

24 February 2015

Company Announcements Office
Australian Stock Exchange Centre
Level 6
20 Bridge Street
Sydney NSW 2000
AUSTRALIA

Dear Sir/Madam

**SUMMERSET GROUP HOLDINGS LIMITED (SNZ)
FULL YEAR RESULT (FOR THE YEAR ENDED 31 DECEMBER 2014)**

Please find attached the financial information required by ASX Listing Rule 4.3A as well as other relevant documents.

Documents included in this release:

- Media release;
- Results presentation;
- Audited financial statements for the year ended 31 December 2014;
- Appendix 4E (and NZX Appendix 1) ;
- Appendix 7 (as required by NZX Listing Rule 7.12.2) detailing the dividend of NZ 2.1 cents per ordinary share to be paid on 25 March 2015 to those shareholders on the company's share register as at 5pm on 10 March 2015. The ASX Online Appendix 3A.1 is provided as a separate announcement.

Yours faithfully



Leanne Walker
Company Secretary

NZX, ASX & MEDIA RELEASE

24 FEBRUARY 2015

SUMMERSET REPORTS RECORD UNDERLYING PROFIT, UP 10%

- **Underlying profit for FY14 of NZ\$24.4 million, up 10% on FY13**
- **Net profit after tax of NZ\$54.2 million, up 58% on FY13**
- **Total assets reach NZ\$1.0 billion, up 23% on FY13**
- **Net operating cash flow of \$110.4 million, up 25% on FY13**
- **Total sales of occupation rights up 14% on FY13**
- **261 retirement units delivered, 25% increase on FY13 delivery**
- **2014 final dividend of NZ 2.1 cents per share announced**

Retirement village and aged care operator Summerset Group today announced underlying profit for the 2014 financial year of NZ\$24.4 million, a record for the company.

The 10% increase on the prior year reflects another year of continued strong growth for the company, which has 20 villages across New Zealand, as well as three quality land sites.

Net profit after tax for FY14 was NZ\$54.2 million, 58% higher than FY13. This figure includes unrealised valuation gains in the fair value of investment properties and land and buildings.

The value of the company's total assets has grown 23% to NZ\$1.0 billion, up from NZ\$845 million in 2013, reflecting the significant growth in the business.

Chief Executive Officer Julian Cook said 2014 was a year of investment in future growth.

"In 2014 we celebrated completion of our 2,000th retirement unit, and now have over 3,000 residents living with Summerset. We have seen a record profit and strong increase in development margins across the group in 2014. We have opened four new villages in Karaka, Hobsonville, New Plymouth and Trentham (village extension), and had three new care centres in Nelson, Dunedin and Hamilton. We delivered 261 retirement units across the country, up from 209 in the prior year.

"Overall we are happy with the profit growth of 10% on the prior year, particularly as this was achieved whilst opening four new villages and three new care centres. We expect the level of investment in 2014 to support a higher level of earnings growth in the future."

The company saw its fourth year of record occupation right sales, with a 25% increase in the new sales of occupation rights in 2014. Gross new sales of 286 retirement units saw sale proceeds reaching more than NZ\$106 million. This compares with gross new sales of \$79 million in FY13, a 34% increase.

Mr Cook said demand was strong across the portfolio of villages. Summerset was working to meet that demand by supplying new retirement units quickly and had brought development forward in

a number of cases. Mr Cook said the company was well placed to achieve its target of building 300 retirement units in FY15.

The development margin on new retirement units sold increased to 15.7% in 2014, up from 13.2% in the prior year. Development margin achieved in the second half of the 2014 financial year was 16.6%.

"We expect to meet or exceed the development margin target of 17% in the 2015 financial year. This is earlier than we had forecast at the time of our IPO and is driven by better than expected results of in-house development and our continuing reputation as one of New Zealand's leading retirement village operators," Mr Cook said.

During 2014, Summerset received resource consent approval for its Ellerslie and Wigram villages, and commenced construction on its Wigram site. An extension of the existing Karaka site was also announced.

Summerset is working through the planning process for its Lower Hutt village at Boulcott, as well as its Casebrook site in Christchurch, which will make a strong contribution to the city's rebuild. These new sites all contribute to Summerset's land bank of around 1,900 retirement units and 550 care beds. Summerset is also examining potential new sites across the country.

Mr Cook said Summerset's care offering was a key focus for the company.

"The strength of our care offering is central to our ability to meet the needs of our residents and make a positive difference in their lives.

"In 2014 we received a 97% resident satisfaction rating in our villages, and a 93% rating from our care centre residents and their families. These are industry-leading results but we are always seeking ways in which we can improve.

"We are always focusing on enhancing quality in our care offering. To this end, the Board has established a Clinical Governance Committee, and we have also continued to strengthen our quality control, internal audit, clinical oversight and education programmes.

"Our staff all play a key part in making a real difference in the lives of our residents. Last year Summerset increased caregiver wages by between 2.4% and 7.5%, with the higher increases rewarding staff for training and qualifications gained throughout the year. All caregivers with qualifications higher than the entry level received pay increases averaging 7%. This was well above the increase in government funding in the sector. We are committed to being an industry leader in terms of the quality of care we offer," he said.

Summerset chairman Rob Campbell said Summerset continued to grow and perform strongly.

"Demand for our villages is strong across the country and our ability to continue to deliver against this demand, as shown by this year's results, means we are well set up for ongoing future success.

"Summerset is strongly positioned as a major force in this rapidly growing sector, playing a leading role in providing vibrant communities, support and care to older New Zealanders."

Summerset has announced a final 2014 dividend for shareholders of 2.1 cents per share. This brings the total dividend payment for FY14 to 3.5 cents per share, and a total of \$7.6 million. The dividend reinvestment plan will apply to the FY14 final dividend, with a discount of 2% applicable to those shareholders participating in the plan.

ENDS

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. Underlying profit is reconciled to IFRS profit in the results presentation attached to this announcement. 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.

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ABOUT SUMMERSET

- Summerset is a leading nationwide retirement village operator with a focus on providing residents with a continuum of care. The integration of care facilities into Summerset's villages provides residents with the knowledge that care is available for them should their needs change.
- Summerset is the third largest operator, and the second largest developer of retirement villages in New Zealand, with 20 villages across the country. In addition, Summerset has three quality land sites in Casebrook, Ellerslie, and Lower Hutt bringing the total number of sites to 23.
- The company is continually evaluating new sites to support the development of further villages based on demand.
- It provides a range of living options and aged-care facilities and services to 3,000 residents.
- Summerset was named Best Retirement Village Operator in New Zealand and Australia at the Australasian Over-50s Housing Awards in 2010, 2011, 2012 and 2013.
- Summerset's senior management team is led by CEO Julian Cook.
- The Summerset Group has villages in Aotea, Dunedin, 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 2014

SUMMERSET GROUP HOLDINGS LIMITED

24 February 2015





AGENDA

FY14 Result Highlights

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Business Overview

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Financial Results

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Final Dividend

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FY14 RESULT HIGHLIGHTS





FY14 RESULT HIGHLIGHTS

RECORD NEW SALES AND RETIREMENT UNIT DELIVERY HIGHLIGHTS FOR FY14

		FY14 Actual	FY13 Actual	<i>FY14 Actual vs. FY13 Actual *</i>	FY12 Actual
Operational	New sales of occupation rights	286	228	25.4%	167
	Resales of occupation rights	172	174	-1.1%	164
	Total sales	458	402	13.9%	331
	New retirement units delivered	261	209	24.9%	160
Financial (NZ\$000)	Net operating cash flow	110,433	88,590	24.7%	66,254
	Total assets	1,043,189	844,932	23.5%	702,339
	Underlying profit **	24,420	22,154	10.2%	15,223
	Net profit before tax (IFRS)	53,994	31,755	70.0%	14,414
	Net profit after tax (IFRS)	54,173	34,223	58.3%	14,821

* 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



FY14 RESULT HIGHLIGHTS

RECORD NEW SALES AND RETIREMENT UNIT DELIVERY HIGHLIGHTS FOR FY14

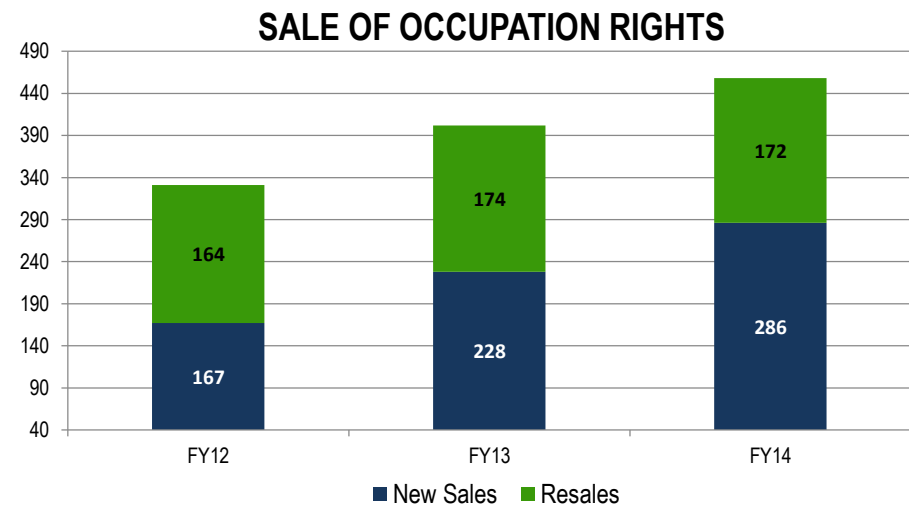
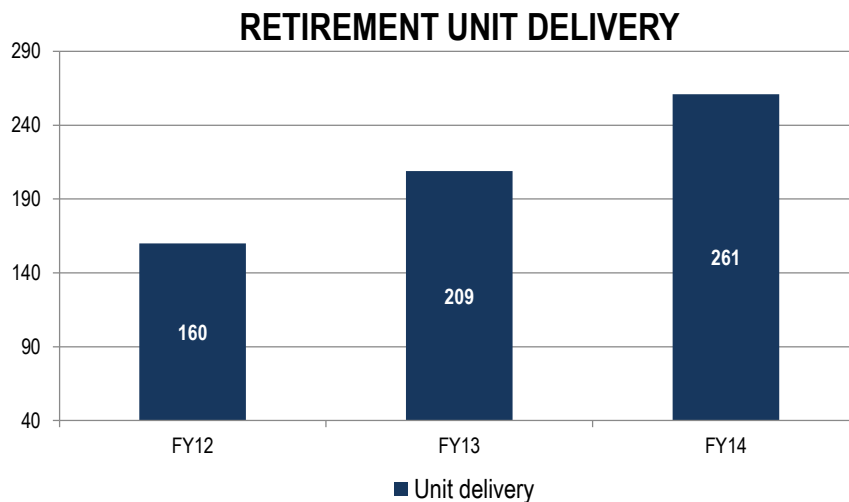
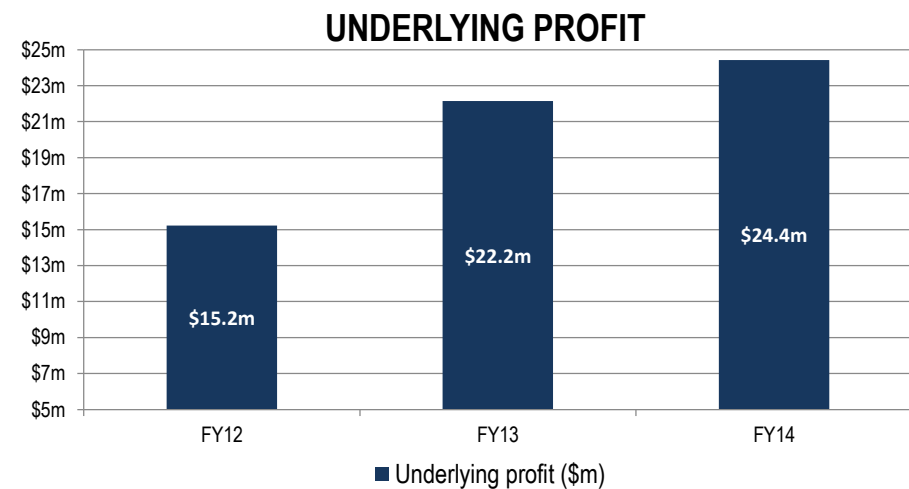
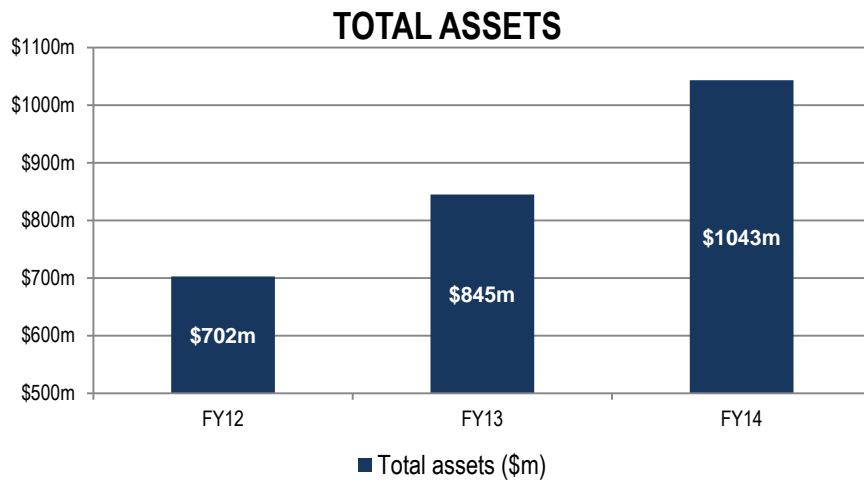
- 261 new retirement units delivered, up 25% on FY13 – on track for delivery of 300 retirement units in FY15
- New sales 25% higher than FY13
- Higher new sales driven by strong sell down right across the portfolio supplemented by the new villages in Karaka, Hobsonville, New Plymouth and the Trentham extension
- Total sales up 14% on FY13
- FY14 underlying profit of \$24.4m up 10% on FY13, despite lower realised resales gains
- Total assets of \$1.0b, up 23% on FY13
- Final dividend of 2.1 cents per share declared, amounting to \$4.6m
- FY14 net profit after tax (NZ IFRS) of \$54.2m up 58% on FY13
- Operating cash flow up 25% on FY13





FY14 RESULT HIGHLIGHTS

STRONG TRENDS CONTINUE ACROSS THE BUSINESS



BUSINESS OVERVIEW





FY14 REVIEW

RECORD UNDERLYING PROFIT IN FY14

- Delivered 261 retirement units in FY14, a record for Summerset, and 25% more than FY13
- On track for delivery of 300 retirement units in FY15
- Karaka, Hobsonville, Trentham extension and New Plymouth villages opened in FY14
- Three new village centres opened in Nelson, Dunedin and Katikati
- Dunedin village completed
- Resource consent approval for Ellerslie and Wigram received
- Commenced construction on the Wigram village - this will open in FY15
- Announced extension of existing Karaka site
- 2014 included additional costs associated with an unusually high volume of new villages opening (four new villages) and new care centres opening (three new care centres)
- Expect 2015 earnings growth to be higher than 2014





SUMMERSET SNAPSHOT

THIRD LARGEST OPERATOR, SECOND LARGEST DEVELOPER

- 2,116 retirement units (villas, apartments and care apartments)
- 485 care beds
- More than 3,000 residents
- 261 retirement units delivered in FY14
- On track for 300 retirement units in FY15
- 20 villages completed or in development
- Three villages yet to be developed





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
- Continued investment and upgrade of existing facilities
- Internal development model embedded
- Nationwide brand offering
- Customer centric philosophy – “we love the life you bring to us”
- Respect for everyday New Zealanders
- New Zealand focus





OPERATIONS AND STAFF

FOCUS ON CLINICAL QUALITY AND STAFF TRAINING

- In 2014 a new Clinical Governance Committee of the Board has been established to further support Summerset's commitment to deliver care of the highest standard, at all times
- Review of our quality programme, to promote consistent quality care across all villages
- Continued Careerforce training programme participation, and qualification attainment
- New role for Head of Clinical Services to continue evolving the Summerset clinical care strategy
- 93% care customer satisfaction – industry leading result
- Summerset increased caregiver wages by between 2.4% and 7.5%, with the higher increases rewarding staff for training and qualifications gained throughout the year

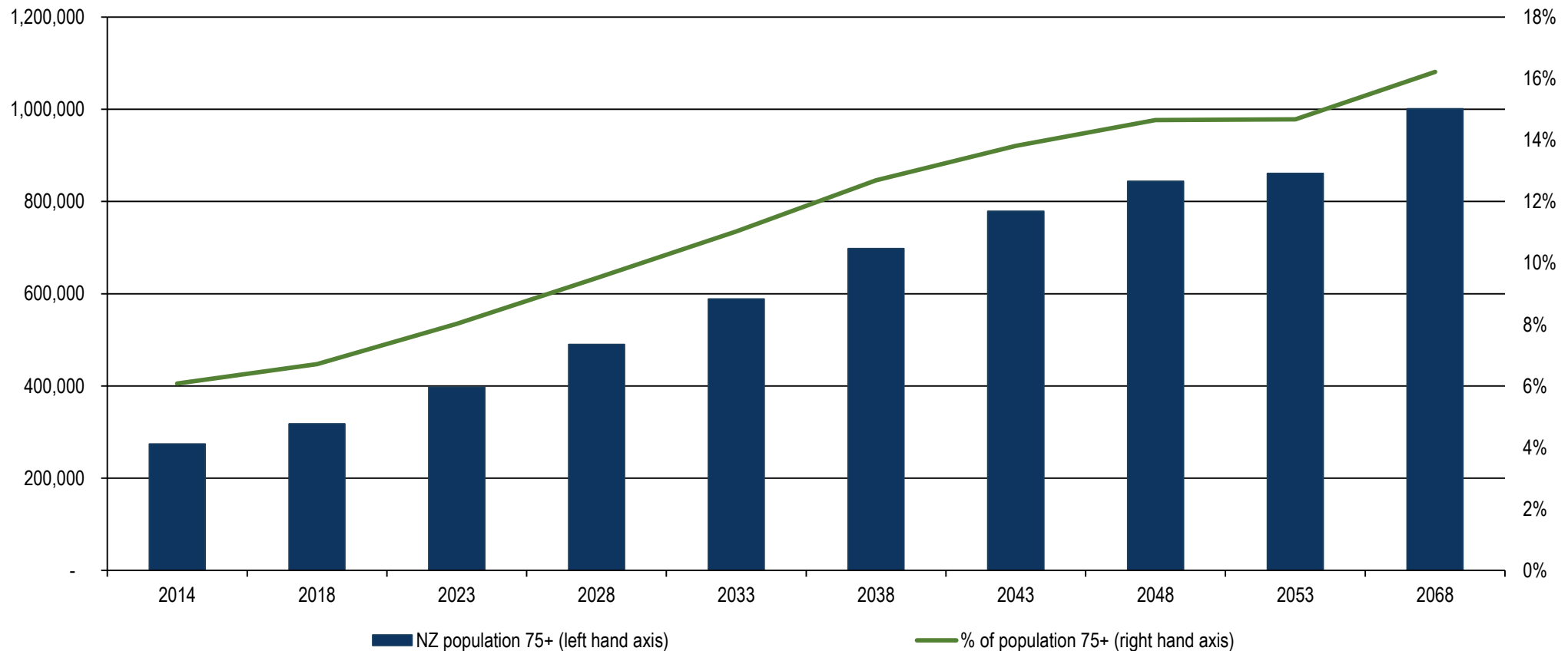




DEMOGRAPHICS

POPULATION OVER 75 YEARS FORECAST TO TRIPLE FROM 2014 TO 2068

POPULATION GROWTH 75 YEARS AND OVER



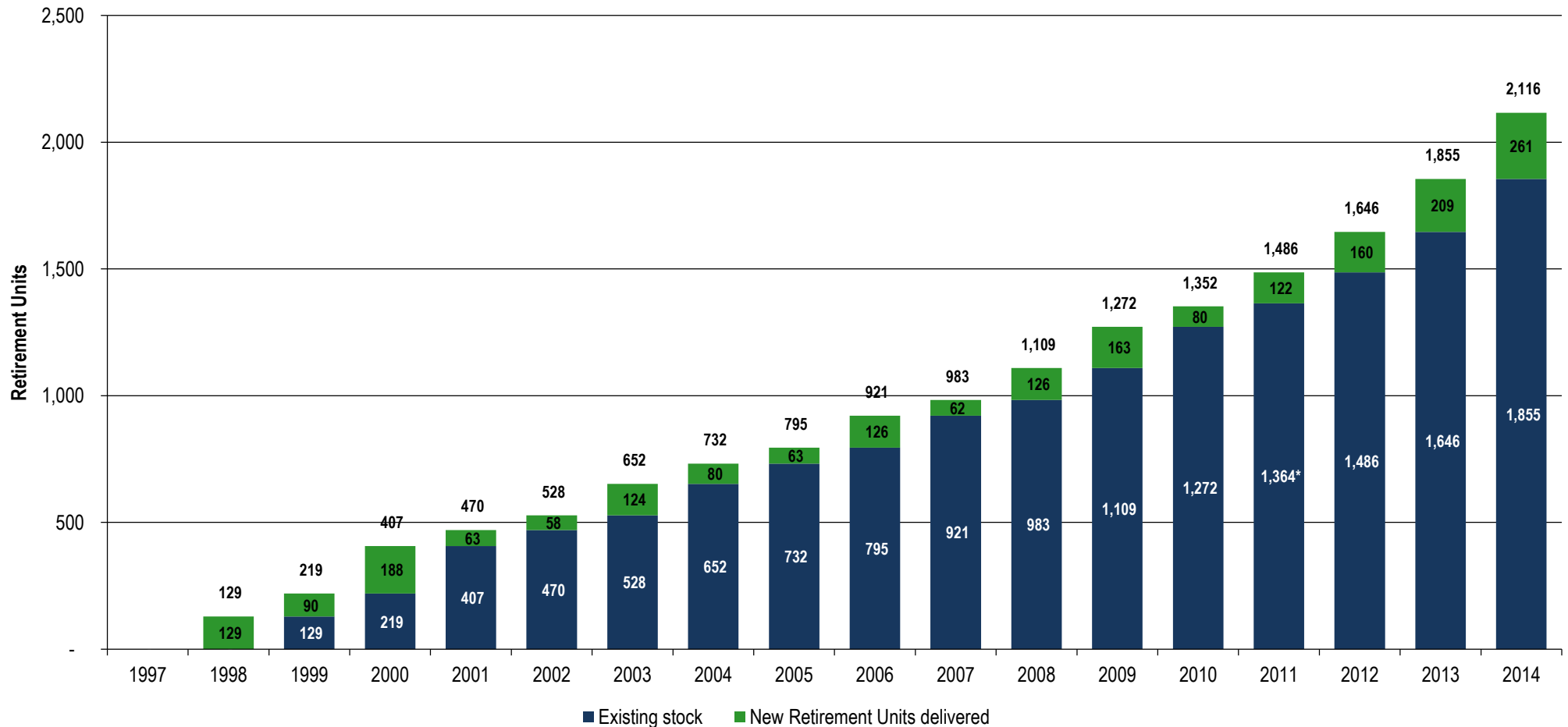
Source: Statistics New Zealand
50th percentile (median)



SUMMERSET GROWTH

17 YEARS OF CONSISTENT DELIVERY AND GROWTH

SUMMERSET BUILD RATE





FY14 DEVELOPMENT ACTIVITY

DELIVERY OF 261 RETIREMENT UNITS IN FY14 ACROSS NINE SITES

- 261 retirement units delivered across nine villages
- Three new villages opened and one existing village extension underway
 - First retirement units in Hobsonville, Karaka and New Plymouth delivered
 - First retirement units in Trentham extension delivered
- Care apartment delivery gaining momentum with units delivered in Dunedin and Nelson
- Large main building programme underway:
 - Recently delivered main buildings in Nelson, Katikati and Dunedin
 - Extensions to the Nelson and Hamilton main buildings under way
 - Build of Hobsonville, Karaka and New Plymouth main buildings commenced
 - Warkworth care apartment extension commenced

Unit Delivery FY14	Villas	Apartments	Care Apartments	Total	Care Beds
Dunedin	-	20	20	40	42
Hamilton	24	-	-	24	-
Hobsonville	36	-	-	36	-
Karaka	27	-	-	27	-
Katikati	24	-	-	24	-
Nelson	-	-	15	57	-
New Plymouth	14	-	-	14	-
Trentham	24	-	-	24	-
Warkworth	15	-	-	15	-
Total	206	20	35	261	42



FY14 DEVELOPMENT ACTIVITY

DELIVERY OF 261 RETIREMENT UNITS IN FY14 ACROSS NINE SITES

Hamilton



Karaka



Trentham



Warkworth



Nelson



Katikati





FY14 DEVELOPMENT ACTIVITY

DELIVERY OF 261 RETIREMENT UNITS IN FY14 ACROSS 9 SITES

Trentham



New Plymouth



Warkworth



Hobsonville



New Plymouth



Dunedin





FUTURE DEVELOPMENT

LAND BANK OF 1,881 RETIREMENT UNITS AND 556 CARE BEDS

- Land bank of 1,881 retirement units spread across brownfield and greenfield sites
- Additional pipeline of 556 care beds across existing sites. Delivery of these future care beds will more than double the current level of Summerset care beds available
- Build target remains 300 retirement units by 2015
- Land bank provides in excess of six years of supply at build rate target

	Land Bank - as at 31 December 2014 *				
	Villas	Apartments	Care Apartments	Total Retirement Units	Care Beds
Casebrook	179	-	53	232	49
Ellerslie	62	147	43	252	80
Hamilton	85	-	25	110	46
Hobsonville	89	70	30	189	90
Karaka	167	24	20	211	49
Katikati	109	-	20	129	49
Lower Hutt	42	96	43	181	49
Nelson	38	-	25	63	46
New Plymouth	94	-	40	134	49
Trentham	115	-	20	135	-
Warkworth	-	-	36	36	-
Wigram	156	-	53	209	49
Total	1,136	337	408	1,881	556

* Land bank reflects current intentions as at 31 December 2014

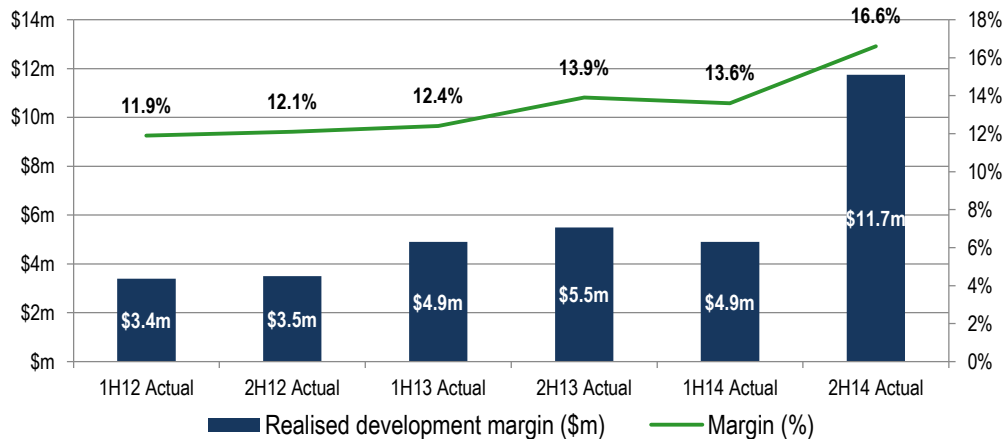


DEVELOPMENT MARGIN

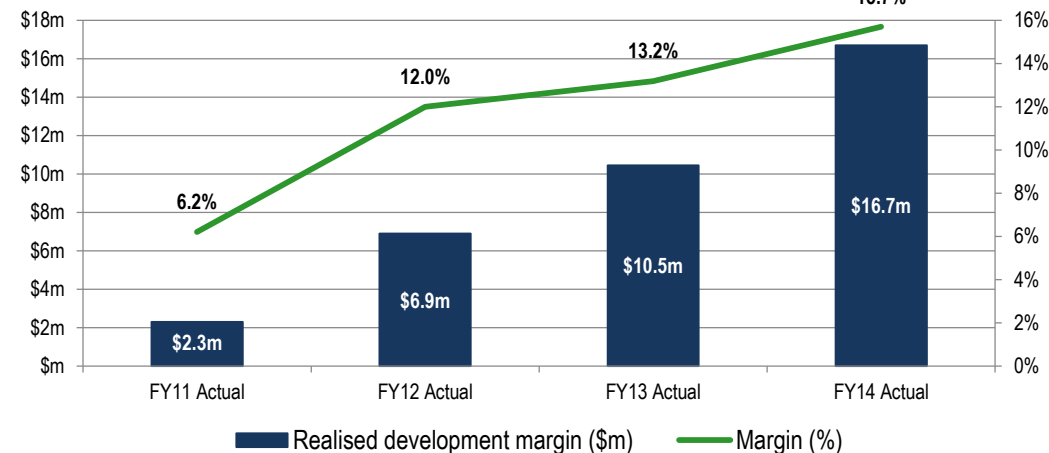
STRONG PERFORMANCE IN REALISED DEVELOPMENT MARGIN

- Development margin of \$16.7m, and 15.7%, in FY14, up 60% on FY13
- Strong 2H14 development margin of 16.6%
- We expect to achieve a FY15 development margin of 17%

DEVELOPMENT MARGIN – HALF ON HALF MARGINS



DEVELOPMENT MARGIN – FULL YEAR MARGINS





NEW SALES OF OCCUPATION RIGHTS

NEW SALES GROSS PROCEEDS UP 34% ON FY13 TO \$106M

- FY14 lift in sales associated with continued build programme and new villages opening
- Over the last two years, annual sale rates have lifted 71%
- New sale gross proceeds surpass \$100m in FY14, a \$27m increase in proceeds relative to 2013
- New sales of occupation rights up versus FY13:
 - Villas: 237, up 16% on FY13
 - Apartments: 20, up 11% on FY13
 - Care apartments: 29, up 383% on FY13

	FY14 Actual	FY13 Actual	FY14 Actual vs. FY13 Actual *	FY12 Actual
Gross proceeds (\$000)	106,252	79,274	34.0%	57,739
Villas	237	204	16.2%	117
Apartments	20	18	11.1%	36
Care apartments	29	6	383.3%	14
Total occupation rights	286	228	25.4%	167

* Percentage movements based on unrounded amounts

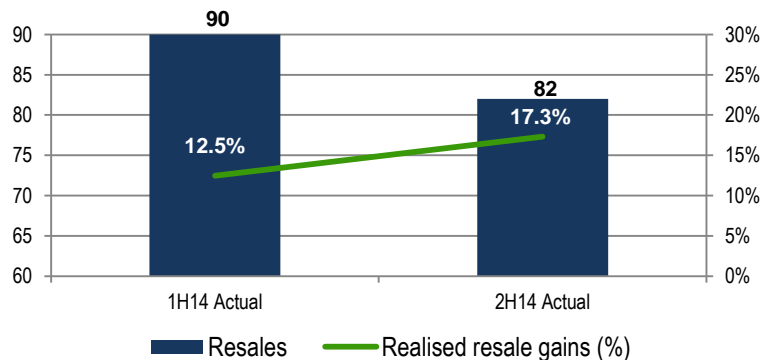


RESALES OF OCCUPATION RIGHTS

RESALES OF 172 OCCUPATION RIGHTS IN FY14

- Gross proceeds of \$54.9m, up 6% on FY13
- Occupation rights resold: 172, down 1% on FY13
- Higher proportion of apartments sold FY14 relative to FY13 – up 50%
- Lower average resale gains per unit associated with higher mix of both newer villages and shorter tenure
- 26 resale occupation rights available for sale at 31 December 2014

REALISED RESALE GAINS AND VOLUME – HALF ON HALF



	FY14 Actual	FY13 Actual	FY14 Actual vs. FY13 Actual *	FY12 Actual
Gross proceeds (\$000)	54,854	51,602	6.3%	44,514
Realised resale gains (\$000)	8,090	9,671	-16.3%	9,073
Realised resale gains (%)	14.7%	18.7%	-	20.4%
DMF realisation (\$000)	6,165	6,199	-0.5%	5,215
Villas	99	105	-5.7%	93
Apartments	51	34	50.0%	38
Care apartments	22	35	-37.1%	33
Total occupation rights	172	174	-1.1%	164

* Percentage movements based on unrounded amounts

A photograph of an elderly couple smiling. The woman on the left has short grey hair, wears glasses, a dark top, and a blue beaded necklace. The man on the right has thinning grey hair and wears a striped shirt under a dark sweater. They are standing in a room with a doorway and a lamp visible in the background. A dark blue rectangular overlay covers the lower half of the image, containing the text 'FINANCIAL RESULTS' and the Summerset logo.

FINANCIAL RESULTS





FY14 REPORTED PROFIT (IFRS)

NET PROFIT AFTER TAX UP 58% VERSUS FY13

- NPAT up \$20m relative to FY13
- FY14 total revenue up 20% versus FY13
- FY14 total expenses up 24% versus FY13
- 2014 expenses include higher operating costs associated with both new villages and opening of care facilities
- Fair value movement of investment property up 77% versus FY13 reflecting:
 - Increases in Summerset occupation right agreement prices throughout the year, driven by both general property market conditions and Summerset specific pricing reviews
 - Strong sell down rates and low vacant stock levels across the portfolio

NZ (\$000)	FY14 Actual	FY13 Actual	FY14 Actual vs. FY13 Actual *	FY12 Actual
Total revenue	54,285	45,208	20.1%	38,120
Reversal of impairment on land and buildings	1,882	-	-	-
Fair value movement of investment property	52,481	29,722	76.6%	15,128
Total income	108,648	74,930	45.0%	53,248
Total expenses	47,819	38,566	24.0%	33,938
Net finance costs	6,835	4,609	48.3%	4,896
Net profit before tax	53,994	31,755	70.0%	14,414
Tax credit	(179)	(2,468)	-92.7%	(407)
Net profit after tax	54,173	34,223	58.3%	14,821

* Percentage movements based on unrounded amounts

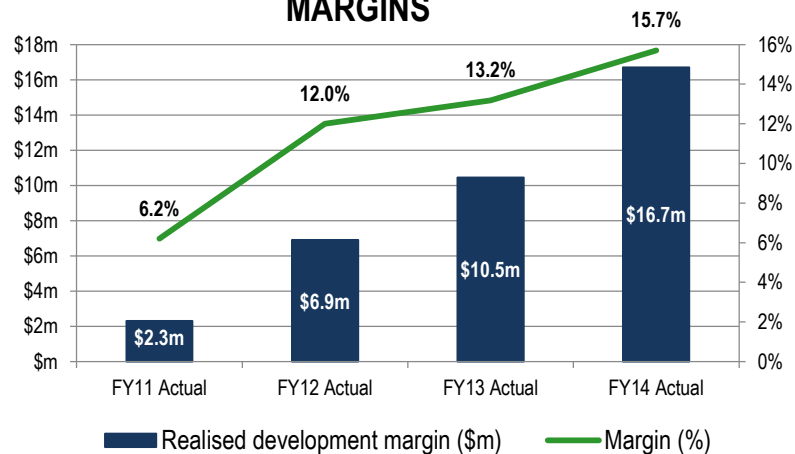


FY14 UNDERLYING PROFIT

REALISED DEVELOPMENT MARGIN UP 60% ON FY13

- Record underlying profit of \$24.4m, up 10% on FY13
- Record development margin achieved in FY14, with an additional \$6.2m of revenue generated
- All new sites across the group contributing to strong development margin

DEVELOPMENT MARGIN – FULL YEAR MARGINS



NZ (\$000)	FY14 Actual	FY13 Actual	FY14 Actual vs. FY13 Actual *	FY12 Actual
Reported profit after tax	54,173	34,223	58.3%	14,821
Less fair value movement of investment property	(52,481)	(29,722)	76.6%	(15,128)
Reversal of impairment on land and buildings	(1,882)	-	-	-
Add realised gain on resales	8,090	9,671	-16.3%	9,073
Add realised development margin	16,699	10,450	59.8%	6,864
Less deferred tax credit	(179)	(2,468)	-92.7%	(407)
Underlying profit	24,420	22,154	10.2%	15,223

* 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.



FY14 CASH FLOWS

SUBSTANTIAL INVESTMENT IN NEW VILLAGE BUILDS

- Net operating cash flow of \$110.4m for FY14, up 25% on FY13
- Strong investment in new villages continued in FY14

NZ (\$000)	FY14 Actual	FY13 Actual	FY14 Actual vs. FY13 Actual *	FY12 Actual
Care fees and village services	36,211	31,797	13.9%	27,391
Interest received	307	209	46.9%	159
Payments to suppliers and employees	(42,023)	(36,910)	13.9%	(32,541)
Net receipts for resident loans	115,938	93,494	24.0%	71,245
Net operating cash flow	110,433	88,590	24.7%	66,254
Acquisition of PPE & IP	(139,830)	(108,070)	29.4%	(75,017)
Other investing cash flows	(2,240)	(1,463)	53.1%	(1,903)
Net investing cash flow	(142,070)	(109,533)	29.7%	(76,920)
Proceeds from bank loans	45,551	27,109	68.0%	9,041
Dividends paid	(10,035)	(5,342)	87.9%	-
Proceeds from issue of shares	4,431	3,705	19.6%	-
Other financing cash flows	(6,464)	(4,270)	51.4%	(4,577)
Net financing cash flows	33,483	21,202	57.9%	4,464
Net increase in cash	1,846	259	612.7%	(6,202)

* Percentage movements based on unrounded amounts

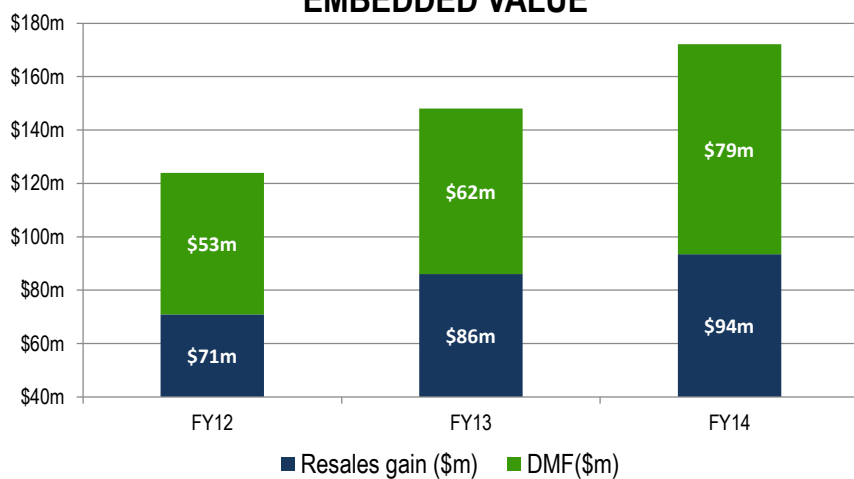


FY14 BALANCE SHEET

TOTAL ASSETS OF \$1.0B, UP 23% FROM \$845M IN FY13

- Total assets have reached a milestone of \$1.0b, up 23% on FY13
- Investment property valuation of \$958m, up 23% on FY13
- Other assets include land and buildings (primarily care facilities)
- Embedded value of \$172m, \$81k per retirement unit, as at 31 December 2014:
 - \$94m resales gain
 - \$79m deferred management fee

EMBEDDED VALUE



NZ (\$000)	FY14 Actual	FY13 Actual	FY14 Actual vs. FY13 Actual *	FY12 Actual
Investment property	958,171	776,637	23.4%	644,506
Other assets	85,018	68,295	24.5%	57,833
Total assets	1,043,189	844,932	23.5%	702,339
Residents' loans	513,683	414,226	24.0%	336,133
Bank loans	150,819	105,268	43.3%	78,162
Other liabilities	46,417	43,526	6.6%	39,250
Total liabilities	710,919	563,020	26.3%	453,545
Net assets	332,270	281,912	17.9%	248,794
Embedded value	172,131	147,326	16.8%	124,123
NTA (cents per share)	153	131	16.8%	116

* Percentage movements based on unrounded amounts

FINAL DIVIDEND





FY14 FINAL DIVIDEND

SUMMERSET BOARD DECLARES FY14 FINAL DIVIDEND

- The Summerset Board have declared a final dividend of 2.1 cents per share, unimputed
- This represents a total pay-out for the second half of 2014 of approximately \$4.6m
- Total dividends paid for the 2014 year (interim and final) are 3.5 cents per share, being approximately \$7.6m
- The dividend reinvestment plan (DRP) will apply to this dividend enabling shareholders to take shares in lieu of the cash dividend
- A discount of 2% will be applied when determining the price per share of shares issued under the DRP
- Eligible investors wishing to take up the DRP must register by 5pm NZT on Wednesday the 11th of March 2015. Any applications received on or after this time will be applied to subsequent dividends
- The final dividend will be paid on Wednesday the 25th of March 2015. The record date for final determination of entitlements to the interim dividend is Tuesday the 10th of March 2015



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





PORTFOLIO AS AT 31 DECEMBER 2014

2,116 RETIREMENT UNITS AND 485 CARE BEDS

	Existing Portfolio – as at 31 December 2014				
	Villas	Apartments	Care Apartments	Total Retirement Units	Care Beds
Aotea	96	33	38	167	-
Dunedin	61	20	20	101	41
Hamilton	98	-	10	108	30
Hastings	146	5	-	151	-
Havelock North	94	28	-	122	41
Hobsonville	36	-	-	36	-
Karaka	27	-	-	27	-
Katikati	47	-	-	47	-
Levin	64	22	-	86	28
Manukau	89	67	27	183	52
Napier	94	26	20	140	48
Nelson	176	-	15	191	42
New Plymouth	14	-	-	14	-
Palmerston North	90	12	-	102	43
Paraparaumu	92	22	-	114	41
Taupo	94	34	18	146	-
Trentham	116	12	20	148	41
Wanganui	70	18	12	100	37
Warkworth	123	2	8	133	41
Total	1,627	301	188	2,116	485



LAND BANK AS AT 31 DECEMBER 2014

LAND BANK OF 1,881 RETIREMENT UNITS AND 556 CARE BEDS

	Land Bank - as at 31 December 2014 *				
	Villas	Apartments	Care Apartments	Total Retirement Units	Care Beds
Casebrook	179	-	53	232	49
Ellerslie	62	147	43	252	80
Hamilton	85	-	25	110	46
Hobsonville	89	70	30	189	90
Karaka	167	24	20	211	49
Katikati	109	-	20	129	49
Lower Hutt	42	96	43	181	49
Nelson	38	-	25	63	46
New Plymouth	94	-	40	134	49
Trentham	115	-	20	135	-
Warkworth	-	-	36	36	-
Wigram	156	-	53	209	49
Total	1,136	337	408	1,881	556

* Land bank reflects current intentions as at 31 December 2014



SUMMERSET GROUP HOLDINGS LIMITED

Financial Statements

For the year ended 31 December 2014

Directors' Statement

The directors of Summerset are pleased to present to shareholders the financial statements of Summerset Group Holdings Limited and its subsidiaries (the "Group") for the year ended 31 December 2014.

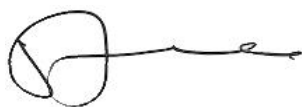
The directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Group as at 31 December 2014 and the results of the Group's operations and cash flows for the year ended 31 December 2014.

The directors consider the financial statements of the Group have been prepared using appropriate accounting policies which have been consistently applied and supported by reasonable and prudent judgments and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The financial statements were authorised for issue for and on behalf of the Board on 23 February 2015 by:



Rob Campbell
Director and Chairman



James Ogden
Director and Chairman of the Audit Committee

Summerset Group Holdings Limited
Income Statement
For the year ended 31 December 2014

	NOTE	GROUP		COMPANY	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
Care fees and village services		37,452	30,724	-	-
Deferred management fees		16,526	14,275	-	-
Interest received		307	209	-	-
Total revenue		54,285	45,208	-	-
Reversal of impairment on land and buildings	6	1,882	-	-	-
Fair value movement of investment property	7	52,481	29,722	-	-
Total income		108,648	74,930	-	-
Operating expenses	2	45,279	36,981	163	62
Depreciation expense	6	2,540	1,585	-	-
Total expenses		47,819	38,566	163	62
Operating profit/(loss) before financing costs		60,829	36,364	(163)	(62)
Net finance costs	3	6,835	4,609	-	-
Profit/(loss) before income tax		53,994	31,755	(163)	(62)
Income tax credit	4	(179)	(2,468)	-	-
Profit/(loss) for the period		54,173	34,223	(163)	(62)
Basic earnings per share (cents)	14	25.16	15.99		
Diluted earnings per share (cents)	14	24.94	15.87		
Net tangible assets per share (cents)	14	153.33	131.24		

Statement of Comprehensive Income
For the year ended 31 December 2014

	NOTE	GROUP		COMPANY	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
Profit/(loss) for the period		54,173	34,223	(163)	(62)
Fair value movement of interest rate swaps		(1,628)	1,417	-	-
Tax on items of other comprehensive income	4	455	(397)	-	-
Other comprehensive income which will be reclassified subsequently to profit or loss for the period net of tax		(1,173)	1,020	-	-
Fair value movement of land and buildings	6	5,053	-	-	-
Tax on items of other comprehensive income	4	(1,514)	-	-	-
Other comprehensive income which will not be reclassified subsequently to profit or loss for the period net of tax		3,539	-	-	-
Total comprehensive income/(loss) for the period		56,539	35,243	(163)	(62)

All profit and total comprehensive income is attributable to Parent Company shareholders and is from continuing operations.

The accompanying notes form part of these financial statements.

Summerset Group Holdings Limited
Statement of Changes in Equity
For the year ended 31 December 2014

Group

	SHARE CAPITAL \$000	HEDGING RESERVE \$000	REVALUATION RESERVE \$000	MAINTENANCE RESERVE \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
As at 1 January 2013	233,875	(577)	7,504	47	7,945	248,794
Profit for the period	-	-	-	-	34,223	34,223
Other comprehensive income for the period	-	1,020	-	-	-	1,020
Total comprehensive income for the period	-	1,020	-	-	34,223	35,243
Transfer(from)/to maintenance reserve	-	-	-	(47)	47	-
Dividends paid	-	-	-	-	(5,342)	(5,342)
Shares issued	3,155	-	-	-	-	3,155
Employee share plan option cost	62	-	-	-	-	62
At 31 December 2013	237,092	443	7,504	-	36,873	281,912
As at 1 January 2014	237,092	443	7,504	-	36,873	281,912
Profit for the period	-	-	-	-	54,173	54,173
Other comprehensive income for the period	-	(1,173)	3,539	-	-	2,366
Total comprehensive income for the period	-	(1,173)	3,539	-	54,173	56,539
Dividends paid	-	-	-	-	(10,035)	(10,035)
Shares issued	3,691	-	-	-	-	3,691
Employee share plan option cost	163	-	-	-	-	163
At 31 December 2014	240,946	(730)	11,043	-	81,011	332,270

Company

	SHARE CAPITAL \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
As at 1 January 2013	233,875	(36,619)	197,256
Loss for the period	-	(62)	(62)
Total comprehensive income for the period	-	(62)	(62)
Dividends paid	-	(5,370)	(5,370)
Shares issued	4,280	-	4,280
Employee share plan option cost	62	-	62
At 31 December 2013	238,217	(42,051)	196,166
As at 1 January 2014	238,217	(42,051)	196,166
Loss for the period	-	(163)	(163)
Total comprehensive income for the period	-	(163)	(163)
Dividends paid	-	(10,075)	(10,075)
Shares issued	3,916	-	3,916
Employee share plan option cost	163	-	163
At 31 December 2014	242,296	(52,289)	190,007

The accompanying notes form part of these financial statements.

Summerset Group Holdings Limited
Statement of Financial Position
As at 31 December 2014

		GROUP		COMPANY	
	NOTE	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Assets					
Cash and cash equivalents	16(a)	4,890	3,044	-	-
Trade and other receivables	5	13,685	10,313	-	-
Interest rate swaps	12	-	615	-	-
Intercompany loan receivable	17	-	-	60,634	66,238
Investments in subsidiaries	20	-	-	126,570	126,570
Limited recourse loans	15,17	1,520	2,260	8,002	6,482
Property, plant and equipment	6	63,559	51,421	-	-
Intangible assets		1,364	642	-	-
Investment property	7	958,171	776,637	-	-
Total assets		1,043,189	844,932	195,206	199,290
Liabilities					
Trade and other payables	8	13,462	16,926	5,199	3,124
Employee benefits	9	2,548	2,048	-	-
Revenue received in advance		15,237	11,275	-	-
Interest rate swaps	12	1,013	-	-	-
Residents' loans	10	513,683	414,226	-	-
Interest-bearing loans and borrowings	11	150,819	105,268	-	-
Deferred tax liability	4	14,157	13,277	-	-
Total liabilities		710,919	563,020	5,199	3,124
Net assets		332,270	281,912	190,007	196,166
Equity					
Share capital	13	240,946	237,092	242,296	238,217
Reserves	13	10,313	7,947	-	-
Retained Earnings		81,011	36,873	(52,289)	(42,051)
Total equity attributable to shareholders		332,270	281,912	190,007	196,166

The accompanying notes form part of these financial statements.

Summerset Group Holdings Limited
Statement of Cash Flows
For the year ended 31 December 2014

	NOTE	GROUP		COMPANY	
		2014	2013	2014	2013
		\$000	\$000	\$000	\$000
Cash flows from operating activities					
Receipts from residents for care fees and village services		36,211	31,797	-	-
Interest received		307	209	-	-
Payments to suppliers and employees		(42,023)	(36,910)	-	-
Receipts for residents' loans		159,167	129,447	-	-
Repayment of residents' loans		(43,229)	(35,953)	-	-
Net cash flow from operating activities	16(b)	110,433	88,590	-	-
Cash flows from investing activities					
Purchase and construction of investment property		(130,725)	(97,109)	-	-
Purchase and construction of property, plant and equipment		(9,105)	(10,961)	-	-
Purchase of intangibles		(333)	(292)	-	-
Capitalised interest paid		(1,907)	(1,171)	-	-
Net cash flow from investing activities		(142,070)	(109,533)	-	-
Cash flows from financing activities					
Net proceeds from borrowings		45,551	27,109	-	-
Repayment of limited recourse loans		740	-	-	-
Proceeds from issue of shares		3,691	3,705	-	-
Interest paid on borrowings		(6,464)	(4,270)	-	-
Dividends paid		(10,035)	(5,342)	-	-
Net cash flow from financing activities		33,483	21,202	-	-
Net increase in cash and cash equivalents		1,846	259	-	-
Cash and cash equivalents at beginning of period		3,044	2,785	-	-
Cash and cash equivalents at end of period	16(a)	4,890	3,044	-	-

The accompanying notes form part of these financial statements.

Summerset Group Holdings Limited
Notes to the Financial Statements
For the year ended 31 December 2014

1. Summary of accounting policies

Statement of Compliance

Summerset Group Holdings Limited (the "Company") is a Tier 1 for-profit listed public company incorporated and domiciled in New Zealand and is registered under the Companies Act 1993.

The financial statements presented for the year ended 31 December 2014 are those of Summerset Group Holdings Limited and its subsidiaries ("the Group"). The Group develops, owns and operates integrated retirement villages, rest homes and hospitals for the elderly within New Zealand. The Group is a reporting entity for the purposes of the Financial Reporting Act 1993 and these financial statements comply with that Act.

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards ("IFRS"), and other applicable financial reporting standards as appropriate for profit-oriented entities.

Basis of Preparation

These financial statements have been prepared on the historical cost basis with the exception of the items noted below.

- Interest rate swaps – see Note 12
- Investment property – see Note 7
- Land and buildings – see Note 6
- Limited recourse loans – see Accounting policy 1(i)

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

All monetary values are presented in thousands of New Zealand dollars, which is the Group's functional currency, unless otherwise noted.

Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable given relevant circumstances, the results of which form the basis of making the judgements. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Deferred management fee – Accounting policy 1(b)
- Interest rate swaps – Note 12
- Revenue in advance – Accounting policy 1(l)
- Valuation of investment property – Note 7
- Valuation of land and buildings – Note 6

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation

The Group financial statements are prepared by consolidating the financial statements of all entities that comprise the Group, being Summerset Group Holdings Limited and its subsidiaries as defined in *NZ International Financial Reporting Standard ("NZ IFRS") -10 : Consolidated Financial Statements*. A list of subsidiaries appears in Note 20. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements. All intercompany transactions and balances, and unrealised profits arising within the Group are eliminated in full. Investments in subsidiaries are recorded at cost less any adjustment for impairment.

(b) Revenue recognition

(i) Services

When the outcome of a contract to provide services can be estimated reliably, revenue is recognised by reference to the percentage of the services performed, specifically:

Deferred management fees

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 industry averages are estimated to be seven to eight years for villas, five years for apartments and three years for care apartments.

Care fees and residents' levies

Care fees and residents' levies are recognised over the period in which the service is rendered.

(ii) Interest received

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

(c) 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, care apartments and common facilities in the retirement village. Investment properties include buildings under development. Initial recognition of investment property is at cost and 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 purchase.

Rental income from investment property, being deferred management fees, is accounted for as described in accounting policy 1(b). Depreciation is not charged on investment property.

(d) Property, plant and equipment

Property, plant and equipment comprises care facilities, both complete and under development, and corporate assets held.

Recognition and measurement

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.

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

Subsequent to initial recognition, land and buildings 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.

Capitalisation of borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, 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.

Depreciation

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%
- Furniture and fittings 9% to 30%
- Motor vehicles 20% to 36%
- Plant and equipment 8% to 80%

(e) 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, with the exception of licences, which are depreciated on a straight-line basis. The major amortisation rate is as follows:

- Software 48% to 60%

(f) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised as an expense, unless the asset is carried at fair value in which case the impairment loss is treated as a revaluation decrease.

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to its recoverable amount, to the extent that the increased recoverable amount does not exceed the carrying amount that would have been determined prior to any impairment loss. A reversal of an impairment loss is recognised as income, unless the asset is carried at fair value in which case the impairment loss is treated as a revaluation increase.

(i) Trade receivables

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.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Leased assets (Group as lessee)

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are expensed on a straight-line basis over the life of the lease. Other leases are treated as operating leases and the leased assets are not recognised on the Group's balance sheet.

(h) Occupation right agreements

An occupation right agreement confers a right of occupancy to a villa, apartment or serviced apartment. For occupation right agreements issued prior to September 2006, consideration received on the grant of an occupation right agreement is split between a resident loan and deferred management fee according to the terms of the occupation right agreement. The amount of the consideration allocated to the resident loan is 75%, 80% or 82% (depending on the terms of the occupation right agreement) and the remainder is allocated to the deferred management fee. From September 2006 the consideration received is allocated to the resident loan payment in full. Refer to accounting policy 1(i) with respect to residents' loans and deferred management fee liability.

(i) Financial instruments

(i) Financial risk management objectives and policies

The Group's principal financial instruments comprise loans and borrowings, residents' loans, unamortised deferred management fee liability and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also holds other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed below.

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control of substantially all the risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(ii) Non-derivative financial instruments

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity of three months or less. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables

Trade and other receivables are stated at amortised cost, being their cost less impairment losses.

Investment in subsidiaries

Investment in subsidiaries is stated at cost less any impairment.

Limited recourse loans

All limited recourse loans have been designated as fair value through profit or loss in order to manage an accounting mismatch.

Intercompany loans

Intercompany loans are recorded at amortised cost, as they are interest free and repayable on demand.

Trade and other payables

Trade and other payables are carried at amortised cost with the exception of liabilities for puttable shares. Due to their short-term nature they are not discounted.

Liabilities for puttable shares are designated as fair value through profit or loss in order to manage an accounting mismatch.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recorded at amortised cost, with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

Residents' loans and deferred management fee receivable

Residents' loans are amounts payable under occupation right agreements, as described in accounting policy 1(h). 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 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.

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

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 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 accounting policy 1(b) for further detail on recognition of deferred management fee revenue.

(iii) Derivative financial instruments

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.

(iv) Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(j) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is made for benefits accruing to employees in respect of wages, salaries, annual leave, bonuses and profit-sharing plans when it is probable that settlement will be required and the amount can be estimated reliably.

(k) Share-based payments

Selected employees of the Group receive remuneration in the form of share-based payments. Equity-settled share-based payments 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.

(l) Revenue in advance

Revenue in advance comprises those amounts by which the amortisation of deferred management fees over the contractual period exceeds the amortisation of the deferred management fee based on estimated tenure. Refer to accounting policy 1(b) for estimated tenure details.

(m) Expenses

Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Interest expense

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

(n) Income tax

Income tax comprises current and deferred tax and is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Notes to the Financial Statements (continued)

1. Summary of accounting policies (continued)

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is provided using the comprehensive balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, unless they arise on a business combination, are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

(o) GST

All amounts are shown exclusive of goods and services tax ("GST"), other than trade debtors and trade creditors, except where the amount of GST incurred is not recoverable from the taxation authority. When this occurs the GST is recognised as part of the cost of the asset or as an expense, as applicable.

(p) Comparative information

Where necessary, comparative figures have been restated to correspond with current year classifications.

(q) New standards and interpretations not yet adopted

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 2014 are outlined below:

NZ IFRS 9 - Financial Instruments

This standard will replace *NZ IAS 39 – Financial Instruments: Recognition and Measurement* and will specify how an entity should classify and measure financial assets and financial liabilities and amends the rules for hedge accounting. Whilst there may be some disclosure changes, the impact of this standard is not considered to be significant for the Group.

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 impact of this standard has not been assessed.

Notes to the Financial Statements (continued)

2. Operating expenses

	GROUP		COMPANY	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Employee expenses	20,998	16,271	163	62
Property-related expenses	7,157	6,363	-	-
Other operating expenses	17,124	14,347	-	-
Total operating expenses	45,279	36,981	163	62

Other operating expenses include:

	GROUP		COMPANY	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Remuneration paid to auditors:				
Audit and review of financial statements	180	170	-	-
Other services (assurance)	-	27	-	-
Amortisation of intangibles	357	337	-	-
Donations	6	6	-	-
Impairment on furniture and fittings	445	-	-	-
Rent	423	421	-	-

Other services (assurance) in 2013 relate to an information privacy and security review.

3. Net finance costs

	GROUP		COMPANY	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Interest on bank loans and related fees	7,959	5,536	-	-
Interest on swaps	592	679	-	-
Capitalised finance costs	(1,750)	(1,483)	-	-
Fair value movement of derivatives designated as fair value through profit or loss	-	(152)	-	-
Finance charges on finance leases	34	29	-	-
Net finance costs	6,835	4,609	-	-

Notes to the Financial Statements (continued)

4. Income tax

(a) Income tax recognised in income statement

	GROUP		COMPANY	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Tax expense comprises:				
Current tax expense	-	-	-	-
Deferred tax relating to the origination and reversal of temporary differences	(179)	(2,468)	-	-
Total tax credit reported in income statement	(179)	(2,468)	-	-

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:

Group

	2014		2013	
	\$000	%	\$000	%
Profit before tax	53,994		31,755	
Income tax using the corporate tax rate	15,118	28.0%	8,891	28.0%
Capitalised interest	(490)	(0.9%)	(415)	(1.4%)
Other non-deductible expenses	69	0.1%	82	0.3%
Non-assessable investment property revaluations	(14,695)	(27.2%)	(8,322)	(26.2%)
Prior period losses recognised as a deferred tax asset	-	-	(2,755)	(8.7%)
Other	405	0.8%	51	0.2%
Prior period adjustments	(586)	(1.1%)	-	-
Total income tax credit	(179)	(0.3%)	(2,468)	(7.8%)

Company

	2014		2013	
	\$000	%	\$000	%
Loss before tax	(163)		(62)	
Income tax using the corporate tax rate	(46)	28.0%	(17)	28.0%
Other non-deductible expenses	46	(28.0%)	17	(28.0%)
Total income tax expense	-	-	-	-

Notes to the Financial Statements (continued)

4. Income tax (continued)

(b) Amounts charged or credited to other comprehensive income

	GROUP		COMPANY	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Tax expense comprises:				
Net gain on revaluation of buildings	1,514	-	-	-
Fair value movement of interest rate swaps	(455)	397	-	-
Total tax expense reported in statement of comprehensive income	1,059	397	-	-

(c) Imputation credit account

There were no imputation credits received or paid during the year and the balance at 31 December 2014 is nil (2013: nil).

(d) Deferred tax

The deferred tax balance comprises:

	GROUP		COMPANY	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Property, plant and equipment	9,764	7,604	-	-
Investment property	12,248	11,310	-	-
Revenue in advance	(4,266)	(3,157)	-	-
Interest rate swaps	(283)	172	-	-
Income tax losses not yet utilised	(2,754)	(2,198)	-	-
Other items	(552)	(454)	-	-
Net deferred tax liability	14,157	13,277	-	-

Movement in the deferred tax balance comprises:

	BALANCE 1 JAN 2014 \$000	RECOGNISED IN INCOME \$000	RECOGNISED IN OCI* \$000	BALANCE 31 DEC 2014 \$000
Property, plant and equipment	7,604	646	1,514	9,764
Investment property	11,310	938	-	12,248
Revenue in advance	(3,157)	(1,109)	-	(4,266)
Interest rate swaps	172	-	(455)	(283)
Income tax losses not yet utilised	(2,198)	(556)	-	(2,754)
Other items	(454)	(98)	-	(552)
Net deferred tax liability	13,277	(179)	1,059	14,157

	BALANCE 1 JAN 2013 \$000	RECOGNISED IN INCOME \$000	RECOGNISED IN OCI* \$000	BALANCE 31 DEC 2013 \$000
Property, plant and equipment	7,771	(167)	-	7,604
Investment property	10,832	478	-	11,310
Revenue in advance	(2,628)	(529)	-	(3,157)
Interest rate swaps	(267)	42	397	172
Income tax losses not yet utilised	-	(2,198)	-	(2,198)
Other items	(360)	(94)	-	(454)
Net deferred tax liability	15,348	(2,468)	397	13,277

* Other comprehensive income

Notes to the Financial Statements (continued)

5. Trade and other receivables

	GROUP		COMPANY	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Trade receivables	1,145	891	-	-
Allowance for doubtful debts	(40)	(20)	-	-
	1,105	871	-	-
Prepayments	912	1,019	-	-
Accrued income	336	134	-	-
Sundry debtors	11,332	8,289	-	-
Total trade and other receivables	13,685	10,313	-	-

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

6. Property, plant and equipment

Group

	LAND \$000	BUILDINGS \$000	MOTOR VEHICLES \$000	PLANT AND EQUIPMENT \$000	FURNITURE AND FITTINGS \$000	TOTAL \$000
Cost						
<i>Balance at 1 January 2013</i>	4,100	36,605	1,763	3,238	2,506	48,212
Additions	-	9,402	310	577	149	10,438
<i>Balance at 31 December 2013</i>	4,100	46,007	2,073	3,815	2,655	58,650
Additions	-	4,000	270	3,072	846	8,188
Reclassification	(1,100)	1,100	-	-	-	-
(Impairment)/reversal of impairment through profit or loss	(15)	1,897	-	-	(835)	1,047
Revaluations through other comprehensive income	95	2,108	-	-	-	2,203
<i>Balance at 31 December 2014</i>	3,080	55,112	2,343	6,887	2,666	70,088
Accumulated depreciation						
<i>Balance at 1 January 2013</i>	-	700	1,113	2,153	1,678	5,644
Depreciation charge for the year	-	894	204	359	128	1,585
<i>Balance at 31 December 2013</i>	-	1,594	1,317	2,512	1,806	7,229
Depreciation charge for the year	-	1,256	251	785	248	2,540
Revaluations through other comprehensive income	-	(2,850)	-	-	-	(2,850)
Impairment	-	-	-	-	(390)	(390)
<i>Balance at 31 December 2014</i>	-	-	1,568	3,297	1,664	6,529
Carrying amounts						
<i>As at 31 December 2013</i>	4,100	44,413	756	1,303	849	51,421
<i>As at 31 December 2014</i>	3,080	55,112	775	3,590	1,002	63,559

Reclassification

Components of care facilities with a carrying value of \$1.1 million have been reclassified from land to buildings in 2014.

Impairment

A reversal of previously impaired care facility buildings of \$1.9 million has been recorded for the year ended 31 December 2014, following the valuation of all completed rest homes and hospitals undertaken by CBRE Limited as at 31 December 2014. An impairment of \$445,000 has also been recognised for furniture and fittings following a decision to relocate head office to another Wellington location.

Notes to the Financial Statements (continued)

6. Property, plant and equipment (continued)

Revaluations

An independent valuation to determine the fair value of all completed rest homes and hospitals which are classified as land and buildings was carried out as at 31 December 2014 by Michael Gunn, an independent registered valuer of the firm CBRE Limited. Michael Gunn is a member of the New Zealand Institute of Valuers (Inc). Valuations are carried out every three years unless there are indicators of a significant change in fair value. Significant assumptions used in the most recent valuation include capitalisation rates applied to individual unit earnings ranges of between 12.25% and 15.5% (2011: 12.5% and 15.5%) and market value per care bed of between \$79,000 and \$144,000 (2011: \$80,000 and \$131,000).

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

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

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

Cost model

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

	GROUP	
	2014	2013
	\$000	\$000
Cost	50,077	46,077
Accumulated depreciation and impairment losses	(7,468)	(6,212)
Net carrying amount	42,609	39,865

7. Investment property

	GROUP	
	2014	2013
	\$000	\$000
Balance at beginning of period	776,637	644,506
Additions	129,080	102,409
Disposals	(27)	-
Fair value movement:		
Realised	24,789	20,121
Unrealised	27,692	9,601
Total investment property	958,171	776,637

The fair value of investment property as at 31 December 2014 was determined by Michael Gunn, an independent registered valuer of the firm CBRE Limited. 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.

Significant assumptions used by the valuer include a discount rate of between 14% and 16.5% (2013: 14% to 16.5%) and a long term nominal house price inflation rate of between 0% and 3.5% (2013: 0% to 3.5%). Other assumptions used by the valuer include the average age of entry of residents and occupancy periods of units.

Notes to the Financial Statements (continued)

7. Investment property (continued)

The Group has deemed it is unable to reliably determine the fair value of non-land capital work in progress at 31 December 2014 and therefore is carried at cost. This equates to \$56.3 million of investment property (2013: \$38.1 million).

	GROUP	
	2014	2013
	\$000	\$000
Valuation of manager's net interest	444,488	362,411
Liability for residents' loans	513,683	414,226
Total investment property	958,171	776,637

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 age of entry 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 age of entry 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 \$14.1 million (2013: \$12.2 million). There were 60 retirement units (2013: 41) in investment property that did not generate rental income during the period.

Security

At 31 December 2014, all investment property was subject to a registered first mortgage in favour of the Statutory Supervisor to secure the Group's obligations to the occupation agreement holders.

8. Trade and other payables

	GROUP		COMPANY	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Trade payables	715	911	-	-
Accruals	11,689	14,711	-	-
Liability for puttable shares	-	-	5,199	3,124
Other payables	1,058	1,304	-	-
Total trade and other payables	13,462	16,926	5,199	3,124

9. Employee benefits

	GROUP		COMPANY	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Holiday pay accrual	1,889	1,583	-	-
Other employee benefits	659	465	-	-
Total employee benefits	2,548	2,048	-	-

Notes to the Financial Statements (continued)

10. Residents' loans

	GROUP		COMPANY	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Balance at beginning of period	458,872	368,978	-	-
Amounts repaid on termination of occupation right agreements	(43,321)	(39,553)	-	-
Amounts received on issue of new occupation right agreements	159,167	129,447	-	-
Total gross residents' loans	574,718	458,872	-	-
Deferred management fees receivable	(61,035)	(44,646)	-	-
Total residents' loans	513,683	414,226	-	-

Note 21 provides a split between current and non-current residents' loans.

11. Interest-bearing loans and borrowings

	GROUP		COMPANY	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Repayable within 12 months				
Finance lease liabilities	-	60	-	-
Total interest-bearing loans	-	60	-	-
Repayable after 12 months				
Secured bank loans	150,819	105,208	-	-
Total interest-bearing loans	150,819	105,208	-	-
Total loans and borrowings	150,819	105,268	-	-

The weighted average interest rate for the year to 31 December 2014 was 4.27% (2013: 3.82%). This excludes the impact of interest rate swaps (see Note 12).

The secured bank loan facility was extended in December 2014 and has a maximum of \$255.0 million (2013: \$180.0 million). \$160.0 million of lending expires in December 2017 and \$95.0 million of lending expires in December 2019.

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. Finance leases are secured over the assets to which they relate.

Finance lease liabilities

Finance lease liabilities for the Group are payable as follows:

	2014			2013		
	MIN LEASE PAYMENTS \$000	INTEREST \$000	PRINCIPAL \$000	MIN LEASE PAYMENTS \$000	INTEREST \$000	PRINCIPAL \$000
Less than 1 year	-	-	-	62	2	60
Total	-	-	-	62	2	60

Notes to the Financial Statements (continued)

12. Derivative financial instruments

The Group holds interest rate swaps in order to minimise the impact of rising interest rates. Under these agreements, the Group has a right to receive interest at variable rates and to pay interest at fixed rates. At 31 December 2014, the Group had interest rate swap agreements in place with a total notional principal amount of \$94 million (2013: \$120 million). Of the swaps in place, at 31 December 2014 \$94 million (2013: \$70 million) are being used to cover approximately 62% (2013: 67%) 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 3.55% and 4.43% (2013: 3.55% and 4.43%).

The fair value of these agreements at 31 December 2014 is a liability of \$1.0 million (2013: asset of \$0.6 million), of which a liability of \$8,000 (2013: \$200,000) is estimated to be current. The agreements cover notional amounts for a term of between one and eight years.

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

	GROUP	
	2014 \$000	2013 \$000
Less than 1 year	5,000	50,000
Between 1 and 2 years	30,000	5,000
Between 2 and 3 years	29,000	30,000
Between 3 and 4 years	10,000	5,000
Between 5 and 6 years	10,000	10,000
Between 6 and 7 years	10,000	10,000
Between 7 and 8 years	-	10,000
Total	94,000	120,000

13. Share capital and reserves

At 31 December 2014, the Company had 218,548,736 ordinary shares on issue (2013: 216,543,091). All ordinary shares are fully paid and have no par value. All shares carry one vote per share and carry the right to dividends.

	GROUP		COMPANY	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Share capital				
On issue at beginning of year	237,092	233,875	238,217	233,875
Shares issued under the dividend reinvestment plan	2,791	2,855	2,791	2,855
Shares issued under employee share plan	-	300	-	300
Shares vested under employee share plan	-	-	1,125	1,125
Shares paid under employee share plan	900	-	-	-
Employee share plan option cost	163	62	163	62
On issue at end of year	240,946	237,092	242,296	238,217

	GROUP		COMPANY	
	2014	2013	2014	2013
Share capital (in thousands of shares)				
On issue at beginning of year	214,311	212,998	216,543	214,819
Shares issued under the dividend reinvestment plan	861	1,099	861	1,099
Shares issued under the employee share plan	643	214	1,145	625
On issue at end of year	215,815	214,311	218,549	216,543

Notes to the Financial Statements (continued)

13. Share capital and reserves (continued)

Differences between share capital for the Company and the Group are due to shares held by Summerset LTI Trustee Limited for employee share plans. Refer to Note 15 for further details.

Revaluation reserve

The revaluation reserve is used to record the revaluation of property, plant and equipment.

Maintenance reserve

The maintenance reserve is set aside for the future maintenance of village investment property.

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 2014 a dividend of 3.25 cents per ordinary share was paid to shareholders and on 8 September 2014 a dividend of 1.4 cents per share was paid to shareholders. (2013: on 20 March 2013 a dividend of 2.5 cents per ordinary share was paid to shareholders).

A dividend reinvestment plan applied to the dividends paid. 585,959 ordinary shares were issued in relation to the plan for the March 2014 dividend and 274,956 ordinary shares were issued in relation to the plan for the September 2014 dividend (2013: 1,099,175 ordinary shares were issued in March 2013).

Notes to the Financial Statements (continued)

14. Earnings per share and net tangible assets

Basic earnings per share

	2014	2013
Earnings (\$000)	54,173	34,223
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	215,322	214,040
Basic earnings per share (cents per share)	25.16	15.99

Diluted earnings per share

	2014	2013
Earnings (\$000)	54,173	34,223
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	217,254	215,706
Diluted earnings per share (cents per share)	24.94	15.87

Number of shares

	2014	2013
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	215,322	214,040
Weighted average number of ordinary shares issued under employee share plans	1,932	1,666
Weighted average number of ordinary shares for the purpose of earnings per share (diluted)	217,254	215,706

At 31 December 2014, there were 2,733,572 shares issued under employee share plans (Dec 2013: 2,231,699 shares).

Net tangible assets per share

	2014	2013
Net tangible assets (\$000)	330,906	281,270
Shares on issue at end of period (basic and in thousands)	215,815	214,311
Net tangible assets per share (cents per share)	153.33	131.24

15. Employee share plan

The Group operates employee share plans for selected key management personnel ("Participants") to purchase shares in Summerset Group Holdings Limited. There are currently two plans in place. The first plan commenced on 1 November 2011 ("2011 Share Plan") and all shares in this plan have vested. The second plan commenced on 16 December 2013 ("2013 Share Plan") and has two tranches. The shares relating to the first tranche ("2014 Tranche") have a maximum vesting date being the day after the day on which the Company releases to NZX Limited its preliminary audited financial results for the year ended 31 December 2016 and the second tranche ("2015 Tranche") have a maximum vesting date being the day after the day on which the Company releases to NZX Limited its preliminary audited financial results for the year ended 31 December 2017.

The Group has provided Participants with interest-free limited recourse loans to fund the acquisition of the shares for both the 2011 Share Plan and the 2013 Share Plan (see Note 17). The loans for the 2011 Share Plan have a maximum expiry date of 31 October 2017 and the loans for the 2013 Share Plan have a maximum expiry date of 30 June 2019.

Notes to the Financial Statements (continued)

15. Employee share plan (continued)

Vesting criteria for the 2011 Share Plan was based on meeting specified performance hurdles for the years ended 31 December 2012 and 31 December 2013, as set out in the 2011 Share Plan rules. The 2011 Share Plan shares were issued at \$1.40, being the offer price of shares on the listing of the Group on 1 November 2011. Vesting criteria for the 2013 Share Plan is based on meeting specified performance hurdles for the years ended 31 December 2015, 31 December 2016 and 31 December 2017, as set out in the 2013 Share Plan rules. The 2013 Share Plan shares for the 2014 Tranche were issued at \$3.20 and \$3.47, being the volume-weighted average price of the Company's shares traded on the NZX Main Board in the ten trading day periods which commenced on 2 December 2013 and 10 March 2014 respectively. The 2013 Share Plan shares for the 2015 Tranche were issued at \$2.68, being the volume-weighted average price of the Company's shares traded on the NZX Main Board in the ten trading day period which commenced on 1 December 2014.

The related shares for both plans are held by a nominee on behalf of Participants, until such time after the vesting of shares 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.

At 31 December 2014, the 2011 Share Plan holds 964,286 shares (2013: 1,607,143 shares), which represents 0.4% (2013: 0.7%) of the total shares on issue. All of these shares have vested but the related loans have not yet been repaid. At 31 December 2014, the 2013 Share Plan holds 1,769,286 shares (2013: 624,556 shares), which represents 0.8% (2013: 0.3%) of the total shares on issue. These shares have not yet vested.

	2014 WEIGHTED AVERAGE EXERCISE PRICE	2014 NUMBER OF SHARES 000's	2013 WEIGHTED AVERAGE EXERCISE PRICE	2013 NUMBER OF SHARES 000's
Balance at beginning of the period	\$1.90	2,232	\$1.40	1,821
Issued during the year	\$2.80	1,145	\$3.20	625
Issued to employees following vesting and repayment of loans	\$1.40	(643)	\$1.40	(214)
Balance at end of the period	\$2.40	2,734	\$1.90	2,232

642,857 shares were sold under the 2011 Share Plan on 7 April 2014. The share price at the date of sale was \$3.45.

The range of exercise prices at 31 December 2014 is \$1.40 to \$3.47 (2013: \$1.40 to \$3.20).

The 2011 Share Plan and the 2013 Share Plan are equity-settled schemes and treated as option plans for accounting purposes. These options were valued at the grant dates using the Black Scholes valuation model and the option cost for the year ending 31 December 2014 of \$163,000 has been recognised in the income statement of the Company and the Group for that period (2013: \$62,000).

Significant assumptions used in the valuation models are a discount to reflect the potential that shares may not meet market vesting criteria of 20% and volatility of 20% for the 2011 Share Plan and a discount to reflect the potential that shares may not meet market vesting criteria of 30% and volatility of between 21% and 22% for the 2013 Share Plan.

Notes to the Financial Statements (continued)

16. Notes to the cash flow statement

(a) Reconciliation of cash and cash flow equivalents

	GROUP		COMPANY	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Bank balances	4,883	3,036	-	-
Petty cash	7	8	-	-
Cash and cash equivalents in statement of cash flows	4,890	3,044	-	-

(b) Reconciliation of operating results and operating cash flows

	GROUP		COMPANY	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Net profit/(loss) for the period	54,173	34,223	(163)	(62)
<i>Adjustments for:</i>				
Depreciation and amortisation expense	2,897	1,922	-	-
Reversal of impairment on land and buildings	(1,882)	-	-	-
Impairment of furniture and fittings	445	-	-	-
Fair value movement of investment property	(52,481)	(29,722)	-	-
Net finance costs paid	6,835	4,609	-	-
Deferred tax	(179)	(2,468)	-	-
Deferred management fee amortisation	(16,526)	(14,275)	-	-
Employee share plan option cost	163	62	163	62
	(60,728)	(39,872)	163	62
Movements in working capital				
Increase/(decrease) in trade and other receivables	(5,235)	631	-	-
Increase/(decrease) in employee benefits	500	493	-	-
Increase/(decrease) in trade and other payables	269	(1,139)	-	-
Increase in residents' loans net of non-cash	121,454	94,254	-	-
	116,988	94,239	-	-
Net cash flows from operating activities	110,433	88,590	-	-

17. Related party transactions

The balance owing from subsidiaries to the company at 31 December 2014 is \$60.6 million (2013: \$66.2 million).

The Group has loans to employees receivable at 31 December 2014 of \$1.5 million (2013: \$2.2 million) with repayment due by 31 October 2016. The Company has loans to employees and nominees (Summerset LTI Trustee Limited) receivable at 31 December 2014 of \$8.0 million (2013: \$6.5 million). Refer to Note 15 for employee share plan details. All loans outstanding are interest-free limited recourse loans.

Norah Barlow retired from her role as Chief Executive Officer of Summerset Group Holdings Limited on 4 April 2014. On 7 April 2014, she sold 1,390,179 shares in the Company on-market and subsequently repaid a limited recourse loan of \$740,000 to the Company in relation to a previous share issue of 700,000 shares. She also repaid \$900,000 which was outstanding in accordance with the terms of the Company's employee share plan, following the sale of 642,857 shares under the plan. Norah Barlow does not have any further loans outstanding with Summerset Group Holdings Limited or any of its subsidiaries.

Notes to the Financial Statements (continued)

18. Key management personnel compensation

The compensation of the Chief Executive Officer (“CEO”) and the key management personnel of the Group is set out below:

	GROUP		COMPANY	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Directors’ fees	485	337	-	-
Short-term employee benefits	2,535	2,372	-	-
Share-based payments	163	62	163	62
Total	3,183	2,771	163	62

Refer to Note 15 for employee share plan details for key management personnel and Note 17 for loans advanced to key management personnel.

19. Segment reporting

The Group operates in one industry, being the provision of integrated retirement villages in New Zealand for the elderly. 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 2014 were approximately 52% of total care fees (2013: 54%). The Group has no other significant customers. All revenue is earned in New Zealand.

20. Subsidiary companies

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

Notes to the Financial Statements (continued)

21. 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 are classified as liabilities at amortised cost, with the exception of and liabilities for puttable shares which are designated as fair value through profit or loss.

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, bank balances and limited recourse loans. 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:

	2014		2013	
	GROSS RECEIVABLE \$000	IMPAIRMENT \$000	GROSS RECEIVABLE \$000	IMPAIRMENT \$000
Not past due	763		739	-
Past due 31 to 60 days	181		69	-
Past due 61 to 90 days	98		30	-
Past due more than 90 days	103	(40)	53	(20)
Total	1,145	(40)	891	(20)

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

	2014 \$000	2013 \$000
Gross trade receivables	1,145	891
Collective impairment	(40)	(20)
Net trade receivables	1,105	871

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

Notes to the Financial Statements (continued)

21. Financial instruments (continued)

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 12 for details of the interest rate swap agreements.

At 31 December 2014 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately \$0.5 million (2013: decrease by \$0.3 million) and would decrease equity before tax by nil (2013: decrease equity before tax by \$nil).

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, banking facilities and reserve borrowing 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):

	2014		2013	
	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	13,462	-	16,926	-
Residents' loans	42,924	470,759	33,155	381,071
Interest-bearing loans and borrowings	6,440	176,579	4,019	119,291
Interest rate swaps	7	2,095	685	2,178
Total	62,833	649,433	54,785	502,540

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.

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:

	2014		2013	
	CARRYING AMOUNT \$000	FAIR VALUE \$000	CARRYING AMOUNT \$000	FAIR VALUE \$000
Group				
Residents' loans	(513,683)	(332,859)	(414,226)	(274,959)
Total	(513,683)	(332,859)	(414,226)	(274,959)

Notes to the Financial Statements (continued)

21. Financial instruments (continued)

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% (2013: 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, liabilities for puttable shares and limited recourse loans are determined using inputs from third parties that are observable, either directly (ie as prices) or indirectly (ie 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 2014 (2013: all requirements met).

Summerset Holdings Limited's 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 2014 (2013: nil).

22. Commitments and contingencies

Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2014	2013
	\$000	\$000
COMPANY AND GROUP		
Less than 1 year	469	462
Between 1 and 5 years	2,752	1,850
More than 5 years	4,576	578
Total operating lease commitments	7,797	2,890

During the year ended 31 December 2014 \$0.4 million was recognised in the income statement in respect of operating leases (2013: \$0.4 million).

Guarantees

At 31 December 2014, NZX Limited held a guarantee in respect of the Group, as required by the NZX Listing Rules, for \$75,000 (2013: \$75,000).

Capital commitments

At 31 December 2014, the Group had capital commitments in relation to construction contracts of \$35.4 million.

Contingent liabilities

There were no known material contingent liabilities at 31 December 2014 (2013: nil).

Notes to the Financial Statements (continued)

23. Subsequent events

On 24 February 2015, the directors approved a final dividend of 2.1 cents per share. The dividend record date is 10 March 2015 with a payment date of 25 March 2015.

There have been no other events subsequent to 31 December 2014 which materially impact on the results reported (2013: nil).

Independent Auditor's Report

To the Shareholders of Summerset Group Holdings Limited

Report on the Financial Statements

We have audited the financial statements of Summerset Group Holdings Limited and its subsidiaries on pages 3 to 30, which comprise the statement of financial position of Summerset Group Holdings Limited and the group as at 31 December 2014, and the statement of comprehensive income, income statement, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. 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.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Opinion

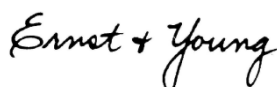
In our opinion, the financial statements on pages 3 to 30:

- ▶ comply with generally accepted accounting practice in New Zealand;
- ▶ comply with International Financial Reporting Standards; and
- ▶ give a true and fair view of the financial position of Summerset Group Holdings Limited and the group as at 31 December 2014 and the financial performance and cash flows of the company and group for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- ▶ We have obtained all the information and explanations that we have required.
- ▶ In our opinion proper accounting records have been kept by Summerset Group Holdings Limited as far as appears from our examination of those records.



23 February 2015
Wellington

Appendix 4E	
Summerset Group Holdings Limited	
ARBN 164 228 399, incorporated in New Zealand	
Results for announcement to the market	
Reporting Period	12 months to 31 December 2014
Previous Reporting Period	12 months to 31 December 2013

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$NZ54,285	+20.1%
Profit from ordinary activities after tax attributable to security holder	\$NZ54,173	+58.3%
Net profit attributable to security holders	\$NZ54,173	+58.3%
Underlying profit	\$NZ24,420	+10.2%

Final Dividend	Amount per security	Franked amount per security
	2.1 NZ cents per share	Not franked

Record Date	10 March 2015
Dividend Payment Date	25 March 2015
Dividend Reinvestment Plan	Applies at 2% discount

Comments:	<p>See also other attached documents (audited financial statements, media release and results presentation).</p> <p>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.</p>
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	31 December 2014 NZ cents	31 December 2013 NZ cents
Net tangible assets per security	153.33	131.24

Summerset Group Holdings Limited	
Results for announcement to the market	
Reporting Period	12 months to 31 December 2014
Previous Reporting Period	12 months to 31 December 2013

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$NZ54,285	+20.1%
Total income from ordinary activities	\$NZ108,648	+45.0%
Profit from ordinary activities after tax attributable to security holder	\$NZ54,173	+58.3%
Net profit attributable to security holders	\$NZ54,173	+58.3%
Underlying profit	\$NZ24,420	+10.2%

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

Record Date	10 March 2015
Dividend Payment Date	25 March 2015
Dividend Reinvestment Plan	Applies at 2% discount

Comments:	<p>See also other attached documents (audited financial statements, media release, results presentation and Appendix 7).</p> <p>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.</p>
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Notice of event affecting securities

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

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

Full name of issuer	Summerset Group Holdings Limited		
Name of officer authorised to make this notice	Leanne Walker	Authority for event, e.g. Directors' resolution	Directors' Resolution
Contact phone number	(04) 894 7361	Contact fax number	
		Date	23 / 02 / 2015

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

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
Conversion, Maturity, Call Payable or Exercise Date		Treatment of Fractions
	Enter N/A if not applicable	Tick if <i>pari passu</i> <input type="checkbox"/> OR provide an explanation of the ranking
Strike price per security for any issue in lieu or date Strike Price available.		

Monies Associated with Event	Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.	
In dollars and cents		Source of Payment
Amount per security (does not include any excluded income)	2.1 cents per share	Revenue Reserves
Excluded income per security (only applicable to listed PIEs)	Nil	
Currency	New Zealand Dollars	Supplementary dividend details - NZSX Listing Rule 7.12.7
Total monies	\$4,589,523	Amount per security in dollars and cents
		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
		0.693 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 -	10 March, 2015	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.
		25 March, 2015
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.
		25 March, 2015

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:

