)
Net trade receivables	**2,004**	**1,201**

All amounts past due but not impaired have been reviewed and are considered recoverable.

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 also entered into interest rate swap agreements in order to provide an effective cash flow hedge against the variability in floating interest rates. See Note 13 for details of the interest rate swap agreements.

At 31 December 2016 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by $2.6 million (2015: decrease by $2.4 million) and decrease total comprehensive income by approximately $0.9 million (2015: decrease by $1.5 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 only repaid 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):

	2016		2015	
	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	34,687	-	28,520	-
Residents' loans	53,339	747,988	55,287	581,913
Interest-bearing loans and borrowings	9,809	313,209	10,127	288,719
Interest rate swaps	42	17,147	24	9,970
Total	**97,877**	**1,078,344**	**93,958**	**880,602**

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 from repaid residents' loans, net of deferred management fees.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

16 FINANCIAL INSTRUMENT (CONTINUED)

Fair values

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

	2016		2015	
	CARRYING AMOUNT $000	FAIR VALUE $000	CARRYING AMOUNT $000	FAIR VALUE $000
Residents' loans	(801,327)	(510,959)	(637,200)	(401,150)
Total	**(801,327)**	**(510,959)**	**(637,200)**	**(401,150)**

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% (2015: 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 interest rate swaps are 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 has categorised these financial instruments as Level 2 under the fair value hierarchy in accordance with *NZ IFRS 13 – Fair Value Measurement.*

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 rating to support business growth and maximise shareholder value. The Group's capital is managed through Summerset Holdings Limited and its subsidiaries ("SHL Group"). The SHL Group is subject to capital requirements imposed by the bank through the Group Deed of Covenant. The SHL Group has met all externally imposed capital requirements for the year ended 31 December 2016 (2015: all requirements met). The SHL 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 2016 (2015: The Group's Treasury policy was changed to increase the maximum tenure for hedging instruments and adjust the spreading of maturities permitted for these).

17 SHARE CAPITAL AND RESERVES

At 31 December 2016, there were 221,337,808 ordinary shares on issue (2015: 220,263,506). All ordinary shares are fully paid and have no par value. All shares carry one vote per share and carry the right to dividends.

	2016 $000	2015 $000
Share capital		
On issue at beginning of year	244,309	240,946
Shares issued under the dividend reinvestment plan	4,159	2,671
Other	33	-
Shares paid under employee share plan	-	347
Employee share plan option cost	529	345
On issue at end of year	**249,030**	**244,309**

	2016	2015
Share capital (in thousands of shares)		
On issue at beginning of year	216,817	215,815
Shares issued under the dividend reinvestment plan	892	770
Shares issued under the employee share plan	-	232
On issue at end of year	**217,709**	**216,817**

The total shares on issue at 31 December 2016 of 221,337,808 for Summerset Group Holdings Limited differs from the share capital for the Group due to shares held in 100% owned subsidiary, Summerset LTI Trustee Limited. As at 31 December 2016, 3,629,248 shares are held by Summerset LTI Trustee Limited for employee share plans which are eliminated on consolidation. Refer to Note 19 for further details on employee share plans.

Revaluation reserve

The revaluation reserve is used to record the revaluation of care facility 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.

Dividends

On 24 March 2016 a dividend of 3.4 cents per ordinary share was paid to shareholders and on 9 September 2016 a dividend of 2.6 cents per ordinary share was paid to shareholders. (2015: on 25 March 2015 a dividend of 2.1 cents per ordinary share was paid to shareholders and on 7 September 2015 a dividend of 1.85 cents per ordinary share was paid to shareholders).

A dividend reinvestment plan applied to the dividends paid. 557,924 ordinary shares were issued in relation to the plan for the March 2016 dividend and 333,618 ordinary shares were issued in relation to the plan for the September 2016 dividend (2015: 447,575 ordinary shares were issued in March 2015 and 322,297 ordinary shares were issued in September 2015).

NOTES TO THE FINANCIAL STATEMENTS
(continued)

18 EARNINGS PER SHARE AND NET TANGIBLE ASSETS

	2016	2015
Basic earnings per share		
Earnings ($000)	145,480	84,245
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	217,352	216,342
Basic earnings per share (cents per share)	**66.93**	**38.94**

	2016	2015
Diluted earnings per share		
Earnings ($000)	145,480	84,245
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	220,322	219,050
Diluted earnings per share (cents per share)	**66.03**	**38.46**

	2016	2015
Number of shares (in thousands)		
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	217,352	216,342
Weighted average number of ordinary shares issued under employee share plans	2,970	2,708
Weighted average number of ordinary shares for the purpose of earnings per share (diluted)	**220,322**	**219,050**

At 31 December 2016, there were 3,629,248 shares issued under employee share plans (Dec 2015: 3,446,488 shares).

	2016	2015
Net tangible assets per share		
Net tangible assets ($000)	544,053	408,734
Shares on issue at end of period (basic and in thousands)	217,709	216,817
Net tangible assets per share (cents per share)	**249.90**	**188.52**

Net tangible assets is calculated as the total assets of the Group minus intangible assets and minus total liabilities. This measure is provided as it is a commonly calculated figure and is useful for comparison with other entities.

19 EMPLOYEE SHARE PLAN

Senior employee share plan

The Group operates employee share plans for selected senior employees ("Participants") to purchase shares in Summerset Group Holdings Limited. The shares for the plans are held by a nominee on behalf of Participants, until such time after the vesting of shares that the nominee is directed by the Participant to transfer or sell the shares, or the shares are sold by the nominee if vesting criteria are not met. The shares carry the same rights as all other ordinary shares.

The Group has 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 2011 plan was determined using the offer price on the company's NZX listing on 1 November 2011. The issue price of shares under the 2013 plan is determined from the volume weighted average price on the NZX during the ten trading days prior to issue.

	2011 SHARE PLAN	2013 SHARE PLAN (2013 ISSUES)	2013 SHARE PLAN (2014 ISSUE)	2013 SHARE PLAN (2015 ISSUE)	2013 SHARE PLAN (2016 ISSUE)
Commencement date	1 Nov 2011	16 Dec 2013	16 Dec 2013	16 Dec 2013	16 Dec 2013
Issue price	$1.40	$3.20 & $3.47	$2.68	$3.91	$4.76
Expiry date of interest-free limited recourse loans	31 Oct 2017	30 Jun 2018	30 Jun 2019	30 Jun 2020	30 Jun 2021
Years that the performance goals relate to	2012 to 2013	2014 to 2016	2015 to 2017	2016 to 2018	2017 to 2019
% of shares vested	100%	25%[1]	42% [1]	0%	0%
Vesting date of final tranche	31 Dec 2013	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019

The performance hurdles for each grant of shares under the 2013 share plan between 2013 and 2015 to executive team members (CEO and direct reports) are based on the Group's total shareholder return relative to the performance of relevant peers and the NZX 50.

The performance hurdles for the grant of shares under the 2013 share plan in 2016 to executive 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
- 5% clinical strategy initiatives

There are no performance hurdles for grants of shares to senior management team members other than members of the executive team, whose hurdles are described above.

750,000 shares were vested and eligible for exercise at 31 December 2016 (2015: 750,000). The exercise price was $1.40 (2015: $1.40). An additional 590,831 shares were vested on 31 December 2016 but are not eligible for exercise until 24 February 2017.

[1] *Vesting date 31 December 2016, release date 24 February 2017.*

NOTES TO THE FINANCIAL STATEMENTS
(continued)

19 EMPLOYEE SHARE PLAN (CONTINUED)

The share plans are equity-settled schemes and are 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 2016 of $490,000 has been recognised in the income statement of the Company and the Group for that period (2015: $345,000).

	2016					2015			
	2011 SHARE PLAN	2013 SHARE PLAN (2013 ISSUES)	2013 SHARE PLAN (2014 ISSUES)	2013 SHARE PLAN (2015 ISSUES)	2013 SHARE PLAN (2016 ISSUES)	2011 SHARE PLAN	2013 SHARE PLAN (2013 ISSUES)	2013 SHARE PLAN (2014 ISSUES)	2013 SHARE PLAN (2015 ISSUES)
Shares held at year end (in thousands)	750	283	723	893	868	750	678	769	945
Share plan shares held at year end as a percentage of shares on issue	0.3%	0.1%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%	0.4%
Valuation assumptions									
Discount to reflect shares may not meet vesting criteria	20%	30%	30%	0-30%	0-15%	20%	30%	30%	0-30%
Volatility	20%	21-22%	21%	22%	23%	20%	21-22%	21%	22%

790,125 shares that did not meet vesting criteria were cancelled under the 2013 Share Plan on 12 April 2016. The range of exercise prices at 31 December 2016 is $1.40 to $4.76 (2015: $1.40 to $3.91).

	2016		2015	
	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES 000'S	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES 000'S
Balance at beginning of the period	$2.89	3,142	$2.40	2,734
Issued during the year	$4.76	868	$3.91	945
Issued to employees following vesting and repayment of loans	-	-	$1.50	(232)
Forfeited during the year	$3.26	(492)	$2.88	(305)
Balance at end of the period	**$3.30**	**3,518**	**$2.89**	**3,142**

All staff employee share plan

The Group implemented an all staff employee share plan in 2016 to better align employee and shareholder interests. A total of 626 employees participated in the plan for the year ending 31 December 2016. The Group contributed $779 per participating employee. A total of 104,542 Summerset shares were issued under the scheme at $4.66 per share. The shares are held by Summerset LTI Trustee Limited and vest to participating employees after a three-year period.

The option cost for the year ending 31 December 2016 of $39,000 has been recognised in the income statement of the Company and the Group for that period (2015: nil).

20 RELATED PARTY TRANSACTIONS

The Group has no loans to employees' receivable at 31 December 2016 (2015: $1.5 million). Refer to Note 19 for employee share plan details.

Certain Summerset Directors have relevant interests in a number of companies that we have transactions with in the normal course of business. A number of Directors are also non-executive Directors of other companies. Any transactions undertaken with these entities are in the ordinary course of business.

21 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2016 $000	2015 $000
Directors' fees	508	538
Short-term employee benefits	2,548	2,596
Share-based payments	429	345
Termination payments	-	337
Total	**3,485**	**3,816**

Refer to Note 19 for employee share plan details for key management personnel and Note 20 for loans advanced to key management personnel.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

22 COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2016 $000	2015 $000
Less than 1 year	1,074	398
Between 1 and 5 years	6,151	2,287
More than 5 years	7,183	4,068
Total operating lease commitments	**14,408**	**6,753**

During the year ended 31 December 2016, $0.6 million was recognised in the income statement in respect of operating leases (2015: $0.5 million).

Guarantees

At 31 December 2016, NZX Limited held a guarantee in respect of the Group, as required by the NZX Listing Rules, for $75,000 (2015: $75,000).

Capital commitments

At 31 December 2016, the Group had $73.8 million of capital commitments in relation to construction contracts (2015: $51.1 million).

Contingent liabilities

There were no known material contingent liabilities at 31 December 2016 (2015: nil).

23 SUBSEQUENT EVENTS

On 22 February 2017, the Directors approved a final dividend of $11.3 million, being 5.1 cents per share. The dividend record date is 9 March 2017 with a payment date of 22 March 2017.

There have been no other events subsequent to 31 December 2016 that materially impact on the results reported (2015: nil).

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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 consolidated financial statements of Summerset Group Holdings Limited ("the company") and its subsidiaries (together "the group") on pages 27 to 54, which comprise the statement of financial position of the group as at 31 December 2016, and the income statement, statement of comprehensive income, statement of changes in equity and 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 27 to 54 present fairly, in all material respects, the financial position of the group as at 31 December 2016 and its 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 (revised) *Code of Ethics for Assurance Practitioners* 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.

Other than in our capacity as auditor we have no relationship with, or interest in, Summerset Group Holdings Limited or any of its subsidiaries. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

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Valuation of investment properties

WHY SIGNIFICANT?	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Summerset's retirement village assets (excluding care facilities) are recorded as Investment Property and account for 93% of total assets. Investment Properties are carried at fair value. The group engages an independent registered valuer to determine the fair value of investment properties at balance date. The valuation requires the use of judgement specific to each of the properties. Significant input assumptions used in the valuation are subjective and are not observable through available market information. These assumptions are the discount rate, the forecast long-term nominal house price inflation, the average entry age of residents and the expected occupancy period of the units for each property. The valuation approach and significant assumptions are described in Note 10 *Investment Property* to the consolidated financial statements. Investment properties are recorded at the value determined by the valuer, adjusted for gross residents' loans and deferred management fees receivable which are recognised separately on the statement of financial position but reflected in the cash flow model to determine each village's valuation.	Our work focused on understanding the overall valuation methodology for compliance with NZ IFRS 13 Fair Value Measurement and evaluating significant inputs. In obtaining sufficient audit evidence, we: • assessed the qualifications, independence and objectivity of the external valuer; • assessed and discussed the valuation reports with the independent valuer; • tested, on a sample basis, village specific information supplied to the external valuer by Summerset to the underlying records held by the group; • assessed the significant input assumptions applied, being the discount rate, the forecast long-term nominal house price inflation, the average entry age of residents and the expected occupancy period of the units for each property, and valuation outcomes for each property evaluated against the rest of the portfolio and the retirement village sector; • involved our real estate valuation specialists to assist us in analysing the valuations and evaluating the underlying assumptions; • considered the impact of new development work and the completeness of the assets included in the valuation; and • assessed the adequacy of the related financial statement disclosures.

Recognition and Measurement of Capital Work in Progress

WHY SIGNIFICANT?	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Summerset has a significant village development programme. Additions to investment property during the 2016 year totalled $187 million comprising land, materials, labour and other directly attributable costs. The capitalisation of development costs is considered a key audit matter as judgement is applied by the group to identify and measure directly attributable costs. Alternative judgements could lead to different profit and work in progress balances being reported in the financial statements. Summerset records non-land work in progress at cost, as it has determined it is unable to measure the fair value of construction whilst in progress. Non-land work in progress of $123 million, representing 7% of total assets, was included in the balance of Investment Property as described in Note 10 *Investment Property* to the consolidated financial statements. The balance of work in progress carried at cost is tested for indicators of impairment at the end of each six month period.	Our work on capitalised development costs focused on the group's process for identifying and recording directly attributable costs, including allocations of head office costs and capitalised interest. In obtaining sufficient audit evidence for each component we: • evaluated the group's estimate of head office costs directly attributable to development activities; • tested, on a sample basis, capital costs incurred; • assessed the judgements made in relation to the timing of recognition of property acquisitions and the measurement of incomplete property at balance date; • considered the attribution of costs from work in progress to completed village units, care facilities and other assets; and • evaluated the group's review of work in progress at balance date for impairment.

Deferred Management Fee Revenue Recognition

WHY SIGNIFICANT?	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Deferred management fee revenue is 33% of Summerset's total revenue. Summerset 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 residents' expected tenure in the village, the terms of the occupational right agreement and the type of unit occupied. Deferred management fee revenue and the associated deferred management fee receivable and revenue in advance balances are discussed in Note 3 Revenue to the consolidated financial statements.	Our work focused on understanding the overall calculation methodology and testing the integrity of inputs and key assumptions to revenue recognition throughout the period. In doing so, we: • assessed the accuracy of the inputs to, and calculation of, deferred management fee revenue recognised during 2016; • agreed the contractual terms of a sample of residents used in the revenue recognition calculation to the occupational right agreement; • compared the movements year on year in revenue recognised by village and unit type based on an expectation derived from the nature of the population of occupational right agreements; and • considered the group's assessment of assumed tenure against actual observed tenure.

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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 the 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 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 External Reporting Board's website: https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our auditor's report.

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

Ernst + Young

Wellington

22 February 2017

Wigram's new village centre

GOVERNANCE

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

Summerset has adopted the principles below as an appropriate way to demonstrate Summerset's compliance with these fundamental principles and to illustrate the transparency of Summerset's approach to corporate governance for the benefit of its Shareholders and other stakeholders.

Summerset's Board and Committee Charters, and policies and guidelines referred to in this section, are available to view at www.summerset.co.nz/investor-centre/corporate-governance/charters-policies.

1 ENSURING SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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 for ensuring that the Company adheres to high standards of ethical and corporate behaviour.

The Board currently carries out its responsibilities according to the following mandate:

- At least two, or, if there are eight or more Directors, three or one-third of the total number of Directors should be Independent as defined in the NZX Listing Rules;
- The Chair of the Board should be a non-executive Director;
- Directors should possess a broad range of skills, qualifications and experience, and remain current on how to best 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 effectively discharge its duties;
- The effectiveness and performance of the Board and its individual members should be re-evaluated on an annual basis.

All Directors have been issued letters setting out the terms and conditions of their appointment. The Chief Executive Officer and members of the executive management team have employment agreements setting out their roles and conditions of employment.

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 has Board-approved levels of authority and, in turn, sub-delegates authority in some cases to direct reports, and has established a formal process for direct reports to sub-delegate certain authorities as appropriate. This is documented in the Delegation and Powers Reserved to the Board Policy.

Senior executive 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.

2 STRUCTURING THE BOARD TO ADD VALUE

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. The Board currently comprises five non-executive Independent Directors. In determining whether a Director is Independent the Board has regard to the NZX Listing Rules.

As at 31 December 2016, the non-executive Independent Directors were Rob Campbell (Chair), James Ogden, Dr Marie Bismark, Anne Urlwin and Gráinne Troute. Dr Andrew Wong will be appointed as a non-executive Independent Director on 1 March 2017.

More information on the Directors, including their interests, qualifications and shareholdings, is provided in the Directors' Profiles and Statutory Information 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.

All Directors have access to executive management 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.

Retirement and re-election

In accordance with the Company's constitution and the Rules, one third of the Directors are required to retire by rotation and may offer themselves for re-election by Shareholders each year. Procedures for the appointment and removal of Directors are also governed by the constitution. The Nominations and Remuneration Committee identifies and nominates candidates to fill Director vacancies for the approval of the Board.

Board committees

The Board has three standing committees, being the Audit Committee, the Nominations and Remuneration Committee and the Clinical Governance Committee. Each committee operates under charters approved by the Board, and any recommendations they make are recommendations to the Board. The terms of reference for each committee are reviewed annually. All Directors are entitled to attend committee meetings.

Audit Committee

Details for this Committee can be found in section 4 of this Statement of Corporate Governance.

Nominations and Remuneration Committee

The role of the Nominations and Remuneration 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:

- Assist the Board in planning the Board's composition;
- Evaluate the competencies required of prospective Directors (both non-executive and executive);
- Identify those prospective Directors and establish their degree of independence;
- Develop the succession plans for the Board, and make recommendations to the Board accordingly;
- Oversee the process of the Board's annual performance self-assessment and the performance of the Directors; and
- Establish remuneration policies and practices and set and review the remuneration of the company's Chief Executive Officer, executive management team and Directors.

GOVERNANCE
(continued)

The Nominations and Remuneration Committee must be comprised of a minimum of three Directors, the majority of whom must be Independent. The Committee currently comprises of Anne Urlwin (Chair), Dr Marie Bismark, James Ogden and Gráinne Troute.

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 where gaps exists.

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:

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

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

Attendance at Board and Committee meetings

A total of nine Board meetings, six Audit Committee meetings, five Nominations and Remunerations Committee meetings, and three Clinical Governance Committee meeting were held in 2016. Director attendance at Board meetings and committee member attendance at committee meetings is shown below. Directors that were not members of committees also attended some committee meetings as invited attendees. Their attendance is not recorded below.

Board meetings

DIRECTOR	ATTENDANCE
Rob Campbell (Chair)	9/9
James Ogden	9/9
Anne Urlwin	9/9
Dr Marie Bismark	9/9
Norah Barlow	2/2
Gráinne Troute	5/5

Audit Committee meetings

DIRECTOR	ATTENDANCE
James Ogden (Chair)	6/6
Anne Urlwin	6/6
Norah Barlow	2/2
Rob Campbell	6/6
Gráinne Troute	1/1

Nominations and Remuneration Committee meetings

DIRECTOR	ATTENDANCE
Anne Urlwin (Chair)	5/5
James Ogden	5/5
Dr Marie Bismark	5/5
Gráinne Troute	3/3

Clinical Governance Committee meetings

DIRECTOR	ATTENDANCE
Dr Marie Bismark (Chair)	3/3
Anne Urlwin	3/3
Norah Barlow	1/1
Gráinne Troute	1/1

Board performance

The Board undertakes an annual self-assessment of its performance, as does each Committee. The Chair also undertakes an annual review of individual Board member performance.

3 PROMOTING ETHICAL AND RESPONSIBLE DECISION MAKING

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.
- Conflicts of interest – To maintain integrity in decision making each Director must advise the Board of any potential conflict of interest if such arises. If a significant conflict of interest exists, the Director concerned will have no involvement in the decision-making process relating to the matter.
- Securities trading – Directors and employees of the Company are subject to limitations on their ability to buy or sell Company shares in accordance with the Company's Securities Trading Policy, the Rules, and the Financial Markets Conduct Act 2013.
- Gifts, entertainment and inducements – The Company has a gifts, entertainment and inducements policy governing the acceptance and reporting of benefits given to staff by third parties.
- Interest 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.

Gender diversity

The Company has a Gender Diversity Policy which sets objectives that will be measured annually to assess performance.

The objectives set out in the policy are:

- Annually review and report on, in the annual report, the gender composition of the Board;
- Annually review and report on, in the annual report, the gender composition of the executive management team;
- The Nominations and Remuneration Committee of the Board will review and report to the Board on the appointment process for all executive positions on the matter of gender diversity;
- The Board, annually, will require the Chief Executive Officer and Head of Human Resources to review and report on the gender composition of the wider organisation and, in particular, the mix of genders in management roles throughout the organisation.

GOVERNANCE
(continued)

These objectives are measured annually, with all objectives being met for the 2016 year. As at 31 December 2016 (and 31 December 2015 for the prior comparative period), the mix of gender of those employed by the Company is set out below:

CATEGORY	GENDER	2016	2015
Directors	Male	2	2
	Female	3	3
	TOTAL	**5**	**5**
Officers	Male	2	2
	Female	-	-
	TOTAL	**2**	**2**
Senior Executives	Male	5	5
	Female	1	1
	TOTAL	**6**	**6**
All staff	Male	250	207
	Female	792	615
	TOTAL	**1,042**	**822**

Officers of the Company are the Chief Executive Officer and Chief Financial Officer. Senior Executives are defined as the executive management team (including the Chief Executive Officer and Chief Financial Officer).

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

4 SAFEGUARDING THE INTEGRITY OF FINANCIAL REPORTING

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 make 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 Audit Independence Policy;
- Responsibility for appointment of the external auditors residing with the Audit Committee;

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 they are 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 also considers the adequacy of Summerset's internal controls and oversees internal audit processes.

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

The Committee generally invites the Chief Executive Officer, Chief Financial Officer, Deputy Chief Financial Officer 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.

5 MAKING TIMELY AND BALANCED DISCLOSURE

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 Communication policy sets out the responsibilities of the Board and management in disclosure and communication and procedures for managing this obligation.

6 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, reports and market releases. 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 meeting of shareholders. The annual and half-year reports are available in electronic and hard copy format.

7 RECOGNISING AND MANAGING RISK

The Company has a risk management framework for identifying, overseeing, managing and controlling risk. The processes involved require the maintenance of a risk register that identifies key business risks and initiatives deployed to manage and mitigate those risks.

The Board has responsibility for the oversight of Summerset's risk management programme. Their responsibilities in this regard are set out in the Board Charter.

The Company's senior management maintain a risk register and this is updated regularly.

8 REMUNERATING FAIRLY AND RESPONSIBLY

The Board's Nominations and Remuneration Committee has a formal charter. Its membership and role are set out under section 2 above.

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

COMPLIANCE WITH NZX CORPORATE GOVERNANCE BEST PRACTICE CODE

Summerset meets all the best practice requirements of the Code.

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 2016 are provided below.

DIRECTOR	DIRECTORS' FEES	RESPONSIBILITY
Rob Campbell	$165,000	Chairman
Anne Urlwin	$87,500	Director, Chair of Nomination and Remuneration Committee
James Ogden	$95,000	Director, Chair of Audit Committee
Dr Marie Bismark	$87,500	Director, Chair of Clinical Governance Committee
Norah Barlow*	$26,667	Director
Gráinne Troute**	$26,667	Director
Total	**$488,334**	

* *Norah Barlow retired as a Director on 29 April 2016.*

** *Gráinne Troute was appointed as a Director on 1 September 2016.*

Directors' fees above include standard remuneration for holding Committee Chair roles.

As at 31 December 2016, the standard annual Director fees per annum were $165,000 for the Chairman, and $80,000 for non-executive Directors. The additional fee for the Chairman of the Audit Committee was $15,000 and additional fees for the Chairman of the Nomination and Remuneration Committee and the Chairman of the Clinical Governance Committee were $7,500 each.

Directors' fees are reviewed from time to time. The maximum aggregate amount of remuneration payable by Summerset to Directors (in their capacity as Directors) was set at $600,000 per annum in April 2014 for the non-executive Directors. Current annualised Directors' fees are $515,000, inclusive of additional remuneration for Committee Chairs. An additional Director will be appointed as a non-executive Independent Director on 1 March 2017, which will increase annualised Directors' fees to $595,000. The Board intends to propose to shareholders that the maximum aggregate amount of remuneration payable by Summerset to Directors (in their capacity as Directors) is increased at the Annual Meeting in April 2017.

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 whilst 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 team (CEO 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 Nomination and Remuneration Committee. The role and membership of this Committee is set out in section 2 of the Statement of Corporate Governance.

Summerset's remuneration policy for members of the executive 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 Nomination and Remuneration Committee reviews the annual performance appraisal outcomes for all executive 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 (STI) 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, usually as a percentage of the executive's base salary. For 2016, the relevant percentages were 25% to 50%.

A proportion (80% for the Chief Executive Officer, 70% for other executive 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 2016 are outlined below:

TARGET	WEIGHTING
Financial: Underlying EBITDA performance against budget	40%
Occupation right agreement sales results against budget	20%
Retirement unit delivery against budget	20%
Clinical and customer satisfaction	10%
Employee and health and safety initiatives	10%

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 team member is 112% of the STI on-target amount for that executive 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 (LTI) are at-risk payments designed to align the reward of executive team members with the enhancement of shareholder value over a multi-year period.

Under the LTI, executive team members are able to purchase shares in Summerset Group Holdings Limited. The shares for the plans are held by a nominee on behalf of the executive team members until such time after the vesting of shares that the nominee is directed by the executive team member to transfer or sell the shares, or the shares are sold 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 team members participating in the LTI 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.

REMUNERATION
(continued)

An LTI plan commenced on 1 November 2011, upon the Company listing on the NZX Main Board, under which grants were made to executive team members. Vesting of shares was contingent on achievement of certain profitability levels in the business. The vesting criteria were achieved and all shares vested. This plan has now closed with final vesting occurring in December 2013. Loans remain outstanding for vested shares under this plan, with payment due by 31 October 2017.

An updated plan commenced on 16 December 2013. Under this plan, grants are made annually, with performance measured over two-and-three-year periods. The value of each grant is set at the date of the grant and currently represents 15% to 40% of an executive team member's fixed remuneration. The Nomination and Remuneration Committee takes independent advice in determining the number of shares to issue for each grant. Vesting of shares is subject to achievement of performance hurdles which are 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 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
- 5% clinical strategy initiatives

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 plan in place for executive team members, Summerset also operates an un-hurdled LTI plan for other senior managers.

CHIEF EXECUTIVE OFFICER REMUNERATION

Remuneration for years ended 31 December 2016 and 31 December 2015

	FIXED REMUNERATION			PAY FOR PERFORMANCE			TOTAL REMUNERATION
	SALARY	OTHER BENEFITS[1]	SUBTOTAL	STI	LTI	SUBTOTAL	
FY2016	$445,485	$4,515	$450,000	$235,620[2]	$180,000[3]	$415,620	$865,620
FY2015	$445,485	$4,515	$450,000	$188,266[4]	$180,000[5]	$368,266	$818,266

Two-year summary

	TOTAL REMUNERATION	% STI AWARDED AGAINST MAXIMUM	STI PERFORMANCE PERIOD	% LTI VESTED AGAINST MAXIMUM	SPAN OF LTI PERFORMANCE PERIODS
FY2016	$865,620	104.7%	FY2015	0%[6]	FY2014 – FY2015
FY2015	$818,266	84.5%	FY2014	N/A[7]	N/A

1 Other benefits include medical insurance and income protection insurance. The Chief Executive Officer chooses not to participate in Kiwisaver

2 STI for FY2015 performance period (paid FY2016)

3 LTI value granted in FY2016 period (which will vest based on performance in FY2017 to FY2019)

4 STI for FY2014 performance period (paid FY2015)

5 LTI value granted in FY2015 period (which will vest based on performance in FY2016 to FY2018)

6 Vesting date 31 December 2015, release date 25 February 2016

7 No shares available for vesting

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

Description of Chief Executive Officer pay for performance for the year ended 31 December 2016

PLAN	DESCRIPTION	PERFORMANCE MEASURES	PERCENTAGE OF MAXIMUM AWARDED
STI	Set at 50% of fixed remuneration for FY2016 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 earlier for weightings)	103.8%
		20% based on individual measures	100%
LTI	In February 2016, vesting for 193,181 shares issued under the LTI Scheme at $3.20 on 16 December 2013 was assessed per the Plan Rules. The assessment period was 1 January 2014 to 31 December 2015. The vesting criteria were not met and no shares vested.	50% measured against comparable peer group TSR hurdle	0%
		50% measured against NZX 50 group TSR hurdle	Did not vest

The above STI payment will be paid in FY2017.

Chief Executive Officer LTI share movements for the year ended 31 December 2016

	DEC 2011 ISSUE	DEC 2013 ISSUE	DEC 2014 ISSUE	DEC 2015 ISSUE	DEC 2016 ISSUE	TOTAL
Balance 1 January 2016	464,286	350,588	403,185	314,972	-	1,533,031
Forfeited	-	(193,181)	-	-	-	(193,181)
Granted	-	-	-	-	237,005	237,005
Balance 31 December 2016	464,286	157,407	403,185	314,972	237,005	1,576,855
Vesting Status	Vested	Partially vested	Partially vested	Unvested	Unvested	
Issue Price	$1.40	$3.20	$2.68	$3.91	$4.76	

The table above includes shares issued under the LTI plan prior to 1 April 2014 when the Chief Executive Officer took up this role (previously Chief Financial Officer).

339,141 shares were vested on 31 December 2016 but are not eligible for exercise until 24 February 2017.

REMUNERATION
(continued)

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 2016 are specified in the table below.

The remuneration figures shown in the "Remuneration" column includes all monetary payments actually paid during the course of the year ended 31 December 2016. The table also includes the grant value of employee share plan shares issued to individuals under Summerset's LTI plan during the same period. The table does not include amounts paid post 31 December 2016 that relate to the year ended 31 December 2016.

The method of calculating remuneration has been reviewed and updated from prior Annual Reports, where the value of share options provided to individuals was previously used to determine the long-term incentive portion of the remuneration figure.

REMUNERATION	NO. OF EMPLOYEES	REMUNERATION	NO. OF EMPLOYEES
$100,000 to $109,999	18	$220,000 to $229,999	1
$110,000 to $119,999	11	$230,000 to $239,999	2
$120,000 to $129,999	6	$280,000 to $289,999	1
$130,000 to $139,999	6	$300,000 to $309,999	1
$140,000 to $149,999	4	$310,000 to $319,999	1
$150,000 to $159,999	5	$370,000 to $379,999	1
$160,000 to $169,999	6	$550,000 to $559,999	1
$170,000 to $179,999	3	$570,000 to $579,999	1
$180,000 to $189,999	2	$860,000 to $869,999	1
$200,000 to $209,999	3		

PAY GAP

The pay gap represents the number of times greater the Chief Executive Officer remuneration is to 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 2016, the Chief Executive Officer's base salary of $445,485 was 11.6 times that of the median employee at $38,480 per annum. The Chief Executive Officer's total remuneration, including STI and LTI was $865,620, 21.7 times the total remuneration of the median employee at $39,838.

Willem, a Taupo resident in his garden

DISCLOSURES

1 DIRECTORS DURING THE YEAR ENDED 31 DECEMBER 2016

Norah Barlow retired from the Board on 29 April 2016. Gráinne Troute was appointed to the Board on 1 September 2016.

2 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 2016.

Rob Campbell: Disclosed he ceased to hold the following positions in respect of the following entities: Murray and Co (NZ) (Board Member), Aotearoa Financial Investments Limited (Shareholder and Director), Harmoney Limited (Chairman), Localist Limited (Director), Ora HQ Limited (Director), NZ Market Limited (Director), Urban Sherpa Limited (Director), Foundry Innovations Limited (Director), Brand Developers Limited (Director), Dialedin (Advisory Board Member), Truescape Limited (NZ) (Board Member). It was also disclosed in the register that Turners and Growers Limited (NZ), for which Rob Campbell is a Director, changed name to T&G Global Limited (NZ).

Anne Urlwin: No changes disclosed.

James Ogden: Disclosed the following positions in respect of the following entities: Pencarrow Bridge Fund GP Limited (Director), Tegel Group Holdings Limited (Chairman).

Dr Marie Bismark: Disclosed she ceased to hold the following positions in respect of the following entities: Veteran's Health Advisory Panel (Chair), University of Melbourne (Research Fellow). Disclosed the following positions in respect of the following entities: Veterans' Health Advisory Panel (Member), University of Melbourne (Associate Professor), Melbourne Health (Psychiatry Registrar).

Norah Barlow: Retired as a Director in April 2016, as such all interests have been removed from the interests register: Cigna Life Insurance (Independent Director), National Advisory Council on the Employment of Women (Member), Merseyside Limited (Director), Kensington Trust (Trustee), Ingenia Communities Holdings Limited (Director), Netball Central Zone Board (Member), Estia Health Pty Limited (Director), Lifemark Design Limited (Director), Vigil Monitoring Limited (Director), Evolve Education Group Limited (Director), Methven Limited (Director), Allied Health, Science and Technical Workforces Taskforce Governance Group (Appointee).

Gráinne Troute: Appointed as a Director in September 2016 and disclosed the following position in respect of the following entity: Tourism Holdings Limited (Director).

3 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.

4 DIRECTORS' SHAREHOLDINGS

Securities in the Company in which each Director has a relevant interest as at 31 December 2016 are specified in the table below.

DIRECTOR	SHARES HELD
Rob Campbell	47,081
Anne Urlwin	15,178
James Ogden	409,504
Dr Marie Bismark	15,295
Gráinne Troute	-
Total	**487,058**

5 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 SHARES ACQUIRED/ (DISPOSED)	CONSIDERATION
Rob Campbell	24 March 2016	251	Issue of shares under dividend reinvestment plan at $4.25 per share
	9 September 2016	152	Issue of shares under dividend reinvestment plan at $5.37 per share
Anne Urlwin	24 March 2016	80	Issue of shares under dividend reinvestment plan at $4.25 per share
	9 September 2016	49	Issue of shares under dividend reinvestment plan at $5.37 per share
James Ogden	24 March 2016	2,178	Issue of shares under dividend reinvestment plan at $4.25 per share
	9 September 2016	1,325	Issue of shares under dividend reinvestment plan at $5.37 per share
Dr Marie Bismark	8 March 2016	10,350	On-market purchase of ordinary shares at average price of $4.00 per share
	24 March 2016	33	Issue of shares under dividend reinvestment plan at $4.25 per share
	9 September 2016	62	Issue of shares under dividend reinvestment plan at $5.37 per share
Norah Barlow	24 March 2016	2,712	Issue of shares under dividend reinvestment plan at $4.25 per share
	9 September 2016	1,649	Issue of shares under dividend reinvestment plan at $5.37 per share

6 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 when 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

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

7 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.

DISCLOSURES
(continued)

8 SUBSIDIARY COMPANIES' DIRECTORS

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

Julian Cook, Scott Scoullar, Paul Morris and Leanne Walker are Directors of all the Company's subsidiaries as at 31 December 2016, with the exception of Summerset LTI Trustee Limited (the Directors of which are Rob Campbell and Dr Marie Bismark). No extra remuneration is payable to any Director of the Company for any Directorship of a subsidiary.

9 TOP 20 SHAREHOLDERS AS AT 31 DECEMBER 2016

RANK	REGISTERED SHAREHOLDER	NUMBER OF SHARES	% OF SHARES
1	New Zealand Central Securities Depository Limited	97,479,174	44.04%
2	FNZ Custodians Limited	12,504,972	5.65%
3	Custodial Services Limited	9,389,482	4.24%
4	Forsyth Barr Custodians Ltd	8,070,516	3.65%
5	Custodial Services Limited	4,095,985	1.85%
6	Summerset LTI Trustee Limited	3,629,248	1.64%
7	Custodial Services Limited	3,331,253	1.51%
8	Investment Custodial Services Limited	2,690,465	1.22%
9	Custodial Services Limited	2,590,543	1.17%
10	Custodial Services Limited	1,543,619	0.70%
11	JBWERE (NZ) Nominees Limited	1,536,561	0.69%
12	Paul Stanley Morris & Clive Stephen Morris	1,527,321	0.69%
13	Custodial Services Limited	1,450,313	0.66%
14	BNP Paribas Nominees Pty Ltd	1,433,818	0.65%
15	New Zealand Depository Nominee Limited	1,134,240	0.51%
16	ASB Nominees Limited	1,049,913	0.47%
17	PT Booster Investments Nominees Limited	940,389	0.42%
18	FNZ Custodians Limited	907,590	0.41%
19	Motutapu Investments Limited	875,010	0.40%
20	Custodial Services Limited	793,813	0.36%
	TOTAL	**156,974,225**	**70.93%**

10 SHAREHOLDERS HELD THROUGH THE NZCSD AS AT 31 DECEMBER 2016

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 2016, the 10 largest shareholdings in the Company held through NZCSD were:

RANK	SHAREHOLDER	NUMBER OF SHARES	% OF SHARES
1	Tea Custodians Limited	14,968,944	6.76%
2	HSBC Nominees (New Zealand) Limited	12,416,227	5.61%
3	JPMorgan Chase Bank	11,868,967	5.36%
4	National Nominees New Zealand Limited	11,552,409	5.22%
5	New Zealand Superannuation Fund Nominees Limited	10,340,753	4.67%
6	Citibank Nominees (NZ) Limited	10,306,449	4.66%
7	HSBC Nominees (New Zealand) Limited	8,775,935	3.96%
8	Cogent Nominees Limited	5,352,845	2.42%
9	Accident Compensation Corporation	3,743,574	1.69%
10	Guardian Nominees No2 Limited	2,424,598	1.10%

11 SPREAD OF SHAREHOLDERS AS AT 31 DECEMBER 2016

SIZE OF SHAREHOLDING	SHAREHOLDERS NUMBER	SHAREHOLDERS %	SHARES NUMBER	SHARES %
1 to 1,000	1,514	17.33%	876,129	0.40%
1,001 to 5,000	4,264	48.80%	11,496,534	5.19%
5,001 to 10,000	1,637	18.74%	12,050,853	5.44%
10,001 to 50,000	1,172	13.41%	22,641,671	10.23%
50,001 to 100,000	76	0.87%	5,263,380	2.38%
100,001 and over	74	0.85%	169,009,241	76.36%
TOTAL	**8,737**	**100.00%**	**221,337,808**	**100.00%**

DISCLOSURES
(continued)

12 SUBSTANTIAL PRODUCT HOLDER NOTICES RECEIVED AS AT 31 DECEMBER 2016

According to the records kept by the Company under the Financial Market Conducts Act 2013 the following were substantial holders in the Company as at 31 December 2016. The total number of voting products on issue at 31 December 2016 was 221,337,808 ordinary shares.

SHAREHOLDER	RELEVANT INTEREST	PERCENTAGE HELD AT DATE OF NOTICE	DATE OF NOTICE
Coopers Investors Pty Limited	13,870,973	6.42%	21 October 2013
Harbour Asset Management Limited	13,506,575	6.14%	16 August 2016
First NZ Capital Group Limited	11,013,821	5.01%	17 June 2016

13 WAIVERS FROM THE NZX LISTING RULES

There have been no waivers from the application of NZX Listing Rules for the year ended 31 December 2016.

14 CREDIT RATING

The Company has no credit rating.

This annual report is authorised for and on behalf of the Board by:

Rob Campbell
Director and Chairman of the Board

James Ogden
Director and Chairman of the Audit Committee

Authorised for issue on 22 February 2017

Croquet players in Napier

An Ellerslie villa

COMPANY INFORMATION

REGISTERED OFFICES

New Zealand

Level 20, Majestic Centre,
100 Willis Street, Wellington 6011,
New Zealand

PO Box 5187, Lambton Quay,
Wellington 6145

Phone: +64 4 894 7320
Email: reception@summerset.co.nz
www.summerset.co.nz

Australia
Deutsche Bank Place,
Level 5, 126 Phillip Street,
Sydney, NSW,
Australia 2000

Auditor
Ernst & Young

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

Statutory Supervisor
Public Trust

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

Phone: +64 9 375 5998
Fax: +64 9 375 5990
Email: enquiries@linkmarketservices.co.nz

Directors
Rob Campbell
Gráinne Troute
Dr Marie Bismark
James Ogden
Anne Urlwin

Company Secretary
Leanne Walker

DIRECTORY

AUCKLAND

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

Summerset at Monterey Park
1 Squadron Drive, Hobsonville, Auckland 0618
Phone (09) 951 8920

Summerset at Heritage Park
8 Harrison Road, Ellerslie, Auckland 1060
Phone (09) 950 7960

Summerset by the Park
7 Flat Bush School Road, Flat Bush 2016
Phone (09) 272 3950

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

WAIKATO

Summerset down the Lane
206 Dixon Road, Hamilton 3206
Phone (07) 843 0157

Summerset by the Lake
2 Wharewaka Road, Wharewaka, Taupo 3330
Phone (07) 376 9470

BAY OF PLENTY

Summerset by the Sea
181 Park Road, Katikati 3129
Phone (07) 985 6890

HAWKES BAY

Summerset in the Bay
79 Merlot Drive, Greenmeadows, Napier 4112
Phone (06) 845 2840

Summerset in the Orchard
1228 Ada Street, Parkvale, Hastings 4122
Phone (06) 974 1310

Summerset in the Vines
249 Te Mata Road, Havelock North 4130
Phone (06) 877 1185

TARANAKI

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

MANUWATU – WANGANUI

Summerset in the River City
40 Burton Avenue, Wanganui East, Wanganui 4500
Phone (06) 343 3133

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

Summerset by the Ranges
102 Liverpool Street, Levin 5510
Phone (06) 367 0337

WELLINGTON

Summerset on the Coast
104 Realm Drive, Paraparaumu 5032
Phone (04) 298 3540

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

Summerset at the Course
20 Racecourse Road, Trentham, Upper Hutt 5018
Phone (04) 527 2980

NELSON

Summerset in the Sun
16 Sargeson Street, Stoke, Nelson 7011
Phone (03) 538 0000

CANTERBURY

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

OTAGO

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

Summerset | Love the life

Summerset Group Holdings Limited	
Results for announcement to the market	
Reporting Period	12 months to 31 December 2016
Previous Reporting Period	12 months to 31 December 2015

	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ$86,054	+25.2%
Total income from ordinary activities	NZ$229,513	+50.8%
Profit from ordinary activities after tax attributable to security holder	NZ$145,480	+72.7%
Net profit attributable to security holders	NZ$145,480	+72.7%
Underlying profit	NZ$56,556	+49.6%

Final Dividend	Amount per security	Imputed amount per security
	NZ 5.1 cents per share	Not imputed

Record Date	9 March 2017
Dividend Payment Date	22 March 2017
Dividend Reinvestment Plan	Applies at 2% discount

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

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

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

Notice of event affecting securities

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

Full name of Issuer	Summerset Group Holdings Limited
Name of officer authorised to make this notice	Leanne Walker
Authority for event, e.g. Directors' resolution	Directors' Resolution
Contact phone number	(04) 894 7361
Contact fax number	
Date	22 / 02 / 2017

Nature of event
Tick as appropriate

Bonus Issue	☐
If ticked, state whether: Taxable ☐ / Non Taxable ☐	
Conversion	☐
Interest	☐
Rights Issue Renouncable	☐
Rights Issue non-renouncable	☐
Capital change	☐
Call	☐
Dividend	X
If ticked, state whether: Interim ☐ Full Year X Special ☐	
DRP Applies	X

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities	Ordinary Shares
ISIN	NZSUME0001S0

If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities	
ISIN	

If unknown, contact NZX

Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g 1 for 2	for
Conversion, Maturity, Call Payable or Exercise Date	
Treatment of Fractions	
Enter N/A if not applicable	
Tick if pari passu	☐
OR provide an explanation of the ranking	
Strike price per security for any issue in lieu or date Strike Price available.	

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income)	5.1 cents per share
Source of Payment	Revenue Reserves
Excluded income per security (only applicable to listed PIEs)	Nil
Currency	New Zealand Dollars
Total monies	$11,288,228

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	Nil
Date Payable	

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	$
Resident Withholding Tax	1.683 cents per share
Imputation Credits (Give details)	Nil
Foreign Withholding Tax	$
FDP Credits (Give details)	

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm *For calculation of entitlements -*	9 March, 2017
Application Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.*	22 March, 2017
Notice Date *Entitlement letters, call notices, conversion notices mailed*	
Allotment Date *For the issue of new securities. Must be within 5 business days of application closing date.*	22 March, 2017

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

Security Code:

Security Code:

23 February 2017

Dear Summerset shareholder

Section 209 Notice – Summerset Group Holdings Limited ("Summerset") Annual Report 2016

Our Annual Report for the year ended 31 December 2016 is now available on the Summerset website at the following link: http://www.summerset.co.nz/investor-centre. The Board has elected not to prepare a Concise Report for the year ended 31 December 2016. Summerset's Half Year Report for the six months ending 30 June 2017 will be available by September 2017.

You have the right to receive, upon request and free of charge, a printed copy of the Annual Report and Half Year Report when available. If you wish to receive a printed copy, you can request this through the Link Market Services Investor Centre at https://investorcentre.linkmarketservices.co.nz by updating your communication preferences. You will require your CSN/Holder Number and FIN to secure access and update your holding details.

Alternatively please complete and return this form within 15 business days to our registry, Link Market Services, either by mail to PO Box 91976, Auckland, by fax to (09) 375 5990, or by scanning and emailing to operations@linkmarketservices.com (please use "*SUM Annual Report*" as the subject of the email for easy identification).

I would like to receive a printed copy of the Annual Report for 2016

☐ Please mark this box with a "**√**" if you wish to receive a printed copy

Email Communications

If you do not currently receive your Summerset investor communications electronically, we would like to take this opportunity to encourage you to elect to do so by providing your email address details online or by completing the section below. Electronic communications are quick, cost effective and environmentally friendly.

I wish to receive all my shareholder communications via email where possible

☐ Please mark this box with a "√" and provide an email address below if you wish to receive communications electronically

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If you have any further questions please do not hesitate to contact Link Market Services on (09) 375 5998 or operations@linkmarketservices.com.

Yours sincerely,

Leanne Walker
Company Secretary