

HALF YEAR REPORT 2016





Joyce and Lloyd in their villa at Summerset by the Park, Manukau.



Cover image: Beu and Molly, Summerset at Karaka, Auckland.

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SUMMERSET SNAPSHOT



LAND BANK OF
485
CARE BEDS

MORE THAN
3,800
RESIDENTS



21
VILLAGES
COMPLETED OR
UNDER DEVELOPMENT

2,609
RETIREMENT UNITS
IN PORTFOLIO

LAND BANK OF
2,818
RETIREMENT UNITS



ON TRACK TO BUILD
400
RETIREMENT UNITS
IN 2016



HALF YEAR BUSINESS HIGHLIGHTS



190

NEW
RETIREMENT
UNITS
BUILT



SALES OF
306
RETIREMENT UNITS

2

LAND
ACQUISITIONS

Rototuna, Hamilton and
Richmond, Nelson

NELSON
VILLAGE
COMPLETED

SPECIALISED DEMENTIA
CARE UNDER DEVELOPMENT



20.3%
DEVELOPMENT
MARGIN



HALF YEAR FINANCIAL HIGHLIGHTS



The bowling green at Summerset at Monterey Park, Hobsonville.

\$24.7m

UNDERLYING
PROFIT 1H2016

44%

INCREASE
ON 1H2015

\$50.6m

NET PROFIT
AFTER TAX 1H2016

42%

INCREASE
ON 1H2015

\$1.5bn

TOTAL ASSETS

31%

INCREASE
ON 1H2015

\$84.4m

OPERATING
CASH FLOW

33%

INCREASE
ON 1H2015

HALF YEAR FINANCIAL HIGHLIGHTS

UNDERLYING PROFIT

\$000	1H2016	1H2015	% CHANGE	FY2015
Reported profit after tax *	\$50,587	\$35,719	41.6%	\$84,245
Fair value movement of investment property *	(\$50,175)	(\$34,457)	45.6%	(\$83,458)
Realised gain on resales	\$8,252	\$5,562	48.4%	\$12,345
Realised development margin	\$15,576	\$11,344	37.3%	\$26,138
Deferred tax expense/(credit) *	\$425	(\$1,047)	N/A	(\$1,470)
Underlying profit	\$24,665	\$17,121	44.1%	\$37,800

*Figure has been extracted from financial statements.

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

RESULTS HIGHLIGHTS - FINANCIAL

\$000	1H2016	1H2015	% CHANGE	FY2015
Net operating cash flow	\$84,370	\$63,618	32.6%	\$140,268
Net profit before tax (NZ IFRS)	\$51,012	\$34,672	47.1%	\$82,775
Net profit after tax (NZ IFRS)	\$50,587	\$35,719	41.6%	\$84,245
Underlying profit*	\$24,665	\$17,121	44.1%	\$37,800
Total assets	\$1,521,373	\$1,161,337	31.1%	\$1,363,539
Net tangible assets (cents per share)	206.06	167.53	23.0%	188.52

* Underlying profit differs from NZ IFRS net profit after tax; see reconciliation above.

RESULTS HIGHLIGHTS - OPERATIONAL

	1H2016	1H2015	% CHANGE	FY2015
New sales of occupation rights	183	160	14.4%	333
Resale of occupation rights	123	110	11.8%	245
New retirement units delivered	190	141	34.8%	303
Realised development margin (\$000)	\$15,576	\$11,344	37.3%	\$26,138
Gross proceeds (new sales) (\$000)	\$76,590	\$61,812	23.9%	\$131,017
Realised gains on resales (\$000)	\$8,252	\$5,562	48.4%	\$12,345



Summerset by the Sea, Katikati.



JOINT CHAIRMAN & CEO'S REPORT

for the six months ended 30 June 2016

Summerset continued to perform well in the first half of 2016, recording a \$24.7 million underlying profit, up 44% on the same period last year. This is a record for any half year period for the Group and strengthens our position as the fastest growing retirement village provider in New Zealand. As the number of our villages continues to grow, it is a huge privilege to be able to welcome more residents to the Summerset family.

Growth and development of the business

Highlights during the first half of the year included the delivery of 190 new retirement units. This was a new build record for the company during a six month period and ensures we are well on track to meet our build rate target of 400 retirement units for the full 2016 year.

Our robust sales and profit during this period can be attributed to a number of factors, including strong demand for our existing villages and for our new villages in Wigram, New Plymouth, Karaka and Hobsonville.

We will continue to expand our offering around the country and have recently purchased land in Richmond, Nelson and in the Hamilton suburb of Rototuna.

These villages will be the second Summerset developments in the Hamilton and Nelson regions and will bring the total number of Summerset sites to 27 nationwide.

Interest in our new Ellerslie village has been strong, with a number of presales already secured. The village will open in October.

Our new development sites at Wigram and Hobsonville are progressing well and we expect the construction of additional

accommodation at our Trentham and Warkworth villages to result in an increase in sales activity as more stock becomes available throughout the year.

We continue to invest in our older villages, including extending the recreation areas at our Levin, Wanganui and Hastings villages and constructing a new village centre at Trentham.

At the end of the first half of 2016, Summerset's total land bank represented approximately 2,818 retirement units and 485 care beds. This is a total of seven years' supply at Summerset's current build rate.



Summerset Falls, Warkworth.

Financial results

Our underlying profit for the first half of 2016 was \$24.7 million, representing a 44% increase on our 1H2015 result.

Our net profit after tax was \$50.6 million, up 42% from 1H2015.

It is satisfying to report that both new sales and resales have been consistently

strong across all villages and are 13% higher than for the same period in 2015.

We are pleased to have achieved a development margin of 20.3% for 1H2016.

About one third of our sales in this half year were in Auckland. While we are closely monitoring the housing situation in Auckland, we are confident that our Auckland villages are in great locations and in strong demand.

The Board has declared an interim dividend of 2.6 cents per share, to be paid on 9 September 2016, amounting to a total of NZ \$5.7 million.

Our people

Summerset staff play a vital role in the ongoing success of the business. In recognition of this, the company recently launched an all staff share scheme which means staff can participate in the financial performance of the company.

We are excited about the staff share scheme as we want our people to have the opportunity to be recognised and rewarded for the part they play in the company's continuing success. Our staff have embraced the opportunity to be an even bigger part of Summerset, with more than 80% of our employees signing up to the scheme.

We are also delighted to announce the appointment of Gráinne Troute to the Board of Directors following the

retirement of Norah Barlow in April. She will begin this role on 1 September 2016.

Gráinne has been the General Manager Corporate Services at SKYCITY Entertainment Group for the last eight years and is a director for Tourism Holdings Limited.

She brings a wealth of experience to our board, having spent many years in senior management roles with McDonalds and Coopers & Lybrand. Gráinne has vast knowledge of operating customer-focused businesses in highly competitive sectors and broad governance experience as an executive supporting a board of directors. She has also spent many years as a trustee and chair in the not-for-profit sector.

Care and operations

One of the things Summerset prides itself on is the high-quality care it provides to residents. The latest development in this area is providing dementia services at our Levin village. Scheduled to open in late 2016, this service is a first for Summerset. It has been designed to operate to the highest standards and will be home to 20 residents, with dedicated, specially trained staff. It will ensure existing residents at the Levin village who require this care will not have to leave their community and it will also be available for people who are not currently Summerset residents.

Summerset will use the Levin centre as a model for future development and will look at incorporating dementia care centres into the design of some of our existing and new villages.

Socialising and events play a big part in creating the thriving Summerset village communities we're known for. One popular event at our villages is the weekly Happy Hour and we recently announced that we will shout the drinks each week across our villages. It's just a small way of saying thanks to our wonderful residents.

A new exercise programme, Use It or Lose It, has been introduced into all Summerset villages after being trialled by residents at the Trentham and Aotea villages. The classes were developed specifically for our residents by an Active Ageing Exercise Specialist, and include exercises designed to improve balance, strength and mobility as well as memory, focus and concentration.



Residents enjoying Happy Hour, Summerset in the Orchard, Hastings.

We're also about to embark on an overhaul of our back office systems, which will see us move to a standardised customer management system. This will integrate all the clinical care practices in our care centres. This is likely to be a two-year journey but upon completion will provide additional oversight of clinical standards across our villages.

Development

The past six months has seen fantastic growth for Summerset and we expect this to continue.

In addition to the new sites in Rototuna and Richmond mentioned earlier, we continue to focus on our developing sites across New Zealand.

In May, we opened the village centre at one of our newest Auckland villages, Summerset at Monterey Park in Hobsonville. It is a very tranquil and picturesque village with uninterrupted views across the sea to Herald Island and Greenhithe and a scenic walkway along the waterfront.

Upon completion in 2018 it will offer 246 homes and impressive recreational facilities, including a café, movie theatre, hairdressing salon, beauty spa, exercise room, library, and IT suite.

As mentioned earlier, our Ellerslie village is proving to be popular with a number of apartment presales already complete. Construction on the first stage is almost

finished, and the first homes will open in October. We continue to carry out the master planning process on our other two Auckland sites, St Johns and Parnell. Summerset's development plans in the



Auckland region will help free up homes and help address Auckland's housing availability and affordability challenges.

In Christchurch, our Wigram village is really coming to life. Residents are moving into their homes and work on the village centre, care centre and serviced apartments is due for completion in September. Preliminary earthworks have also begun at our Casebrook village with construction expected to start next year.

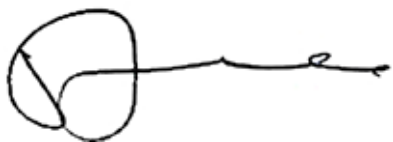
We continue to work with Hutt City Council and community groups to progress our plans for a village in Boulcott, Lower Hutt. We presented our plans for the site to the Environment Court in June and we are currently awaiting the outcome of that process.

Looking ahead

Summerset consistently performs and is well placed to continue to deliver quality retirement village living and care to its residents and investment growth to its investors.

In the 2015 financial results we indicated that our rate of earnings growth would increase in 2016 and beyond. It's really pleasing to deliver on this expectation.

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



Rob Campbell
Chairman



Julian Cook
Chief Executive Officer



Summerset at Karaka resident Dorrie with her daughter Jeannette.

FINANCIAL STATEMENTS



Summerset at Karaka resident Jill.

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTES	6 MONTHS JUN 2016 UNAUDITED \$000	6 MONTHS JUN 2015 UNAUDITED \$000	12 MONTHS DEC 2015 AUDITED \$000
Care fees and village services		26,853	22,021	46,455
Deferred management fees		13,012	10,380	21,779
Interest received		135	198	523
Other income		16	-	-
Total revenue		40,016	32,599	68,757
Fair value movement of investment property	3	50,175	34,457	83,458
Total income		90,191	67,056	152,215
Operating expenses	2	(33,030)	(26,975)	(57,337)
Depreciation and amortisation expense		(1,753)	(1,694)	(3,733)
Total expenses		(34,783)	(28,669)	(61,070)
Operating profit before financing costs		55,408	38,387	91,145
Net finance costs		(4,396)	(3,715)	(8,370)
Profit before income tax		51,012	34,672	82,775
Income tax (expense)/credit		(425)	1,047	1,470
Profit for the period		50,587	35,719	84,245
Basic earnings per share (cents)	6	23.30	16.53	38.94
Diluted earnings per share (cents)	6	22.97	16.33	38.46
Net tangible assets per share (cents)	6	206.06	167.53	188.52

The accompanying notes form part of these interim financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	6 MONTHS JUN 2016 UNAUDITED	6 MONTHS JUN 2015 UNAUDITED	12 MONTHS DEC 2015 AUDITED
	\$000	\$000	\$000
Profit for the period	50,587	35,719	84,245
Fair value movement of interest rate swaps	(9,515)	(1,881)	(2,109)
Tax on items of other comprehensive income	2,665	527	592
Other comprehensive income which will be reclassified subsequently to profit or loss for the period net of tax	(6,850)	(1,354)	(1,517)
Total comprehensive income for the period	43,737	34,365	82,728

The accompanying notes form part of these interim financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	SHARE CAPITAL	HEDGING RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	\$000	\$000	\$000	\$000	\$000
As at 1 January 2015	240,946	(730)	11,043	81,011	332,270
Profit for the period	-	-	-	35,719	35,719
Other comprehensive loss for the period	-	(1,354)	-	-	(1,354)
Total comprehensive income for the period	-	(1,354)	-	35,719	34,365
Dividends paid	-	-	-	(4,546)	(4,546)
Shares issued	1,461	-	-	-	1,461
Employee share plan option cost	172	-	-	-	172
As at 30 June 2015 (unaudited)	242,579	(2,084)	11,043	112,184	363,722
Profit for the period	-	-	-	48,526	48,526
Other comprehensive loss for the period	-	(163)	-	-	(163)
Total comprehensive income for the period	-	(163)	-	48,526	48,363
Dividends paid	-	-	-	(4,029)	(4,029)
Shares issued	1,557	-	-	-	1,557
Employee share plan option cost	173	-	-	-	173
As at 31 December 2015 (audited)	244,309	(2,247)	11,043	156,681	409,786
Profit for the period	-	-	-	50,587	50,587
Other comprehensive loss for the period	-	(6,850)	-	-	(6,850)
Total comprehensive income for the period	-	(6,850)	-	50,587	43,737
Dividends paid	-	-	-	(7,397)	(7,397)
Shares issued	2,368	-	-	-	2,368
Employee share plan option cost	245	-	-	-	245
As at 30 June 2016 (unaudited)	246,922	(9,097)	11,043	199,871	448,739

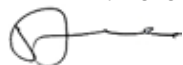
The accompanying notes form part of these interim financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	NOTES	6 MONTHS JUN 2016 UNAUDITED \$000	6 MONTHS JUN 2015 UNAUDITED \$000	12 MONTHS DEC 2015 AUDITED \$000
Assets				
Cash and cash equivalents		9,395	6,486	6,682
Trade and other receivables		16,255	17,437	16,074
Limited recourse loans		1,520	1,520	1,520
Property, plant and equipment		77,189	67,564	77,041
Intangible assets		826	1,425	1,052
Investment property	3	1,416,188	1,066,905	1,261,170
Total assets		1,521,373	1,161,337	1,363,539
Liabilities				
Trade and other payables		47,954	29,098	28,520
Employee benefits		4,139	4,281	4,314
Revenue received in advance		23,897	17,785	20,291
Interest rate swaps		12,637	2,895	3,122
Residents' loans	4	711,417	570,084	637,200
Interest-bearing loans and borrowings	5	262,737	160,895	248,211
Deferred tax liability		9,853	12,577	12,095
Total liabilities		1,072,634	797,615	953,753
Net assets		448,739	363,722	409,786
Equity				
Share capital		246,922	242,579	244,309
Reserves		1,946	8,959	8,796
Retained earnings		199,871	112,184	156,681
Total equity attributable to shareholders		448,739	363,722	409,786

The accompanying notes form part of these interim financial statements.



Rob Campbell

Director and Chairman of the Board
Authorised for issue on 12 August 2016



James Ogden

Director and Chairman of the Audit Committee

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTE	6 MONTHS JUN 2016 UNAUDITED \$000	6 MONTHS JUN 2015 UNAUDITED \$000	12 MONTHS DEC 2015 AUDITED \$000
Cash flows from operating activities				
Receipts from residents for care fees and village services		26,397	21,667	46,444
Interest received		135	198	523
Payments to suppliers and employees		(31,514)	(26,216)	(56,970)
Receipts for residents' loans		123,331	97,802	218,339
Repayment of residents' loans		(33,979)	(29,833)	(68,068)
Net cash flow from operating activities		84,370	63,618	140,268
Cash flows from investing activities				
Purchase and construction of investment property		(82,689)	(60,917)	(200,091)
Purchase and construction of property, plant and equipment		(1,975)	(4,086)	(20,560)
Purchase of intangibles		(10)	(330)	(359)
Capitalised interest paid		(1,991)	(428)	(1,745)
Net cash flow from investing activities		(86,665)	(65,761)	(222,755)
Cash flows from financing activities				
Net proceeds from borrowings		14,526	10,076	97,392
Proceeds from issue of shares		2,368	1,461	3,018
Interest paid on borrowings		(4,489)	(3,252)	(7,556)
Dividends paid	7	(7,397)	(4,546)	(8,575)
Net cash flow from financing activities		5,008	3,739	84,279
Net increase in cash and cash equivalents		2,713	1,596	1,792
Cash and cash equivalents at beginning of period		6,682	4,890	4,890
Cash and cash equivalents at end of period		9,395	6,486	6,682

The accompanying notes form part of these interim financial statements.

Comparative cash flows have been restated to better reflect the nature of the transactions.

RECONCILIATION OF OPERATING RESULTS AND OPERATING CASHFLOWS

	6 MONTHS JUN 2016 UNAUDITED	6 MONTHS JUN 2015 UNAUDITED	12 MONTHS DEC 2015 AUDITED
	\$000	\$000	\$000
Net profit for the period	50,587	35,719	84,245
Adjustments for:			
Depreciation and amortisation expense	1,753	1,694	3,733
(Gain)/Impairment of plant and equipment	(16)	257	255
Fair value movement of investment property	(50,175)	(34,457)	(83,458)
Net finance costs paid	4,396	3,715	8,370
Deferred tax	425	(1,047)	(1,470)
Deferred management fee amortisation	(13,012)	(10,380)	(21,779)
Employee share plan option cost	245	172	345
	(56,384)	(40,046)	(94,004)
Movements in working capital			
Increase in trade and other receivables	(1,341)	(3,291)	(1,155)
(Decrease)/Increase in employee benefits	(175)	1,733	1,766
Increase/(Decrease) in trade and other payables	603	172	(1,501)
Increase in residents' loans net of non-cash amortisation	91,080	69,331	150,917
	90,167	67,945	150,027
Net cash flows from operating activities	84,370	63,618	140,268

The accompanying notes form part of these interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. SUMMARY OF ACCOUNTING POLICIES

The interim financial statements presented for the six months ended 30 June 2016 are those of Summerset Group Holdings Limited (the "Company") and its subsidiaries ("the Group"). The Group develops, owns and operates integrated retirement villages, rest homes and hospitals for the elderly within New Zealand.

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

The interim financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and are in compliance with NZ IAS 34 – Interim Financial Reporting and IAS 34 – Interim Financial Reporting.

These interim financial statements have been prepared using the same accounting policies as, and should be read in conjunction with, the Group's financial statements for the year ended 31 December 2015. The interim financial statements for the six months ended 30 June 2016 are unaudited. They are presented in New Zealand dollars (\$), which is the Group's functional currency.

2. OPERATING EXPENSES

	6 MONTHS JUN 2016 UNAUDITED	6 MONTHS JUN 2015 UNAUDITED	12 MONTHS DEC 2015 AUDITED
	\$000	\$000	\$000
Employee expenses	19,416	15,586	32,215
Property-related expenses	4,931	3,738	8,726
Other operating expenses	8,683	7,651	16,396
Total operating expenses	33,030	26,975	57,337

The prior year figures in this table have been reclassified to be consistent with the current year classification.

3. INVESTMENT PROPERTY

	6 MONTHS JUN 2016 UNAUDITED	6 MONTHS JUN 2015 UNAUDITED	12 MONTHS DEC 2015 AUDITED
	\$000	\$000	\$000
Balance at beginning of period	1,261,170	958,171	958,171
Additions	104,845	74,400	220,117
Disposals	(2)	(123)	(576)
Fair value movement:			
Realised	23,827	16,906	38,483
Unrealised	26,348	17,551	44,975
Total investment property	1,416,188	1,066,905	1,261,170

The fair value of investment property as at 30 June 2016 was determined by CBRE Limited, an independent registered valuer. The fair value of the Group's investment property is determined on a semi-annual basis, based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. To assess the fair value of the Group's interest in the village, CBRE has undertaken a cashflow analysis to derive a net present value. There has been no change in valuation technique since the previous valuation which was completed as at 31 December 2015.

Significant assumptions used by the valuer include a discount rate of between 14% and 16% (Jun 2015: between 14% and 16.25%; Dec 2015: between 14% and 16%) and a long-term nominal house price inflation rate of between 0% and 3.5% (Jun 2015 and Dec 2015: between 0% and 3.5%). Other assumptions used by the valuer include the average entry age of residents and occupancy periods of units.

The Group has deemed it is unable to reliably determine the fair value of non-land capital work in progress at 30 June 2016 and therefore is carried at cost. This equates to \$118.0 million of investment property (Jun 2015: \$81.0 million; Dec 2015: \$99.5 million).

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.

3. INVESTMENT PROPERTY (CONTINUED)

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

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

Security

At 30 June 2016, all investment property relating to registered retirement villages under the Retirement Villages Act 2003 are subject to a registered first mortgage in favour of the Statutory Supervisor to secure the Group's obligations to the occupation agreement holders.

4. RESIDENTS' LOANS

	6 MONTHS JUN 2016 UNAUDITED	6 MONTHS JUN 2015 UNAUDITED	12 MONTHS DEC 2015 AUDITED
	\$000	\$000	\$000
Balance at beginning of period	732,578	574,718	574,718
Amounts repaid on termination of occupation right agreements	(37,397)	(31,863)	(60,479)
Amounts received on issue of new occupation right agreements	123,331	97,802	218,339
Total gross residents' loans	818,512	640,657	732,578
Deferred management fees receivable	(107,095)	(70,573)	(95,378)
Total residents' loans	711,417	570,084	637,200

The fair value of residents' loans at 30 June 2016 is \$445.7 million (Jun 2015: \$365.9 million; Dec 2015: \$401.2 million). The method of determining fair value is disclosed in Note 16 of the Group's financial statements for the year ended 31 December 2015. As the fair value of residents' loans is determined using inputs that are unobservable, the Group has categorised residents' loans as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 – Fair Value Measurement.

5. INTEREST-BEARING LOANS AND BORROWINGS

	6 MONTHS JUN 2016 UNAUDITED	6 MONTHS JUN 2015 UNAUDITED	12 MONTHS DEC 2015 AUDITED
	\$000	\$000	\$000
Repayable after 12 months			
Secured bank loans	262,737	160,895	248,211
Total loans and borrowings	262,737	160,895	248,211

The weighted average interest rate for the six months to 30 June 2016 was 3.68% (Jun 2015: 3.48%; Dec 2015: 3.59%). This includes the impact of interest rate swaps. 53% of the secured bank loans are hedged with interest rate swaps at 30 June 2016 (Jun 2015: 58%, Dec 2015: 38%).

The secured bank loan facility at 30 June 2016 has a maximum of \$450.0 million (Jun 2015: \$255.0 million; Dec 2015: \$450.0 million). Lending of \$125.0 million expires in August 2018 and \$325.0 million of lending expires in August 2020. 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.

6. EARNINGS PER SHARE AND NET TANGIBLE ASSETS

	6 MONTHS JUN 2016 UNAUDITED	6 MONTHS JUN 2015 UNAUDITED	12 MONTHS DEC 2015 AUDITED
Basic earnings per share			
Earnings (\$000)	50,587	35,719	84,245
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	217,121	216,055	216,342
Basic earnings per share (cents per share)	23.30	16.53	38.94
Diluted earnings per share			
Earnings (\$000)	50,587	35,719	84,245
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	220,220	218,789	219,050
Diluted earnings per share (cents per share)	22.97	16.33	38.46
Number of shares (in thousands)			
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	217,121	216,055	216,342
Weighted average number of ordinary shares issued under employee share plans	3,099	2,734	2,708
Weighted average number of ordinary shares for the purpose of earnings per share (diluted)	220,220	218,789	219,050

At 30 June 2016, there were 2,656,363 shares issued under employee share plans (Jun 2015: 2,733,572; Dec 2015: 3,446,488 shares).

	6 MONTHS JUN 2016 UNAUDITED	6 MONTHS JUN 2015 UNAUDITED	12 MONTHS DEC 2015 AUDITED
Net tangible assets per share			
Net tangible assets (\$000)	447,913	362,297	408,734
Shares on issue at end of period (basic and in thousands)	217,375	216,263	216,817
Net tangible assets per share (cents per share)	206.06	167.53	188.52

7. DIVIDENDS

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

A dividend reinvestment plan applied to the dividend paid on 24 March 2016 and 557,924 ordinary shares were issued in relation to the plan (2015: 447,575 ordinary shares).

8. CAPITAL COMMITMENTS

At 30 June 2016, the Group had capital commitments in relation to construction contracts of \$76.4 million (Jun 2015: \$49.1 million; Dec 2015: \$51.1 million).

9. SUBSEQUENT EVENTS

On 12 August 2016, the directors approved an interim dividend of 2.6 cents per share. The dividend record date is 29 August 2016 with payment on 9 September 2016.

There have been no other events subsequent to 30 June 2016 that materially impact on the results reported.



Chartered Accountants

Review Report to the Shareholders of Summerset Group Holdings Limited ("the company") and its subsidiaries (together "the group")

We have reviewed the interim financial statements on pages 19 to 30, which comprise the statement of financial position of the group as at 30 June 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the group for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information.

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

Directors' Responsibilities

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

Reviewer's Responsibilities

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

Basis of Statement

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

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

Other than in our capacity as auditor we have no relationship with, or interests in, the group.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 19 to 30, do not present fairly, in all material respects, the financial position of the group as at 30 June 2016 and its financial performance and cash flows for the six month period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

Our review was completed on 12 August 2016 and our findings are expressed as at that date.

Ernst & Young
Wellington

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* Appointment effective 1 September 2016.

