Summerset

Annual Report 2019

Summerset is a leading retirement village operator and aged care provider in New Zealand. We have the scale, resources and amenities to meet the needs of the high-growth populations of older people in this country and in Australia.

Summerset owns and operates 31 retirement villages and has a land bank for another 10 proposed villages. We maintain high satisfaction among our residents, and we have a growing team of engaged and skilled employees. Our business is based on core commitments to sustainability – social, environmental and economic.

We will continue strong, well-managed growth in New Zealand and we will strengthen our offering, especially in high-quality care for people living with dementia. Summerset owns the country's largest land bank for future village development.

We will also develop in Australia, initially on two sites - a prime broadacre property in suburban Melbourne and a second site also in Victoria. Summerset's proven approach to developing and operating retirement villages with clear choice and cost certainty has substantial potential across the Tasman.

Our Residents

Bringing the best of life to Summerset residents

Summerset's independently run survey showed an overall resident satisfaction score of 96% for both retirement village and care residents

Our People

People are the heart of Summerset

Our values are:

- Strong enough to care
- One team
- Strive to be the best

Our Environment

Summerset focuses every day on:

- Minimising waste
- Increasing energy efficiency
- Being more sustainable

Contents

Summerset snapshot

More than
5,500
residents

More than
1,500
staff members

31
Villages completed or under development

10
Greenfield sites

4,086
Retirement units in portfolio

858
Care beds in portfolio

Land bank of
5,380
retirement units

Land bank of
826
care beds

Sales of
652
occupation rights

7
Land purchases

96%
Care resident satisfaction

96%
Village resident satisfaction

$175.3m
Net profit after tax

$106.2m
Underlying profit

$237.9m
Operating cash flow

$3.3b
Total assets

From the Chair and Chief Executive


Welcome to Summerset's annual report for 2019. The year marks a milestone in our growth as a leading retirement village and aged care operator.

Three of the biggest milestones this year were:

- **Growth into Australia.** We made our first two land acquisitions in Australia with plans for villages on these sites in Victoria and expectations of further land purchases over the next year.
- **Growth in our New Zealand development plans.** Our land bank has been expanded to the equivalent of 4,940 retirement units across 20 sites in New Zealand. In 2019 we opened three villages, and expect to do the same in 2020 and each year thereafter for the foreseeable future.
- **Leadership in care for people living with dementia.** Our first memory care centre in Levin was award winning and we will open two further centres in 2020. These all have modern dementia design with unique features and care to allow maximum independence for people living with dementia.

Business performance

In 2019 we achieved an underlying profit of $106.2m, an increase of 8% on 2018, and a net profit after tax of $175.3m. Since the listing of Summerset in 2011, our latest results represent a thirteen-fold increase in underlying profit and forty-one-fold increase in net profit after tax.

The moderation in profit growth in 2019 follows the high growth achieved in prior years. Specific contributing factors include a reduction in our development margins (as previously signalled), a lower rate of new retirement unit deliveries due to the stages of various developments, and tougher conditions in the residential property markets of Auckland and Christchurch.

Over the coming year we will be investing in the start-up of our Australian business, and also in recruitment and retention of registered nurses and caregivers after we recently lifted wages and allowances to make Summerset a "top equal" payer. These steps involve cost, but in the longer term quality staff are needed for growth in the business and in shareholder value.

In the first half of 2019, the residential property markets in Auckland and Christchurch have been slower. While this does not affect demand for our needs-based products, it does mean prospective residents take longer to sell their homes. We saw steady rates of settlement


An artist's impression of our developing village at Avonhead

in our Auckland villages (Ellerslie and Hobsonville were our top two new sales villages) through the year and a noticeable lift in activity through the second half. This reflects the general view that conditions are improving in residential property markets.

Through 2019 we purchased land in Whangarei, Cambridge, Rangiora, Blenheim and Prebbleton, as well as our first two Australian sites.

Our New Zealand land acquisitions have continued to grow our pipeline of new villages across the country.

These locations represent an attractive mix of urban and high growth regional areas with good demographic demand. As these villages open in the coming years, we will benefit from spreading our growth across a larger number of sites and being better able to match deliveries to demand in each area.

Expansion into Australia

Our first Australian site is a broadacre site located in an established suburb of Melbourne with good access to amenities. This is similar to many of our New Zealand villages and is a good entry point for us. We are progressing well towards lodging our consent application and setting up our teams and systems to market, sell and operate the village. Board and management will continue to dedicate considerable time to ensure a successful start-up.

We have undertaken significant customer and industry research in Melbourne. This work confirms the attractiveness of providing security, care and community within a village containing the full range of independent living, assisted living, aged care and specialist memory care.

The research also points to some changes to the build environment compared to our New Zealand offerings, and how we provide services. These changes will ensure we adjust to Australian consumer preferences, and to the funding and regulatory regimes in place.

We purchased a second Australian site in the seaside town of Torquay on the Bellarine Peninsula in December. We are continuing to investigate additional sites in Victoria and expect to make further announcements in the coming year. The opportunity in this market is large and we are working hard to ensure a successful entry into Australia.

We have been following the Australian Royal Commission into Aged Care Quality and Safety closely. The final report from the Commission is expected at the end of 2020 and it is clear there will be wide-ranging recommendations for reforming the provision of aged care and home care services. We do not believe this will have an adverse effect on our business, as we are already focused on providing high quality care and services, and encourage changes to achieve this.

New Zealand development

During 2019 we saw good progress on resource consenting across our New Zealand land bank. Most notably, this included finalisation of consent for the proposed St Johns village development in Auckland. Over time we will develop other higher-density sites in similar urban environments.

The benefits of increased housing density include greater affordability, lower environmental impact and stronger communities as people are able to retire and be cared for in their familiar area.

We recognise such changes in the urban environment will create tensions, but are committed to making a positive contribution through engagement with local communities and the creation of developments that are recognised for good design and their value as community assets. We believe council processes and the Resource Management Act 1991 need improvement to assist such shifts in urban living.

Regarding our planned development at Boulcott's Farm in Lower Hutt, at the time of writing this report, we have not received a decision from the Environment Court on our resource consent application which was heard in June 2019.

Through 2019 we delivered 354 retirement units. There are a further 152 units in main buildings under construction at Casebrook (Christchurch) and Rototuna (Hamilton). These are due for completion in early-to-mid 2020. Given the slower residential property market conditions in 2019, we are happy with this rate of delivery. Although there are clear signs of market recovery in Auckland, we will continue to focus on opening new villages.

Operations and care

In our villages and care centres we continued to see good occupancy and satisfaction levels through 2019. However, sector-wide challenges grew in significance, most notably the shortage of nurses across New Zealand as district health boards increased their demand for staff and immigration rules limited the recruitment of skilled nurses from overseas. The Government put nurses back onto the long-term skills shortage list for immigration in May 2019 which was a positive step but not a solution in itself.

Summerset's goal is to be a preferred employer in our sector. To this end we agreed, in late 2019, to considerable wage and allowance increases for our nursing and caregiving staff to position our remuneration as "top equal" in the sector.

A key sector issue is the higher wages which district health boards are able to pay their nurses. We are a proponent of pay equity for nurses in aged care and urge the Government to consider this seriously. Achieving preferred employer status is a key focus for the Board and management, and we will make the appropriate investments in this regard. Over time this should see our staff turnover decrease and engagement increase.

During the past year, our clinical team and Clinical Governance Committee developed an updated clinical strategy to support the company's plan for the next three years. This is a mix of workforce development initiatives and system improvements, ultimately designed to deliver customer-centric care underpinned by expert health care. The strategy builds on good progress made in the past three years.

In our villages we continued to build on our successful external speaker series and are in the process of implementing an upgraded exercise programme for residents.

We were the first village operator to install fibre for residents' phone and data communications, this process having started in 2010. We have installed fibre-optic cable in all new villages to provide fast, reliable broadband to every home. We are planning to retrofit our older villages over the next couple of years.

Our people

We are making a number of large investments in our staff, including remuneration increases for nurses and caregivers and other investments such as leadership and development courses, improved rostering systems and recruitment programmes.

Similarly, in the health and safety space we continue to mature our operation. Our construction business involves the highest risk of harm and we will continue to invest here so that Summerset becomes a leading contractor in terms of health and safety.

Our place in the community

We have previously signalled our commitment to lifting our efforts for environmental sustainability. In 2018, we became the first retirement village and aged care operator to be accredited by Certified Emissions Measurement and Reduction Scheme (CEMARS) and we have furthered this commitment with Toitū carbonzero certification based on Summerset's purchase of carbon credits to offset its measured emissions.

We have also joined the Climate Leaders Coalition and plan to further deepen Summerset's contribution to sustainability over time.

Looking ahead

Our business continues to perform well. Summerset is strongly positioned for the future with an attractive offering to residents and potential residents. We have a good range of villages now in operation and planned for future development. Importantly, we are now underway with further diversification of our growth path in Victoria, Australia.

As always, thank you to our residents for choosing Summerset, thank you to our staff for all your efforts and thank you to our shareholders for supporting our business. We take our commitments to these groups and to the wider community seriously – and we will continue working hard for you into the future.

Rob Campbell
Chair

Julian Cook
Chief Executive Officer

Developing more villages for Kiwi retirees

Summerset continues to provide high-quality retirement villages with comprehensive services, facilities and amenities, in locations where New Zealanders most want them.

There is strong demand for living environments that are comfortable, secure and well serviced across a range of needs and preferences. Our strategy is to grow our offering through the acquisition of sites in urban locations, retirement destinations and high-growth regional centres. We carefully stage the development of a mix of homes and facilities for either independent living, supported living in serviced apartments, or in specialist care centres.

Summerset has built strong capability in every aspect of village development, from location research and land acquisition, to planning and local body consenting, to civil works and building design and construction.

Our land bank is now the largest in the New Zealand retirement village sector in terms of size, diversity of location and potential. Our in-house capabilities enable Summerset to secure advantages in standardised design and contract management, in procurement and in adapting to local requirements.

Our pipeline of future retirement units in New Zealand is now in the range of 5,000, spread across eight greenfield sites and 12 partially built villages. In addition, we have 19 fully completed and operational villages.

Successes in 2019

Summerset completed 354 new retirement units this year, of which a substantial number had been sold by the end of the year. We will open three new retirement villages in 2020 and are likely to continue this pattern in subsequent years.

The highest concentration of new sales in 2019 was in Summerset's Ellerslie, Hobsonville, Rototuna and Casebrook villages.

In these, and other sites, where construction is underway or imminent, we are achieving a good level of new unit sales off plan. The past year saw residents move into the first completed units at our new villages in Avonhead (Christchurch), Richmond (Nelson - Tasman) and Kenepuru (Wellington).

Priorities for 2020

Summerset will make progress on various developments through the coming year, most notably starting construction on the 2.6-hectare St Johns site in Auckland after successfully securing resource consent in the Environment Court. The court decision found that the company's plan for St Johns, which we had modified in response to local residents' concerns, "properly balances the interests of intensification with the need for compatibility with the residential environment and the impacts on visual amenity". We look forward to the next stages in planning and design for this prestigious development.


Casebrook villas

Regarding our planned development at Boulcott's Farm in Lower Hutt, at the time of writing this Annual Report, we have not received a decision from the Environment Court on our resource consent application which was heard in June 2019. Our proposal is for a high-quality development on this 3.3-hectare site and is backed by strong expressions of interest from prospective residents. Both St Johns and Boulcott's Farm, along with our now-established Ellerslie village and our concept plan for a new village in Parnell (both Auckland), represent a higher-density form of urban village, for which Summerset is discovering good demand.

Work will also continue on other recently consented projects at Te Awa (Napier) and Papamoa Beach (Tauranga), and work will start at Bell Block (New Plymouth). Our new Waikanae (Kapiti Coast) and Milldale (Auckland) sites are at the master planning and resource consent application stage, while the five New Zealand sites newly-acquired in 2019 are subject to ongoing preliminary work. In addition, construction will proceed on recently acquired land adjacent to the existing villages at Casebrook (Christchurch) and Hobsonville (Auckland), the latter being a village extension of some 38 new units, including premium waterfront homes.

In 2020 we will complete construction of the main buildings, including care centres, at Rototuna and Casebrook.

Together these main buildings will add another 86 care beds and 152 serviced apartments and memory care apartments to our national portfolio. Summerset's development team will continue to look at potential land purchases in locations that meet our criteria.

Business performance

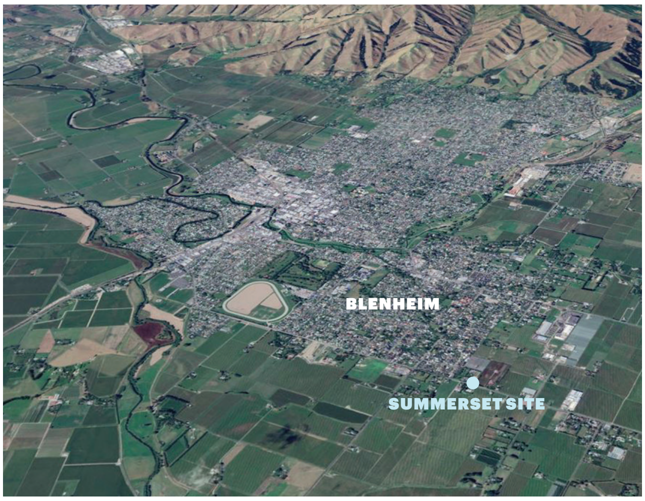
Our land bank

Villages	Design	Consenting	Construction	Village open	Final stages
Hobsonville, Auckland	●	●	●	●	●
Warkworth, Auckland	●	●	●	●	●
Ellerslie, Auckland	●	●	●	●	○
Rototuna, Hamilton	●	●	●	●	○
Casebrook, Christchurch	●	●	●	●	○
Avonhead, Christchurch	●	●	●	●	○
Richmond, Tasman	●	●	●	●	○
Kenepuru, Wellington	●	●	●	●	○
Te Awa, Napier	●	●	●	○	○
Papamoa Beach, Tauranga	●	●	●	○	○
St Johns, Auckland	●	●	●	○	○
Bell Block, New Plymouth	●	●	●	○	○
Whangarei, Northland*	●	●	●	○	○
Lower Hutt, Wellington	●	●	○	○	○
Rangiora, Canterbury*	●	●	○	○	○
Parnell, Auckland	●	○	○	○	○
Waikanae, Kapiti	●	○	○	○	○
Milldale, Auckland	●	○	○	○	○
Cambridge, Waikato*	●	○	○	○	○
Blenheim, Marlborough*	●	○	○	○	○
Prebbleton, Canterbury*	●	○	○	○	○
Cranbourne North, Melbourne*	●	○	○	○	○
Torquay, Victoria*	●	○	○	○	○

* New sites purchased

New sites acquired in 2019

Summerset now owns 10 greenfield sites due for development. Of these properties, seven were acquired during 2019.



Blenheim, Marlborough

Summerset's first retirement village in Marlborough is on 6 hectares on Old Renwick Road, Blenheim.

Marlborough has been voted one of New Zealand's best places to retire and is projected to experience 26% growth in the number of people aged 75 years and over by 2023.

- Approximately 140 independent homes
- Rest home and hospital-level care
- Memory care centre

Rangiora, Canterbury

Rangiora is a popular retirement location, and Summerset purchased 9 hectares on South Belt Road, just over two kilometres southwest of the town centre.

The Waimakariri District has a forecast 30% increase in the number of people aged 75 years and over by 2023.

- Approximately 250 independent homes
- Rest home and hospital-level care
- Memory care centre

Whangarei, Northland

Summerset purchased 11 hectares in Mt Denby for our first Northland retirement village this year. The proposed village is next door to the Mt Denby golf course.

Whangarei's over-75 population is forecast to increase by 34% over the next decade.

- Approximately 210 independent homes
- Rest home and hospital-level care
- Memory care centre

Cambridge, Waikato

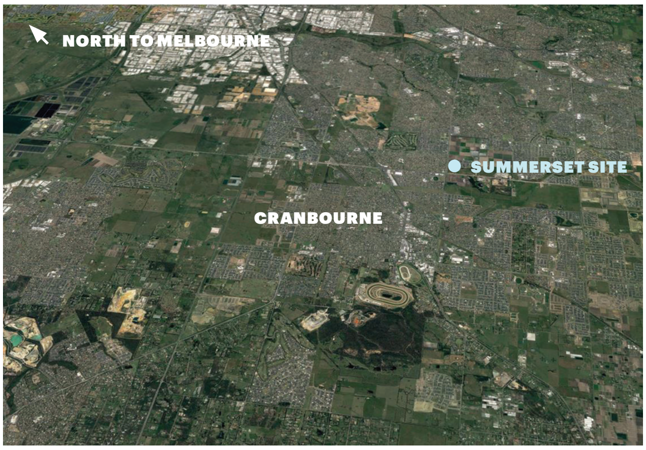
Summerset purchased 8 hectares on Laurent Road in north Cambridge. The property is less than two kilometres from the Cambridge town centre, and close to local parks and race tracks.

- Approximately 210 independent homes
- Rest home and hospital-level care
- Memory care centre

Prebbleton, Canterbury

Summerset purchased 9 hectares on Springs Road, Prebbleton, southwest of Christchurch. Prebbleton is in the Selwyn District, where the over-75 population is forecast to increase by 80% over the next decade. The property is close to the local shops and on the key public transport route between Lincoln and central Christchurch.

- Approximately 210 independent homes
- Rest home and hospital-level care
- Memory care centre



Cranbourne North, Melbourne, Australia

Summerset purchased its first piece of land in Australia in September, buying 8 hectares in Cranbourne North, an established suburb southeast of Melbourne. The property is conveniently located to provide relaxing retirement living, with easy access to shopping centres, public transport and outdoor activities.

- Independent homes
- Rest home and hospital-level care
- Memory care centre

Torquay, Victoria, Australia

Summerset purchased its second property in Victoria, Australia, in December 2019 in Torquay, on the Bellarine Peninsula. Torquay is a popular coastal town approximately 95 kilometres southwest of Melbourne. The 8.3 hectare property is on Briody Drive. Population forecasts show a 77% increase by 2031 of over 75-year-olds living in the area.

- Independent homes
- Rest home and hospital-level care
- Memory care centre

Year in review

January

Resource consent received for Te Awa, Napier

February

First *Summerset Series: Understanding Dementia* public talk in Hobsonville, Auckland

March

Purchased land in Blenheim and Rangiora

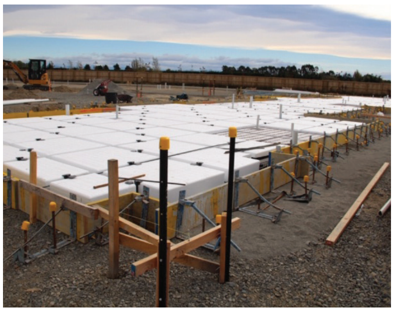
Accredited as New Zealand's first Toitū carbonzero retirement village

July

Kiwi favourite Jude Dobson introduced as Summerset Ambassador

Summerset achieves top ACC certification for health and safety

August



Avonhead village main building construction starts

September

Summerset expansion into Australia announced with the first land purchase in Melbourne

April

Purchased land in Cambridge and Whangarei

May

Awarded first Summerset Graduate Nursing Scholarship in partnership with Massey University

June

Joined the Climate Leaders Coalition

First residents move into Summerset at Avonhead in Christchurch

October

Launched new serviced apartments at Summerset on Cavendish, Christchurch

November

Received resource consent for Bell Block land in New Plymouth and blessing held

Principal sponsor of Dementia Auckland's 'Still Me' ball

Purchased land in Prebbleton, southwest of Christchurch

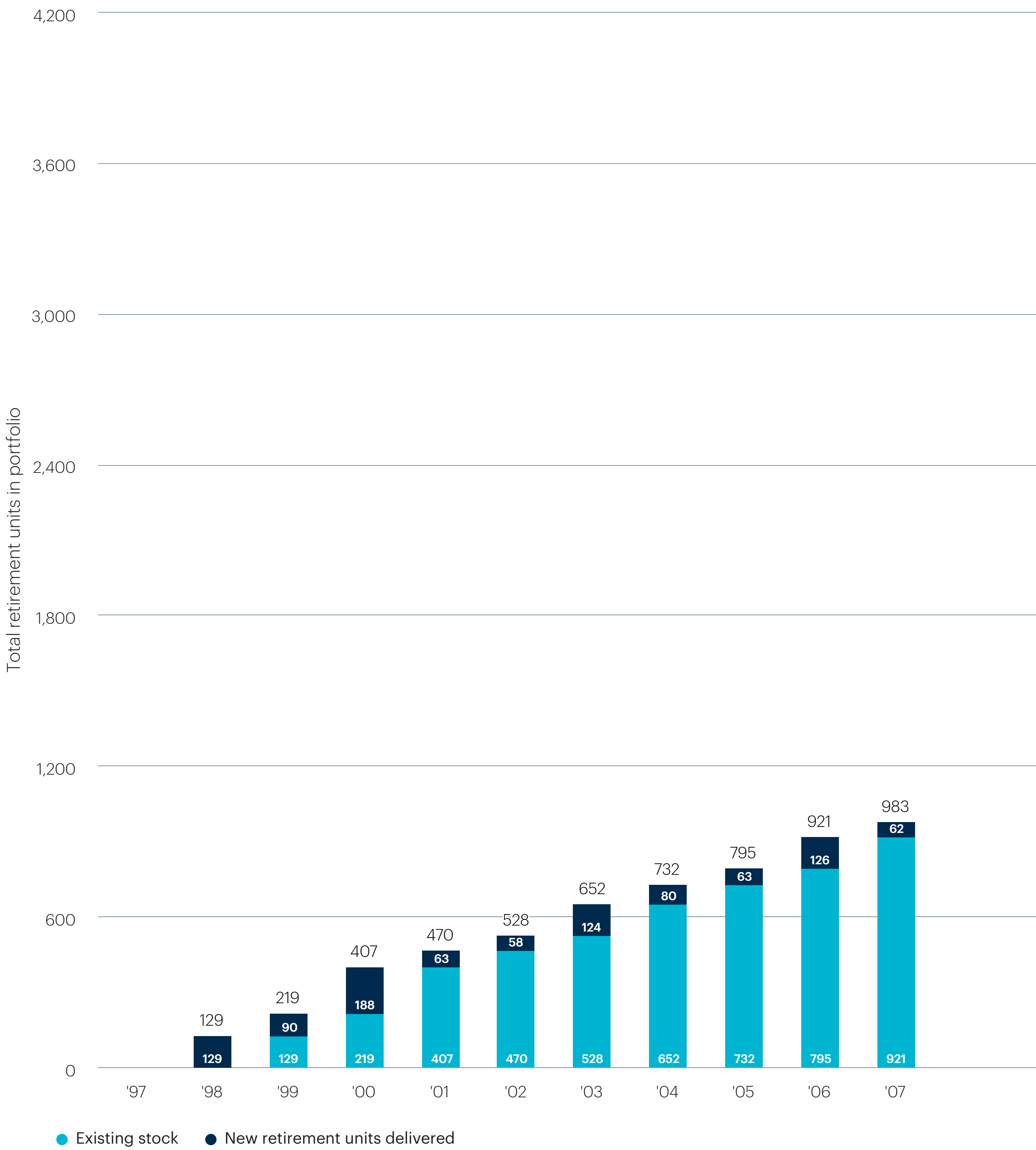
December

First residents move into Summerset on the Landing in Kenepuru, north of Wellington

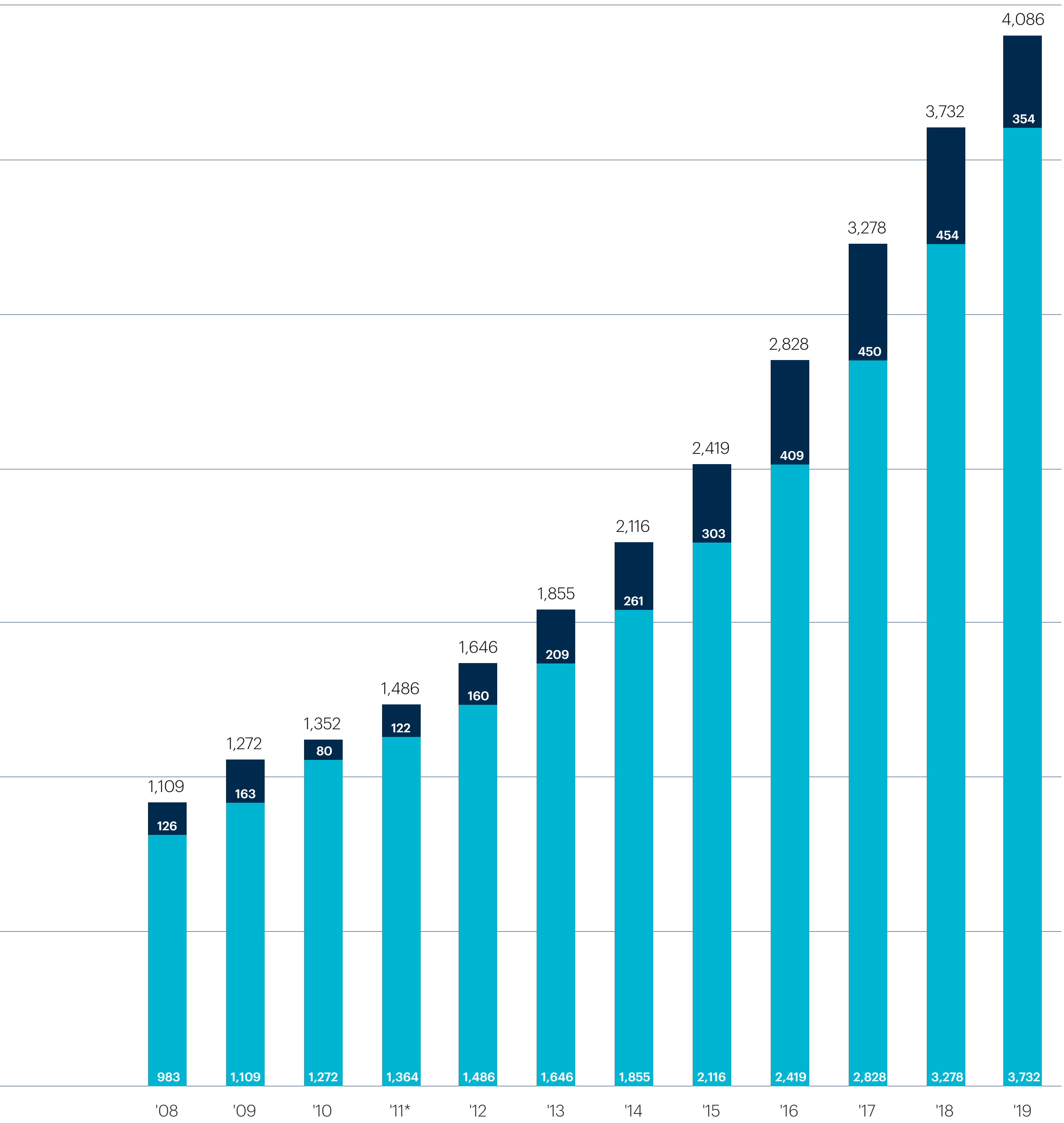
Received resource consent for St Johns, Auckland

Portfolio growth

22 years of consistent growth and delivery



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



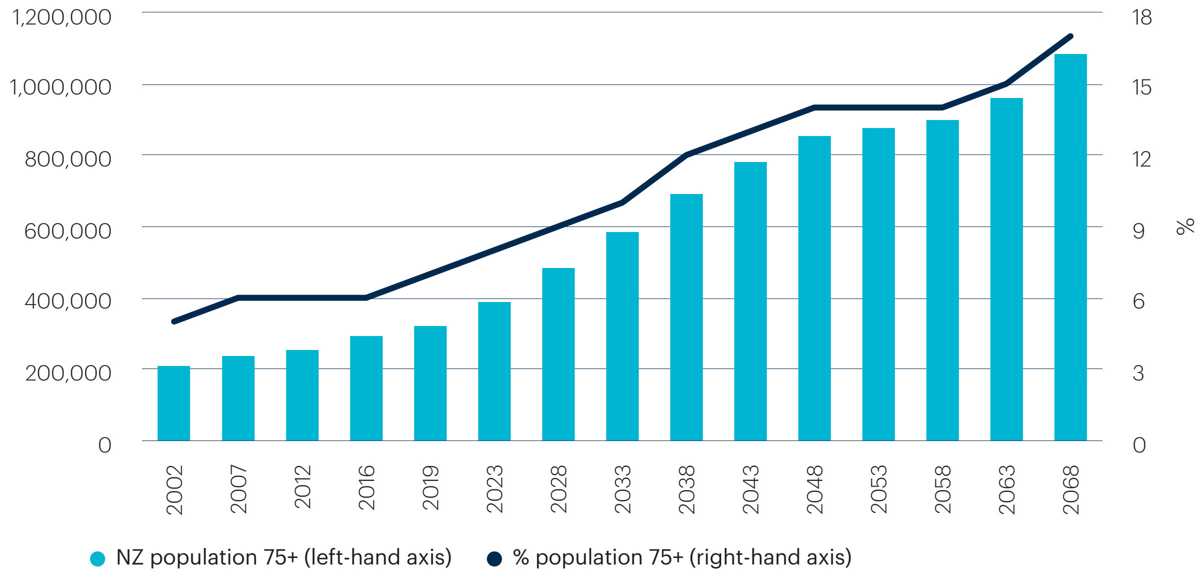
Our villages

- Completed villages
- In development
- Proposed villages

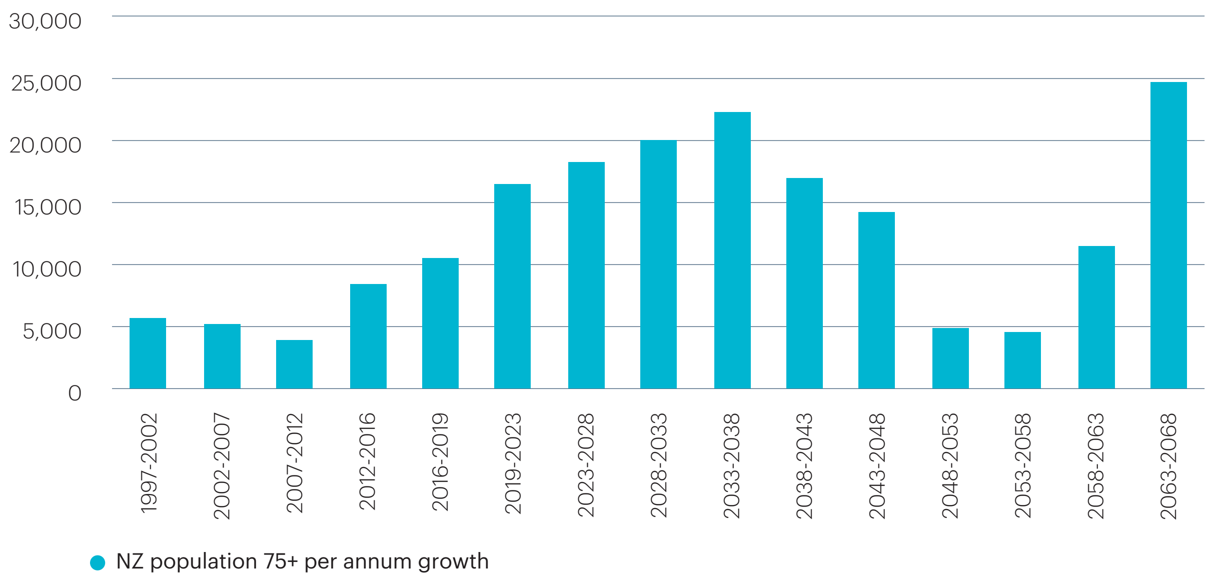
Strong wave of growth

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

NZ population 75+



Per annum New Zealand population growth 75+



Source: Statistics New Zealand – National Population Projections

Our growth strategy in Australia involves taking the best elements of the New Zealand integrated-village model and adjusting them for the Australian market.

Expanding the Summerset model into Australia

Summerset will take its successful retirement village offering into Australia, where many people are looking for quality care and well-priced options for both independent and supported living.

Our first village will be built in Cranbourne North in Melbourne's outer suburbs. It will have Summerset's signature mix of low-rise villas and a main building with communal facilities, apartments and a care centre, all on one broadacre site.

Our growth strategy in Australia involves taking the best elements of the New Zealand integrated-village model into a market that is very similar to our own but much larger and less developed – and doing so in a carefully thought-out way that incorporates expertise from both sides of the Tasman.

In September 2019, Summerset purchased 8 hectares of land in Cranbourne North for our first Australian village. Our investment has been well timed; the Melbourne property market having declined substantially since a peak in 2017. The residential property price level was down 6% during the year to September 2019. In the last three months of 2019, prices increased by 6%. The site has strong attributes for retirement village living, with several shopping centres and public transport links nearby, along with a public reserve and golf course.

In late December 2019, Summerset acquired a second site in the seaside town of Torquay on the Bellarine Peninsula in Victoria.

The Melbourne market

Melbourne, with a current population of 4.9 million, is on track to become Australia's biggest city by the mid-2020s. The country faces population ageing at a rate faster than New Zealand, with an official projection that the number of people aged 75 and above will increase 140% over the next 30 years (to reach 4.1 million).

This indicates there will be demand for accommodation from independent living through to fully supported residential care, where residents can move as their needs change over time.

Summerset's research has shown an unmet demand for retirement villages that offer a continuum of care model.

Planning for Cranbourne North includes a state-of-the-art memory care centre that will have the same quality of design as those currently being built in all new Summerset villages on this side of the Tasman.

With planning and consenting processes underway in 2020, Summerset expects to be offering the first units for sale at Cranbourne North in late 2021.

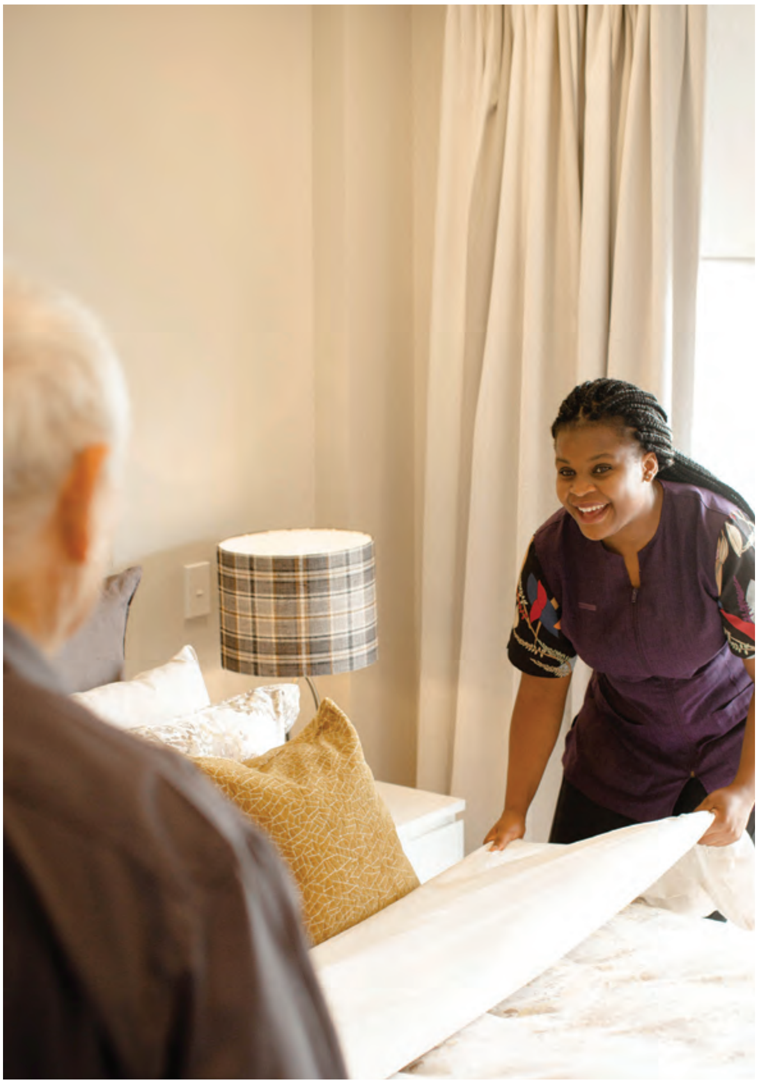
Latest developments

Summerset has a dedicated Australian project team, with a number of full-time staff based in Melbourne and further implementation support from New Zealand. Two of our senior development staff have moved over from our New Zealand office, which has been invaluable in terms of adding knowledge and know-how from a Summerset perspective.

An Australian Summerset website was also launched in September 2019.







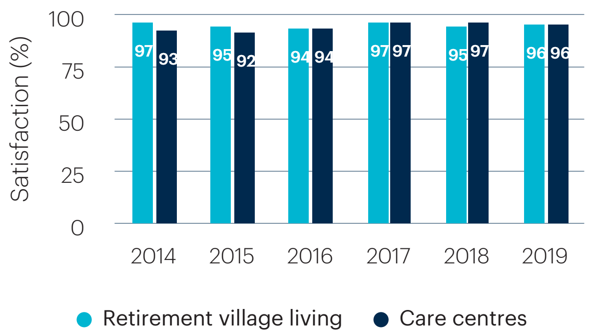
Summerset

Bringing the best of life to Summerset residents

Our business is about bringing the best of life to Summerset residents. People come to Summerset for companionship, security and personal support. Most want to live in their familiar part of New Zealand, with as much independence and comfort as possible. Our strategy is to facilitate this in as many ways as we can.

In 2019, we continued to achieve high satisfaction ratings among residents, and to make continuous improvements in village design, and in our services and infrastructure. Summerset's independently run annual survey produced a satisfaction score of 96% for retirement village living residents and 96% for care residents. Through the survey, residents confirm the things they like best. These include: the friendliness of our villages and the companionship of fellow residents; the overall quality of care from Summerset staff; our village locations and proximity to local amenities; our layouts and beautifully maintained gardens; and high levels of safety and security. It is heartening to see we are scoring highly across all areas of retirement living.

Satisfaction survey



Infrastructure and services

Summerset's focus on resident satisfaction starts with the design of our villages, homes and common areas. In 2018 we were the first retirement operator accredited to the Lifemark design standard for accessibility in our communal buildings and across our village facilities. This standard is now applied in every new design, along with an emphasis on the adaptability, usability and safety of all our buildings.

We have installed fibre-optic cable in all new villages to provide fast, reliable broadband to every home. We are planning to retrofit our older villages over the next couple of years.

We are making increased use of the VCare software system for information access in villages and care centres. VCare is our resident management software, and has made a big impact since its introduction in 2017. The benefits of having a central repository of resident information are being realised. They include streamlining business processes, managing our reporting more efficiently and ensuring staff have more time to spend with our residents.

Summerset staff use VCare on mobile devices for ease of use as well as real-time access to important resident information.

Catering

Food choices and catering are another area where the company continues to make improvements. In 2019 we employed a dedicated food services lead, who has been responsible for ensuring our residents get quality food.

Feedback has been positive since we moved to using three regionally based catering specialists in 2018 for cafés and meal offerings in most Summerset villages.

We continue with in-house provision of food services in two villages and this is also working well.

Food is a subject close to many residents' hearts and is an area we will continue to monitor closely with our supplier partners to ensure we are providing high quality catering.

Wellbeing programmes

Summerset is committed to helping residents maintain wellness in the fullest sense of the word. We will continue extending the wellbeing programme through 2020 within a holistic wellness framework encompassing physical, mental, environmental and social wellbeing. In 2019 we trialled a new signature fitness programme.

Our new fitness programme has been developed exclusively for Summerset villages by an experienced fitness specialist. It focuses on muscle strength and coordination, and has multiple mind-body benefits.

Feedback from the trial at two Christchurch villages has been very positive. We have gained accreditation to the falls prevention standard, "Live Stronger for Longer", established by ACC and the Ministry of Health. We will progressively use this to improve our fitness programmes in our New Zealand villages.

Summerset Connect speaker series

The Summerset Connect speaker series is aimed at social wellbeing for our residents. The 2019 series has gone well, both in terms of the quality of the speakers and the numbers in attendance.

This year we held 55 events across our villages and hosted more than 3,000 guests, including residents, their family and friends, members of the community and those interested in living at a Summerset village.

Highlights from the Connect series this year included Dementia New Zealand, sports commentator Keith Quinn, cricketing legend Sir Richard Hadlee, renowned explorer Peter Hillary and food writer and TV personality Peta Mathias. We held more events in 2019 than ever before, and the quality of the presenters speaks for itself. We look forward to rolling out the 2020 programme, which will start in March.

Community Connect

The year also saw Summerset pilot Community Connect, a new form of connection between villages and local secondary schools, with students helping residents acquire new technology and social media skills. We are looking to roll this out to more villages in 2020, following a successful pilot with Summerset at the Course and St Patrick's College Silverstream in Upper Hutt.

Dementia friendly

We actively welcome into our villages people who live with dementia. Summerset recognises the broad continuum of their capabilities and their support needs, with many people able to continue in independent living units while others benefit most from care centre accommodation or our new memory care apartments.

Summerset has adopted the seven international Dementia Friendly Recognition Programme standards as part of its internal audit process for all villages.

People are the heart of Summerset

To bring the best of life to Summerset residents, we need skilled and engaged employees. We have a diverse team working across our organisation. Our strategy is to recruit and retain the best people, and to facilitate the development of their personal and professional skills. We aim to achieve high standards of workplace health and safety across the business – with particular focus on our construction and operations teams.

At Summerset our focus is on enabling people to participate fully in the growth and success of our business, and to further develop their knowledge and skills. Recruitment and retention continue to be challenges for Summerset, as they are for other employers in our sector.

We have implemented well-researched and successful initiatives to attract registered nurses and other professionals to Summerset.

We are also ensuring our workplace is healthier, safer and more supportive for all our staff.

High level of staff engagement

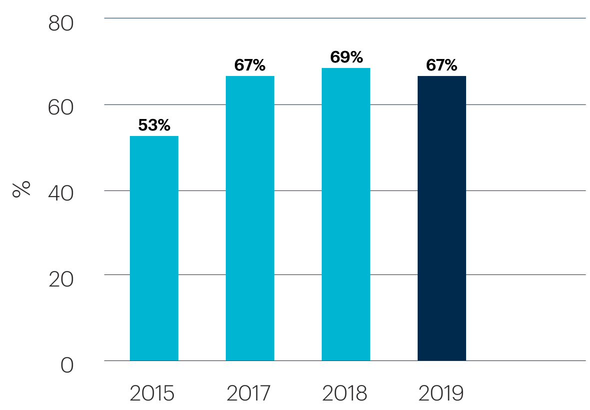
Summerset measures employee engagement each year, and in 2019, the overall engagement score was 67%. That is consistent with the past two years and above the norm for Australasian companies, but just outside the top quartile. In 2017 and 2018 we were in the top quartile of employers. Engagement is different to satisfaction and measures employees who "go the extra mile", want to stay with their employer and speak positively about their employer.

Remuneration and benefits

Summerset looks to be “top equal” on remuneration and benefits for care centre staff relative to other large employers in aged care. Our 150 plus registered nurses and over 650 caregivers received further pay increases of 2.5-8% in 2019 as Summerset matched the pay rates of district health boards. We intend for our people to share in the success of Summerset through their level of regular pay and through a comprehensive and sector leading set of staff benefits introduced over recent years.

These benefits include a scheme for the allocation of new Summerset shares free to employees each year. A parcel of shares valued at $800 has been allotted to each employee annually over the last few years, and transferred to their name if they are still working for Summerset three years later. During the interim period, dividends paid on those shares are received directly by the employee.

Staff engagement survey[1]



1 Source: Kincentric engagement survey (Kincentric acquired the Aon Hewitt survey)

In July 2019, the first allocation of shares under the scheme vested to more than 300 staff members, with the welcome news that the market value of their shares was substantially higher than it was three years ago.

Summerset provides its employees with free health insurance, funeral cover, quarterly travel voucher prizes, discounts at a range of suppliers, sick leave from the first day of employment, birthday leave, and contributions to staff social clubs and sporting activities. Summerset also supports many staff fundraising initiatives.

Training and development

Summerset is increasing its investment in training and development across all our teams with a focus on registered nurses. In 2019 we provided more opportunities for professional learning in the fields of wound management, infection control and fall prevention.

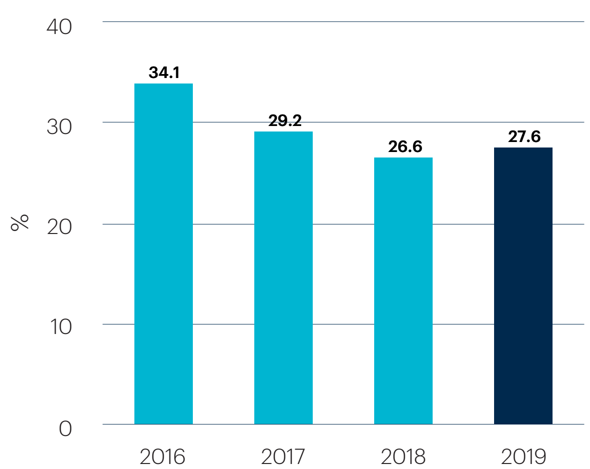
We continue to develop our clinical nurse leads who make a major contribution to the expertise of Summerset's nursing teams.

Recruitment

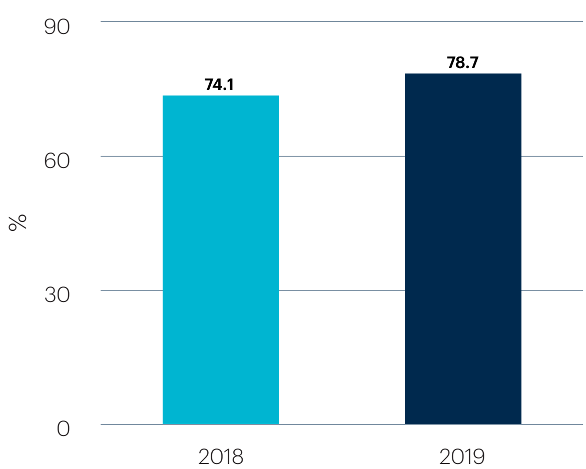
We saw a slight increase in turnover to 27.6% in 2019, reflecting pressure in the nursing and caregiver workforces. However, our retention, which measures how many employees who started the year with us are still in employment at year end, improved to 78.7% from 74.1% in the prior year.

Like all other employers in New Zealand's aged care and health sectors, we are faced with nurse and caregiver recruitment challenges. Our strategy is to make Summerset an excellent place to work, and to attract talented and committed people.

Employee attrition



Employee retention



Our approach to remuneration and benefits, and to training and development opportunities, enhances the company's reputation in what is a very competitive employment marketplace.

In 2019 we released a new range of videos online to share the benefits of joining our team as relayed by Summerset staff. One of these videos spotlights two nurses who have migrated to New Zealand. They tell their real-life stories of working in our organisation and enjoying the Kiwi lifestyle. In the year ahead, we will look to recruit more nurses from overseas. Our focus is also on staff retention and continuing to aim towards making Summerset an outstanding place to work.

Diversity

Summerset is also working to make diversity and inclusiveness among employees an integral part of the workplace experience. In 2019 we continued to promote equal opportunity principles in our recruitment and employee management processes, to ensure there are no barriers that may arise from diversity, and to promote a merit-based culture where every individual can work to their full potential. Over the next year we will go further with data-gathering and reporting, and will be incorporating diversity concepts into leadership development programmes.

In 2019 our data showed that Summerset employed people from 37 different nationalities, with almost equal representation of females and males in senior and middle management roles.

In the 2019 Summerset engagement survey, a significant majority of employees (74%) said the culture was accepting of people's diverse backgrounds and of different ways of thinking.

Health and safety

In 2019 Summerset was awarded tertiary status in ACC's Accredited Employers Programme. Injury frequency rates increased slightly, with reductions in construction offset by rates in operations going up.

WorkSafe New Zealand classes construction as a high-risk sector. As the industry-wide Health and Safety Attitude and Behaviours Survey has recently shown, this view is shared by six out of ten workers and five out of ten employers.

Summerset has around 100 workers in its construction team, which includes design, commercial, procurement, quality assurance and project/site management. Our policies and practices cover contractors' employees and subcontractors working on our sites. Our General Manager Construction, Dean Tallentire, was appointed to the board of SiteSafe in 2019.

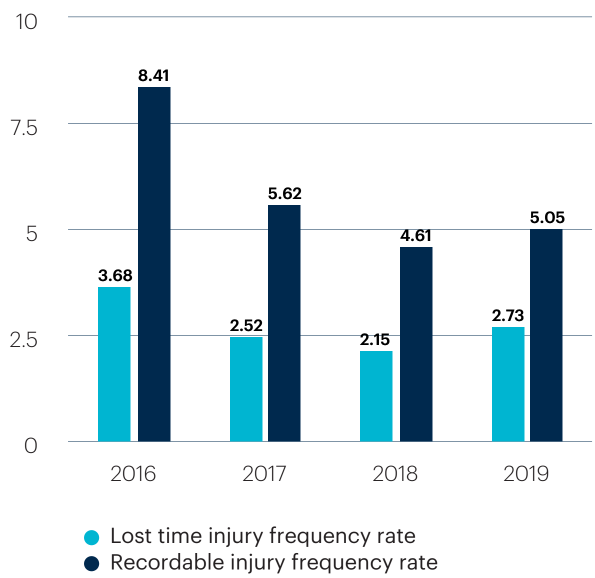
We seek to run our sites to best practice and we are aligned with the vision of SiteSafe and other construction industry forums.

In early 2019 there was a substantial rise in near-miss reporting of incidents on our sites. This was as a result of both attitudinal change and the introduction of a new mobile phone app that makes the reporting of unsafe conditions quick and easy. Good levels of near-miss reporting is one sign of a positive health and safety culture. We seek to run our sites to best practice and we are aligned with the vision of SiteSafe and other construction industry forums. We are encouraging and supporting our supply chain to be accountable for their own health and safety, recently introducing SiteWise — a contractor pre-qualification programme.

This will help with upskilling frontline staff and ensuring they appreciate even more the risks involved in their work and in our supply chains. It will also help our teams review risk planning documentation and promote more meaningful health and safety conversations in each workplace.

In 2020 and beyond, we are continuing to invest in training for our project management teams in the construction industry.

Workplace injury rates [1]



1 The prior year LTIFR numbers have been updated due to Summerset changing to the benchmark methodology used by the Business Leaders' Health and Safety Forum.

Wellbeing at work

We recognise that mental health is of great significance in the overall wellbeing of our employees. In 2019, we started to roll out the 'Good Yarn' programme encouraging workers on our construction sites to confide in managers or colleagues when feeling under pressure or stressed on the job. A range of additional staff programmes ran during the year such as the 'Be a Mate' anti-bullying campaign, Winter Wellness as well as continuing to offer support from our free employee assistance programme.

Supporting the next generation of talent

The company is keen to support young nurses at tertiary education level, and in 2019 we launched new scholarships for those interested in coming into the aged care sector. We have partnered with the First Foundation whose purpose is building a better future for New Zealand's talented youth. Under this partnership, Theresa Fatu became the first recipient of Summerset's First Foundation Scholarship and we will be supporting her to achieve a nursing degree over the next three years. We look forward to Theresa joining our team at Hobsonville for paid work experience during study breaks. Summerset also launched scholarships for final-year Massey University nursing students with a focus on our sector. We are pleased to support the first recipient, Ruth Trow, as she completes a 360-hour clinical placement during the final stage of her nursing degree. Our training focus is also now on team leadership in various areas of Summerset, including in our large construction team. We look to make progress on team leader development over the coming year.

Summerset contributed $440,000 to a number of organisations, including Dementia New Zealand, Bowls New Zealand, Wellington Free Ambulance, and Age Concern New Zealand.

Working together with our communities

Summerset's retirement villages are part of their communities across New Zealand. Our residents enjoy contributing to the surrounding area with local economies also benefiting from our presence. We saw local groups, school children, Plunket babies, animal welfare charities and entertainers coming into our villages this year. Our residents actively support their community with fundraising, time and energy.

Summerset continues to invest at a national and local level in individuals and organisations, supported by our residents.

Dementia New Zealand

The second year of our major partnership with Dementia New Zealand saw us host another series of public talks on understanding dementia. We host these free talks in our villages and open them up to the public as part of our shared goal to increase understanding of the disease.

We were also a principal sponsor of Dementia Auckland's fundraising gala ball, the 'Still Me' ball held in November. Residents and staff from our Ellerslie village were among 300 other guests who enjoyed a glittering night of dance with VIPs including Dancing with the Stars NZ judge Rachel White and TV3 host Mike McRoberts, as well as the professional dance crew from Dancing with the Stars NZ.

Bowls New Zealand

Bowls is a popular sport amongst our residents, with all villages having a bowling green and many hosting inter-village bowls competitions.

The second year of our partnership with New Zealand's overarching outdoor bowls membership body saw a successful season of the Summerset National Bowls competition and the return of Bowls3Five, a faster paced game shown live on SKY TV from October to December.

Brook Waimārama Sanctuary

We enhanced our support for the environment with a new relationship with Nelson's Brook Waimārama Sanctuary this year. It is the largest fenced sanctuary for endangered plants and species in the South Island, and is close to our Nelson and Richmond villages.

We are proud to continue our support of other organisations which have a relationship with our villages, or have a direct impact on the health and wellbeing of New Zealanders. These other organisations include:

- Wellington Free Ambulance
- Orokonui Ecosanctuary
- Age Concern New Zealand
- New Zealand Indoor Bowls
- The Sir Paul Callaghan Eureka! Awards

In 2019 other initiatives supported the Cancer Society, Te Omanga Hospice and the New Zealand Institute of Building. Our staff fundraise for a wide variety of charities and we support them with top-ups from the company. In March, staff and residents made a special effort to fundraise collectively for the victims of Christchurch's mosque shootings. Together we were delighted to raise $22,000, which was matched by Summerset, totalling $44,000 for those affected by this tragic event. In total Summerset contributed $440,000 to support our wider community during 2019.

Artist's impression of the new memory care centre internal courtyard at Casebrook

Our Summerset by the Ranges village in Levin was awarded Dementia Friendly status under the certification programme of Alzheimers New Zealand this year.

Next-generation dementia care

Summerset is dedicated to providing the best dementia care in the market. Along with the rest of the Western world, New Zealand is facing far greater numbers of people in our communities living with dementia. It is estimated that the number of people affected by dementia in New Zealand will triple to around 170,000 by 2050.

Summerset's memory care centres have been designed to bring the best of life to the increasing number of residents needing secure aged care facilities for dementia. Summerset offers state-of-the-art facilities and is proud to be opening two brand new memory care centres in 2020, at Casebrook (Christchurch) and Rototuna (Hamilton).

Summerset's memory care centres have been created to support the individual, maximise independence and reinforce personal identity, all within a safe and supportive environment.

Since it opened in 2016, the first memory care centre, at Summerset by the Ranges in Levin, has proved the significant potential of the Summerset model. It is now being rolled out to all our new villages.

Memory care centres

Our memory care centres provide people with their own apartment within a secure building with specially designed communal areas, including a dining area, and continuous on-call staff. Residents have their own lounge, bathroom, kitchenette and furnishings – a place they can truly feel at home. Relatives and friends are able to stay overnight in the apartments when appropriate.

Leading-edge design and personalised care

Indoor-outdoor flow, natural light and the placement of everyday objects really matter for ease of living with dementia – and Summerset is incorporating these things, and more, in its memory care centres. Our design team has studied international best practice from the emerging field of dementia design through Scotland's Stirling University. We have taken research findings and practices, and incorporated the key elements into Summerset designs. Our centres are designed around central gardens, with ease of access from various points. Connection to nature is proven to help people with dementia by improving cognitive processes and enhancing mood.

Other design features include plenty of natural light and calming colours, the layout of rooms and their contents in ways that stimulate memory, and wayfinding techniques such as murals. The buildings have silent call bells as a means of alerting staff. They also have motion detectors to enable non-intrusive monitoring of residents.

Families and loved ones are critical at this level of care, and we offer support and guidance for everyone involved in the decision-making process.

Our new sensory rooms

A sensory room will be a feature of our new memory care centres. This is a multi-purpose activity space that is designed for activities that stimulate residents and their senses. Research suggests that sensory stimulation can evoke memories associated with smells, tastes, texture and sounds.

Summerset's new memory care centres include a specialist ceiling-mounted projector displaying an interactive light show and games which can be targeted for individual needs and interests. Such activities enable interaction and participation on both a social and emotional level. This technology has been developed in the Netherlands with input from neuropsychologists. Summerset is the first to introduce this technology into New Zealand.

'Dementia Friendly' status

Our Summerset by the Ranges village in Levin was awarded 'Dementia Friendly' status under the certification programme of Alzheimer's New Zealand this year. This means it meets seven core international standards for ensuring that places and organisations make life easier for those with dementia, and for their caregivers. The standards include ongoing efforts to make physical environments accessible to people living with dementia, and to train staff for their fuller understanding of the condition. Our intention in 2020 is to have the full Summerset business accredited as 'Dementia Friendly' by Alzheimers New Zealand after an external audit.

Partnering with Dementia New Zealand

Summerset is committed to helping New Zealanders gain greater awareness of dementia and to overcoming any social stigma. We recognise the growing importance of the issues related to dementia.

We will continue to give practical support to clinical and technological studies that increase knowledge of dementia and its management.

Our partnership with Dementia NZ includes use of their expertise to help us support the people in our villages and care centres, and provide training for our staff.

Summerset was a principal sponsor of the 'Still Me' gala ball held in Auckland in November 2019 as a fundraiser for Dementia Auckland. The event highlighted the power of dance and music as therapy for people living with dementia.

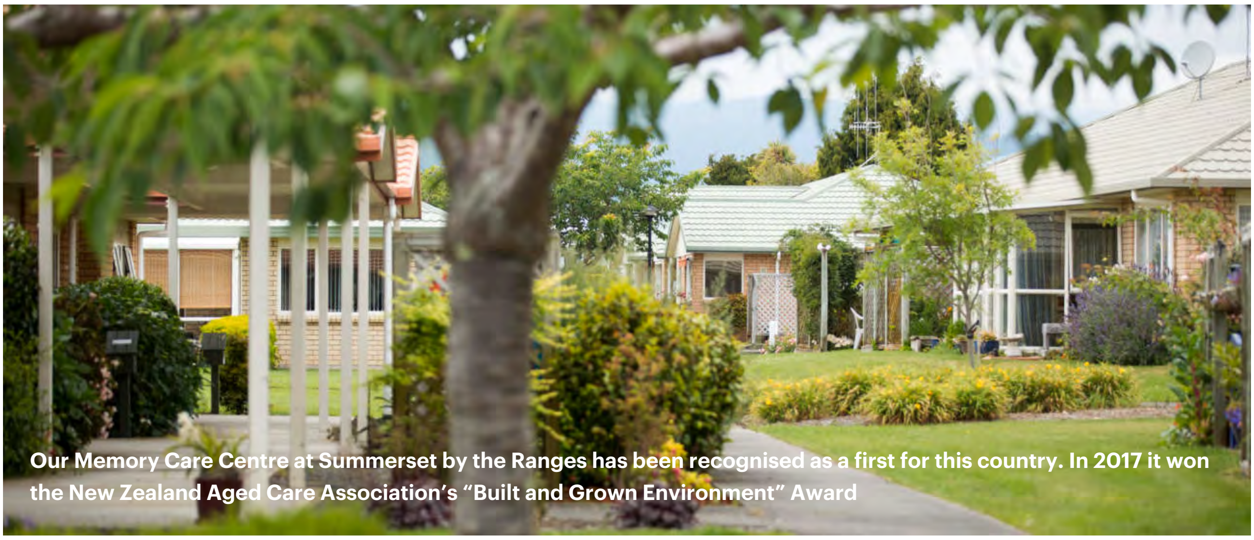
Design innovations include:

- We have used 'biophilic' principles extensively in our new memory care centres – bringing the power of nature inside. Light, colour and items from nature have a positive effect on the body.
- We use a circular design for our memory care centres, so residents can always find their way back to their own apartment.
- Our centres have an internal garden, with many rooms looking out onto its colours, smells, and beauty.
- We have specially designed signage to make it easy to navigate around each centre.
- Depth perception and some colours become harder to see for people living with dementia, so we have created contrasts in the interior design, including floors, wall finishes, furniture colours and doors.

Dementia talks for the public in 2019

A series of free public talks on dementia started in 2018 and continued into 2019. Hosted by Summerset with speakers from Dementia NZ, the talks were aimed at helping the public and our residents better understand dementia, removing the stigma surrounding it and breaking down barriers.

The talks were a huge success and have had a positive impact on our communities across the country. The public talks will continue in 2020.



Our Memory Care Centre at Summerset by the Ranges has been recognised as a first for this country. In 2017 it won the New Zealand Aged Care Association's "Built and Grown Environment" Award

Our annual environmental sustainability cycle:

Measure
collect data
calculate baseline

Set targets
set a goal
plan how to
get there

Manage
get buy-in
ensure change

TOITŪ
CARBON ZERO
ISO 14064-1
ORGANISATION

CLIMATE
LEADERS
COALITION

ON A MISSION TO REDUCE
EMISSIONS IN NEW ZEALAND

Making strides in sustainability

Summerset is committed to environmental sustainability. We are making good progress in actively managing and monitoring our footprint. We are now onto the next phase of our sustainability journey and are determined to leave a positive legacy for the next generation.

This year we have seen further developments in embedding our sustainability programme across the organisation. We are deepening our engagement with staff, residents, suppliers and the wider business community.

Summerset has developed a Social Responsibility framework that includes three key areas: *Environment, People and Community*. This framework is a blueprint for how we positively contribute to the environment and the communities in which we work and live.

Summerset has established a Green Team, with representatives from across various teams, who work together collaboratively on the sustainability programme. Having this focus has made a big impact on overall success so far.

The Green Team's campaigns and initiatives are filtered out to staff through an integrated internal communications programme, which has seen positive results and has meant more people have been informed and involved right across Summerset.

Our sustainability journey

We took the first step on our sustainability journey by joining the original CEMARS programme (Certified Emissions Measurement and Reductions Scheme) in early 2018, becoming the first retirement village operator in New Zealand to be CEMARS certified. Our 2017 emissions were audited, providing the benchmark for our future reduction initiatives.

Following our 2017 base year audit, we submitted a reduction plan for our emissions with clear targets for the next five years.

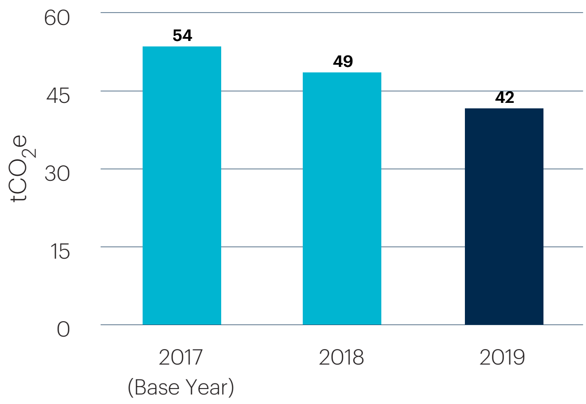
As Summerset grows and the number of villages in operation increases, it means our absolute carbon emissions will continue to increase. Summerset is targeting a 5% reduction in our emissions intensity over the period to 31 December 2022. We will measure our reductions on an intensity basis i.e. carbon emissions per dollar of total revenue. This is an acceptable reduction basis under the Toitū Envirocare programme.

Reduction in emissions intensity

A reduction in emissions intensity for the mandatory scopes of 2.79 tCO_2e/\$m or 7% has been certified in 2019 (based upon a 3-year rolling average). This is a very positive result, given this is only the third year of the programme and in 2019 we also included our construction business' direct emissions (waste, travel and electricity).

Internally we track our emissions intensity by looking at our total emissions for the year over our total revenue. The change in our internal measure for our first three years is a 22% reduction in emissions intensity as illustrated below.

Emissions intensity - CO_2e tonnes per \$ million revenue



Toitū carbonzero certified

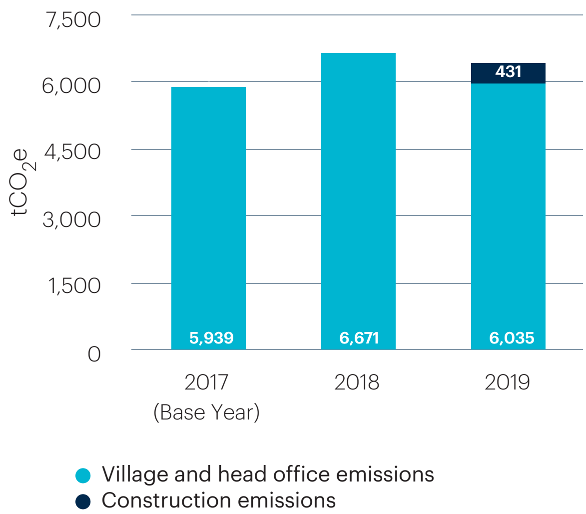
In 2019 we furthered our commitment by becoming carbonzero certified – the first operator in our sector to do so. In 2019 we purchased international carbon credits to offset our emissions in 2018, and have done the same again in 2020 for our 2019 emissions.

Summerset is the first retirement village operator in New Zealand to be Toitū carbonzero certified.

Reduction in absolute carbon emissions

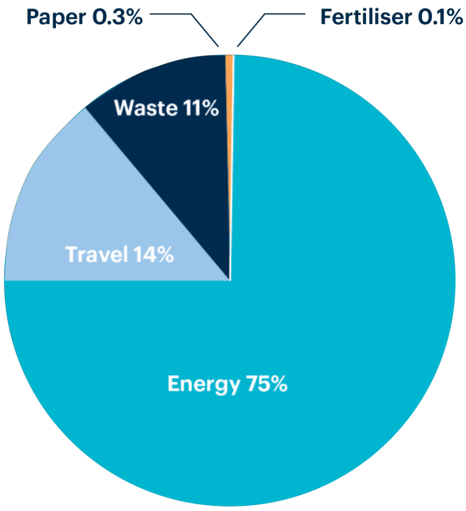
Summerset's total emissions this year were 6,466 tCO_2e, which is 3% lower than last year's total of 6,671 tCO_2e and 10% higher than the base year total of 5,939 tCO_2e.

Absolute emissions progress



The diagram below illustrates the proportion each focus area contributes to our total emissions.

2019 key impact areas by tCO_2e



A focus on our practical initiatives

Summerset's five areas of focus as part of our emissions management reduction plan are *Energy, Waste, Travel, Paper* and *Fertilisers*.

Energy – reducing our electricity and gas usage

We know energy use is the greatest contributor to our carbon emissions. Electricity is widely used throughout our villages for heating, cooling and lighting. As we are a growth business, this is an important focus for us to monitor and manage effectively. We have put in place various power-saving initiatives including switching to more efficient LED lighting, promoting power-saving tips across the organisation and the installation of automatic covers for swimming pool temperature control when these facilities are not in use. Our energy emissions have not increased at the same rate as our growth, largely due to our energy-saving initiatives.

Waste – minimising our waste to landfill

Our waste-minimisation programme has seen some positive results. At head office we have achieved an 86% reduction in waste emissions since 2017, which is a direct result of introducing recycling and organic waste bins to office areas. Village waste has reduced by 56% since 2017, despite the growth in deliveries. This is a result of introducing green waste bins at all sites and managing recycling waste more effectively, so less is going to landfill. Other initiatives at various villages around the country include paper medicine cups (instead of plastic), reusable bin liners in care rooms and the removal of single-use plastic bags for kerbside rubbish collection.

We have included our construction waste in this year's figures and this will be a priority in the years ahead. We are proud to be one of the leaders in monitoring and reporting construction waste for our sector.

Travel – being more efficient in the way we travel

We made a concerted effort in 2019 to consider our travel requirements in more detail. Through technology we are holding more online meetings than ever before, ensuring only essential air travel is taken. We are introducing travel schemes where staff can car-pool or cycle to work. We saw an 18% decrease in emissions from domestic and short haul flights overall this year. International travel has been more of a challenge due to our international recruitment drive in 2019.

Paper – reducing our paper consumption

Paper reduction is a key focus and we have made a significant impact already. Our paper use has reduced by 1,059 kg since 2017, resulting in a 23% reduction in emissions. In the first quarter of 2020 we have a new 'Go Greener' programme set to launch, aimed at further reducing our paper use across all established villages. In addition we have a developing programme of switching to resident e-newsletters. Residents are onboard with this initiative at selected villages and now prefer having an electronic newsletter, not only to save on paper, but for ease of access and keeping up with village news when they are away.

Fertilisers – selecting environmentally friendly fertilisers

Although they form only a very small part of our emissions profile, fertiliser emissions have decreased by 95% from the 2017 base year. We are working to change the type of fertilisers we use to a more carbon-friendly fertiliser and have run a trial of a natural weedkiller product. The environmentally friendly natural herbicide is in stage two of its trial period. Many conventional products containing glyphosates can affect wildlife and organisms in the food chain. The trialled product is biodegradable and is made from food-grade ingredients.

Climate Leaders Coalition

Summerset became a signatory to the Climate Leaders Coalition in 2019, and through collective action, is committed to reducing emissions. The Coalition is made up of over 100 of New Zealand's largest businesses and joining this group signals our willingness to work with, and learn from, others around reducing our impact on the environment.

In 2019 we also surveyed our top 100 suppliers on their environmental practices and intentions. The survey results are currently being analysed and will inform the development of a supplier code of conduct. The outcome of this work is aimed at having a supply chain that is more socially responsible and accountable in the future.

Residents are also sharing the responsibility and getting involved with some great sustainability initiatives:

- Residents from Summerset at Monterey Park, in Hobsonville, Auckland, have formed their own **'Recycling, Re-using and Re-Purposing Committee'** to identify and action local suggestions for waste reduction – ideas that have immediate benefit to their village as well as helping reduce Summerset's carbon footprint.
- Nelson's Summerset in the Sun village has trialled the use of a more naturally produced weedkiller as a substitute for glyphosate-based products. We are now in phase two of the trial at Summerset at Karaka, with a view to adopting this product across all our villages in the near future.

Business and financial overview

Summerset maintains strong profitability and balance sheet resilience. Underlying profit increased by 8% to $106.2 million. Assets rose to $3.3 billion with the largest land bank of all retirement village operators in New Zealand. Summerset's expansion into an attractive overseas market positions us for future sustained growth.

Financial performance overview

Underlying profit increased by 8% to $106.2 million (2018: $98.6 million) principally driven by the maturing nature of the business and strong margins on sales. Other factors include continued high occupancy rates as well as the ongoing commercial success of Summerset's village development and sales of retirement units.

Underlying profit is a non-GAAP measure, a detailed explanation is included at Note 2 to the Financial Statements, see page 65. In general terms, underlying profit removes the fair value movement of investment property and adds back the realised gains associated with our resales and the development margin associated with our new sales. Underlying profit is used to determine the dividend pay-out to shareholders.

Revenue for the year also grew 12% to $153.9 million (2018: $137.0 million) reflecting the opening of three new villages and good financial performance across village operations.

Long term growth

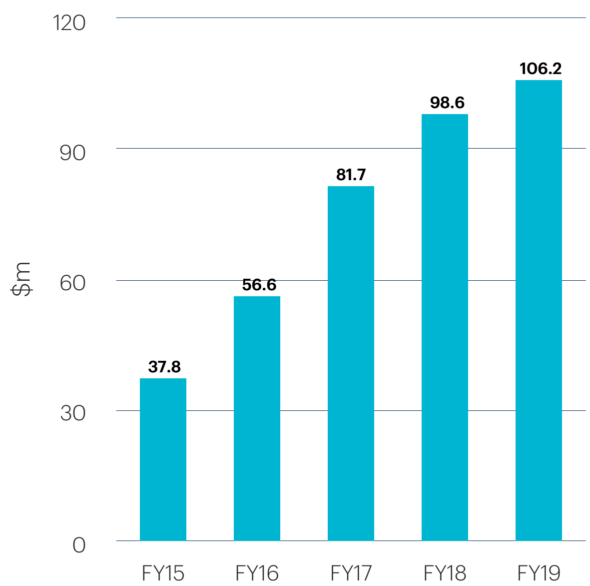
Underlying profit has seen a compounded annual growth rate (CAGR) of 38% since listing on the NZX in 2011.

A key component of underlying profit is the realised margin on new sales; in 2019 this is $61.0 million (2018: $63.7 million). The development margin was 27.9%, down from 33.2% in the previous year. Construction costs have increased across our main centres which has had an impact on development margins. However, overall Summerset's medium-term expectation of development margins is in the 20-25% range.

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

Summerset has the largest land bank for a retirement village operator in New Zealand, acquiring seven new sites in 2019. This equates to a further 5,380 units in the pipeline across New Zealand and Australia. Summerset has maintained strong profitability and balance sheet resilience throughout 2019 and is well positioned for future sustained growth.

Underlying profit



Kenepuru, Wellington

Summary of sales and developments
New Zealand's residential property market slowed in 2018 after a prolonged period of rising prices and high sales activity in Auckland. Recovery was evident during the second half of 2019, with the real estate industry's national price index reaching a record high in November. Prices were up across most regions due to low interest rates and population growth.

The year saw 652 new unit sales of occupation rights (2018: 640), with 329 of these being new unit sales and 323 resales.

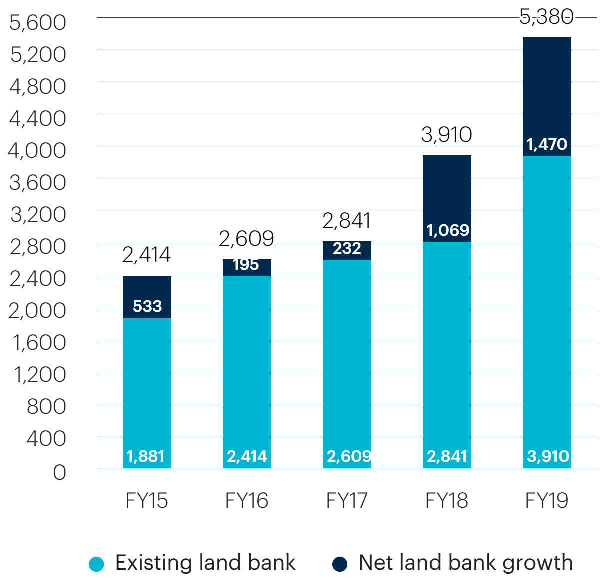
Gross proceeds were up 14% from 2019, resales were up 18%.

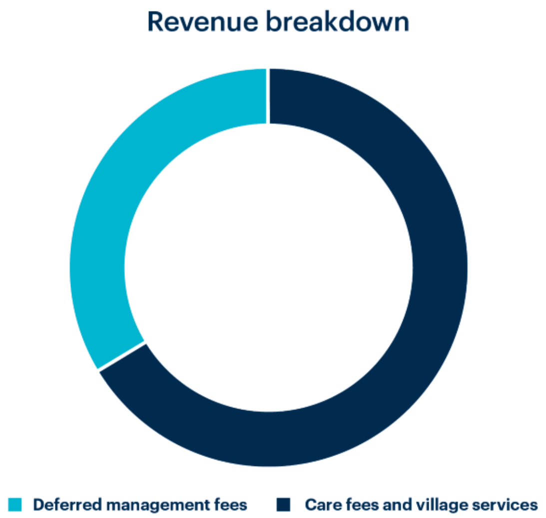
Average gross proceeds per new sale settlement of $665,000 were up from $566,000 in 2018. Realised resale gain also increased by 29% to $36.9 million in 2019. Average gross proceeds per resale settlement was $445,000 up 10% from 2018. This reflects the growth in the residential property market in some regions, as well as the length of time taken between sale of units.

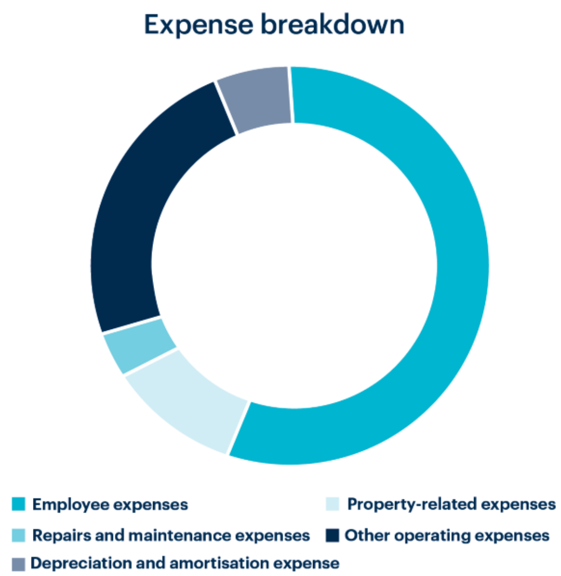
Key development milestones included Summerset's three new villages opened in 2019: Avonhead (Christchurch), Kenepuru (Wellington) and Richmond (Nelson - Tasman). For developing villages still under construction, new unit sales were strong at Ellerslie and Hobsonville (Auckland), Casebrook (Christchurch) and Rototuna (Hamilton).

In addition, the two new sites in Victoria, Australia illustrate Summerset's commitment to diversifying into an attractive overseas growth market.

Land bank over time (retirement units)







Net profit after tax

Summerset recorded a net profit after tax of $175.3 million for the year ended 31 December 2019, down from $214.5 million in 2018, as forecast.

This is largely due to a reduced fair value movement on investment property (2019: $165.3 million; 2018: $209.9 million).

Fair value movement in 2019 of $165.3 million reflects fewer new retirement unit deliveries during 2019 (354) compared with 2018 (454). This was planned for, with Summerset making progress on the construction of two village main buildings for delivery in 2020. Both of these are long-term projects, with launches in 2020 on schedule. These collectively will include 152 new serviced apartments and memory care apartments (which will be reflected in our fair value movement in 2020), plus another 86 care beds.

The number of unit completions is intended to increase again in the next financial year. Site works have started at Bell Block, Papamoa Beach and Te Awa (near Napier), and these villages are all planned for a 2020 launch.

Business growth and expenses

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

Deferred management fees on Summerset's investment property were $52.5 million in 2019 (2018: $45.6 million). The growth reflects the increase in the number, occupancy and value of Summerset's portfolio of units.

At 31 December 2019, Summerset's total retirement unit portfolio reached 4,086 (2018: 3,732) and at year-end there were only 266 resale units available for sale.

Fee income from village and care services was up 11% to $101.3 million (2018: $91.2 million). This is largely due to the opening of a new care centre in 2018.

Occupancy in our established care centres is also 96% which is above the industry average of 89%.

Total expenses increased 9% to $130.2 million (2018: $119.1 million) in line with Summerset's ongoing business growth as well as the growth in the provision of care centres and their levels of occupancy.

Operating expenses increased to $122.4 million (2018: $112.4 million), the major driver being higher people costs. In addition to growth in employee numbers, the company lifted pay rates for nursing and caregivers, consistent with an objective of being 'top equal' for remuneration in the sector. Alongside Summerset's people costs, village expenses increased as a direct result of a larger portfolio and price inflation across local body rates, energy supply and insurance premiums.

Summerset's finance costs of $15.4 million were up 33% (2018: $11.6 million) reflecting our debt levels, as our construction activity grows, and one-off fees associated with periodic refinancing.

Operating activities
Summerset's net cash from operating activities was $237.9 million for the year, up 9% from 2018 (2018: $217.8 million). This was principally driven by gross receipts from new occupation right agreement sales amounting to $209.4 million, up from $187.3 million in 2018.

Summerset is a growth company and re-invests operating cash flows back into the business to finance future growth. Over 2019 Summerset invested $327.4 million in new and existing retirement villages and care centres (2018: $290.4 million).

Investment activities are principally the purchase of land and the development of new, and refurbishment of existing, Summerset retirement villages and care centres. Over the year, Summerset borrowed an additional $103.5 million which was financed through Summerset's debt facilities with $362.1 million of bank borrowings and $225.0 million of retail bonds at year end.

Assets rose to $3.3 billion
Total assets rose 21% to $3.3 billion at 31 December 2019 (2018: $2.8 billion), mainly due to growth in the size and value of Summerset's investment property which reached $3.1 billion (2018: $2.6 billion). Summerset also has other property, plant and equipment valued at $154.0 million at balance date (2018: $132.7 million), most of this being care centres. These are operated to provide services and are therefore not included as investment property.

An increased embedded value of $752.7 million (2018: $609.1 million) demonstrates future cash that can be generated when units are re-licenced.

Interest bearing debt (bank loans and retail bonds) of $597.1 million was 18% of total funding at the latest balance date (2018: $452.8 million). Summerset has recently refinanced our banking facility, adding two new partners, extending the facility from $500 million to $750 million and increasing tenor.

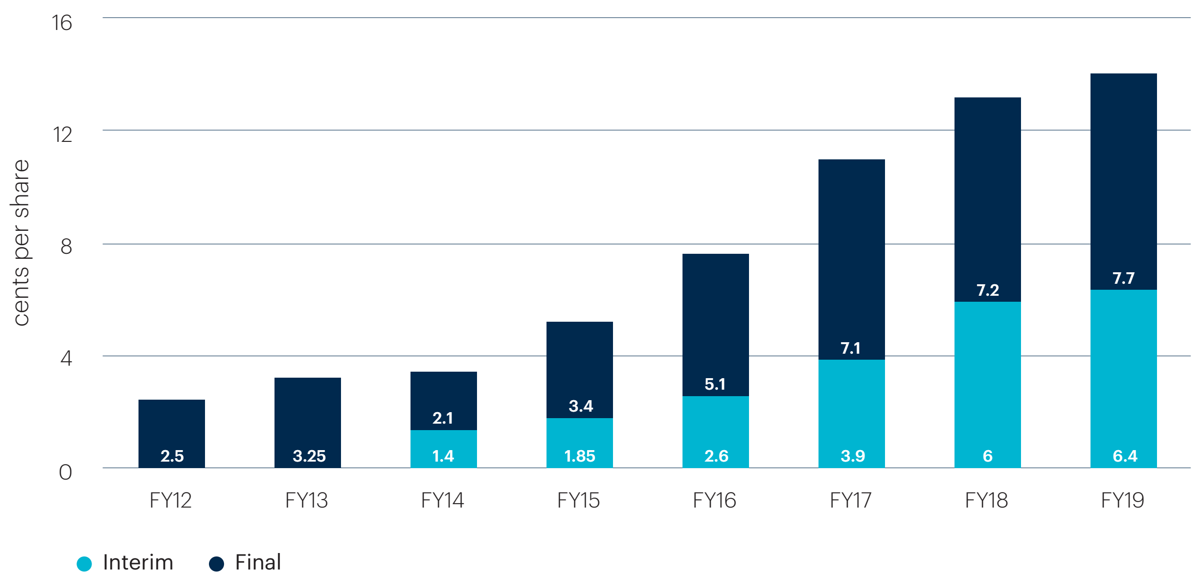
Summerset also has non-interest-bearing borrowings of $1.3 billion in the form of loans from residents (2018: $1.1 billion). This is repayable at the point residents vacate retirement units and the associated occupation rights are resold. Shareholders' equity was $1.1 billion (2018: $978.8 million).

Consistent strong growth performance
Summerset will pay an increased final dividend of 7.7 cents per share (cps) on 23 March 2020, making a full pay-out for the latest year of 14.1 cps compared with 13.2 cps for 2018. The increase of 7% on the annual dividend reflects growth in underlying profit.

Board policy remains for shareholder distributions in the range of 30-50% of each year's underlying profit. The 2019 distribution of $31.9 million represents 30.1% of underlying profit ($106.2 million) which is consistent with the last five years.

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

Dividend cents per share



Board of Directors

Rob Campbell

(BA (Hons 1st), MPhil (Econ))

Chair, Independent

Rob is the Chair of the Board. He has over 30 years' experience as a director and an investor.

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

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

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

Dr Marie Bismark

(MBChB, LLB, MBHL, MPH, MD, FAICD, FAFPHM, MPsych)

Independent

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

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

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

Marie has been a director of Summerset since 2013.

James Ogden

(BCA (Hons 1st), FCA, CFInstD, INFINZ (Cert))

Independent

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

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

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

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

Gráinne Troute

(GradDipBusStuds, CMInstD)

Independent

Gráinne is the Chair of Summerset's Nomination and Remuneration Committee. She is a Chartered Member of the Institute of Directors and is also a director of Tourism Holdings and Investore Property.

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

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

Gráinne has been a director of Summerset since 2016.

Anne Urlwin

(BCom, FCA, CFInstD, MAICD, ACIS, FNZIM)

Independent

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

She is the Deputy Chair of Southern Response Earthquake Services, and a director of Precinct Properties New Zealand, Tilt Renewables and Steel & Tube Holdings. Her other directorships include City Rail Link and Cigna Life Insurance New Zealand.

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

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

Anne has been a director of Summerset since 2014.

Dr Andrew Wong

(BHB, MbChB, MPH)

Independent

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

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

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

Andrew has been a director of Summerset since 2017.

Venasio-Lorenzo Crawley was appointed to the Board of Directors in February 2020.

Executive Leadership Team

Julian Cook
(MAF, MSc, BSc, BA)

Chief Executive Officer

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

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

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

Scott Scoullar
(CA, FCPA, BCA)

Deputy Chief Executive Officer and Chief Financial Officer

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

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

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

Dave Clegg
(MBA)

General Manager Human Resources

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

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

Dave holds an MBA from Southern Cross University in Australia.

Fay French
(RNZcmpN)

General Manager Sales

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

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

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

Paul Morris
(Dip. BS)

General Manager Development Australia

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

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

Aaron Smail
(BE (Civil), BBS)

General Manager Development

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

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

Aaron has been with Summerset since 2015.

Dean Tallentire
(BSc (Hons), HND, RICS)

General Manager Construction

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

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

Dean has been with Summerset since 2015.

Eleanor Young
(BSc (Hons))

General Manager Operations and Customer Experience

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

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

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

Five year summary

Key operational and financial statistics for the five year period up to and including FY19 are as follows:

Results highlights - operational

	Unit	FY19	FY18	FY17	FY16	FY15	FY19 to FY18 % Change
New sales of occupation rights	No.	329	339	382	414	333	-3%
Resales of occupation rights	No.	323	301	300	244	245	7%
Total sales of occupation rights	No.	652	640	682	658	578	2%
Development margin	%	27.9%	33.2%	27.3%	22.2%	20.0%	-16%
New retirement units delivered	No.	354	454	450	409	303	-22%
Retirement units in portfolio	No.	4,086	3,732	3,278	2,828	2,419	9%
Care beds in portfolio	No.	858	858	806	748	616	0%

Results highlights - financial

	Unit	FY19	FY18	FY17	FY16	FY15	FY19 to FY18 % Change
Net operating cash flow	$m	237.9	217.8	207.7	192.6	140.3	9%
Total assets	$m	3,337.9	2,766.4	2,232.8	1,706.8	1,363.5	21%
Net assets	$m	1,131.9	978.8	785.8	545.6	409.8	16%
Underlying profit	$m	106.2	98.6	81.7	56.6	37.8	8%
Profit before income tax (IFRS)	$m	173.6	216.2	240.2	145.6	82.8	-20%
Profit for the period (IFRS)	$m	175.3	214.5	239.9	145.5	84.2	-18%
Dividend per share	cents	14.1	13.2	11.0	7.7	5.3	7%
Basic earnings per share	cents	78.6	97.1	109.8	66.9	38.9	-19%

Financial Statements

Income Statement

For the year ended 31 December 2019

	NOTE	2019 $000	2018 $000
Care fees and village services	4	101,259	91,154
Deferred management fees	4	52,470	45,637
Interest received	4	217	226
Total revenue		**153,946**	**137,017**
Fair value movement of investment property	11	165,252	209,930
Total income		**319,198**	**346,947**
Operating expenses	5	(122,399)	(112,442)
Depreciation and amortisation expense	9, 10	(7,833)	(6,685)
Total expenses		**(130,232)**	**(119,127)**
Operating profit before financing costs		**188,966**	**227,820**
Net finance costs	6	(15,405)	(11,647)
Profit before income tax		**173,561**	**216,173**
Income tax credit/(expense)	7	1,701	(1,670)
Profit for the period		**175,262**	**214,503**
Basic earnings per share (cents)	20	78.59	97.13
Diluted earnings per share (cents)	20	77.52	95.42

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2019

	NOTE	2019 $000	2018 $000
Profit for the period		**175,262**	**214,503**
Fair value loss on interest rate swaps	14	(7,015)	(6,125)
Tax on items of other comprehensive income	7	1,964	1,715
(Loss)/gain on translation of foreign currency operations		266	5
Other comprehensive income that will be reclassified subsequently to profit or loss for the period net of tax		**(4,785)**	**(4,405)**
Total comprehensive income for the period		**170,477**	**210,098**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2019

	SHARE CAPITAL $000	HEDGING RESERVE $000	REVALUATION RESERVE $000	RETAINED EARNINGS $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	TOTAL EQUITY $000
As at 1 January 2018	**257,414**	**(5,712)**	**24,941**	**509,143**	**-**	**785,786**
Profit for the period	-	-	-	214,503	-	214,503
Other comprehensive income for the period	-	(4,410)	-	-	5	(4,405)
Total comprehensive income for the period	**-**	**(4,410)**	**-**	**214,503**	**5**	**210,098**
Dividends paid	-	-	-	(29,138)	-	(29,138)
Shares issued	11,339	-	-	-	-	11,339
Employee share plan option cost	714	-	-	-	-	714
As at 31 December 2018	**269,467**	**(10,122)**	**24,941**	**694,508**	**5**	**978,799**
As at 1 January 2019	**269,467**	**(10,122)**	**24,941**	**694,508**	**5**	**978,799**
Adjustment on adoption of IFRS 16	-	-	-	(1,413)	-	(1,413)
Adjusted balance at 1 January 2019	**269,467**	**(10,122)**	**24,941**	**693,095**	**5**	**977,386**
Profit for the period	-	-	-	175,262	-	175,262
Other comprehensive income for the period	-	(5,051)	-	-	266	(4,785)
Total comprehensive income for the period	**-**	**(5,051)**	**-**	**175,262**	**266**	**170,477**
Dividends paid	-	-	-	(30,586)	-	(30,586)
Shares issued	13,351	-	-	-	-	13,351
Employee share plan option cost	1,256	-	-	-	-	1,256
As at 31 December 2019	**284,074**	**(15,173)**	**24,941**	**837,771**	**271**	**1,131,884**

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 December 2019

	NOTE	2019 $000	2018 $000
Assets			
Cash and cash equivalents		21,462	7,482
Trade and other receivables	8	36,662	29,836
Interest rate swaps	14	12,617	4,626
Property, plant and equipment	9	154,004	132,746
Intangible assets	10	6,123	6,628
Investment property	11	3,107,014	2,585,049
Total assets		**3,337,882**	**2,766,367**
Liabilities			
Trade and other payables	12	134,680	87,238
Employee benefits	13	11,434	9,452
Revenue received in advance	4	91,142	71,083
Interest rate swaps	14	21,075	14,059
Residents' loans	15	1,327,607	1,136,792
Interest-bearing loans and borrowings	17	597,081	452,760
Lease liability	16	10,460	-
Deferred tax liability	7	12,519	16,184
Total liabilities		**2,205,998**	**1,787,568**
Net assets		**1,131,884**	**978,799**
Equity			
Share capital	19	284,074	269,467
Reserves	19	10,039	14,824
Retained earnings		837,771	694,508
Total equity attributable to shareholders		**1,131,884**	**978,799**

The accompanying notes form part of these financial statements.

On behalf of the Board

Rob Campbell
Director and Chair of the Board

James Ogden
Director and Chair of the Audit Committee

Authorised for issue on 24 February 2020

Statement of Cash Flows

For the year ended 31 December 2019

	2019 $000	2018 $000
Cash flows from operating activities		
Receipts from residents for care fees and village services	101,116	90,313
Interest received	217	226
Payments to suppliers and employees	(116,811)	(107,144)
Receipts for residents' loans - new occupation right agreements	209,364	187,273
Net receipts for residents' loans - resales of occupation right agreements	44,010	47,135
Net cash flow from operating activities	**237,896**	**217,803**
Cash flows to investing activities		
Payments for investment property:		
- land	(57,344)	(54,699)
- construction of villages	(232,768)	(203,781)
- refurbishment of villages	(7,201)	(5,423)
Payments for property, plant and equipment:		
- construction of care centres	(15,413)	(9,960)
- refurbishment of care centres	(146)	(1,017)
- other	(3,172)	(3,702)
Payments for intangible assets	(567)	(2,489)
Capitalised interest paid	(10,800)	(9,325)
Net cash flow to investing activities	**(327,410)**	**(290,396)**
Cash flows from financing activities		
Net proceeds from (repayments of) bank borrowings	135,636	(21,337)
Proceeds from issue of retail bonds	-	125,000
Proceeds from issue of shares	2,215	1,898
Interest paid on bank loans and retail bonds	(13,549)	(13,374)
Payments in relation to lease liabilities	(1,264)	-
Dividends paid	(19,544)	(19,678)
Net cash flow from financing activities	**103,494**	**72,509**
Net increase/(decrease) in cash and cash equivalents	13,980	(84)
Cash and cash equivalents at beginning of period	7,482	7,566
Cash and cash equivalents at end of period	**21,462**	**7,482**

The accompanying notes form part of these financial statements.

Reconciliation of Operating Results and Operating Cash Flows

For the year ended 31 December 2019

	2019 $000	2018 $000
Profit for the period	**175,262**	**214,503**
Adjustments for:		
Depreciation and amortisation expense	7,833	6,685
Loss on disposal of property, plant and equipment	-	113
Fair value movement of investment property	(165,252)	(209,930)
Net finance costs paid	15,405	11,647
Deferred tax expense	(1,701)	1,670
Deferred management fee amortisation	(52,470)	(45,637)
Employee share plan option cost	1,256	714
Other non-cash items	271	-
	(194,658)	**(234,738)**
Movements in working capital		
Increase in trade and other receivables	(10,724)	(2,390)
Increase in employee benefits	1,980	2,708
Increase in trade and other payables	624	2,007
Increase in residents' loans net of non-cash amortisation	265,412	235,713
	257,292	**238,038**
Net cash flow from operating activities	**237,896**	**217,803**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2019

1. Summary of accounting policies

Reporting entity

The consolidated financial statements presented for the year ended 31 December 2019 are for Summerset Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"). The Group develops, owns and operates integrated retirement villages in New Zealand, including independent living, care centres with rest home and hospital-level care and memory care centres. The Group also owns land for development of retirement villages in Australia.

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

Basis of preparation

These consolidated financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP), except for Note 2: Non-GAAP underlying profit, which is presented in addition to NZ GAAP compliant information. NZ GAAP in this instance refers to New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards.

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

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

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

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

Basis of consolidation

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

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

The New Zealand subsidiaries are:

Summer Land Developments Limited
Summerset Care Limited
Summerset Holdings Limited
Summerset LTI Trustee Limited
Summerset Management Group Limited
Summerset Properties Limited
Summerset Retention Trustee Limited
Summerset Villages (Aotea) Limited
Summerset Villages (Avonhead) Limited
Summerset Villages (Bell Block) Limited
Summerset Villages (Blenheim) Limited
Summerset Villages (Cambridge) Limited
Summerset Villages (Casebrook) Limited
Summerset Villages (Dunedin) Limited
Summerset Villages (Ellerslie) Limited
Summerset Villages (Hamilton) Limited
Summerset Villages (Hastings) Limited
Summerset Villages (Havelock North) Limited
Summerset Villages (Hobsonville) Limited
Summerset Villages (Karaka) Limited
Summerset Villages (Katikati) Limited
Summerset Villages (Kenepuru) Limited
Summerset Villages (Levin) Limited
Summerset Villages (Lower Hutt) Limited
Summerset Villages (Manukau) Limited
Summerset Villages (Milldale) Limited
Summerset Villages (Napier) Limited
Summerset Villages (Nelson) Limited
Summerset Villages (New Plymouth) Limited
Summerset Villages (Number 40) Limited
Summerset Villages (Number 41) Limited
Summerset Villages (Number 42) Limited
Summerset Villages (Number 43) Limited
Summerset Villages (Number 44) Limited
Summerset Villages (Number 45) Limited
Summerset Villages (Palmerston North) Limited
Summerset Villages (Papamoa) Limited
Summerset Villages (Paraparaumu) Limited
Summerset Villages (Parnell) Limited
Summerset Villages (Rangiora) Limited
Summerset Villages (Richmond) Limited
Summerset Villages (Rototuna) Limited
Summerset Villages (St Johns) Limited
Summerset Villages (Taupo) Limited
Summerset Villages (Te Awa) Limited
Summerset Villages (Trentham) Limited
Summerset Villages (Waikanae) Limited
Summerset Villages (Wanganui) Limited
Summerset Villages (Warkworth) Limited
Summerset Villages (Whangarei) Limited
Summerset Villages (Wigram) Limited
Welhom Developments Limited

The Australian subsidiaries are:

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

Accounting policies

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

The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements, except as outlined on the following page, with the adoption of NZ IFRS 16 - *Leases*.

The Group adopted all mandatory new and amended NZ IFRS Standards and Interpretations.

Notes to the financial statements (continued)

Adoption of NZ IFRS 16 - Leases, effective 1 January 2019

NZ IFRS 16 - *Leases*, replaces NZ IAS 17 - *Leases* along with three interpretations (IFRIC 4 - *Determining whether an Arrangement Contains a Lease*, SIC 15 - *Operating Leases - Incentives* and SIC 27 - *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*).

During the period, NZ IFRS 16 - *Leases* has been adopted with effect from 1 January 2019, using the modified retrospective approach, as permitted under the specific transition provisions in the standard. Under this transition approach, comparative figures are not restated and an adjustment is made to retained earnings as at the application date. In addition to using the modified retrospective approach to transition, the Group has utilised the following permitted practical expedients: the recognition exemption for short-term leases (leases with a lease term of up to one year) and leases of low-value assets where appropriate; the practical expedient which states that an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application; and accounting for leases for which the lease ends within 12 months of the date of initial application as short-term leases.

NZ IFRS 16 - *Leases* requires the Group to recognise a lease liability reflecting future lease payments and a right of use asset for most lease contracts. The impact of the adoption of this standard on the Group's financial statements has not been material. Summerset Management Group Limited is a lessee for a number of leases of office buildings and car parks. After utilising the available practical expedients it is only the Group's lease of office premises that are required to be recognised under the new standard.

As at 1 January 2019, the Group recognised $8.6 million of right of use assets in relation to office premise leases, along with a lease liability of $10.6 million on its balance sheet. After taking into account an adjustment for lease incentive payments remaining on the balance sheet prior to adoption of the new standard, this resulted in an adjustment to retained earnings of $1.4 million as at 1 January 2019. As at 31 December 2019, the Group records $8.3 million of right of use assets and a net lease liability of $10.5 million in the statement of financial position as a result of adopting the new standard.

In the income statement for the year ended 31 December 2019, the adoption of the new standard has decreased profit for the period by $0.1 million, compared to the position had the standard not been in effect. This comprises an increase in depreciation expense of $0.9 million and an increase in financing costs of $0.4 million, offset by a decrease in operating expenses of $1.2 million.

In the statement of cash flows, lease payments previously classified as operating cash flows have been reclassified as financing cash flows for principal repayments of the lease liability. For the year ended 31 December 2019, this has resulted in an increase to net cash flows from operating activities of $1.3 million and a corresponding decrease to net cash flows from financing cash flows of $1.3 million, compared to the position had the standard not been in effect. There has been no impact on actual cash payments.

Occupation right agreements confer the right to occupancy of a retirement unit and are considered leases under NZ IFRS 16 - *Leases*. There is no change to the recognition or measurement of occupation right agreements and the associated deferred management fees revenue. Deferred management fee revenue continues to be recognised on a straight-line basis in the income statement over the period of service, being the greater of the expected period of tenure or the contractual right to revenue.

Refer to Note 16 for the reconciliation of the opening balance of the lease liability.

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

Critical accounting estimates and judgments

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

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

- Deferred management fees – Note 4
- Deferred taxation – Note 7
- Interest rate swaps – Note 14
- Leases – Note 16
- Revenue in advance – Note 4
- Valuation of investment property – Note 11

- Valuation of land and buildings – Note 9
- Valuation of retail bonds – Note 17

Comparative information

No comparatives have been restated in the current year.

2. Non-GAAP underlying profit

	Ref	2019 $000	2018 $000
Profit for the period		175,262	214,503
Less fair value movement of investment property	a)	(165,252)	(209,930)
Add/(less) impairment/(reversal of impairment) on land	b)	-	-
Add realised gain on resales	c)	36,901	28,685
Add realised development margin	d)	60,973	63,683
(Less)/add deferred tax (credit)/expense	e)	(1,701)	1,670
Underlying profit		**106,182**	**98,611**

Underlying profit is a non-GAAP measure and differs from NZ IFRS profit for the period. Underlying profit does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The Directors have provided an underlying profit measure in addition to IFRS profit to assist readers in determining the realised and unrealised components of fair value movement of investment property and tax expense in the Group's income statement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions. Underlying profit is a measure that the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend pay-out to shareholders.

This statement presented is for the Group, prepared in accordance with the Basis of preparation: underlying profit described below.

Basis of preparation: underlying profit

Underlying profit is determined by taking profit for the period determined under NZ IFRS, adjusted for the impact of the following:

a) Less fair value movement of investment property: reversal of investment property valuation changes recorded in NZ IFRS profit for the period, which comprise both realised and non-realised valuation movements. This is reversed and replaced with realised development margin and realised resale gains during the period, effectively removing the unrealised component of the fair value movement of investment property.

b) Add/(less) impairment/(reversal of impairment) of land: remove the impact of non-cash care centre valuation changes recorded in NZ IFRS profit for the period. Care centres are valued at least every three years (last valued as at 31 December 2017), with fair value gains flowing through to the revaluation reserve unless the gain offsets a previous impairment to fair value that was recorded in NZ IFRS profit for the period. Where there is any impairment of a care centre, or reversal of a previous impairment that impacts NZ IFRS profit for the period, this is eliminated for the purposes of determining underlying profit.

c) Add realised gain on resales: add the realised gains across all resales of occupation rights during the period. The realised gain for each resale is determined to be the difference between the licence price for the previous occupation right for a retirement unit and the occupation right resold for that same retirement unit during the period. Realised resale gains are a measure of the cash generated from increases in selling prices of occupation rights to incoming residents, less cash amounts repaid to vacated residents for the repayment of the price of their refundable occupation right purchased in an earlier period. Realised resale gains exclude deferred management fees and refurbishment costs.

d) Add realised development margin: add realised development margin across all new sales of occupation rights during the period, with the recognition point being the cash settlement. Realised development margin is the margin earned on the first-time sale of an occupation right following the development of a retirement unit. The margin for each new sale is determined to be the licence price for the occupation right, less the cost of developing that retirement unit.

   Components of the cost of developing retirement units include directly attributable construction costs and a proportionate share of the following costs:

   - Infrastructure costs
   - Land cost on the basis of the purchase price of the land

Notes to the financial statements (continued)

- Interest during the build period
- Head office costs directly related to the construction of retirement units

All costs above include non-recoverable GST.

Development margin excludes the costs of developing common areas within the retirement village (including a share of the proportionate costs listed above). This is because these areas are assets that support the sale of occupation rights for not just the new sale but for all subsequent resales. It also excludes the costs of developing care centres, which are treated as property, plant and equipment for accounting purposes.

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

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

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

3. Segment reporting

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

The Group continues to investigate expansion into Australia and its first Australian site was purchased in September 2019, with a second site in December 2019. It is intended that these sites will be developed into retirement villages. To date the expenditure incurred and assets acquired in Australia have been immaterial to the Group and as such are not reported as a separate operating segment as at 31 December 2019.

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 2019 amounted to $32.2 million (2018: $28.8 million). No other customers individually contribute a significant proportion of the Group revenue. All revenue is earned in New Zealand.

4. Revenue

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

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

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

5. Operating expenses

	2019 $000	2018 $000
Employee expenses	72,921	65,387
Property-related expenses	13,589	10,967
Repairs and maintenance expenses	5,185	4,488
Other operating expenses	30,703	31,600
Total operating expenses	**122,399**	**112,442**

Other operating expenses include:

	2019 $000	2018 $000
Remuneration paid to auditors:		
- Audit and other assurance related services review of financial statements	194	193
Donations	58	50
Rent[1]	217	1,311

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

Employee expenses include post-employment benefits (KiwiSaver/Superannuation) of $2.0 million (2018: $1.7 million) .

6. Net finance costs

	2019 $000	2018 $000
Interest on bank loans, retail bonds and related fees	22,664	17,918
Interest on interest rate swaps	2,623	2,688
Interest on lease liability	442	-
Capitalised finance costs	(10,481)	(8,953)
Fair value movement of interest rate swaps designated as fair value through profit or loss	(7,991)	(3,434)
Fair value movement of retail bonds designated as fair value through profit or loss	8,082	3,376
Other	66	52
Net finance costs	**15,405**	**11,647**

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

Interest on lease liability relates to the lease liability recognised for the first time at 1 January 2019 under the adoption of NZ IFRS 16 - *Leases* (Note 16).

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

Borrowing costs of $10.5 million (2018: $9.0 million) have been capitalised during the period of construction in the current year. The weighted average capitalisation rate on funds borrowed representing the borrowing costs of the loans used to finance projects is 3.87% per annum (2018: 4.17% per annum).

Notes to the financial statements (continued)

The retail bonds are designated in a fair value hedging relationship. Details of fair value hedging are included in Note 14.

7. Income tax

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

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

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

(a) Income tax recognised in the income statement

	2019 $000	2018 $000
Tax expense comprises:		
Deferred tax relating to the origination and reversal of temporary differences	(1,701)	1,670
Total tax expense/(credit) reported in income statement	**(1,701)**	**1,670**

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:

	2019		2018	
	$000	%	$000	%
Profit before income tax	**173,561**		**216,173**	
Income tax using the corporate tax rate	48,597	28.0%	60,528	28.0%
Capitalised interest	(2,935)	(1.7%)	(2,007)	(0.9%)
Other non-deductible expenses	399	0.2%	271	0.1%
Non-assessable investment property revaluations	(46,271)	(26.7%)	(58,780)	(27.2%)
Other	(1,681)	(1.0%)	1,431	0.7%
Prior period adjustments	190	0.1%	227	0.1%
Total income tax expense/(credit)	**(1,701)**	**(1.0%)**	**1,670**	**0.8%**

Total Group tax losses available amounted to $184.0 million (2018: $113.4 million). There are no unrecognised tax losses for the Group at 31 December 2019 (2018: $3.8 million).

(b) Amounts charged or credited to other comprehensive income

	2019 $000	2018 $000
Tax expense comprises:		
Fair value movement of interest rate swaps	(1,964)	(1,715)
Total tax credit reported in statement of comprehensive income	**(1,964)**	**(1,715)**

(c) Imputation credit account

There were no imputation credits received or paid during the year and the balance at 31 December 2019 is nil (2018: nil).

(d) Deferred tax

Movement in the deferred tax balance comprises:

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

	BALANCE 1 JAN 2018 $000	RECOGNISED IN INCOME $000	RECOGNISED IN OCI* $000	BALANCE 31 DEC 2018 $000
Property, plant and equipment	15,641	1,421	-	17,062
Investment property	19,363	4,748	-	24,111
Revenue in advance	(14,138)	25,788	-	11,650
Interest rate swaps	(2,222)	-	(1,715)	(3,937)
Income tax losses not yet utilised	(1,525)	(30,277)	-	(31,802)
Other items	(890)	(10)	-	(900)
Net deferred tax liability	**16,229**	**1,670**	**(1,715)**	**16,184**

* Other comprehensive income

8. Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses. Trade receivables are not significant on an individual basis and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate, less an allowance for impairment. The allowance for doubtful debts is made up of expected credit losses based on assessment of trade receivables debt at the individual level for impairment, plus an additional allowance on the remaining balance for potential credit losses not yet identified. The expected credit losses allowance requirement on the remaining balance has been set at 2%. There has been no material change in the allowance for doubtful debts from prior year.

	2019 $000	2018 $000
Trade receivables	2,912	2,632
Allowance for doubtful debts	(169)	(117)
Net trade receivables	**2,743**	**2,515**
Prepayments	8,331	4,954
Accrued income	923	1,011
Sundry debtors	24,665	21,356
Total trade and other receivables	**36,662**	**29,836**

Notes to the financial statements (continued)

9. Property, plant and equipment

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

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

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

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

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

Note 6 provides details on capitalised borrowing costs.

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

During the period, the Group changed its depreciation policy for some of its assets from a diminishing value basis to an SL basis. There was no material impact to the Group's financial statements resulting from this change.

Major depreciation rates are as follows:

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

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

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

	LAND AND BUILDINGS $000	MOTOR VEHICLES $000	PLANT AND EQUIPMENT $000	FURNITURE AND FITTINGS $000	RIGHT OF USE ASSETS $000	TOTAL $000
Cost						
Balance at 1 January 2018	113,411	1,295	9,440	6,195	-	130,341
Additions	9,701	250	3,608	1,122	-	14,681
Disposals	(8)	-	(445)	(14)	-	(467)
Balance at 31 December 2018	**123,104**	**1,545**	**12,603**	**7,303**	**-**	**144,555**
Additions	15,394	354	2,866	202	9,203	28,019
Disposals	-	(66)	-	-	-	(66)
Balance at 31 December 2019	**138,498**	**1,833**	**15,469**	**7,505**	**9,203**	**172,508**
Accumulated depreciation						
Balance at 1 January 2018	-	642	4,088	2,180	-	6,910
Depreciation charge for the year	2,309	215	1,968	813	-	5,305
Disposals	(2)	-	(395)	(9)	-	(406)
Balance at 31 December 2018	**2,307**	**857**	**5,661**	**2,984**	**-**	**11,809**
Depreciation charge for the year	2,357	161	2,189	1,144	910	6,761
Disposals	-	(66)	-	-	-	(66)
Balance at 31 December 2019	**4,664**	**952**	**7,850**	**4,128**	**910**	**18,504**
Carrying amounts						
As at 31 December 2018	120,797	688	6,942	4,319	-	132,746
As at 31 December 2019	**133,834**	**881**	**7,619**	**3,377**	**8,293**	**154,004**

Buildings include $20.4 million of care centres under development carried at cost at 31 December 2019 (2018: $5.0 million). Right of use assets relate to the Group's leased office premises and car park spaces; refer to Note 16 for further information.

Revaluations

An independent valuation to determine the fair value of all completed care centres that are classified as land and buildings was carried out as at 31 December 2017 by CBRE Limited, an independent registered valuer. Valuations are carried out every three years unless there are indicators of a significant change in fair value. CBRE determine the fair value of all care centre assets using an earnings-based multiple approach. Significant assumptions used in the most recent valuation include market value per care bed of between $68,000 and $173,000, and individual unit earning capitalisation rate of between 12.0% and 15.0%.

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.

Notes to the financial statements (continued)

Cost model

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

	2019 LAND AND BUILDINGS $000	2018 LAND AND BUILDINGS $000
Cost	111,599	96,205
Accumulated depreciation and impairment losses	(16,602)	(14,245)
Net carrying amount	**94,997**	**81,960**

Security

At 31 December 2019, all care centres held by retirement villages registered under the Retirement Villages Act 2003 are subject to a registered first mortgage in favour of the Statutory Supervisor.

10. Intangible assets

Intangible assets acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in the income statement on an SL basis over the estimated useful lives of intangible assets from the date that they are available for use. The intangible assets are software and the amortisation rate at 31 December 2019 is 20% SL basis.

	TOTAL $000
Cost	
Balance at 1 January 2018	8,272
Additions	2,489
Disposals	(957)
As at 31 December 2018	**9,804**
Additions	567
As at 31 December 2019	**10,371**
Accumulated amortisation	
Balance at 1 January 2018	2,710
Amortisation charge for the year	1,380
Disposals	(914)
As at 31 December 2018	**3,176**
Amortisation charge for the year	1,072
As at 31 December 2019	**4,248**
Carrying amounts	
As at 31 December 2018	6,628
As at 31 December 2019	**6,123**

11. Investment property

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

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

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

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

Depreciation is not charged on investment property.

Note 6 provides details on capitalised borrowing costs.

	2019 $000	2018 $000
Balance at beginning of period	2,585,049	2,069,662
Additions	356,713	305,492
Disposals	-	(35)
Fair value movement	165,252	209,930
Total investment property	**3,107,014**	**2,585,049**

	2019 $000	2018 $000
Development land measured at fair value[1]	305,148	212,923
Retirement villages measured at fair value	2,580,855	2,204,354
Retirement villages under development measured at cost	221,011	167,772
Total investment property	**3,107,014**	**2,585,049**

1 *Included in development land are pieces of land that were acquired close to balance date and as such were excluded from the CBRE valuation of investment property. These pieces of land have been accounted for at cost, which has been determined to be fair value due to the proximity of the transaction to balance date. At 31 December 2019 the land at cost was $74.9 million (2018: $36.9 million).*

	2019 $000	2018 $000
Manager's net interest	1,688,265	1,377,174
Plus: revenue received in advance	91,142	71,083
Plus: liability for residents' loans	1,327,607	1,136,792
Total investment property	**3,107,014**	**2,585,049**

The Group is unable to reliably determine the fair value of non-land retirement villages under development at 31 December 2019 and therefore these are carried at cost. This equates to $221.0 million of investment property (2018: $167.8 million).

The fair value of investment property as at 31 December 2019 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 cash flow analysis to derive a net present value. There has been no change in valuation technique since the previous period.

Notes to the financial statements (continued)

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

Significant assumptions used by the valuer include a discount rate of between 13.5% and 16.5% (2018: 13.5% to 16.5%), and a long-term nominal house price inflation rate (growth rate) of between 0% and 3.5% (2018: 0% to 3.5%). Other assumptions used by the valuer include the average entry age of residents of between 72 years and 91 years (2018: 72 years and 90 years), and the stabilised departing occupancy periods of retirement units of between 3.6 years and 8.8 years (2018: 3.7 years and 9.0 years).

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

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

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

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

	Adopted value[1]	Discount rate +50 bp	Discount rate -50 bp	Growth rates +50bp	Growth rates -50bp
31 December 2019					
Valuation ($000)	963,530				
Difference ($000)		(34,320)	36,610	57,812	(52,994)
Difference (%)		(3.6%)	3.8%	6.0%	(5.5%)
31 December 2018					
Valuation ($000)	820,760				
Difference ($000)		(29,680)	31,590	48,425	(43,500)
Difference (%)		(3.6%)	3.8%	5.9%	(5.3%)

1 Completed retirement units excluding unsold stock.

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

Operating expenses

Direct operating expenses arising from investment property during the period amounted to $34.3 million (2018: $29.3 million).

Security

At 31 December 2019, all investment property relating to registered retirement villages under the Retirement Villages Act 2003 are subject to a registered first mortgage in favour of the Statutory Supervisor to secure the Group's obligations to the occupation right agreement holders.

12. Trade and other payables

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

	2019 $000	2018 $000
Trade payables	2,071	1,723
Accruals - development of retirement units and care centres	114,735	70,144
Accruals - other	13,480	11,379
Sundry payables	4,394	3,992
Total trade and other payables	**134,680**	**87,238**

13. Employee benefits

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

	2019 $000	2018 $000
Leave liabilities	5,755	5,037
Other employee benefits	5,679	4,415
Total employee benefits	**11,434**	**9,452**

14. Interest rate swaps

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

Cash flow hedges

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

Under the interest rate swap agreements that qualify for cash flow hedge accounting, the Group has a right to receive interest at variable rates and to pay interest at fixed rates. At 31 December 2019, the Group had interest rate swap agreements in place with a total notional principal amount of $377 million (2018: $354 million). Of the swaps in place, at 31 December 2019 $292 million (2018: $267 million) are being used to cover approximately 49% (2018: 59%) of the floating rate debt principal outstanding. These agreements effectively change the Group's interest exposure on the principal covered by the interest rate swaps from a floating rate to fixed rates, which range between 1.22% and 4.43% (2018: 2.78% and 4.43%).

The fair value of these agreements at 31 December 2019 is a $21.1 million liability, comprised of $22.6 million of swap liabilities and $1.5 million of swap assets (2018: liability of $14.1 million, comprised of $14.1 million of swap liabilities and $0.0 million of swap assets). Of this, a liability of $515,000 is estimated to be current (2018: $360,000). The agreements cover notional amounts for terms of between one and ten years.

Notes to the financial statements (continued)

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

	2019 $000	2018 $000
Less than 1 year	40,000	37,000
Between 1 and 2 years	25,000	40,000
Between 2 and 3 years	70,000	25,000
Between 3 and 4 years	45,000	70,000
Between 4 and 5 years	60,000	25,000
Between 5 and 6 years	25,000	20,000
Between 6 and 7 years	52,000	25,000
Between 7 and 8 years	50,000	52,000
Between 8 and 9 years	10,000	50,000
Between 9 and 10 years	-	10,000
Total	**377,000**	**354,000**
Current	292,000	267,000
Forward starting	85,000	87,000
Total	**377,000**	**354,000**

Fair value hedges

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

Both the hedging instrument (interest rate swap) and the hedged risk are recognised at fair value. The change in the fair value of both items offset in the statement of comprehensive income to the extent the hedging relationship is effective. The increase in fair value of the interest rate swaps of $8.0 million (2018: $3.4 million) has been recognised in finance costs and has been offset with a similar fair value loss on the retail bonds to leave an ineffective amount in finance costs of $92,000 (2018: $57,000).

Under the interest rate swap agreements that qualify for fair value hedge accounting, the Group has a right to receive interest at fixed rates and to pay interest at floating rates. At 31 December 2019, the Group had interest rate swap agreements in place with a total notional principal amount of $225.0 million (2018: $225.0 million). Of the interest rate swaps in place, at 31 December 2019 $225.0 million (2018: $225.0 million) are being used to cover 100% (2018: 100%) of the fixed interest rate retail bonds outstanding.

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

	2019 $000	2018 $000
Between 3 and 4 years	100,000	-
Between 4 and 5 years	-	100,000
Between 5 and 6 years	125,000	-
Between 6 and 7 years	-	125,000
Total	**225,000**	**225,000**
Current	225,000	225,000
Total	**225,000**	**225,000**

15. Residents' loans

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

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

	2019 $000	2018 $000
Balance at beginning of period	1,355,535	1,134,069
Net receipts for residents' loans - resales of occupation right agreements	26,294	34,193
Receipts for residents' loans - new occupation right agreements	218,025	187,273
Total gross residents' loans	**1,599,854**	**1,355,535**
Deferred management fees receivable	(272,247)	(218,743)
Total residents' loans	**1,327,607**	**1,136,792**

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

16. Leases

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

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

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

A one-off adjustment to retained earnings has been disclosed as at 1 January 2019, which reflects the cumulative impact of recognising the Group's operating leases in line with the requirements of NZ IFRS 16. This adjustment is presented in the statement of changes in equity.

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

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

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

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

Notes to the financial statements (continued)

As at 31 December 2019, a lease agreement relating to additional office space has been executed, but the lease period has not yet commenced. The lease liability at the lease commencement date is expected to be approximately $0.9 million.

As a lessee

Right of use assets disclosed:

	2019 Buildings $000
Balance at beginning of period	8,557
Additions	646
Depreciation charge for the year	(910)
Balance at end of period	**8,293**

Lease liabilities disclosed:

	2019 $000
Less than 1 year	919
Between 1 and 5 years	4,106
More than 5 years	5,435
Total lease liabilities at end of period	**10,460**

Amounts recognised in the profit and loss:

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

Reconciliation of the opening balance of the lease liability:

Operating lease commitment as at 31 December 2018	12,247
Expenses relating to short-term and low-value asset leases	(77)
Gross lease liability as at 1 January 2019	12,170
Discounting	(1,530)
Lease liability as at 1 January 2019	**10,640**

As a lessor

The accounting policies applicable to the Group as a lessor in the comparative period were not different from NZ IFRS 16. The Group acts as a lessor under occupation right agreements with village residents, along with a small amount of residential rental properties. The assets leased by the group as a lessor are disclosed as investment property and lease income is generated in the form of deferred management fees. The lease term is determined to be the greater of the expected period of tenure or the contractual right to revenue. The Group uses the portfolio approach to account for leases of units to village residents and allocates individual leases to different portfolios depending on the type of unit. The Group does not have any sub-leases.

17. Interest-bearing loans and borrowings

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

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

	Coupon	2019 $000	2018 $000
Repayable after 12 months			
Secured bank loans	Floating	362,139	226,503
Retail bond - SUM010	4.78%	100,000	100,000
Retail bond - SUM020	4.20%	125,000	125,000
Total loans and borrowings at face value		**587,139**	**451,503**
Issue costs for retail bonds capitalised:			
Opening balance		(3,290)	(1,840)
Capitalised during the period		-	(1,874)
Amortised during the period		602	424
Total loans and borrowings at amortised cost		**584,452**	**448,213**
Fair value adjustment on hedged borrowings		12,629	4,547
Carrying value of interest-bearing loans and borrowings		**597,081**	**452,760**

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

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

	2019 $000	2018 $000
Borrowings at the start of the year	452,760	347,170
Net cash borrowed	135,637	103,664
Non-cash change in deferred financing costs	602	(1,450)
Non-cash change in fair value adjustment	8,082	3,376
Borrowings at the end of the year	**597,081**	**452,760**

The weighted average interest rate for the year to 31 December 2019 was 3.87% (2018: 4.17%). This includes the impact of interest rate swaps (see Note 14).

The secured bank loan facility at 31 December 2019 has a limit of NZD$500.0 million (2018: $500.0 million). Lending of $185.0 million expires in August 2020 and $315.0 million of lending expires in March 2022.

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

Notes to the financial statements (continued)

Security

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

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

18. Financial instruments

Exposure to credit, market and liquidity risk arises in the normal course of the Group's business. The Board reviews and agrees on policies for managing each of these risks as summarised below.

Categories of financial instruments

Financial assets

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

Financial liabilities

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

Credit risk

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

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

	2019		2018	
	GROSS RECEIVABLE $000	IMPAIRMENT $000	GROSS RECEIVABLE $000	IMPAIRMENT $000
Not past due	2,624	(31)	2,460	(34)
Past due 31 to 60 days	90	(33)	105	(21)
Past due 61 to 90 days	31	(26)	33	(21)
Past due more than 90 days	167	(79)	34	(41)
Total	**2,912**	**(169)**	**2,632**	**(117)**

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

	2019 $000	2018 $000
Gross trade receivables	2,912	2,632
Impairment	(169)	(117)
Net trade receivables	**2,743**	**2,515**

Market risk

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

Interest rate risk

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

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

In these hedge relationships the main sources of ineffectiveness are:

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

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

At 31 December 2019 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit by $5.5 million (2018: decrease by $1.3 million) and decrease total comprehensive income by approximately $3.2 million (2018: increase by $8.7 million).

Liquidity risk

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

Notes to the financial statements (continued)

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

	2019		2018	
	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	134,680	-	87,238	-
Residents' loans	113,278	1,214,329	90,213	1,046,579
Interest-bearing loans and borrowings	22,524	491,228	16,667	507,480
Interest rate swaps	6,774	30,292	4,072	16,054
Lease liability	919	9,541	-	-
Total	**278,175**	**1,745,390**	**198,190**	**1,570,113**

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

Foreign currency risk

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

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

The risk to the Group is that the value of the overseas subsidiaries' financial position and financial performance will fluctuate in economic terms and as recorded in the Group financial statements due to changes in foreign exchange rates. Due to limited activity in the Australian subsidiaries in 2019, the Group did not have a material exposure to foreign exchange risk.

Fair values

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

	2019		2018	
	CARRYING AMOUNT $000	FAIR VALUE $000	CARRYING AMOUNT $000	FAIR VALUE $000
Residents' loans	(1,327,607)	(932,932)	(1,136,792)	(781,659)
Retail bonds	(234,942)	(239,817)	(226,257)	(230,208)
Total	**(1,562,548)**	**(1,172,749)**	**(1,363,049)**	**(1,011,867)**

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% (2018: 14%). The fair value of residents' loans is categorised as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

The fair value of retail bonds is based on the price traded at on the NZX market as at 31 December 2019. The fair value of the retail bonds is categorised as Level 1 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

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

Capital management

The Group's capital includes share capital, reserves and retained earnings. The objective of the Group's capital management is to ensure a strong credit position to support business growth and maximise shareholder value. The Group is subject to capital requirements imposed by the bank lenders (through covenants in the Syndicated Facility Agreement) and bond holders (through covenants in the Master Trust Deed). The Group has met all of these externally imposed capital requirements for the year ended 31 December 2019 (2018: all requirements met). The Group capital structure is managed, and adjustments are made, with Board approval. There were no changes to objectives, policies or processes during the year ended 31 December 2019 (2018: none).

19. Share capital and reserves

At 31 December 2019, there were 226,827,675 ordinary shares on issue (2018: 225,415,662). All ordinary shares are fully paid and have no par value. All shares carry one vote per share and carry the right to dividends.

	2019 $000	2018 $000
Share capital		
On issue at beginning of year	269,467	257,414
Shares issued under the dividend reinvestment plan	11,100	9,460
Shares paid under employee share plans	2,214	1,879
Other	37	-
Employee share plan option cost	1,256	714
On issue at end of year	**284,074**	**269,467**

	2019	2018
Share capital (in thousands of shares)		
On issue at beginning of year	221,734	219,740
Shares issued under the dividend reinvestment plan	1,795	1,352
Shares issued under employee share plans	721	642
On issue at end of year	**224,250**	**221,734**

The total shares on issue at 31 December 2019 of 226,827,675 for the Company differs from the share capital for the Group due to shares held in 100% owned subsidiary, Summerset LTI Trustee Limited. As at 31 December 2019, 2,577,328 shares are held by Summerset LTI Trustee Limited for employee share plans, which are eliminated on consolidation. Refer to Note 21 for further details on employee share plans.

Revaluation reserve

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

Hedging reserve

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

Foreign currency translation reserve

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

Dividends

On 21 March 2019 a dividend of 7.2 cents per ordinary share was paid to shareholders and on 9 September 2019 a dividend of 6.4 cents per ordinary share was paid to shareholders (2018: on 22 March 2018 a dividend of 7.1 cents per ordinary share was paid to shareholders and on 10 September 2018 a dividend of 6.0 cents per ordinary share was paid to shareholders).

A dividend reinvestment plan applied to the dividends paid. 866,704 ordinary shares were issued in relation to the plan for the March 2019 dividend and 928,017 ordinary shares were issued in relation to the plan for the September 2019 dividend. (2018: 810,284 ordinary shares were issued in March 2018 and 541,363 ordinary shares were issued in September 2018).

Notes to the financial statements (continued)

20. Earnings per share and net tangible assets

Basic earnings per share

	2019	2018
Earnings ($000)	175,262	214,503
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	223,006	220,835
Basic earnings per share (cents per share)	**78.59**	**97.13**

Diluted earnings per share

	2019	2018
Earnings ($000)	175,262	214,503
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	226,087	224,810
Diluted earnings per share (cents per share)	**77.52**	**95.42**

Number of shares (in thousands)

	2019	2018
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	223,006	220,835
Weighted average number of ordinary shares issued under employee share plans	3,081	3,975
Weighted average number of ordinary shares for the purpose of earnings per share (diluted)	**226,087**	**224,810**

At 31 December 2019, there were a total of 2,577,328 shares issued under employee share plans held by Summerset LTI Trustee Limited (2018: 3,681,569 shares).

Net tangible assets per share

	2019	2018
Net tangible assets ($000)	1,125,761	972,171
Shares on issue at end of period (basic and in thousands)	224,250	221,734
Net tangible assets per share (cents per share)	**502.01**	**438.44**

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

21. Employee share plans

Senior employee share plan - share option scheme

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

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

The performance hurdles for the option grant made in 2019 are based on:

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

The performance hurdles above were consistent with those for 2018, with the exception of an extra 5% weighting towards clinical delivery and 5% less weighting towards relative earnings.

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

There are no share options exercisable as at 31 December 2019 (2018: nil).

The share option scheme is an equity-settled scheme and measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate that the share options will vest. These options were valued using the Black-Scholes valuation model, and the option cost for the year ending 31 December 2019 of $422,000 has been recognised in the income statement of the Company and the Group for that period (2018: nil). The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

	2019		2018
	SHARE OPTION PLAN (2018 grant)	SHARE OPTION PLAN (2019 grant)	SHARE OPTION PLAN (2018 grant)
Options held at year end (in thousands)	1,154	1,064	1,154
Valuation assumptions			
Discount to reflect options may not meet vesting criteria	15%	15%	15%
Risk free rate of return	2%	1%	2%
Volatility	23%	24%	23%

Notes to the financial statements (continued)

	2019		2018	
	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS 000's	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS 000's
Balance at beginning of period	$6.34	1,154	$0.00	-
Granted during the year	$7.62	1,064	$6.34	1,154
Forfeited during the year	$6.34	(70)	$0.00	-
Balance at end of period	**$6.97**	**2,148**	**$6.34**	**1,154**

Senior employee share plan - share and loan scheme

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

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

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

	2013 SHARE PLAN (2015 issue)	2013 SHARE PLAN (2016 issue)	2013 SHARE PLAN (2017 issues)
Commencement date	16 Dec 2013	16 Dec 2013	16 Dec 2013
Issue price	$3.91	$4.76	$5.19 & $5.24
Expiry date of interest-free limited recourse loans	30 Jun 2020	30 Jun 2021	30 Jun 2022
Years the performance goals relate to	2016 to 2018	2017 to 2019	2018 to 2020
% of shares vested	73%	83%[1]	50%[1]
Vesting date of final tranche	31 Dec 2018	31 Dec 2019	31 Dec 2020

1 The final tranche of the December 2016 issue and the first tranche of the December 2017 issue had a vesting date of 31 December 2019 and a first release date of 27 February 2020.

The performance hurdles for each grant of shares under the 2013 share plan in 2015 to Executive Leadership Team members are based on the Group's total shareholder return relative to the performance of relevant peers and the NZX 50.

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

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

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

A total of 866,717 shares were vested and eligible for exercise at 31 December 2019 (2018: 610,346). The exercise prices range from $3.91 to $5.19 (2018: $2.68 to $3.91). An additional 802,293 shares were vested on 31 December 2019 but are not eligible for exercise until 27 February 2020.

The share and loan scheme is an equity-settled scheme and is measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate that the shares will vest. These options were valued using the Black-Scholes valuation model, and the option cost for the year ending 31 December 2019 of $471,000 has been recognised in the income statement of the Company and the Group for that period (2018: $480,000).

	2019		
	2013 SHARE PLAN (2015 issue)	2013 SHARE PLAN (2016 issue)	2013 SHARE PLAN (2017 issues)
Shares held at year end (in thousands)	341	718	1,194
Shares held at year end as a percentage of shares on issue	0.2%	0.3%	0.5%
Valuation assumptions			
Discount to reflect that shares may not meet vesting criteria	0-30%	0-15%	0-15%
Risk-free rate of return	2.8%	2.5%	2-2.5%
Volatility	22%	23%	23%

	2018				
	2013 SHARE PLAN (2013 issue)	2013 SHARE PLAN (2014 issue)	2013 SHARE PLAN (2015 issue)	2013 SHARE PLAN (2016 issue)	2013 SHARE PLAN (2017 issues)
Shares held at year end (in thousands)	86	329	853	868	1,232
Shares held at year end as a percentage of shares on issue	0.0%	0.1%	0.4%	0.4%	0.5%
Valuation assumptions					
Discount to reflect that shares may not meet vesting criteria	30%	30%	0-30%	0-15%	0-15%
Risk-free rate of return	3.8-4.1%	3.5-3.6%	2.8%	2.5%	2-2.5%
Volatility	21-22%	21%	22%	23%	23%

A total of 452,095 shares that did not meet vesting criteria were cancelled under the 2013 share plan on 5 April 2019. The range of exercise prices at 31 December 2019 is $3.91 to $5.24 (2018: $2.68 to $5.24).

	2019		2018	
	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES 000's	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES 000's
Balance at beginning of period	$4.54	2,936	$4.27	3,769
Exercised during the year	$3.34	(663)	$3.02	(638)
Forfeited during the year	$4.84	(55)	$4.26	(195)
Balance at end of period	**$4.89**	**2,218**	**$4.54**	**2,936**

All-staff employee share plan

The Group operates an all-staff employee share plan. A total of 1,060 employees participated in the share issue under the plan for the year ending 31 December 2019 (2018: 932 employees). In 2019 the Group contributed $800 per participating employee (being the total value of the shares issued). A total of 148,400 Company shares were issued under the scheme at $5.6938 per share (2018: 95,996 shares at $7.7435 per share). The shares are held by Summerset LTI Trustee Limited and vest to participating employees after a three-year period.

Notes to the financial statements (continued)

The cost for the year ending 31 December 2019 of $366,000 has been recognised in the income statement of the Company and the Group for that period (2018: $234,000).

22. Related party transactions

Refer to Note 21 for employee share plan details.

There were no related party transactions for the year ended 31 December 2019 (2018: nil).

23. Key management personnel compensation

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

	2019 $000	2018 $000
Directors' fees	684	651
Short-term employee benefits	3,799	3,163
Share-based payments	686	660
Termination payments	-	-
Total	**5,169**	**4,474**

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

24. Commitments and contingencies

Guarantees

As at 31 December 2019, NZX Limited held a guarantee in respect of the Group, as required by the NZX Listing Rules, for $75,000 (2018: $75,000).

Summerset Retention Trustee Limited holds guarantees in relation to retentions on construction contracts on behalf of the Group. As at December 2019, $8.0 million was held for the benefit of the retentions beneficiaries (2018: $7.5 million).

Capital commitments

At 31 December 2019, the Group had $133.1 million of capital commitments in relation to construction contracts (2018: $83.0 million).

Contingent liabilities

There were no known material contingent liabilities at 31 December 2019 (2018: nil).

25. Subsequent events

On 24 February 2020, the Directors approved a final dividend of $17.5 million, being 7.7 cents per share. The dividend record date is 10 March 2020 with a payment date of 23 March 2020.

The Group completed a syndicated loan facility refinance, which brings the total bank debt facilities of the Group to approximately $750 million, with an effective date of 24 January 2020. This is an increase from the $500 million syndicated loan facility previously in place. The loan facility syndicate comprises ANZ Bank New Zealand Limited/Australia and New Zealand Banking Group Limited, Bank of New Zealand/National Australia Bank, Commonwealth Bank of Australia, Industrial and Commercial Bank of China (New Zealand) Limited and Westpac New Zealand Limited/Westpac Banking Corporation.

There have been no other events subsequent to 31 December 2019 that materially impact on the results reported .

Building a better working world

Chartered Accountants

Independent auditor's report to the Shareholders of Summerset Group Holdings Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Summerset Group Holdings Limited ("the company") and its subsidiaries (together "the Group") on pages 56 to 88, which comprise the consolidated statement of financial position of the Group as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 56 to 88 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

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

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

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

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

Key audit matters

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

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

Property Valuation

Why significant	How our audit addressed the key audit matter

Summerset's retirement villages and care centres have a combined value of $3.2b and together make up 97% of total assets. Management engages an independent registered valuer, CBRE Limited, to determine the fair value of these assets.
 	
These valuations require the exercise of judgment. Key amongst these judgements are:
• for retirement village assets:
  • discount rate and
  • forecast long-term nominal house price inflation.
• for care centres:
  • earnings per care bed and
  • capitalisation rates.
 	
The highly judgmental and subjective nature of the valuation coupled with the significance to the financial statements results in this being an area of audit focus.
 	
Retirement village valuations are performed every 6 months and care centres are valued at least once every 3 years. Care centres were last valued in December 2017.
 	
Disclosures in relation to retirement village and care facility assets are included in note 11 Investment property and note 9 Property plant and equipment to the consolidated financial statements respectively.
	To address the key audit matter, we:
	• evaluated Summerset's internal review of the external valuation report;
	• assessed the competence, qualifications and objectivity of the external valuer;
	• involved our real estate valuation specialists to assist us in analysing and challenging the valuations for a sample of villages and evaluating the underlying assumptions across the portfolio of valuations against the market based evidence available;
	• tested, on a sample basis, village specific information relating to core data including sales, unsold stock and occupancy data supplied by the Group to the external valuer to the underlying records held by the Group;
	• assessed the significant input assumptions applied by the valuer for reasonableness compared to previous periods assumptions, the changing state of the village sites and other market changes;
	• examined the allocation of costs from work in progress to completed village units, care centres and other assets;
	• evaluated the Group's review of work in progress for impairment indicators
	• reviewed management's assessment of care facility fair value movement since the last valuation date; and
	• assessed the adequacy of the related financial statement disclosures.

Deferred Management Fee Revenue Recognition

Why significant	How our audit addressed the key audit matter
Deferred management fee ("DMF") revenue is 34% of Summerset's total revenue. Summerset recognises deferred management fee revenue from residents over the longer of the expected period of tenure or the contractual right to revenue in accordance with the terms of the resident's occupational right agreement. The amount of revenue recognised in each year is subject to the Group's judgement of each resident's expected tenure in the village as well as the terms of the occupational right agreement and the type of unit occupied. A change in the assumed tenure may have a material impact on revenue recognised in the year Disclosures in relation to DMF revenue and the associated DMF receivable and revenue in advance balances are included in note 4 Revenue to the consolidated financial statements.	To address the key audit matter, we: • for a sample of residents, assessed the accuracy of a sample of the inputs to, and calculation of, the DMF revenue recognised during 2019; • agreed the contractual terms used in the revenue recognition calculation for a sample of residents to the occupational right agreement; • assessed the movements year on year in revenue recognised by each village based on an expectation derived from underlying village data; • compared the Group's assessment of assumed tenure against actual observed tenure; and • assessed the adequacy of the related financial statement disclosures.

Information other than the financial statements and auditor's report

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

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

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

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

Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Ernst + Young

Ernst & Young
Chartered Accountants
Wellington
24 February 2020

Governance

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

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

As at 31 December 2019, Summerset considers that it was in full compliance with NZX Listing Rules and the NZX Code.

Summerset's Board and Committee Charters, and a number of the policies and guidelines referred to in this section, are available to view at https://www.summerset.co.nz/investor-centre/governance-documents/.

Principle 1: Code of ethical behaviour

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

Ethical standards

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

- **Code of Ethics** – This guide sets out the basic principles of legal and ethical conduct expected of all employees and Directors. The Company encourages open and honest communication by staff about any current or potential problem, complaint, suggestion, concern or question.
- **Securities trading** – In accordance with the Company's Securities Trading Policy, the NZX Listing Rules, and the Financial Markets Conduct Act 2013, Directors and employees of the Company are subject to limitations on their ability to buy or sell Company shares.
- **Diversity and inclusion** – This policy outlines the Company's guiding principles for diversity and inclusion. Refer to Principle 2 for further details.
- **Code of Conduct** – This policy sets out the expected behaviours while in employment with the Company. Company employees are expected to act honestly, conscientiously, reasonably and in good faith while at all times having regard to their responsibilities, the interests of Summerset, and the welfare of our residents and employees' colleagues.
- **Whistle blowing** – This policy encourages employees to come forward if they have concerns regarding serious wrongdoing, and ensures that employees have access to a confidential process in which they can report any issues in relation to serious wrongdoing without fear of reprisal or victimisation.
- **Conflicts of interest** – Summerset's Code of Ethics outlines the standards of integrity, professionalism and confidentiality to which all employees and Directors of the Company must adhere with respect to their work and behaviour. To maintain integrity in decision-making, each Director must advise the Board of any potential conflict of interest if such arises. If a significant conflict of interest exists, the Director concerned will have no involvement in the decision-making process relating to the matter.
- **Gifts, entertainment and inducements** – This policy governs the acceptance and reporting of benefits given to staff by third parties.
- **Interests Register** – In accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013, the Company maintains an Interests Register in which all relevant transactions and matters involving the Directors are recorded.

The Code of Ethics Policy can be found on the Company's website and internal intranet, and a copy is provided to all new staff (including contractors).

Principle 2: Board composition and performance

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

Role of the Board of Directors

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

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

A summary of the Board mandate is as follows:

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

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

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

Delegation of authority

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

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

Retirement and re-election

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

Board composition

The Company's Constitution prescribes that the Board shall be comprised of a minimum of three Directors, with at least two Directors ordinarily resident in New Zealand. As at 31 December 2019, the Board was comprised of six non-executive Independent Directors. In determining whether a Director is Independent, the Board has regard to the NZX Listing Rules.

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

As at 31 December 2019, the non-executive Independent Directors were Rob Campbell (Chair), Dr Andrew Wong, Anne Urlwin, Gráinne Troute, James Ogden and Dr Marie Bismark.

The Board is comprised of Directors who have a mix of skills, knowledge, experience and diversity to adequately meet and discharge its responsibilities and to add value to the Company through efficient and effective governance leadership. The current Directors have a varied and balanced mix of skills relevant to the Group's operations. A summary of the key skills and experience held across the Board as at 31 December 2019, is set out below:

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

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

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

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

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

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

Diversity and inclusion

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

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

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

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

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

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

Each year the Board reviews and assesses performance against these objectives. The Board considers that for the year ended 31 December 2019, the objectives for achieving diversity have been met.

As at 31 December 2019 (and 31 December 2018 for the prior comparative period), the mix of gender of those employed by the Company is set out below:

	GENDER	2019	2018
Directors	Male	3	3
	Female	3	3
Total		**6**	**6**
Senior Managers	Male	2	2
	Female	-	-
Total		**2**	**2**
Executive Leadership Team	Male	6	6
	Female	2	2
Total		**8**	**8**
All staff	Male	349	338
	Female	1,199	1,100
Total staff		**1,548**	**1,438**

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

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

Board performance

The Board undertakes an annual self-assessment of its performance, and its processes and procedures.

Executive Leadership Team performance

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

Principle 3: Board committees

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

Board committees

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

Audit Committee

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

- An appropriately resourced Audit Committee operating under a written charter with specific responsibilities for financial reporting and risk management;
- Review and consideration by the Audit Committee of the financial information and preliminary releases of results to the market, which then makes recommendations to the Board;

- A process to ensure the independence and competence of the Company's external auditors and a process to ensure their compliance with the Company's Audit Independence Policy;
- Responsibility for appointment of the external auditors residing with the Audit Committee;
- The Audit Committee monitors the strength of the internal control environment by considering the effectiveness and adequacy of Summerset's internal controls, reviewing the findings of the external auditors' review of internal control over financial reporting, and being involved in setting the scope for the internal audit programme.

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

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

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

Nomination and Remuneration Committee

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

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

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

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

Clinical Governance Committee

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

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

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

Development and Construction Committee

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

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

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

Attendance at Board and committee meetings

A total of six Board meetings, seven Audit Committee meetings, five Nomination and Remuneration Committee meetings, three Clinical Governance Committee meetings and three Development and Construction Committee meetings were held in 2019. Director attendance at Board meetings and committee member attendance at committee meetings is shown below.

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

* *attended the meeting as a non-committee member*

Principle 4: Reporting and disclosure

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

Making timely and balanced disclosures

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

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

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

Principle 5: Remuneration

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

Remuneration of Directors and the Executive Leadership Team is reviewed by the Board's Nomination and Remuneration Committee. Its membership and role are set out under Principle 3 above. The Committee makes recommendations to the Board on remuneration packages, keeping in mind the requirements of the Board and Executive Remuneration Policy.

The level of remuneration paid to the Directors and the Executive Leadership Team will be determined by the Board. However, Directors' fees must be within the limits approved by the Shareholders of the Company.

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

Principle 6: Risk management

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

Summerset has robust risk management and reporting frameworks in place whereby material business risks are regularly identified, monitored and managed.

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

Summerset engages KPMG to carry out internal audit work on various parts of the Group's operations and all major risk and internal control issues are reported on at each Board meeting.

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

Summerset has a Tax Governance Policy in place which sets out its tax risk management objectives, tax reporting requirements to the Audit Committee and policies and processes to manage tax risk. This Tax Governance Policy is reviewed by the Board every two years, it is next due for review in December 2020. The Board is satisfied that Summerset has effective policies and processes in place to ensure the Company is meeting its obligations.

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

Economic sustainability

Summerset is subject to risk factors that are both related to its business and that are of a more general nature, specifically:

- **Property market risk:** property market factors could adversely affect sales, occupancy levels or revenue streams, and have a flow on impact to the value of Summerset's property assets and the associated investment property valuation, which would in turn impact Summerset's financial performance.
- **Construction and development risk:** Summerset faces construction and property development risks when developing new villages, including: project delays, default risk, governance and design risk and potential labour and materials shortages. The ability to meet growth targets is also dependent on Summerset's ability to acquire suitable sites for development.

- **Regulatory risk:** changes in regulation could have a material impact on Summerset's business operations.
- **Reputational risk:** Summerset operates in a sensitive market involving care of vulnerable members of society. Summerset's performance and reputation could be adversely impacted should it suffer adverse publicity, particularly in respect of resident care or health and safety issues.
- **Industry competition risk:** competitors making significant changes to their revenue models or pricing strategy could impact on the revenue earned by Summerset.

Summerset actively monitors and manages these risks through the risk management and reporting frameworks discussed above.

Environmental and social sustainability

Summerset is subject to the following environmental sustainability and social sustainability risks:

- **Climate change risk:** climate change risk relates to changes across average climate conditions in addition to the frequency and severity of extreme climate events. Over the longer term, Summerset expects to operate in a climate that will progressively depart from the weather conditions and events currently experienced, to more acute challenges and risks arising from increasing climate variability. This is likely to have various impacts on the longer-term plans and operation of the Group – specifically in relation to the design, build and construction of villages, as well as in the provision of care services to frail residents and the overall lifestyle satisfaction enjoyed in Summerset's villages.
- **Societal and investor expectations:** failure to comply with regulatory, societal and investor expectations in relation to corporate and environmental sustainability could impact Summerset's reputation and financial performance over the longer term.

Summerset actively monitors and manages these risks through the following initiatives:

- Summerset is a certified carbonzero organisation. This requires us to measure our greenhouse gas emissions, understand our carbon liabilities, and put in place management plans to reduce emissions within the organisation and more widely through our supply chain.
- Summerset's Design Steering Group ensures climate change risk and sustainability are taken into account in the design and development process.
- Summerset is committed to integrating sustainability considerations into its business strategies and has established a Green Team, which is responsible for developing and implementing sustainability initiatives across existing and developing villages and corporate sites.

These measures and our approach to sustainability are discussed in more detail on page 43 of this report.

Principle 7: Auditors

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

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

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

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

KPMG was appointed in the role of internal auditor of the Company in December 2016, and its role is governed by the Internal Audit Charter.

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

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

Principle 8: Shareholder rights and relations

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

Respecting the rights of Shareholders

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

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

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

Communicating with Shareholders

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

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

Shareholder voting rights

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

Notice of Annual and Special Shareholder Meetings

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

Remuneration

Director remuneration

The Company distinguishes the structure of non-executive Directors' remuneration from that of executive Directors.

The total amount of remuneration and other benefits received by each Director during the year ended 31 December 2019 is provided below.

Director	Board Fees[1]	Audit Committee	Clinical Governance Committee	Nomination and Remuneration Committee	Development and Construction Committee	Total remuneration
Rob Campbell	$176,333 (Chair)					$176,333
Anne Urlwin	$88,000				$7,500 (Chair)	$95,500
Dr Andrew Wong	$88,000					$88,000
Gráinne Troute	$88,000			$7,500 (Chair)		$95,500
James Ogden	$88,000	$17,000 (Chair)				$105,000
Dr Marie Bismark	$88,000		$12,500 (Chair)			$100,500
Total	**$616,333**	**$17,000**	**$12,500**	**$7,500**	**$7,500**	**$660,833**

1 Inclusive of additional fees of $1,333 per Director for additional duties relating to the expansion of operations into Australia

Directors' fees were reviewed during 2019 and increases were approved by Shareholders, effective from 1 May 2019. As at 31 December 2019, the maximum aggregate amount of remuneration payable by Summerset to Directors (in their capacity as Directors) was $750,000 per annum for the non-executive Directors (2018: $650,000) and annualised standard Directors' fees were $678,000, inclusive of additional remuneration for committee Chairs (2018: $602,500).

On 1 February 2020, Venasio-Lorenzo Crawley was appointed as a non-executive Independent Director. Accordingly, the maximum aggregate amount of remuneration payable by Summerset to Directors (in their capacity as Directors) was increased to $768,000 per annum with effect from 1 February 2020 and the annualised standard Directors' fees are currently $768,000.

As at 31 December 2019, the standard Director fees per annum are as follows:

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

No additional fees are paid to committee members.

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

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

Executive remuneration

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

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

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

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

Fixed remuneration

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

Short-term incentives

Short-term incentives (STIs) are at-risk payments designed to motivate and reward for performance, typically in that financial year. The target value of an STI payment is set annually, as a percentage of the Executive Leadership Team member's fixed remuneration. For 2019, the relevant percentages were 25% to 50%.

A proportion (80% for the Chief Executive Officer, 30% to 40% for other Executive Leadership Team members) of the STI is related to achievement of annual performance metrics which aim to align executives to a shared set of key performance indicators (KPIs) based on business priorities for the next 12 months. Target areas for the shared KPIs for 2019 are outlined below:

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

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

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

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

Long-term incentives

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

LTI Plan from 2018 onwards

An LTI share option plan commenced in November 2018, of which the Executive Leadership Team members are participants. Under this plan, Executive Leadership Team members are granted share options. These share options are exercisable in relation to shares in Summerset Group Holdings Limited.

Option grants are made annually, with the value of each grant being set at the date of each grant and determined as a percentage of the Executive Leadership Team member's fixed remuneration. There have now been two option grants under this plan. For 2019, the relevant percentages were 20% to 40% (2018: 15% to 40%). Vesting of the share options is subject to achievement of performance hurdles, which are assessed over two and three-year periods.

The performance hurdles for the option grant made in 2019 are based on:

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

The performance hurdles above were consistent with those for 2018, with the exception of an extra 5% weighting towards clinical delivery and 5% less weighting towards relative earnings.

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

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

A total of 647,315 share options were granted to Executive Leadership Team members in December 2019. A total of 1,355,950 share options have been granted to Executive Leadership Team members in the 2018 and 2019 grants. None of these share options are currently exercisable. The Executive Leadership Team includes the Chief Executive Officer. The following section provides further details of share option movements under the LTI Plan for the Chief Executive Officer.

LTI Plan prior to 2018

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

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

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

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

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

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

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

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

A total of 1,958,026 shares are held by Summerset LTI Trustee Limited under the LTI share purchase plan on behalf of the Executive Leadership Team as at 31 December 2019. 485,170 of these shares are unvested. The Executive Leadership Team includes the Chief Executive Officer. The following section provides further details of share movements under the LTI Plan for the Chief Executive Officer.

Chief Executive Officer remuneration

Remuneration for years ended 31 December 2017 to 2019

	Fixed remuneration			Pay for performance			
	Salary	Other benefits[1]	Subtotal	STI	LTI	Subtotal	Total remuneration
FY2019	$623,405	$1,595	$625,000	$282,734[2]	$250,000[3]	$532,734	$1,157,734
FY2018	$547,720	$2,280	$550,000	$271,400[4]	$220,000[5]	$491,400	$1,041,400
FY2017	$545,400	$4,600	$550,000	$233,558[6]	$220,000[7]	$453,558	$1,003,558

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

2 STI for FY2018 performance period (paid FY2019)

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

4 STI for FY2017 performance period (paid FY2018)

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

6 STI for FY2016 performance period (paid FY2017)

7 LTI value granted in FY2017 period (which will vest based on performance in FY2018 to FY2020)

Three-year summary

	Total remuneration	% STI awarded against on-plan performance	STI performance period	% LTI vested against on-plan performance	Span of LTI performance periods
FY2019	$1,157,734	102.8%	FY2018	97.9%[1]	FY2016 - FY2018
FY2018	$1,041,400	98.7%	FY2017	83.7%[2]	FY2015 – FY2017
FY2017	$1,003,558	103.8%	FY2016	90.0%[3]	FY2014 – FY2016

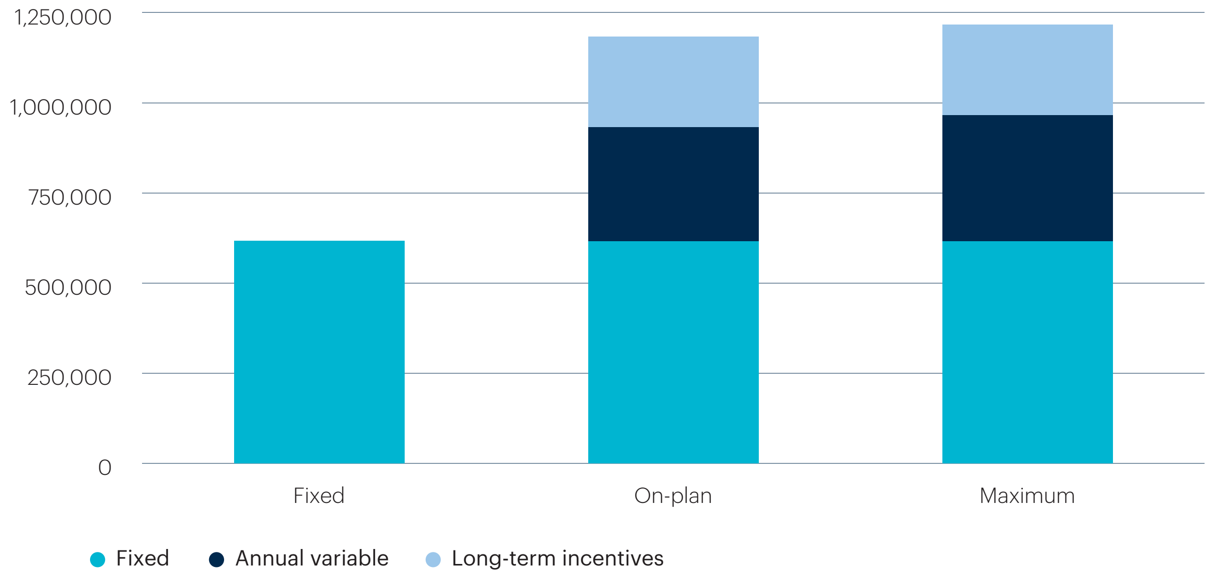
1 Vesting date 31 December 2018, release date 27 February 2019

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

3 Vesting date 31 December 2016, release date 24 February 2017

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

Components of CEO remuneration



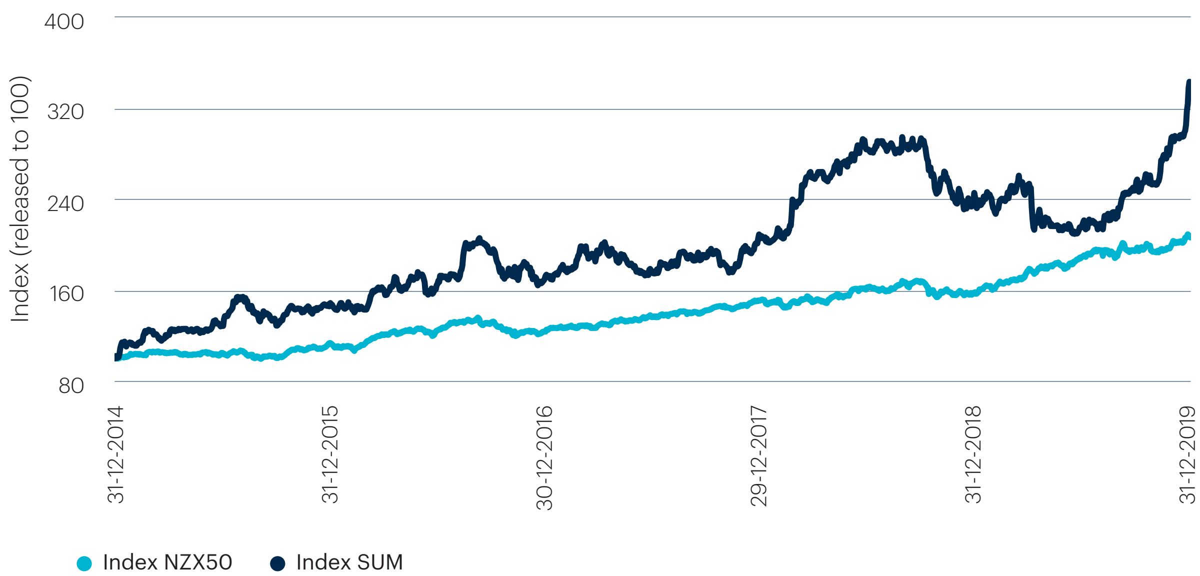
As at 31 December 2019, the Chief Executive Officer's fixed remuneration comprised salary and taxable benefits set at $625,000 per annum. The annual variable element pays out at 50% of fixed remuneration for on-plan performance or 56% for maximum performance. The LTI element is based on the value granted in the FY2019, being 40% of fixed remuneration, and will be based on performance in FY2020 to FY2022.

Description of Chief Executive Officer remuneration for performance for the year ended 31 December 2019

Plan	Description	Performance measures	Percentage awarded against on-plan performance
STI	Set at 50% of fixed remuneration for FY2019 on-plan performance, up to a maximum of 1.12 times (equal to 56% of fixed remuneration), where the highest levels of both company and individual performance measures are achieved.	80% based on the company target areas (see table on page 123 for weightings)	100.0%
		20% based on individual measures	100.0%
LTI	In February 2019, vesting for 145,161 shares issued under the LTI Scheme at $3.91 on 14 December 2015 was assessed per the Plan Rules. The assessment period was 1 January 2016 to 31 December 2018. The vesting criteria were partially met and 139,355 shares vested.	50% measured against comparable peer group TSR hurdle 50% measured against NZX 50 group TSR hurdle	96.0%
	In February 2019, vesting for 128,571 shares issued under the LTI Scheme at $4.76 on 12 December 2016 was assessed per the Plan Rules. The assessment period was 1 January 2017 to 31 December 2018. The vesting criteria were met and all shares vested.	50% based on absolute earnings 25% based on relative earnings 10% based on employee initiatives 10% based on customer initiatives 5% based on clinical strategy initiatives	100.0%

The above STI payment will be paid in FY2020.

Five year summary – total shareholder return (TSR) performance



The TSR summary above shows the performance of Summerset's shares against the NZX 50 between 31 December 2013 and 31 December 2018. TSR hurdles were only used for LTI issues up to 2015, the final vesting period for these issues expired on 31 December 2018.

Chief Executive Officer LTI share movements for the year ended 31 December 2019

	Dec 2014 issue	Dec 2015 issue	Dec 2016 issue	Dec 2017 issue	Total
Balance at 1 January 2019	183,673	257,236	237,005	263,736	941,650
Forfeited	-	(5,806)	-	-	(5,806)
Loan repaid and shares transferred to CEO	(183,673)	(112,075)	-	-	(295,748)
Balance at 31 December 2019	**-**	**139,355**	**237,005**	**263,736**	**640,096**
Vesting status	Vested	Vested	Vested	Partially vested	
Issue price	$2.68	$3.91	$4.76	$5.24	

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

251,291 shares were vested on 31 December 2019 (out of a potential 251,291 shares eligible to vest on that date). These vested shares are not eligible for exercise until 27 February 2020.

Chief Executive Officer LTI share option movements for the year ended 31 December 2019

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

Employee remuneration

The number of employees or former employees (including employees holding office as Directors of subsidiaries), who received remuneration and other benefits valued at or exceeding $100,000 during the financial year ended 31 December 2019 is specified in the table below.

The remuneration figures shown in the "Remuneration" column include all monetary payments actually paid during the course of the year ended 31 December 2019. The table also includes the grant value of shares issued to individual employees under Summerset's LTI Plan during the same period. The table does not include amounts paid after 31 December 2019 that relate to the year ended 31 December 2019.

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

Remuneration	No. of employees	Remuneration	No. of employees
$100,000 to $109,999	31	$250,000 to $259,999	1
$110,000 to $119,999	47	$260,000 to $269,999	2
$120,000 to $129,999	31	$280,000 to $289,999	1
$130,000 to $139,999	17	$290,000 to $299,999	2
$140,000 to $149,999	18	$300,000 to $309,999	1
$150,000 to $159,999	6	$320,000 to $329,999	1
$160,000 to $169,999	8	$330,000 to $339,999	1
$170,000 to $179,999	8	$360,000 to $369,999	1
$180,000 to $189,999	2	$370,000 to $379,999	1
$190,000 to $199,999	4	$400,000 to $409,999	1
$200,000 to $209,999	4	$460,000 to $469,999	1
$210,000 to $219,999	2	$500,000 to $509,999	1
$220,000 to $229,999	1	$560,000 to $569,999	1
$230,000 to $239,999	3	$810,000 to $819,999	1
$240,000 to $249,999	2	$1,100,000 to $1,109,999	1

Pay gap

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

At 31 December 2019, the Chief Executive Officer's base salary of $625,000 was 11.8 times (2018: 11.7 times) that of the median employee at $53,040 per annum. The Chief Executive Officer's total remuneration, including STI and LTI, of $1,157,734, was 21.5 times (2018: 21.0 times) the total remuneration of the median employee at $53,840.

Disclosures

Director changes during the year ended 31 December 2019

There were no director changes during the year ended 31 December 2019.

Directors' interests

Directors made the following entries in the Interests Register pursuant to Section 140 of the Companies Act 1993 during the year ended 31 December 2019:

Rob Campbell: Disclosed the following position in respect of the following entity: NZ Equity Management Limited (Investment Committee Member). Disclosed he ceased to hold the following position in respect of the following entity: Capital Markets Task Force (Member).

Anne Urlwin: Disclosed the following positions in respect of the following entities: Tararua Wind Power Limited (Director), Waverley Wind Farm Limited (Director), Waverley Wind Farm (NZ) Holding Limited (Director), Precinct Properties New Zealand Limited (Director). Disclosed she ceased to hold the following positions in respect of the following entities: Chorus Limited (Director), Chorus New Zealand Limited (Director).

James Ogden: Disclosed he ceased to hold the following position in respect of the following entity: MMC Group Holdings Limited and subsidiaries (Chair).

Dr Marie Bismark: Disclosed the following positions in respect of the following entities: Royal Children's Hospital Melbourne (Psychiatry Registrar), New Zealand Medical Council (Public Health Medicine Specialist).

Gráinne Troute: Disclosed she ceased to hold the following position in respect of the following entity: Evolve Education Group Limited (Director).

Dr Andrew Wong: Disclosed the following position in respect of the following entity: MercyAscot Properties Limited (Director). Disclosed he ceased to hold the following position in respect of the following entity: New Zealand Medical Council (Public Health Medicine Specialist).

Information used by Directors

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

Directors’ security holdings

Securities in the Company in which each Director has a relevant interest as at 31 December 2019 are specified in the table below:

Director	Ordinary shares	SUM010 retail bonds	SUM020 retail bonds
Rob Campbell	59,280	-	-
Anne Urlwin	26,015	30,000	-
James Ogden	389,504	15,000*	100,000*
Dr Marie Bismark	23,401	-	-
Gráinne Troute	25,000	-	-
Dr Andrew Wong	10,500	-	-
Total	**533,700**	**45,000**	**100,000**

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

Securities dealings of Directors

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

Director	Date of transaction	Number of securities acquired/(disposed)	Consideration
Rob Campbell	21 March 2019	430	Issue of shares under dividend reinvestment plan at $6.56 per share
	9 September 2019	433	Issue of shares under dividend reinvestment plan at $5.83 per share
Anne Urlwin	21 March 2019	188	Issue of shares under dividend reinvestment plan at $6.56 per share
	9 September 2019	189	Issue of shares under dividend reinvestment plan at $5.83 per share
James Ogden	21 March 2019	(20,000)	On-market disposal of ordinary shares at average price of $6.66 per share
Dr Marie Bismark	21 March 2019	214	Issue of shares under dividend reinvestment plan at $6.56 per share
	9 September 2019	216	Issue of shares under dividend reinvestment plan at $5.83 per share

Director appointment dates

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

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

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

Indemnity and insurance

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

Directors of subsidiary companies

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

Julian Cook, Scott Scoullar, Aaron Smail and Robyn Heyman are Directors of all the Company's New Zealand incorporated subsidiaries as at 31 December 2019, with the exception of Summerset LTI Trustee Limited (the Directors of which are Rob Campbell and Dr Marie Bismark). Julian Cook, Scott Scoullar, Paul Morris and Robyn Heyman are Directors of all the Company's Australian incorporated subsidiaries as at 31 December 2019. No extra remuneration is payable to any Director of the Company for any Directorship of a subsidiary.

Top 20 Shareholders as at 31 December 2019

Rank	Registered Shareholder	Number of shares	% of shares
1	New Zealand Central Securities Depository Limited	124,434,606	54.86%
2	FNZ Custodians Limited	6,320,541	2.79%
3	Forsyth Barr Custodians Limited	5,907,206	2.60%
4	Custodial Services Limited	5,601,058	2.47%
5	Custodial Services Limited	5,576,465	2.46%
6	Investment Custodial Services Limited	2,948,487	1.30%
7	New Zealand Depository Nominee Limited	2,780,430	1.23%
8	Custodial Services Limited	2,707,264	1.19%
9	Summerset LTI Trustee Limited	2,541,987	1.12%
10	Motutapu Investments Limited	1,974,185	0.87%
11	Custodial Services Limited	1,931,523	0.85%
12	Paul Stanley Morris & Clive Stephen Morris	1,690,973	0.75%
13	JBWere (NZ) Nominees Limited	1,417,613	0.62%
14	Custodial Services Limited	1,261,235	0.56%
15	ASB Nominees Limited	1,049,913	0.46%
16	PT Booster Investments Nominees Limited	975,439	0.43%
17	Leveraged Equities Finance Limited	920,632	0.41%
18	Custodial Services Limited	915,727	0.40%
19	Citicorp Nominees Pty Limited	869,505	0.38%
20	Hibou Holdings Pty Limited	690,454	0.30%
	Total	**172,515,243**	**76.05%**

Shareholders held through the NZCSD as at 31 December 2019

New Zealand Central Securities Depository Limited (NZCSD) provides a custodian depository service that allows electronic trading of securities to its members and does not have a beneficial interest in these shares. As at 31 December 2019, the ten largest shareholdings in the Company held through NZCSD were:

Rank	Registered Shareholder	Number of shares	% of shares
1	Tea Custodians Limited	21,064,981	9.29%
2	Citibank Nominees (NZ) Limited	18,439,586	8.13%
3	HSBC Nominees (New Zealand) Limited	15,534,721	6.85%
4	JPMorgan Chase Bank	11,013,959	4.86%
5	National Nominees New Zealand Limited	9,690,345	4.27%
6	HSBC Nominees (New Zealand) Limited	9,516,381	4.20%
7	Accident Compensation Corporation	9,139,509	4.03%
8	New Zealand Superannuation Fund Nominees Limited	7,532,482	3.32%
9	Cogent Nominees Limited	6,202,542	2.73%
10	New Zealand Permanent Trustees Limited	5,502,852	2.43%

Spread of Shareholders as at 31 December 2019

Size of shareholding	Shareholders Number	Shareholders %	Shares Number	Shares %
1 to 1,000	2,540	27.08%	1,193,806	0.53%
1,001 to 5,000	4,261	45.44%	11,116,461	4.90%
5,001 to 10,000	1,469	15.67%	10,662,369	4.70%
10,001 to 50,000	973	10.38%	18,113,492	7.99%
50,001 to 100,000	75	0.80%	5,165,139	2.28%
100,001 and over	59	0.63%	180,576,408	79.60%
Total	**9,377**	**100.00%**	**226,827,675**	**100.00%**

Substantial product holder notices received as at 31 December 2019

According to the records kept by the Company and notices given under the Financial Market Conducts Act 2013, the following were substantial holders in the Company as at 31 December 2019. The total number of voting products on issue at 31 December 2019 was 226,827,675 ordinary shares.

Shareholder	Relevant interest	% held at date of notice	Date of notice
Jarden Partners Limited	18,658,150	8.265%	19 July 2019
Harbour Asset Management Limited	18,658,150	8.265%	19 July 2019
Fisher Funds Management Limited	14,042,503	6.220%	9 May 2019

The notices disclosed above from Jarden Partners Limited and Harbour Asset Management Limited relate to the same relevant interest as these companies are related bodies corporate.

Spread of bondholders as at 31 December 2019

SUM010

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1 to 5,000	82	9.03%	410,000	0.41%
5,001 to 10,000	229	25.22%	2,229,000	2.23%
10,001 to 50,000	494	54.40%	13,641,000	13.64%
50,001 to 100,000	64	7.05%	5,461,000	5.46%
100,001 and over	39	4.30%	78,259,000	78.26%
Total	**908**	**100.00%**	**100,000,000**	**100.00%**

SUM020

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1 to 5,000	46	5.39%	230,000	0.18%
5,001 to 10,000	128	15.01%	1,222,000	0.98%
10,001 to 50,000	525	61.54%	15,104,000	12.08%
50,001 to 100,000	74	8.68%	6,295,000	5.04%
100,001 and over	80	9.38%	102,149,000	81.72%
Total	**853**	**100.00%**	**125,000,000**	**100.00%**

Waivers from the NZX Listing Rules

No waivers from the application of NZX Listing Rules have been utilised by the Company during the year ended 31 December 2019.

Credit rating

The Company has no credit rating.

Auditor fees

Ernst & Young Wellington has continued to act as auditors of the company. The amount payable by Summerset and its subsidiaries to Ernst & Young Wellington in respect of FY19 audit fees was $194,000. No non-audit work was undertaken by Ernst & Young during the year.

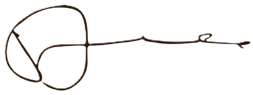
Donations

In accordance with section 211(1)(h) of the Companies Act 1993, Summerset records that it donated $58,000 in FY19.

Dividend reinvestment plan

The last date of receipt for a participation election from a shareholder who wishes to participate in the dividend reinvestment plan is 11 March 2020.

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



Rob Campbell
Director and Chair of the Board

James Ogden
Director and Chair of the Audit Committee

Authorised for issue on 24 February 2020


0800 786 637
www.summerset.co.nz

Directory

New Zealand

Northland

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

Auckland

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

Summerset Milldale[1]
Argent Lane, Milldale,
Wainui 0992
Phone (0800) 786 637

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

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

Summerset by the Park
7 Flat Bush School Road,
Flat Bush 2019
Phone (09) 272 3950

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

Summerset Parnell[1]
23 Cheshire Street, Parnell,
Auckland 1052
Phone (09) 950 8212

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

Waikato – Taupo

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

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

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

Summerset Cambridge[1]
80 Laurent Road,
Cambridge 3493
Phone (07) 839 9482

Bay of Plenty

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

Summerset by the Dunes
Manawa Road,
Papamoa Beach, Tauranga 3118
Phone (07) 542 9082

1 *Proposed villages*

Hawke's Bay

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

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

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

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

Taranaki

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

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

Manawatu – Wanganui

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

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

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

Wellington

Summerset Waikanae[1]
Park Avenue,
Waikanae 5036
Phone (04) 293 0002

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

Summerset on the Landing
Bluff Road, Kenepuru,
Porirua 5022
Phone (04) 230 6722

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

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

Summerset Lower Hutt[1]
Boulcott's Farm, Military Road,
Lower Hutt 5010
Phone (04) 568 1442

Nelson – Tasman

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

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

Marlborough

Summerset Blenheim[1]
183 Old Renwick Road, Springlands,
Blenheim 7272
Phone (03) 520 6042

1 *Proposed villages*

Canterbury

Summerset Rangiora[1]
141 South Belt, Waimakariri,
Rangiora 7400
Phone (03) 364 1312

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

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

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

Summerset Prebbleton[1]
578 Springs Road,
Prebbleton 7676
Phone (03) 353 6312

Otago

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

Australia

Victoria

Summerset Cranbourne North[1]
1435 Thompsons Road,
Cranbourne North,
Melbourne, Australia
Phone (1800) 321 700

Summerset Torquay[1]
Grossmans Road and Briody Drive,
Torquay,
Victoria, Australia
Phone (1800) 321 700

1 *Proposed villages*

Company information

Registered offices

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New Zealand

PO Box 5187,
Wellington 6140

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Email: reception@summerset.co.nz
www.summerset.co.nz

Australia
Deutsche Bank Place,
Level 4, 126 Phillip Street,
Sydney, NSW, 2000
Australia

Auditor
Ernst & Young

Solicitor
Russell McVeagh

Bankers
ANZ Bank New Zealand Limited
Australia and New Zealand Banking Group Limited
Bank of New Zealand
National Australia Bank
Commonwealth Bank of Australia
Westpac New Zealand Limited
Westpac Banking Corporation
Industrial and Commercial Bank of China (New Zealand) Limited

Statutory Supervisor
Public Trust

Bond Supervisor
The New Zealand Guardian Trust
Company Limited

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

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

Directors
Rob Campbell
Dr Marie Bismark
Venasio-Lorenzo Crawley
James Ogden
Gráinne Troute
Anne Urlwin
Dr Andrew Wong

Company Secretary
Robyn Heyman

Summerset

summerset.co.nz
summerset.com.au