Half Year Report

2022

Cover photo: Carl Mize (left) and Muriel Poulsen (right) from Avonhead

Summerset on the Landing, Kenepuru

OUR RESIDENTS

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

OUR ENVIRONMENT

Everyday 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

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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 2022.

The first six months of the current financial year have seen continued growth for us as a company, despite the arrival of the Omicron and other new COVID-19 variants in our villages. Managing outbreaks of COVID-19 in villages around the country has required significant focus to keep residents, staff and visitors safe.

Despite the challenges, Summerset has had an excellent start to the year and we'd like to take this opportunity to publicly thank our staff, particularly those on the frontline, for the dedication and focus they've shown to bring the best of life to our residents in very trying circumstances.

Our performance

We are pleased to report an underlying profit of $82.5 million for the six months ended 30 June 2022, an increase of 9.2% over the same period last year. Our IFRS net profit after tax was $134.6 million for the same period.

We have had a number of achievements over the half year, particularly on the sales and construction side of the business.

We achieved our highest first quarter ever, and second highest quarter ever, with 279 sales of Occupation Rights. The second quarter also remained high with 232 sales.

This is pleasing, particularly during a turbulent six months for New Zealand with Omicron dominating the half.

We delivered 223 new units in the first half and we remain on track to deliver approximately 600 units in 2022. More than 7,100 residents now call our villages home.

The Board has declared an interim dividend of 10.7 cents per share payable on 19 September 2022. This reflects a 30% pay out of underlying profit.

With inflation biting around the country we have tightly managed our construction costs through our good procurement and supply arrangements to greatly reduce any impacts on us.

Despite current economic and residential housing pressures, prices for our retirement villages are holding up very well in the face of a changing property market around the country. Across the portfolio, whilst the residential property market rose significantly over the two years to December 2021, we did not increase our own pricing at the same rate. This provided us with somewhat of a buffer going into what could be a flat to declining market.

Our available stock has stayed steady, and demand doesn't appear to be tethered to the property market. Enquiry levels remain high and waitlists are strong. Currently we are not experiencing any increase in days to sell or settle for prospects moving into a Summerset home.


Dedicated frontline team members

Our villages
We continue to focus on ensuring our residents are well protected against COVID-19 and we've had to remain nimble in the face of the Omicron variant which first arrived in our villages in January.

We were pleased that our high rate of vaccination in our villages and the vigilance of our staff has meant that we've responded very well. We held vaccination clinics at each village for all residents to get their COVID-19 booster and flu vaccination, and have commenced the roll out of second COVID-19 booster vaccinations for residents and staff.

With our care and memory care residents at a heightened risk of vulnerability during COVID-19 it was challenging at times for families and friends of residents visiting, and for village residents unable to use all facilities. At times throughout this year we have closed care centres and kept visitors away, other than on compassionate grounds, to protect our residents and staff.

In the first half of 2022 we finished bringing food services in-house which enables us to standardise and align our service across all villages and create efficiencies with food procurement.

Our care business saw occupancy for the first six months of the year at 95% in our developed villages.

Our focus continues to be on providing high quality aged care for our residents already living in our care facilities and offering an ongoing continuum of care for our village residents. However, the aged care sector overall has seen occupancy drop due to the need to temporarily close facilities because of staffing and funding challenges. COVID-19 has only further exacerbated issues in the sector.

The lack of action and funding for aged care has put our sector at a crisis point. Whilst we will never compromise on our own standards of care, with the public funding shortfall we are forced to cross subsidise care costs. This is not an option for smaller organisations in our sector who are suffering.

Acquisitions and development
We are on track to deliver approximately 600 homes in 2022. Demand remains strong, with our developed villages maintaining low levels of uncontracted stock and presales continue to track at high levels.

We currently hold enough land to double our current retirement unit portfolio.

In Australia we are pleased to have strengthened our land bank, having acquired a sixth site in Mernda, Victoria.

In New Zealand our development pipeline continues to grow and we're very pleased to announce two further land acquisitions. Our first Wairarapa property in Landsdowne, Masterton is expected to be a drawcard for residents from the wider region and Wellington. Our second site is in Fairy Springs, Rotorua.


Comfortable communal lounge at Summerset Richmond Ranges

$82.5m
Underlying profit

Rotorua's market doesn't currently have the retirement village offering that Summerset provides and we're pleased to have purchased this great site.

Each site will offer over 300 retirement units comprising one-to-three-bedroom independent living villas and cottages as well as a care offering and memory care.

Construction is currently progressing across 16 sites in New Zealand with resource consent for 88% of units in our pipeline (excluding Masterton and Rotorua).

We are pleased to have reached an out of court agreement with the appellants to our Parnell resource consent decision, and that is now with the court for its consideration.

Development and construction is also underway with sites at St Johns and Half Moon Bay in Auckland, Pāpāmoa in Tauranga, Te Awa in Hawke's Bay, Boulcott in Lower Hutt, and Prebbleton in Christchurch. Additionally, the Kenepuru village main building in Porirua will be ready for residents in early 2023.

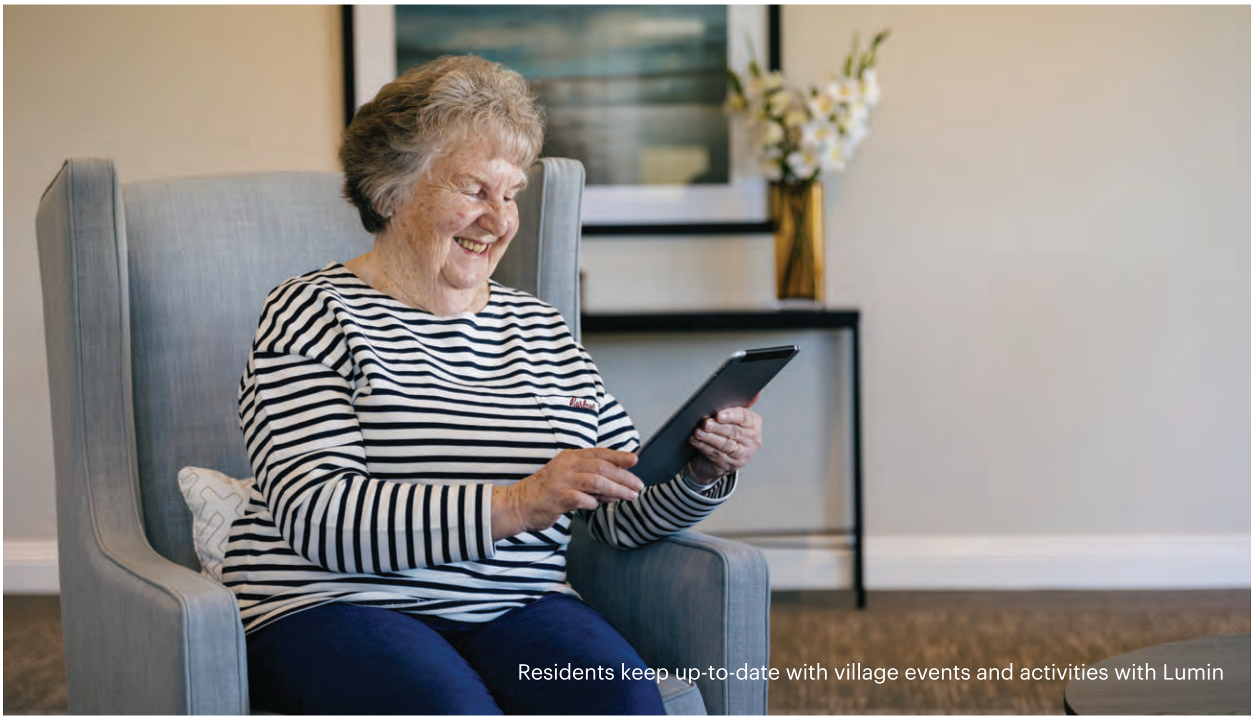
We have commenced a modernisation programme for our older care centres which will begin with the upgrade of our 20-year-old care centre in Havelock North. The multi-million dollar upgrade will include new care suites with individual ensuites and more open-plan communal resident lounges and dining rooms.

Australia

We now have six Australian sites with the recent acquisition of a site at Mernda in Victoria giving us capacity to build over 1,700 units.

Our first retirement village in Cranbourne North has been consented, and we have completed major earthworks on-site. Major Road Projects Victoria are working on the road next to our site and we're working with them to sequence our work with theirs as they prepare infrastructure along that route which has altered our timelines.

Consenting is progressing well at our Chirnside Park site, and we will look to continuously consent all of our Australian sites so we have a consented land bank ready and waiting for us to move seamlessly from site-to-site as we finish each village.


Residents keep up-to-date with village events and activities with Lumin

Our people and community

The work we did throughout 2020 and 2021 allowed us to prepare, test and refine our COVID-19 response which was key in our preparedness for the severity and speed at which the virus spread throughout the country in the first half of 2022.

As the country moved down alert levels and settings, we typically took a more cautious approach with our vulnerable care and memory care centre residents, we were cognisant that more relaxed settings would result in more community transmission and we needed to take extra precautions to keep our residents safe. These precautions continue with visitors requiring a negative Rapid Antigen Test (RAT) before entering our care centres and mask wearing a requirement inside our buildings.

COVID-19 put a lot of strain on our staff to keep residents safe. For one thing they have spent much of the year working in personal protective equipment, including N95 masks. While necessary, this is hard work. To recognise our frontline team's dedication during the Omicron surge we provided a 7% on average increase in pay between March and May 2022. This was something we did last year as well to reflect the high value we place on our people's work.

To give staff a break where we could during the height of the Omicron outbreak, we brought in the Summerset Village Reliever Programme where Head Office staff were trained to step in and assist villages seriously affected by staffing shortages.

Despite the COVID-19 challenges, bringing the best of life to our residents saw us develop several virtual events in our villages. These included the creation and roll out of "Summerset Sessions" – a virtual entertainment programme for our residents, to be enjoyed at home or together in the lounge. The programme included concerts by Will Martin (Summerset Sings), cooking lessons and recipes with New Zealand's original MasterChef, Brett McGregor (Cooking with a MasterChef), interviews with well-known Kiwis hosted by Jude Dobson (An Interview with...) and our very own variety show created by New Zealand actor, William Kircher (A Summerset World).

We continued the roll out of our Summerset signature exercise class CB Fit, hosting live virtual exercise classes for residents while COVID-19 restrictions were in place.

We also celebrated Matariki by producing a book of residents' creative answers to the question "What does Matariki mean to you"; this included some fantastic poetry, art, essays and photos.

COVID-19 and its impacts have brought to a head some of the other underlying issues in the aged care sector. We have joined forces with providers from around the country and the Aged Care Association of New Zealand (ACANZ) in a group called 'Aged Care Matters' to advocate for realistic government funding in aged care, including the issue of pay parity for aged care nurses.

This is a critical issue for us as a company as we seek to ensure our wider sector is viable. Overall, public funding for care services, including daily care rates, is insufficient to provide the exacting standards of service that are rightly expected of our industry. While we are in a position to continue to provide quality aged care, the same is not always true of the not-for-profit members of our industry, many of whom are having to close their doors or restrict admissions into their facilities. If these smaller operators close it will have serious consequences for our health system.

This is an issue we'll keep raising with the government as we seek to bring some meaningful change and funding to our industry.

Technology

We committed to investing $4.5m in frontline staff and new digital innovations this year, not just to keep our residents safer, but also to improve their experiences every day. Some of the changes we've seen in the last six months include:

- Our new Kaitiaki (Wellbeing Assistant) roles have expanded with 60 people recruited into these roles. Residents are responding very positively to the high quality social and wellbeing support they are receiving such as improving independence with mobile therapy and supporting access and participation in recreational and diversional therapy, especially for residents living with dementia.
- Roll out of PainChek®, an app available on smart phones and tablets, that intelligently automates the multidimensional pain assessment process using artificial intelligence and facial recognition technology to identify the presence of pain. PainChek is currently used in over 1,500 aged care facilities around the world and after conducting a successful trial in 2021, Summerset will be the first aged care provider in New Zealand to use PainChek in our care centres.
- Virtual Reality (VR) which is one way to enhance the quality of life of all Summerset residents with studies showing positive physical, psychological, and emotional outcomes after VR engagement. VR kits have been purchased to be rotated through villages offering residents access to a diverse library of immersive virtual content such as swimming in the Caribbean or visiting the Louvre.
- Successfully trialling Lumin technology in our Kenepuru village and rolling this technology out nationally over the coming year.

Lumin is an in-room communication system that will allow residents to chat, book activities and to hear about what is going on in their village, from the comfort of their home.

Recognition

We are committed to a workplace culture that promotes and values diversity and inclusiveness in all its dimensions, and that supports, recognises and celebrates our staff. Ways we have done this include:

- We celebrated Caregivers Day (25 March) and International Nurses Day (May 12) throughout the organisation and had an overwhelming response to a 'gratitude wall' where residents, families and friends were invited to post personal messages of thanks to our team.
- We have aligned with 'MATES in Construction' which is an evidence-based workplace suicide prevention model developed to reduce high suicide rates in the New Zealand construction industry – an industry which loses nearly one person every week to suicide, and construction workers being six times more likely to die from suicide than an accident at work.
- In recognition of International Women's Day we partnered with Dignity NZ, which is a women-owned New Zealand company that wants to end the shame and anxiety of being caught out by a surprise period. They believe period products should be available to anyone, anytime. Summerset has made Dignity products freely available in all staff bathrooms.

We offered our Staff Share Scheme again in 2022. The vesting of the 2019 issue this year saw around 600 staff receive shares.

Summerset is actively involved in our local communities having supported around 160 groups through community engagement. Additionally, Summerset has national sponsorship partnerships with the following organisations:

- New Zealand Symphony Orchestra (NZSO)
- Netball New Zealand
- Wellington Free Ambulance
- Bowls New Zealand
- Dementia New Zealand

Solar Panels at Summerset in the Sun, Nelson

Our commitment to sustainability

As far as we know, we are the only net carbonzero™ retirement village operator in New Zealand and a signatory of the Climate Leaders Coalition. Summerset has achieved net carbonzero™ status through a combination of carbon emission reduction targets across the business since 2018, and the purchase of carbon credits to offset our emissions for the last three years.

This year (2022) is the final year of our short term target (set in 2018) to reduce our emissions intensity by 5% from our 2017 base year, and we are pleased to report that through our concentrated initiatives, we are on track to exceed this target. A new five-year target will be developed at the end of this year which will link in with our sustainability linked lending performance targets and our longer-term science aligned emissions reduction target.

Our "Go Greener" programme provides all staff and residents with the opportunity to be involved in Summerset's Sustainability Programme and contribute towards meeting our carbon reduction targets. Waste reduction, energy efficiency and greener ways to travel are some of our key initiative themes.

Our focus on construction waste reduction aims to avoid landfill and improve diversion rates to recycling. Summerset's Avonhead construction team have been pushing for innovation in implementing their Waste and Recycling Plan on-site. The target for their waste diversion is 35% and year to date they are sitting at 66% through the site team working alongside build partners and suppliers. Waste diversion is reliant on process and people, and Avonhead is leading best practice by example.

We introduced solar panels on the roof of the standalone club house at our Nelson Summerset in the Sun village. The panels are currently performing very well, heating the outdoor swimming pool and providing electricity to the popular club house. This is our first step in understanding the benefits of solar and how we can integrate solar into both existing villages and the design process for new villages.

We have started to make the switch to electric vehicles (EVs) and bringing EV charging solutions to our villages. We've also partnered with Meridian Energy to power our first public EV charging station with the first at Avonhead followed by Rototuna and Kenepuru, with more to come.

Summerset has undergone a full redesign of our Main Building Standard to produce a highly sustainable building which achieves both operational efficiency and a reduction in embodied carbon. The project outcomes can be measured directly against our previous regional main building designs which do not contain these sustainable initiatives. This new design will be used at our Whangārei site which is currently under construction.

We have a commitment to eliminate modern slavery. Our work in Australia legally requires this commitment, but beyond that, it's the ethical thing to do. Ensuring we have sustainable supply chains is part of our overall sustainability efforts at Summerset.

An important part of that is making sure no modern slavery is connected to the goods and services we obtain.

We have updated our Modern Slavery Statement and implemented a new training module to assist staff who procure goods and services understand more about modern slavery and how we can ensure we are not supporting it through our spending.

Looking ahead

We have done an excellent job at weathering the COVID-19 waves to date and we hope the worst of that is behind us so we can free up more of our staff to concentrate on bringing the best of life to our residents.

We are optimistic about growth this year and beyond. The core drivers behind why people enter our villages remain and, in a lot of respects, have continued to strengthen. People are looking for support to continue to live their lives. They often also want the security of living in a retirement village.

Our success now and into the future is underpinned by the passion and support of our residents, their families, our staff and our investors. We thank you for all that you contribute towards making Summerset a wonderful place to live and work.

Mark Verbiest
Chair

Scott Scoullar
Chief Executive Officer

23 August 2022

Snapshot

Our people

7,100+
Residents

2,300+
Staff members

Our care

1,098
Care units
(which includes beds)
in portfolio

1,302
Care units
(which includes beds)
in land bank in
New Zealand and Australia[1]

Our portfolio

5,153
Retirement units

$5.4b
Total assets

5,645
Retirement units
in land bank in
New Zealand
and Australia[1]

37
Villages completed or
under development

511
Sales of
Occupation Rights

11
Greenfield sites[1]

Our performance

$134.6m
Net profit after tax

$82.5m
Underlying profit

$190.4m
Operating cash flow

1 *As at 30 June 2022, excludes Mernda*

Artist impression of Summerset Waikanae

Half Year Financial Highlights

	1H2022	1H2021	% Change	FY2021
Net profit before tax (NZ IFRS) ($000)	134,921	265,612	-49%	543,637
Net profit after tax (NZ IFRS) ($000)	134,639	263,803	-49%	543,664
Underlying profit ($000)[1]	82,463	75,517	9.2%	141,139
Total assets ($000)	5,375,178	4,375,175	22.9%	4,923,712
Net tangible assets (cents per share)	891.31	707.28	26.0%	835.93
Net operating cash flow ($000)	190,440	222,735	-14.5%	383,405

1 Underlying profit differs from NZ IFRS profit for the period

	1H2022	1H2021	% Change	FY2021
New sales of Occupation Rights	289	302	-4.3%	540
Resales of Occupation Rights	222	243	-8.6%	438
Realised development margin ($000)	52,337	40,677	28.7%	78,525
Realised gains on resales ($000)	31,865	29,404	8.4%	59,905
New Occupation Right units delivered	223	321	-30.5%	619

Non-GAAP Underlying Profit

$000	1H2022	1H2021	% Change	FY2021
Profit for the period[1]	134,639	263,803	-49%	543,664
Less: fair value movement of investment property[1]	(136,660)	(260,176)	-47%	(537,497)
Less: reversal of impairment of assets[1]	-	-	-	(3,431)
Add: realised gain on resales	31,865	29,404	8.4%	59,905
Add: realised development margin	52,337	40,677	28.7%	78,525
Add/(less): deferred tax expense/(credit)[1]	282	1,809	-84.4%	(27)
Underlying profit	**82,463**	**75,517**	**9.2%**	**141,139**

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 2022

	NOTE	6 MONTHS JUN 2022 UNAUDITED $000	6 MONTHS JUN 2021 UNAUDITED $000	12 MONTHS DEC 2021 AUDITED $000
Care fees and village services		68,709	59,498	126,884
Deferred management fees		43,903	35,369	75,174
Other income		1,525	17	3,291
Total revenue		**114,137**	**94,884**	**205,349**
Reversal of impairment of property, plant and equipment		-	-	3,431
Fair value movement of investment property	5	136,660	260,176	537,497
Total income		**250,797**	**355,060**	**746,277**
Operating expenses	3	(101,990)	(78,954)	(179,045)
Depreciation and amortisation expense		(6,614)	(5,160)	(11,555)
Total expenses		**(108,604)**	**(84,114)**	**(190,600)**
Operating profit before financing costs		**142,193**	**270,946**	**555,677**
Finance costs		(7,272)	(5,334)	(12,040)
Profit/(loss) before income tax		**134,921**	**265,612**	**543,637**
Income tax (expense)/credit	4	(282)	(1,809)	27
Profit for the period		**134,639**	**263,803**	**543,664**
Basic earnings per share (cents)	9	58.51	115.91	238.18
Diluted earnings per share (cents)	9	58.36	115.13	236.86

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

For the six months ended 30 June 2022

	6 MONTHS JUN 2022 UNAUDITED $000	6 MONTHS JUN 2021 UNAUDITED $000	12 MONTHS DEC 2021 AUDITED $000
Profit for the period	**134,639**	**263,803**	**543,664**
Fair value movement of interest rate swaps	21,705	9,754	24,443
Tax on items of other comprehensive income	(6,211)	(2,731)	(6,881)
Gain/(loss) on translation of foreign currency operations	(1,565)	6	222
Other comprehensive income that will be reclassified subsequently to profit or loss for the period net of tax	**13,929**	**7,029**	**17,784**
Net revaluation of property, plant and equipment	-	-	35,783
Tax on items of other comprehensive income	-	-	(10,019)
Other comprehensive income that will not be reclassified subsequently to profit or loss for the period net of tax	**-**	**-**	**25,764**
Total comprehensive income for the period	**148,568**	**270,832**	**587,212**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the six months ended 30 June 2022

	SHARE CAPITAL $000	HEDGING RESERVE $000	REVALUATION RESERVE $000	RETAINED EARNINGS $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	TOTAL EQUITY $000
As at 1 January 2021	**303,499**	**(20,267)**	**34,508**	**1,037,325**	**(220)**	**1,354,845**
Profit for the period	-	-	-	263,803	-	263,803
Other comprehensive income for the period	-	7,023	-	-	6	7,029
Total comprehensive income for the period	**-**	**7,023**	**-**	**263,803**	**6**	**270,832**
Dividends paid	-	-	-	(16,032)	-	(16,032)
Shares issued	7,855	-	-	-	-	7,855
Employee share plan option cost	433	-	-	-	-	433
As at 30 June 2021 (unaudited)	**311,787**	**(13,244)**	**34,508**	**1,285,096**	**(214)**	**1,617,933**
Profit for the period	-	-	-	279,861	-	279,861
Other comprehensive income for the period	-	10,539	25,764	-	216	36,519
Total comprehensive income for the period	**-**	**10,539**	**25,764**	**279,861**	**216**	**316,380**
Dividends paid	-	-	-	(22,911)	-	(22,911)
Shares issued	12,747	-	-	-	-	12,747
Employee share plan option cost	365	-	-	-	-	365
As at 31 December 2021 (audited)	**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**

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2022

	NOTE	6 MONTHS JUN 2022 UNAUDITED $000	6 MONTHS JUN 2021 UNAUDITED $000	12 MONTHS DEC 2021 AUDITED $000
Assets				
Cash and cash equivalents		36,622	19,362	8,422
Trade and other receivables		63,163	42,512	44,992
Interest rate swaps		18,264	11,577	5,723
Property, plant and equipment		295,106	230,542	277,715
Intangible assets		6,851	5,349	6,664
Investment property	5	4,955,172	4,065,833	4,580,196
Total assets		**5,375,178**	**4,375,175**	**4,923,712**
Liabilities				
Trade and other payables		199,457	195,074	202,257
Employee benefits		21,143	14,716	21,580
Revenue received in advance		151,517	129,860	141,393
Interest rate swaps		6,483	18,396	7,243
Residents' loans	6	2,008,495	1,707,871	1,847,136
Interest-bearing loans and borrowings	7	886,156	670,825	747,015
Lease liability		11,688	13,144	12,638
Deferred tax liability	4	27,804	7,356	19,936
Total liabilities		**3,312,743**	**2,757,242**	**2,999,198**
Net assets		**2,062,435**	**1,617,933**	**1,924,514**
Equity				
Share capital		334,178	311,787	324,899
Reserves		71,498	21,050	57,569
Retained earnings		1,656,759	1,285,096	1,542,046
Total equity attributable to shareholders		**2,062,435**	**1,617,933**	**1,924,514**

The accompanying notes form part of these financial statements.

Authorised for issue on 22 August 2022 on behalf of the Board

Mark Verbiest
Director and Chair of the Board

Anne Urlwin
Director and Chair of the Audit Committee

Statement of Cash Flows

For the six months ended 30 June 2022

	6 MONTHS JUN 2022 UNAUDITED $000	6 MONTHS JUN 2021 UNAUDITED $000	12 MONTHS DEC 2021 AUDITED $000
Cash flows from operating activities			
Receipts from residents for care fees and village services	68,222	60,501	127,045
Interest received	93	17	55
Payments to suppliers and employees	(94,322)	(76,731)	(171,804)
Receipts for residents' loans - new occupation right agreements	183,004	187,205	337,566
Net receipts for residents' loans - resales of occupation right agreements	33,443	51,743	90,543
Net cash flow from operating activities	**190,440**	**222,735**	**383,405**
Cash flows to investing activities			
Sale of investment property	6,335	-	15,201
Payments for investment property:			
- land	(72,836)	(23,788)	(87,164)
- construction of retirement units and village facilities	(157,966)	(126,612)	(285,234)
- refurbishment of retirement units and village facilities	(4,817)	(4,136)	(8,164)
Payments for property, plant and equipment:			
- construction of care centres	(19,385)	(15,482)	(33,084)
- refurbishment of care centres	(677)	-	(380)
- other	(3,517)	(5,425)	(7,980)
Payments for intangible assets	(283)	(196)	(1,725)
Capitalised interest paid	(13,826)	(9,760)	(16,472)
Net cash flow to investing activities	**(266,972)**	**(185,399)**	**(425,002)**
Cash flows from financing activities			
Net (repayments of)/proceeds from borrowings	122,481	(20,128)	67,100
Proceeds from issue of shares	1,633	1,578	4,943
Interest paid on borrowings	(6,306)	(4,654)	(12,407)
Payments in relation to lease liabilities	(946)	(838)	(1,767)
Dividends paid	(12,221)	(9,781)	(23,712)
Net cash flow from/(to) financing activities	**104,641**	**(33,823)**	**34,157**
Net increase/(decrease) in cash and cash equivalents	28,109	3,513	(7,440)
Cash and cash equivalents at beginning of period	8,422	15,817	15,817
Foreign currency translation adjustment	91	32	45
Cash and cash equivalents at end of period	**36,622**	**19,362**	**8,422**

The accompanying notes form part of these financial statements.

Reconciliation of Operating Results and Operating Cash Flows

For the six months ended 30 June 2022

	6 MONTHS JUN 2022 UNAUDITED $000	6 MONTHS JUN 2021 UNAUDITED $000	12 MONTHS DEC 2021 AUDITED $000
Profit for the period	**134,639**	**263,803**	**543,664**
Adjustments for:			
Depreciation and amortisation expense	6,614	5,160	11,555
Reversal of impairment of property, plant and equipment	-	-	(3,431)
Fair value movement of investment property	(136,660)	(260,176)	(537,497)
Finance costs paid	7,272	5,334	12,040
Gain on sale of investment property	(1,336)	-	(3,236)
Income tax expense/(credit)	282	1,809	(27)
Deferred management fee amortisation	(43,903)	(35,369)	(75,174)
Employee share plan option cost	1,315	444	1,459
Other non-cash items	(8)	(197)	431
	(166,424)	**(282,995)**	**(593,880)**
Movements in working capital			
Increase in trade and other receivables	(546)	(816)	(1,619)
(Decrease)/increase in employee benefits	(475)	(722)	6,142
Increase/(decrease) in trade and other payables	7,368	5,248	(141)
Increase in residents' loans net of non-cash amortisation	215,878	238,217	429,239
	222,225	**241,927**	**433,621**
Net cash flow from operating activities	**190,440**	**222,735**	**383,405**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the six months ended 30 June 2022

1. Summary of accounting policies

The consolidated interim financial statements presented for the six months ended 30 June 2022 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 2022 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 2021.

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 proceed with its expansion into Australia with five sites purchased to date. These sites are either currently being, or will be, developed into retirement villages. To date the expenditure incurred and assets acquired in Australia have been immaterial to the Group and so are not reported as a separate operating segment as at 30 June 2022.

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 period ended 30 June 2022 amounted to $19.0 million (Jun 2021: $16.2 million, Dec 2021: $34.6 million). No other customers individually contribute a significant proportion of the Group revenue. All revenue is earned in New Zealand.

Comparative information

Comparative information in the Statement of Cash Flows has been updated to reflect the reclassification of $6.99 million of trade payables in relation to construction invoices from operating cashflows to investing cashflows for the period ended 30 June 2021. There is no such reclassification required for the 31 December 2021 period.

In addition, based on materiality, the foreign exchange movement on the cash balance has been included in the Statement of Cash Flows effective from the current period. For the comparative periods, this foreign exchange movement of $32k for June 2021 and $45k for December 2021 has been reclassified from net (repayments of)/proceeds from borrowings to foreign currency translation adjustment.

The impact of these reclassifications on the comparative periods is shown below.

	6 MONTHS JUN 2021 UNAUDITED		6 MONTHS JUN 2021 UNAUDITED
	Reported	Reclass	Reclassified
	$000	$000	$000
Statement of Cash Flows			
Payments to suppliers and employees	(69,745)	(6,986)	(76,731)
Net cash flow from operating activities	229,721	(6,986)	222,735
Payments for investment property: construction of retirement units and village facilities	(133,598)	6,986	(126,612)
Net cash flow to investing activities	(192,385)	6,986	(185,399)
Net (repayments of)/proceeds from borrowings	(20,096)	(32)	(20,128)
Net cash flow (to)/from financing activities	(33,791)	(32)	(33,823)
Net increase/(decrease) in cash equivalents	3,545	(32)	3,513
Foreign currency translation adjustment	-	32	32
Reconciliation of Operating Results and Operating Cash Flows			
Increase in trade and other payables	12,234	(6,986)	5,248
Net cash flow from operating activities	229,721	(6,986)	222,735

	12 MONTHS DEC 2021 AUDITED		12 MONTHS DEC 2021 AUDITED
	Reported	Reclass	Reclassified
	$000	$000	$000
Statement of Cash Flows			
Net (repayments of)/proceeds from borrowings	67,145	(45)	67,100
Net cash flow (to)/from financing activities	34,202	(45)	34,157
Net increase/(decrease) in cash equivalents	(7,395)	(45)	(7,440)
Foreign currency translation adjustment	-	45	45

No other comparatives have been restated or reclassified in the current period.

Notes to the financial statements (continued)

2. Non-GAAP underlying profit

	Ref	6 MONTHS JUN 2022 UNAUDITED $000	6 MONTHS JUN 2021 UNAUDITED $000	12 MONTHS DEC 2021 AUDITED $000
Profit for the period		134,639	263,803	543,664
(Less)/add fair value movement of investment property	a)	(136,660)	(260,176)	(537,497)
Add impairment of assets	b)	-	-	(3,431)
Add realised gain on resales	c)	31,865	29,404	59,905
Add realised development margin	d)	52,337	40,677	78,525
Add/(less) deferred tax expense/(credit)	e)	282	1,809	(27)
Underlying profit		**82,463**	**75,517**	**141,139**

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 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.

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) 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. Operating expenses

	6 MONTHS JUN 2022 UNAUDITED $000	6 MONTHS JUN 2021 UNAUDITED $000	12 MONTHS DEC 2021 AUDITED $000
Employee expenses	61,682	46,852	105,621
Property-related expenses	10,105	8,329	18,543
Repairs and maintenance expenses	3,548	3,337	7,118
Other operating expenses	26,655	20,436	47,763
Total operating expenses	**101,990**	**78,954**	**179,045**

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 2022 UNAUDITED $000	6 MONTHS JUN 2021 UNAUDITED $000	12 MONTHS DEC 2021 AUDITED $000
Tax expense comprises:			
Deferred tax relating to the origination and reversal of temporary differences	282	1,809	(27)
Total tax expense/(credit) reported in income statement	**282**	**1,809**	**(27)**

Notes to the financial statements (continued)

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 2022 UNAUDITED		6 MONTHS JUN 2021 UNAUDITED		12 MONTHS DEC 2021 AUDITED	
	$000	%	$000	%	$000	%
Profit/(loss) before income tax	**134,921**		**265,612**		**543,637**	
Income tax using the corporate tax rate	37,778	28.0%	74,371	28.0%	152,218	28.0%
Capitalised interest	(2,815)	(2.1%)	(2,175)	(0.8%)	(4,722)	(0.9%)
Non-deductible expenses	95	0.1%	95	0.0%	197	0.0%
Non-assessable investment property revaluations	(34,130)	(25.3%)	(72,849)	(27.4%)	(150,339)	(27.7%)
Transfer of investment property to property, plant and equipment	-	0.0%	2,472	0.9%	2,472	0.5%
Other	(646)	(0.5%)	(105)	(0.0%)	100	0.0%
Prior period adjustments	-	0.0%	-	0.0%	47	0.0%
Total income tax expense/(credit)	**282**	**0.2%**	**1,809**	**0.7%**	**(27)**	**(0.0%)**

Total Group tax losses available amount to $395.7 million at 30 June 2022 ($111.2 million tax effected) (Jun 2021: $292.3 million ($82.0 million tax effected), Dec 2021: $341.1 million ($95.8 million tax effected)). There are no unrecognised tax losses for the Group at 30 June 2022 (Jun 2021 and Dec 2021: nil).

(b) Amounts charged or credited to other comprehensive income

	6 MONTHS JUN 2022 UNAUDITED	6 MONTHS JUN 2021 UNAUDITED	12 MONTHS DEC 2021 AUDITED
	$000	$000	$000
Tax expense comprises:			
Net gain on revaluation of property, plant and equipment	-	-	10,019
Fair value movement of interest rate swaps	6,211	2,731	6,881
Total tax expense/(credit) reported in statement of comprehensive income	**6,211**	**2,731**	**16,900**

(c) Amounts charged or credited directly to equity

	6 MONTHS JUN 2022 UNAUDITED	6 MONTHS JUN 2021 UNAUDITED	12 MONTHS DEC 2021 AUDITED
	$000	$000	$000
Tax expense comprises:			
Deferred tax relating to employee share option plans	1,375	(14)	233
Total tax credit reported directly in equity	**1,375**	**(14)**	**233**

(d) Imputation credit account

There were no imputation credits received or paid during the half year and the balance at 30 June 2022 is nil (Jun 2021 and Dec 2021: nil).

(e) Deferred tax

Movement in the deferred tax balance comprises:

	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 2021	RECOGNISED IN INCOME	RECOGNISED DIRECTLY IN EQUITY	RECOGNISED IN OCI*	BALANCE 30 JUN 2021 UNAUDITED
	$000	$000	$000	$000	$000
Property, plant and equipment	14,171	3,316	-	-	17,487
Investment property	35,231	3,178	-	-	38,409
Revenue in advance	35,159	6,903	-	-	42,062
Interest rate swaps	(7,882)	-	-	2,731	(5,151)
Income tax losses not yet utilised	(70,309)	(11,679)	-	-	(81,988)
Other items	(3,540)	91	(14)	-	(3,463)
Net deferred tax liability	**2,830**	**1,809**	**(14)**	**2,731**	**7,356**

	BALANCE 1 JAN 2021	RECOGNISED IN INCOME	RECOGNISED DIRECTLY IN EQUITY	RECOGNISED IN OCI*	BALANCE 31 DEC 2021 AUDITED
	$000	$000	$000	$000	$000
Property, plant and equipment	14,171	4,706	-	10,019	28,896
Investment property	35,231	7,433	-	-	42,664
Revenue in advance	35,159	14,306	-	-	49,465
Interest rate swaps	(7,882)	-	-	6,881	(1,001)
Income tax losses not yet utilised	(70,309)	(25,470)	-	-	(95,779)
Other items	(3,540)	(1,002)	233	-	(4,309)
Net deferred tax liability	**2,830**	**(27)**	**233**	**16,900**	**19,936**

** Other comprehensive income*

Notes to the financial statements (continued)

5. Investment property

	6 MONTHS JUN 2022 UNAUDITED $000	6 MONTHS JUN 2021 UNAUDITED $000	12 MONTHS DEC 2021 AUDITED $000
Balance at beginning of period	4,580,196	3,638,760	3,638,760
Additions	235,949	190,220	434,643
Transfer (to)/from property, plant and equipment	-	(23,993)	(18,718)
Disposals	(4,999)	-	(12,034)
Fair value movement	136,660	260,176	537,497
Foreign exchange movement	7,366	670	48
Total investment property	**4,955,172**	**4,065,833**	**4,580,196**

	6 MONTHS JUN 2022 UNAUDITED $000	6 MONTHS JUN 2021 UNAUDITED $000	12 MONTHS DEC 2021 AUDITED $000
Development land measured at fair value[1]	559,021	397,203	485,225
Retirement villages measured at fair value	4,004,875	3,377,720	3,772,522
Retirement villages under development measured at cost	391,276	290,911	322,449
Total investment property	**4,955,172**	**4,065,833**	**4,580,196**

1 *Included in development land is land that was acquired close to balance date and as such was excluded from the valuation of investment property. This land has been accounted for at cost, which has been determined to be fair value due to the proximity of the transaction to balance date. At 30 June 2022 the land at cost was $60.5 million (Jun 2021: $64.0 million, Dec 2021: $95.3 million).*

	6 MONTHS JUN 2022 UNAUDITED $000	6 MONTHS JUN 2021 UNAUDITED $000	12 MONTHS DEC 2021 AUDITED $000
Manager's net interest	2,818,499	2,238,086	2,606,955
Plus: revenue received in advance relating to investment property	149,882	129,129	140,192
Plus: liability for residents' loans relating to investment property	1,986,791	1,698,618	1,833,049
Total investment property	**4,955,172**	**4,065,833**	**4,580,196**

The Group is unable to reliably determine the fair value of the non-land portion of retirement villages under development at 30 June 2022 and therefore these are carried at cost. This equates to $391.3 million of investment property (Jun 2021: $290.9 million, Dec 2021: $322.4 million).

The fair value of investment property as at 30 June 2022 was determined by independent registered valuers CBRE Limited ("CBRE NZ") and Jones Lang LaSalle Limited ("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 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 2022.

Each valuer continues to review market conditions in relation to the COVID-19 global pandemic. It is the valuers' view that the direct impacts of COVID-19 on the wider property market are likely to soon diminish as a result of the Omicron outbreak seemingly peaking, high vaccination rates and the reopening of New Zealand's international borders. The most pressing issues now facing the property market both nationally and globally are rising inflation. With these factors in mind, they still advise a degree of caution should be exercised when relying upon the valuation.

Significant assumptions used by CBRE NZ and JLL in relation to the New Zealand investment property include a discount rate of between 13.5% and 16.25% (Jun 2021 and Dec 2021: 13.5% to 16.5%), and a long-term nominal house price inflation rate (growth rate) of between 0% and 3.5% (Jun 2021 and Dec 2021: 0% to 3.5%). Other assumptions used include the average entry age of residents of between 73 years and 89 years (Jun 2021 and Dec 2021: 73 years and 89 years), and the stabilised departing occupancy periods of units of between 3.7 years and 8.9 years (Jun 2021: 3.8 years and 8.9 years, Dec 2021: 3.5 years and 8.8 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

Each period, the Group assesses the significance of ancillary services provided to residents who occupy accommodation under an occupation right agreement. This assessment is conducted periodically to ensure property types from which the Group expects to derive returns from ancillary services which are significant in the context of overall returns derived by holding that category of property are classified as property, plant and equipment rather than investment property. For the purposes of this assessment the Group considers deferred management fees and that portion of weekly fees revenue that does not give rise to a separate performance obligation for the Group as lease income. 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.

During 2021, memory care apartments and care suites were reclassified from investment property to property, plant and equipment. There are no such reclassifications required in the six months to 30 June 2022.

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 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%)
30 June 2021					
Valuation ($000)	1,341,450				
Difference ($000)		(47,210)	50,345	80,460	(73,920)
Difference (%)		(3.5%)	3.8%	6.0%	(5.5%)
31 December 2021					
Valuation ($000)	1,574,940				
Difference ($000)		(55,660)	59,760	92,180	(84,440)
Difference (%)		(3.5%)	3.8%	5.9%	(5.4%)

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.

Notes to the financial statements (continued)

Security

At 30 June 2022, 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.

6. Residents' loans

	6 MONTHS JUN 2022 UNAUDITED $000	6 MONTHS JUN 2021 UNAUDITED $000	12 MONTHS DEC 2021 AUDITED $000
Balance at beginning of period	2,276,945	1,872,736	1,872,736
Net receipts for residents' loans - resales of occupation right agreements	14,269	35,911	63,832
Receipts for residents' loans - new occupation right agreements	186,755	188,099	340,377
Total gross residents' loans	**2,477,969**	**2,096,746**	**2,276,945**
Deferred management fees and other receivables	(469,474)	(388,875)	(429,809)
Total residents' loans	**2,008,495**	**1,707,871**	**1,847,136**

7. Interest-bearing loans and borrowings

		6 MONTHS JUN 2022 UNAUDITED $000	6 MONTHS JUN 2021 UNAUDITED $000	12 MONTHS DEC 2021 AUDITED $000
Repayable within 12 months				
Secured bank loans	Floating	-	225,000	-
Repayable after 12 months				
Secured bank loans	Floating	521,894	62,701	374,940
Retail bond - SUM010	4.78%	100,000	100,000	100,000
Retail bond - SUM020	4.20%	125,000	125,000	125,000
Retail bond - SUM030	2.30%	150,000	150,000	150,000
Total loans and borrowings at face value		**896,894**	**662,701**	**749,940**
Transaction costs for loans and borrowings capitalised:				
Opening balance		(5,096)	(3,888)	(3,888)
Capitalised during the period		-	-	(2,194)
Amortised during the period		684	435	986
Closing balance		(4,412)	(3,453)	(5,096)
Total loans and borrowings at amortised cost		**892,482**	**659,248**	**744,844**
Fair value adjustment on hedged borrowings		(6,326)	11,577	2,171
Carrying value of interest-bearing loans and borrowings		**886,156**	**670,825**	**747,015**

The weighted average interest rate for the six months to 30 June 2022 was 2.97% (Jun 2021: 3.05%, Dec 2021: 3.00%). This includes the impact of interest rate swaps . Approximately 40.8% of the floating rate debt principal outstanding is hedged with interest rate swaps at 30 June 2022 (Jun 2021: 47.5%, Dec 2021: 45.0%).

The secured bank loan facility at 30 June 2022 has a limit of approximately NZD$1,110.0 million (Jun 2021: $750.0 million, Dec 2021: $1,110.0 million). Lending of AU$120.0 million expires in November 2023, lending of NZ$310.0 million expires in November 2024, lending of $NZ50 million and AU$130 million expires in September 2025 and lending of NZ$315 million and AU$185 million expires in September 2026.

The Group has issued three 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. The third retail bond was issued for $150.0 million in September 2020 and has a maturity date of 21 September 2027. This retail bond is listed on the NZDX with the ID SUM030.

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.

8. 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 and there has been no change to the policies presented in the Group's financial statements for the six months ended 30 June 2022. The Group has seen no material change in its exposure to credit, market and liquidity risk as a result of the COVID-19 pandemic, but will continue to monitor the situation.

Fair values

The carrying amounts shown in the balance sheet approximate the fair value of the financial instruments, with the exception of retail bonds. Two of the three retail bonds, SUM010 and SUM020, 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*.

9. Earnings per share and net tangible assets

Basic earnings per share

	6 MONTHS JUN 2022 UNAUDITED	6 MONTHS JUN 2021 UNAUDITED	12 MONTHS DEC 2021 AUDITED
Earnings ($000)	134,639	263,803	543,664
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	230,119	227,599	228,256
Basic earnings per share (cents per share)	**58.51**	**115.91**	**238.18**

Notes to the financial statements (continued)

Diluted earnings per share

	6 MONTHS JUN 2022 UNAUDITED	6 MONTHS JUN 2021 UNAUDITED	12 MONTHS DEC 2021 AUDITED
Earnings ($000)	134,639	263,803	543,664
Weighted average number of ordinary shares for the purpose of earnings per share (diluted) (in thousands)	230,722	229,141	229,525
Diluted earnings per share (cents per share)	**58.36**	**115.13**	**236.86**

Number of shares (in thousands)

	6 MONTHS JUN 2022 UNAUDITED	6 MONTHS JUN 2021 UNAUDITED	12 MONTHS DEC 2021 AUDITED
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	230,119	227,599	228,256
Weighted average number of ordinary shares issued under employee share plans	603	1,542	1,269
Weighted average number of ordinary shares for the purpose of earnings per share (diluted)	**230,722**	**229,141**	**229,525**

At 30 June 2022, there were a total of 472,310 shares issued under employee share plans held by Summerset LTI Trustee Limited (Jun 2021: 1,403,150, Dec 2021: 788,621 shares).

Net tangible assets per share

	6 MONTHS JUN 2022 UNAUDITED	6 MONTHS JUN 2021 UNAUDITED	12 MONTHS DEC 2021 AUDITED
Net tangible assets ($000)	2,055,584	1,612,584	1,917,850
Shares on issue at end of period (basic and in thousands)	230,624	227,998	229,427
Net tangible assets per share (cents per share)	**891.31**	**707.28**	**835.93**

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.

10. Dividends

On 23 March 2022, a dividend of 8.6 cents per ordinary share was paid to shareholders (2021: on 22 March 2021 a dividend of 7.0 cents per ordinary share was paid to shareholders and on 20 September 2021 a dividend of 9.9 cents per ordinary share was paid to shareholders).

A dividend reinvestment plan applied to the dividend paid on 23 March 2022 and 688,127 ordinary shares were issued in relation to the plan (2021: 493,015 ordinary shares were issued in relation to the plan for the 22 March 2021 dividend and 608,493 ordinary shares were issued in relation to the plan for the 20 September 2021 dividend).

11. Commitments and contingencies

Guarantees

As at 30 June 2022, NZX Limited held a guarantee in respect of the Group, as required by the NZX Listing Rules, for $75,000 (Jun 2021 and Dec 2021: $75,000).

Summerset Retention Trustee Limited holds guarantees in relation to retentions on construction contracts on behalf of the Group. As at 30 June 2022, $13.0 million was held for the benefit of the retentions beneficiaries (Jun 2021 and Dec 2021: $10.0 million).

Capital commitments

At 30 June 2022, the Group had $293.5 million of capital commitments in relation to construction contracts (Jun 2021 $188.9 million, Dec 2021: $210.5 million).

Contingent liabilities

There were no known material contingent liabilities at 30 June 2022 (Jun 2021 and Dec 2021: nil).

12. Subsequent events

On 18 July 2022, 167,188 shares were issued to participating employees under Summerset's all staff employee share scheme. The shares are held by Summerset LTI Trustee Limited and vest to participating employees after a three-year period, subject to meeting the criteria of the plan.

On 22 August 2022, the Directors approved an interim dividend of $24.7 million, being 10.7 cents per share. The dividend record date is 6 September 2022 with a payment date of 19 September 2022.

There have been no other events subsequent to 30 June 2022 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 the Group on pages 16 to 33 which comprise the statement of financial position as at 30 June 2022, 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 2022, 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 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 and fair presentation 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 Grant Taylor.

Ernst + Young

Chartered Accountants
Wellington
22 August 2022

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Solicitor
Russell McVeagh

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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 Limited
Bank of China (New Zealand) Limited

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Bond Supervisor
The New Zealand Guardian Trust
Company Limited

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Gráinne Troute
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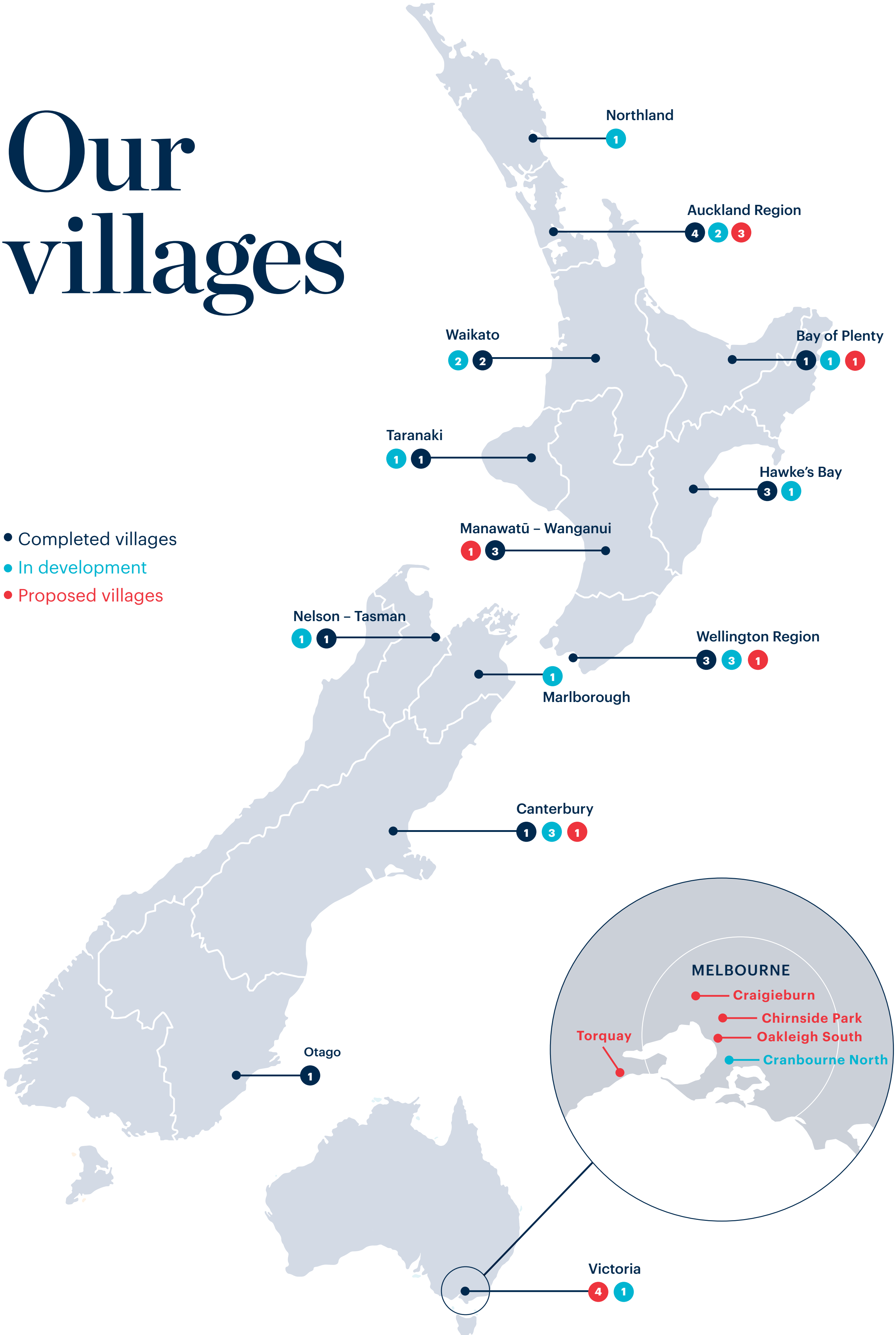
Dr Andrew Wong

Company Secretary
Robyn Heyman

Our villages

- Completed villages
- In development
- Proposed villages



As at 30 June 2022, excludes Mernda

TOITŪ
CARBON ZERO
ISO 14064-1 ORGANISATION

CLIMATE LEADERS COALITION

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