Half Year Report

2023

Cover: Summerset by the Lake resident and model plane enthusiast, Alex Brodie, proudly displays some of his treasures and collections in his garage at the village. Inside cover: Artist impression of Summerset Waikanae.

OUR RESIDENTS

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

OUR ENVIRONMENT

Every day we focus on:

Minimising waste

Increasing energy efficiency

Being more sustainable

OUR PEOPLE

People are the heart of Summerset. Our values are:

Strong enough to care

One team

Strive to be the best

Contents

Chair and CEO's report

Mark Verbiest
Chair

Scott Scoullar
Chief Executive Officer

Welcome to Summerset's half year report for the six months ended 30 June 2023.

The business has performed solidly through a challenging economic environment over the last six months, and we continue to lay the platform for ongoing growth.

We are pleased to report in the first half of 2023 we recorded $133.1 million IFRS net profit after tax, down 1% on the same period last year, and $87.2 million underlying profit, up 5.7% on the first six months of 2022.

While some uncertainty continues, we are pleased to be seeing early signs that suggest the tough property market may have bottomed and some of the pressures from earlier in the year appear to be easing.

In the six months to 30 June 2023, we recorded 483 sales comprising 241 new sales and 242 resales. The first quarter of 210 total sales reflected the lower turnover in the property market, whereas the second quarter saw us achieve record resales of 147 units.

We delivered 152 new units sold under occupation right agreement (ORA) in the first half and we remain on track to deliver approximately 625-675 units to be sold under ORA for the full year 2023. While that range provides for flexibility, currently we expect to deliver closer to the lower end as we actively and prudently manage deliveries in the context of property market conditions.

In the second half of this year we are opening two new village centre main buildings, in Bell Block (New Plymouth) and Te Awa (Napier). These sites have already seen good levels of presales interest.

The Board of Directors ("the Board") has declared an interim dividend of 11.3 cents per share for the first half.

Village operations and care

In the last two years, our half year reports have had a heavy focus on our response to Covid-19 and keeping our residents and staff safe. The safety and health measures we took and the procedures we implemented have now been incorporated into our "living with Covid-19" business as usual practices.

It was exciting for us to be able to return to providing our much-enjoyed Summerset Sessions and village events and activities in person again. Our "Cooking with a Masterchef", "An Interview With…." and a "Summerset Sings" concert were all eagerly awaited and welcomed opportunities for our residents to interact together. These events also continued to be provided on our online platforms for other residents to enjoy at the same time as the live events or later at their leisure.

During uncertain times, the importance of safety, security and community, which a retirement village lifestyle provides, is heightened.


Summerset Avonhead staff receive their COVID-19 response recognition award

This was particularly evident for our residents and staff, and their friends and families in those areas impacted by Cyclone Gabrielle. Our four Hawke's Bay villages became vibrant hubs for connecting, supporting and helping each other and their wider communities to recover during a time when contact with the outside world was exceedingly difficult.

The cyclone and its impacts were a demonstration of the resources a large company can bring to bear in a crisis situation. With power out for an extended period at our Summerset Palms (Te Awa) and Summerset in the Bay (Napier) villages, we brought in extra generators, staff from around the country and supplies by both helicopter and truck where necessary. Our kitchen staff provided hot meals every day for two weeks to residents at each of these villages and we set up Wi-Fi hotspots to enable residents to stay connected to their family and friends.

Bringing loved ones closer together was at the heart of a new "Holiday Home" initiative we started trialling in February. The trial involves three villages offering short-term accommodation exclusively for Summerset residents, families and friends within the village. It offers on-site convenience and best value for money for residents and their families in a fully furnished, comfortable, self-contained apartment. For the trial we have apartments available at our Hobsonville, Hastings and Richmond villages and it allows residents to travel and stay in familiar surroundings while also giving our residents the opportunity to host their family in their village. There has been a lot of demand and bookings so far and we intend to roll this out nationwide.

We continue to focus on providing high quality aged care for our residents already living in our care facilities and offering an ongoing continuum of care with guaranteed priority placement for our village residents.

Our care business saw occupancy for the first six months of this year at 92% in our developed villages.

Our care centre refurbishment programme continued to progress well in our Havelock North, Trentham and Levin villages, where extensive refurbishment work at all three villages will ensure our facilities meet the needs and expectations of our residents now and in the future. Outside of these villages, we continue to look at equipment and technology to make our care residents more comfortable and to help our staff be more efficient. This year we've commenced installing ceiling hoists above beds in all our care centres to help residents who cannot get in and out of bed on their own and have just completed our first rollout in Kenepuru. The ceiling hoists are far more comfortable and residents tell us they feel safer than the manual hoists.

Aged care sector operators continue to be very concerned about underfunding in the wider aged care sector. The population of New Zealanders over 85 is set to triple over the next 25 years, and in 2040 there will be 233,300 people aged 85-plus. At least an extra 40,000 aged residential care beds,


Summerset's new Mosgiel site


Our recently acquired Rolleston site

including those providing hospital-level care, will be needed – doubling the industry's current capacity to 80,000.

The Government have recently increased the funding to aged care facilities via:

- an increase to reduce the pay disparity between Aged Residential Care and public hospital nurses. This is a fixed amount and is the same across all Territorial Local Authorities; and
- a five percent cost pressures uplift, added to the funding for nurses.

These increases are collectively expected to be just over 10%, and while this is a meaningful change it only largely covers the inflationary pressures we have faced over the last 12 months and does not systemically address the pressures the sector is under and the pay relativity challenges between funding for staff in aged care and staff in public hospitals.

With this in mind, Summerset will continue to focus on small high-quality facilities for our village residents and providing our continuum of care which is so important to many of them.

We can continue to provide care because we are a large business – however, our wider sector faces systemic challenges. The current funding model is pushing the industry backwards and there's no way we'll meet future demand.

Underfunding contributed to 1,000 aged care beds being permanently closed across New Zealand in the past year and we are acutely aware that with nowhere else to go our elderly will fall back on the public health system. With the cost of providing a day in hospital-level Aged Residential Care being $1,300 less than the cost of a day in a public hospital, the aged care sector is supplementing the public health system to the tune of $7 billion annually which is unfair and unsustainable.

To address this, we, along with a number of companies in the aged care industry, continue to support the New Zealand Aged Care Association ("NZACA") in their work to highlight the underfunding of aged care with government and policy makers. The NZACA released their latest campaign, the 'Domino Effect', in August - which highlights the far-reaching impacts that chronic underfunding of the aged residential care sector will have on all New Zealanders. If elderly New Zealanders can't get into aged care facilities they will end up staying in hospital, meaning people of all ages won't get access to surgeries and care as hospitals won't have the capacity.

The current situation is not sustainable, nor is it fair to New Zealanders.

Growth and development

Our design and consenting programme is very well positioned in both New Zealand and Australia and this continues well in 2023.

As a largely broadacre developer, we build our villas in stages, meaning that we have the ability to respond quickly to any change in demand, including making decisions around timing to start to build new villages and main buildings.

We also retain the ability to slow down or speed up the entry into Australia and we maintain very strong levels of product and geographic differentiation, building in 17 locations across New Zealand and Australia.

New Zealand

In New Zealand our development pipeline continues to grow and we're very pleased to announce two new land acquisitions at Mosgiel (Dunedin) and Rolleston (Christchurch).

The site in Mosgiel is 15km west of the Dunedin city centre and will complement our existing Dunedin village. Offering access to a high level of amenities and recreational areas with flat, open spaces, the site is also within 3km of Mosgiel town centre's vibrant shops, cafés, restaurants and monthly markets.

Rolleston, in the Selwyn District is in one of New Zealand's high growth areas, with Statistics New Zealand estimating Rolleston will see the highest population growth in New Zealand over the next 30 years The site is our sixth in the Canterbury region.

In the first half of this year, we gained consent for our Half Moon Bay development in east Auckland, and we are at various consenting stages for several other developments including applying for a consent fast track process for our Rotorua village.

We have now completed a strategic review of our Parnell village development and decided to sell the site. The economics of this village, while being strong over the longer term, would require a significant amount of up-front investment (funded through debt) throughout the development stage beyond what we feel is prudent in the current economic and property market climate.

We have been the top listed retirement village builder in New Zealand for several years and this year our build rate over the last 12 months has made us the second highest residential home builder in the country. We are proud to be providing high-quality warm homes at reasonable prices for retirees, and we have the capacity, the consents, and the construction team to continue to do so.


The first villas under construction at our Cranbourne North village, Victoria

Australia

We are excited to soon introduce Australians to our high-quality integrated model of village living. We now have seven sites either proposed or in development in Victoria, giving us excellent capacity looking forward, with a land bank now over 2,100 units (including 466 care beds) and an aggregate project investment of $1 billion.

At our Cranbourne North village, construction is well underway with presales marketing having recently commenced and the first homes expected to be finished by the end of the year. Once complete, the village will provide a variety of purpose-built homes including two and three-bedroom independent living villas and townhouses, as well as serviced apartments for residents requiring extra support. There will also be extensive recreational amenities and aged care on-site offering options for residents in our aged care or memory care facility.

At the end of June, we received unanimous development plan approval for our Oakleigh South site from City of Monash Council. The Oakleigh South site is also our first inner suburban approval for a boutique medium-density village, and it is important to note that the up-front funding required to build this village is similar to our broadacre village model. We undertook extensive community engagement to ensure we developed a proposal that met the community needs and expectations and were pleased that the local community were supportive.

Our site in Chirnside Park was consented following a unanimous vote from the local council at the end of 2022 and we have since seen the first sod turned.

Construction

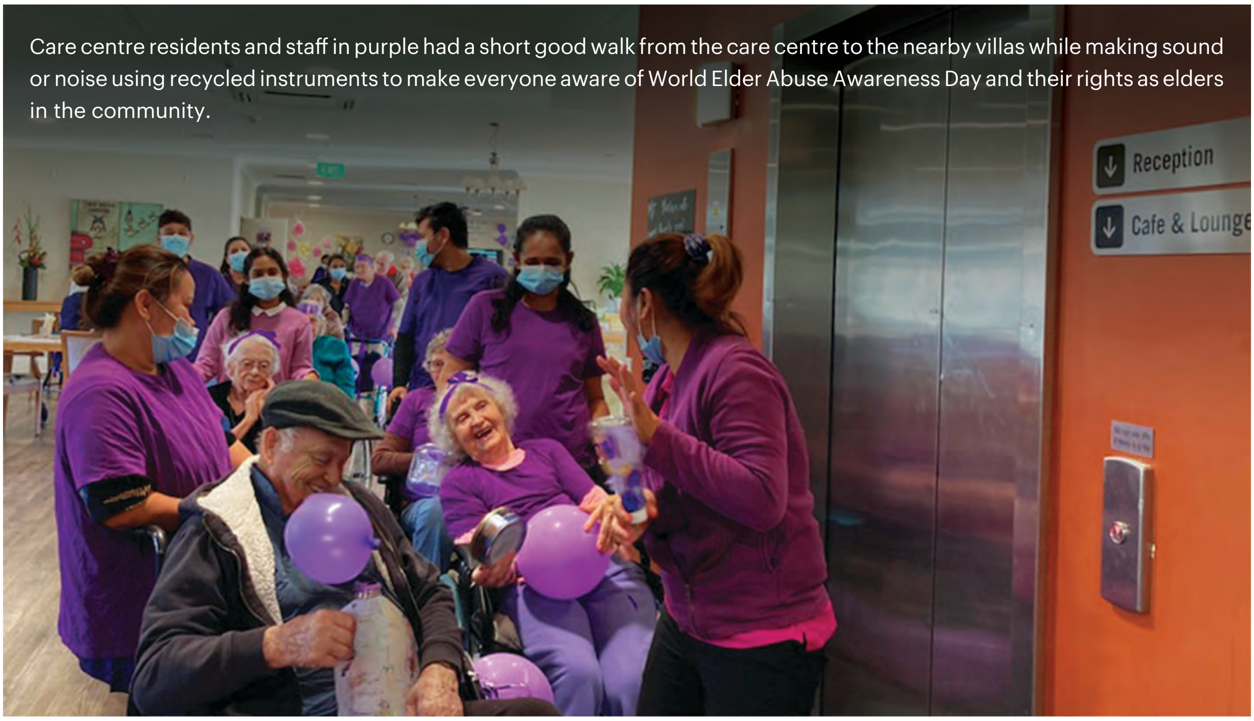
During the first half of 2023, we delivered 152 new homes and have made significant progress at a number of our sites including Rangiora, Blenheim and Papamoa.

At Boulcott, in Lower Hutt, we have delivered the first homes ready for residents to move in over the second half of the year, and at Waikanae (Kāpiti Coast) our sales villa was completed and presales commenced in June.

In Auckland, our St Johns village is taking shape with buildings being enclosed and roofed, with construction of other blocks progressing well.

Supply chain constraints that had plagued the building sector during Covid-19 have now eased, assisted by a slowdown in the broader residential construction market in general. The latter has also meant that there is an increased availability of construction staff.

It is paramount our sites are safe, and to this end we continue to use SiteWise pre-qualification as well as quarterly external Site Safe audits to check our performance against best practice. These measures are in addition to the extensive processes and practices we used to manage the health and safety of our residents and staff at our villages because of Covid-19, which are now part of standard business as usual practices.



Care centre residents and staff in purple had a short good walk from the care centre to the nearby villas while making sound or noise using recycled instruments to make everyone aware of World Elder Abuse Awareness Day and their rights as elders in the community.

As noted in last year's annual report, sadly Marin Construction scaffolder, Michael Noche, died on our St Johns construction site in November last year. This was devastating for his family and colleagues. Since Michael's death we have run our own investigation and continue to enhance our worksite health and safety protocols to ensure we have the best systems and protections in place for the people building our villages. We also await the outcome of WorkSafe's investigation which will conclude later this year.

Our people

We strive to ensure we create a great place to work where people can thrive. We are committed to the protection and promotion of the health and wellbeing of all our staff so they can be at their best both at home and at work. Focussing on the priority areas of mental, physical, financial and workplace wellbeing, we have so far this year delivered resilience training and mental health awareness to frontline managers, through programmes including Mindfulness Month, Mental Health Awareness Week, the GoodYarn and MATES in Construction.

In March, we celebrated Frontliner Day which is dedicated to thanking all our hardworking frontline staff – nurses, therapists, office staff, property and gardening teams, food services teams, housekeepers, caregivers, activities coordinators and people leaders working in our villages. Heartfelt messages of gratitude for our frontliners were received from their colleagues, our residents and their families, and displayed front and centre in our villages to show appreciation for all that they do.

We've also launched a new monthly staff recognition programme "Surprise and Delight", that supports employees to nominate their peers for their exceptional day-to-day successes and achievements and that demonstrate our core values (one team, strong enough to care, strive to be the best). Surprise and Delight is designed to complement our annual Applause Awards - to allow our hardworking staff the opportunity to be recognised more regularly. Nominees go into the draw for prizes with approximately 40 on offer each month across every village, our construction business, and head offices.

Again in 2023 we have offered free Summerset shares to our staff to say thank you for their part in bringing the best of life to our residents. We provide eligible employees with $1,000 worth of Summerset shares at no cost, and the shares vest after employees have worked for us continuously for three years. We have just completed our eighth share offer, and the fifth tranche of shares (issued in 2020) will vest for over 600 staff this year.

Our place in the community

Summerset residents and staff are engaged and active in their communities, and we consider it is important to support initiatives that are local and of interest to each village. We have supported around 180 community groups, clubs and associations, such as bowling, bridge, golf, theatre groups and more throughout the country.

This year we were also proud to sponsor the Dementia Hawke's Bay Matariki Charity Ball and Auction held in July. It's our way of recognising the support that Dementia Hawke's Bay provides to the community and by assisting to raise funds we know that they will be able to continue to expand current services and spread their support throughout the region.

Additionally, Summerset has national sponsorship partnerships with the following organisations:

- New Zealand Symphony Orchestra
- Netball New Zealand
- Wellington Free Ambulance
- Bowls New Zealand
- Dementia New Zealand
- Alzheimers New Zealand
- Hato Hone St John Therapy Pet Programme

Our commitment to sustainability

In April we published our Summerset Sustainability Review 2023, which outlines our progress on environmental, social and governance (ESG) management and performance over the last five years.

Our ambition is to develop, build and manage more sustainable retirement villages in both New Zealand and Australia. We are committed to providing a workplace where our people can grow and excel, to provide the best care for our most vulnerable residents, and to develop villages with the resident and their needs at the core of everything we do.

Over the last five years Summerset has significantly reduced our waste, become the first New Zealand retirement village operator to obtain sustainability linked lending, introduced a science-aligned emissions target, and joined the Climate Leaders Coalition. We have just completed the last year of our short-term goal which was set off our 2017 base.

> The goal was to reduce our emissions intensity by 5% per million dollars of revenue – a target we're pleased to say we have overachieved with a 16% reduction.

One of our biggest areas of environmental focus has been waste reduction in our construction business. Our construction teams have worked extremely hard to identify where we can do better and have teamed up with Waste Management New Zealand to look at waste across our sites. This has seen 2,477 tonnes of waste diverted from landfill to date and has motivated us to review the entire building lifecycle from design, procurement of materials and pre-construction techniques, through to waste treatments.

In the embodied carbon space we are currently setting the baseline for our standard typologies to allow us to monitor and build lower carbon and energy efficient homes and look forward to reporting back on this in the future.

We have also installed solar photovoltaic panels at our Nelson and Karaka villages to power parts of the village. All our new village centre main buildings will have solar panels, starting with our Whāngarei village and we're looking at where we can retrofit them in other existing and developing villages.

We were recently announced winner of the Retirement Villages Association (RVA) Sustainability Awards in the operator-led category. Our entry centred on our Think Green programme and the huge amount of work we've done over the last five years to reduce our carbon emissions. The Think Green programme focused on reducing our environmental impact in the key areas of energy (electricity and gas), waste, paper, fertilisers and travel. A key achievement is the implementation of our construction waste avoidance programme which is delivering benefits right across the organisation. The judges of the award were looking for clearly measurable projects that demonstrate genuine benefits to residents and the community.

The judges were impressed with how much we'd learned, how we had embedded sustainability across the organisation, how we have taken residents on the journey with us, and our commitment to do more. We are delighted to be recognised by the industry for our work in this area.

Climate change and how companies respond and adapt has become a big focus for the government and investors. The government has introduced mandatory climate-related disclosure requirements for climate-reporting entities which include large publicly listed companies such as Summerset to publicly disclose from 1 January 2023.

We've made huge strides since we started our sustainability focus in integrating it into our strategy and work. We know there is a long way to go but we believe we are on the right track to meet our sustainability targets and comply with disclosure requirements. Summerset expects this to remain a constant focus both now and in the future.

$87.2m
Underlying profit

Regulatory environment

Aspects of our industry and its practices have been under the spotlight, with the Commerce Commission announcing that they were launching an investigation into the retirement village sector, and the review of the Retirement Villages Act 2003 led by the Ministry of Housing and Urban Development.

The latter has released a discussion paper in August with submissions due in November 2023. We are considering our response but are pleased that our current business practices align with the vast majority of the recommendations in that discussion paper already.

For the Commerce Commission, there have been concerns that some operators' ORAs have been unfair and some of the advertising from the industry was potentially misleading, while the review of the Retirement Villages Act 2003 looks at a range of issues including consumer protection and the rights and responsibilities of residents and operators.

Like every industry around the country there are a range of practices between the different operators in the retirement village sector and some have terms that are fairer than others.

We are very comfortable with the services we offer and that we are not engaging in practices that disadvantage our residents. We do not charge weekly fees after our residents have vacated their units, we don't charge additional fees for maintenance or repairs and our advertising does not guarantee services which are subject to availability.

We have developed plain English, clear and fair contract terms and conditions for our residents. We work hard to make sure people joining our villages around the country have easy to understand contracts, and of course all residents must get independent legal advice before they join one of our villages.

We welcome these reviews especially where it requires operators to raise the bar if they are not already doing so.

Looking ahead

When Summerset was founded almost 26 years ago, our goal was to build 20 villages in 20 years. Now, with 39 villages completed or in development, a further six proposed sites in New Zealand, and another six proposed villages in Australia, we have a strong pipeline of growth ahead of us and every reason to feel confident about the future.

Our integrated care model has continued to play an important part in our business as the population ages – as does the innovative approach we take to giving residents choice, certainty and community.

We are optimistic about Summerset's ability to grow this year and beyond. Our results, during a very challenging economic environment, show that the demand and the core drivers for people wanting to enter our villages remain very strong. The comfort and security we offer elderly New Zealanders is highly prized and we believe that demand for this will grow.

As always, it is a pleasure to present this half year report to our investors. We will keep working hard to deliver financial results for shareholders, while also ensuring the standard of our retirement living and care services is at a level we can continue to be proud of.

We would like to thank our residents, their families, and our hard-working staff for everything they contribute towards making Summerset a wonderful place to live and work.

Mark Verbiest
Chair

Scott Scoullar
Chief Executive Officer

23 August 2023

Snapshot

Our people

7,600+
Residents

2,500+
Staff members

Our care

1,161
Care units
(which includes beds)
in portfolio

1,435
Care units
(Which includes beds)
in land bank in
New Zealand and Australia

Our portfolio

5,670
Retirement units

$6.3b
Total assets

6,060
Retirement
units
in land bank in
New Zealand
and Australia

39
Villages completed or
under development

483
Sales of
Occupation Rights

12
Greenfield sites

Our performance

$133.1m
Net profit after tax

$87.2m
Underlying profit

$146.7m
Operating cash flow


Summerset

Half Year Financial Highlights

	1H2023	1H2022	% Change	FY2022
Net profit before tax (NZ IFRS) ($000)	128,108	134,921	-5%	265,117
Net profit after tax (NZ IFRS) ($000)	133,061	134,639	-1%	269,072
Underlying profit ($000)[1]	87,155	82,463	5.7%	171,420
Total assets ($000)	6,298,019	5,375,178	17.2%	5,840,322
Net tangible assets (cents per share)	987.71	891.31	10.8%	943.93
Net operating cash flow ($000)	146,665	190,440	-23.0%	369,179

1 Underlying profit differs from NZ IFRS profit for the period

	1H2023	1H2022	% Change	FY2022
New sales of Occupation Rights	241	289	-16.6%	537
Resales of Occupation Rights	242	222	9.0%	470
Realised development margin ($000)	55,981	52,337	7.0%	104,869
Realised gains on resales ($000)	34,559	31,865	8.5%	70,191
New Occupation Right units delivered	152	223	-31.8%	625

Non-GAAP Underlying Profit

$000	1H2023	1H2022	% Change	FY2022
Profit for the period[1]	133,061	134,639	-1%	269,072
Less: fair value movement of investment property[1]	(131,493)	(136,660)	-4%	(268,757)
Add: impairment of assets[1]	-	-	-	-
Add: realised gain on resales	34,559	31,865	8.5%	70,191
Add: realised development margin	55,981	52,337	7.0%	104,869
(Less)/add: deferred tax (credit)/expense[1]	(4,953)	282	-1856.4%	(3,955)
Underlying profit	**87,155**	**82,463**	**5.7%**	**171,420**

1 Figure has been extracted from the financial statements

Underlying profit is a non-GAAP measure and differs from NZ IFRS profit for the period. Refer to Note 2 of the financial statements for definitions of the components of underlying profit.

Financial statements

Income Statement

For the six months ended 30 June 2023

	NOTE	6 MONTHS JUN 2023 UNAUDITED $000	6 MONTHS JUN 2022 UNAUDITED $000	12 MONTHS DEC 2022 AUDITED $000
Care fees and village services		77,509	68,709	144,631
Deferred management fees		49,810	43,903	92,332
Other income		928	1,525	1,749
Total revenue		**128,247**	**114,137**	**238,712**
Fair value movement of investment property	6	131,493	136,660	268,757
Total income		**259,740**	**250,797**	**507,469**
Operating expenses	3	(111,685)	(101,990)	(211,795)
Depreciation and amortisation expense		(7,348)	(6,614)	(13,597)
Total expenses		**(119,033)**	**(108,604)**	**(225,392)**
Operating profit before financing costs		**140,707**	**142,193**	**282,077**
Finance costs		(12,599)	(7,272)	(16,960)
Profit before income tax		**128,108**	**134,921**	**265,117**
Income tax credit/(expense)	4	4,953	(282)	3,955
Profit for the period		**133,061**	**134,639**	**269,072**
Basic earnings per share (cents)	10	57.31	58.51	116.66
Diluted earnings per share (cents)	10	57.20	58.36	116.36

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

For the six months ended 30 June 2023

	6 MONTHS JUN 2023 UNAUDITED $000	6 MONTHS JUN 2022 UNAUDITED $000	12 MONTHS DEC 2022 AUDITED $000
Profit for the period	**133,061**	**134,639**	**269,072**
Fair value movement of interest rate swaps	(3,500)	21,705	30,272
Tax on items of other comprehensive income	1,024	(6,211)	(8,718)
Loss on translation of foreign currency operations	(1,010)	(1,565)	(68)
Other comprehensive income that will be reclassified subsequently to profit or loss for the period net of tax	**(3,486)**	**13,929**	**21,486**
Net revaluation of property, plant and equipment	-	-	4,566
Tax on items of other comprehensive income	-	-	(1,278)
Other comprehensive income that will not be reclassified subsequently to profit or loss for the period net of tax	**-**	**-**	**3,288**
Total comprehensive income for the period	**129,575**	**148,568**	**293,846**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the six months ended 30 June 2023

	SHARE CAPITAL	HEDGING RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000
As at 1 January 2022	**324,899**	**(2,705)**	**60,272**	**1,542,046**	**2**	**1,924,514**
Profit for the period	-	-	-	134,639	-	134,639
Other comprehensive income for the period	-	15,494	-	-	(1,565)	13,929
Total comprehensive income for the period	**-**	**15,494**	**-**	**134,639**	**(1,565)**	**148,568**
Dividends paid	-	-	-	(19,926)	-	(19,926)
Shares issued	9,364	-	-	-	-	9,364
Employee share plan option cost	(85)	-	-	-	-	(85)
As at 30 June 2022 (unaudited)	**334,178**	**12,789**	**60,272**	**1,656,759**	**(1,563)**	**2,062,435**
Profit for the period	-	-	-	134,433	-	134,433
Other comprehensive income for the period	-	6,060	3,288	-	1,497	10,845
Total comprehensive income for the period	**-**	**6,060**	**3,288**	**134,433**	**1,497**	**145,278**
Dividends paid	-	-	-	(24,724)	-	(24,724)
Shares issued	9,265	-	-	-	-	9,265
Employee share plan option cost	769	-	-	-	-	769
As at 31 December 2022 (audited)	**344,212**	**18,849**	**63,560**	**1,766,468**	**(66)**	**2,193,023**
Profit for the period	-	-	-	133,061	-	133,061
Other comprehensive income for the period	-	(2,476)	-	-	(1,010)	(3,486)
Total comprehensive income for the period	**-**	**(2,476)**	**-**	**133,061**	**(1,010)**	**129,575**
Dividends paid	-	-	-	(26,909)	-	(26,909)
Shares issued	9,281	-	-	-	-	9,281
Employee share plan option cost	1,628	-	-	-	-	1,628
As at 30 June 2023 (unaudited)	**355,121**	**16,373**	**63,560**	**1,872,620**	**(1,076)**	**2,306,598**

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2023

	NOTE	6 MONTHS JUN 2023 UNAUDITED $000	6 MONTHS JUN 2022 UNAUDITED $000	12 MONTHS DEC 2022 AUDITED $000
Assets				
Cash and cash equivalents		34,964	36,622	25,347
Trade and other receivables		40,544	63,163	36,727
Interest rate swaps		25,834	18,264	27,228
Asset held for sale	5	45,000	-	-
Property, plant and equipment		348,082	295,106	326,050
Intangible assets		8,346	6,851	7,251
Investment property	6	5,795,249	4,955,172	5,417,719
Total assets		**6,298,019**	**5,375,178**	**5,840,322**
Liabilities				
Trade and other payables		169,296	199,457	178,556
Employee benefits		23,846	21,143	27,565
Revenue received in advance		171,559	151,517	161,569
Interest rate swaps		9,894	6,483	10,299
Residents' loans	7	2,286,656	2,008,495	2,165,352
Interest-bearing loans and borrowings	8	1,293,814	886,156	1,060,494
Lease liability		14,929	11,688	15,970
Deferred tax liability	4	21,427	27,804	27,494
Total liabilities		**3,991,421**	**3,312,743**	**3,647,299**
Net assets		**2,306,598**	**2,062,435**	**2,193,023**
Equity				
Share capital		355,121	334,178	344,212
Reserves		78,857	71,498	82,343
Retained earnings		1,872,620	1,656,759	1,766,468
Total equity attributable to shareholders		**2,306,598**	**2,062,435**	**2,193,023**

The accompanying notes form part of these financial statements.

Authorised for issue on 22 August 2023 on behalf of the Board

Mark Verbiest
Director and Chair of the Board

Fiona Oliver

Fiona Oliver
Director and Chair of the Audit and Risk Committee

Statement of Cash Flows

For the six months ended 30 June 2023

	6 MONTHS JUN 2023 UNAUDITED $000	6 MONTHS JUN 2022 UNAUDITED $000	12 MONTHS DEC 2022 AUDITED $000
Cash flows from operating activities			
Receipts from residents for care fees and village services	77,826	68,222	142,482
Interest received	929	93	413
Payments to suppliers and employees	(113,167)	(94,322)	(206,871)
Receipts for residents' loans - new occupation right agreements	158,192	183,004	347,278
Net receipts for residents' loans - resales of occupation right agreements	22,885	33,443	85,877
Net cash flow from operating activities	**146,665**	**190,440**	**369,179**
Cash flows to investing activities			
Sale of investment property	-	6,335	6,335
Payments for investment property:			
- land	(53,847)	(72,836)	(185,469)
- construction of retirement units and village facilities	(215,853)	(157,966)	(385,096)
- refurbishment of retirement units and village facilities	(7,727)	(4,817)	(9,727)
Payments for property, plant and equipment:			
- construction of care centres	(24,495)	(19,385)	(42,819)
- refurbishment of care centres	(370)	(677)	(1,246)
- other	(4,581)	(3,517)	(7,580)
Payments for intangible assets	(1,331)	(283)	(1,908)
Capitalised interest paid	(23,901)	(13,826)	(24,235)
Net cash flow to investing activities	**(332,105)**	**(266,972)**	**(651,745)**
Cash flows from financing activities			
Net proceeds from borrowings	51,871	122,481	342,207
Proceeds from issue of retail bonds	175,000	-	-
Proceeds from issue of shares	-	1,633	1,633
Interest paid on borrowings	(12,988)	(6,306)	(14,258)
Payments in relation to lease liabilities	(1,178)	(946)	(1,920)
Dividends paid	(17,743)	(12,221)	(28,166)
Net cash flow from financing activities	**194,962**	**104,641**	**299,496**
Net increase in cash and cash equivalents	9,522	28,109	16,930
Cash and cash equivalents at beginning of period	25,347	8,422	8,422
Foreign currency translation adjustment	95	91	(5)
Cash and cash equivalents at end of period	**34,964**	**36,622**	**25,347**

The accompanying notes form part of these financial statements.

Reconciliation of Operating Results and Operating Cash Flows

For the six months ended 30 June 2023

	6 MONTHS JUN 2023 UNAUDITED $000	6 MONTHS JUN 2022 UNAUDITED $000	12 MONTHS DEC 2022 AUDITED $000
Profit for the period	**133,061**	**134,639**	**269,072**
Adjustments for:			
Depreciation and amortisation expense	7,348	6,614	13,597
Fair value movement of investment property	(131,493)	(136,660)	(268,757)
Finance costs paid	12,599	7,272	16,960
Gain on sale of investment property	-	(1,336)	(1,336)
Income tax (credit)/expense	(4,953)	282	(3,955)
Deferred management fees amortisation	(49,810)	(43,903)	(92,332)
Employee share plan option cost	1,744	1,315	1,196
Other non-cash items	31	(8)	(26)
	(164,534)	**(166,424)**	**(334,653)**
Movements in working capital			
Net increase in trade and other receivables	(5,684)	(546)	(8,371)
Net (decrease)/increase in employee benefits	(3,795)	(475)	5,985
Net increase in trade and other payables	6,083	7,368	5,485
Net increase in residents' loans net of non-cash amortisation	181,534	215,878	431,661
	178,138	**222,225**	**434,760**
Net cash flow from operating activities	**146,665**	**190,440**	**369,179**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the six months ended 30 June 2023

1. Summary of accounting policies

The consolidated interim financial statements presented for the six months ended 30 June 2023 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.

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

The consolidated interim 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 being New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. These consolidated interim financial statements also comply with NZ IAS 34 – *Interim Financial Reporting* and IAS 34 – *Interim Financial Reporting*, and are prepared in accordance with the Financial Markets Conduct Act 2013.

The consolidated interim financial statements for the six months ended 30 June 2023 are unaudited and have been the subject of review by the auditor, pursuant to NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*, issued by the External Reporting Board. They are presented in New Zealand dollars, which is the Company's and its 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.

These consolidated interim financial statements have been prepared using the same accounting policies as, and should be read in conjunction with, the Group's financial statements for the year ended 31 December 2022.

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, review the operating results of the Group as a whole on a regular basis. On this basis, the Group has one reportable segment, and the Group results are the same as the results of the reportable segment. All resource allocation decisions across the Group are made to optimise the consolidated Group's result.

The Group continues to proceed with its expansion into Australia with seven sites purchased to date. These sites are either currently being, or will be, developed into retirement villages. To date the activities in Australia have been immaterial to the Group and so are not reported as a separate operating segment as at 30 June 2023.

Te Whatu Ora 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 Te Whatu Ora for the period ended 30 June 2023 amounted to $18.9 million (Jun 2022: $19.0 million, Dec 2022: $36.1 million). No other customers individually contribute a significant proportion of the Group revenue. All revenue is earned in New Zealand, apart from a small amount of interest income earned in Australia.

Comparative information

No comparatives have been restated in the current period.

2. Non-GAAP underlying profit

	Ref	6 MONTHS JUN 2023 UNAUDITED $000	6 MONTHS JUN 2022 UNAUDITED $000	12 MONTHS DEC 2022 AUDITED $000
Profit for the period		133,061	134,639	269,072
Less fair value movement of investment property	a)	(131,493)	(136,660)	(268,757)
Add impairment of assets	b)	-	-	-
Add realised gain on resales	c)	34,559	31,865	70,191
Add realised development margin	d)	55,981	52,337	104,869
(Less)/add deferred tax (credit)/expense	e)	(4,953)	282	(3,955)
Underlying profit		**87,155**	**82,463**	**171,420**

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

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

Basis of preparation: underlying profit

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

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) Less reversal of impairment on assets / add impairment of assets: remove the impact of non-cash care centre valuation changes recorded in NZ IFRS profit for the period. Care centres are valued annually, 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 unit and the occupation right resold for that same unit during the period. Realised resale gains are a measure of the cash generated from increases in selling prices of occupation rights to incoming residents, less cash amounts repaid to vacated residents for the repayment of the price of their refundable occupation right purchased in an earlier period, with the recognition point being the cash settlement. Realised resale gains exclude deferred management fees and refurbishment costs.

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 unit. The margin for each new sale is determined to be the licence price for the occupation right, less the cost of developing that unit.
Components of the cost of developing units include directly attributable construction costs and a proportionate share of the following costs:
   - Infrastructure costs
   - Land cost on the basis of the purchase price of the land
   - Interest during the build period
   - Head office costs directly related to the construction of units

   All costs above include non-recoverable GST

   Development margin excludes the costs of developing common areas within the retirement village (including a share of the

Notes to the financial statements (continued)

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.
Where costs are apportioned across more than one asset, the apportionment methodology is determined by considering the nature of the cost.
Where a unit not previously sold under occupation right agreement is converted to a unit sold under occupation right agreement, realised development margin recognised on the new sale of these units includes the following costs:

- Conversion costs
- A fair value apportionment reflecting the value of the property immediately prior to conversion

e) (Less)/add deferred tax (credit)/expense: 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. Operating expenses

	6 MONTHS JUN 2023 UNAUDITED $000	6 MONTHS JUN 2022 UNAUDITED $000	12 MONTHS DEC 2022 AUDITED $000
Employee expenses	68,703	61,682	132,937
Property-related expenses	12,374	10,105	22,479
Repairs and maintenance expenses	4,561	3,548	7,771
Other operating expenses	26,047	26,655	48,608
Total operating expenses	**111,685**	**101,990**	**211,795**

4. 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

	6 MONTHS JUN 2023 UNAUDITED $000	6 MONTHS JUN 2022 UNAUDITED $000	12 MONTHS DEC 2022 AUDITED $000
Tax expense comprises:			
Deferred tax relating to the origination and reversal of temporary differences	(4,953)	282	(3,955)
Total tax (credit)/expense reported in income statement	**(4,953)**	**282**	**(3,955)**

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:

	6 MONTHS JUN 2023 UNAUDITED		6 MONTHS JUN 2022 UNAUDITED		12 MONTHS DEC 2022 AUDITED	
	$000	%	$000	%	$000	%
Profit before income tax	**128,108**		**134,921**		**265,117**	
Income tax using the corporate tax rate	35,870	28.0%	37,778	28.0%	74,233	28.0%
Capitalised interest	(6,240)	(4.9%)	(2,815)	(2.1%)	(7,138)	(2.7%)
Other non-deductible expenses	232	0.2%	95	0.1%	348	0.1%
Non-assessable investment property revaluations	(38,140)	(29.8%)	(34,130)	(25.3%)	(70,917)	(26.7%)
Other	3,325	2.6%	(646)	(0.5%)	(560)	(0.2%)
Prior period adjustments	-	0.0%	-	0.0%	79	0.0%
Total income tax (credit)/expense	**(4,953)**	**(3.9%)**	**282**	**0.2%**	**(3,955)**	**(1.5%)**

The Group tax losses are as follows:

	6 MONTHS JUN 2023 UNAUDITED	6 MONTHS JUN 2022 UNAUDITED	12 MONTHS DEC 2022 AUDITED
	$000	$000	$000
Tax losses available	522,314	395,716	450,670
Tax effected	146,905	111,212	126,662
Unrecognised tax losses	3,375	-	-

(b) Amounts charged or credited to other comprehensive income

	6 MONTHS JUN 2023 UNAUDITED	6 MONTHS JUN 2022 UNAUDITED	12 MONTHS DEC 2022 AUDITED
	$000	$000	$000
Tax expense comprises:			
Net gain on revaluation of property, plant and equipment	-	-	1,278
Fair value movement of interest rate swaps	(1,024)	6,211	8,718
Total tax (credit)/expense reported in statement of comprehensive income	**(1,024)**	**6,211**	**9,996**

(c) Amounts charged or credited directly to equity

	6 MONTHS JUN 2023 UNAUDITED	6 MONTHS JUN 2022 UNAUDITED	12 MONTHS DEC 2022 AUDITED
	$000	$000	$000
Tax expense comprises:			
Deferred tax relating to employee share option plans	(90)	1,375	1,517
Total tax (credit)/expense reported directly in equity	**(90)**	**1,375**	**1,517**

Notes to the financial statements (continued)

(d) Imputation credit account

There were no imputation credits received or paid during the half year and the balance at 30 June 2023 is nil (Jun 2022 and Dec 2022: nil).

(e) Deferred tax

Movement in the deferred tax balance comprises:

	BALANCE 1 JAN 2023	RECOGNISED IN INCOME	RECOGNISED DIRECTLY IN EQUITY	RECOGNISED IN OCI*	BALANCE 30 JUN 2023 UNAUDITED
	$000	$000	$000	$000	$000
Property, plant and equipment	30,321	45	-	-	30,366
Investment property	54,435	2,086	-	-	56,521
Revenue in advance	66,159	9,175	-	-	75,334
Interest rate swaps	7,717	-	-	(1,024)	6,693
Income tax losses not yet utilised	(126,662)	(16,868)	-	-	(143,530)
Other items	(4,476)	609	(90)	-	(3,957)
Net deferred tax liability	**27,494**	**(4,953)**	**(90)**	**(1,024)**	**21,427**

	BALANCE 1 JAN 2022	RECOGNISED IN INCOME	RECOGNISED DIRECTLY IN EQUITY	RECOGNISED IN OCI*	BALANCE 30 JUN 2022 UNAUDITED
	$000	$000	$000	$000	$000
Property, plant and equipment	28,896	(233)	-	-	28,663
Investment property	42,664	8,025	-	-	50,689
Revenue in advance	49,465	8,211	-	-	57,676
Interest rate swaps	(1,001)	-	-	6,211	5,210
Income tax losses not yet utilised	(95,779)	(15,433)	-	-	(111,212)
Other items	(4,309)	(288)	1,375	-	(3,222)
Net deferred tax liability	**19,936**	**282**	**1,375**	**6,211**	**27,804**

	BALANCE 1 JAN 2022	RECOGNISED IN INCOME	RECOGNISED DIRECTLY IN EQUITY	RECOGNISED IN OCI*	BALANCE 31 DEC 2022 AUDITED
	$000	$000	$000	$000	$000
Property, plant and equipment	28,896	147	-	1,278	30,321
Investment property	42,664	11,771	-	-	54,435
Revenue in advance	49,465	16,694	-	-	66,159
Interest rate swaps	(1,001)	-	-	8,718	7,717
Income tax losses not yet utilised	(95,779)	(30,883)	-	-	(126,662)
Other items	(4,309)	(1,684)	1,517	-	(4,476)
Net deferred tax liability	**19,936**	**(3,955)**	**1,517**	**9,996**	**27,494**

** Other comprehensive income*

5. Asset held for sale

Following a review of the Group's land portfolio, land at Parnell in Auckland is being held for sale. The land is being actively marketed for sale and a sale is expected to take place within 12 months. The land is being held at its fair value less costs to sell. The fair value of the land at 30 June 2023 was determined by independent registered valuers Jones Lang LaSalle Limited ("JLL") using the direct comparison approach.

6. Investment property

	6 MONTHS JUN 2023 UNAUDITED $000	6 MONTHS JUN 2022 UNAUDITED $000	12 MONTHS DEC 2022 AUDITED $000
Balance at beginning of period	5,417,719	4,580,196	4,580,196
Additions	286,611	235,949	573,389
Transfer to asset held for sale	(45,000)	-	-
Disposals	-	(4,999)	(4,999)
Fair value movement	131,493	136,660	268,757
Foreign exchange movement	4,426	7,366	376
Total investment property	**5,795,249**	**4,955,172**	**5,417,719**

	6 MONTHS JUN 2023 UNAUDITED $000	6 MONTHS JUN 2022 UNAUDITED $000	12 MONTHS DEC 2022 AUDITED $000
Development land measured at fair value[1]	595,635	559,021	603,829
Retirement villages measured at fair value[2]	4,599,643	4,004,875	4,351,031
Retirement villages under development measured at cost	599,971	391,276	462,859
Total investment property	**5,795,249**	**4,955,172**	**5,417,719**

1 *Included in development land is land that was acquired close to balance date. These pieces of land have been accounted for at fair value, which has been determined to be cost due to the proximity of the transaction to balance date. At 30 June 2023 the land at cost was $51.9 million (Jun 2022: $60.5 million, Dec 2022: $162.5 million).*

2 *Included in retirement villages measured at fair value is nil related to completed retirement units at cost, which reflects fair value due to the proximity of completion to balance date (Jun 2022: nil, Dec 2022: $45.0 million).*

	6 MONTHS JUN 2023 UNAUDITED $000	6 MONTHS JUN 2022 UNAUDITED $000	12 MONTHS DEC 2022 AUDITED $000
Manager's net interest	3,368,793	2,818,499	3,116,800
Plus: revenue received in advance relating to investment property	169,232	149,882	159,694
Plus: liability for residents' loans relating to investment property	2,257,224	1,986,791	2,141,225
Total investment property	**5,795,249**	**4,955,172**	**5,417,719**

The Group is unable to reliably determine the fair value of the non-land portion of retirement villages under development at 30 June 2023 and therefore these are carried at cost. This equates to $600.0 million of investment property (Jun 2022: $391.3 million, Dec 2022: $462.9 million).

The fair value of investment property as at 30 June 2023 was determined by independent registered valuers CBRE Limited ("CBRE NZ") and JLL for villages and land in New Zealand and CBRE Valuations Pty Limited ("CBRE AU") for land in Australia. The fair value of the Group's investment property is determined on a semi-annual basis, based on market values, being the estimated amount for which

Notes to the financial statements (continued)

a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

To assess the fair value of the Group's interest in each New Zealand village, CBRE NZ and JLL have undertaken a discounted cash flow analysis to derive a net present value. The Group's development land has been valued by CBRE NZ using the direct comparison approach. A desktop valuation was completed as at 30 June 2023.

It is the valuers' view that the most pressing issues now facing the property market both nationally and globally are rising inflation and high interest rates. With these factors in mind, they advise a degree of caution should be exercised when relying upon the valuations.

Significant assumptions used by CBRE NZ and JLL in relation to the New Zealand investment property are included in the table below:

	6 MONTHS JUN 2023 UNAUDITED	6 MONTHS JUN 2022 UNAUDITED	12 MONTHS DEC 2022 AUDITED
Discount rate	13.5% - 16.5%	13.5% - 16.25%	13.5% - 16.5%
Growth rate (long-term nominal house price inflation rate)	0% - 3.5%	0% - 3.5%	0% - 3.5%
Average entry age of residents	73 years - 89 years	73 years - 89 years	73 years - 88 years
Stabilised departing occupancy periods of units	3.8 years - 8.8 years	3.7 years - 8.9 years	3.9 years - 8.6 years

Sites under development in Australia have been valued separately by CBRE AU under the same methodology as development land in New Zealand.

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*.

Classification between investment property and property, plant and equipment

On initial recognition, the Group performs an assessment to determine whether a unit type should be classified as investment property or property, plant and equipment. The assessment is based on the significance of ancillary services provided to residents who occupy accommodation under an occupation right agreement. For the purposes of this assessment, the Group considers that portion of weekly fees that gives rise to a separate performance obligation for the Group, as ancillary services. In addition to a quantitative assessment, the business model (being the provision of accommodation) is considered when determining the classification of the property as either investment property or property, plant and equipment. Subsequent reclassification of unit types between investment property or property, plant and equipment, occur only when there has been a change in use.

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 NZ and JLL have undertaken a discounted cash flow analysis to derive a net present value.

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
30 June 2023					
Valuation ($000)	1,824,735				
Difference ($000)		(66,765)	72,095	112,030	(102,455)
Difference (%)		(3.7%)	4.0%	6.1%	(5.6%)
30 June 2022					
Valuation ($000)	1,633,375				
Difference ($000)		(45,645)	49,125	96,065	(88,320)
Difference (%)		(2.8%)	3.0%	5.9%	(5.4%)
31 December 2022					
Valuation ($000)	1,705,010				
Difference ($000)		(61,655)	66,100	102,685	(94,300)
Difference (%)		(3.6%)	3.9%	6.0%	(5.5%)

1 *Completed 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 units. A significant decrease (increase) in the occupancy period of units would result in a significantly higher (lower) fair value measurement, and a significant increase (decrease) in the average entry age of residents would result in a significantly higher (lower) fair value measurement.

Security

At 30 June 2023, 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.

7. Residents' loans

	6 MONTHS JUN 2023 UNAUDITED $000	6 MONTHS JUN 2022 UNAUDITED $000	12 MONTHS DEC 2022 AUDITED $000
Balance at beginning of period	2,681,837	2,276,945	2,276,945
Net (payments)/receipts for residents' loans - resales of occupation right agreements	(566)	14,269	51,481
Receipts for residents' loans - new occupation right agreements	167,272	186,755	353,411
Total gross residents' loans	**2,848,543**	**2,477,969**	**2,681,837**
Deferred management fees and other receivables	(561,887)	(469,474)	(516,485)
Total residents' loans	**2,286,656**	**2,008,495**	**2,165,352**

Notes to the financial statements (continued)

8. Interest-bearing loans and borrowings

		6 MONTHS JUN 2023 UNAUDITED $000	6 MONTHS JUN 2022 UNAUDITED $000	12 MONTHS DEC 2022 AUDITED $000
Repayable within 12 months				
Retail bond - SUM010	4.78%	100,000	-	100,000
Repayable after 12 months				
Secured bank loans	Floating	756,626	521,894	699,400
Retail bond - SUM010	4.78%	-	100,000	-
Retail bond - SUM020	4.20%	125,000	125,000	125,000
Retail bond - SUM030	2.30%	150,000	150,000	150,000
Retail bond - SUM040	6.59%	175,000	-	-
Total loans and borrowings at face value		**1,306,626**	**896,894**	**1,074,400**
Transaction costs for loans and borrowings capitalised:				
Opening balance		(4,260)	(5,096)	(5,096)
Capitalised during the period		(2,221)	-	(521)
Amortised during the period		847	684	1,357
Closing balance		(5,634)	(4,412)	(4,260)
Total loans and borrowings at amortised cost		**1,300,992**	**892,482**	**1,070,140**
Fair value adjustment on hedged borrowings		(7,178)	(6,326)	(9,646)
Carrying value of interest-bearing loans and borrowings		**1,293,814**	**886,156**	**1,060,494**

Further interest rate and loan disclosures below:

	6 MONTHS JUN 2023 UNAUDITED	6 MONTHS JUN 2022 UNAUDITED	12 MONTHS DEC 2022 AUDITED
Weighted average interest rate (including impact of interest rate swaps)	5.2%	3.0%	3.4%
Percentage of floating rate debt covered by swaps	73.1%	67.4%	78.1%

The secured bank loan facility at 30 June 2023 has a limit of approximately $1,160 million (Jun 2022: $1,110 million, Dec 2022: $1,160 million). This includes lending of the following:

Currency	Lending limit	Expiration
NZD	$310 million	November 2024
NZD	$50 million	September 2025
AUD	$130 million	September 2025
NZD	$315 million	September 2026
AUD	$185 million	September 2026
AUD	$170 million	September 2027

The Group has issued four retail bonds listed on the NZDX:

ID	Amount	Maturity
SUM010	$100 million	11 July 2023
SUM020	$125 million	24 September 2025
SUM030	$150 million	21 September 2027
SUM040	$175 million	9 March 2029

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.

9. Financial Instruments

Exposure to credit, market and liquidity risk arises in the normal course of the Group's business. The Board adopts policies for managing each of these risks and there has been no change to the policies presented in the Group's financial statements for the six months ended 30 June 2023.

Fair values

The carrying amounts shown in the balance sheet approximate the fair value of the financial instruments, with the exception of retail bonds. Three of the four retail bonds, SUM010, SUM020 and SUM040 are designated in fair value hedge relationships, which means that any change in market interest rates results in a change in the fair value adjustment of that debt. The fair value of retail bonds is based on the price traded at on the NZX market as at balance date. 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*.

10. Earnings per share and net tangible assets

Basic earnings per share

	6 MONTHS JUN 2023 UNAUDITED	6 MONTHS JUN 2022 UNAUDITED	12 MONTHS DEC 2022 AUDITED
Earnings ($000)	133,061	134,639	269,072
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	232,183	230,119	230,656
Basic earnings per share (cents per share)	**57.31**	**58.51**	**116.66**

Notes to the financial statements (continued)

Diluted earnings per share

	6 MONTHS JUN 2023 UNAUDITED	6 MONTHS JUN 2022 UNAUDITED	12 MONTHS DEC 2022 AUDITED
Earnings ($000)	133,061	134,639	269,072
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	232,622	230,722	231,233
Diluted earnings per share (cents per share)	**57.20**	**58.36**	**116.36**

Number of shares (in thousands)

	6 MONTHS JUN 2023 UNAUDITED	6 MONTHS JUN 2022 UNAUDITED	12 MONTHS DEC 2022 AUDITED
Weighted average number of ordinary shares for the purpose of basic earnings per share	232,183	230,119	230,656
Weighted average number of ordinary shares issued under employee share plans	439	603	577
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**232,622**	**230,722**	**231,233**

At 30 June 2023, there were a total of 289,142 shares issued under employee share plans held by Summerset LTI Trustee Limited (Jun 2022: 472,310, Dec 2022: 557,242 shares).

Net tangible assets per share

	6 MONTHS JUN 2023 UNAUDITED	6 MONTHS JUN 2022 UNAUDITED	12 MONTHS DEC 2022 AUDITED
Net tangible assets ($000)	2,298,252	2,055,584	2,185,772
Shares on issue at end of period (basic and in thousands)	232,684	230,624	231,560
Net tangible assets per share (cents per share)	**987.71**	**891.31**	**943.93**

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.

11. Dividends

On 23 March 2023, a dividend of 11.6 cents per ordinary share was paid to shareholders (2022: on 23 March 2022 a dividend of 8.6 cents per ordinary share was paid to shareholders and on 19 September 2022 a dividend of 10.7 cents per ordinary share was paid to shareholders).

A dividend reinvestment plan applied to the dividend paid on 23 March 2023 and 1,077,198 ordinary shares were issued in relation to the plan (2022: 688,127 ordinary shares were issued in relation to the plan for the 23 March 2022 dividend and 815,721 ordinary shares were issued in relation to the plan for the 19 September 2022 dividend).

12. Commitments and contingencies

Guarantees

As at 30 June 2023, the Group had the following guarantees in place:

- NZX Limited holds a guarantee in respect of the Group, as required by the NZX Listing Rules, for $75,000 (Jun 2022 and Dec 2022: $75,000).

- Summerset Retention Trustee Limited holds guarantees in relation to retentions on construction contracts on behalf of the Group. As at 30 June 2023, $18.0 million was held for the benefit of the retentions beneficiaries (Jun 2022 and Dec 2022: $13.0 million).
- Auckland Transport holds a performance guarantee for $65,000 (Jun 2022 and Dec 2022: $65,000).
- Tauranga City Council holds a performance guarantee for nil (Jun 2022 and Dec 2022: $350,000).
- Quattro RE Limited holds a demand guarantee in relation to the lease of the office premises for $120,819 (Jun 2022: nil, Dec 2022: $120,819).
- Department of Transport (Melbourne) holds performance guarantees for $147,035 (Jun 2022 and Dec 2022: nil).

Capital commitments

At 30 June 2023, the Group had $84.1 million of capital commitments in relation to construction contracts (Jun 2022: $293.5 million, Dec 2022: $63.2 million).

Contingent liabilities

WorkSafe New Zealand is investigating a construction site fatality which occurred at the Group's St Johns site on 4 November 2022. This investigation is ongoing, and the Group is cooperating fully with this process. The directors of Summerset cannot reasonably estimate the adverse financial effect (if any) on the Group if the ongoing investigation is ultimately resolved against the Group's interests.

There were no other known material contingent liabilities at 30 June 2023.

13. Subsequent events

On 22 August 2023, the Directors approved an interim dividend of $26.3 million, being 11.3 cents per share. The dividend record date is 6 September 2023 with a payment date of 19 September 2023.

There have been no other events subsequent to 30 June 2023 that materially impact on the results reported.

Independent Auditor's Review Report

To the Shareholders of Summerset Group Holdings Limited ("The Company") and its subsidiaries (together "The Group")

Conclusion

We have reviewed the interim financial statements of Summerset Group Holdings Limited ("the Company") and its subsidiaries (together "the Group") on pages 16 to 33 which comprise the statement of financial position as at 30 June 2023, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements on pages 16 to 33 of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 June 2023, and its financial performance and its cash flows for the six month period ended on that date, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

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

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial statements* section of our report. We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Ernst & Young provides other assurance and remuneration advisory 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.

Directors' Responsibility for the Interim Financial Statements

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

Auditor's Responsibilities for the Review of the Interim Financial Statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on those interim financial statements.

The engagement partner on the review resulting in this independent auditor's review report is Sam Nicolle.

Ernst & Young

Chartered Accountants
Wellington
22 August 2023

Directory

New Zealand

Northland

Summerset Mount Denby
7 Par Lane, Tikipunga,
Whangārei 0112
Phone (09) 470 0282

Auckland

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

Summerset Milldale
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 Half Moon Bay[1]
25 Thurston Place,
Half Moon Bay,
Auckland 2012
Phone (09) 306 1422

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

Waikato – Taupō

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

Summerset Rototuna
39 Kimbrae Drive,
Rototuna North 3210
Phone (07) 981 7822

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

Summerset Cambridge
1 Mary Ann Drive,
Cambridge 3493
Phone (07) 839 9482

Bay of Plenty

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

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

Summerset Rotorua[1]
171-193 Fairy Springs Road,
Rotorua 3010
Phone (0800) 786 637

Hawke's Bay

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

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

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

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

Taranaki

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

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

Manawatū – 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

1 *Proposed villages*

Summerset Kelvin Grove[1]
Stony Creek, Kelvin Grove,
Palmerston North 4470
Phone (06) 825 6530

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

Wellington

Summerset Waikanae
28 Park Avenue,
Waikanae 5036
Phone (04) 293 0002

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

Summerset on the Landing
1-3 Bluff Road, Kenepuru,
Porirua 5022
Phone (04) 230 6722

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

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

Summerset Lower Hutt
1 Boulcott Street,
Lower Hutt 5010
Phone (04) 568 1442

Summerset Cashmere Oaks[1]
Landsdowne
Masterton 5871
Phone (06) 370 1792

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

Canterbury

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

Summerset Rolleston[1]
153 Lincoln Rolleston Road
Rolleston
Phone (0800) 786 637

Otago

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

Summerset Mosgiel[1]
51 Wingatui Road,
Mosgiel
Phone (03) 474 3930

Australia

Victoria

Summerset Cranbourne North
98 Mannavue Boulevard,
Cranbourne North VIC 3977
Phone (1800) 321 700

Summerset Torquay[1]
Grossmans Road and Briody Drive,
Torquay VIC 3228
Phone (1800) 321 700

Summerset Chirnside Park[1]
266-268 Maroondah Hwy,
Chirnside Park VIC 3116
Phone (1800) 321 700

Summerset Cragieburn[1]
1480 Mickleham Road,
Craigieburn VIC 3064
Phone (1800) 321 700

Summerset Oakleigh South[1]
52 Golf Road,
Oakleigh South VIC 3167
Phone (1800) 321 700

Summerset Mernda[1]
305 Bridge Inn Road,
Mernda
VIC 3116 Phone
(1800) 321 700

Summerset Drysdale[1]
145 Central Road,
Drysdale,
VIC 3167 Phone
(1800) 321 700

1 *Proposed villages*

Company Information

Registered offices

New Zealand
Level 27, Majestic Centre,
100 Willis Street
Wellington 6011,

PO Box 5187,
Wellington 6140

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

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

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 Limited
Commonwealth Bank of Australia
Westpac New Zealand Limited
Westpac Banking Corporation
Industrial and Commercial Bank of China Limited
Bank of China 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

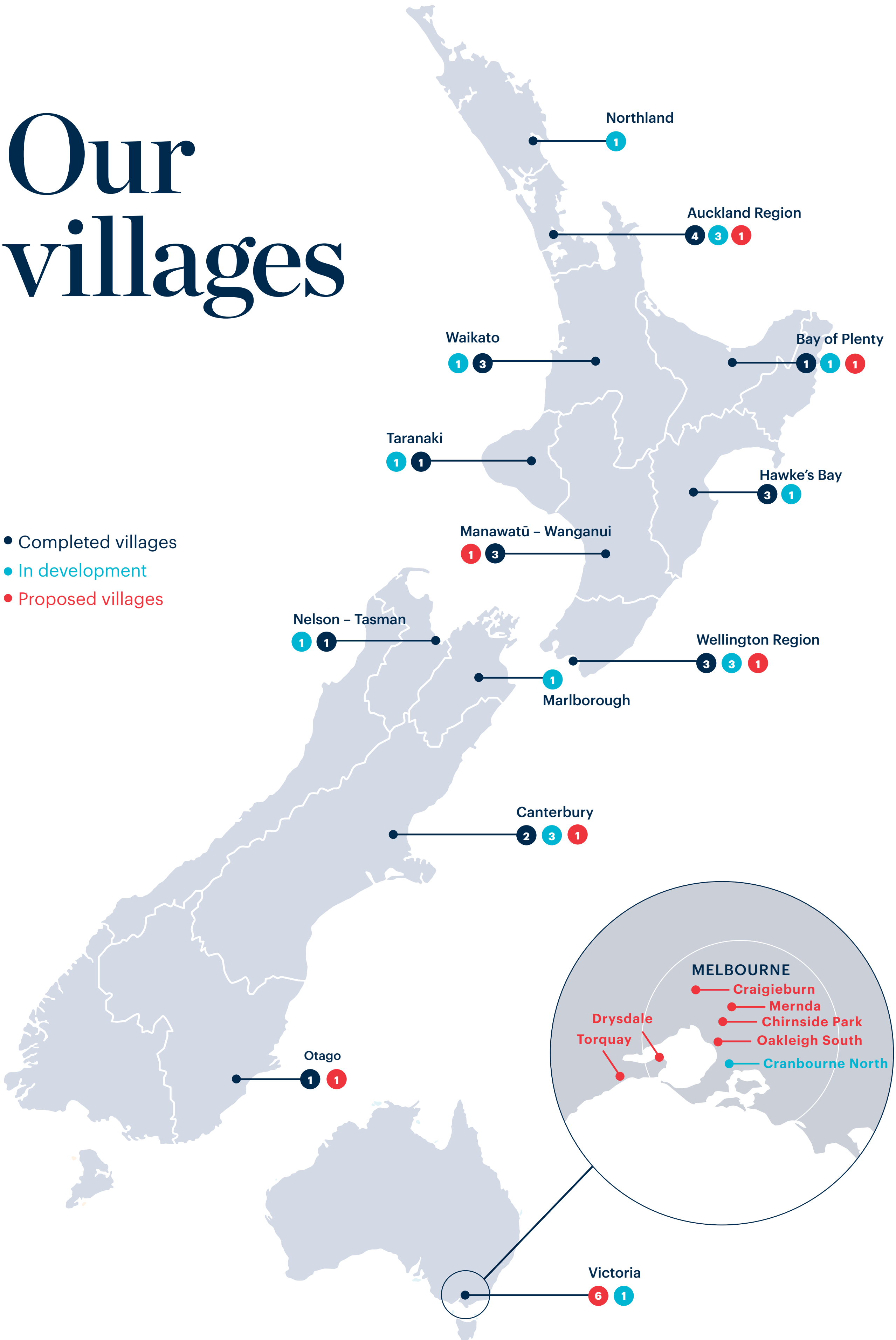
Phone: +64 9 375 5998
Email: enquiries@linkmarketservices.co.nz

Directors
Mark Verbiest
Dr Marie Bismark
Stephen Bull
Venasio-Lorenzo Crawley
Fiona Oliver
Gráinne Troute
Dr Andrew Wong

Company Secretary
Robyn Heyman

Our villages

- Completed villages
- In development
- Proposed villages



Inside back cover: Our team take pride in maintaining beautiful gardens, like this one at Summerset's Avonhead village.

The text of this document is printed on 120gsm Lenza Green 100% recycled paper sourced from recovered fibre certified FSC Recycled, cover is 350gsm Satin FSC Mix board from responsible sources printed using vegetable oil inks and manufactured under a strict ISO14001 Environmental Management System.

CLIMATE LEADERS COALITION

TOITŪ NET CARBON ZERO ISO 14064-1 ORGANISATION

Summerset

summerset.co.nz
summerset.com.au