Summerset Group Holdings Limited
Level 27 Majestic Centre, 100 Willis St, Wellington
PO Box 5187, Wellington 6140
Phone: 04 894 7320 | **Fax:** 04 894 7319
Website: www.summerset.co.nz

24 FEBRUARY 2022

STOCK EXCHANGE ANNOUNCEMENT

SUMMERSET GROUP HOLDINGS LIMITED (SNZ) 2021 FULL YEAR RESULT AND ANNUAL REPORT

The following are attached in relation to Summerset's 2021 full year results and annual report:

- Media release;
- Results presentation;
- Annual report (including audited financial statements for the year ended 31 December 2021);
- NZX results announcement form;
- NZX distribution notice (ASX Online Appendix 3A.1 is provided as a separate announcement).

For the purposes of ASX Listing Rule 1.15.3, Summerset confirms that it continues to comply with the NZX Main Board Listing Rules.

ENDS

For enquiries:

Robyn Heyman
Company Secretary
robyn.heyman@summerset.co.nz
027 506 5562

Summerset Group Holdings Limited
Level 27 Majestic Centre, 100 Willis St, Wellington
PO Box 5187, Wellington 6140
Phone: 04 894 7320 | **Fax:** 04 894 7319
Website: www.summerset.co.nz

NZX & ASX RELEASE

24 February 2022

SUMMERSET POSTS $141.1M FULL YEAR UNDERLYING PROFIT

- Underlying profit for FY21 of NZ$141.1 million, up 44% on FY20
- Net profit after tax of NZ$543.7 million, up 136% on FY20
- Total assets of NZ$4.9 billion, up 26% on FY20
- 978 total sales of occupation rights, up 25% on FY20
- 619 new units under occupation right agreement (ORA) delivered, up 74% on FY20
- Land bank total of 5,406 retirement units and 1,208 care units across NZ and Australia
- Gearing ratio of 27.8%, down from 32.6% at FY20, lowest level since 2013
- Final dividend of NZ8.6 cents per share

Retirement village operator Summerset Group Holdings Limited today announced a full year underlying profit for the year ending 31 December 2021 of NZ$141.1 million, up 44% on FY20.

Net (IFRS) profit after tax, which includes the impact of revaluation of investment property, was up 136% on FY20 at NZ$543.7 million.

Summerset Chief Executive Scott Scoullar said 2021 had been an extraordinarily good year for Summerset with record demand and build rates, reflecting the focus that Summerset has had over the last couple of years in keeping our residents safe and well cared for throughout the prevalence of COVID-19.

“We have had a very strong year for occupation right sales, up 25% overall on FY20, and our strongest ever year for pre-sales as well. In 2021, 72% of all deliveries were pre-sold, and as a result both the net profit after tax and the underlying profit for Summerset are company records,” said Mr Scoullar.

In 2022, Summerset will start construction at two new sites in Milldale (Auckland) and Blenheim (Marlborough) and continue construction at another 15 sites around New Zealand.

Mr Scoullar said Summerset had land for another 5,313 units in New Zealand, of which 81% was already consented, and Summerset continues to have the largest NZ listed retirement village land bank in terms of number of units.

“Every new unit we build over the next four years has resource consent, so we are well positioned for further growth in the New Zealand market,” Mr Scoullar said.

Summerset now owns five Australian properties, with earthworks having started at its first Australian retirement village in Melbourne in late 2021. The first retirement units there are expected to be ready by early 2023.

Mr Scoullar said 2021 had been a record year of construction with 619 units under ORA built to keep up with customer demand. The company's build rate guidance for 2021 was 550 - 600 units under ORA and even with the disruptions associated with COVID events we were still able to exceed our market guidance. "Summerset has been the top listed retirement village builder in New Zealand for several years in terms of number of units, but this year our record build rate means we are one of the top residential builders in the country. We continue to focus on providing quality, warm homes at reasonable prices for retirees," he said.

Finding nursing staff has been an ongoing issue for the sector this year. Increases to public sector nursing wages and immigration delays induced by COVID-19 have created a perfect storm for nursing shortages in aged care. The New Zealand Aged Care Association's survey-based estimates indicate there are around 700 vacant positions for registered nurses (RNs) across the aged care industry.

"We increased nurses' pay rates to remain competitive with the public sector again in 2021 to attract and retain the vital nursing staff we need to care for our elderly residents. We continue to be concerned about underfunding in the aged care sector," said Mr Scoullar.

Shareholders will receive a final dividend of NZ8.6 cents per share, bringing the total dividend payable for FY21 to NZ18.5 cents per share, up 42% on FY20.

ENDS

For investor relations enquiries:
Will Wright
Chief Financial Officer
will.wright@summerset.co.nz
021 490 251

For media enquiries:
Louise McDonald
Senior Communications & Media Advisor
louise.mcdonald@summerset.co.nz
021 246 3793

ABOUT SUMMERSET

- Summerset is one of the leading operators and developers of retirement villages in New Zealand, with 37 villages completed or in development at Aotea, Avonhead, Bell Block, Blenheim, Cambridge, Casebrook, Cranbourne North (Australia), Dunedin, Ellerslie, Hamilton, Hastings, Havelock North, Hobsonville, Karaka, Katikati, Kenepuru, Levin, Lower Hutt, Manukau, Napier, Nelson, New Plymouth, Palmerston North, Pāpāmoa Beach, Paraparaumu, Prebbleton, Richmond, Rototuna, St Johns, Taupō, Te Awa, Trentham, Waikanae, Wanganui, Warkworth, Whangārei and Wigram.

- In addition, Summerset has proposed sites at Half Moon Bay (Auckland), Milldale (Auckland), Parnell (Auckland), Rangiora (Canterbury) and Kelvin Grove (Palmerston North), and four properties in Victoria, Australia, bringing the total number of sites to 46.

- Summerset provides a range of living options and care services to approximately 7,000 residents.

Summerset

Full year results presentation

Full Year Report 2021

Agenda

Bringing Daffodil Day to residents in Avonhead during lockdown

Summerset

COVID-19 update

Full Year Report 2021

COVID-19 update

Protection of staff and residents remains our focus

- Summerset's pandemic plan remains activated and we continue to be vigilant and well prepared in our response to COVID-19 and Omicron
- We are well positioned to manage through the pandemic, $4.7m spent on COVID-19 related costs in FY21 with sufficient bank debt headroom of approximately $750m and gearing of 27.8% in place
- Vaccination remains the best defence - today, all staff have received at least two doses of the Pfizer vaccine
- By year end, over 96% of our village population and 95% of our care residents had received two doses
- Under the 'Red' traffic light alert setting we have upheld strict entry conditions to ensure our villages and care centres are a safe environment for residents and staff
- We are operating site-specific staff surge plans that enable us to maintain safe staffing levels and minimise outbreaks at each village if an Omicron case is identified
- Summerset was the first retirement village and aged care operator to introduce rapid antigen testing for visitors and staff. Now have circa 20,000 tests in stock and a further 50,000 confirmed for delivery within two weeks, these are unaffected by recent supply issues
- Other PPE supplies are well placed. Our core PPE stock levels are strong, each care centre also has CO2 monitors and air purifiers with a guaranteed first option on additional stock


Summerset by the Dunes, Papamoa Beach

Our highlights

Full Year Report 2021

Record net profit after tax (IFRS) of $543.7m

IFRS net profit after tax of $543.7m resulting in a 42% growth in company equity since FY20

$543.7m
Net profit after tax
FY20 $230.8m

$383.4m
Net operating cash flows
FY20 $266.8m

$141.1m
Underlying profit
FY20 $98.3m

$4.9b
Total assets
FY20 $3.9b

27.8%
Gearing ratio
FY20 32.6%

$1.4b
Embedded value
FY20 $883.6m

671
Total units delivered in FY21
FY20 413

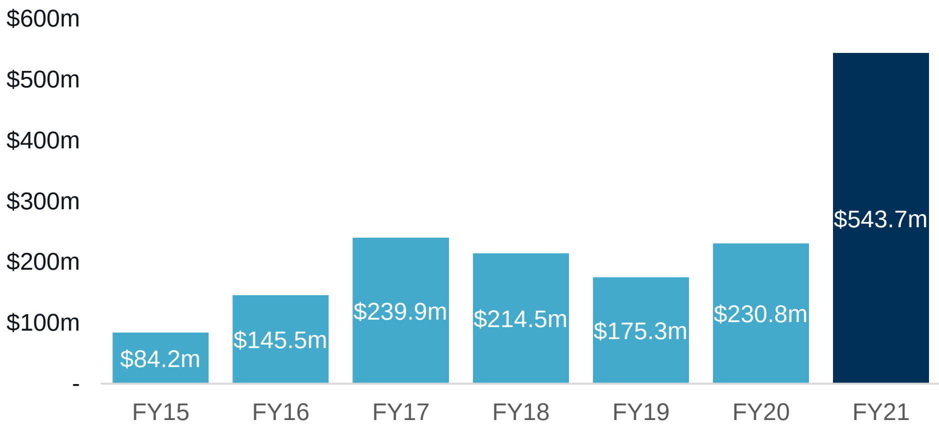
978
Sales of Occupation Rights
FY20 785

6,614
New Zealand and Australia land bank (including care)
FY20 6,171

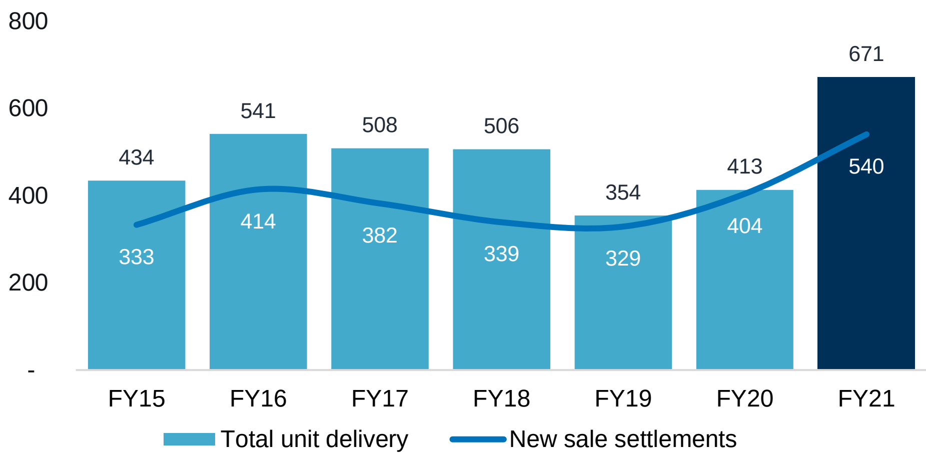
Record net profit after tax (IFRS) of $543.7m

Record NPAT driven by largest ever delivery programme and strong demand, unit pricing remains conservative

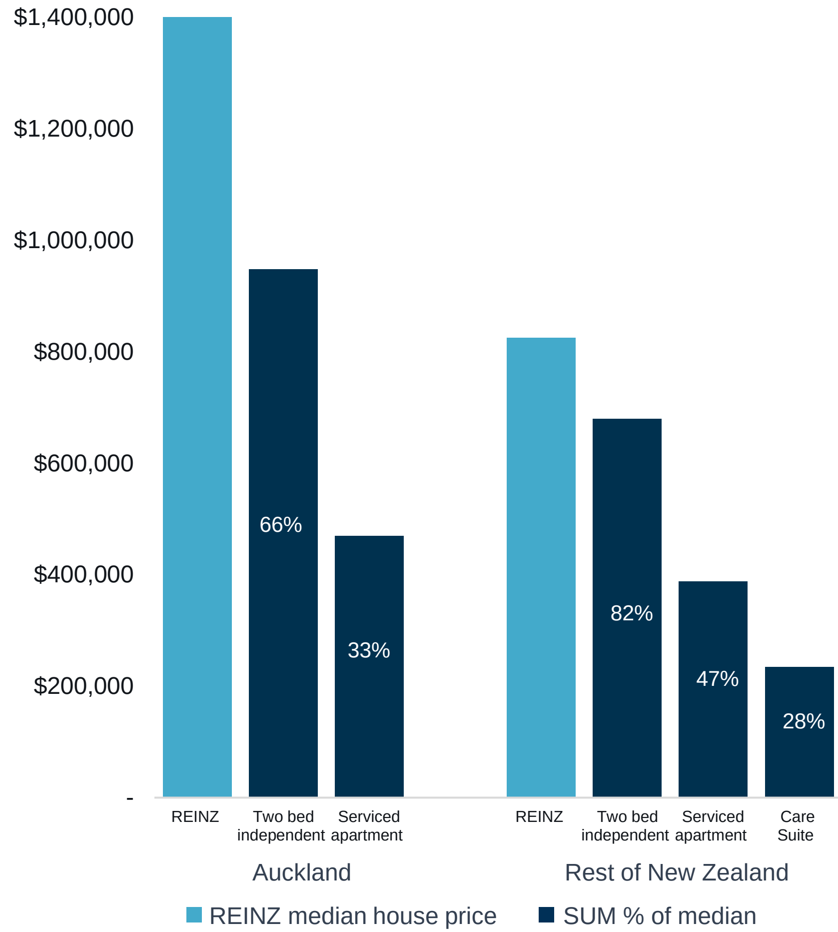
IFRS NPAT



New sale settlements and total unit delivery



Sales prices vs median house price



Source: REINZ, December 2021

FY21 investor highlights

Our results at a glance

- Record net profit after tax (NZ IFRS) of $543.7m, up from $230.8m in FY20, an increase of 136%
- Underlying profit for FY21 of $141.1m, up 44% on FY20
- Operating cash flows of $383.4m, up 44% from $266.8m in FY20
- Gearing ratio of 27.8%, down from 32.6% at FY20 and now at the lowest level since 2013
- Achieved record full year new and resale settlements of 978 units, up 25% on FY20
- Achieved our long term build target, delivering a record 671 units, including 545 retirement units and 126 care units
- Largest New Zealand land bank for a retirement village operator of 5,313 units and beds
- Received the planning permit and began construction at Cranbourne North, site of our first Australian retirement village
- Our response to COVID-19 has been well received with customer satisfaction improving to 98% for care residents and 96% for retirement village residents in FY21

Summerset at Heritage Park, Ellerslie

Acquisitions – four new sites announced

Craigieburn, Melbourne

Approximately 225 independent homes

Rest home and hospital-level care

Memory care centre

Oakleigh South, Melbourne

Approximately 84 independent homes

Rest home and hospital-level care

Memory care centre

Kelvin Grove, Palmerston North

Approximately 296 independent homes

Rest home and hospital-level care

Memory care centre

Chirnside Park, Melbourne

Approximately 225 independent homes

Rest home and hospital-level care

Memory care centre

Looking back – FY21 milestones

A showcase of key events from the past year

Summerset at Heritage Park, Ellerslie

Resident Maisie Lund receives vaccine

Lower Hutt blessing

Tyler Grant

Richmond Main Building opening

mmerset St Johns

January

Title sponsor of the New Zealand National Bowls Championship, in Auckland

February

Heritage Apartments in Ellerslie open, completing the village

March

HR team wins Talent Acquisition award

Purchase of third Australian site in Chirnside Park, Melbourne

Prebbleton receives resource consent

April

First residents receive COVID-19 vaccine

Summerset's annual Waitaha Te Houhou Health Scholarship awarded to Aaliyah Te Atarau Thocolich and Tyler Grant

May

Richmond Main Building opens

Lower Hutt earthworks begin with dawn blessing

Summerset staff finalists at National Association of Women in Construction Awards

Design Team win Gold at New Zealand Commercial Project Awards

Rangiora receives resource consent

June

First units delivered in Whangārei

Stage one civils at St Johns completed

Looking back – FY21 milestones

A showcase of key events from the past year

Cranbourne North planning permit received

Avonhead Main Building opens

Cambridge blessing

Aged Advisor award

Milldale resource consent received

Country and smoking ceremony – Cranbourne North

July

Trial approved for AI-driven pain check technology for care residents

August

Planning permit approved for first Australian village in Cranbourne North

Purchase of site in Kelvin Grove, Palmerston North

Cambridge receives resource consent

Purchase of fourth Australian site in Craigieburn, Melbourne

September

Purchase of fifth Australian site in Oakleigh South, Melbourne

Waikanae and Blenheim receive resource consent

Avonhead Main Building officially opened

October

First New Zealand retirement operator to acquire a sustainability linked loan

November

Milldale (Auckland) receives resource consent

Started civils work at Cambridge site in Waikato

Trialled Rapid Antigen Tests to speed up detection of COVID-19

Summerset received Aged Advisor Award

December

Country and smoking ceremony performed by the Bunurong People at Cranbourne North

Our community

Full Year Report 2021

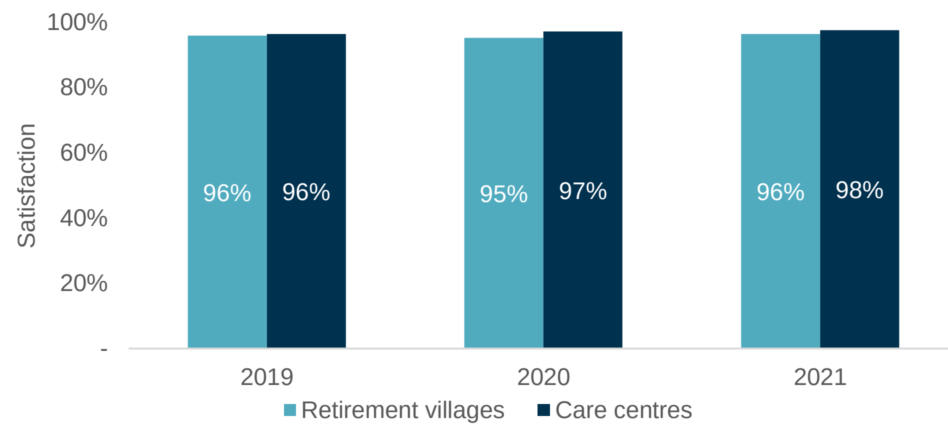
Our residents

Bringing the best of life to residents every day

- Continue to introduce and roll out new initiatives with an enhanced focus on resident well being
- Our care centres achieved 98% resident satisfaction with 96% for our retirement village residents in 2021
- Leading the sector in benchmarking of best practice clinical care, reducing the likelihood and effects of adverse events such as falls and medication errors
- Appointed 'Kaitiaki' roles in our care centres with a focus on care resident mobility, activity and cultural programmes, fluids and support with meals
- Established an online wellness centre to help residents stay healthy and mentally active
- Increased emphasis on technology in our villages; new digital services platforms for residents, mobile apps for care staff and AI-driven pain management systems trialled or introduced in FY21
- Initiated the roll out of virtual reality technology in our villages, this will enhance the resident experience via virtual tours and provide more opportunities for social interaction
- Commenced our modernisation programme for older care centres, introducing care suites and more open-plan resident lounges and dining rooms




Resident satisfaction



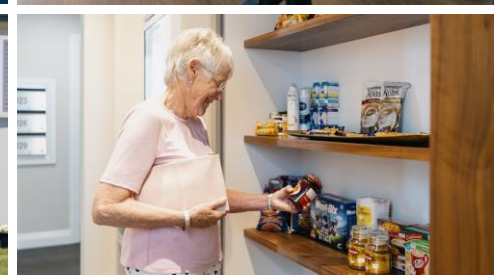
Our residents

Bringing the best of life to residents every day

- Progressively enhanced our customer offering, including moving our food services in-house to improve consistency and develop clear service standards
- Developed a series of webinars on 'Navigating care' and 'Moving made easy' to assist residents and families with understanding life at our villages
- Maintained our three year partnership with Dementia NZ
- Partnered with Alzheimer's New Zealand as the gold sponsor of their 2021 conference: Living with Dementia
- Continued the roll out of our accredited falls prevention fitness programme, the programme is accredited by the Ministry of Health and ACC and run by registered fitness professionals
- The programme was nominated as finalists for the New Zealand Exercise Industry Awards in two categories: Community Contribution & Programme Excellence
- Awarded the Aged Advisor People's Choice Award for Best Group Provider in New Zealand, based on over 2,000 reviews

OUR RESIDENTS

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



Our staff

Our staff are key to our success and we are immensely proud of the work they do

- FY21 saw significant investment in staff development and training across the business
- Officially launched our three-year plan to progress diversity and inclusion at Summerset, incorporating feedback from staff
- Continued the roll out of our leadership development programme across the business, expanding from clinical leaders to our operational, construction and corporate teams
- Modified our approach to helping staff achieve better mental health and well-being, moving from an annual survey to a continuous listening approach with real time insights
- We continue to pay our nurses at or above the top industry rates, lifting these again in FY21, on top of providing staff with the best benefits package in the sector
- Our People and Culture team won the HR New Zealand Awards for Talent Acquisition and were selected as one of HRD New Zealand's top 2021 Innovative HR Teams
- Design and Construction teams won Gold at the New Zealand Commercial Project Awards
- Three staff members announced as finalists in the New Zealand Aged Care Association Awards, winners to be announced in March 2022

HRNZ Awards 2021

OUR PEOPLE

People are the heart of Summerset. Our values are:

Strong enough to care

One team

Strive to be the best


NZ Commercial Project Awards

Our environment

Environmental performance and sustainability

- Summerset has been measuring, managing, and reporting on its carbon footprint since 2017 (our base year)
- We set a long-term science-aligned carbon reduction target and now have short, medium and long term sustainability targets, all of which are linked
- We are carbonzero certified, our emissions independently audited by Toitū Envirocare to the ISO14064-1 standard
- To date, Summerset has achieved a 16% reduction in carbon emissions against our short term target
- Committed to a waste diversion target for construction waste from landfill covering all sites in New Zealand and Australia
- Continue to receive strong environmental, social and governance ratings on key ESG indices
- Scored 'B' in The Carbon Disclosure Project questionnaire which allows organisations to disclose their environmental management response - health care organisations around the world achieved an average score of 'C'
- Designing new villages to be emissions-friendly by adopting more responsible building materials
- Installed the first public electric charge station at our villages. Summerset's own fleet of vehicles will gradually be replaced by electric vehicles with the first two in place from early 2022

Summerset's sustainability targets

2018 - 2022
Short term target

Toitū carbonzero target to reduce emissions intensity by 5% by 2022, compared to 2017 base year

▼ **16%**
Achieved reduction since 2017

2021 - 2026
Medium term targets

Ongoing dementia certification and provision of dementia beds

Achievement of our short term target and confirmation of a new five year emissions target

Reduction in construction waste going to landfill by improving diversion rates

2026 - 2032
Long term targets

A 62% reduction in emissions intensity per square metre by 2032 (from 2017 levels)

What does this mean:
A science aligned target in line with the goal of limiting global warming to 1.5-2 degrees which focuses on reducing electricity, gas and fuel consumption

Our sustainability affiliations

CLIMATE LEADERS COALITION
ON A MISSION TO REDUCE EMISSIONS IN NEW ZEALAND

CDP
DISCLOSURE INSIGHT ACTION

TOITŪ
CARBON ZERO
ISO 14064-1 ORGANISATION

MEMBER 2020–2021
NZGBC NEW ZEALAND GREEN BUILDING COUNCIL

Harbour ASSET MANAGEMENT

MSCI

CRAIGS® INVESTMENT PARTNERS

Our Sustainability policy, Supplier Code of Conduct and Modern Slavery Policy are all available on our website

Community support

Promoting and supporting our communities

- Summerset now assists over 150 local community clubs and groups – including bowls, golf, croquet, bridge and tennis clubs, Age Concern, the RSA and Lions
- Renewed our sponsorship of Bowls New Zealand for a further three years
- Signed a new agreement to support New Zealand's Symphony Orchestra as a principal sponsor
- Supported Wellington Free Ambulance's campaign for a new ambulance with a $40,000 donation
- Naming partner of the South Island Masters Games held in Marlborough in October
- Game sponsor of the ANZ Premiership netball competition, will be an Official Partner for the upcoming 2022 season

New Zealand Symphony Orchestra

Bowls New Zealand

South Island Masters Games

ANZ Premiership


Summerset Mt Denby, Whangārei

Summerset

New Zealand development

Full Year Report 2021

Summerset at Heritage Park (Ellerslie, Auckland)

Summerset St Johns (Auckland)

Development activity

New Zealand summary

- Summerset was the largest listed retirement village builder in New Zealand in FY21, and one of New Zealand's largest residential home builders
- Delivered a record 671 total units including 278 villas, two main buildings and three apartment blocks
- A total of 16 villages in construction across nine regions in New Zealand in FY21
- Received resource consent approval for six villages, all units scheduled to be delivered over the next four years now have resource consent
- Progressed construction at our St Johns village, on track for first deliveries in 2024
- Completed the construction of Summerset at Heritage Park (Ellerslie), delivering the final apartment block
- Undertook a contemporary design refresh of village architecture
- Began construction on three new villages in FY21, in Cambridge, Prebbleton and Waikanae
- Expected FY22 New Zealand build rate of between 550 to 650 total units (including 26 care beds)

Summerset Mount Denby (Whangārei)

Summerset at Monterey Park (Hobsonville, Auckland)

Summerset Rototuna (Hamilton)

Summerset on the Dunes (Pāpāmoa Beach, Tauranga)

Summerset at Pohutukawa Place (Bell Block, New Plymouth)

Summerset Palms (Te Awa, Napier)

Summerset on the Landing (Kenepuru, Wellington)

Summerset Boulcott (Lower Hutt, Wellington)

Summerset Richmond Ranges (Nelson)

Summerset on Cavendish (Casebrook, Christchurch)

Summerset at Avonhead (Christchurch)

Summerset Prebbleton (Selwyn District)

New Zealand development pipeline

Diversified development pipeline with 21 sites in FY21, 81% of land bank now fully consented

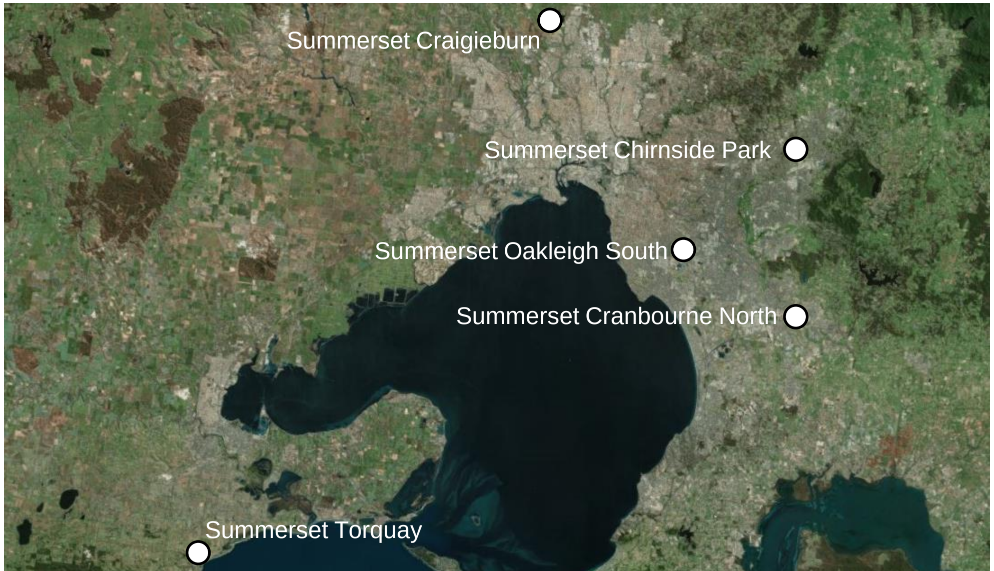
** New sites purchased*

Blessing Ceremony, Cranbourne North

Summerset

Australia development

Full Year Report 2021



Summerset Australia

Summerset Oakleigh South (Melbourne)

Development activity

Australia summary

- Substantial progress made on our Australian land bank, acquiring three Melbourne sites in FY21 in Chirnside Park, Craigieburn and Oakleigh South
- We continue to look for suitable sites around Victoria to complement the existing properties we already hold
- Appointed key Melbourne based roles in preparation for the start of construction and sales launch at Cranbourne North
- Received the planning permit for our Cranbourne North village with a smoking ceremony held with local elders prior to construction beginning
- Our first Australian deliveries are expected in early 2023
- Submitted the planning permit application for our second Australian village in Chirnside Park
- Received the Precinct Structure Plan Approval for Craigieburn
- Completed prototype home for Cranbourne North that incorporates our Australian design standards, including a larger footprint and more emphasis on outdoor living
- Summerset has been approved to provide residential aged care and home care services in Australia
- Our villages will offer a full continuum of care in Australia, which sets us apart from many Australian competitors

Summerset Chirnside Park (Melbourne)

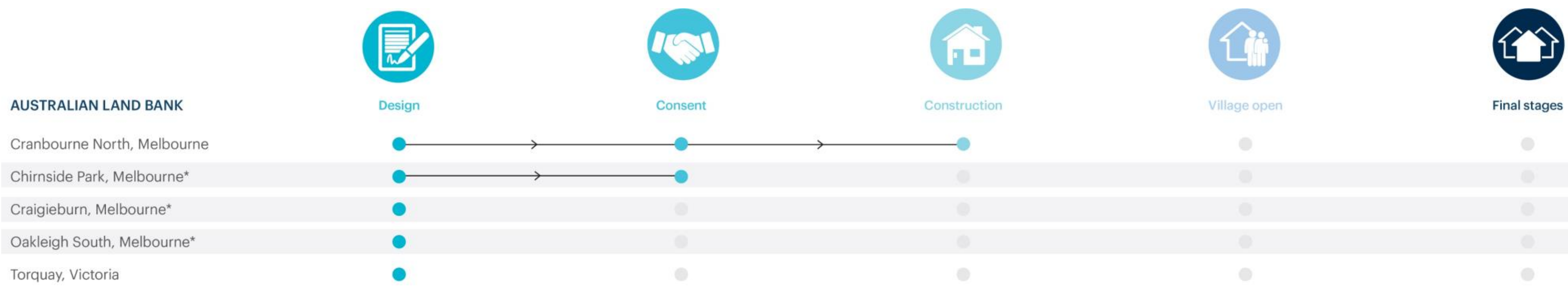
Summerset Cranbourne North (Melbourne)

Summerset Craigieburn (Melbourne)

Summerset Torquay (Victoria)

Australia development pipeline

Excellent progress made in growing our Australian land bank, three sites added in FY21



** New sites purchased*

Financial performance

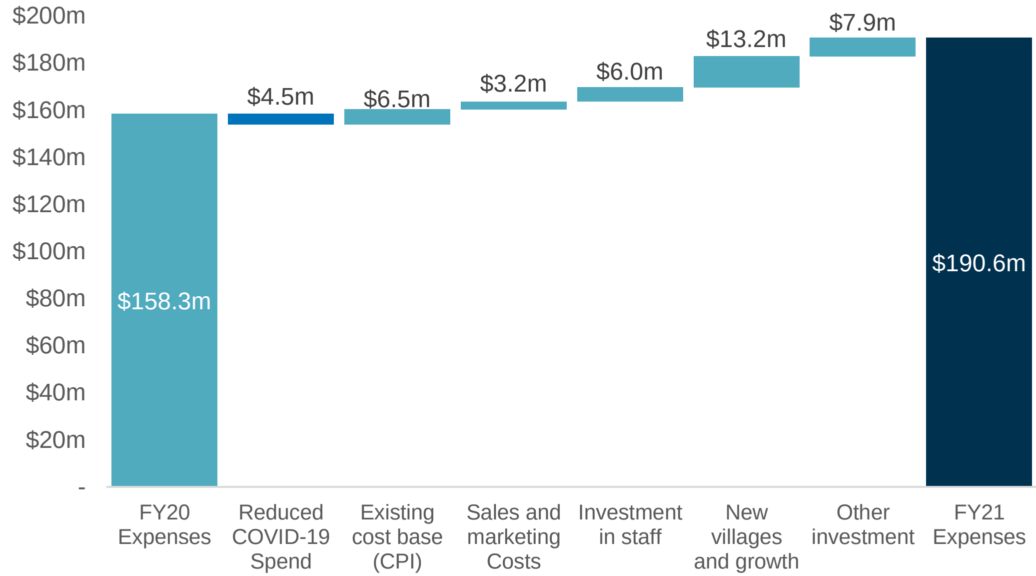
Full Year Report 2021

Reported profit (IFRS)

- Record IFRS NPAT of $543.7m, up from $230.8m in FY20
- Fair value movement of investment property of $537.5m, including $140.4m from new unit deliveries
- Total revenue of $205.3m, up 19% relative to FY20
- Key movements in expenses include the following:
  - $13.2m relating to the volume of growth in our developing villages, including opening two main buildings and record deliveries in FY21
  - $6.0m on staff. Includes investment in staff training and development and $4.3m primarily on wage increases for nurses and caregivers
  - $3.2m on sales and marketing costs, mainly due to increased sales volumes
  - $7.9m associated with other property related expenditure, Australia and one off initiatives to upgrade our IT systems
  - Offset by a $4.5m reduction in COVID-19 related expenditure, not incurred in FY21
- Net finance costs reduced due to increased capitalisation to construction projects

NZ$m	FY21	FY20	*Variance*	FY19
Total revenue	205.3	172.4	*19%*	153.9
Reversal of impairment on land & buildings	3.4	-	-	-
Fair value movement of investment property	537.5	221.1	*143%*	165.3
Total income	**746.3**	**393.6**	***90%***	**319.2**
Total expenses	190.6	158.3	*20%*	130.2
Net finance costs	12.0	13.5	*(11%)*	15.4
Net profit before tax	**543.6**	**221.7**	***145%***	**173.6**
Tax expense / (credit)	(0.0)	(9.0)	*(100%)*	(1.7)
Net profit after tax	**543.7**	**230.8**	***136%***	**175.3**

Movement in total expenses: FY20 vs FY21



Fair value movement

- FY21 fair value movement of $537.5m, a record across all prior year reporting periods
- Fair value movement has been driven by:
    - Unit pricing ($320.9m): Reflecting the positive movement in residential house price inflation over the past 12 months
    - New units built ($140.4m): Value of new units delivered in FY21
    - Uplift in land bank ($34.2m): Valuation movement on undeveloped land bank in New Zealand
    - Stock discount assumptions: Reversal of previous discount applied to stock settled in FY21 ($25.3m)
    - Discount rates ($14.1m): Change in assumptions used by the valuers
    - Other movements ($2.7m): Change in all other valuers assumptions
- Refer to the appendices (slide 58 and 59) for key assumptions associated with the investment property valuation

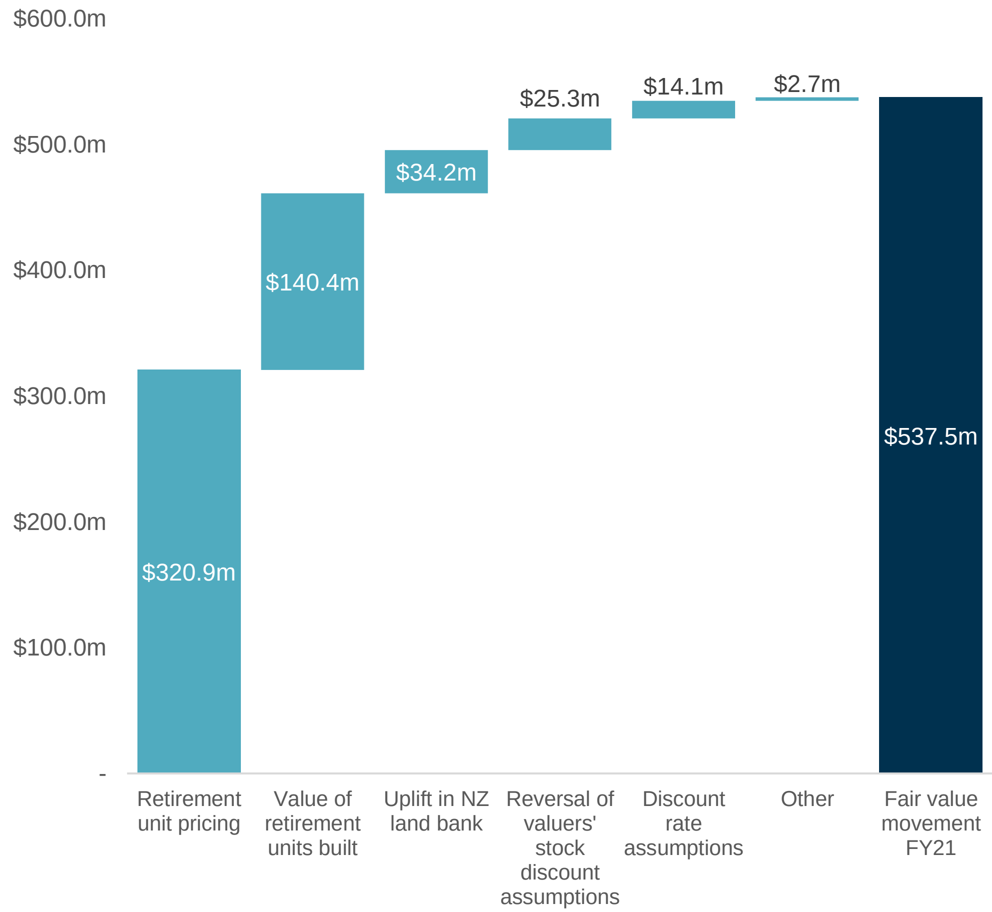
$537.5m

Fair value movement

$140.4m

Increase from new units delivered

Fair value movement of investment property FY21



Underlying profit

- Underlying profit of $141.1m, a 12 month record and up 44% on FY20
- Continue to achieve record performance in operating earnings across our core business functions;
  - Care fees and village services of $126.9m, up 14%
  - Deferred management fee of $75.2m, up 24%
  - Realised gain on resales of $59.9m, up 30% on FY20 and 62% on FY19
- Realised development margin of $78.5m, a 63% increase, average margin of $145k per unit
- Underlying profit has seen an annual compounded increase of 33% since listing on the NZX in 2011

$141.1m

Underlying profit

44%

Increase on FY20

NZ$m	FY21	FY20	*Variance*	FY19
Care fees and village services	126.9	111.6	*14%*	101.3
Deferred management fees	75.2	60.8	*24%*	52.5
Realised gain on resales	59.9	46.1	*30%*	36.9
Realised development margin	78.5	48.2	*63%*	61.0
Other income and interest received	3.3	0.1	*6353%*	0.2
Total income	**343.8**	**266.7**	***29%***	**251.8**
Operating expenses	179.0	146.8	*22%*	122.4
Depreciation and amortisation	11.6	8.1	*43%*	7.8
Net finance costs	12.0	13.5	*(11%)*	15.4
Total expenses	**202.6**	**168.4**	***20%***	**145.6**
Underlying profit	**141.1**	**98.3**	***44%***	**106.2**

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 and has been audited by Ernst & Young. Underlying profit is a measure which the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend payout to shareholders.

Cash flows

- Net operating cash flows of $383.4m, up from $266.8m at FY20
- Excluding the purchase of land, net operating cash flows exceeded net investing cash flows by $30.4m, or 9%
- Investing cash out flows of $425.0m, up 33% on FY20, reflect the following:
  - Earthworks and civils expenditure at our new sites including Cambridge, Lower Hutt, Prebbleton, St Johns, Waikanae and Whangārei
  - Main building spend in Avonhead, Kenepuru, Richmond and Te Awa
  - Villa stages across 11 sites
- Other investing cash out flows in FY21 primarily reflect our investment in:
  - Fitout of our new Richmond and Avonhead care centres
  - Upgrades to our assist call systems across our villages
  - Additional IT equipment to support staff working remotely, and growth

$383.4m

Net operating cash flows

44%

Increase on FY20 ▲

NZ$m	FY21	FY20	*Variance*	FY19
Net operating business cash flow	45.8	29.8	*54%*	28.5
Receipts for residents' loans - new sales	337.6	237.0	*42%*	209.4
Net operating cash flow	**383.4**	**266.8**	*44%*	**237.9**
Purchase / sale of land	(72.0)	(43.2)	*66%*	(57.3)
Construction of new IP & care facilities	(318.3)	(245.9)	*29%*	(248.2)
Refurb of existing IP & care facilities	(8.5)	(9.4)	*(9%)*	(7.3)
Other investing cash flows	(9.7)	(8.4)	*15%*	(3.7)
Capitalised interest paid	(16.5)	(11.9)	*38%*	(10.8)
Net investing cash flow	**(425.0)**	**(318.8)**	***33%***	**(327.4)**
Net proceeds from borrowings	67.1	78.5	*(14%)*	135.6
Net dividends paid	(23.7)	(19.4)	*22%*	(19.5)
Other financing cash flows	(9.2)	(12.8)	*(28%)*	(12.6)
Net financing cash flow	**34.2**	**46.3**	***(26%)***	**103.5**

Balance sheet

- Total assets of $4.9b, up 26% on FY20 driven by portfolio growth and the underlying value in our existing villages
- Investment property valuation of $4.6b, up 26% on FY20
- Retained earnings are now $1.5b, up 49% from $1.0b at FY20. This continues to positively impact balance sheet strength and company gearing ratios
- Other assets include buildings, which are primarily care centres
- Care centres were valued as at 31 December 2021
- Net tangible assets per share of $8.36, the highest of all listed operators in the sector

$4.9b

Total assets ▲ 26%

$1.5b

Retained earnings ▲ 49%

NZ$m	FY21	FY20	*Variance*	FY19
Investment property	4,580	3,639	*26%*	3,107
Other assets	343.5	254.4	*35%*	230.9
Total assets	**4,924**	**3,893**	***26%***	**3,338**
Residents' loans	1,847	1,520	*21%*	1,328
Face value of bank loans & bonds*	749.9	672.6	*12%*	587.1
Other liabilities	402.1	345.5	*16%*	291.3
Total liabilities	**2,999**	**2,538**	***18%***	**2,206**
Net assets**	**1,925**	**1,355**	***42%***	**1,132**
NTA (cents per share)	**835.9**	**594.1**	***41%***	**502.0**

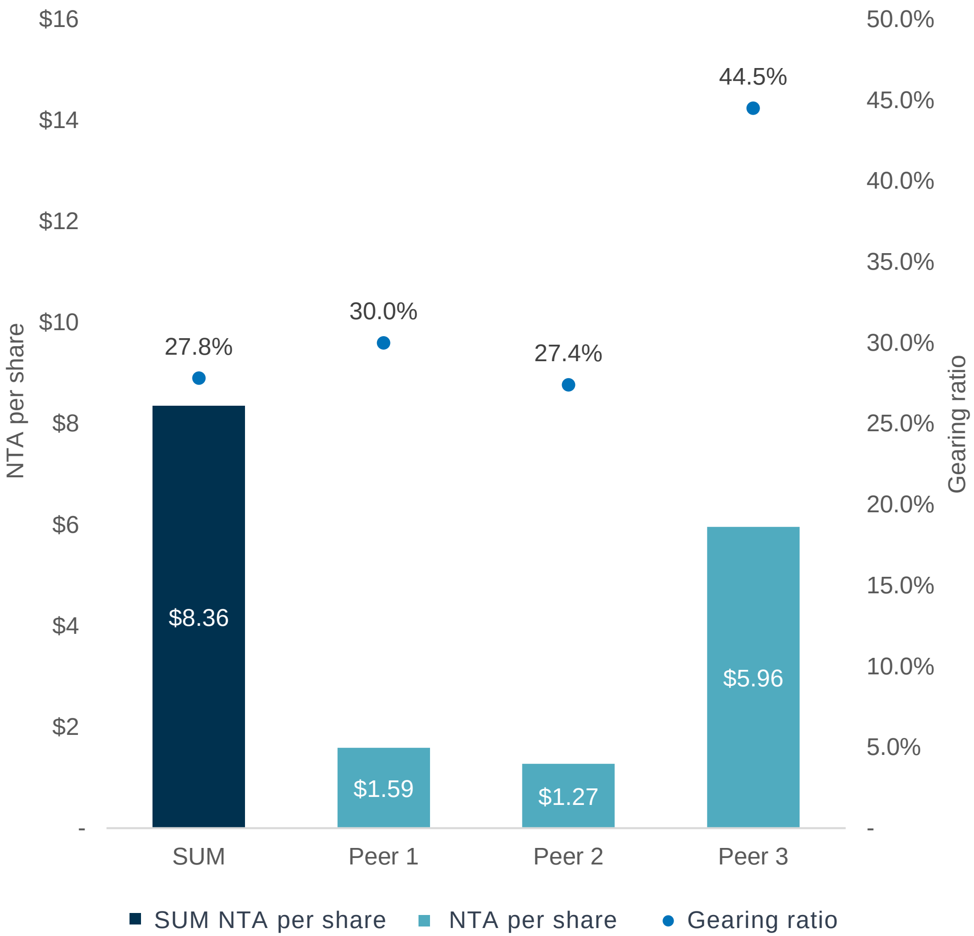
** Face value of drawn bank debt and retail bonds. Excludes capitalised and amortised bond issue costs, and fair value movement on hedged borrowings.*

*** Net assets includes share capital, reserves, and retained earnings*

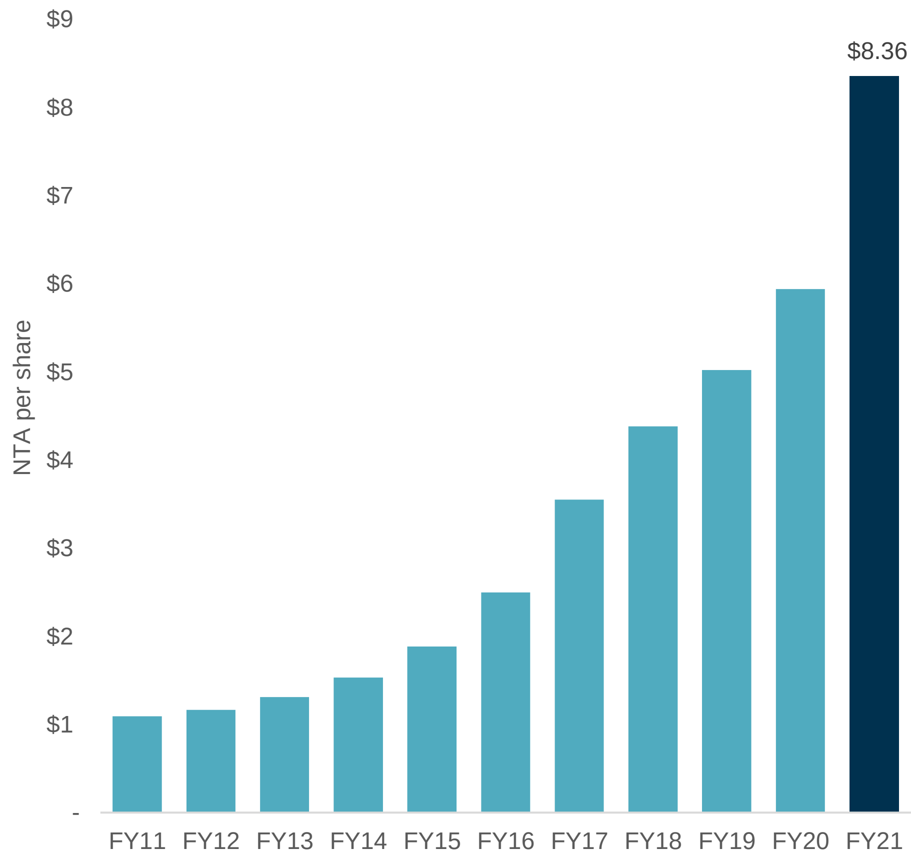
Net tangible assets

Strong financial disciplines underpinning net tangible assets and gearing

Net tangible assets and gearing*



Summerset net tangible assets per share



Peer results based on most recent results presentations and annual or half year reports

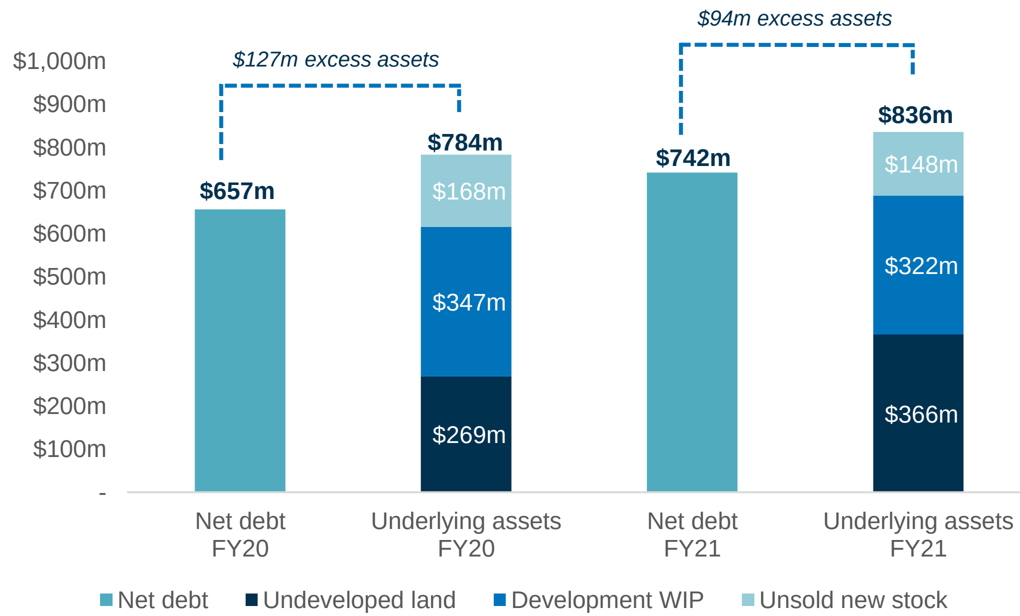
Gearing ratio

- Net debt of $741.5m* as at 31 December 2021, up from $656.8* at FY20
- Uplift in gross debt driven by increased build rate across our developing villages and land settlements in the period
- Gearing ratio of 27.8%, down from 32.6% at FY20 and 33.3% at FY19, now at the lowest level since 2013
- Development assets exceed the value of net debt by $94m, or 13%

27.8%
Gearing ratio

29.8%
Bank & bond LVR

Net debt to underlying assets – FY21



	FY21	FY20	Variance	FY19
Gearing ratio (%)**	27.8%	32.6%	*(14.8%)*	33.3%
Bank & bond LVR (%)**	29.8%	35.9%	*(17.0%)*	35.9%

** Face value of drawn bank debt and retail bonds. Excludes capitalised and amortised bond issue costs, and fair value movement on hedged borrowings less cash and cash equivalents*

*** Gearing ratio calculation (net debt / net debt plus book equity) differs from the Summerset Group's bank and bond LVR covenant (Total debt of the Summerset Group / Property value of the Summerset Group)*

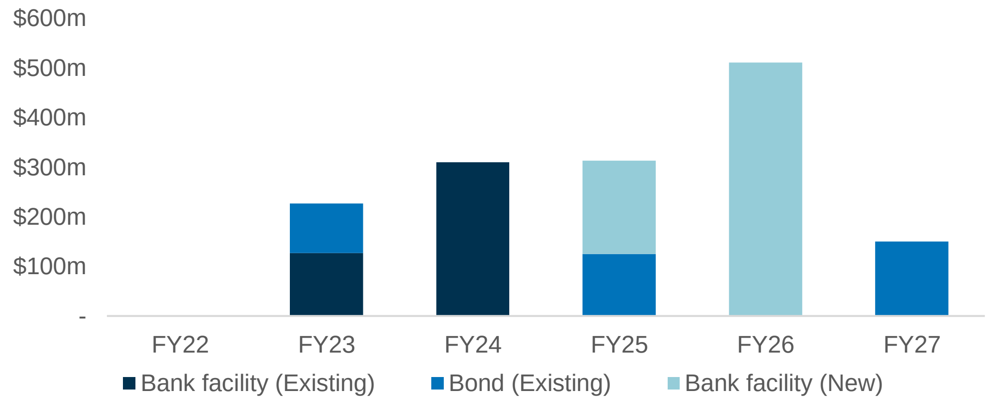
Funding

- Bank facility now approximately $1.2b, with existing $375m of retail bonds
- Total facility (incl. bonds) has an average tenure of 3.8 years
- Loan facility was refinanced in August 2021 for approximately $700m, with an effective date of 1 October 2021
- New lending has a mix of four and five year tenures with an average tenure of 4.7 years
- The refinance included $315m that was due to mature in March 2022, with additional funding of approximately $385m, primarily in Australian dollars
- The increased capacity provides sufficient headroom to fund growth in Australia, in line with previously signalled plans

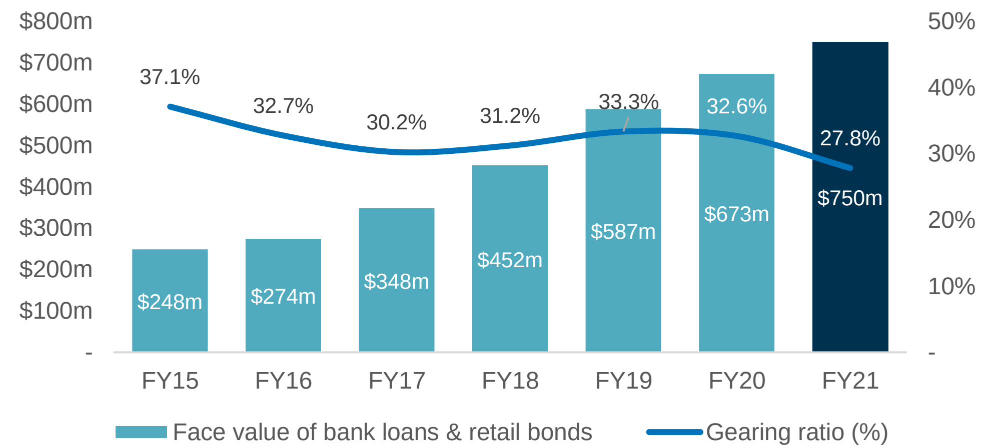
$1.2b
Bank facility

$375m
Retail bonds

Refinanced funding maturity profile



Gross borrowings and gearing

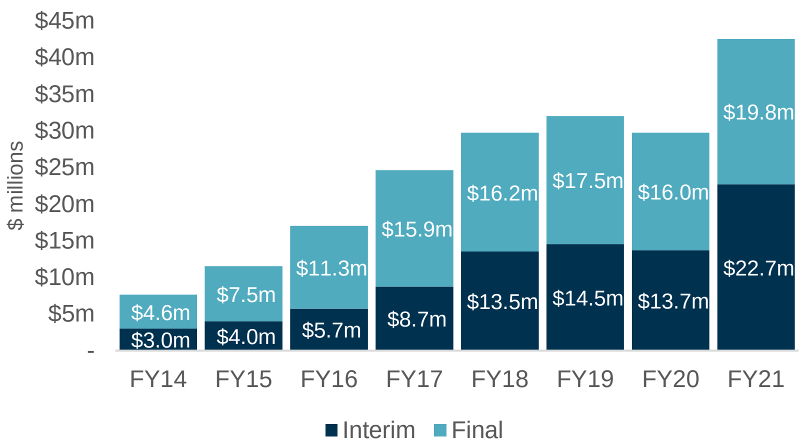


** Face value of drawn bank debt and retail bonds. Excludes capitalised and amortised bond issue costs, and fair value movement on hedged borrowings less cash and cash equivalents*

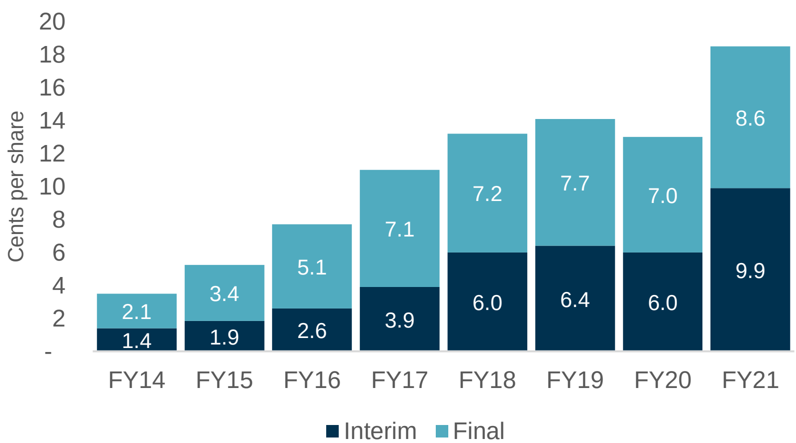
*** Gearing ratio calculation (net debt / net debt plus book equity) differs from the Summerset Group's bank and bond LVR covenant (Total debt of the Summerset Group / Property value of the Summerset Group)*

Final dividend

Gross dividend payout per year



Dividend per share



Declared FY21 final dividend of 8.6 cents per share

- The Board has declared an unimputed final dividend of 8.6 cents per share, being 30% of underlying profit
- This brings total dividends for the 2021 year (interim and final) to 18.5 cents per share
- The dividend reinvestment plan (DRP) will apply to this dividend enabling shareholders to take shares in lieu of the cash dividend
- A discount of 2% will be applied when determining the price per share of shares issued under the DRP
- Eligible investors wishing to take up the DRP must register by 5.30pm NZT on Friday 11 March 2022. Any applications received on or after this time will be applied to subsequent dividends
- The final dividend will be paid on Wednesday 23 March 2022. The record date for final determination of entitlements to the final dividend is Thursday 10 March 2022
- The dividend policy remains 30% to 50% of underlying profit for the full year period. As previously indicated, dividend payments are likely to continue to be at the bottom end of this range given the growth opportunities present for the business at this time

Summerset

Business performance

Full Year Report 2021

Retirement unit delivery

Record 12 month deliveries of 671 total units

- A total of 671 units delivered in the period across 12 villages, comprising 545 retirement units and 126 care units
- Of the 671 units, a total of 619 are sold under ORA, the remaining 52 being care beds
- This is a record number of annual deliveries for Summerset, up 62% on FY20 and underpinned by a diversified construction programme operating across nine regions in New Zealand
- Delivered villa stages in 11 villages including the first units in our Whangārei village
- Completed new main buildings at Richmond and Avonhead – both include serviced apartments, memory care apartments, a care centre and a wide range of recreation spaces for residents
- We now offer our market leading dementia care in five villages across New Zealand

545
Retirement units delivered

671
Total units delivered

Unit delivery	Retirement units			Care units			Total units*
	Villas	Apartments	Serviced apartments	Memory care apartments	Care suites	Care beds	
Avonhead	32	-	79	20	17	26	174
Bell Block	50	-	-	-	-	-	50
Casebrook	19	-	-	-	-	-	19
Ellerslie	2	74	-	-	-	-	76
Hobsonville	6	-	-	-	-	-	6
Katikati**	-	-	10	-	-	-	10
Kenepuru	26	48	-	-	-	-	74
Pāpāmoa	29	-	-	-	-	-	29
Richmond	37	-	56	20	17	26	156
Rototuna	21	-	-	-	-	-	21
Te Awa	53	-	-	-	-	-	53
Whangārei	3	-	-	-	-	-	3
Total	**278**	**122**	**145**	**40**	**34**	**52**	**671**

**Total units include all units sold under Occupation Right Agreement and care beds*

*** Katikati deliveries relate to care centre refurbishment*

Development margin

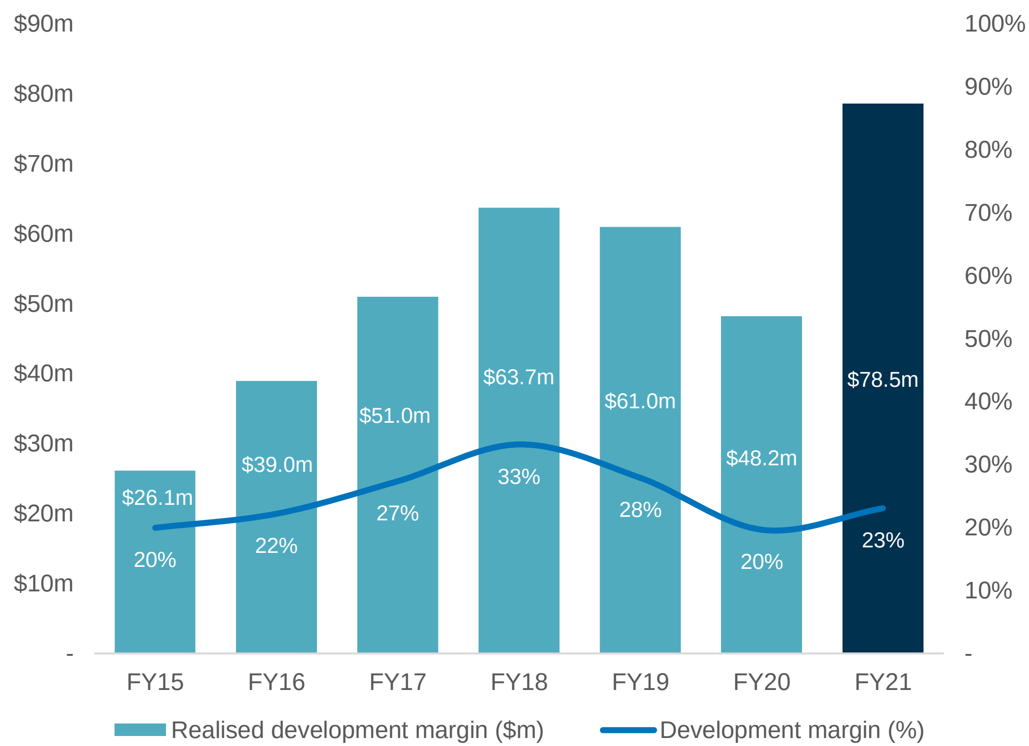
Realised development margin of $78.5m, with a 23% development margin

- Realised development margin of $78.5m, a record full year result and up 63% from $48.2m in FY20
- Development margin of 23%, up from 20% in FY20
- Continuing to achieve good margins across our villa stages with an average margin around 30%
- FY21 settlement mix reflects a higher number of serviced apartments, memory care apartments and care suites (up 54% on FY20)
- New sales benefitted from a balanced nationwide settlement profile, no more than 26% of new sales coming from a single region
- For FY22, we expect development margins to be within our medium term target range of 20% to 25%

23%
Development margin

$78.5m
Realised margin ▲ 63%

Realised development margin



New sales

540 new sales in the period, record gross proceeds of $340.3m

- A full year record of 540 new sales of Occupation Rights
- This is a 34% increase on FY20 and 30% higher than our previous record of 414 new sales in FY16
- Record gross proceeds of $340.3m, up 39%
- Average gross proceeds per new sale settlement of $630k, up from $607k
- Our diversification strategy continues to underpin our success, all regions with stock securing more than 30 settlements each

540

New sales of Occupation Rights

$340.3m

Gross proceeds ▲ 39%

New sales	FY21	FY20	*Variance*	FY19
Gross proceeds ($m)	**340.3**	**245.4**	***39%***	**218.7**
Villas	335	264	*27%*	216
Apartments	79	58	*36%*	62
Serviced apartments	92	63	*46%*	51
Memory care apartments	19	18	*6%*	-
Care suites	15	1	*1400%*	-
Total occupation rights	**540**	**404**	***34%***	**329**

New sales stock

Stock levels remain stable relative to prior periods

- Uncontracted new sale stock of 262 units, up from 179 at FY20 but in line with FY19
- Of the 262 uncontracted stock, 81 (31%) were delivered as part of Avonhead's main building that officially opened in September 2021
- The overall increase in uncontracted stock driven by two factors:
  - The sell down of serviced apartments, memory care apartments and care suites in Richmond and Avonhead
  - Impact of the COVID-19 Delta outbreak on the sell down of the final apartment block in Ellerslie
- Our villas continue to see very high demand, 278 delivered in FY21, of these only 28 remain available for sale across all villages

262

Uncontracted new sale stock

5.2%

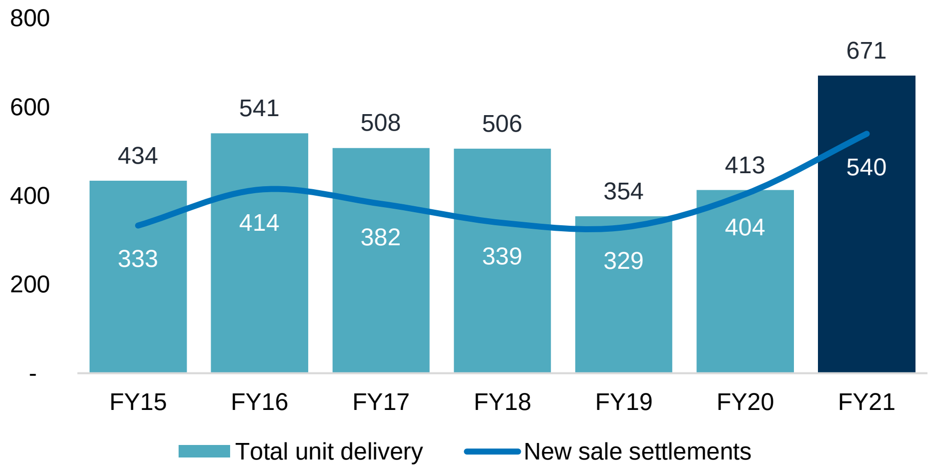
Percentage of uncontracted stock

New sales stock	FY21	FY20	FY19
Contracted	115	117	78
Uncontracted	262	179	266
Total new sales stock	**377**	**296**	**344**
Contracted	54	78	59
Uncontracted	28	61	147
Villas	**82**	**139**	**206**
Contracted	19	20	11
Uncontracted	64	20	87
Apartments	**83**	**40**	**98**
Contracted	26	13	8
Uncontracted	116	76	32
Serviced apartments	**142**	**89**	**40**
Contracted	15	3	-
Uncontracted	28	19	-
Memory care apartments	**43**	**22**	**-**
Contracted	1	3	-
Uncontracted	26	3	-
Care suites	**27**	**6**	**-**

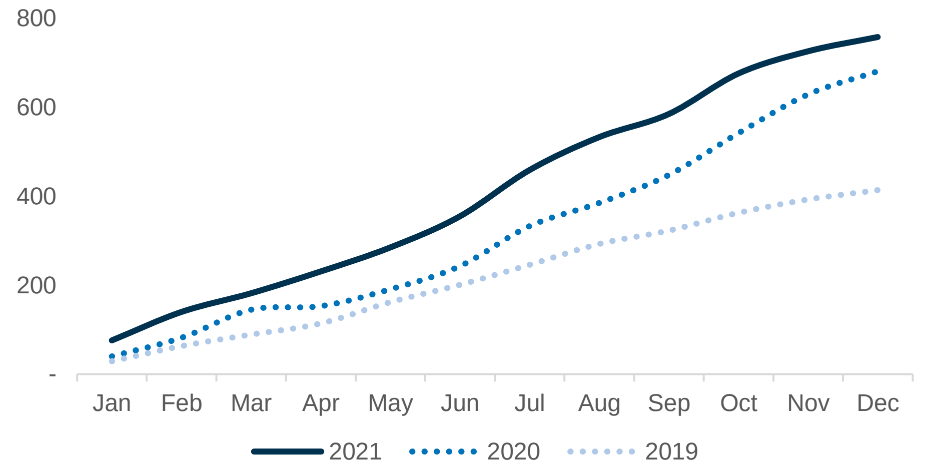
Percentage of uncontracted stock calculated off all units sold under Occupation Right Agreement

New sales performance

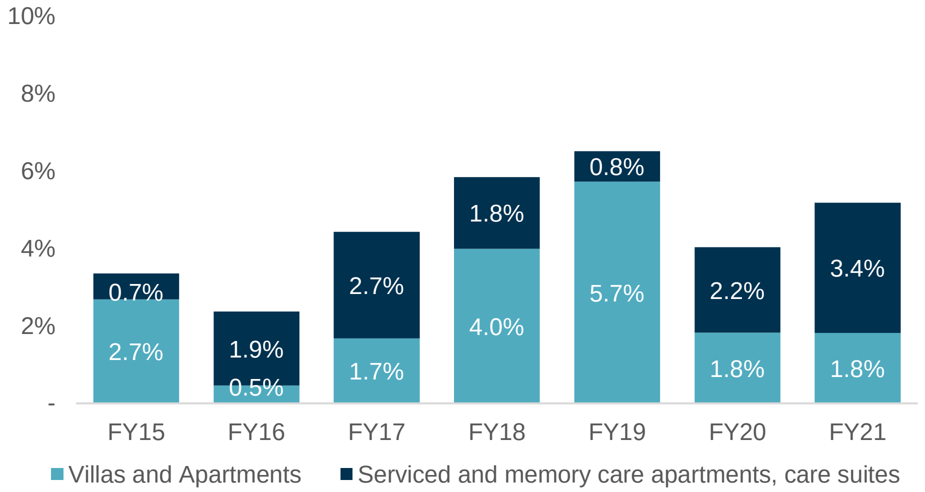
New sale settlements and total unit delivery



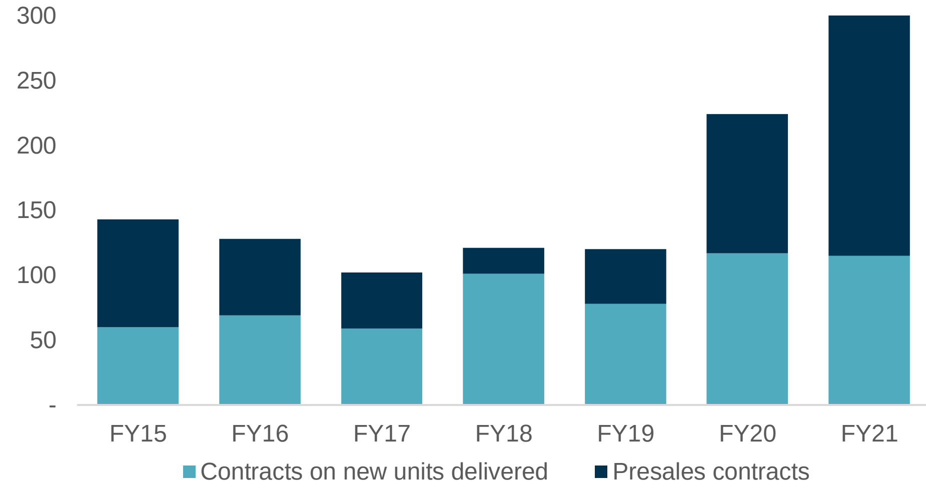
Annual new sales contracts



Uncontracted new sales stock as % of portfolio



Committed new sales pipeline



Resales

Realised gain of $59.9m, up 30%, embedded value now $1.4b

- Total resales of 438 occupation rights in FY21, up from 381 in FY20 and 323 in FY19
- Record realised resale gain of $59.9m with an average gain per unit of $137k, up 13% on FY20
- Gross proceeds of $231.3m, up 31% on FY20
- Record gross proceeds per resale settlement of $528k, up 14% from $464k in FY20
- Realised resale gain of 26%, in line with previous periods
- FY21 included a higher proportion of settlements in developing villages, 34% in FY21 compared to 25% in FY20

438

Resales of Occupation Rights

$59.9m

Realised resale gain ▲ 30%

Resales	FY21	FY20	*Variance*	FY19
Gross proceeds ($m)	**231.3**	**176.8**	***31%***	**143.7**
Realised resale gains ($m)	59.9	46.1	*30%*	36.9
Realised resale gains (%)	26%	26%	*(1%)*	26%
DMF realisation ($m)	32.0	24.0	*33%*	18.9
Villas	219	200	*10%*	173
Apartments	58	46	*26%*	31
Serviced apartments	151	129	*17%*	118
Memory care apartments	10	6	*67%*	1
Care suites	-	-	-	-
Total occupation rights	**438**	**381**	***15%***	**323**

Embedded value

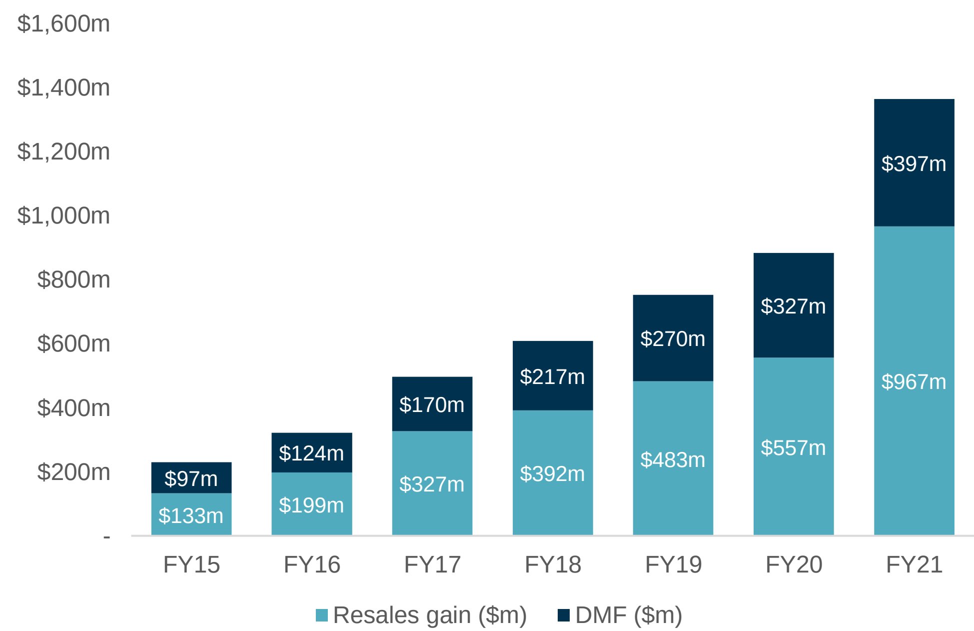
Embedded value now $1.4b, up 54%

- Total embedded value now $1.4b, having increased from $883.6m at FY20, a 54% uplift
- Embedded value comprised of:
  - $967.3m resale gains
  - $397.4m deferred management fees
- Embedded value per unit is now $269k, up from $199k at FY20 and provides a strong platform for future earnings growth
- Unrealised resale gain per unit now $191k, compared to $125k at FY20

$1.4b
Embedded value

$967.3m
Embedded resale gain

Embedded value



NZ$m	FY21	FY20	Variance	FY19
DMF	$397.4	$326.7	*22%*	$269.7
Resales gain	$967.3	$556.9	*74%*	$483.0
Embedded value	**$1,365**	**$883.6**	***54%***	**$752.7**

Resales stock

Available resales stock remains at very low levels

- Resales stock continues to be low with 118 retirement units under contract and 80 units uncontracted at FY21
- Uncontracted stock remains in line with the 73 units at FY20 and 78 at FY19
- 46 out of the 80 uncontracted units are serviced apartments, however, there is only an average of 2.3 available serviced apartments per village which highlights the limited build up at individual sites
- Waitlist numbers continue to increase, now over 1,400 prospective residents, up 36% on FY20

80

Uncontracted resale stock

1.6%

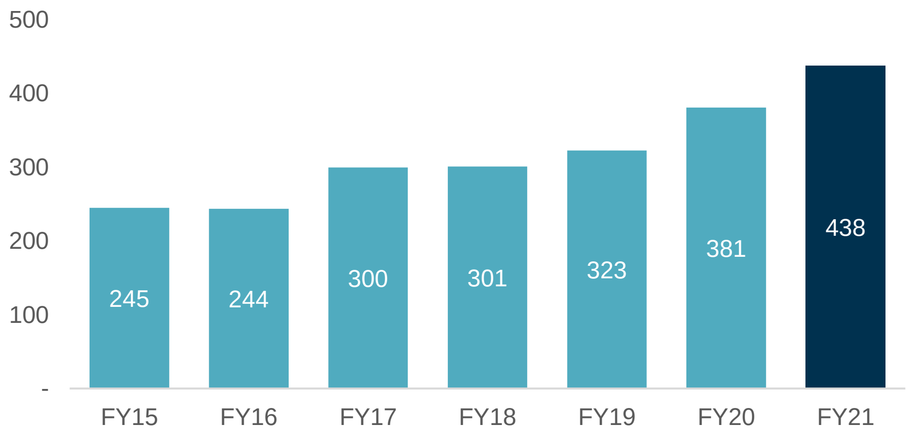
Percentage of uncontracted stock

Resales stock	FY21	FY20	FY19
Contracted	118	105	54
Uncontracted	80	73	78
Total resales stock	**198**	**178**	**132**
Contracted	52	62	29
Uncontracted	18	13	35
Villas	**70**	**75**	**64**
Contracted	15	12	5
Uncontracted	15	18	15
Apartments	**30**	**30**	**20**
Contracted	48	29	20
Uncontracted	46	42	25
Serviced apartments	**94**	**71**	**45**
Contracted	3	2	-
Uncontracted	1	-	3
Memory care apartments	**4**	**2**	**3**
Contracted	-	-	-
Uncontracted	-	-	-
Care suites	**-**	**-**	**-**

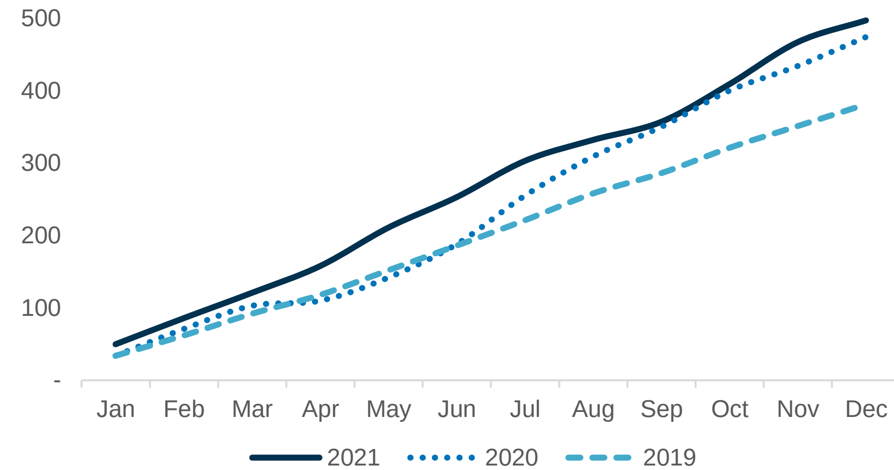
Percentage of uncontracted stock calculated off all units sold under Occupation Right Agreement

Resales performance

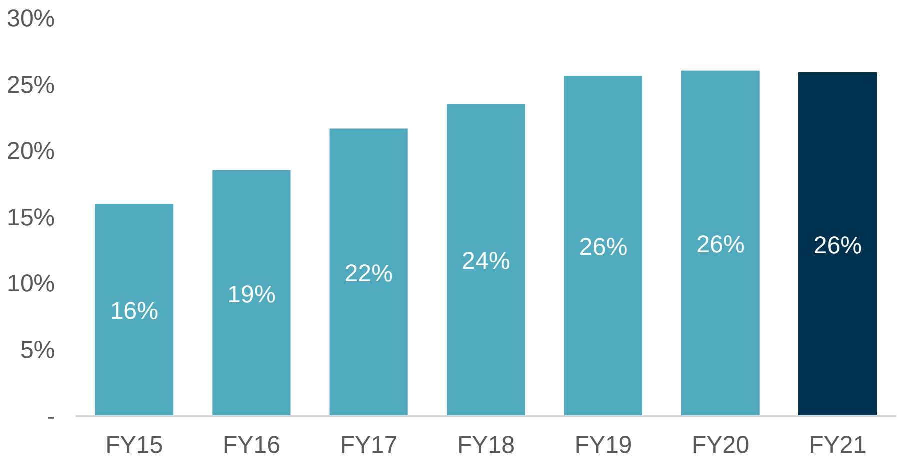
Resales settlements



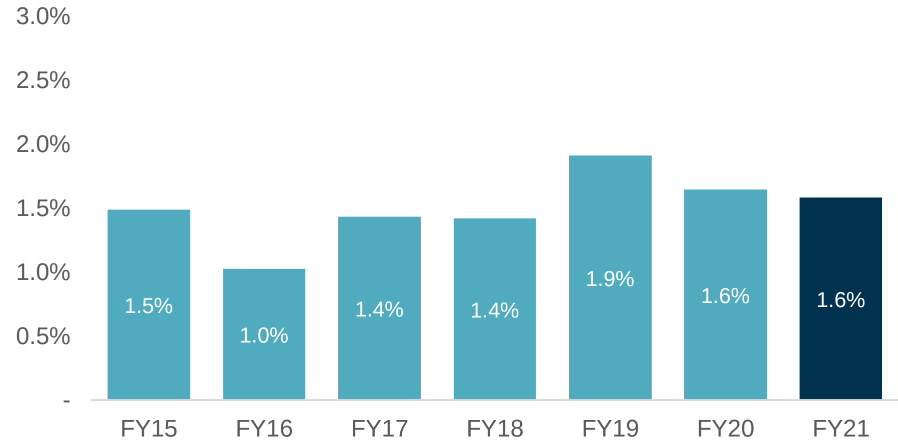
Annual resales contracts



Realised resale gain



Uncontracted resales stock as % of portfolio



Questions

Disclaimer

- This presentation may contain projections or forward looking statements regarding a variety of items. Such forward looking statements are based upon current expectations and involve risks and uncertainties
- Actual results may differ materially from those stated in any forward looking statement based on a number of important factors and risks
- Although management may indicate and believe the assumptions underlying the forward looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward looking statements will be realised
- Furthermore, while all reasonable care has been taken in compiling this presentation, Summerset accepts no responsibility for any errors or omissions
- This presentation does not constitute investment advice

Appendix

Summerset overview

Diversified portfolio throughout New Zealand

Our people

6,900+
Residents

2,100+
Staff members

96%
Village resident satisfaction

Our care

98%
Care resident satisfaction

1,098
Care units in portfolio

1,208
Care units in land bank

Our portfolio

4,930
Retirement units in portfolio

5,406
Retirement units in land bank

$4.9b
Total assets

Portfolio as at 31 December 2021

6,028 total units including 4,930 retirement units and 1,098 care units

Existing portfolio - as at 31 December 2021							
	Retirement units			Care units			
Village	Villas	Apartments	Serviced apartments	Memory care apartments	Care suites	Care beds	Total units and care beds
Whangārei	3	-	-	-	-	-	3
Northland	**3**	**-**	**-**	**-**	**-**	**-**	**3**
Ellerslie	38	218	57	-	-	58	371
Hobsonville	131	73	52	-	-	52	308
Karaka	182	-	59	-	-	50	291
Manukau	89	67	27	-	-	54	237
Warkworth	202	2	44	-	-	41	289
Auckland	**642**	**360**	**239**	**-**	**-**	**255**	**1,496**
Hamilton	183	-	50	-	-	49	282
Rototuna	163	-	56	20	7	36	282
Taupō	94	34	18	-	-	-	146
Waikato	**440**	**34**	**124**	**20**	**7**	**85**	**710**
Katikati	156	-	30	-	-	27	213
Pāpāmoa Beach	50	-	-	-	-	-	50
Bay of Plenty	**206**	**-**	**30**	**-**	**-**	**27**	**263**
Hastings	146	5	-	-	-	-	151
Havelock North	94	28	-	-	-	45	167
Napier	94	26	20	-	-	48	188
Te Awa	93	-	-	-	-	-	93
Hawke's Bay	**427**	**59**	**20**	**-**	**-**	**93**	**599**
Bell Block	60	-	-	-	-	-	60
New Plymouth	108	-	40	-	-	52	200
Taranaki	**168**	**-**	**40**	**-**	**-**	**52**	**260**

Portfolio as at 31 December 2021

6,028 total units including 4,930 retirement units and 1,098 care units

Existing portfolio - as at 31 December 2021							
	Retirement units			Care units			
Village	Villas	Apartments	Serviced apartments	Memory care apartments	Care suites	Care beds	Total units and care beds
Levin	64	22	-	10	-	41	137
Palmerston North	90	12	-	-	-	44	146
Wanganui	70	18	12	-	-	37	137
Manawatu-Wanganui	**224**	**52**	**12**	**10**	**-**	**122**	**420**
Aotea	96	33	38	-	-	-	167
Kenepuru	65	48	-	-	-	-	113
Paraparaumu	92	22	-	-	-	44	158
Trentham	231	12	40	-	-	44	327
Wellington	**484**	**115**	**78**	**-**	**-**	**88**	**765**
Nelson	214	-	55	-	-	59	328
Richmond	105	-	56	20	17	26	224
Nelson-Tasman	**319**	**-**	**111**	**20**	**17**	**85**	**552**
Avonhead	118	-	79	20	17	26	260
Casebrook	177	-	56	20	-	43	296
Wigram	159	-	53	-	-	49	261
Christchurch	**454**	**-**	**188**	**40**	**17**	**118**	**817**
Dunedin	61	20	20	-	-	42	143
Otago	**61**	**20**	**20**	**-**	**-**	**42**	**143**
Total	**3,428**	**640**	**862**	**90**	**41**	**967**	**6,028**

Future development

Largest New Zealand land bank for a retirement village operator of 5,313 units and beds*

Land bank – as at 31 December 2021

Village	Retirement units			Care units			Total units and care beds
	Villas	Apartments	Serviced apartments	Memory care apartments	Care suites	Care beds	
Whangārei	214	-	60	20	27	9	330
Northland	**214**	**-**	**60**	**20**	**27**	**9**	**330**
Half Moon Bay	-	212	52	20	49	-	333
Hobsonville	32	-	-	-	-	-	32
Milldale	102	124	60	20	27	7	340
Parnell	-	216	36	20	44	-	316
St Johns	-	225	64	-	41	-	330
Auckland	**134**	**777**	**212**	**60**	**161**	**7**	**1,351**
Pāpāmoa Beach	161	-	60	20	25	11	277
Bay of Plenty	**161**	**-**	**60**	**20**	**25**	**11**	**277**
Cambridge	260	-	60	20	27	9	376
Rototuna	25	-	-	-	-	-	25
Waikato	**285**	**-**	**60**	**20**	**27**	**9**	**401**
Bell Block	162	-	60	20	25	11	278
Taranaki	**162**	**-**	**60**	**20**	**25**	**11**	**278**
Te Awa	148	-	56	20	17	26	267
Hawke's Bay	**148**	**-**	**56**	**20**	**17**	**26**	**267**
Kelvin Grove	236		60	20	27	9	352
Manawatu-Wanganui	**236**	**-**	**60**	**20**	**27**	**9**	**352**
Kenepuru	49		86	20	17	26	198
Lower Hutt	46	109	58	14	12	12	251
Waikanae	217	-	60	20	27	9	333
Wellington	**312**	**109**	**204**	**54**	**56**	**47**	**782**

Future development

Largest New Zealand land bank for a retirement village operator of 5,313 units and beds*

Land bank – as at 30 June 2021							
	Retirement units			Care units			
Village	Villas	Apartments	Serviced apartments	Memory care apartments	Care suites	Care beds	Total units and care beds
Richmond	163	-	-	-	-	-	163
Nelson-Tasman	**163**	**-**	**-**	**-**	**-**	**-**	**163**
Blenheim	148	-	60	20	27	9	264
Marlborough	**148**	**-**	**60**	**20**	**27**	**9**	**264**
Avonhead	47	-	-	-	-	-	47
Casebrook	92	-	-	-	-	-	92
Prebbleton	221	-	60	20	27	7	335
Rangiora	260	-	60	20	27	7	374
Canterbury	**620**	**-**	**120**	**40**	**54**	**14**	**848**
Total NZ	**2,583**	**886**	**952**	**294**	**446**	**152**	**5,313**
Chirnside Park	175		50	36	36	-	297
Craigieburn	195	-	30	36	36	-	297
Cranbourne North	145	-	50	36	36	-	267
Oakleigh South	44	26	14	16	48	-	148
Torquay	203	-	53	18	18	-	292
Total Australia	**762**	**26**	**197**	**142**	**174**	**-**	**1,301**
Total NZ and Australia	**3,345**	**912**	**1,149**	**436**	**620**	**152**	**6,614**

FY21 underlying profit reconciliation

Reconciliation of underlying profit to reported net profit after tax

Financial (NZ$m)	FY21	FY20	*Variance*	FY19
Net profit before tax (IFRS)	543.6	221.7	145%	173.6
Net profit after tax (IFRS)	**543.7**	**230.8**	**136%**	**175.3**
Less reversal of impairment on land & buildings	(3.4)	3.4	(200%)	0.0
Less fair value movement of investment property	(537.5)	(221.1)	143%	(165.3)
Add realised gain on resales	59.9	46.1	30%	36.9
Add realised development margin	78.5	48.2	63%	61.0
Add/(less) deferred tax expense/credit	(0.0)	(9.0)	(100%)	(1.7)
Underlying profit*	**141.1**	**98.3**	**44%**	**106.2**

** 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 and has been audited by Ernst & Young. Underlying profit is a measure which the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend pay out to shareholders.*

Historical trends

Underlying profit 10 year CAGR of 33%

	Full Year Results	10 Year CAGR*	FY21	FY20	FY19	FY18	FY17	FY11 NZX listed
Operational	New sales of occupation rights	17%	540	404	329	339	382	108
	Resales of occupation rights	14%	438	381	323	301	300	123
	Total sales	**16%**	**978**	**785**	**652**	**640**	**682**	**231**
	New units delivered**	19%	671	413	354	506	508	122
	Retirement units in portfolio***	13%	4,930	4,442	4,086	3,732	3,278	1,486
	Care units in portfolio****	13%	1,098	972	868	868	816	327
Financial (NZ$m)	Total revenue ($m)	20%	205.3	172.4	153.9	137.0	110.5	33.7
	Net profit after tax ($m)	**62%**	**543.7**	**230.8**	**175.3**	**214.5**	**239.9**	**4.3**
	Underlying profit*** ($m)**	**33%**	**141.1**	**98.3**	**106.2**	**98.6**	**81.7**	**8.1**
	Net operating cash flow ($m)	24%	383.4	266.8	237.9	217.8	207.7	43.7
	Total assets ($m)	23%	4,924	3,893	3,338	2,766	2,233	616.9
	Total equity ($m)	23%	1,925	1,355	1,132	978.8	785.8	233.4
	Interest bearing loans and borrowings ($m)	27%	747.0	687.1	597.1	452.8	347.2	69.1
	Cash and cash equivalents ($m)	-	8.4	15.8	21.5	7.5	7.6	9.0
	Gearing ratio (Net D/ Net D+E)	-	27.8%	32.6%	33.3%	31.2%	30.2%	20.5%
	EPS (cents) (IFRS profit)	58%	238.2	102.3	78.6	97.1	109.8	2.4
	NTA (cents)	23%	835.9	594.1	502.0	438.4	355.1	109.3
	Development margin (%)	-	23%	20%	28%	33%	27%	6%

** Compound annual growth rate*

*** New units delivered includes all retirement units and care units*

**** Retirement units include villas, apartments and serviced apartments*

***** Care units include memory care apartments, care suites and care beds*

****** Underlying profit differs from NZ IFRS reported profit after tax. The measure has been audited by Ernst & Young. Refer to slide 56 for a reconciliation between the two measures, and note 2 of the financial statements for detail on the components of underlying profit*

Fair value movement

Fair value movement of investment property – key assumptions

Fair value movement of investment property		Value of investment property*	Fair value gain/(loss)	Key valuation assumptions					
Village	Location	NZ$m	NZ$m	Discount rate	Growth rate Yr 1	Growth rate Yr 2	Growth rate Yr 3	Growth rate Yr 4	Growth rate Yr 5+
Summerset by the Park	Manukau	168.8	13.0	13.50%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset by the Lake	Taupo	83.9	14.2	15.50%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset in the Bay	Napier	92.7	9.0	13.75%	2.0%	2.3%	2.5%	2.8%	3.5%
Summerset in the Orchard	Hastings	101.7	13.9	14.75%	2.0%	2.3%	2.5%	2.8%	3.5%
Summerset in the Vines	Havelock North	84.3	11.0	14.50%	2.0%	2.3%	2.5%	2.8%	3.5%
Summerset in the River City	Wanganui	41.3	5.1	15.13%	2.0%	2.3%	2.5%	2.8%	3.0%
Summerset on Summerhill	Palmerston North	61.0	5.0	14.50%	2.0%	2.3%	2.5%	2.8%	3.5%
Summerset by the Ranges	Levin	37.5	4.6	14.88%	2.0%	2.3%	2.5%	2.8%	3.5%
Summerset on the Coast	Paraparaumu	77.8	11.3	14.25%	2.0%	2.3%	2.5%	2.8%	3.5%
Summerset at Aotea	Aotea	126.3	13.1	14.25%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset in the Sun	Nelson	182.3	19.3	13.50%	2.0%	2.3%	2.5%	3.0%	3.5%
Summerset at Bishopscourt	Dunedin	62.2	7.0	14.50%	2.0%	1.0%	2.0%	3.0%	3.5%
Summerset down the Lane	Hamilton	159.2	17.8	14.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset Mountain View	New Plymouth	89.4	9.4	14.50%	2.0%	2.3%	2.5%	2.8%	3.5%
Summerset Falls	Warkworth	216.1	26.3	14.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Karaka	Karaka	209.5	20.7	13.75%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Wigram	Wigram	133.9	8.2	14.00%	2.0%	1.0%	2.0%	3.0%	3.5%
Summerset at the Course	Trentham	207.4	28.7	14.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset by the Sea	Katikati	130.0	21.0	14.75%	2.0%	1.0%	2.0%	2.5%	3.5%
Total for completed villages		**2,265**	**258.6**						

** Value of non land capital work in progress not represented in the above table*

Fair value movement

Fair value movement of investment property – key assumptions

Fair value movement of investment property		Value of investment property*	Fair value gain/(loss)	Key valuation assumptions					
Village	Location	NZ$m	NZ$m	Discount rate	Growth rate Yr 1	Growth rate Yr 2	Growth rate Yr 3	Growth rate Yr 4	Growth rate Yr 5+
Summerset at Monterey Park	Hobsonville	293.4	22.3	13.75%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Heritage Park	Ellerslie	373.3	67.7	14.50%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset Rototuna	Rototuna	170.0	32.6	14.75%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset on Cavendish	Casebrook	164.1	17.7	15.00%	2.0%	1.0%	2.0%	3.0%	3.5%
Summerset Richmond Ranges	Richmond	121.7	20.5	15.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Avonhead	Avonhead	132.8	25.0	15.00%	2.0%	1.0%	2.0%	3.0%	3.5%
Summerset on the Landing	Kenepuru	117.0	10.9	15.75%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset Palms	Te Awa	84.7	22.6	16.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset by the Dunes	Pāpāmoa	53.9	11.8	16.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset Pohutukawa Place	Bell Block	51.5	15.8	16.00%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset Mount Denby	Whangārei	13.3	2.0	16.50%	2.0%	1.0%	2.0%	2.5%	3.5%
Summerset Prebbleton	Prebbleton	12.5	1.2	n/a	n/a	n/a	n/a	n/a	n/a
Summerset Boulcott	Lower Hutt	16.7	2.1	n/a	n/a	n/a	n/a	n/a	n/a
Summerset St Johns	St Johns	44.9	2.3	n/a	n/a	n/a	n/a	n/a	n/a
Summerset Waikanae	Waikanae	15.6	2.1	n/a	n/a	n/a	n/a	n/a	n/a
Summerset Cambridge	Cambridge	19.9	1.1	n/a	n/a	n/a	n/a	n/a	n/a
Total for villages in development		**1,685**	**257.5**						
Total for proposed villages		**303.5**	**21.4**						
Total for all villages		**4,254**	**537.5**						

** Value of non land capital work in progress not represented in the above table*

Care centre valuation

Care centre valuation – key assumptions

Value of care facilities Village	Location	Total care beds (non ORA) No.	Total care units (ORA) No.	Value of care facility (incl. ORA) NZ$m	Assumed capitalisation rate %	Assumed value per bed** NZ$'000
Summerset by the Park	Manukau	54	0	11.1	11.75%	191.3
Summerset in the Bay	Napier	48	0	7.2	12.25%	126.7
Summerset in the Vines	Havelock North	45	0	4.4	13.00%	102.3
Summerset in the River City	Wanganui	37	0	2.8	14.75%	68.2
Summerset on Summerhill	Palmerston North	44	0	4.4	13.75%	100.0
Summerset by the Ranges	Levin	41	10	8.7	13.25%	106.6
Summerset on the Coast	Paraparaumu	44	0	4.2	13.50%	95.5
Summerset in the Sun	Nelson	59	0	10.2	12.25%	127.9
Summerset at Bishopscourt	Dunedin	42	0	6.7	12.50%	137.3
Summerset down the Lane	Hamilton	49	0	7.7	11.75%	133.1
Summerset Mountain View	New Plymouth	52	0	8.0	13.00%	128.4
Summerset Falls	Warkworth	41	0	7.0	12.25%	138.8
Summerset at Karaka	Karaka	50	0	10.2	12.00%	176.1
Summerset at Wigram	Wigram	49	0	9.0	11.75%	138.5
Summerset at the Course	Trentham	44	0	5.5	12.75%	100.0
Summerset by the Sea	Katikati	27	0	4.0	13.25%	124.8
Summerset at Heritage Park	Ellerslie	58	0	11.1	12.00%	172.7
Summerset at Monterey Park	Hobsonville	52	0	10.2	11.50%	171.6
Summerset Rototuna	Rototuna	36	27	23.2	11.75%	122.1
Summerset on Cavendish	Casebrook	43	20	22.1	11.75%	134.1
Total for existing care facilities		**915**	**57**	**177.7**		
Summerset Richmond Ranges	Richmond	26	37	24.2	12.00%	116.8
Summerset at Avonhead	Avonhead	26	37	27.0	12.00%	116.1
Total for new care facilities*		**52**	**74**	**51.1**		
Total for all villages		**967**	**131**	**228.9**		

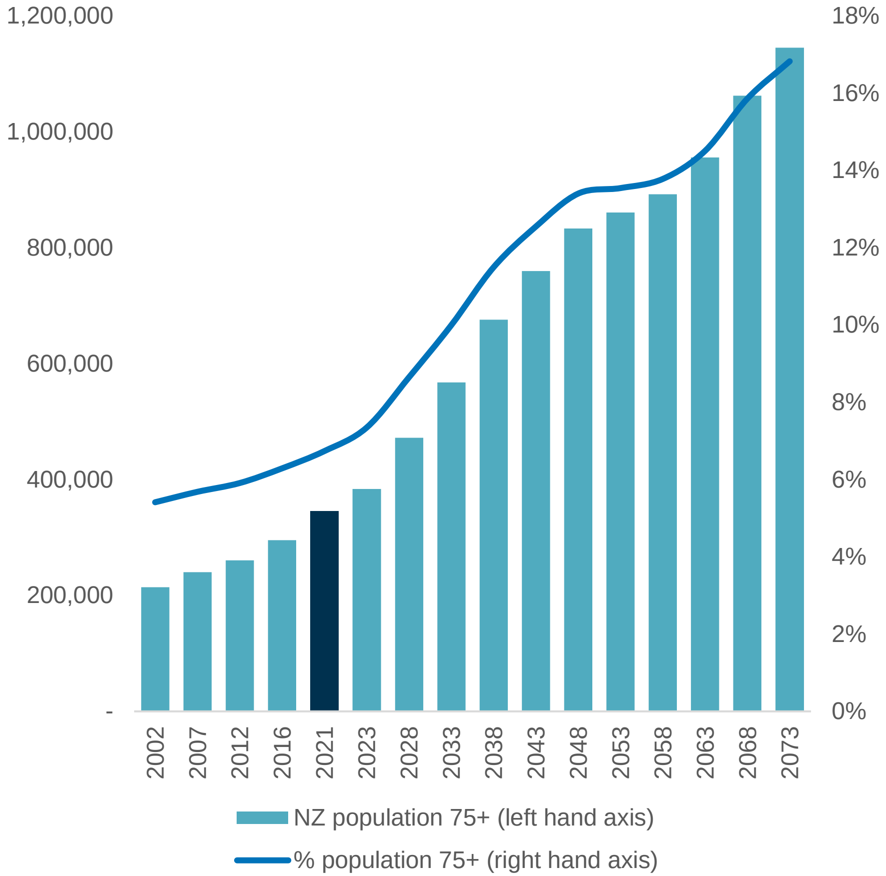
** Built subsequent to the last care centre valuation as at 31 December 2020*

*** Value for assumed beds includes the non-ORA profits from care beds and serviced and memory care apartments only*

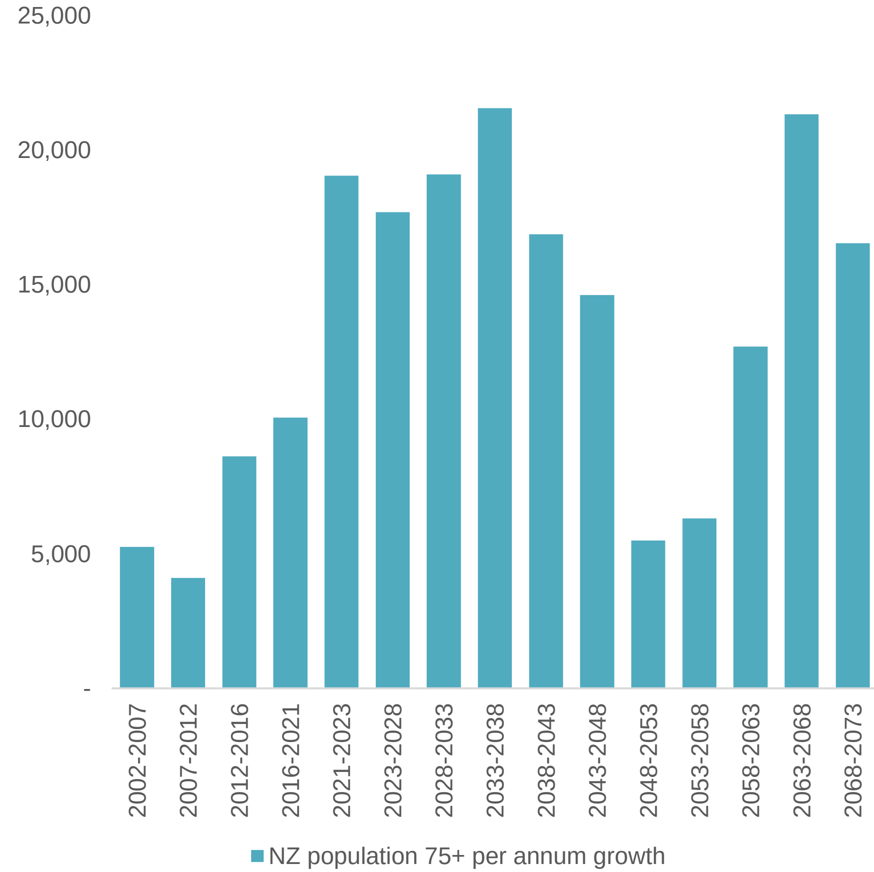
Demographics

Population over 75 years forecast to grow 231% from 2021 to 2073

Population growth 75 years and over



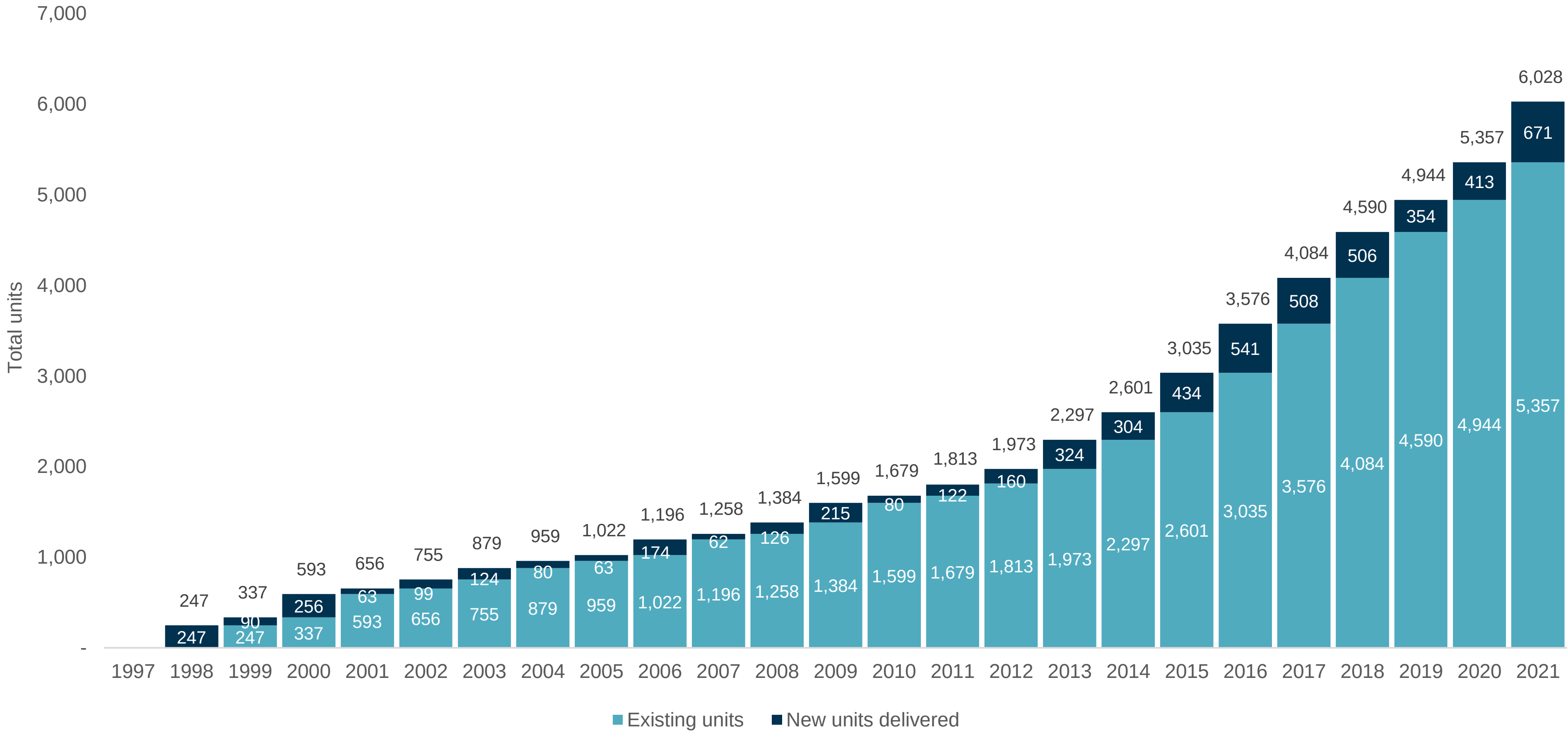
Per annum population growth 75 years and over



Summerset growth

24 years of consistent delivery and growth

Summerset build rate

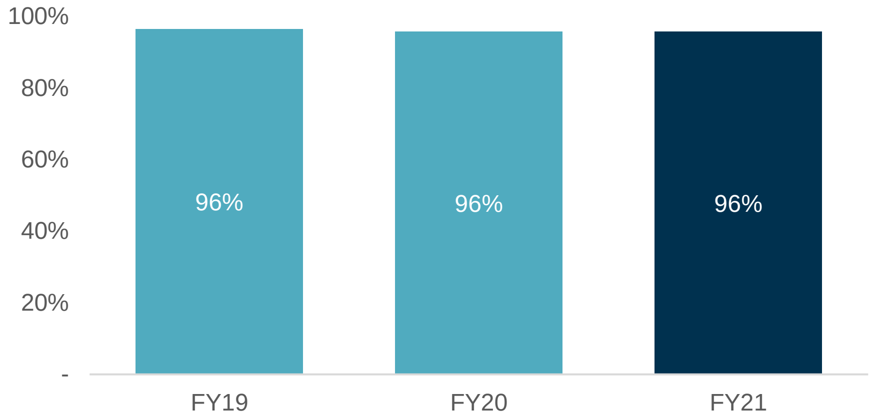


New units delivered includes retirement units, memory care apartments, care suites and care beds

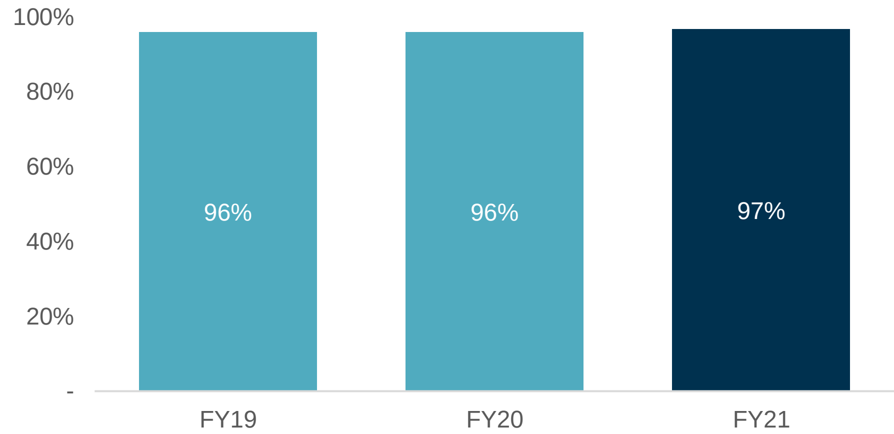
Customer profile & occupancy

Occupancy, tenure and resident demographic statistics

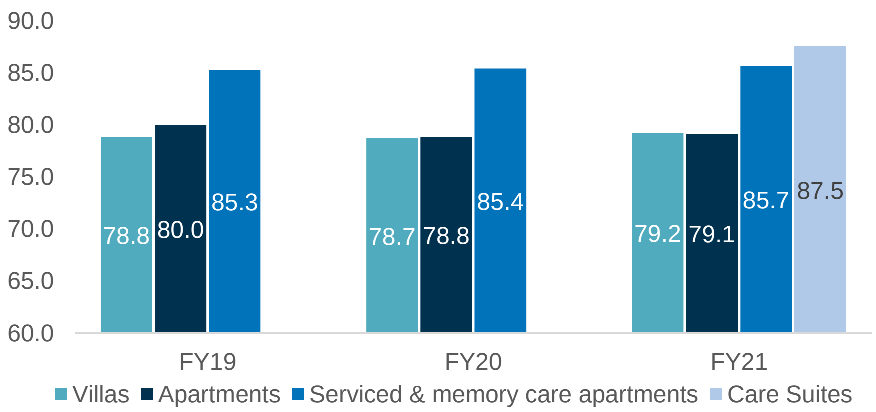
Occupancy – retirement villages



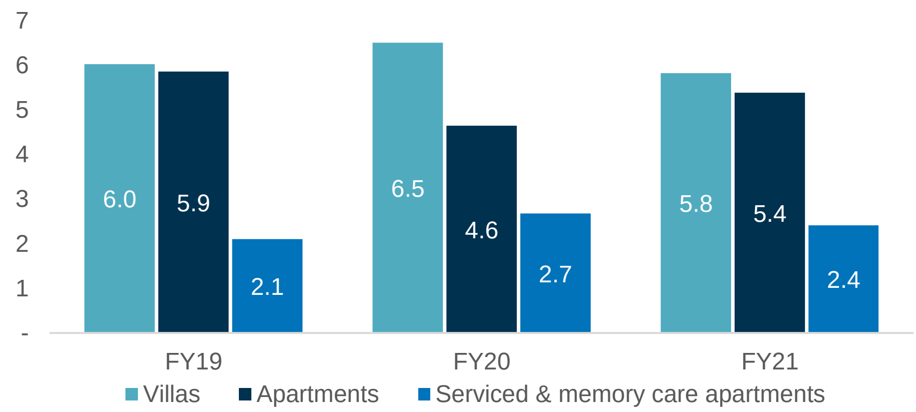
Occupancy – established care centres



Average entry age of residents (years)



Average tenure (years)



Summerset

Ngā mihi

For more information:

Will Wright
Chief Financial Officer
will.wright@summerset.co.nz
021 490 251

Annual Report

2021

Summerset is one of New Zealand's best-known and fastest-growing retirement village operators.

Our business spans the design, construction and operation of retirement villages and care centres on both sides of the Tasman. Our continuum of care model reflects our commitment to bring the best of life to our residents throughout their time at Summerset.

Artist's impression of Summerset Prebbleton village, Canterbury

OUR RESIDENTS

We offer high-quality retirement living, underpinned by care and respect, to the thousands of people who choose to live in our villages.

OUR ENVIRONMENT

We set short, medium and long-term goals to make a positive contribution to the environment and wider society.

OUR PEOPLE

Our values-based culture puts people at the heart of Summerset. We celebrate the diversity of our staff and the skills they bring to our business.

Contents

ABOUT THIS REPORT

This Annual Report of Summerset Group Holdings Limited (Summerset) is prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), the NZX Listing Rules and Corporate Governance Code and the Companies Act 1993.

It covers all our business operations for the year ended 31 December 2021. Last year, we started to align our reporting to the International Integrated Reporting Framework to improve the way we communicate and improve transparency. We will continue to build on this approach.

Heritage apartments, Ellerslie

OUR STRATEGY

BRINGING THE BEST OF LIFE

GROWTH

We look for expansion opportunities in New Zealand and Australia that deliver competitive returns for our shareholders.

OUR PEOPLE

We want to create a great place to work, where our people can thrive.

OUR CUSTOMERS

We continue to improve and enhance our offering to residents.

WELLBEING **INNOVATION** **SUSTAINABILITY**

Our strategic goals are underpinned by our desire to bring increased **wellbeing** to our customers and staff by harnessing the power of **innovation** and weaving **sustainability** into our work.

Chair and CEO's report

Mark Verbiest
Chair

Scott Scoullar
Chief Executive Officer

Welcome to our annual report for the 12 months ended 31 December 2021. This has been a year of significant achievements for Summerset, albeit one where the COVID–19 pandemic has continued to impact the business.

Protecting our residents and staff from COVID-19 has been a key feature of the year. Despite this, the appeal of retirement village life, a strong housing market and ongoing enhancements to our product offering have continued to see high numbers of new residents moving into Summerset communities, resulting in a strong underlying profit.

Resident satisfaction rates remained high at 96% for village residents and 98% for care residents. Summerset topped off the year with an award for best provider nationwide in the Aged Advisor People's Choice Awards, based on over 2,000 in-depth reviews.

Our development pipeline has continued to grow this year, allowing us to offer the Summerset way of life to more people in more places in the future. Of particular note is progress on our expansion into Australia, with three new pieces of land purchased and construction started on our first Melbourne retirement village.

This year's report incorporates the fuller picture of Summerset's entire business, which we began last year, with financial and sustainability elements once again included.

Business performance

Underlying profit for the full year is $141.1 million, an increase of 44% on 2020. Our IFRS net profit after tax is $543.7 million, a new record, up 136% on 2020. Operating cash flows of $383.4 million have increased 44% from last year. The value of our investment property is now $4.6 billion, up 26% on 2020.

We are pleased with the overall performance of the business for 2021. Increases in both our IFRS net profit after tax and our underlying profit reflect healthy growth and sustained demand for homes in our villages. At the same time, our low gearing ratio shows sound control of debt and a strong balance sheet that highlights the advantages of our measured approach to growth.

The Board is pleased to declare a final dividend of 8.6 cents per share, payable on 23 March 2022.

Combined with our interim dividend of 9.9 cents per share, shareholders have received 18.5 cents per share this year — a 30% pay-out of underlying profit.

Bringing Daffodil Day to residents at Avonhead during lockdown

Our COVID-19 response

We continued our proactive response to the threat of COVID-19 this year, with $4.7 million spent on COVID-19 related costs. This included strict entry conditions at our villages, no new admissions to our care facilities or within our villages during lockdown, separated care staff rosters, enhanced personal protective equipment (PPE) for our people and no sales or construction activities at alert level 4.

Inevitably, there have been COVID-19 related impacts beyond our control. Border closures and limited availability in managed isolation and quarantine have affected our ability to source vital workers such as nursing and construction staff. The construction industry has experienced significant delays and supply chain pressures, but we have managed these risks well. It is testimony to our teams and to our relationships that we have been able to keep our residents safe and deliver a record 619 new homes on schedule.

More positively, the ongoing COVID-19 situation has proven a catalyst for those considering retirement living thanks to the safety, security, companionship and care that come with living in one of our villages.

We welcomed many new residents into our communities this year, have high presales for new villages, and record waitlist numbers.

As COVID-19 itself evolves, so does our response. We welcomed the government-mandated compulsory vaccination for all village-based roles that came into effect in November. We followed this with compulsory vaccination for all Summerset roles, including our construction teams, and the introduction of full vaccination requirements for all new independent-living residents that same month. This means we will be selling new homes to vaccinated people only, helping to protect our existing residents and staff.

In late 2021, we became the first retirement village and aged care operator to introduce rapid antigen testing for COVID-19. We will use these tests, which provide a result in 15 minutes, to assist in determining the status of visitors and staff to help protect residents in our care centres.

Villages and care

We continue to evolve the Summerset way of life for our residents. We made design changes in our villages and care centres to ensure that residents coming to Summerset enjoy attractive and modern village designs as well as amenities that meet their needs.

This year, we continued our investment in the care side of our business, creating new roles. We will invest $4.5 million into additional frontline staff and introduce digital


Trentham staff with CEO Scott Scoullar

innovations next year, not just to keep our residents safer but also to improve their experiences every day.

We continue to be concerned about underfunding in the wider aged care sector. Overall public funding for care services, including daily care rates, is insufficient to provide the exacting standards of service that are rightly expected. In terms of our own services, we will not compromise on standards.

Furthermore, we have seen the public sector increase wages for their nurses, with no equivalent increase in aged care funding for the private sector to do the same. This year, we've again invested heavily in care wages — and continue to pay nursing rates that are equal to the best in the sector in order to attract and retain the qualified and dedicated nursing staff we need.

However, given the heavily not-for-profit nature of aged care in New Zealand, we hold fears about the sustainability of the sector as a whole. There are approximately 40,000 rest-home or hospital-level care beds available to New Zealand's elderly, of which half are provided by not-for-profit organisations. On top of funding shortages, aged care has had two years of additional cost to keep residents safe from COVID-19.

In addition, finding nursing staff has been an ongoing issue for the sector this year. The increased public sector pay rates alongside COVID-19 induced immigration delays have created a perfect storm for nursing shortages in aged care.

According to the New Zealand Aged Care Association's survey-based estimates, there are around 700 vacant positions for registered nurses (RNs) across the aged care industry, plus a further 50 vacant Clinical Nurse Manager positions for a total of around 750. The annual turnover rate for RNs in the sector is now 48%, up from 33% in December 2019. In the same timeframe, the sector vacancy rate for RNs is now 13.1%, up from 7.5%.

While Summerset and some other listed providers are able to use their relative financial strength to invest in care services, wage increases and additional COVID-19 protection, smaller and less well resourced care providers may struggle to keep operating.

The sector has seen numerous instances of care centres around New Zealand closing, pausing admission or reducing numbers recently as a shortage of registered nurses has impacted their ability to continue to deliver nursing care.

Care will continue to be an important part of our continuum of care model; offering residents access to the various levels of service they need at different stages of life.

$141.1m

Underlying profit

This year we started upgrading our care offering to make it feel more like home, with new decor and the introduction of small cooking areas. This is a commitment that we are making to residents and that our business will fund.

Our people provide an excellent service — recording a remarkable 96% satisfaction rating among our village residents and 98% among care residents — but a review of aged care funding is required. The intended health reforms should be a cue for this to happen.

Growth and development

Our design and consenting programme is well positioned in both New Zealand and Australia. There have been inevitable delays in Australia, due to lockdowns in Melbourne, but overall we are pleased with progress.

Five Australian sites give us the capacity to build approximately 1,300 units, with our first retirement village consented and construction underway.

Consenting is also underway for other sites as we move to create scale and deliver growth. We have done a great deal of research in the market and have tailored our offering to ensure it meets the specific needs of Australians. An experienced team on the ground in Australia, with industry knowledge and relationships will help us take advantage of the many opportunities the country offers.

This year, we delivered 619 units under Occupation Right Agreement (ORA) and 52 care beds in New Zealand.

This is the first time we have reached this level of construction: a record level of build achieved in a year of record demand, and a development margin within our medium-term target range of 20%–25%. While we anticipate continuing challenges in the sector associated with COVID-19 related impacts, scarcity of product supply and labour shortages due to the inability to recruit some workers from overseas, our mature procurement practices and relationships will lessen the impact.

We continue to hold the largest land bank in the New Zealand retirement village sector, allowing us to double our current village population. In 2021 we received resource consent for seven new villages in New Zealand, although one (Parnell) was subsequently appealed and is due to be heard in 2022. In the meantime, we also lodged a fast-track application for the Half Moon Bay village.

We have land for another 5,313 units in New Zealand, of which 81% is already consented. In the medium term every unit scheduled for development over the next four years has resource consent, so we are well positioned for further growth in the New Zealand market.

We also benefit from a geographically diverse portfolio and a relatively high proportion of broadacre single storey village developments. These give us the flexibility to adapt our build rate depending on local market conditions.

We have been the top listed retirement village builder in New Zealand for several years. This year, our record build rate means we are one of the top residential builders in the country. As New Zealand continues to grapple with an ongoing residential housing shortage, we are providing high-quality warm homes at reasonable prices for retirees, and we have the capacity, the consents, and the team to continue to do so.

Our people

This year, we continued our investment in the care side of our business, creating new frontline roles. Ultimately, we can deliver as many high-quality villages as we do because of the diverse talents of those who design and build them, and the individuals and teams who run them. We've continued to extend reimbursement to our staff for the commitment and care they bring to work every day.

Market-leading pay is part of that, alongside new staff initiatives such as a diversity and inclusion strategy. The strategy acknowledges the value we place on the multicultural make-up of our working population.

We've also invested in core care roles and introduced mobile technology to help free up our busy frontline staff.

Our work in leadership development this year, and refreshing our health and safety practices, are further examples of building a culture where people feel well directed, safe, and valued for who they are.

Acknowledging that alert level 4 places extra stress on our frontline staff, we paid our village and care staff a sector-leading $3 extra per hour during that period, reflecting the high value we place on the work of our employees. Our full-page ad in the major daily newspapers was our way of publicly recognising those who work so selflessly to meet the needs of our residents.

We are pleased to report that over 1,300 permanent staff received free Summerset shares this year as part of our annual staff share scheme.

We increased the value of shares issued to each participating staff member from $800 to $1,000 in recognition of their hard work and dedication.

Sustainability

Last year we also committed to our sustainability goals with a long-term science-aligned carbon reduction target that commits Summerset to a 62% reduction in carbon emissions per square metre of building area by 2032 (from 2017 levels).

This year, we added a NZ$700 million sustainability linked loan, with financial incentives based on meeting climate and social targets. This loan was the first in our sector and the largest of its type in New Zealand at the time. To retain a discount, we must continue to invest in dementia care (through our memory care apartments), lower the carbon intensity of our villages and improve our construction waste diversion from landfill.

The Board retains oversight of our climate-related risks and opportunities, with the loan being used to support growth in operations and development over the next five years. This practical example of looking after the environment and the community is a signal to investors that we will continue to explore ways to pursue our commercial objectives responsibly.

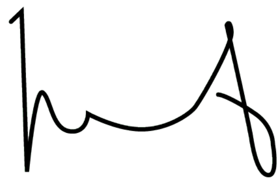
Looking forward

Despite the persistence of COVID-19, the optimism we expressed for growth in 2021 has proven well founded. We achieved our target build rate in New Zealand and have started building our first retirement village in Victoria. We continue to add to our significant land bank, giving us the pipeline and the flexibility to grow in Australia and meet ongoing demand in New Zealand. At the same time, strong cash recycling is keeping our debt and our gearing at conservative levels.

We will continue to invest in the welfare of our residents, through new technology and quality of care, and in our staff through competitive pay and a culture that values diversity and inclusion.

Subject to economic conditions, and uncertainties around how COVID-19 will track, we look forward to continued growth in the year ahead.

Finally, a sincere thank you, on behalf of the Board and management, to our investors, residents and partners for your commitment to, and belief in, Summerset's goals. And a special thank you to our Summerset team, their families and their support networks for another very successful year.



Mark Verbiest
Chair

Scott Scoullar
Chief Executive Officer

DELIVERING VALUE TO OUR STAKEHOLDERS

DIVERSIFIED PORTFOLIO

We benefit from a geographically diverse portfolio that gives us the flexibility to adapt our build rate depending on local market conditions. For investors, we are primarily a growth stock, with a clear strategy to continue expanding in New Zealand and Australia.

LOOK AFTER OUR RESIDENTS

We want our residents to feel secure and respected, and our consistently high satisfaction rates reflect that. Our villages are part of their local communities and provide jobs and amenities.

BUILD HIGH-QUALITY ASSETS

We pride ourselves on building and maintaining villages that are well designed, well located, and that enable our residents to interact with the community. Our expanding geographical presence is based on being in growing regions with strong potential for investment gains.

PROTECT THE ENVIRONMENT

We have short, medium and long-term sustainability plans in place to reduce our carbon emissions intensity over time and to monitor our progress and performance. Our innovative medium-term sustainability linked loan arrangement was a first for the sector in New Zealand.

HIRE SKILLED STAFF AND HELP THEM THRIVE

We recognise our people as our most important asset. They underpin our ability to deliver the best of life to our residents. We celebrate their diversity and are committed to ensuring all our staff are well remunerated, motivated and safe.

RESIDENTS AND FAMILIES

Our residents are the many thousands of New Zealanders who choose to live in our villages, and their family and whānau. Families are important to us for the enormous role they play in residents' lives and their decision-making around retirement living and care.

EMPLOYEES

Our highly trained staff combine expertise in clinical care, design, construction and operations. That combination of knowledge enables us to provide a high-quality offering.

SUPPLIERS

We invest in national infrastructure in the form of our villages, and generate work and incomes through our supply chain, benefiting businesses and local economies.

GOVERNMENT

Through our villages, we help the government take care of elderly New Zealanders. In particular we offer specialised care for those who are frail or are living with dementia.

COMMUNITIES

Our villages form part of local communities and we also provide significant sponsorship for local community groups. We help boost residential housing supplies and provide invaluable services, including rest-home, hospital and dementia care.

INVESTORS

Our investors range from individuals to institutions. As a growth-focused company, we manage risks prudently and look to provide our shareholders with an appropriate return through our dividend policy and share price appreciation.

Snapshot

Our people

6,900+
Residents

2,100+
Staff members

96%
Village resident satisfaction

Our care

98%
Care resident satisfaction

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

1,208
Care units (which includes beds) in land bank in New Zealand and Australia

Our portfolio

4,930
Retirement units

$4.9b
Total assets
FY20 $3.9b

5,406
Retirement units in land bank in New Zealand and Australia

36
Villages completed or under development

978
Sales of Occupation Rights

10
Greenfield sites

Our performance

$543.7m
Net profit after tax
FY20 $230.8m

$141.1m
Underlying profit
FY20 $98.3m

$383.4m
Operating cash flow
FY20 $266.8m

OUR PHILOSOPHY OF CARE

Independent-living units	Villa ▼ Independent apartment ▼
Assisted living	Serviced apartment ▼
Specialised care	Rest-home care ▼ Memory care ▼ Hospital care

Accommodation and care services

2021 highlights

January

Title sponsor of the New Zealand National Bowls Championship, in Auckland

February

Heritage apartments in Ellerslie open, completing the village

March

HR team wins Talent Acquisition award

Purchase of third Australian site in Chirnside Park, Melbourne

April

First residents receive COVID-19 vaccine

Waitaha Te Houhou Health Scholarship awarded to Aaliyah Te Atarau Thocolich and Tyler Grant

May

Design and Construction teams win Gold at New Zealand Commercial Project Awards

Richmond main building opens in Nelson/Tasman

June

First units delivered in Whangārei, Northland

Stage one civils at St Johns (Auckland) completed

September

Fifth site purchased in Australia at Oakleigh South, Melbourne

Waikanae (Kāpiti Coast) resource consent received

November

Summerset receives Aged Advisor Award

Rapid antigen tests trialled to speed up detection of COVID-19

July

Trial approved for AI-driven pain check technology for care residents

August

Record half-year results announced

Planning permit approved for first Australian village in Cranbourne North

Purchase of Kelvin Grove site in Palmerston North and Craigieburn, Melbourne

October

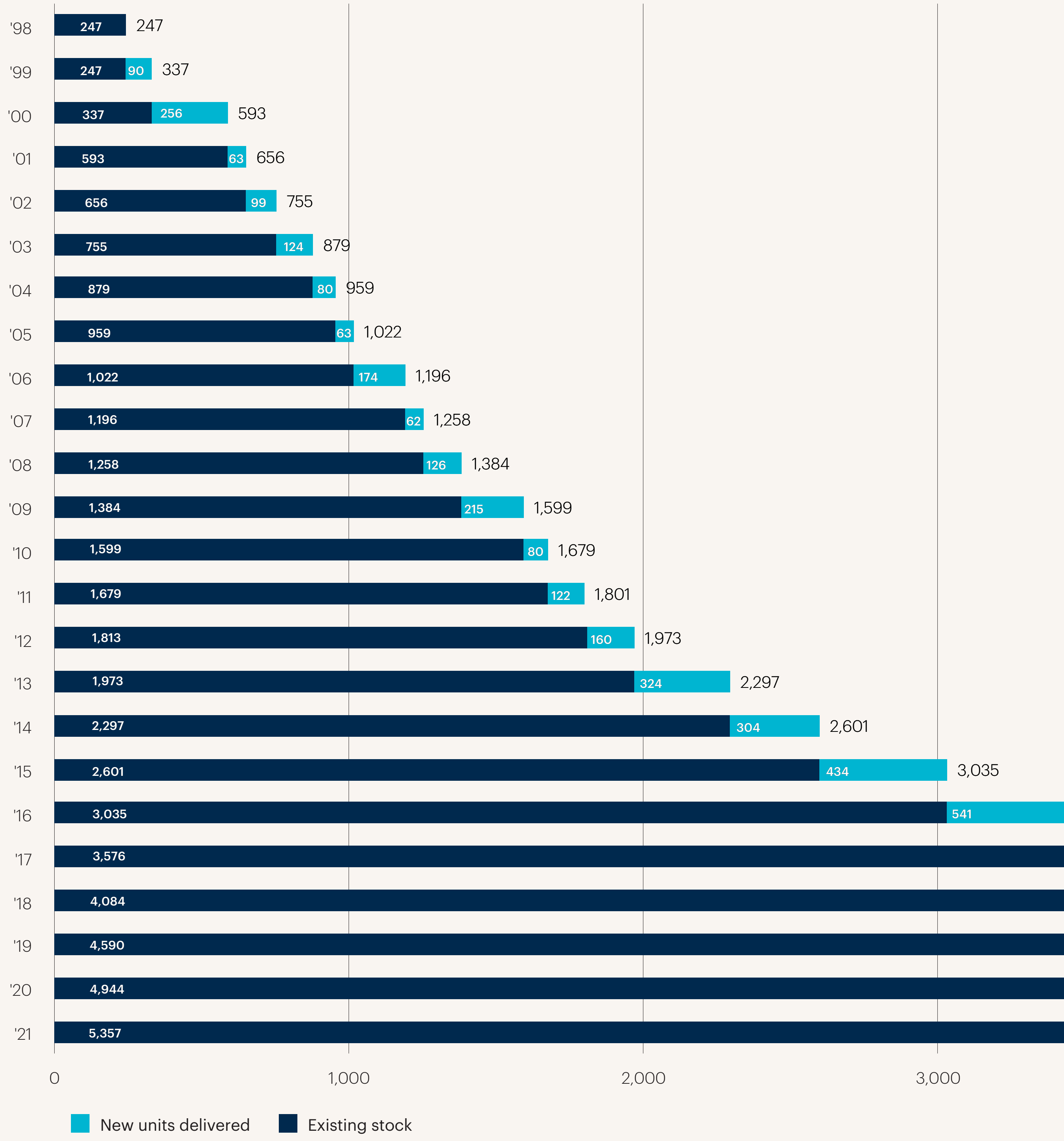
First New Zealand retirement operator to acquire a sustainability linked loan

December

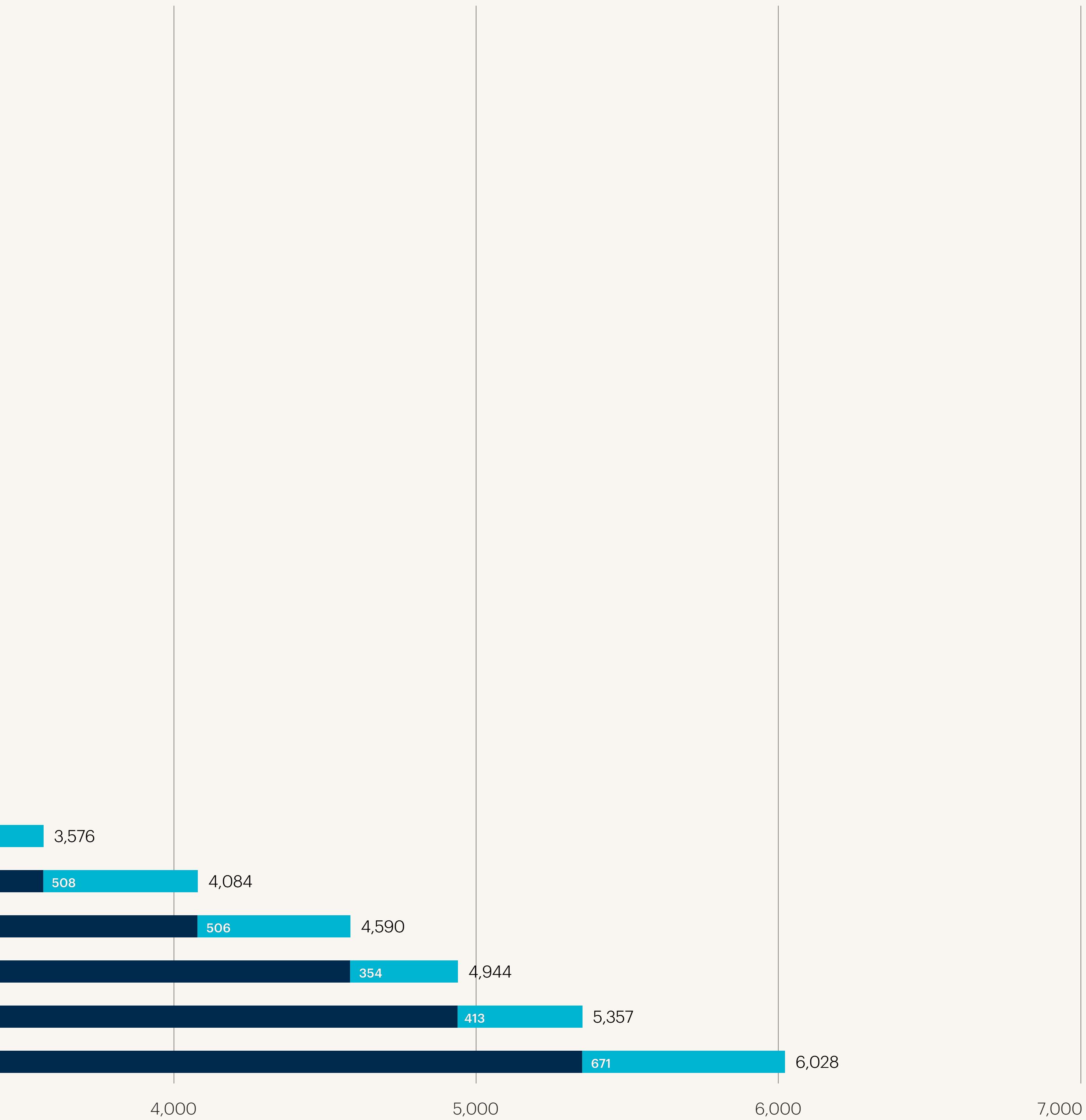
Country and smoking ceremony performed by the Bunurong People at Cranbourne North

Portfolio growth

24 years of consistent growth and delivery (total units[1] in portfolio)



1 Units include all retirement units and care units (including care beds)



3,576
508
4,084
506
4,590
354
4,944
413
5,357
671
6,028
4,000
5,000
6,000
7,000

Our people and community

Our 29 retirement villages are vibrant and diverse communities. Summerset is proud to be home to over 6,900 residents and to employ over 2,100 staff.

This year was a challenging year for our residents as the ongoing COVID-19 pandemic saw many locked down for extended periods of time. We focused on vaccination in 2021, with many of our communities welcoming on-site vaccination clinics, and with a major focus on ensuring our staff were protected.

Protecting our villages

The protracted presence of COVID-19 saw many activities shift online. There was plenty to keep residents entertained, with guest speakers on Zoom and live-streaming of music and quizzes for those in our villages and the wider community as well. We appreciated the Student Volunteer Army stepping in to help with grocery and shopping support, just as they did last year.

COVID-19 also generated a lot of interest from those keen to find out more about everything Summerset offers. For families looking at care options, we introduced our webinars: the 'Navigating Care' series, explaining how we can help; and our 'Moving Made Easy' series, explaining how we can make the transition to a Summerset village easier.

Naturally, infection prevention and control remained a priority. We continued with many of the hygiene and safety measures introduced last year, including good physical distancing practices, use of extensive personal protective equipment (PPE) and cohorting of our teams to minimise any chance of cross-contamination.

We again made good use of iPads in our care centres, allowing residents to maintain connection with their families without exposing them to undue risk.

We also postponed sales appointments and delayed move-ins at our villages to retain a 'bubble' status.

By year end, over 96% of our village population and 95% of our care residents had received two doses of the Pfizer vaccine. All of our staff have received at least two doses of the vaccine.

Our frontline staff were inspiring, caring for people in these challenging times, keeping them informed and helping them stay positive. The deep appreciation that our residents have for our teams was once again reflected in our annual satisfaction survey results, with 96% of those living independently and 98% of our care centre residents recording how satisfied they were with Summerset. Throughout the year we put a huge emphasis on encouraging our frontline staff to be vaccinated, putting us in a good position in October when the government mandated vaccination for healthcare workers.

Enhancing our services and our care

Despite COVID-19, we continued to introduce and roll out new measures and initiatives to improve the lives of our residents and to ensure that those who are more vulnerable receive excellent care.

In Kenepuru (Wellington), we have been trialling a digital services platform for our independent-living residents. Households have been supplied a dedicated 17-inch screen or iPad to try out the online entertainment and information channel.


Casebrook nurses help our sustainability efforts by using rechargeable batteries in pagers

Our memory care centres are a specialist feature of our villages and are tailored for those needing secure dementia care. This year we were delighted to be finalists for a national award for the design of our memory care centres at the NZ Aged Care Association Awards.

We appointed a specialist nurse practitioner based in Christchurch to support our memory care teams nationally and to offer them knowledge and expertise in the growing field of dementia care.

In our care centres, we will be introducing a new 'household' model in 2023, with upgraded care rooms and changes to the layout to encourage small groups of residents to enjoy more of one another's company. The upgrades will be accompanied by a change in staffing, with small teams dedicated to each household of no more than 18 residents.

Seeing the same familiar staff each day will help to form the bonds between residents and staff that enrich both their lives.

That said, finding nursing staff has been an ongoing issue for the sector this year. Increases to public sector nursing wages and immigration delays induced by COVID-19 have created a perfect storm for nursing shortages in aged care.

The New Zealand Aged Care Association's survey-based estimates indicate there are around 700 vacant positions for registered nurses (RNs) across the aged care industry. The RN turnover rate in the sector has also increased, now at 48%, up from 33% in December 2019.

Summerset increased nurses' pay rates to keep up with the public sector again in 2021 in order to attract and retain the vital nursing staff we need to care for our elderly residents.

We also continue to be concerned about underfunding in the aged care sector. Overall public funding for care services, including daily care rates, is insufficient to provide the exacting standards of service that are rightly expected, and we will not compromise on those standards.

In November we started a modernisation programme for our older care centres, beginning with the 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.

We also rolled out our accredited falls-prevention exercise programme to more villages this year and brought the classes online for residents under COVID-19 restrictions.

Elevating our clinical care

Important improvements are also taking place in our clinical care with the introduction of medication optimisation in our Auckland villages. Many of our residents have been prescribed a range of medications for multiple health conditions. Sometimes, though, people are on medications they no longer need or that are no longer the best option for them. To address that, we've introduced a new advanced pharmacist role to work with other experts and

Summerset is delighted to be playing its part in supporting the New Zealand Symphony Orchestra

our prescriber network to optimise medications for better quality of life. By removing and/or changing the medication residents take, we can do our best to ensure better outcomes for them.

Benchmarking is another key aspect of best practice clinical care, and we continue to lead the sector in this regard. Reducing the likelihood and effects of adverse events — such as falls and medication errors — depends on sharing generalised information. It is pleasing to see most of the major participants in the sector now sharing their data so that we can all learn and improve.

Technology is an increasingly important part of the way our teams work. This year, we've been looking at shifting away from manual processes to using technology more effectively in everyday care. In Nelson, we've been trialling staff access to our resident management system, VCare, via a mobile app to allow them to do their jobs more effectively. We've also begun piloting PainChek, a new app to help recognise pain in residents who struggle to verbalise it. The app uses facial recognition technology and is assisting our staff to respond more quickly to residents.

Over the last 12 months we have been progressively moving our food services in-house. We expect this to be completed at all of our retirement villages in New Zealand by March 2022. Our goal is to increase our consistency of service and to develop clear service standards. No job losses are expected, as current staff will become Summerset employees and receive our market-leading staff benefits.

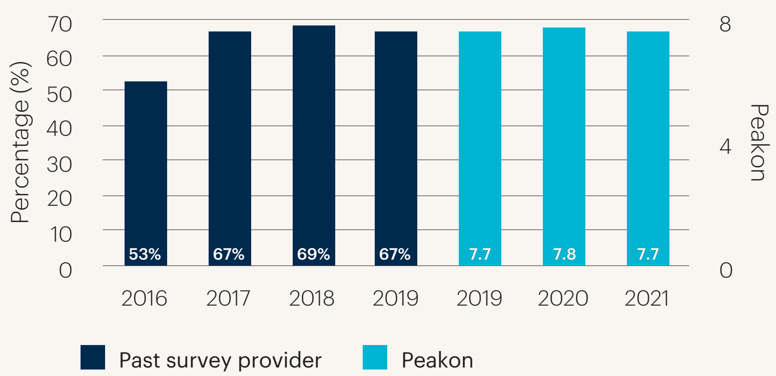
Lifting our profile

A noticeable increase in competitiveness this year reflects the strong growth mode that the whole sector is experiencing. In August we kicked off a new marketing campaign to highlight Summerset's brand of active, vibrant life across a range of media. The campaign celebrates our belief that age is just a number. It's been pleasing to see our brand go from strength to strength in such an environment, with research indicating Summerset is now the market leader nationally for consideration and a close second for awareness in the market.

Our marketing activities are designed to reach older New Zealanders in their communities and to reinforce the support we offer locally.

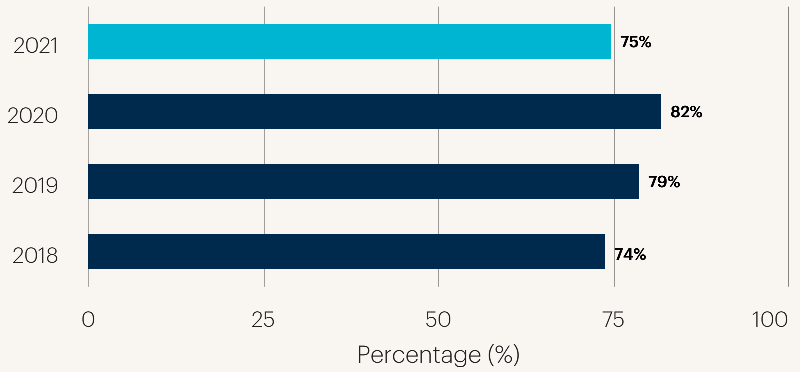
In early 2022 we signed a new agreement to support the New Zealand Symphony Orchestra as a principal sponsor. We are delighted to be partnering with one of New Zealand's cultural icons, whose music gives so much joy to communities around the country. We continue to support Dementia New Zealand and this year we renewed our sponsorship of Bowls New Zealand for another three years. We were pleased to support Wellington Free Ambulance's campaign for a new ambulance with a $40,000 donation after their annual street appeal was disrupted by lockdown.

Staff engagement[1]

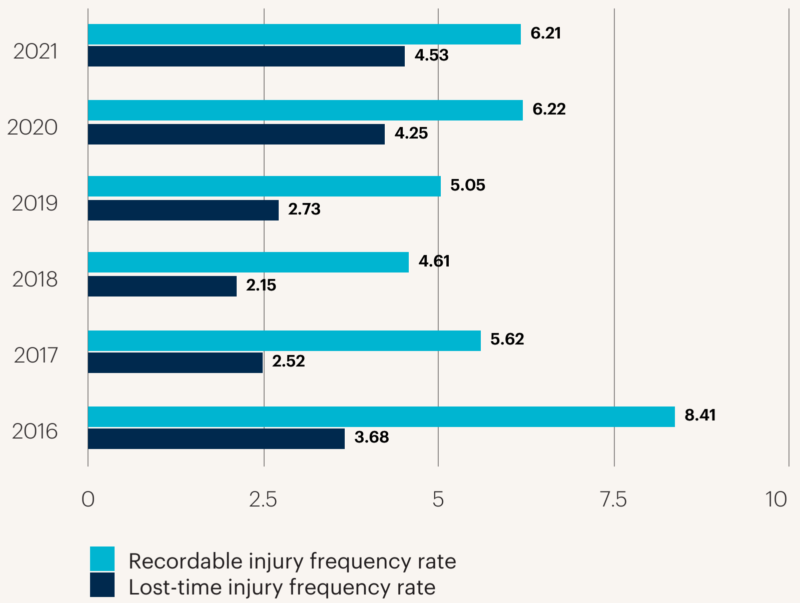


1 *Peakon was provided with the 2019 raw data to ensure year-on-year consistency, noting different scoring scales (67% = 7.7)*

Employee retention



Workplace injury rates



We also supported community group Qtopia for the nationwide vaxathon to increase vaccination rates among Māori, Pacific peoples, and the Rainbow and Disability communities.

Our villages are currently working with 150 local community clubs, including bowls, golf, croquet, bridge and tennis groups. We also work with Rotary, Age Concern, the RSA, Working Men's Clubs and Lions.

Engaging our people

Our people are an integral part of everything that Summerset offers and we are immensely proud of them and the work they do. The extended challenges of COVID-19 during 2021, particularly in Auckland, saw our overall staff engagement score decrease in the second half of the year from 7.9 to 7.7 out of 10. The drop in our engagement score of 0.2 was the same as the drop in both the New Zealand and global health sector benchmarks advised by our survey provider. These decreases resulted from increases in workload and decreases in career path growth and reward drivers during this period.

The move in early 2021 from the traditional annual survey to a continuous listening approach involving smaller groups, more regular feedback, and deeper engagement has been a positive one. We are very aware of the stresses that COVID-19 has placed on our teams, particularly with the long, hard alert levels 3 and 4 in some regions during the year, and the new survey approach provides regular interactions with staff and the ability to better monitor and support mental health and wellbeing within our organisation.

In 2020 we started a leadership development programme for clinical leaders. We continued to roll out that programme this year, broadening it to include operational management in our villages. We've also introduced similar tailored programmes for our construction and corporate leaders.

Attracting those with the right skills

Border closures and immigration restrictions have generated new ways of undertaking recruitment and induction. We've significantly upgraded our employee onboarding programmes and rolled these out successfully to new employees. That's meant more of our staff, including nurses and caregivers, are able to be onboarded remotely during periods of lockdown, and can attend training that is delivered digitally.

Our recruitment activities show no signs of slowing down. We are now thinking two years ahead when it comes to recruiting nurses and construction leaders for our construction programme and operations.

> Recruitment will continue to be a priority going forward as we build capacity and grow.

In such a competitive recruitment environment, remuneration is a key issue. To ensure we retained market-leading pay rates, we reviewed our nurses' pay rates based on the Ministry of Health's initial settlement offer with the district health boards (DHBs). We added 50¢ an hour to the DHB's proposed rates and continue to pay our nurses rates that are equal to the best in the sector.

Building safety into everything we do

We remain committed to creating safe work environments for our people and ensuring that we are leaders in health and safety. We have a three-year strategy underway that, this year, has focused on the areas of greatest risk within our construction and operations teams.

Within Construction, we have extensive leadership safety training, covering project management and trade-specific competencies.

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. Both Operations and Construction have robust site-based processes and internal audits. All these measures are in addition to the extensive processes and practices we use to manage the health and safety of our residents and staff at our villages because of COVID-19.

Expanding our commitment to diversity and inclusion

Diversity and inclusion is something our staff are passionate about. This year we launched a three-year plan to progress this important aspect of our culture. Research with our staff has provided important insights on how we can best accommodate the needs and expectations of our diverse multicultural workforce. Over the medium term, we will look to build our capabilities through a series of programmes and initiatives.

2021 Applause Awards

Every year, our staff nominate colleagues across 23 categories for our Applause Awards. This year, we received a record 1,200-plus nominations. We brought together all our finalists and winners and their managers at a gala event in Wellington in July. The event was live-streamed on Facebook around the world to the families of our many international staff.

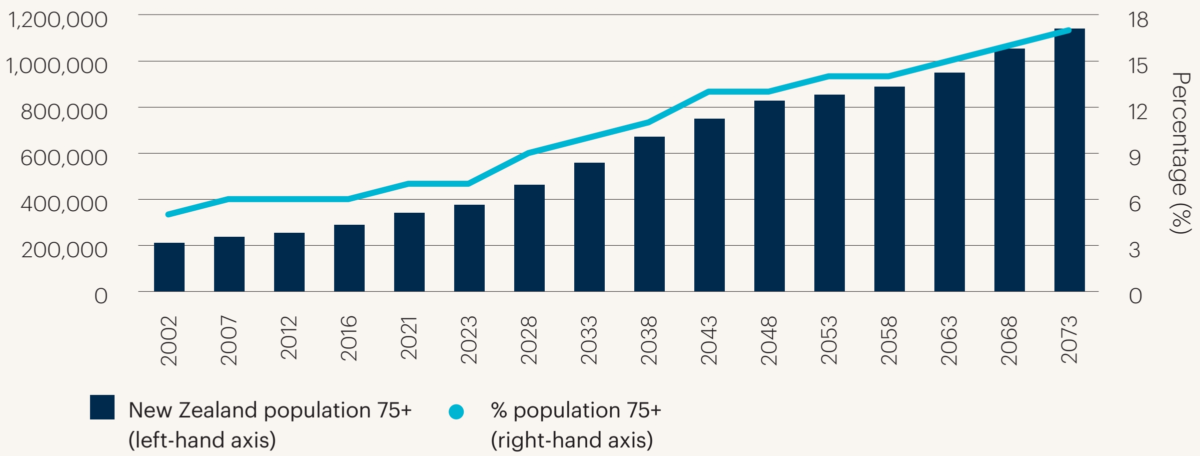
Picture: Michelle Kitson, Caregiver at Summerset by the Ranges, with her 'Bringing the Best of Life' award.

St Johns construction site

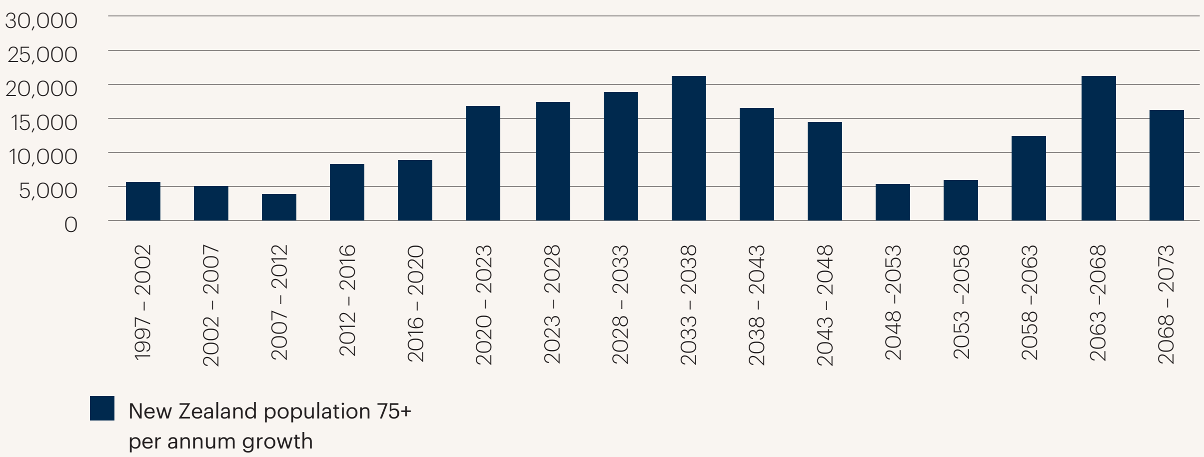
Strong wave of growth

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

New Zealand population 75+



Per annum New Zealand population growth 75+



Source: Statistics New Zealand – National Population Projections

Our villages

A sector-leading land bank and record build rates enable us to meet increasing demand for our high-quality villages.

COVID-19 has had a significant and accelerating effect on sales in our villages over the last year. Lockdowns and heightened alert levels have highlighted the positives of being part of a safe and welcoming village community, where residents can benefit from our continuum of care model and the opportunities to build new friendships and pursue a range of activities.

This impetus in interest and sales drove a record level of trading that has carried through to our full-year result.

Record levels of interest

We had record levels of interest in our developing villages. The initial stage of villas at our first Northland retirement village in Whangārei sold within three months of going to market. Our Avonhead main building, which opened in September, is also selling well, with our Sales team seeing ongoing strong interest.

Families are increasingly involved in these decisions, with more and more of our enquiries coming from extended family looking to secure a home for their loved ones.

Building on this interest, our Sales team made thousands of calls during the Auckland lockdown to those who have expressed an interest in moving into a Summerset village. These calls, which are part of our ongoing relationship building, have been very well received and confirm a significant wave of interest.

To further encourage those who are looking to downsize to consider one of our villages, we recently introduced a moving consultancy to help with shifting into a village.

We now have four moving consultants across our three busiest markets — Hamilton, Auckland and Christchurch — available to help those interested in moving into one of our villages. We are the only retirement village provider offering this service. It's another example of how we continue to innovate our customer service to help people make what can be challenging choices about their retirement years.

A significant milestone in our building programme

We have invested around $320 million into our build programme this year. Year-on-year increases mean we remain the largest constructor in the New Zealand retirement village sector. To this end, we successfully completed our annual New Zealand building target of 550-600 units under Occupation Right Agreement. That impetus and consistency ensures we are well positioned to meet ongoing increases in sector demand.

Our teams were simultaneously building on 16 sites this year, including completing main buildings at our Richmond and Avonhead villages. These new buildings incorporate our newest generation of care suites, with individual small kitchen spaces and more homely, welcoming decor. The buildings also feature memory care centres on the ground floor, offering secure care for those living with dementia.

Our show homes in Whangārei opened this year and the first residents will move in early in 2022.

Work on our St Johns village in Auckland has progressed well, with bulk earthworks and civil infrastructure done and the basement structure 70% completed. Work on the first three apartment buildings will start early in 2022 and we are on track for first deliveries in 2024.

Although the construction industry has reported that more than half of major construction projects have been delayed, we have been able to meet our delivery targets.

All our villages under construction met their year-end delivery targets, and several new sites were mobilised. There are a number of reasons for this, including robust procurement, planning and consenting processes, and designing most of the villages in-house. We also have long-standing and reliable supply agreements that have enabled us to secure materials well in advance.

Construction highlights

Lightweight construction

This year we approved a lightweight construction methodology for our Whangārei main building. This is particularly exciting as the building will be more environmentally friendly, with a reduction in embodied carbon within the building materials. Construction starts in 2022.

National design team

Product quality remains a priority for us. This year, we combined our two in-house design teams into one national team responsible for the design of all New Zealand projects. Recently we completed a contemporary design refresh of village architecture and look forward to this new aesthetic being rolled out for the first time at Milldale in Auckland.

We reach new heights

This year we purchased a self-erecting crawler crane, the first of its kind in New Zealand. The new crane is from Switzerland and is ideally suited to metropolitan builds. We plan to use the new crane at our Boulcott site in Lower Hutt and we expect to see a noticeable productivity gain. From there, we will deploy it to work on our new lightweight construction projects.

At Avonhead this year, we delivered our largest main building to date through in-house full procurement sourcing and management of furniture, fittings and equipment. This reduced costs and enabled us to make the most of opportunities to update the design.

The largest land bank in the sector

This year has seen much of our large forward development pipeline enabled through the receipt of resource consents for villages at Prebbleton, Rangiora, Blenheim, Cambridge, Waikanae and Milldale. This deliberate readiness gives us flexibility.

At Waikanae, we were able to consent the project using the COVID-19 Recovery (Fast-track Consenting) Act 2020, which is targeted at shovel-ready projects and intended to accelerate employment. The new Act has strict statutory consenting periods and limited appeal rights, and so gives greater certainty around the timing for decisions. We have also applied to use the fast-track process for our Half Moon Bay retirement village in east Auckland.

The existing depth of our New Zealand land bank enables a measured, considered acquisition programme. This year we acquired a new site in the suburb of Kelvin Grove in Palmerston North, just 6km from the city centre.

We will be starting construction of two new villages next year: Milldale (Auckland), and Blenheim (Marlborough).

Artist's impression of Summerset Cranbourne North, Melbourne

Our plans in Australia are well advanced

Our Australian business continues to progress with a team on the ground. We are excited to introduce older Australians to our high-quality integrated model of village living, which includes a full range of retirement units, from independent-living villas, townhouses and apartments to serviced apartments, care and memory care beds.

Australia's rapidly growing elderly population is forecast to see those aged 75-plus increase by 140% to 4.1 million in the next 30 years.

This year we acquired three additional sites, meaning we now have land at Cranbourne North, Chirnside Park, Torquay, Craigieburn and Oakleigh South, all in Victoria.

We secured the planning permit for Cranbourne North in August for the construction of 145 villas and townhouses, 72 aged care units, 50 serviced apartments and a one hectare public reserve. Construction has now commenced. Acquiring five sites in just over two years, with planning permits in place or being prepared, speaks to our commitment to Australia and the strong momentum we have achieved in a short time. The Australian team has grown from two to 12 this year, as we gear up to tailor the essence of the Summerset offering for the Australian market.

While the New Zealand and Australian markets have many similarities, there are also important differences. As our Victorian sites are climatically different, the footprint of our villas in Australia is larger and there is more emphasis on outdoor living. Our integrated offering of independent living and care is also relatively new in the market, with aged care often being a stand-alone offering.

We have confidence that there is enormous potential here to roll out an offering that brings to life the spirit of Summerset living.

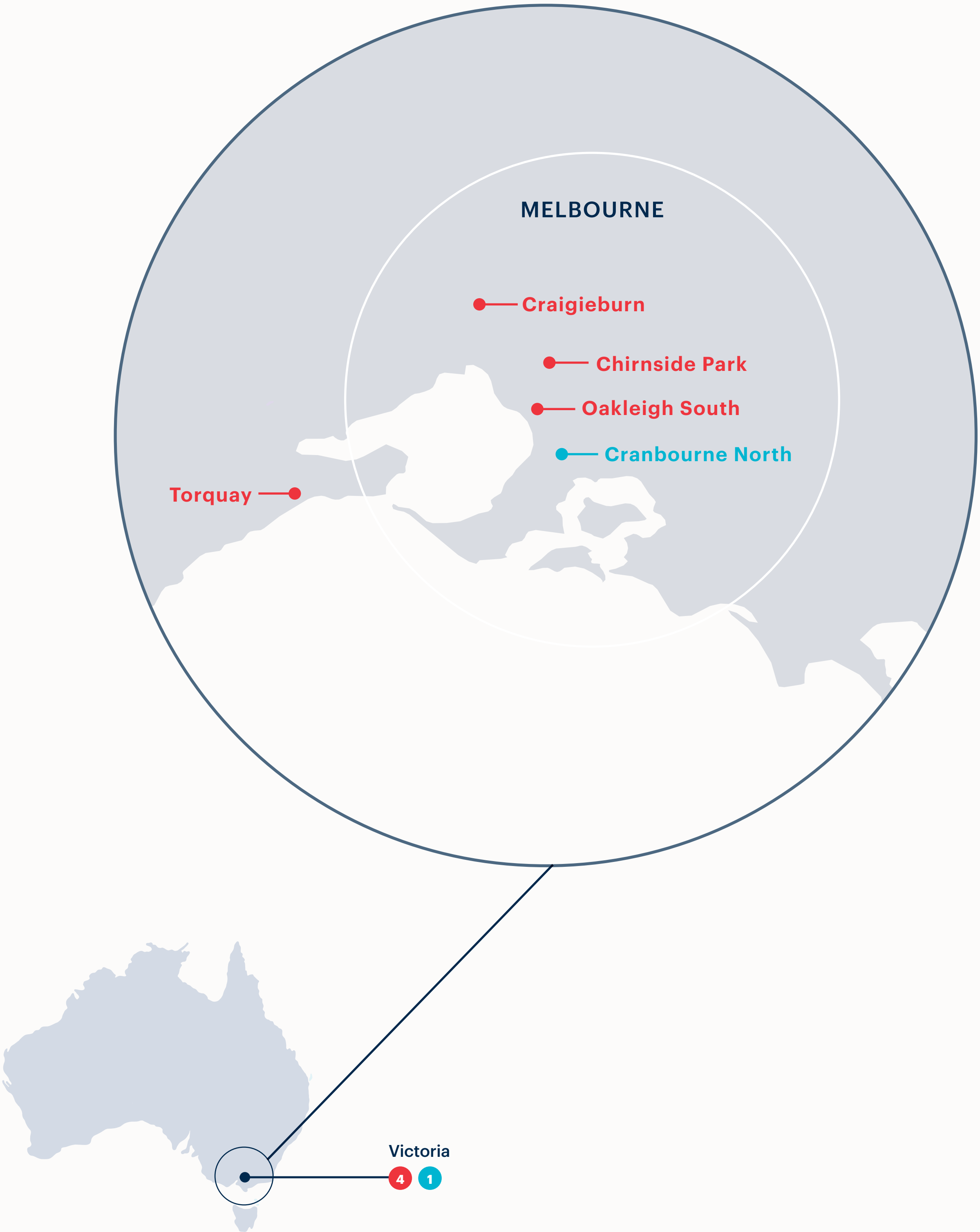
Each village will be tailored to its location, with our Torquay site adopting a coastal feel and Chirnside Park taking its lifestyle cues from the nearby Yarra Valley.

We will continue to acquire more sites as part of our expansion plans.

3

new land acquisitions in Australia in 2021

Our villages


MELBOURNE
Craigieburn
Chirnside Park
Oakleigh South
Cranbourne North
Torquay
Victoria
4
1

Our pipeline

New Zealand land bank	Design	Consent	Construction	Village open	Final stages
Hobsonville, Auckland	●	●	●	●	●
Rototuna, Hamilton	●	●	●	●	●
Casebrook, Christchurch	●	●	●	●	●
Avonhead, Christchurch	●	●	●	●	●
Richmond, Tasman	●	●	●	●	●
Kenepuru, Wellington	●	●	●	●	
Te Awa, Napier	●	●	●	●	
Pāpāmoa Beach, Tauranga	●	●	●	●	
Bell Block, New Plymouth	●	●	●	●	
Whangārei, Northland	●	●	●		
St Johns, Auckland	●	●	●		
Lower Hutt, Wellington	●	●	●		
Cambridge, Waikato	●	●	●		
Prebbleton, Canterbury	●	●	●		
Waikanae, Kāpiti	●	●	●		
Blenheim, Marlborough	●	●			
Rangiora, Canterbury	●	●			
Milldale, Auckland	●	●			
Parnell, Auckland	●	●			
Half Moon Bay, Auckland	●	●			
Kelvin Grove, Palmerston North*	●				

* New sites purchased

Australian land bank	Design	Consent	Construction	Village open	Final stages
Cranbourne North, Melbourne	●	●	●	○	○
Chirnside Park, Melbourne*	●	●	○	○	○
Craigieburn, Melbourne*	●	○	○	○	○
Oakleigh South, Melbourne*	●	○	○	○	○
Torquay, Victoria	●	○	○	○	○


Construction at Summerset Mount Denby, Whangārei

* New sites purchased

Our commitment to sustainability

Summerset was the first New Zealand retirement village operator to set a science-aligned carbon reduction target.

It's a commitment that sits well with our business and with our residents.

We have been measuring, managing, and reporting on our carbon footprint since 2017 (our base year). In fact, we were the first carbonzero™ retirement village operator in New Zealand. Toitū Envirocare began independently auditing our emissions to the ISO14064-1 standard in 2018, and we have been increasing our commitment to sustainability ever since.

This year, our decisions around sustainability have largely been driven by the size and scope of our construction business. We saw opportunities to reduce our carbon emissions and future-proof our villages against climate-related risks by adopting modern technologies, using more responsible building materials where feasible, and creating landscapes that are more water efficient.

Today, we have three sustainability targets, all of which are linked. Together, our short, medium and long-term targets provide a systematic way for us to approach sustainability.

Good gains against our short-term targets

Our short-term target has been in place since 2018 and will run through to 2022. This Toitū-verified carbonzero target aims to reduce our emissions intensity by 5% from our 2017 base year. This target is intensity-based and focuses on the key areas of energy, waste to landfill, paper use, fertiliser and travel. Our use of intensity-based targets reflects the challenge of looking to lower our emissions as we continue to grow.

To measure this, we use two key measures of efficiency: total emissions per $million of revenue, and total emissions per square metre. So far, our emissions intensity overall continues to drop and we are making good progress against both measures.

Our internal tracking, including mandatory and voluntary emissions from residents, shows we have reduced our carbon emissions intensity per $million of revenue by 35% and our total gross carbon emissions per square metre of build by 22% since 2017.

22%

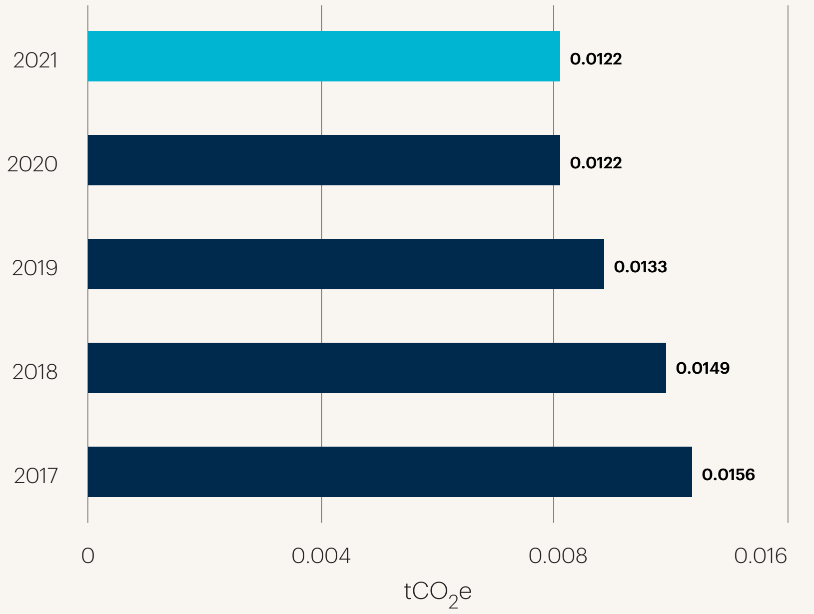
Reduction in carbon emissions per square metre since 2017

Alongside actively working to reduce our emissions, we offset the emissions we can't avoid through purchasing carbon credits. This year we chose to invest in Spray Point Station, a native forest in the Marlborough high country in New Zealand, as well as in international climate-related projects.

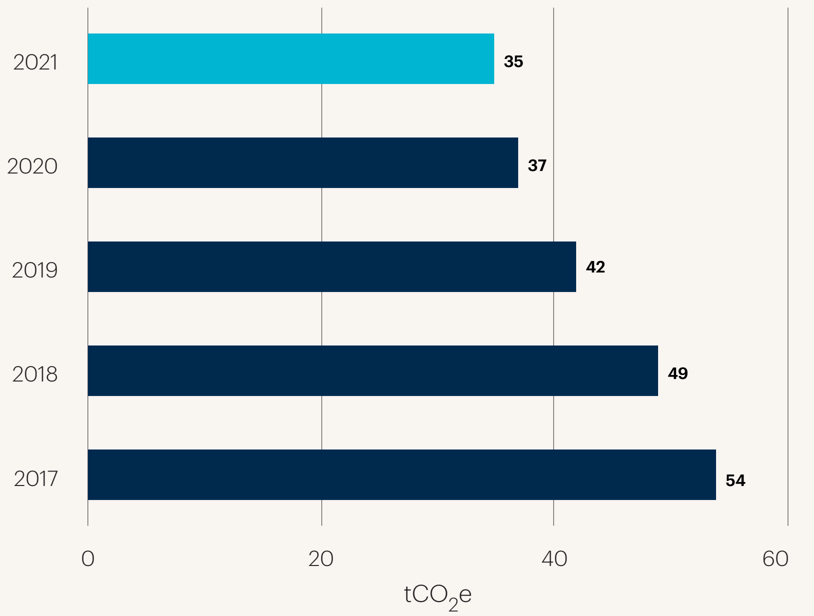
Choosing to invest in a New Zealand native forest has allowed us to contribute to a project with broad environmental and conservation benefits. The project offers long-term carbon storage in permanent forests. Landowners agree to permanently retire the land and allow it to regenerate to native forest. In return, they are able to sell carbon credits from the verified carbon sink.

At our villages, our residents are very much behind what we are looking to do environmentally.

Emissions intensity – tCO_2e per square metre



Emissions intensity – tCO_2e per $million of revenue



Many of them are keen recyclers, cyclists and gardeners, with an inspiring commitment to do their bit for the planet.

By year end we had confirmed that our first public electric charge station will be installed at our Rototuna village in Hamilton. Over time, we will incorporate EV charging for residents as we implement further charge station options.

Summerset's own fleet of vehicles will gradually be replaced by electric vehicles, starting with two cars in 2022.

We introduced a powerful medium-term target

This year we set medium-term (2026) performance targets based on a Sustainability Linked Lending facility. We were the first retirement village operator in New Zealand to link sustainability to our funding arrangements.

The facility enables us to access reduced lending rates by linking our sustainability targets to our medium-term business strategy. There are three key deliverables associated with this arrangement: ongoing dementia certification and increasing provision of dementia beds; reduction in our emissions intensity per square metre; and a reduction in construction waste going to landfill.

The goals for these targets cover significant parts of our business. Linking deliverables around dementia care with emissions intensity requires us to take a whole-of-business approach to achieving these targets.

The reward for doing so is ongoing access to reduced lending rates. Our construction waste commitment requires us to think about the whole building process, from procurement through to on-site, and for us to be more efficient requires greater collaboration with our supply chain.

We are pleased with our progress to date. The amount of construction waste being diverted from landfill continues to increase as we implement site waste management plans and look to minimise the amount of waste being generated.

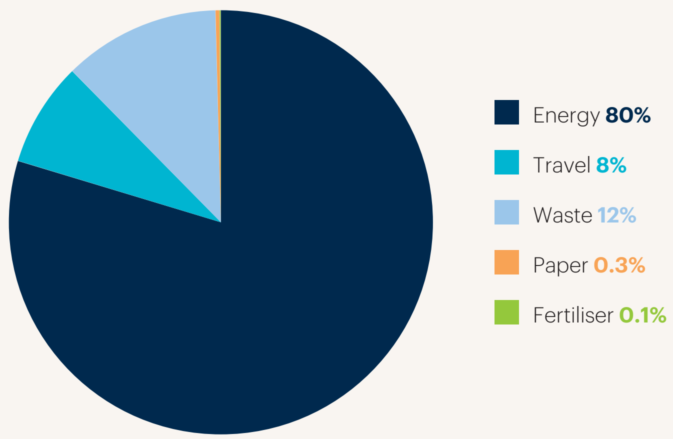
Our long-term goals

In late 2020, we introduced a long-term science-aligned target that supports our involvement in the Climate Leaders Coalition, Carbon Disclosure Project (CDP), Toitū and now our Sustainability Linked Lending arrangements. This target means we have committed to reducing our emissions intensity by 62% per square metre by 2032, from our 2017 base year level. This requires a year-on-year reduction in our scope 1 and scope 2 emissions.

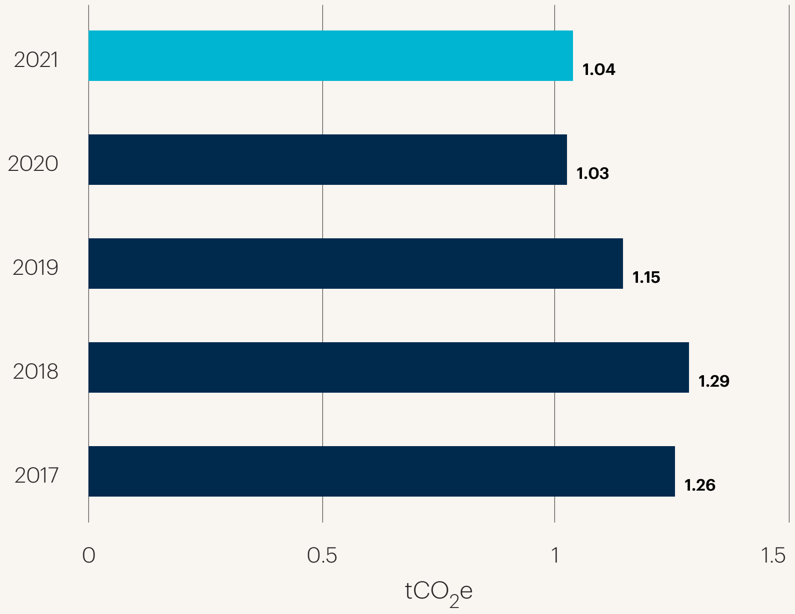
Energy use currently accounts for 80% of our carbon emissions, so to achieve this target we recognise that we will need to move to more renewable energy sources. We have made our first steps in this regard, with the approval of a biomass boiler using wood pellets as a fuel source. This will be the alternative to gas for water heating, cooking and laundry at our new St Johns retirement village in Auckland. The pellet boiler provides a 93% emissions reduction when compared to a gas boiler and uses a by-product from the timber industry that would otherwise become waste.

We are introducing solar energy for the first time to power our club house buildings at our Nelson village. 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 are also looking at how we can introduce solar for individual villas in our villages.

2021 key focus areas



Emissions intensity – tCO_2e per resident



Governance

We take a multi-level approach to our sustainability governance as shown below.

Roles and responsibilities	
Board	Oversees climate-related issues and responsibility for sustainability Reviews and approves our direction and monitors our progress against targets
CEO	Assesses and manages climate-related risks and opportunities Reports programme performance and progress at Board meetings
Sustainability Forum	Includes CEO and senior managers from across the business Shapes and monitors our sustainability strategy
Key functional workstreams	Covers our operational impact areas related to the new build environment
Green Team	Implements specific actions and initiatives identified in our emissions reduction plan

Other initiatives this year

Our sustainability governance structure has created a culture of sustainability across the organisation. Our long-term goals offer a broader context within which to further develop our governance, report results and implement our plans. We have also met expected supply chain standards nationally and internationally and compared our efforts with what others are doing globally.

As previously mentioned, we have introduced a new lightweight construction approach which dramatically reduces the embodied carbon within our buildings. This approach sees a shift from concrete to panelised mass timber floors and structures. These are manufactured off-site and then brought to site ready to install. This approach produces less waste, is cost effective, is more accurate, is safer to install, and will increase on-site productivity. The transition to lightweight structures will ensure we are positioned for the anticipated regulatory and building code updates.

We have been a member of the Climate Leaders Coalition since its inception. Early in 2021, we increased our commitment by signing up to the 2019 Statement; one of only 31 members to do so. Signatories to the 2019 Statement agree to reduce emissions in their value chains through initiatives ranging from energy efficiency and energy procurement to waste, partnerships and target setting.

After conducting a high-level assessment of our key supply chains across a number of risk areas, we introduced anti-modern slavery measures this year.

We also issued a new supplier code of conduct that sets out the standards we require for companies we engage with.

Increasingly, investors are looking for Summerset to disclose more about what we are doing in relation to environmental, social and governance (ESG) activities. In recent years, we have done well with our third party ESG ratings, reflecting the investment we have made in this area.

The Carbon Disclosure Project (CDP) is an international non-profit organisation that helps companies and cities disclose their environmental impact. Last year, we submitted a non-scored survey for the first time. This year, we chose to take part in the scored survey. We were very pleased to achieve a B scoring. Health care organisations around the world scored a C on average. Our CDP Supplier Engagement Rating also scored high with an A-.

B

Carbon Disclosure Project score

First Homestar main building at St Johns

Our St Johns village in Auckland's eastern suburbs is one of our largest builds to date. It will feature a 6-star Homestar rated main building, one of the first large retirement villages to be rated to this level. The village will include an on-site vegetable garden and irrigation across a 3-hectare site. The main building includes apartments, care and memory care units, and a two-level carpark. An environmentally friendly wood pellet boiler will be used to heat the building when it opens in 2026.

Donating a house to the community

A house on our Prebbleton site in Canterbury was scheduled to be demolished. Instead, we organised for the structure to be uplifted and transferred to a church group. This resulting in no demolition costs, no waste sent to landfill and a wonderful opportunity to forge links within the surrounding community.

Climate-related disclosures

We continue to prepare to meet the requirements of the Task Force on Climate-related Financial Disclosures (TCFD).

TCFD Pathway	Phase 1 2020	Phase 2 2021	Phase 3 2022	Phase 4 2023
Governance	Describe and document Board oversight	Sustainability policy in place		
	Outline internal management structure			
Strategy		Sustainability-aligned business strategy		
		Scenario analysis commenced		
		Supply chain strategy and analysis		
Risk management		Describe risk management process		
			Define roles and impacts	
			Clarify climate-related risk issues	
				Incorporate into risk framework
Metrics and targets	Emissions intensity targets	Science-aligned target		
		Report and monitor against targets		

Across our short-term target key focus areas we achieved the following:

ENERGY

Electricity and gas use has reduced by 17% per square metre since our 2017 base year — we continued to fine-tune, maintain and upgrade our equipment to ensure energy efficiencies. Key initiatives included the use of building management systems, improvements to insulation and LED lighting upgrades.

WASTE

Total waste volumes decreased overall when compared to the previous year. However, a change in the carbon factor applied to waste to landfill (per tonne) has resulted in an increase in waste emissions this year. Our construction waste volumes to landfill dropped by 21%, offset by a 18% increase in village waste volumes. A highlight was the St Johns construction site, which achieved a landfill avoidance rate of over 75%. Operating facilities now also produce 53% less emissions from waste to landfill per resident than we did in our 2017 base year.

TRAVEL

Travel stayed down — COVID-19 continued to affect the amount of travel we undertake and we have made much use of Zoom for remote meetings. Domestic, short-haul and international flights were down 2% in 2021 compared with 2020. Overall, travel emissions have decreased by 22% since our 2017 base year.

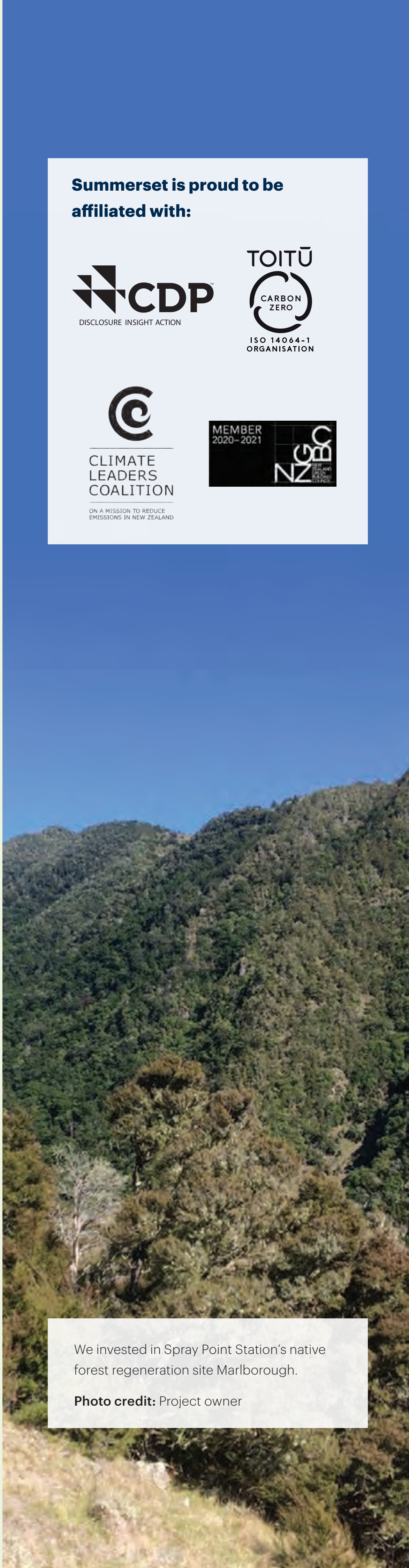
PAPER

Paper consumption reduced — we continued to encourage people to do more things online. We now send invoices by email to 58% of residents, up from 51% at the end of 2020, and we also introduced a low-carbon paper during the year for use across the company.

FERTILISERS

More responsible landscaping — we continue to reduce our fertiliser emissions by choosing products that have a low-carbon footprint. We're also increasing our plantings with lower water requirements and, in some areas, grass types. In time, we are planning to introduce edible areas into our communal gardens.

Summerset is proud to be affiliated with:



We invested in Spray Point Station's native forest regeneration site Marlborough.

Photo credit: Project owner

At our villages, our residents are very much behind what we do environmentally.

Many of them are keen recyclers, cyclists and gardeners, with an inspiring commitment to doing their bit for the planet.

Turning donated materials into face masks — with all profits going to charity — is the good work of Shirley, a resident at Casebrook.

Artist's impression of St Johns, Auckland.

Our performance

Summerset has maintained strong profitability and balance sheet resilience throughout 2021 and is well positioned for future sustained growth.

Financial performance overview

Underlying profit for the year ended 31 December 2021 increased by 44% on the prior year to $141.1 million (2020: $98.3 million), driven principally by increased sales of new and existing units. This reflects the growing demand for the Summerset lifestyle, and in response we increased our delivery of units for sale to 619 (2020: 356). Sale volumes of new units have increased by 34% and the robust residential property market is also contributing to strong sale prices. Realised gains on investment property are $138.4 million (2020: $94.3 million).

Revenue for the year grew 19% to $205.3 million (2020: $172.4 million), reflecting the opening of two main buildings, village revenue growth from deliveries within our developing villages and continued high rates of care occupancy in existing villages.

Profits from operations have reduced due to wages and costs increasing at a rate higher than the increases to DHB funding, in particular nurses' wages, council rates, insurance, and power. We have also had ongoing costs relating to COVID-19, and the additional costs associated with opening two new care centres.

Underlying profit is a non-GAAP measure. A detailed explanation is included in Note 2 to the Financial Statements (see page 59). In general terms, underlying profit removes the fair value movement of investment property and reinstates the realised gains associated with our resales and the development margin associated with our new sales. Underlying profit is used to determine the dividend pay-out to shareholders.

COVID-19 impact

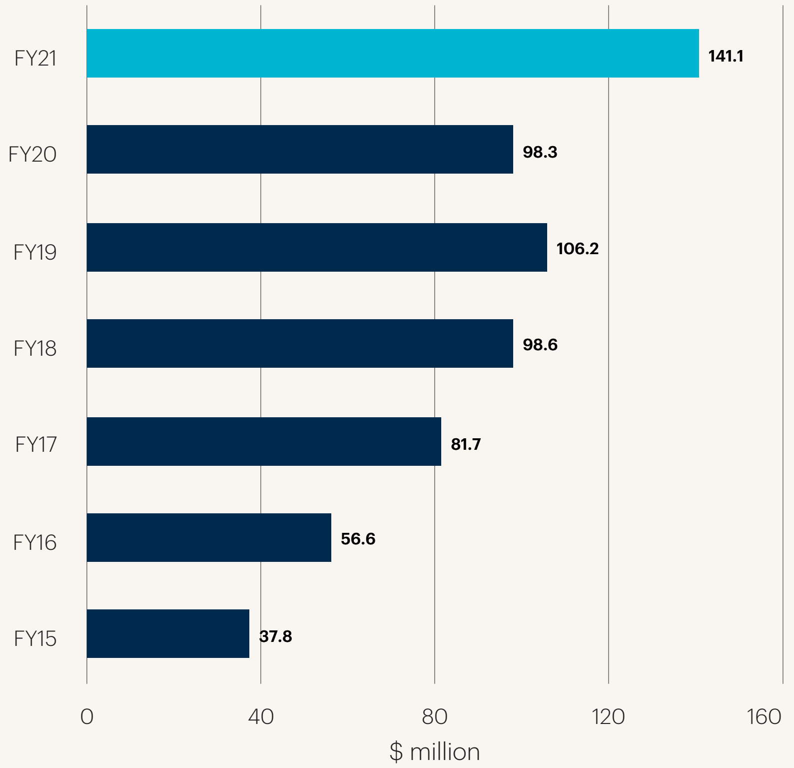
Sales significantly reduced during the two-week national level 4 lockdown in August/September, but returned to pre-lockdown numbers by mid-September. We continued to sell and settle units in levels 3 and 2, with safeguards in place to ensure we protect our residents. As we have only two villages with new units delivering in Auckland, the longer lockdown in levels 4 and 3 in this area did not have a significant impact on overall sales.

We incurred $4.7 million of one-off operational costs due to COVID-19 in 2021. This was predominantly from additional staff wages, pandemic kits and personal protective equipment. Village and care staff were paid an additional $3 per hour during level 4 lockdown, stand-down leave was given as a precaution for staff either because of their health or that of their close contacts, and we introduced security at our sites during level 4. These costs are some of the direct costs related to our response, but we also incurred a number of indirect costs. These include the cost of paying the construction staff during lockdown while they were unable to be on-site, and investment in marketing and sales post-lockdown to support our sales teams to ensure our sales were successful. We will continue to plan and prepare to ensure we are well positioned to deal with any future outbreaks and adapt to living with COVID-19.

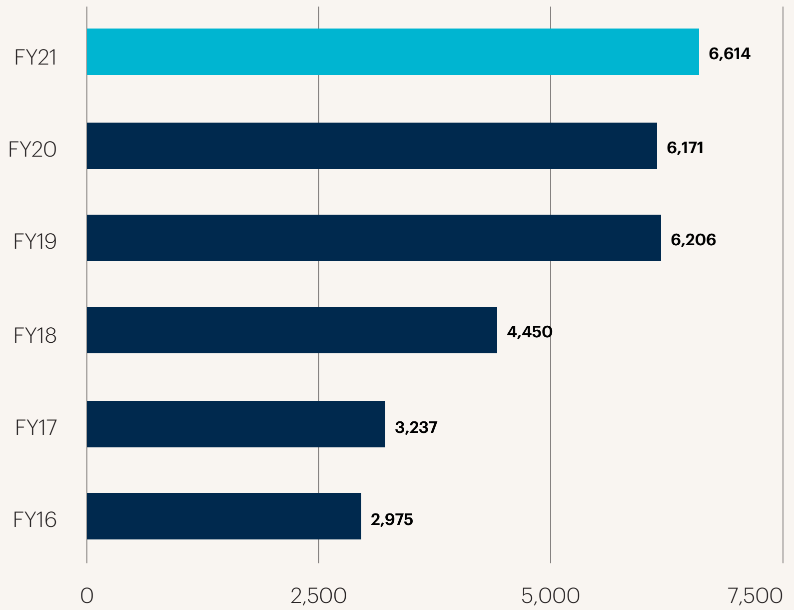
Long-term growth

A key component of underlying profit is the realised development margin on new sales, which was $78.5 million in 2021 (2020: $48.2 million). The increase was due to the net effect of an

Underlying profit



Land bank over time (units)



overall increase in the number of new settlements and improvements in apartment margins following price growth in the Auckland market, offset against construction cost inflation and programme delays caused by COVID-19 supply chain disruption and the lockdowns imposed by the New Zealand government.

The development margin was 23.1%, up from 19.6% in the previous year. Summerset's medium-term expectation of development margins is in the 20–25% range. This will continue to be an area of focus for the Board and management.

Good margins reflect the advantage of having strong in-house capabilities for each stage of village development including land acquisition, planning, consenting, design, procurement and construction management. We continue to work to manage cost inflation across our build pipeline through leveraging from scale, standardisation and mature procurement planning. This is particularly important given the construction industry is at a critical point of supply and demand, with supply constrained by the ongoing impacts of COVID-19, and strong demand with residential and commercial consenting at record levels.

Summerset continues to maintain the largest land bank for a retirement village operator in New Zealand and acquired four new sites in New Zealand and Australia in 2021.

These are Kelvin Grove (Palmerston North), Chirnside Park (Melbourne), Oakleigh South (Melbourne) and Craigieburn (Melbourne). This brings our total land bank to 6,614 units.

Summary of sales and developments

Summerset had a record sales year, with 978 unit sales of Occupation Rights (2020: 785), 540 of them new unit sales and 438 resales. Average gross proceeds per new sale settlement of $630,000 were up from $607,000 in 2020 due to the price increases from the strong housing market partially offset by a different mix of unit types and regions. Realised resale gain increased by 30% to $59.9 million in 2021. Average gross proceeds per resale settlement were $528,000, up 14% from 2020.

Key development milestones included the beginning of construction of three new villages, Prebbleton (Canterbury), Waikanae (Kāpiti) and Cambridge (Waikato), and completion of two new village centres, Richmond (Tasman) and Avonhead (Christchurch). For developing villages still under construction, new unit sales were particularly strong at Rototuna (Hamilton), Ellerslie (Auckland), Richmond (Tasman), Te Awa (Napier), Kenepuru (Wellington), and Casebrook and Avonhead (Christchurch). We had our strongest year of presales ever in 2021, with 72% of all villa deliveries pre-sold.

In Australia we have continued to acquire land and work on the consenting of sites, and have begun earthworks for our first village, at Cranbourne North (Melbourne). We expect the first deliveries in early 2023.

Net profit after tax

Summerset recorded a net profit after tax of $543.7 million for the year ended 31 December 2021, up from $230.8 million in 2020. This increase is largely due to the price increases from the strong housing market partially offset by a different mix of unit types and regions.
Fair value movement in 2021 of $537.5 million reflects the delivery of 545 retirement units in the financial year, the completion of two main buildings and an uplift in land bank values and unit pricing reflecting the residential house price increases in the last twelve months.

Business growth and expenses

Summerset derives its revenue from selling units (deferred management fees) and providing village and care services. The company's revenue increased as a result of higher volumes, reflective of the continuing growth and scale of our operations. Deferred management fees on Summerset's units sold under Occupation Right Agreement were $75.2 million in 2021 (2020: $60.8 million). The growth reflects the increase in the number, occupancy and value of Summerset's portfolio of units.

At 31 December 2021, Summerset's total unit portfolio reached 6,028 (2020: 5,357) and at year end there were only 262 new units and 80 resale units available for sale. Occupancy in our mature care centres was 97% (2020: 96%), which is above the industry average of 90%.

Total expenses increased in 2021 by 20% to $190.6 million (2020: $158.3 million), largely due to the initial costs of new care centres opening in line with Summerset's ongoing business growth, and increased care wage costs at a rate above the level of funding increases from DHBs. We have also had increased uncontrollable expenditure items such as rates and power, and spent more on additional sales and marketing for future developments.

Net cash from operating activities

Summerset's net cash from operating activities was $383.4 million for the year, up 44% from 2020 (2020: $266.8 million). This was principally driven by gross receipts from new Occupation Right Agreement sales, amounting to $337.6 million, up from $237.0 million in 2020.

Summerset is a growth company and reinvests operating cash flows back into the business to finance future growth. In 2021 Summerset invested $425.0 million, primarily in new and existing retirement villages and care centres (2020: $318.8 million).

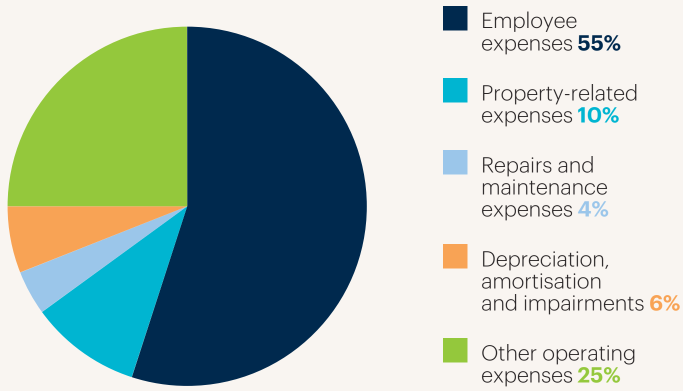
Investment activities are principally the purchase of land and the development and refurbishment of new and existing retirement villages and care centres.

Assets rose to $4.9 billion

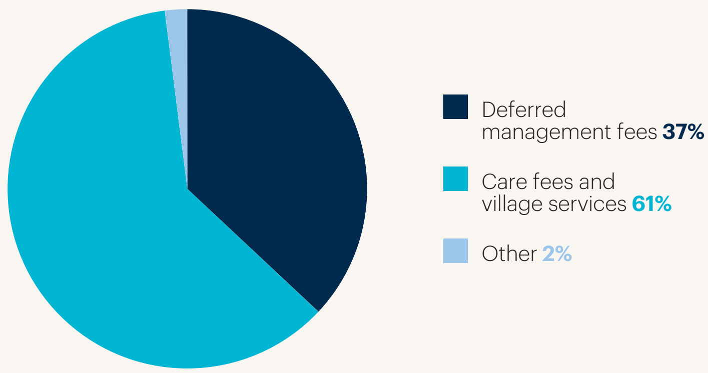
Total assets rose 26% to $4.9 billion at 31 December 2021 (2020: $3.9 billion), mainly due to growth in the size and value of Summerset's investment property, which reached $4.6 billion (2020: $3.6 billion). At balance date, Summerset also had property, plant and equipment valued at $277.7 million (2020: $181.1 million), most of this being care centres (these are operated to provide services and are therefore not included as investment property). An increased embedded value of $1.4 billion (2020: $883.6 million) demonstrates future cash that can be generated when units are resold.

Interest-bearing debt of $747.0 million was 15% of total assets at year end (2020: $687.1 million). Summerset refinanced approximately $700.0 million of syndicated bank

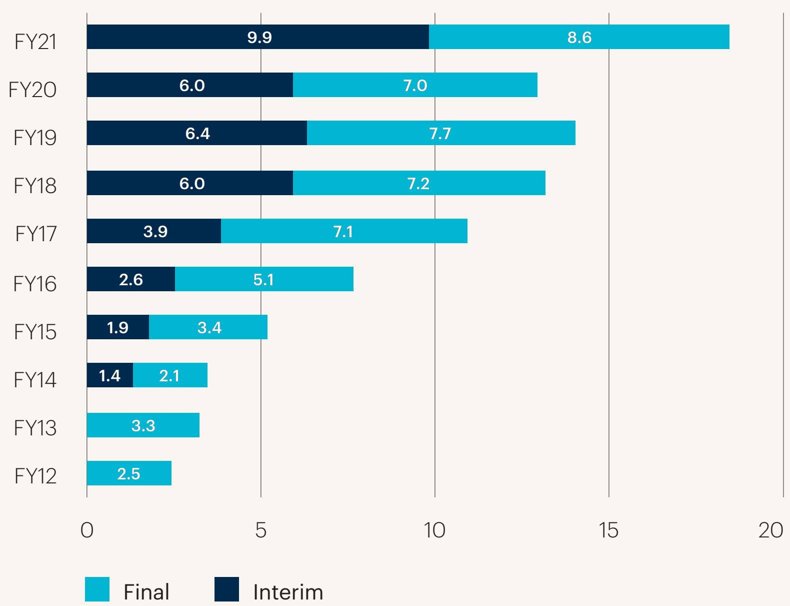
Expense breakdown



Revenue breakdown



Dividends (cents per share)



debt in August 2021, which included $315.0 million of existing debt due to mature on 31 March 2022. This has a mix of four and five-year tenures and brings total lending facilities to approximately $1.5 billion. Most of the growth in bank debt facilities is in Australia to fund the development of our land bank in Victoria.

The year-end debt at face value is made up of $374.9 million of bank borrowings and $375.0 million of retail bonds. Summerset also has residents' loans of $1.8 billion (2020: $1.5 billion). This is in the form of licences paid by residents under Occupation Right Agreements. These are repayable when residents vacate units and the associated Occupation Rights are resold.

2021 dividends

Summerset will pay a final dividend of 8.6 cents per share (cps) on 23 March 2022, making a full pay-out for the 2021 year of 18.5 cps (2020: 13.0 cps). Board policy remains for shareholder distributions in the range of 30–50% of each year's underlying profit. The 2021 distribution of $42.5 million represents 30% of underlying profit ($141.1 million), which is consistent with the last six years. Summerset continues to offer shareholders a dividend reinvestment option, including a 2% discount to market share price.

Five-year summary

Key operational and financial statistics for the five-year period up to and including FY21 are shown below.

Results highlights – operational

	Unit	FY21	FY20	FY19	FY18	FY17	FY20 to FY21 % Change
New sales of Occupation Rights	No.	540	404	329	339	382	34%
Resales of Occupation Rights	No.	438	381	323	301	300	15%
Total sales of Occupation Rights	No.	978	785	652	640	682	25%
Development margin	%	23.1%	19.6%	27.9%	33.2%	27.3%	18%
New Occupation Right units delivered	No.	619	356	354	454	450	74%
Retirement units in portfolio	No.	4,930	4,385	4,076	3,722	3,268	12%
Care units in portfolio	No.	1,098	972	868	868	816	13%

Results highlights – financial

	Unit	FY21	FY20	FY19	FY18	FY17	FY20 to FY21 % Change
Net operating cash flow	$m	383.4	266.8	237.9	217.8	207.7	44%
Total assets	$m	4,923.7	3,893.2	3,337.9	2,766.4	2,232.8	26%
Net assets	$m	1,924.5	1,354.8	1,131.9	978.8	785.8	42%
Underlying profit	$m	141.1	98.3	106.2	98.6	81.7	44%
Profit before income tax (IFRS)	$m	543.6	221.7	173.6	216.2	240.2	145%
Profit for the period (IFRS)	$m	543.7	230.8	175.3	214.5	239.9	136%
Dividend per share	cents	18.5	13.0	14.1	13.2	11.0	42%
Basic earnings per share	cents	238.2	102.3	78.6	97.1	109.8	133%

Financial statements

Income Statement

For the year ended 31 December 2021

	NOTE	2021 $000	2020 $000
Care fees and village services	4	126,884	111,619
Deferred management fees	4	75,174	60,752
Other income	4	3,291	51
Total revenue		**205,349**	**172,422**
Reversal of impairment of property, plant and equipment	9	3,431	-
Fair value movement of investment property	11	537,497	221,142
Total income		**746,277**	**393,564**
Operating expenses	5	(179,045)	(146,805)
Depreciation and amortisation expense	9, 10	(11,555)	(8,097)
Impairment of property, plant and equipment	9	-	(3,431)
Total expenses		**(190,600)**	**(158,333)**
Operating profit before financing costs		**555,677**	**235,231**
Finance costs	6	(12,040)	(13,496)
Profit before income tax		**543,637**	**221,735**
Income tax credit	7	27	9,041
Profit for the period		**543,664**	**230,776**
Basic earnings per share (cents)	20	238.18	102.30
Diluted earnings per share (cents)	20	236.86	101.23

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2021

	NOTE	2021 $000	2020 $000
Profit for the period		**543,664**	**230,776**
Fair value gain/(loss) on interest rate swaps	14	24,443	(7,075)
Tax on items of other comprehensive income	7	(6,881)	1,981
Gain/(loss) on translation of foreign currency operations		222	(491)
Other comprehensive income that will be reclassified subsequently to profit or loss for the period net of tax		**17,784**	**(5,585)**
Net revaluation of property, plant and equipment	9	35,783	12,712
Tax on items of other comprehensive income	7	(10,019)	(3,145)
Other comprehensive income which will not be reclassified subsequently to profit or loss for the period net of tax		**25,764**	**9,567**
Total comprehensive income for the period		**587,212**	**234,758**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2021

	SHARE CAPITAL $000	HEDGING RESERVE $000	REVALUATION RESERVE $000	RETAINED EARNINGS $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	TOTAL EQUITY $000
As at 1 January 2020	**284,074**	**(15,173)**	**24,941**	**837,771**	**271**	**1,131,884**
Profit for the period	-	-	-	230,776	-	230,776
Other comprehensive income for the period	-	(5,094)	9,567	-	(491)	3,982
Total comprehensive income for the period	**-**	**(5,094)**	**9,567**	**230,776**	**(491)**	**234,758**
Dividends paid	-	-	-	(31,222)	-	(31,222)
Shares issued	16,395	-	-	-	-	16,395
Employee share plan option cost	3,030	-	-	-	-	3,030
As at 31 December 2020	**303,499**	**(20,267)**	**34,508**	**1,037,325**	**(220)**	**1,354,845**
As at 1 January 2021	**303,499**	**(20,267)**	**34,508**	**1,037,325**	**(220)**	**1,354,845**
Profit for the period	-	-	-	543,664	-	543,664
Other comprehensive income for the period	-	17,562	25,764	-	222	43,548
Total comprehensive income for the period	**-**	**17,562**	**25,764**	**543,664**	**222**	**587,212**
Dividends paid	-	-	-	(38,943)	-	(38,943)
Shares issued	20,602	-	-	-	-	20,602
Employee share plan option cost	798	-	-	-	-	798
As at 31 December 2021	**324,899**	**(2,705)**	**60,272**	**1,542,046**	**2**	**1,924,514**

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 December 2021

	NOTE	2021 $000	2020 $000
Assets			
Cash and cash equivalents		8,422	15,817
Trade and other receivables	8	44,992	33,395
Interest rate swaps	14	5,723	18,412
Property, plant and equipment	9	277,715	181,098
Intangible assets	10	6,664	5,709
Investment property	11	4,580,196	3,638,760
Total assets		**4,923,712**	**3,893,191**
Liabilities			
Trade and other payables	12	202,257	158,610
Employee benefits	13	21,580	15,438
Revenue received in advance	4	141,393	114,737
Interest rate swaps	14	7,243	28,150
Residents' loans	15	1,847,136	1,520,298
Interest-bearing loans and borrowings	17	747,015	687,099
Lease liability	16	12,638	11,184
Deferred tax liability	7	19,936	2,830
Total liabilities		**2,999,198**	**2,538,346**
Net assets		**1,924,514**	**1,354,845**
Equity			
Share capital	19	324,899	303,499
Reserves	19	57,569	14,021
Retained earnings		1,542,046	1,037,325
Total equity attributable to shareholders		**1,924,514**	**1,354,845**

The accompanying notes form part of these financial statements.

Authorised for issue on 23 February 2022 on behalf of the Board

Mark Verbiest
Director and Chair of the Board

James Ogden
Director and Chair of the Audit Committee

Statement of Cash Flows

For the year ended 31 December 2021

	2021 $000	2020 $000
Cash flows from operating activities		
Receipts from residents for care fees and village services	127,045	110,719
Interest received	55	51
Payments to suppliers and employees	(171,804)	(142,205)
Receipts for residents' loans - new occupation right agreements	337,566	237,000
Net receipts for residents' loans - resales of occupation right agreements	90,543	61,282
Net cash flow from operating activities	**383,405**	**266,847**
Cash flows to investing activities		
Sale of investment property	15,201	1,154
Payments for investment property:		
- land	(87,164)	(44,386)
- construction of retirement units and village facilities	(285,234)	(229,205)
- refurbishment of retirement units and village facilities	(8,164)	(8,244)
Payments for property, plant and equipment:		
- construction of care centres	(33,084)	(16,651)
- refurbishment of care centres	(380)	(1,107)
- other	(7,980)	(7,760)
Payments for intangible assets	(1,725)	(668)
Capitalised interest paid	(16,472)	(11,910)
Net cash flow to investing activities	**(425,002)**	**(318,777)**
Cash flows from financing activities		
Net proceeds from/(repayments of) bank borrowings	67,145	(71,542)
Proceeds from issue of retail bonds	-	150,000
Proceeds from issue of shares	4,943	4,201
Interest paid on borrowings	(12,407)	(15,436)
Payments in relation to lease liabilities	(1,767)	(1,549)
Dividends paid	(23,712)	(19,389)
Net cash flow from financing activities	**34,202**	**46,285**
Net decrease in cash and cash equivalents	(7,395)	(5,645)
Cash and cash equivalents at beginning of period	15,817	21,462
Cash and cash equivalents at end of period	**8,422**	**15,817**

The accompanying notes form part of these financial statements.

Reconciliation of Operating Results and Operating Cash Flows

For the year ended 31 December 2021

	2021 $000	2020 $000
Profit for the period	**543,664**	**230,776**
Adjustments for:		
Depreciation and amortisation expense	11,555	8,097
Reversal of impairment / impairment of property, plant and equipment	(3,431)	3,431
Fair value movement of investment property	(537,497)	(221,142)
Net finance costs paid	12,040	13,496
Gain on sale of investment property	(3,236)	-
Income tax credit	(27)	(9,041)
Deferred management fee amortisation	(75,174)	(60,752)
Employee share plan option cost	1,459	1,576
Other non-cash items	431	90
	(593,880)	**(264,245)**
Movements in working capital		
Decrease/(increase) in trade and other receivables	(1,619)	1,632
Increase in employee benefits	6,142	4,004
Increase/(decrease) in trade and other payables	(141)	903
Increase in residents' loans net of non-cash amortisation	429,239	293,777
	433,621	**300,316**
Net cash flow from operating activities	**383,405**	**266,847**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2021

1. Summary of accounting policies

Reporting entity
The consolidated financial statements presented for the year ended 31 December 2021 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 a FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. The reporting entity is listed on the New Zealand Stock Exchange (NZX), being the Company's primary exchange, and is listed on the Australian Securities Exchange (ASX) as a foreign exempt listing.

Basis of preparation
These consolidated financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP), except for Note 2: Non-GAAP underlying profit, which is presented in addition to NZ GAAP compliant information. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards and the requirements of the Financial Markets Conduct Act 2013.

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

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

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

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

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

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

Notes to the financial statements (continued)

The New Zealand subsidiaries are:

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

The Australian subsidiaries are:

Summerset Care (Australia) Pty Limited
Summerset Holdings (Australia) Pty Limited
Summerset Management Group (Australia) Pty Limited
Summerset Villages (Cranbourne North) Pty Limited
Summerset Villages (Number 2) Pty Limited
Summerset Villages (Number 3) Pty Limited
Summerset Villages (Number 4) Pty Limited
Summerset Villages (Number 5) Pty Limited
Summerset Villages (Number 6) Pty Limited
Summerset Villages (Number 7) Pty Limited
Summerset Villages (Number 8) Pty Limited
Summerset Villages (Number 9) Pty Limited
Summerset Villages (Number 10) Pty Limited
Summerset Villages (Number 11) Pty Limited
Summerset Villages (Number 12) Pty Limited
Summerset Villages (Number 13) Pty Limited
Summerset Villages (Number 14) Pty Limited
Summerset Villages (Number 15) Pty Limited
Summerset Villages (Number 16) Pty Limited
Summerset Villages (Number 17) Pty Limited
Summerset Villages (Number 18) Pty Limited
Summerset Villages (Number 19) Pty Limited
Summerset Villages (Number 20) Pty Limited
Summerset Villages (Number 21) Pty Limited
Welhom Developments (Australia) Pty Limited

Accounting policies

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

The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements.

The Group adopted all mandatory new and amended NZ IFRS Standards and Interpretations and there has been no material impact on the Group's financial statements.

Implementation of the April 2021 IFRIC agenda decision in relation to software-as-a-service arrangements

During the period, the Group reviewed its accounting policy in relation to upfront configuration and customisation costs incurred in implementing software-as-a-service arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The Group has completed its evaluation of the impact of this interpretation on its financial statements and determined this to not be material.

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

Critical accounting estimates and judgements

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

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

- Deferred management fees – Note 4
- Deferred taxation – Note 7
- Interest rate swaps – Note 14
- Leases – Note 16
- Revenue in advance – Note 4
- Valuation of investment property – Note 11
- Valuation of property, plant and equipment – Note 9
- Valuation of retail bonds – Note 17

Comparative information

No comparatives have been restated in the current year.

2. Non-GAAP underlying profit

	Ref	2021 $000	2020 $000
Profit for the period		543,664	230,776
Less fair value movement of investment property	a)	(537,497)	(221,142)
Less reversal of impairment of assets / add impairment of assets	b)	(3,431)	3,431
Add realised gain on resales	c)	59,905	46,072
Add realised development margin	d)	78,525	48,208
Less deferred tax credit	e)	(27)	(9,041)
Underlying profit		**141,139**	**98,304**

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:

- 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.
- Less reversal of impairment of 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. Where there is any

Notes to the financial statements (continued)

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.

- 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.
- 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 care centre development costs which relate to assets which are not subject to the sale of occupation rights.

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

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

3. Segment reporting

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

The Group continues to 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 31 December 2021.

The Ministry of Health is a significant customer of the Group, as the Group derives care fee revenue in respect of eligible government subsidised aged care residents. Fees earned from the Ministry of Health for the year ended 31 December 2021 amounted to $34.6 million (2020: $31.5 million). No other customers individually contribute a significant proportion of the Group revenue. All revenue is earned in New Zealand.

4. Revenue

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

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

Other income comprises:

	2021 $000	2020 $000
Interest received	55	51
Other income	3,236	-
Total other income	**3,291**	**51**

Interest income is recognised in the income statement as it accrues, using the effective interest method. Other income is recognised in the income statement in the period in which the performance obligations have been satisfied.

5. Operating expenses

	2021 $000	2020 $000
Employee expenses	105,621	90,691
Property-related expenses	18,543	16,187
Repairs and maintenance expenses	7,118	5,824
Other operating expenses	47,763	34,103
Total operating expenses	**179,045**	**146,805**

Employee expenses include post-employment benefits (KiwiSaver/Superannuation) of $2.9 million (2020: $2.3 million).

Included in the above operating expenses is $4.7 million of additional costs incurred as a result of COVID-19 (2020: $9.2 million).

Other operating expenses include:

	2021 $000	2020 $000
Remuneration paid to auditors:		
- Audit and other assurance related services review of financial statements	254	205
- Other assurance services - sustainability linked lending audit	27	-
- Executive remuneration review market analysis provided to the Group	135	-
- Tax policy advice provided to the Group	5	-
Donations	57	34
Rent[1]	291	158

1 Short term and low value amounts exempt under NZ IFRS 16 - Leases and outgoings.

Notes to the financial statements (continued)

6. Finance costs

	2021 $000	2020 $000
Interest on bank loans, retail bonds and related fees	26,234	22,156
Interest on interest rate swaps	2,148	3,193
Interest on lease liability	496	466
Capitalised finance costs	(16,841)	(12,323)
Fair value movement of interest rate swaps through profit or loss	16,243	(5,795)
Fair value movement of retail bonds designated as fair value through profit or loss	(16,240)	5,782
Other	-	17
Finance costs	**12,040**	**13,496**

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

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

Borrowing costs of $16.8 million (2020: $12.3 million) have been capitalised during the period of construction in the current year. The weighted average capitalisation rate on funds borrowed representing the borrowing costs of the loans used to finance projects is 3.00% per annum (2020: 3.15% per annum).

Two of the Group's retail bonds are designated in a fair value hedging relationship. Details of fair value hedging are included in Note 14.

7. Income tax

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

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

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

(a) Income tax recognised in the income statement

	2021 $000	2020 $000
Tax expense comprises:		
Deferred tax relating to the origination and reversal of temporary differences	(27)	(9,041)
Total tax credit reported in income statement	**(27)**	**(9,041)**

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:

	2021		2020	
	$000	%	$000	%
Profit before income tax	**543,637**		**221,735**	
Income tax using the corporate tax rate	152,218	28.0%	62,086	28.0%
Capitalised interest	(4,722)	(0.9%)	(3,450)	(1.6%)
Other non-deductible expenses	197	0.0%	208	0.1%
Non-assessable investment property revaluations	(150,339)	(27.7%)	(62,501)	(28.2%)
Reinstatement of tax depreciation on non-residential buildings	-	0.0%	(6,008)	(2.7%)
Transfer of investment property to property, plant and equipment	2,472	0.5%	-	0.0%
Other	100	0.0%	180	0.1%
Prior period adjustments	47	0.0%	444	0.2%
Total income tax credit	**(27)**	**(0.0%)**	**(9,041)**	**(4.1%)**

Total Group tax losses available amounted to $341.1 million at 31 December 2021 ($95.8 million tax effected) (2020: $250.5 million ($70.3 million tax effected)). There are no unrecognised tax losses for the Group at 31 December 2021 (2020: nil).

(b) Amounts charged or credited to other comprehensive income

	2021	2020
	$000	$000
Tax expense comprises:		
Net gain on revaluation of land and buildings	10,019	3,145
Fair value movement of interest rate swaps	6,881	(1,981)
Total tax expense reported in statement of comprehensive income	**16,900**	**1,164**

(c) Amounts charged or credited directly to equity

	2021	2020
	$000	$000
Tax expense comprises:		
Deferred tax relating to employee share option plans	233	(1,812)
Total tax expense/(credit) reported directly in equity	**233**	**(1,812)**

(d) Imputation credit account

There were no imputation credits received or paid during the year and the balance at 31 December 2021 is nil (2020: nil).

Notes to the financial statements (continued)

(e) Deferred tax

Movement in the deferred tax balance comprises:

	BALANCE 1 JAN 2021 $000	RECOGNISED IN INCOME $000	RECOGNISED DIRECTLY IN EQUITY $000	RECOGNISED IN OCI* $000	BALANCE 31 DEC 2021 $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**

	BALANCE 1 JAN 2020 $000	RECOGNISED IN INCOME $000	RECOGNISED DIRECTLY IN EQUITY $000	RECOGNISED IN OCI* $000	BALANCE 31 DEC 2020 $000
Property, plant and equipment	17,607	(6,581)	-	3,145	14,171
Investment property	29,188	6,043	-	-	35,231
Revenue in advance	23,479	11,680	-	-	35,159
Interest rate swaps	(5,901)	-	-	(1,981)	(7,882)
Income tax losses not yet utilised	(51,631)	(18,678)	-	-	(70,309)
Other items	(223)	(1,505)	(1,812)	-	(3,540)
Net deferred tax liability	**12,519**	**(9,041)**	**(1,812)**	**1,164**	**2,830**

* Other comprehensive income

8. Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses. Trade receivables are not significant on an individual basis and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate, less an allowance for doubtful debts. The allowance for doubtful debts is made up of expected credit losses based on assessment of trade receivables debt at the individual level for impairment, plus an additional allowance on the remaining balance for potential credit losses not yet identified. The expected credit losses allowance requirement on the remaining balance has been set at 2%.

	2021 $000	2020 $000
Trade receivables	3,541	3,357
Allowance for doubtful debts	(109)	(237)
Net trade receivables	**3,432**	**3,120**
Prepayments	13,349	12,215
Accrued income	1,057	1,092
Sundry debtors	27,154	16,968
Total trade and other receivables	**44,992**	**33,395**

9. Property, plant and equipment

Property, plant and equipment includes care centres (including memory care apartments and care suites), both complete and under development, and corporate assets held.

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

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

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

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

Note 6 provides details on capitalised borrowing costs.

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

Major depreciation rates are as follows:

- Buildings (2% to 14% SL)
- Motor vehicles (8% to 10% SL)
- Furniture and fittings (7% to 20% SL)
- Plant and equipment (7% to 50% SL)

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

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

Notes to the financial statements (continued)

	LAND AND BUILDINGS $000	MOTOR VEHICLES $000	PLANT AND EQUIPMENT $000	FURNITURE AND FITTINGS $000	RIGHT OF USE ASSETS $000	TOTAL $000
Cost						
Balance at 1 January 2020	138,498	1,833	15,469	7,505	9,203	172,508
Additions	17,511	617	6,326	1,285	1,806	27,545
Transfer	(2,885)	-	-	-	-	(2,885)
Impairment through profit or loss	(3,634)	-	-	-	-	(3,634)
Net revaluations through other comprehensive income	5,882	-	-	-	-	5,882
Balance at 31 December 2020	**155,372**	**2,450**	**21,795**	**8,790**	**11,009**	**199,416**
Additions	39,697	901	5,344	600	2,795	49,337
Disposals	-	(28)	(92)	-	(111)	(231)
Transfer	18,718	-	-	-	-	18,718
Reversal of impairment through profit or loss	3,431	-	-	-	-	3,431
Net revaluations through other comprehensive income	30,210	-	-	-	-	30,210
Balance at 31 December 2021	**247,428**	**3,323**	**27,047**	**9,390**	**13,693**	**300,881**
Accumulated depreciation						
Balance at 1 January 2020	4,664	952	7,850	4,128	910	18,504
Depreciation charge for the year	2,537	186	2,078	1,070	1,144	7,015
Transfer	(168)	-	-	-	-	(168)
Impairment through profit or loss	(203)	-	-	-	-	(203)
Net revaluations through other comprehensive income	(6,830)	-	-	-	-	(6,830)
Balance at 31 December 2020	**-**	**1,138**	**9,928**	**5,198**	**2,054**	**18,318**
Depreciation charge for the year	5,573	244	2,323	1,038	1,341	10,519
Disposals	-	(28)	(23)	-	(47)	(98)
Net revaluations through other comprehensive income	(5,573)	-	-	-	-	(5,573)
Balance at 31 December 2021	**-**	**1,354**	**12,228**	**6,236**	**3,348**	**23,166**
Carrying amounts						
As at 31 December 2020	155,372	1,312	11,867	3,592	8,955	181,098
As at 31 December 2021	**247,428**	**1,969**	**14,819**	**3,154**	**10,345**	**277,715**

Buildings include $23.9 million of care centres under development carried at cost at 31 December 2021 (2020: $16.9 million). Right of use assets relate to the Group's leased office premises and car park spaces; refer to Note 16 for further information.

Transfer

Each period, the Group assesses the significance of ancillary services provided in its units sold under occupation right agreement. As a result, memory care apartments and care suites have been reclassified from investment property to property, plant and equipment effective 1 January 2021. The Group's memory care apartments and care suites were transferred to property, plant and equipment at fair value as at transfer date which totalled $24.0 million.

During the period, the Group amalgamated land titles for five villages which were previously split between land relating to care facilities and land relating to investment property. As the land relating to care facilities forms an insignificant portion of the total village land, and consenting for future refurbishment requires one title, it has been transferred from property, plant and equipment to investment property. This aligns the classification of this land to the rest of the Group's land which is all held as investment property. The land has been transferred at its fair value at transfer date which totalled $5.3 million.

Revaluations

An independent valuation to determine the fair value of all building assets related to completed care centres was carried out as at 31 December 2021 by CBRE Limited ("CBRE NZ"), an independent registered valuer. Valuations are carried out annually.

CBRE NZ determines the fair value of care centres (excluding units under occupation right agreement) using an earnings-based multiple approach and the amount apportioned to goodwill of $16.0 million is not recognised (2020: $18.9 million). Significant assumptions used in the most recent valuation include market value per care bed of between $68,200 and $227,600, and individual unit earning capitalisation rate of between 11.50% and 14.75%.

Revaluation of units under occupation right agreement held as property, plant and equipment

To assess the market value of the Group's interest in the units under occupation right agreement held as property, plant and equipment, CBRE NZ have undertaken a cash flow analysis to derive a net present value. Significant assumptions used by CBRE NZ include a discount rate of between 14.75% and 15.50%, and a growth rate of between 0.5% and 3.0%. Other assumptions used include the average entry age of residents of between 81 and 90 years, and the stabilised departing occupancy periods of units of between 2.9 and 3.1 years.

	2021 $000
Manager's net interest	49,027
Plus: revenue received in advance relating to property, plant and equipment	1,201
Plus: liability for residents' loans relating to property, plant and equipment	14,087
Total property, plant and equipment - units under occupation right agreement	**64,315**

Notes to the financial statements (continued)

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

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

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolio of care centres (excluding units under occupation right agreement) are the capitalisation rates applied to individual unit earnings and the market value per care bed. A significant decrease (increase) in the capitalisation rate would result in a significantly higher (lower) fair value measurement, and a significant increase (decrease) in the market value per care bed would result in a significantly higher (lower) fair value measurement.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolio of units under occupation right agreement, held as property, plant and equipment, are the discount rates and growth rates. A significant decrease (increase) in the discount rate would result in a significantly higher (lower) fair value measurement, and a significant increase (decrease) in the growth would result in a significantly higher (lower) fair value measurement. Other key components in determining the fair value of units under occupation right held as property, plant and equipment 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.

No comparatives have been provided in relation to units under occupation right agreement. As at 31 December 2020 there were no such units held as property, plant and equipment.

Cost model

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

	2021 LAND AND BUILDINGS $000	2020 LAND AND BUILDINGS $000
Cost	184,640	126,225
Accumulated depreciation and impairment losses	(24,544)	(18,971)
Net carrying amount	**160,096**	**107,254**

Security

At 31 December 2021, all care centres held by retirement villages registered under the Retirement Villages Act 2003 are subject to a registered first mortgage in favour of the Statutory Supervisor.

10. Intangible assets

Intangible assets acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in the income statement on a SL basis over the estimated useful lives of intangible assets from the date that they are available for use. The intangible assets are software and the amortisation rates at 31 December 2021 are between 10-20% SL basis.

	TOTAL $000
Cost	
Balance at 1 January 2020	10,371
Additions	668
As at 31 December 2020	**11,039**
Additions	2,380
Disposals	(1,168)
As at 31 December 2021	**12,251**
Accumulated amortisation	
Balance at 1 January 2020	4,248
Amortisation charge for the year	1,082
As at 31 December 2020	**5,330**
Amortisation charge for the year	1,036
Disposals	(779)
As at 31 December 2021	**5,587**
Carrying amounts	
As at 31 December 2020	5,709
As at 31 December 2021	**6,664**

Notes to the financial statements (continued)

11. Investment property

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

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

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

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

Depreciation is not charged on investment property.

Note 6 provides details on capitalised borrowing costs.

	2021 $000	2020 $000
Balance at beginning of period	3,638,760	3,107,014
Additions	434,643	309,024
Disposals	(12,034)	(920)
Transfer (to)/from property, plant and equipment	(18,718)	2,500
Fair value movement	537,497	221,142
Foreign exchange movement	48	-
Total investment property	**4,580,196**	**3,638,760**

	2021 $000	2020 $000
Development land measured at fair value[1]	485,225	335,694
Retirement villages measured at fair value	3,772,522	2,973,040
Retirement villages under development measured at cost	322,449	330,026
Total investment property	**4,580,196**	**3,638,760**

1 *Included in development land are pieces of land that were acquired close to balance date and as such were excluded from the valuation of investment property. These pieces of land have been accounted for at cost, which has been determined to be fair value due to the proximity of the transaction to balance date. At 31 December 2021 the land at cost was $95.3 million (2020 $9.9 million).*

	2021 $000	2020 $000
Manager's net interest	2,606,955	2,003,725
Plus: revenue received in advance relating to investment property	140,192	114,737
Plus: liability for residents' loans relating to investment property	1,833,049	1,520,298
Total investment property	**4,580,196**	**3,638,760**

The Group is unable to reliably determine the fair value of the non-land portion of retirement villages under development at 31 December 2021 and therefore these are carried at cost. This equates to $322.4 million of investment property (2020: $330.0 million).

The fair value of investment property as at 31 December 2021 was determined by independent registered valuers CBRE Limited ("CBRE NZ") and Jones Lang LaSalle Limited ("JLL") for villages including 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 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 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.

Each valuer continues to review market conditions in relation to the COVID-19 global pandemic. The valuers' view is that the longer term economic impacts as a result of COVID-19 on the New Zealand aged care sector still remain largely unknown, however, more recently there has been sufficient depth of transactions in most markets to provide considered valuation advice. That said, given the remaining uncertainty and unknown impact COVID-19 may have in the future, they still advise a higher 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 16.5% (2020: 13.5% to 16.5%), and a long-term nominal house price inflation rate (growth rate) of between 0% and 3.5% (2020: 0% to 3.5%). Other assumptions used include the average entry age of residents of between 73 and 89 years (2020: 72 years and 90 years), and the stabilised departing occupancy periods of units of between 3.5 and 8.8 years (2020: 3.7 years and 9.0 years).

Sites under development in Australia have been valued separately by CBRE AU. Land is valued under the same methodology as development land in New Zealand with the exception of Torquay which is valued under a modified direct comparison approach which takes into account the gross realisation of the proposed units 'as if complete'.

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

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

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

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

	Adopted value[1]	Discount rate +50 bp	Discount rate -50 bp	Growth rates +50bp	Growth rates -50bp
31 December 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%)
31 December 2020					
Valuation ($000)	1,142,825				
Difference ($000)		(40,635)	43,395	53,550	(70,865)
Difference (%)		(3.6%)	3.8%	4.7%	(6.2%)

1 *Completed units excluding unsold stock.*

Notes to the financial statements (continued)

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.

Operating expenses

Direct operating expenses arising from investment property during the period amounted to $46.6 million (2020: $41.1 million).

Security

At 31 December 2021, all investment property relating to registered retirement villages under the Retirement Villages Act 2003 are subject to a registered first mortgage in favour of the Statutory Supervisor to secure the Group's obligations to the occupation right agreement holders.

12. Trade and other payables

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

	2021 $000	2020 $000
Trade payables	4,535	3,687
Accruals - development of retirement units and care centres	174,650	118,185
Accruals - other	16,354	14,275
Short-term advance	-	15,750
Sundry payables	6,718	6,713
Total trade and other payables	**202,257**	**158,610**

13. Employee benefits

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

	2021 $000	2020 $000
Leave liabilities	10,905	8,284
Other employee benefits	10,675	7,154
Total employee benefits	**21,580**	**15,438**

14. Interest rate swaps

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

Cash flow hedges

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

Under the interest rate swap agreements that qualify for cash flow hedge accounting, the Group has a right to receive interest at variable rates and to pay interest at fixed rates. At 31 December 2021, the Group had interest rate swap agreements in place with a total notional principal amount of approximately $444.7 million, made up of $312.0 million denominated in NZD and $100.0 million in AUD (2020: $337.0 million denominated in NZD). Of the swaps in place, at 31 December 2021 $339.8 million (2020: $312.0 million) are being used to cover approximately 45% (2020: 45%) of the floating rate debt principal outstanding. These agreements effectively change the Group's interest exposure on the principal covered by the interest rate swaps from a floating rate to fixed rates, which range between 0.56% and 3.87% (2020: 1.22% and 3.87%).

The fair value of these agreements at 31 December 2021 is a $3.7 million liability, comprised of $7.2 million of swap liabilities and $3.5 million of swap assets (2020: liability of $28.2 million, comprised of $29.2 million of swap liabilities and $1.0 million of swap assets). Of this, a liability of $881,000 is estimated to be current (2020: $274,000). The agreements cover notional amounts for terms of up to seven years.

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

	2021 $000	2020 $000
Less than 1 year	70,000	25,000
Between 1 and 2 years	45,000	70,000
Between 2 and 3 years	60,000	-
Between 3 and 4 years	51,536	105,000
Between 4 and 5 years	83,844	-
Between 5 and 6 years	124,302	77,000
Between 6 and 7 years	10,000	50,000
Between 7 and 8 years	-	10,000
Total	**444,682**	**337,000**
Current	339,766	312,000
Forward starting	104,916	25,000
Total	**444,682**	**337,000**

Fair value hedges

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

Both the hedging instrument (interest rate swap) and the hedged risk are recognised at fair value. The change in the fair value of both items offset in the statement of comprehensive income to the extent the hedging relationship is effective. The reduction in fair value of the interest rate swaps of $16.2 million (2020: increase of $5.8 million) has been recognised in finance costs and has been offset with a similar fair value gain on the retail bonds to leave an ineffective amount in finance costs of $3,000 (2020: $13,000).

Under the interest rate swap agreements that qualify for fair value hedge accounting, the Group has a right to receive interest at fixed rates and to pay interest at floating rates. At 31 December 2021, the Group had interest rate swap agreements in place with a total notional principal amount of $225.0 million (2020: $225.0 million). Of the interest rate swaps in place, at 31 December 2021 $225.0 million (2020: $225.0 million) are being used to cover 60% (2020: 60%) of the fixed interest rate retail bonds outstanding.

Notes to the financial statements (continued)

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

	2021 $000	2020 $000
Less than 1 year	-	-
Between 1 and 2 years	100,000	-
Between 2 and 3 years	-	-
Between 3 and 4 years	125,000	100,000
Between 4 and 5 years	-	-
Between 5 and 6 years	-	125,000
Total	**225,000**	**225,000**
Current	225,000	225,000
Total	**225,000**	**225,000**

15. Residents' loans

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

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

	2021 $000	2020 $000
Balance at beginning of period	1,872,736	1,599,854
Net receipts for residents' loans - resales of occupation right agreements	63,832	27,830
Receipts for residents' loans - new occupation right agreements	340,377	245,052
Total gross residents' loans	**2,276,945**	**1,872,736**
Deferred management fees and other receivables	(429,809)	(352,438)
Total residents' loans	**1,847,136**	**1,520,298**

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

16. Leases

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

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as incurred as a rental expense over the lease term.

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

The weighted average incremental borrowing rates used to measure lease liabilities at the date of application are between 3.19% and 4.67% (2020: 3.80% and 4.67%).

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

During the period, as a direct result of the COVID-19 pandemic the Group, as a lessee, received $8,000 in rent concessions (2020: $60,000). Management has applied the COVID-19 practical expedient, issued by the IASB in May 2020, and has accounted for the rent concessions as if they were not lease modifications. The rent concessions have instead been accounted for as a reduction to operating expenses.

As a lessee

Right of use assets disclosed:

	2021 Buildings $000	2020 Buildings $000
Balance at beginning of period	8,955	8,293
Additions	2,795	1,806
Disposals	(64)	-
Depreciation charge for the year	(1,341)	(1,144)
Balance at end of period	**10,345**	**8,955**

Lease liabilities disclosed:

	2021 $000	2020 $000
Less than 1 year	1,412	1,123
Between 1 and 5 years	6,506	4,994
More than 5 years	4,720	5,067
Total lease liabilities at end of period	**12,638**	**11,184**

Notes to the financial statements (continued)

Amounts recognised in the profit and loss:

	2021 $000	2020 $000
Interest on lease liabilities	496	466
Expenses relating to short-term and low-value asset leases	200	4
Depreciation on right of use assets	1,341	1,144
Total amounts recognised in profit or loss	**2,037**	**1,614**

Amounts recognised in statement of cash flows:

	2021 $000	2020 $000
Total cash outflows for leases	**2,081**	**1,593**

As a lessor

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

17. Interest-bearing loans and borrowings

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

Interest-bearing loans and borrowings are recognised initially at fair value net of directly attributable transaction costs. Subsequent to initial recognition, the borrowings are measured at amortised cost, with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate. 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. SUM030 is not hedged. Transaction costs incurred in arranging financing are capitalised and amortised over the term of the relevant debt instrument.

	Coupon	2021 $000	2020 $000
Repayable after 12 months			
Secured bank loans	Floating	374,940	297,576
Retail bond - SUM010	4.78%	100,000	100,000
Retail bond - SUM020	4.20%	125,000	125,000
Retail bond - SUM030	2.30%	150,000	150,000
Total loans and borrowings at face value		**749,940**	**672,576**
Transaction costs for loans and borrowings capitalised:			
Opening balance		(3,888)	(2,688)
Capitalised during the period		(2,194)	(1,876)
Amortised during the period		986	676
Closing balance		(5,096)	(3,888)
Total loans and borrowings at amortised cost		**744,844**	**668,688**
Fair value adjustment on hedged borrowings		2,171	18,411
Carrying value of interest-bearing loans and borrowings		**747,015**	**687,099**

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

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

	2021 $000	2020 $000
Borrowings at the start of the year	687,099	597,081
Net cash borrowed	77,364	85,436
Cash change in deferred financing costs	(2,194)	(1,876)
Non-cash change in deferred financing costs	986	676
Non-cash change in fair value adjustment	(16,240)	5,782
Borrowings at the end of the year	**747,015**	**687,099**

The weighted average interest rate for the year to 31 December 2021 was 3.00% (2020: 3.15%). This includes the impact of interest rate swaps (see Note 14).

Effective 1 October 2021, the Group refinanced two tranches of the syndicated facility that were due to expire and obtained new NZD and AUD bank loan facilities. The secured bank loan facility at 31 December 2021 has a limit of approximately $1,110 million (2020: $750 million). Lending of AU$120 million expires in November 2023, lending of NZ$310 million expires in November 2024, lending of NZ$50 million and AU$130 million expires in September 2025 and lending of NZ$315 million and AU$185 million expires in September 2026.

Notes to the financial statements (continued)

The Group has issued three retail bonds. The first retail bond was issued for $100 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 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 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 bank loans and retail bonds rank equally with the Group's other unsubordinated obligations and are secured by the following securities held by a security trustee:

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

18. Financial instruments

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

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 it will continue to monitor the situation.

Categories of financial instruments

Financial assets

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

Financial liabilities

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

Credit risk

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

There has been no instances of residents or counterparties failing to meet their contractual obligations as a direct result of COVID-19. There has been no change to credit terms and aging of receivables remains consistent with the prior years.

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

	2021		2020	
	GROSS RECEIVABLE $000	IMPAIRMENT $000	GROSS RECEIVABLE $000	IMPAIRMENT $000
Not past due	3,029	(45)	2,894	(44)
Past due 31 to 60 days	260	(13)	236	(55)
Past due 61 to 90 days	88	(10)	118	(54)
Past due more than 90 days	164	(41)	109	(84)
Total	**3,541**	**(109)**	**3,357**	**(237)**

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

	2021 $000	2020 $000
Gross trade receivables	3,541	3,357
Impairment	(109)	(237)
Net trade receivables	**3,432**	**3,120**

Market risk

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

Interest rate risk

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

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

In these hedge relationships the main sources of ineffectiveness are:

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

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

At 31 December 2021 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit by approximately $3.7 million (2020: decrease by $2.8 million) and decrease total comprehensive income by approximately $1.8 million (2020: increase by $8.7 million).

Liquidity risk

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

Notes to the financial statements (continued)

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

	2021		2020	
	LESS THAN 1 YEAR $000	GREATER THAN 1 YEAR $000	LESS THAN 1 YEAR $000	GREATER THAN 1 YEAR $000
Financial liabilities				
Trade and other payables	202,257	-	158,610	-
Residents' loans	168,621	1,678,515	118,724	1,401,574
Interest-bearing loans and borrowings	21,819	812,625	20,562	706,908
Interest rate swaps	6,378	18,061	8,315	32,882
Lease liability	1,412	11,226	1,123	10,061
Total	**400,487**	**2,520,427**	**307,334**	**2,151,425**

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

Foreign currency risk

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

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

The risk to the Group is that the value of the overseas subsidiaries' financial position and financial performance will fluctuate in economic terms and as recorded in the Group financial statements due to changes in foreign exchange rates. Due to limited activity in the Australian subsidiaries in 2021, the Group did not have a material exposure to foreign exchange risk.

Fair values

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

	2021		2020	
	CARRYING AMOUNT $000	FAIR VALUE $000	CARRYING AMOUNT $000	FAIR VALUE $000
Residents' loans	(1,847,136)	(1,348,724)	(1,520,298)	(1,082,943)
Retail bonds	(374,153)	(374,328)	(389,523)	(394,303)
Total	**(2,221,289)**	**(1,723,052)**	**(1,909,821)**	**(1,477,246)**

The fair value of residents' loans is based on the present value of projected cash flows. Future cash flows are based on the assumption that the average tenure periods are those disclosed in Note 4 and have been discounted at 14% (2020: 14%). The fair value of residents' loans is categorised as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

The fair value of retail bonds is based on the price traded at on the NZX market as at 31 December 2021. The fair value of the retail bonds is categorised as Level 1 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

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

Capital management

The Group's capital includes share capital, reserves and retained earnings. The objective of the Group's capital management is to ensure a strong credit position to support business growth and maximise shareholder value. The Group is subject to capital requirements imposed by the bank lenders (through covenants in the Syndicated Facility Agreement) and bondholders (through covenants in the Master Trust Deed). The Group has met all of these externally imposed capital requirements for the year ended 31 December 2021 (2020: all requirements met). The Group capital structure is managed, and adjustments are made, with Board approval. There were no changes to objectives, policies or processes during the year ended 31 December 2021 (2020: none).

19. Share capital and reserves

At 31 December 2021, there were 230,215,366 ordinary shares on issue (2020: 228,785,314). All ordinary shares are fully paid and have no par value. All shares carry one vote per share and carry the right to dividends.

	2021 $000	2020 $000
Share capital		
On issue at beginning of year	303,499	284,074
Shares issued under the dividend reinvestment plan	15,230	11,833
Shares paid under employee share plans	5,372	4,562
Employee share plan option cost	798	3,030
On issue at end of year	**324,899**	**303,499**

	2021	2020
Share capital (in thousands of shares)		
On issue at beginning of year	227,073	224,250
Shares issued under the dividend reinvestment plan	1,102	1,820
Shares issued under employee share plans	1,252	1,003
On issue at end of year	**229,427**	**227,073**

The total shares on issue at 31 December 2021 of 230,215,366 for the Company differs from the share capital for the Group due to shares held in 100% owned subsidiary, Summerset LTI Trustee Limited. As at 31 December 2021, 788,621 shares are held by Summerset LTI Trustee Limited for employee share plans, which are eliminated on consolidation. Refer to Note 21 for further details on employee share plans.

Revaluation reserve

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

Hedging reserve

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

Foreign currency translation reserve

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

Dividends

On 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 (2020: on 23 March 2020 a dividend of 7.7 cents per ordinary share was paid to shareholders and on 11 September 2020 a dividend of 6.0 cents per ordinary share was paid to shareholders).

A dividend reinvestment plan applied to the dividends paid. 493,015 ordinary shares were issued in relation to the plan for the March 2021 dividend and 608,493 ordinary shares were issued in relation to the plan for the September 2021 dividend. (2020: 1,155,370 ordinary shares were issued in March 2020 and 665,095 ordinary shares were issued in September 2020).

Notes to the financial statements (continued)

20. Earnings per share and net tangible assets

Basic earnings per share

	2021	2020
Earnings ($000)	543,664	230,776
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	228,256	225,591
Basic earnings per share (cents per share)	**238.18**	**102.30**

Diluted earnings per share

	2021	2020
Earnings ($000)	543,664	230,776
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	229,525	227,979
Diluted earnings per share (cents per share)	**236.86**	**101.23**

Number of shares (in thousands)

	2021	2020
Weighted average number of ordinary shares for the purpose of basic earnings per share	228,256	225,591
Weighted average number of ordinary shares issued under employee share plans	1,269	2,388
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**229,525**	**227,979**

At 31 December 2021, there were a total of 788,621 shares issued under employee share plans held by Summerset LTI Trustee Limited (2020: 1,712,181 shares).

Net tangible assets per share

	2021	2020
Net tangible assets ($000)	1,917,850	1,349,136
Shares on issue at end of period (basic and in thousands)	229,427	227,073
Net tangible assets per share (cents per share)	**835.93**	**594.14**

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

21. Employee share plans

Senior employee share plan - share option scheme

Effective from 2018, the Group operates an employee share plan granting share options to selected senior employees ("Participants"). Where applicable, the exercise price of the granted share options is determined from the volume weighted average price on the NZX during the 10 trading day period determined by the Board prior to the grant. Effective from the 2021 annual option grant, the option exercise price is set at nil and therefore no option valuation is required.

	SHARE OPTION PLAN (2018 grant)	SHARE OPTION PLAN (2019 grant)	SHARE OPTION PLAN (2020 grant)	SHARE OPTION PLAN (2021 grants)
Commencement date	10 Dec 2018	9 Dec 2019	18 Dec 2020	3 May 2021 - 23 Dec 2021
Exercise price at grant	$6.34	$7.62	$10.85	$0.00 - $10.85
Years the performance goals relate to	2019 to 2021	2020 to 2022	2021 to 2023	2021 to 2026
% of options vested	80%[1]	37%[2]	0%	0%
Vesting date of final tranche	31 Dec 2021	31 Dec 2022	31 Dec 2023	1 March 2026
Final exercise date of final tranche	30 Jun 2023	30 Jun 2024	30 Jun 2025	30 Jun 2027

1 The first tranche of the December 2018 grant had a vesting date of 31 December 2020. The second tranche of the December 2018 grant had a vesting date of 31 December 2021.

2 The first tranche of the December 2019 grant had a vesting date of 31 December 2021.

For the 2021 annual option grant, 50% of the vesting criteria is time-based only (non-hurdled) for all Participants, for the remaining 50% of the vesting criteria, the following performance hurdles apply to all Participants:

- 50% underlying net profit after tax
- 20% relative earnings growth
- 20% customer initiatives
- 10% employee initiatives

For annual option grants made between 2018 and 2020, while there is a requirement to remain employed by Summerset up to vesting date, there are no performance hurdles for vesting of share options to senior management team members, other than the members of the Executive Leadership Team.

For certain one-off option grants outside of the annual option grant process, performance hurdles are set relating to specific performance milestones for the relevant Participant.

A total of 903,317 options have vested and are currently exercisable at 31 December 2021 (2020: 576,852). The maximum terms for options granted range between three and six years.

The share option scheme is an equity-settled scheme and measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate that the share options will vest. Where applicable, these options were valued using the Black-Scholes valuation model, and the option cost for the year ending 31 December 2021 of $995,000 has been recognised in the income statement of the Company and the Group for that period (2020: $980,000). The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

Notes to the financial statements (continued)

	2021			
	SHARE OPTION PLAN (2018 grant)	SHARE OPTION PLAN (2019 grant)	SHARE OPTION PLAN (2020 grant)	SHARE OPTION PLAN (2021 grants)
Options held at year end (in thousands)	507	746	518	535
Valuation assumptions for those options with an exercise price				
Discount to reflect options may not meet vesting criteria	15%	15%	15%	15%
Risk free rate of return	2%	1%	0.5%	0.5%
Volatility	23%	24%	26%	26%

	2020		
	SHARE OPTION PLAN (2018 grant)	SHARE OPTION PLAN (2019 grant)	SHARE OPTION PLAN (2020 grant)
Options held at year end (in thousands)	1,058	1,004	549
Valuation assumptions for those options with an exercise price			
Discount to reflect options may not meet vesting criteria	15%	15%	15%
Risk free rate of return	2%	1%	0.5%
Volatility	23%	24%	26%

	2021		2020	
	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS 000's	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS 000's
Balance at beginning of period	$7.78	2,612	$6.97	2,148
Granted during the year	$1.89	535	$10.85	549
Exercised during the year	$6.34	(412)	-	-
Forfeited during the year	$7.43	(429)	$7.23	(85)
Balance at end of period	**$6.73**	**2,306**	**$7.78**	**2,612**

Senior employee share plan - share and loan scheme

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

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

The issue price of shares under the 2013 share plan was determined from the volume weighted average price on the NZX during the 10 trading days prior to issue.

	2013 SHARE PLAN (2017 issues)
Commencement date	16 Dec 2013
Issue price	$5.19 & $5.24
Expiry date of interest-free limited recourse loans	30 Jun 2022
Years the performance goals relate to	2018 to 2020
% of shares vested	94%
Vesting date of final tranche	31 Dec 2020

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

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

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

A total of 313,251 shares were vested and eligible for exercise at 31 December 2021 (2020: 888,346). The exercise prices range from $5.19 to $5.24 (2020: $4.76 to $5.24).

The share and loan scheme is an equity-settled scheme and is measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate that the shares will vest. These options were valued using the Black-Scholes valuation model, and nil option cost for the year ending 31 December 2021 has been recognised in the income statement of the Company and the Group for that period as the shares under this scheme had fully vested as at 31 December 2020 (2020: $128,000 option cost recognised).

	2021	2020	
	2013 SHARE PLAN (2017 issues)	2013 SHARE PLAN (2016 issue)	2013 SHARE PLAN (2017 issues)
Shares held at year end on behalf of participants (in thousands)	313	245	1,036
Shares held at year end as a percentage of shares on issue	0.1%	0.1%	0.5%
Valuation assumptions			
Discount to reflect that shares may not meet vesting criteria	0-15%	0-15%	0-15%
Risk-free rate of return	2-2.5%	2.5%	2-2.5%
Volatility	23%	23%	23%

Notes to the financial statements (continued)

	2021		2020	
	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES 000's	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES 000's
Balance at beginning of period	$5.16	1,281	$4.89	2,218
Exercised during the year	$ 5.11	(968)	$4.51	(931)
Forfeited during the year	-	-	$5.24	(6)
Balance at end of period	**$5.21**	**313**	**$5.16**	**1,281**

All-staff employee share plan

The Group operates an all-staff employee share plan. A total of 1,368 employees participated in the share issue under the plan for the year ended 31 December 2021 (2020: 1,282 employees). In 2021, the Group contributed $1,000 per participating employee (being the total value of the shares issued). A total of 99,864 Company shares were issued under the scheme at $13.53 per share (2020: 137,174 shares at $7.47 per share). The shares are held by Summerset LTI Trustee Limited and vest to participating employees after a three-year period.

The cost for the year ending 31 December 2021 of $368,000 has been recognised in the income statement of the Company and the Group for that period (2020: $370,000).

22. Related party transactions

Refer to Note 21 for employee share plan details.

Transactions with companies associated with Directors

In 2020, Summerset Villages (Half Moon Bay) Limited purchased land at Half Moon Bay in Auckland from BeGroup New Zealand Limited ("the vendor"). In February 2021 $15.8 million was paid to the vendor in line with the agreement to purchase. James Ogden is the Chair of the Investment Committee for Pencarrow IV Investment Fund, which owns 48% of the vendor. Due to this conflict, James Ogden abstained from all aspects of the transaction in both entities.

With effect from 1 January 2021, Summerset Management Group Limited entered into a three year contract for the supply of natural gas with Contact Energy. At the time of the transaction up until 1 April 2021, Venasio-Lorenzo Crawley was the Chief Customer Officer at Contact Energy. The procurement process in relation to this contract was conducted on an arms-length basis with no involvement from Venasio-Lorenzo Crawley. The Group paid $313,000 during the year to Contact Energy.

The Group also enters into transactions with other entities that some of the directors may sit on the board of. These transactions are entered into in the normal course of business with standard commercial terms and conditions. For a full list of all material director interests, please refer to the Disclosures section on page 121 of this report.

23. Key management personnel compensation

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

	2021	2020
	$000	$000
Directors' fees	782	786
Short-term employee benefits	4,572	3,861
Share-based payments	542	729
Total	**5,896**	**5,376**

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

24. Commitments and contingencies

Guarantees

As at 31 December 2021, NZX Limited held a guarantee in respect of the Group, as required by the NZX Listing Rules, for $75,000 (2020: $75,000).

Summerset Retention Trustee Limited holds guarantees in relation to retentions on construction contracts on behalf of the Group. As at 31 December 2021, $10.0 million was held for the benefit of the retentions beneficiaries (2020: $10.0 million).

Capital commitments

At 31 December 2021, the Group had $210.5 million of capital commitments in relation to construction contracts (2020: $139.7 million).

Contingent liabilities

There were no known material contingent liabilities at 31 December 2021 (2020: nil).

25. Subsequent events

On 23 February 2022, the Directors approved a final dividend of $19.8 million, being 8.6 cents per share. The dividend record date is 10 March 2022 with a payment date of 23 March 2022.

There have been no other events subsequent to 31 December 2021 that materially impact on the results reported.

Independent Auditor's Report to the Shareholders of Summerset Group Holdings Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Summerset Group Holdings Limited ("the company") and its subsidiaries (together "the Group") on pages 51 to 87, which comprise the statement of financial position of the Group as at 31 December 2021, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 51 to 87 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

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

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

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

Ernst & Young provides other assurance related 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.

Key audit matters

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

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

Valuation and classification of investment property and freehold land and buildings

Why significant	How our audit addressed the key audit matter
As disclosed in notes 9 and 11 of the consolidated financial statements: • the Group's investment property portfolio was valued at $4,580 million at 31 December 2021 and included completed investment property and investment property under development • the Group's freehold land buildings were valued at $247 million at 31 December 2021. This included freehold land and buildings operated by the Group for the provision of care services, and buildings to be developed into care facilities in the future. The Group's accounting policy is to measure these assets at fair value. Independent valuations of all investment property and freehold land and buildings were carried out by third party valuers, CBRE Limited and Jones Lang LaSalle Limited (the Valuers). The valuation of investment property and freehold land and buildings is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. As discussed in note 11 of the consolidated financial statements, the Valuers have advised that a degree of caution should be exercised when relying on the valuations. This caution reflects the ongoing uncertainty as a result of the COVID-19 pandemic. Investment property and freehold land and buildings are recorded in the consolidated financial statements based on the value determined by the Valuers. Summerset derives revenue from properties it holds from both deferred management fees and the provision of services to residents. NZ IAS 40 requires properties to be classified as an investment property where the revenue from the supply of ancillary services is insignificant to the arrangement as a whole. Judgement is required to assess the significance of ancillary services in this context.	To address the key audit matter, we: **External valuations** • read the valuation reports and discussed them with the Valuers. We assessed the valuation approach and confirmed that this was in accordance with the relevant accounting standards; and • tested on a sample basis, whether property specific information supplied to the Valuers by the Group reflected the underlying property records held by the Group. **Assumptions and estimates** • held discussions with the Valuers to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This included understanding the impact that ongoing market uncertainty had on their assessment of significant inputs and assumptions. We also sought to understand and consider whether any restrictions had been imposed on the valuation process; • considered whether the valuation sought to make appropriate assumptions for a sample of individual properties to reflect their characteristics, overall quality, geographic location and desirability as a whole; and • engaged our in-house Real estate valuation experts to challenge the work performed by the Valuers and assess the reasonableness of the assumptions used based on their knowledge gained from reviewing valuations of similar properties, known transactions and available market data. Our work over the assumptions focused on the largest properties within the portfolio and those properties where the assumptions used and/or year-on-year fair value movement suggested a possible outlier compared to the rest of the portfolio and the market data for the sector. **Estimated valuation range** As a result of the judgement involved in determining valuations for individual properties and the existence of alternative assumptions and valuation methods, there is a range of values which can be considered reasonable when evaluating the independent property valuations used by the Group. If we identified an error in a property valuation or determined that the valuation was outside of a reasonable range, we evaluated the error or difference to determine if there was a material misstatement in the consolidated financial statements. **Classification** We considered management's assessment of the classification of each type of property as either investment property or freehold land and buildings, including assessment against the requirements of the accounting standards. **Disclosures** We considered the adequacy of the disclosures made in notes 9 and 11 to the financial statements. These notes explain the key judgements made in relation to the classification and valuation of investment property and freehold land and buildings and the estimation uncertainty involved in the process.

Deferred Management Fee Revenue Recognition

Why significant	How our audit addressed the key audit matter
Deferred management fee ("DMF") revenue is 37% of the Group's total revenue. The Group recognises deferred management fee revenue from residents over the expected period of tenure. The amount of revenue recognised in each year is subject to the Group's judgement of each resident's expected tenure in the village as well as the terms of the occupational right agreement and the type of unit occupied. A change in the assumed tenure may have a material impact on revenue recognised in the year. Disclosures in relation to DMF revenue and the associated DMF receivable and revenue in advance balances are included in note 4 to the consolidated financial statements.	To address the key audit matter, we: • for a sample of residents, assessed the accuracy of a sample of the inputs to, and calculation of, the DMF revenue recognised during 2021 with reference to the occupancy right agreements; • assessed the movements year on year in revenue recognised by each village based on an expectation derived from underlying village data; • compared the Group's assessment of assumed tenure against actual observed tenure; and • assessed the adequacy of the related financial statement disclosures.

Information other than the financial statements and auditor's report

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

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

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

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

Directors' responsibilities for the financial statements

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

Ernst + Young

Ernst & Young
Chartered Accountants
Wellington
23 February 2022

Governance

Summerset has adopted the principles below as an appropriate way to demonstrate its commitment to best practice governance and to provide transparency in the Company's approach to corporate governance for the benefit of its shareholders and other stakeholders. These principles are from the NZX Corporate Governance Code issued in December 2020 ('NZX Code'). Each principle of the NZX Code is set out below with an explanation on how Summerset meets it.

As at 31 December 2021, Summerset considers that it was in full compliance with NZX Listing Rules and the NZX Code.

The Code of Ethics Policy, Securities Trading Policy and Guidelines, Diversity and Inclusion Policy, Whistle Blowing Policy, Supplier Code of Conduct, Anti-bribery and Corruption Policy, and Modern Slavery Policy can be found on the Company's website and internal intranet.

Principle 1: Code of ethical behaviour

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

Ethical standards

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

- **Code of Ethics** This guide sets out the basic principles of legal and ethical conduct expected of all employees and Directors. The Company encourages open and honest communication by staff about any current or potential problem, complaint, suggestion, concern or question.
- **Securities Trading Policy** In accordance with the Company's Securities Trading Policy, the NZX Listing Rules and the Financial Markets Conduct Act 2013, Directors and employees of the Company are subject to limitations on their ability to buy or sell Company shares.
- **Diversity and Inclusion Policy** This policy outlines the Company's guiding principles for diversity and inclusion. Refer to Principle 2 for further details.
- **Code of Conduct** This policy sets out the expected behaviours while in employment with the Company. Company employees are expected to act honestly, conscientiously, reasonably and in good faith, while at all times having regard to their responsibilities, the interests of Summerset, and the welfare of our residents and staff.
- **Whistle Blowing Policy** This policy encourages employees to come forward if they have concerns regarding serious wrongdoing, and ensures that employees have access to a confidential process in which they can report any issues in relation to serious wrongdoing without fear of reprisal or victimisation.
- **Conflicts of interest** Summerset's Code of Ethics outlines the standards of integrity, professionalism and confidentiality to which all employees and Directors of the Company must adhere with respect to their work and behaviour. To maintain integrity in decision-making, each Director must advise the Board of any potential conflict of interest if such arises. If a conflict of interest exists, the Director concerned will have no involvement in the decision-making process relating to the matter.
- **Gift Policy** This policy governs the acceptance and reporting of benefits given to staff by third parties.
- **Interests Register** In accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013, the Company maintains an Interests Register in which all relevant transactions and matters involving the Directors are recorded.
- **Supplier Code of Conduct and Modern Slavery Policy** These documents set out the minimum standards expected of Summerset's suppliers and support Summerset's commitment to sustainable, ethical and inclusive procurement.
- **Anti-Bribery and Corruption Policy** This policy sets out Summerset's zero-tolerance approach to bribery and corruption. It also makes it clear that donations to political parties are not permitted.

Principle 2: Board composition and performance

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

Role of the Board of Directors

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

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

A summary of the Board mandate is as follows:

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

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

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

Delegation of authority

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

Retirement and re-election

In accordance with the Company's Constitution and the NZX Listing Rules, Directors are required to retire three years after their appointment or at the third Annual Shareholder Meeting following their appointment (whichever is later). Directors who have been appointed by the Board must also retire at the next Annual Shareholder Meeting following their appointment.

The Board Charter states that it is not generally expected that a non-executive Director would hold office for more than 10 years or be nominated for more than three consecutive terms. The Board Charter also provides that Directors may accept other board appointments only where that does not detrimentally affect their performance as a Director of Summerset. In making this assessment, the number and nature of a Director's other governance roles may be relevant.

Directors may offer themselves for re-election by Shareholders each year at the Annual Shareholder Meeting. Procedures for the appointment and removal of Directors are also governed by the Constitution.

The People and Culture Committee identifies and nominates candidates to fill Director vacancies for Board approval. Information about candidates for election or re-election is included in the Notice of Meeting to assist Shareholders in deciding whether or not to elect or re-elect the candidate.

Board composition

The Company's Constitution prescribes that the Board shall be comprised of a minimum of three Directors, with at least two Directors ordinarily resident in New Zealand. As at 31 December 2021, the Board was comprised of seven non-executive Independent Directors. In determining whether a Director is Independent, the Board has regard to the NZX Listing Rules.

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

As at 31 December 2021, the non-executive Independent Directors were Mark Verbiest (Chair), Dr Andrew Wong, Anne Urlwin, Gráinne Troute, James Ogden, Dr Marie Bismark and Venasio-Lorenzo Crawley.

The Board is comprised of Directors who have a mix of skills, knowledge, experience and diversity to adequately meet and discharge its responsibilities and to add value to the Company through efficient and effective governance leadership. The current Directors have a varied and balanced mix of skills relevant to the Group's operations. A summary of the key skills and experience held across the Board as at 31 December 2021, is set out in the table opposite.

	Mark Verbiest	Dr Andrew Wong	Anne Urlwin	Gráinne Troute	James Ogden	Dr Marie Bismark	Venasio-Lorenzo Crawley
Governance Experience in listed company governance	✓	✓	✓	✓	✓	✓	✓
Executive leadership NZ and international business leadership and CEO experience	✓	✓		✓	✓		✓
Finance and accounting Senior executive or board experience in financial accounting and reporting, corporate finance and internal controls	✓		✓		✓		
Customer and operations Deep understanding of business operations and sales, marketing and brand strategies	✓	✓	✓	✓	✓	✓	✓
Health and clinical Health and clinical industry experience (in New Zealand and/or Australian environments)		✓	✓			✓	
Property and construction Property, construction and development management experience	✓		✓		✓		✓
Health and safety Experience and understanding of health and safety and wellbeing requirements	✓		✓	✓	✓	✓	✓
People and culture People and performance strategy and management experience	✓	✓		✓	✓	✓	✓
Digital and technology Experience overseeing IT and digital innovation, and an understanding of the opportunity and risks associated with technological development	✓	✓	✓		✓		✓
Strategy Experience in the development and execution of growth strategies, and the ability to assess strategic options and business plans	✓	✓	✓	✓	✓	✓	✓
Australian experience Australian property and business experience	✓	✓	✓			✓	

More information on the Directors, including their interests, qualifications and security holdings, is provided in the Board of Directors and Disclosures sections of this report. As a term of their appointment, Directors are required to acquire and hold shares in the Company to the value of one year's worth of director fees. They have two years in which to acquire the shares. Once this requirement has been achieved at a point in time, it is deemed satisfied and is not affected by future fluctuations in share price. This shareholding requirement may be satisfied by a Director holding shares through an associated person or entity.

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

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

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

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

Diversity and inclusion

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

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

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

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

The Diversity and Inclusion Policy states that the objective for achieving diversity is to: 'Actively engage, communicate and develop our people leaders and our employees to enhance the awareness and understanding of diversity and inclusion that enhances our organisational culture and positively contributes to delivering the "best of life" for our customer.'

During 2021 we updated our Diversity and Inclusion Strategy and its three-year plan following significant quantitative and qualitative feedback from our staff through two diversity and inclusion surveys and a series of employee focus groups and leader interviews. The surveys achieved an average 66% response rate and we received over 6,500 survey comments.

Our Diversity and Inclusion Policy was enhanced during the year with the development of bicultural commitments, and we started collecting broader diversity data from our employees to better understand the breadth of our staff demographic. We also designed and developed a cultural awareness programme, which will roll out to all staff and leaders during 2022.

Each year the Board reviews and assesses performance against this objective. The Board considers that for the year ended 31 December 2021, the objective for achieving diversity has been met.

As at 31 December 2021 (and 31 December 2020 for the prior comparative period), the mix of gender of those employed by the Company is set out in the table on the opposite page.

The Executive Leadership Team comprises the Chief Executive Officer and all general managers who report to the Chief Executive Officer.

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

	GENDER	2021	2020
Directors	Male	4	4
	Female	3	3
Total		**7**	**7**
Executive Leadership Team	Male	8	6
	Female	3	2
Total		**11**	**8**
All staff	Male	535	438
	Female	1,594	1,382
	Gender diverse	2	3
Total staff		**2,131**	**1,823**

Board performance

The Board is committed to evaluating its performance on a regular basis, generally with a formal, external review bi-annually and an internal self-review each intervening year. The process, including evaluation criteria, is considered by the People and Culture Committee and approved by the Board.

Executive Leadership Team performance

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

Principle 3: Board committees

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

Board committees

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

Audit Committee

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

- An appropriately resourced Audit Committee operating under a written charter, with specific responsibilities for financial reporting and risk management;
- Review and consideration by the Audit Committee of the financial information and preliminary releases of results to the market, which then makes recommendations to the Board;
- A process to ensure the independence and competence of the Company's external auditors and a process to ensure their compliance with the Company's External Audit Independence Policy;
- Responsibility for appointment of the external auditors residing with the Audit Committee; and
- Monitoring by the Audit Committee of the strength of the internal control environment by considering the effectiveness and adequacy of Summerset's internal controls, reviewing the findings of the external auditor's review of internal control over financial reporting, and being involved in setting the scope for the internal audit programme.

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

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

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

People and Culture Committee

The role of the People and Culture Committee is to assist the Board in establishing and reviewing remuneration policies and practices, culture, leadership and capability, succession, employee development, inclusion, diversity and engagement for the Company and in reviewing Board composition. Specific objectives include:

- Supporting the Board in ensuring the Company's vision and commitment to its people strategy is aligned with, and an enabler of, the Company's business strategy;
- Assisting the Board in planning the Board's composition;
- Evaluating the competencies required of prospective Directors (both non-executive and executive);
- Identifying those prospective Directors and establishing their degree of independence;
- Developing the succession plans for the Board, and making recommendations to the Board accordingly;
- Overseeing the process of the Board's annual performance self-assessment and the performance of the Directors;
- Establishing remuneration policies and practices, and setting and reviewing the remuneration of the Company's Chief Executive Officer, Executive Leadership Team and Directors; and
- Monitoring remuneration policy and practice and making recommendations to the Board in relation to any substantive changes.

The People and Culture Committee must comprise a minimum of three Directors, the majority of whom must be Independent. The Committee currently comprises Gráinne Troute (Chair), Dr Marie Bismark, James Ogden, Anne Urlwin and Venasio-Lorenzo Crawley.

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

Clinical Governance Committee

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

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

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

Development and Construction Committee

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

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

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

Attendance at Board and committee meetings

A total of seven Board meetings, seven Audit Committee meetings, eight People and Culture Committee meetings, three Clinical Governance Committee meetings and three Development and Construction Committee meetings were held in 2021. Director attendance at Board meetings and committee member attendance at committee meetings is shown below.

	Board	Audit Committee	People and Culture Committee	Clinical Governance Committee	Development and Construction Committee
Total number of meetings held	**7**	**7**	**8**	**3**	**3**
Mark Verbiest***	3 (incoming Chair)	3	5*	0	1
Rob Campbell**	3 (outgoing Chair)	3	2*	1*	1
Anne Urlwin	7	7	8	2	3 (Chair)
Dr Andrew Wong	7	7*	8*	3	3*
Gráinne Troute	7	7	8 (Chair)	2	3*
James Ogden	7	7 (Chair)	8	3*	3
Dr Marie Bismark	7	6*	7	3 (Chair)	3*
Venasio-Lorenzo Crawley	6	6*	8	2*	3*

*** appointed as Chair of Summerset's Board from 1 July 2021
** retired as Chair of Summerset's Board effective 30 June 2021
* attended the meeting as a non-committee member

Principle 4: Reporting and disclosure

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

Making timely and balanced disclosures

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

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

Non-financial disclosures, such as the Company's approach to health and safety, our people, the community and the environment are included within this Annual Report.

Principle 5: Remuneration

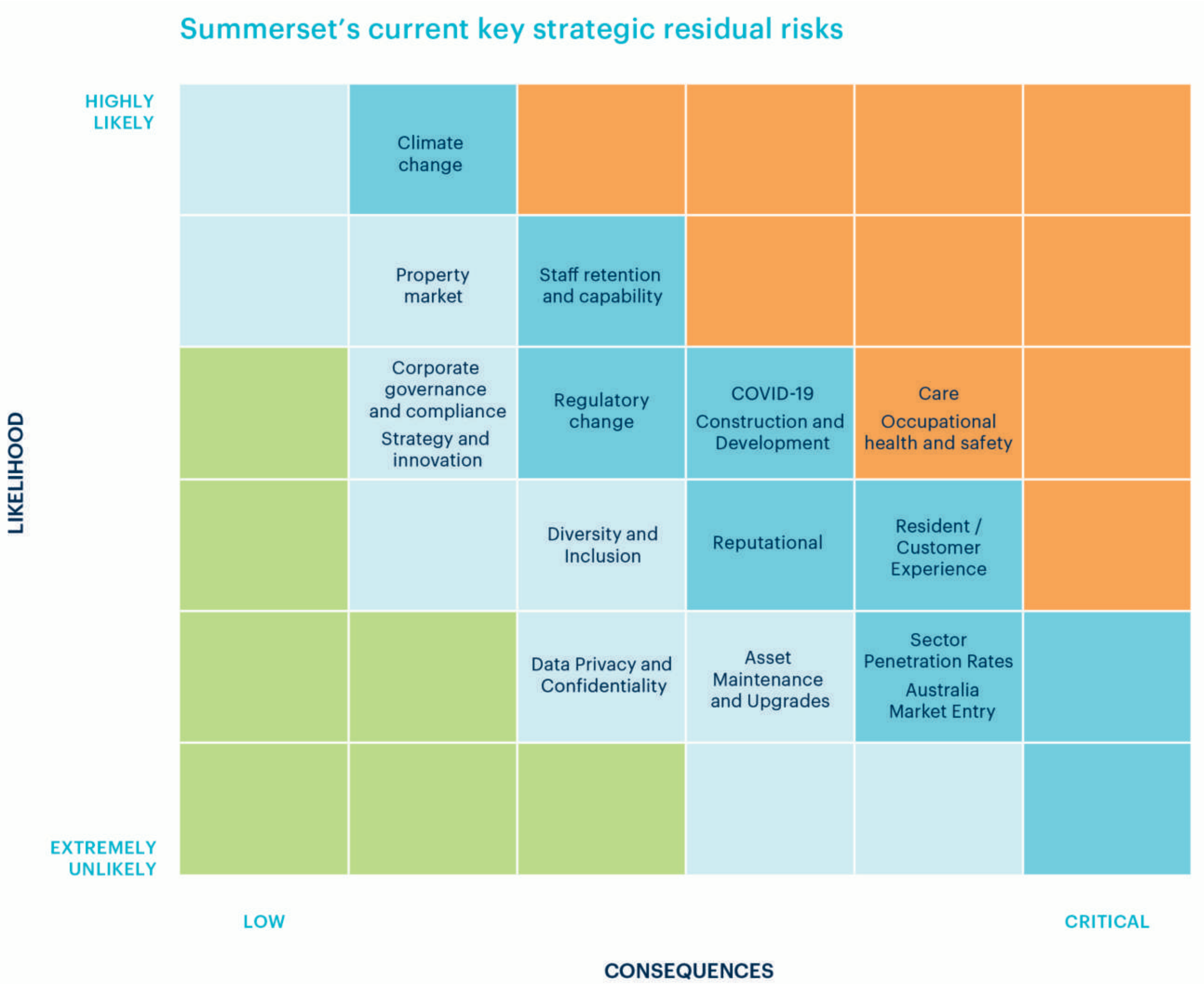
'The remuneration of directors and executives should be transparent, fair and reasonable.'

Remuneration of Directors and the Executive Leadership Team is reviewed by the Board's People and Culture Committee. Its membership and role are set out under Principle 3. The committee makes recommendations to the Board on remuneration packages, keeping in mind the requirements of the Board and Executive Remuneration Policy. The level of remuneration paid to the Directors and the Executive Leadership Team will be determined by the Board. However, Directors' fees must be within the limits approved by the Shareholders of the Company.

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

Principle 6: Risk management

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



The Board is responsible for overseeing the management of risks across Summerset's business. Summerset has robust risk management and reporting frameworks in place, whereby material business risks are regularly identified, monitored and managed. Summerset does not currently have a separate risk committee. However, key risks are regularly reported to the Board, together with Summerset's approach to risk management. Summerset's risk management framework was reviewed by the Board in the 2021 financial year and a move to an enterprise risk management policy in 2022 was endorsed by the Board.

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

Summerset has a co-sourced model for internal audit and an in-house Internal Audit Manager. As part of the co-sourced model, Summerset has engaged KPMG as its partner to assist with carrying out internal audit work on various parts of the Group's operations, and all major risk and internal control issues are reported on at each Board meeting.

Health and safety (including in relation to risks, performance and management) is discussed regularly at Board meetings and specific reviews are sought as required. Monthly reporting is prepared and used to assist in risk management, covering areas such as health and safety incidents, injury and near-miss frequency rates, and actions undertaken. Further information is covered in the health and safety section of this Annual Report on page 25.

Summerset has a Tax Governance Policy in place, which sets out its tax risk management objectives, tax reporting requirements to the Audit Committee, and policies and processes to manage tax risk. This Tax Governance Policy is reviewed by the Board every two years. It is next due for review in December 2022. The Board is satisfied that Summerset has effective policies and processes in place to ensure the Company is meeting its obligations. Summerset adopts a risk-averse stance in relation to tax issues and, where possible, seeks certainty on tax positions through proactive engagement with tax authorities.

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

- **Climate change risk** Over the longer term, Summerset expects to operate in a climate that will progressively depart from the weather conditions and events currently experienced, to more acute challenges and risks arising from increasing climate variability. This is likely to have various impacts on the longer-term plans and operation of the Group – specifically in relation to the design, build and construction of villages, as well as in the provision of care services to frail residents and the overall lifestyle satisfaction enjoyed in Summerset's villages.

  These measures and our approach to sustainability are discussed in more detail on page 37 of this report.
- **Property market risk** Property market factors could adversely affect sales volumes, occupancy levels or prices. This may have a flow-on impact to the value of Summerset's property assets and the associated property valuations, which would in turn impact Summerset's financial performance.
- **Staff retention and capability risk** In a tight and highly competitive labour market, Summerset is at risk of staff shortages. Key areas within our construction and nursing teams will continue to be monitored closely.
- **Corporate governance and compliance risk** Failure to comply with regulatory, societal and investor expectations in relation to corporate governance and environmental sustainability could impact Summerset's reputation and financial performance over the longer term. Summerset's governance procedures are continually monitored.
- **Strategy and innovation risk** There is a moderate risk with regard to Summerset's strategic direction and ability to continue to innovate. Summerset's intention is to stay at the forefront in all areas of its business, including technology, design, development and care. In 2021 we established an innovation programme, which is already showing benefits to the business.
- **Diversity and inclusion risk** While our Diversity and Inclusion Strategy and annual plans fulfil all our obligations in this area and we continue to improve our culture, there is always some level of risk, particularly in a tight labour market. This will continue to be monitored regularly through staff surveys and employees being actively engaged in this area. Page 96 provides more information on the Company's Diversity and Inclusion Strategy.
- **COVID-19 risk** As New Zealand transitions to living with COVID-19, the risk of an outbreak at a village (and the associated negative publicity) will increase. However, global research and work on vaccines and treatments, and the high vaccination rates among Summerset staff and residents, mean we are in a good position. There remains a risk of materials shortages and/or cost escalations due to the impacts of the pandemic on global supply chains.
- **Construction and development risk** Summerset faces construction and property development risks when developing new villages. These risks include project delays, default risk, governance and design risk, and potential labour and materials shortages. There is also a risk of supply chain cost inflation due to COVID-19 related shortages and delays.
- **Clinical care risk** This is a high-risk area for Summerset, which requires constant monitoring, management and policy review. Good training and professional development, retention of staff, and investment in health and safety all help mitigate risk in this area. The increasing level of investment required in this area is likely to affect care profitability.
- **Resident and customer experience risk** Providing top-level resident and customer experience at all times is a challenge due to the nature of the organisation. Summerset has various methods in which it manages and monitors these issues closely, including move-in surveys, on-going resident feedback surveys, close one-on-one feedback sessions, and close contact with residents, families, next of kin and prospective residents.

- **Occupational health and safety risk** This remains a material risk. Its importance has increased further this year for staff given the mental health risks associated with the uncertainty of COVID-19. The physical and mental wellbeing of all Summerset staff is one of our top priorities.
- **Australia market entry risk** Entering a new market requires a measured and well-researched approach. Summerset is mitigating many new market entry risks by setting up a new local team, entering a well-researched market, and developing product and service offerings, procedures and processes tailored for the new market. Progress in Australia will be closely managed, and has tracked well to date.
- **Data privacy and confidentiality risk** Summerset actively monitors and manages these risks through its risk management and reporting frameworks.
- **Asset maintenance and upgrades risk** Summerset has a coordinated approach to asset management and upgrades in all areas of the business. This is constantly up for review and progress is managed accordingly.
- **Sector penetration rates risk** Summerset is fortunate to operate in the high-growth New Zealand retirement sector. The risk is a declining penetration (or participation) in the market. Current forecasts show this is unlikely to be the case in New Zealand, but it is a risk to be monitored. Competitors making significant changes to their revenue models or pricing strategy could impact on the revenue earned by Summerset.
- **Reputational risk** Summerset operates in a sensitive market involving care of vulnerable members of society. Summerset's performance and reputation could be adversely impacted should it suffer adverse publicity, particularly in respect of care or health and safety issues.
- **Regulatory change risk** Changes in regulation could have a material impact on Summerset's business operations. There is a possibility of amendments to the existing retirement villages regulatory regime, as well as changes to the aged care regime in Australia following the Royal Commission into Aged Care Quality and Safety. Summerset has already adopted many of the recommended changes in advance of any legislative change.

Principle 7: Auditors

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

The Board's relationship with its auditors, both external and internal, is governed by the Audit Committee Charter, External Audit Independence Policy and the Internal Audit Charter. These charters and policies set out the types of engagements that can be performed by the external and internal auditors. The Audit Committee actively monitors the amount of any non-audit work completed by the external auditor to ensure that independence is maintained.

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

Ernst & Young was first appointed as external auditor of Summerset in 2004. In 2017, a full tender for the external audit services was completed and Ernst & Young was reappointed through this process. The lead audit partner was last changed in 2018, with the appointment of Grant Taylor.

KPMG was appointed in the role of internal auditor of the Company in December 2016. With the establishment of a co-source model approach to internal audit in 2020, it currently remains the Company's co-source partner. The internal audit role is governed by the Internal Audit Charter, which states the objectives and scope of internal audit activities. The primary objective of internal audit is to increase the strength of the Company's control environment. This is guided by a philosophy of adding value to improve the operations of the Company. The internal audit assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of its governance, risk management and internal controls. The Internal Audit Programme is set annually by the Audit Committee.

The Internal Audit Charter sets out the scope of internal audit activities and this encompasses, but is not limited to, objective examinations of evidence to provide independent assessments on the adequacy and effectiveness of operations, governance, risk management and control processes for Summerset. This includes evaluating whether:

- The actions of Summerset's officers, directors, staff, and contractors comply with Summerset's policies, procedures and applicable laws, regulations and governance standards;
- The results of operations or programmes are consistent with established goals and objectives;
- Operations or programs are being carried out effectively and efficiently, with adequate internal controls;
- Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact Summerset;
- Information and the means used to identify, measure, analyse, classify and report such information is reliable and has integrity; and
- Resources and assets are acquired economically, used efficiently and protected adequately.

Principle 8: Shareholder rights and relations

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

Respecting the rights of Shareholders

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

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

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

Communicating with Shareholders

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

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

Shareholder voting rights

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

Notice of Annual and Special Shareholder Meetings

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

Board of Directors

Mark Verbiest

Chair, Independent

(LLB, CFInstD)

Mark is the Chair of the Board.

He is a lawyer by training, having spent many years in private practice as partner of a large national law firm. He subsequently joined the senior executive team at Telecom New Zealand as Group General Counsel, also having executive responsibility for other corporate groups and two business units.

Mark is currently the Chair of listed companies Meridian Energy and Freightways, (retiring from Freightways 31 March 2022), as well as a director of ANZ Bank. He has previously been Chair of Spark, Transpower NZ and Willis Bond Capital, and a director of a number of other companies and entities, including the inaugural board of the Financial Markets Authority and the advisory board to the Treasury.

Mark has been Chair of Summerset since July 2021.

Dr Marie Bismark

Independent

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

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

Marie works as a psychiatry registrar with Melbourne Health, and as a Professor at Melbourne University. Her research focuses on patients' rights, quality of care and medical regulation.

Marie is an experienced company director, serving on the board of GMHBA Health Insurance and the Royal Women's Hospital in Melbourne, and on the Veterans' Health Advisory Panel.

Marie has been a Director of Summerset since 2013.

Venasio-Lorenzo Crawley

Independent

(MBA, BA)

Venasio-Lorenzo is the Chair of the AUT Business School Advisory Board. He has also recently completed a term as a Future Director for The Warehouse Group.

Venasio-Lorenzo recently completed his executive career as the Chief Customer Officer with the successful business turnaround and transformation of Contact Energy's Retail, LPG, Broadband and Commercial and Industrial businesses.

Venasio-Lorenzo's previous directorships and trustee positions include the Electricity Retailers' Association, the New Zealand Gas Complaints Commission (now Utilities Disputes), Loyalty New Zealand and Workbase.

He has held senior executive positions at ASB Group and at IAG in both New Zealand and the United Kingdom, and has worked across a wide variety of areas including strategy, finance, IT, pricing, data analytics, digital technology, culture and branding.

Venasio-Lorenzo has been a Director of Summerset since 2020.

James Ogden
Independent

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

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

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

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

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

Gráinne Troute
Independent

(GradDipBusStuds, CMInstD)

Gráinne is Chair of Summerset's People and Culture Committee. She is a chartered member of the Institute of Directors and is also Chair of Tourism Industry Aotearoa and a director of Tourism Holdings and Investore Property.

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

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

Gráinne has been a Director of Summerset since 2016.

Anne Urlwin
Independent

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

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

She is a director of Precinct Properties New Zealand, Ventia Group Services and Vector. Her other directorships include City Rail Link and Queenstown Airport Corporation. She retired as a director of Cigna Life Insurance New Zealand effective 21 February 2022.

Anne is a former director of Tilt Renewables, Southern Response Earthquake Services and Chorus, and a former Chair of national commercial construction group Naylor Love Enterprises and of the New Zealand Blood Service.

Anne is a chartered accountant with experience in senior finance management roles in addition to her governance roles.

Anne has been a Director of Summerset since 2014.

Dr Andrew Wong
Independent

(BHB, MbChB, MPH)

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

He holds a medical degree and has previously practised as a public health medicine specialist.

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

Andrew has been a Director of Summerset since 2017.

Executive Leadership Team

Scott Scoullar
Chief Executive Officer

Kay Brodie
General Manager
Marketing & Communications

Dave Clegg
General Manager
People & Culture

Fay French
General Manager
Sales

Paul Morris
General Manager
Land Acquisitions – Australia

Stewart Scott
General Manager
Development – Australia

Paul Shields
General Manager
Operations & Corporate Services – Australia

Aaron Smail
General Manager
Development

Dean Tallentire
General Manager
Construction

Will Wright
Chief Financial Officer and General Manager
Corporate Services

Eleanor Young
General Manager
Operations & Customer Experience

Remuneration

Remuneration overview

Remuneration philosophy

Summerset's purpose is to 'Bring the Best of Life' to our residents. Achieving this is dependent on motivated employees performing at a consistently high level. A competitive and affordable remuneration structure that is equitable and attractive is an important contributory factor for this high level of employee engagement. Remuneration encompasses wages, salaries, incentives, non-reimbursing allowances, and a range of employee benefits including KiwiSaver.

Executive remuneration is set by the People and Culture Committee in accordance with the principles laid out in the People and Culture Committee Charter.

Market position

Summerset benchmarks pay rates to a market median position. This allows for a balance of competitiveness (i.e. at mid-market, some employers will pay more and others will pay less) and affordability (i.e. paying at the level necessary to attract good people while controlling costs). A review of market relativity is conducted annually to ensure that Summerset remains competitive and has cost-effective pay practices. The market review draws on a number of data sources, for example:

- Remuneration survey data from the New Zealand Aged Care Association;
- Competitive remuneration information available by subscription to remuneration specialist databases;
- Wage and employment information produced by Statistics New Zealand.

The market review determines whether pay ranges that are linked to market benchmarks have remained competitive or should be adjusted as part of the annual remuneration review process.

Benefits

Summerset offers an attractive benefits package to permanent employees, including:

- Southern Cross Health Essentials health insurance;
- Employee Share Scheme – currently $1,000 worth of Summerset shares each year subject to Trust Deed and Scheme Rules;
- Birthday leave;
- 10 days of sick leave available from day one of employment;
- Long service leave and additional surgical health insurance after five years;
- Employee Assistance Programme;
- Recruitment referral payments;
- Quarterly draw to win vouchers worth $3,000;
- Contributions to fundraising and sports teams;
- Interest-free loans during times of hardship;
- Weekend allowance, uniforms and overtime for care centre roles;
- Professional Development and Recognition Programme (PDRP) payments and indemnity insurance for nurses;
- Meals for night shift staff; and
- Short-term incentives and long-term incentive share option plan for specific roles.

Director remuneration

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

The total amount of remuneration and other benefits received by each Director during the year ended 31 December 2021 is provided below.

Director	Board fees[1]	Audit Committee	Clinical Governance Committee	People and Culture Committee	Development and Construction Committee	Total remuneration
Rob Campbell	$75,000 (outgoing Chair)					$75,000
Mark Verbiest	$90,000 (incoming Chair)					$90,000
Anne Urlwin	$90,000				$7,500 (Chair)	$97,500
Dr Andrew Wong	$90,000					$90,000
Gráinne Troute	$90,000			$7,500 (Chair)		$97,500
James Ogden	$90,000	$18,000 (Chair)				$108,000
Dr Marie Bismark	$90,000		$15,000 (Chair)			$105,000
Venasio-Lorenzo Crawley	$90,000					$90,000
Total	**$705,000**	**$18,000**	**$15,000**	**$7,500**	**$7,500**	**$753,000**

1 As at 31 December 2021, the maximum aggregate amount of remuneration payable by Summerset to Directors (in their capacity as Directors) was $840,000 per annum for the non-executive Directors (2020: $840,000) and annualised standard Directors' fees were $768,000, inclusive of additional remuneration for committee Chairs (2020: $768,000)

As at 31 December 2021, the standard Director fees per annum are as follows:

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

No additional fees are paid to committee members.

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

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

Executive remuneration

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

The Board is assisted in delivering its responsibilities and objectives for Executive remuneration by the People and Culture Committee. The role and membership of this committee is set out in the Governance section of this report.

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

Total remuneration is made up of three components: fixed remuneration, short-term incentive (STI) and long-term incentive (LTI).

Fixed remuneration

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

Short-term incentives

Short-term incentives (STIs) are at-risk payments designed to motivate and reward for performance, typically in that financial year. The target value of an STI payment is set annually, as a percentage of the Executive Leadership Team member's fixed remuneration. For 2021, the relevant percentages were 20–30% (2020: 20–40%).

A proportion of the STI is related to achievement of annual performance metrics, which aim to align executives to a shared set of key performance indicators (KPIs) based on business priorities for the next 12 months. Target areas for the shared KPIs for 2021 are outlined below:

Target	Minimum performance	On-target weighting	Maximum performance
Underlying EBITDA*	36%	40%	48%
New sales development margin*	9%	10%	12%
Resales net cash*	9%	10%	12%
Retirement unit delivery	20%	20%	20%
Customer satisfaction	5%	5%	5%
Customer clinical quality of care	5%	5%	5%
Health and safety	5%	5%	5%
People and culture	5%	5%	5%
Total payable	**94%**	**100%**	**112%**

There are three performance levels within each target area – gate-opener, on-target and maximum performance - with 100% of the amount allocated to that target area being payable when the on-target level is achieved. Performance against both financial and non-financial measures are assessed and approved by the Board each year.

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

In the event that gate-opener underlying EBITDA performance against budget is not achieved, no STI payment will be made. The gate opener is based on achieving 100% of underlying EBITDA performance target (90% pay-out in relation to this target). In addition, the areas of new sales development margin and the resales net cash pay out 90% on achievement of performance targets. Including the other targets, this would mean a total pay-out of 94%.

A 100% pay-out is based on achieving 110% of the financial targets (*) and meeting all the other KPI target criteria.

The maximum performance levels allow employees to be rewarded for performance above on-target levels. The maximum amount of an STI payment for an Executive Leadership Team member is 112% of the STI on-target amount for that Executive Leadership Team member and is based on achieving 120% or more of the financial targets (*) and meeting all the other KPI target criteria.

Long-term incentives

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

LTI Plan

The Executive Leadership Team members are participants of an LTI option plan. Under this plan, Executive Leadership Team members are granted share options. These share options are exercisable in relation to shares in Summerset Group Holdings Limited.

Option grants are made annually, with the value of each grant being set at the date of each grant and determined as a percentage of the Executive Leadership Team member's fixed remuneration. For the three annual option grants under this plan in 2018, 2019 and 2020, the relevant percentages were 20% to 40%. Vesting of these share option grants is subject to achievement of performance hurdles, which are assessed over two and three-year periods.

During 2021, the Board undertook an extensive review of the LTI plan and the scheme was amended:

- The option grants as a percentage of the Executive Leadership Team member's fixed remuneration ranged from 20% to 30% ;
- Options are "zero priced" (prior grants had an exercise price based on 10 day volume weighted average price (VWAP) prior to issue);
- Each grant has two tranches (as per prior grants) with the first tranche now vesting at three years and the second tranche at four years; and
- 50% of each tranche vests based on time (retention) and 50% vests based on performance hurdles.

The performance hurdle portion of each tranche is based on:

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

The performance hurdles above are consistent with those for the annual option grants in prior years.

Each performance hurdle has a gate opener, which if met results in 50% of the options related to that performance hurdle vesting for that tranche. Where all performance hurdles for a tranche meet gate opener requirements, and including that tranche's time-based options, a total of 55.6% of that tranche's options vest.

On-target performance of all performance hurdles for a tranche results, including that tranche's time-based portion, results in a total of 74.1% of that tranche's options vesting.

100% of the options for each tranche vests when the absolute and relative earnings financial performance hurdles (*) achieve 125% (or above) of the on-target performance requirement, and all other performance hurdles meet their on-target performance criteria – this includes the tranche's time-based options.

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

For certain one-off option grants outside of the annual option grant process, performance hurdles are set relating to specific performance milestones for the relevant participant.

In addition to the LTI share option plan in place for Executive Leadership Team members, Summerset also operates an LTI share option plan for other senior managers. The 2018, 2019 and 2020 grants did not have any performance hurdles. For 2021 (and future grants), senior managers invited to participate will do so on the same terms and conditions as the Executive, with the number of options granted based on a percentage of fixed remuneration ranging from 12% to 18%.

With the change in vesting periods from two and three years to three and four years, the Board approved a one-off transition grant for existing participants. The transition grant consisted of two tranches with the first tranche vesting at two years and the second tranche at three years. The options granted were zero priced and are time (retention) based with no performance hurdle requirements.

A total of 173,238 share options were granted to Executive Leadership Team members in December 2021, including 73,740 transition grant options (262,324 in December 2020).

444,640 Executive share options vested as at 31 December 2021 and are therefore currently exercisable subject to Board confirmation of satisfaction of performance hurdle achievement and approval.

The Executive Leadership Team includes the Chief Executive Officer. The Chief Executive Officer Remuneration section provides further details of share option movements under the LTI Plan for the Chief Executive Officer.

LTI Plan prior to 2018

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

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

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

The performance hurdles for the grants made in 2017 were based on:

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

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

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

A total of 290,664 vested shares are held by Summerset LTI Trustee Limited under the LTI share purchase plan on behalf of the Executive Leadership Team as at 31 December 2021.

The Executive Leadership Team includes the Chief Executive Officer. The following section provides further details of share movements under the LTI Plan for the Chief Executive Officer.

Chief Executive Officer remuneration

Remuneration for years ended 31 December 2019 to 2021

Note: change of Chief Executive Officer as at 29 March 2021.

TABLE A – Actual remuneration paid to the current CEO in FY2021

TABLE A	Fixed remuneration			Pay for performance			
	Salary	Other benefits[1]	Subtotal	STI	LTI	Subtotal	Total remuneration
FY2021	$607,155	$24,095	$631,250	$166,071[2]	$475,888[3]	$641,959	$1,273,209

TABLE B – FY2021 is the annualised package of the current CEO

TABLE B	Fixed remuneration			Pay for performance			
	Salary	Other benefits[1]	Subtotal	STI	LTI	Subtotal	Total remuneration
FY2021	$649,631	$25,369	$675,000	$202,500[4]	$202,500[5]	$405,000	$1,080,000

TABLE C – provides the FY2019 – 2021 remuneration package actually paid to the former CEO. Note former CEO's employment ended 26 March 2021.

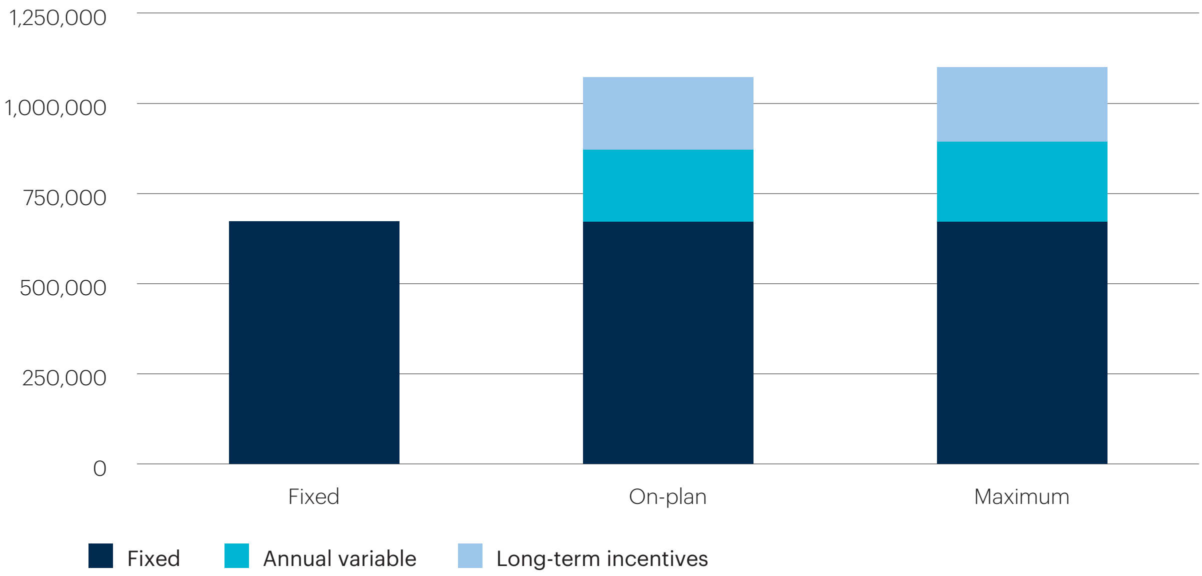
TABLE C	Fixed remuneration			Pay for performance			
	Salary	Other benefits[1]	Subtotal	STI	LTI	Subtotal	Total remuneration
FY2021	$166,410	$681	$167,091	$291,240[6]	$0[7]	$291,240	$458,331
FY2020	$623,242	$1,758	$625,000	$261,625[8]	$0[9]	$261,625	$886,625
FY2019	$623,405	$1,595	$625,000	$282,734[10]	$250,000[11]	$532,734	$1,157,734

1. Other benefits for the current CEO include a car park and KiwiSaver. The former CEO chose not to participate in KiwiSaver, but did have health insurance.
2. Actual STI for FY2020 performance period in the position of CFO (paid FY2021) for current CEO.
3. LTI value granted in FY2021 period (which will vest based on performance criteria, in future years) for current CEO. This includes one-off transition options granted above the base LTI entitlement.
4. Annualised STI component in current CEO package.
5. LTI component in current CEO package, based on 30% of fixed remuneration.
6. STI for FY2020 performance period (paid FY2021) for former CEO.
7. No LTI awarded in the FY2021 period to former CEO.
8. STI for FY2019 performance period (paid FY2020) for former CEO.
9. No LTI awarded in the FY2020 period to former CEO.
10. STI for FY2018 performance period (paid FY2019) for former CEO.
11. LTI value granted in FY2019 period (which lapsed on resignation in accordance with the relevant LTI Plan Rules).

The current CEO's STI payable in relation to the FY2021 period (payable in February 2022) is $212,253 and is based on achievement of shared KPI targets as follows:

FY2021 KPI	FY2021 KPI performance	% STI payable
Underlying EBITDA	On-target performance exceeded	48%
New sales development margin	On-target performance exceeded	12%
Resales net cash	On-target performance exceeded	10%
Retirement unit delivery	On target performance exceeded	20%
Customer satisfaction	On target performance exceeded	5%
Customer clinical quality of care	On target performance achieved	5%
People and culture	On target performance mostly achieved	4.25%
Health and safety	On target performance mostly achieved	4.25%
Total payable		**108.5%**

Components of CEO FY2021 annualised remuneration



From appointment on 29 March 2021, the Chief Executive Officer's fixed remuneration comprised annual salary and taxable benefits set at $675,000 per annum. The STI and LTI (based on the value granted in the FY2021, excluding the one-off transition grant), each being 30% of fixed remuneration. STI had maximum available payment of 112% of the on-target as noted above. The standard LTI granted in December 2021 will vest based on performance to 31 December 2024 (tranche 1) and 31 December 2025 (tranche 2), subject to retention and performance criteria being met. Further details are included in the LTI Plan entitlements section.

Description of Chief Executive Officer remuneration for performance for the year ended 31 December 2021

Plan	Description	Performance measures	Percentage awarded against on-plan performance
LTI	In February 2021, vesting for 54,945 shares issued under the LTI Plan at $5.24 on 11 December 2017 was assessed per the Plan Rules. The assessment period was 1 January 2018 to 31 December 2020. The vesting criteria were met and all shares vested.	50% based on absolute earnings 25% based on relative earnings 10% based on employee strategy initiatives 10% based on customer satisfaction 5% based on clinical strategy initiatives	100.0%
	In February 2021, vesting for 76,667 options granted under the LTI Plan at an exercise price of $6.34 on 10 December 2018 was assessed per the Plan Rules. The assessment period was 1 January 2019 to 31 December 2020. The vesting criteria were met and all options vested.	50% based on absolute earnings 25% based on relative earnings 10% based on employee strategy initiatives 10% based on customer satisfaction 5% based on clinical strategy initiatives	100.0%

Chief Executive Officer – LTI Plan entitlements

Tranche	Performance and retention period	No. of Options	Exercise price at grant	Status
T2 2021	2022–2025	10,635	$0.00	Unvested
T1 2021	2022–2024	10,635	$0.00	Unvested
Transition T2 2021	2022–2024	7,877	$0.00	Unvested
Transition T1 2021	2022–2023	7,877	$0.00	Unvested
T2 2020	2021–2023	31,780	$10.85	Unvested
T1 2020	2021–2022	36,765	$10.85	Unvested
T2 2019	2020–2022	55,556	$7.62	Unvested
T1 2019	2020–2021	61,422	$7.62	Vested – Not exercised
T2 2018	2019–2021	60,694	$6.34	Vested – Not exercised
T1 2018	2019–2020	76,667	$6.34	Vested – Not exercised

The Chief Executive Officer is also a participant of the Employee Share Scheme:

Issue date	No. of shares	Status
19 July 2021	73	Vesting 19 July 2024
17 August 2020	107	Vesting 17 August 2023
22 July 2019	140	Vesting 22 July 2022
23 July 2018	103	Vested during 2021

KiwiSaver

The Chief Executive Officer is a member of KiwiSaver. As a member of this scheme, the Chief Executive Officer is eligible to contribute and receive a company contribution of 3% of gross taxable earnings. For FY2021, the company's contribution for Scott Scoullar was $18,215.

Current Chief Executive Officer LTI share movements for the year ended 31 December 2021

	Dec 2016 issue	2017 issues	Total
Balance at 1 January 2021	57,229	419,880	477,109
Forfeited	-	-	-
Loan repaid and shares transferred to CEO	(57,229)	(214,935)	(272,164)
Balance at 31 December 2021	-	**204,945**	**204,945**
Vesting status	Vested	Vested	
Issue price	$4.76	$5.19 & $5.24	

The table above includes shares issued under the LTI plan prior to 29 March 2021, when the Chief Executive Officer took up this role (previously Chief Financial Officer).

Current Chief Executive Officer LTI share option movements for the year ended 31 December 2021

	Dec 2018 grant	Dec 2019 grant	Dec 2020 grant	Dec 2021 grant	Total
Balance at 1 January 2021	140,556	120,211	68,545	-	329,312
Forfeited	(3,195)	(3,233)	-	-	(6,428)
Granted	-	-	-	37,024*	37,024
Exercised	-	-	-	-	-
Balance at 31 December 2021	**137,361**	**116,978**	**68,545**	**37,024**	**359,908**
Vesting status	Vested	Partially vested	Unvested	Unvested	
Exercise price at grant	$6.34	$7.62	$10.85	Nil	

* Includes 15,754 one-off transition options granted in December 2021.

The table above includes options granted under the LTI plan prior to 29 March 2021, when the Chief Executive Officer took up this role (previously Chief Financial Officer).

Employee remuneration

The number of employees or former employees (including employees holding office as Directors of subsidiaries), who received remuneration and other benefits valued at or exceeding $100,000 during the financial year ended 31 December 2021 is specified in the following table.

The remuneration figures shown in the 'Remuneration' column include all monetary payments actually paid during the course of the year ended 31 December 2021. The table also includes the value of options granted to individual employees under Summerset's LTI Plan during the same period. The table does not include amounts paid after 31 December 2021 that relate to the year ended 31 December 2021.

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

Remuneration	No. of employees	Remuneration	No. of employees
$100,000 to $109,999	48	$300,000 to $309,999	2
$110,000 to $119,999	43	$310,000 to $319,999	2
$120,000 to $129,999	26	$330,000 to $339,999	1
$130,000 to $139,999	16	$340,000 to $349,999	1
$140,000 to $149,999	32	$370,000 to $379,999	2
$150,000 to $159,999	15	$380,000 to $389,999	1
$160,000 to $169,999	11	$390,000 to $399,999	2
$170,000 to $179,999	10	$420,000 to $429,999	1
$180,000 to $189,999	8	$440,000 to $449,999	1
$190,000 to $199,999	4	$450,000 to $459,999	1
$200,000 to $209,999	2	$460,000 to $469,999	1
$210,000 to $219,999	4	$480,000 to $489,999	1
$220,000 to $229,999	3	$530,000 to $539,999	1
$230,000 to $239,999	3	$550,000 to $559,999	1
$240,000 to $249,999	2	$630,000 to $639,999	1
$250,000 to $259,999	2	$680,000 to $689,999	1
$260,000 to $269,999	1	$690,000 to $699,999	1
$270,000 to $279,999	1	$760,000 to $769,999	1
$280,000 to $289,999	2	$1,270,000 to $1,279,999	1
$290,000 to $299,999	1		

Pay gap

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

At 31 December 2021, the Chief Executive Officer's base salary of $649,631 was 11.4 times (2020: 11.8 times) that of the median employee at $56,846 per annum. The Chief Executive Officer's total remuneration, including STIs and LTIs, of $1,273,209, was 21.6 times (2020: 21.5 times) the total remuneration of the median employee at $58,988 per annum.

Disclosures

Director changes during the year ended 31 December 2021

Rob Campbell retired from the Board on 30 June 2021. Mark Verbiest was appointed to the Board as Chair on 1 July 2021.

Directors' interests

The following is an excerpt from the Company's Interests Register, showing the material interests of Directors as at 31 December 2021, together with any entries in the Interests Register made during the year for the purposes of section 211(1)(e) of the Companies Act 1993. Interests no longer held as at 31 December 2021 are disclosed in *italics*.

Director	Entity	Position
Mark Verbiest	Meridian Energy Limited (added 1 July 2021 on appointment)	Chair
	Freightways Limited (added 1 July 2021 on appointment)	Chair
	ANZ Bank New Zealand Limited (added 1 July 2021 on appointment)	Director
	Bear Fund NZ Limited (added 1 July 2021 on appointment)	Director / Shareholder
	Willis Bond (added 1 July 2021 on appointment)	Consultant
	Southern Lakes Art Festival Trust (added 1 July 2021 on appointment)	Trustee
	Southern Alps Rescue Trust (added 1 July 2021 on appointment)	Trustee
	Lake Wanaka Arts and Culture Charitable Trust (added 1 July 2021 on appointment)	Trustee
Anne Urlwin	Te Rūnanga Audit and Risk Committee of Te Rūnanga O Ngāi Tahu	Independent Chair
	City Rail Link Limited	Director
	Precinct Properties New Zealand Limited	Director
	Cigna Life Insurance New Zealand Limited	Director
	Queenstown Airport Corporation Limited	Director
	Vector Limited (appointed 1 September 2021)	Director
	Ventia Services Group Limited (appointed 25 October 2021)	Director
	Tilt Renewables Limited (resigned 3 August 2021)	*Director*
	Tilt Renewables Insurance Limited (resigned 3 August 2021)	*Director*
	Tararua Wind Power Limited (resigned 3 August 2021)	*Director*
	Waverley Wind Farm Limited (resigned 3 August 2021)	*Director*
	Waverley Wind Farm (NZ) Holdings Limited (resigned 3 August 2021)	*Director*
	Southern Response Earthquake Services Limited (resigned 22 December 2021)	*Deputy Chair*
James Ogden	Pencarrow IV & V Investment Fund Investment Committee	Member
	Pencarrow Bridge Fund GP Limited	Director
	Ogden Consulting Limited	Director
	Crown Forestry Rental Trust Finance and Risk Committee	Member
	Vista Group International Limited	Director
	Foundation Life (NZ) Limited	Director
	New Zealand Markets Disciplinary Tribunal	Member and Chair of Special Division

Director	Entity	Position
Dr Marie Bismark	GMHBA Health Insurance	Director
	Royal Australasian College of Physicians	Fellow
	Veteran's Health Advisory Panel	Member
	Health.com.au	Director
	Melbourne Health	Psychiatry Registrar
	Public Health Medicine Specialist registered with New Zealand Medical Council	n/a
	Royal Women's Hospital, Melbourne	Director
	North Western Mental Health	Psychiatry Registrar
	University of Melbourne (effective 14 December 2021)	Professor
	University of Melbourne (ceased 14 December 2021)	*Associate Professor*
Gráinne Troute	Tourism Holdings Limited	Director
	Investore Property Limited	Independent Director
	Tourism Industry Aotearoa	Chair
	Tourism Industry Transformation Plan (effective 14 December 2021)	Chair
Dr Andrew Wong	HealthCare Holdings Limited	Managing Director
	QCS (Quipt Clinical Supplies) Limited	Director
	Health Tick Limited (appointed 24 February 2021)	Director
	The Drug Detection Agency Group Limited (appointed 24 February 2021)	Director
	The Drug Detection Agency Limited (appointed 25 February 2021)	Director
	International Drug Detection Agency Limited (appointed 25 February 2021)	Director
	TDDA Australia Pty Limited (appointed 21 April 2021)	Director
	TDDA Auckland Limited (appointed 5 November 2021)	Director
	NZRG Nominees Limited (appointed 26 February 2021)	Director
	Kakariki Hospital Limited (appointed 28 June 2021)	Director
Venasio-Lorenzo Crawley	Crawley Rowlands Family Trust	Trustee
	AUT Business School	Advisory Board Chair
	Added Value Limited	Director / Shareholder
	Contact Energy Limited	Shareholder
	Contact Energy Limited (resigned 1 April 2021)	*Chief Customer Officer*

Effective 30 June 2021, Rob Campbell ceased to be a director. During the period from 1 January 2021 to 30 June 2021, he disclosed the following position in the directors' interests register: Auckland University of Technology (Chancellor).

Information used by Directors

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

Directors' security holdings

Securities in the Company in which each Director has a relevant interest as at 31 December 2021 are specified in the table below:

Director	Ordinary shares	SUM010 retail bonds	SUM020 retail bonds	SUM030 retail bonds
Mark Verbiest	7,000*	–	–	–
Anne Urlwin	31,670	30,000	–	30,000
James Ogden	39,504	15,000**	100,000**	150,000**
Dr Marie Bismark	24,076	–	–	–
Gráinne Troute	25,112	–	–	–
Dr Andrew Wong	10,500	–	–	–
Venasio-Lorenzo Crawley	4,285	–	–	–
Total	**142,147**	**45,000**	**100,000**	**180,000**

**Sarah Verbiest has a legal and beneficial interest in 7,000 SUM ordinary shares.*

***James Ogden has a non-beneficial interest in 15,000 SUM010 retail bonds of which he is the registered holder in his capacity as trustee of the Wakapua Trust. Clara Ogden has a legal and beneficial interest in 100,000 SUM020 retail bonds and 150,000 SUM030 retail bonds, of which James Ogden has the power to acquire or dispose.*

Securities dealings of Directors

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

Director	Nature of relevant interest	Date of transaction	Number of securities acquired/ (disposed)	Consideration
Rob Campbell	Beneficial interest	22 March 2021	332	Issue of shares under dividend reinvestment plan at $12.68 per share
	Beneficial interest	5 May 2021	(50,286)	On-market disposal of ordinary shares at an average price of $12.31 per share
	Beneficial interest	26 August 2021	(10,320)	On-market disposal of ordinary shares at an average price of $14.90 per share
Mark Verbiest	Power to acquire or dispose	27 August 2021	4,850	On-market acquisition of ordinary shares at an average price of $15.27 per share
	Power to acquire or dispose	30 August 2021	2,150	On-market acquisition of ordinary shares at an average price of $15.30 per share
Anne Urlwin	Beneficial interest	22 March 2021	116	Issue of shares under dividend reinvestment plan at $12.68 per share
	Beneficial interest	20 September 2021	141	Issue of shares under dividend reinvestment plan at $14.76 per share
James Ogden	Legal and beneficial interest	12 March 2021	(183,000)	On-market disposal of ordinary shares at an average price of $12.90 per share
	Legal and beneficial interest	15 March 2021	(17,000)	On-market disposal of ordinary shares at an average price of $13.00 per share
Dr Marie Bismark	Legal and beneficial interest	22 March 2021	111	Issue of shares under dividend reinvestment plan at $12.68 per share
	Legal and beneficial interest	20 September 2021	137	Issue of shares under dividend reinvestment plan at $14.76 per share
Gráinne Troute	Legal and beneficial interest	20 September 2021	112	Issue of shares under dividend reinvestment plan at $14.76 per share
Venasio-Lorenzo Crawley	Legal and beneficial interest	15 November 2021	4,285	On-market acquisition of ordinary shares at an average price of $13.95 per share

Director appointment dates

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

Director	Appointment date
Rob Campbell*	2 September 2011
Mark Verbiest	1 July 2021
Anne Urlwin	1 March 2014
James Ogden**	2 September 2011
Dr Marie Bismark	1 September 2013
Gráinne Troute	1 September 2016
Dr Andrew Wong	1 March 2017
Venasio-Lorenzo Crawley	1 February 2020

**Rob Campbell retired on 30 June 2021.*

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

Indemnity and insurance

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

Directors of subsidiary companies

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

Scott Scoullar, Will Wright, Aaron Smail, Tania Smith and Robyn Heyman were Directors of all the Company's New Zealand incorporated subsidiaries as at 31 December 2021, with the exception of Summerset LTI Trustee Limited (the Directors of which are Mark Verbiest and Dr Marie Bismark). Scott Scoullar, Will Wright, Paul Morris, Stewart Scott, Tania Smith and Robyn Heyman were Directors of all the Company's Australian incorporated subsidiaries as at 31 December 2021. No extra remuneration is payable to any Director of the Company for any Directorship of a subsidiary.

Top 20 Shareholders as at 31 December 2021

Rank	Registered Shareholder	Number of shares	% of shares
1	Custodial Services Limited	22,083,794	9.59%
2	Tea Custodians Limited*	18,994,134	8.25%
3	Citibank Nominees (NZ) Limited*	17,861,430	7.76%
4	HSBC Nominees (New Zealand) Limited*	14,658,467	6.37%
5	National Nominees New Zealand Limited*	12,554,393	5.45%
6	HSBC Nominees (New Zealand) Limited*	9,110,131	3.96%
7	New Zealand Superannuation Fund Nominees Limited*	7,789,651	3.38%
8	Accident Compensation Corporation*	7,760,147	3.37%
9	BNP Paribas Nominees NZ Limited (BPSS40)*	7,448,559	3.24%
10	FNZ Custodians Limited	7,270,849	3.16%
11	Forsyth Barr Custodians Limited	6,910,403	3.00%
12	JP Morgan Chase Bank*	6,480,090	2.81%
13	Hobson Wealth Custodian Limited	4,937,474	2.14%
14	New Zealand Depository Nominee	3,811,443	1.66%
15	New Zealand Permanent Trustees Limited*	3,725,533	1.62%
16	Cogent Nominees Limited*	3.459.973	1.50%
17	JBWERE (NZ) Nominees Limited	2,885,850	1.25%
18	Premier Nominees Limited*	2,745,241	1.19%
19	BNP Paribas Nominees (NZ) Limited*	2,537,097	1.10%
20	NZ Permanent Trustees Limited Group Investment Fund No 20*	1,812,356	0.79%
	Total	**164,837,015**	**71.59%**

** Shares held through the New Zealand Central Securities Depository Limited*

Spread of Shareholders as at 31 December 2021

Size of shareholding	Shareholders Number	Shareholders %	Shares Number	Shares %
1 to 1,000	3,703	37.24%	1,612,427	0.70%
1,001 to 5,000	4,188	42.12%	10,382,683	4.51%
5,001 to 10,000	1,159	11.66%	8,381,538	3.64%
10,001 to 50,000	784	7.89%	14,609,221	6.35%
50,001 to 100,000	57	0.57%	3,869,540	1.68%
100,001 and over	52	0.52%	191,359,957	83.12%
Total	**9,943**	**100.00%**	**230,215,366**	**100.00%**

Substantial product holder notices received as at 31 December 2021

According to the records kept by the Company and notices given under the Financial Market Conducts Act 2013, the following were substantial holders in the Company as at 31 December 2021. The total number of voting products on issue at 31 December 2021 was 230,215,366 ordinary shares.

Shareholder	Relevant interest	% held at date of notice	Date of notice
Milford Funds Limited	12,006,954	5.267%	6 May 2020
Fisher Funds Management Limited	11,888,951	5.194%	8 March 2021

Top 20 Bondholders as at 31 December 2021

SUM010

Rank	Registered Bondholder	Number of bonds	% of bonds
1	Custodial Services Limited	45,488,000	45.49%
2	FNZ Custodians Limited	16,282,000	16.28%
3	Forsyth Barr Custodians Limited	9,624,000	9.62%
4	Hobson Wealth Custodian Limited	1,880,000	1.88%
5	FNZ Custodians Limited	1,647,000	1.65%
6	Forsyth Barr Custodians Limited	753,000	0.75%
7	Robert Andrew Wakelin & David Andrew Wakelin	500,000	0.50%
8	Tea Custodians Limited*	474,000	0.47%
9	Custodial Services Limited	453,000	0.45%
10	JBWERE (NZ) Nominees Limited	400,000	0.40%
11	Investment Custodial Services Limited	358,000	0.36%
12	Custodial Services Limited	300,000	0.30%
13=	Dunedin Diocesan Trust Board	250,000	0.25%
13=	Green Lane Research & Education Fund Board	250,000	0.25%
13=	Wellspring Television Limited	250,000	0.25%
16=	Hobson Wealth Custodian Limited	200,000	0.20%
16=	Dellow Nominees Limited	200,000	0.20%
16=	John Collingwood King & Pravir Atindra Tesiram	200,000	0.20%
19=	Custodial Services Limited	170,000	0.17%
19=	Enft Limited	170,000	0.17%
	Total	**79,849,000**	**79.85%**

** Bonds held through the New Zealand Central Securities Depository Limited*

SUM020

Rank	Registered Bondholder	Number of bonds	% of bonds
1	FNZ Custodians Limited	24,806,000	19.84%
2	Custodial Services Limited	23,091,000	18.47%
3	Forsyth Barr Custodians Limited	20,748,000	16.60%
4	Hobson Wealth Custodian Limited	20,344,000	16.28%
5	Tea Custodians Limited*	3,274,000	2.62%
6	Private Nominees Limited*	1,705,000	1.36%
7	FNZ Custodians Limited	1,667,000	1.33%
8	Best Farm Limited	1,500,000	1.20%
9	Hobson Wealth Custodian Limited	1,484,000	1.19%
10	JBWERE (NZ) Nominees Limited	1,152,000	0.92%
11	Forsyth Barr Custodians Limited	759,000	0.61%
12	Investment Custodial Services Limited	710,000	0.57%
13	Hobson Wealth Custodian Limited	600,000	0.48%
14	Custodial Services Limited	560,000	0.45%
15=	Social Service Council of the Diocese of Christchurch	500,000	0.40%
15=	Investment Custodial Services Limited	500,000	0.40%
17	FNZ Custodians Limited	480,000	0.38%
18	Forsyth Barr Custodians Limited	470,000	0.38%
19	Kiwigold.Co.Nz Limited	415,000	0.33%
20	Custodial Services Limited	302,000	0.24%
	Total	**105,067,000**	**84.05%**

** Bonds held through the New Zealand Central Securities Depository Limited*

SUM030

Rank	Registered Bondholder	Number of bonds	% of bonds
1	Custodial Services Limited	39,104,000	26.07%
2	Forsyth Barr Custodians Limited	21,163,000	14.11%
3	Tea Custodians Limited*	19,295,000	12.86%
4	FNZ Custodians Limited	18,444,000	12.30%
5	Hobson Wealth Custodians Limited	10,685,000	7.12%
6=	MMC Limited*	4,000,000	2.67%
6=	NZ Permanent Trustees Limited Group Investment Fund No 20*	4,000,000	2.67%
8	ANZ National Bank Limited*	1,862,000	1.24%
9	FNZ Custodians Limited	1,505,000	1.00%
10	JBWERE (NZ) Nominees Limited	1,465,000	0.98%
11	JP Morgan Chase Bank*	1,257,000	0.84%
12	Investment Custodial Services Limited	1,115,000	0.74%
13	Forsyth Barr Custodians Limited	1,043,000	0.70%
14	FNZ Custodians Limited	940,000	0.63%
15	JML Capital Limited	700,000	0.47%
16	Forsyth Barr Custodians Limited	567,000	0.38%
17	Hugh Mccracken Ensor	500,000	0.33%
18	MMC Limited*	440,000	0.29%
19	Social Service Council of the Diocese of Christchurch	400,000	0.27%
20=	Public Trust RIF Nominees Limited*	300,000	0.20%
20=	David James Foster & Linda Joyce Foster	300,000	0.20%
	Total	**129,085,000**	**86.07%**

** Bonds held through the New Zealand Central Securities Depository Limited*

Spread of bondholders as at 31 December 2021

SUM010

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1 to 5,000	77	9.46%	385,000	0.39%
5,001 to 10,000	211	25.92%	2,050,000	2.05%
10,001 to 50,000	446	54.79%	12,075,000	12.07%
50,001 to 100,000	53	6.51%	4,377,000	4.38%
100,001 and over	27	3.32%	81,113,000	81.11%
Total	**814**	**100.00%**	**100,000,000**	**100.00%**

SUM020

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1 to 5,000	45	6.84%	225,000	0.18%
5,001 to 10,000	123	18.69%	1,174,000	0.94%
10,001 to 50,000	412	62.61%	11,153,000	8.92%
50,001 to 100,000	44	6.69%	3,915,000	3.13%
100,001 and over	34	5.17%	108,533,000	86.83%
Total	**658**	**100.00%**	**125,000,000**	**100.00%**

SUM030

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1 to 1,000	1	0.14%	1,000	0.00%
1,001 to 5,000	48	6.65%	241,000	0.16%
5,001 to 10,000	171	23.68%	1,661,000	1.11%
10,001 to 50,000	423	58.59%	11,374,000	7.58%
50,001 to 100,000	44	6.09%	3,645,000	2.43%
100,001 and over	35	4.85%	133,079,000	88.72%
Total	**722**	**100.00%**	**150,000,000**	**100.00%**

Waivers from the NZX Listing Rules

No waivers from the application of NZX Listing Rules have been utilised by the Company during the year ended 31 December 2021.

Credit rating

The Company has no credit rating.

Auditor fees

Ernst & Young Wellington has continued to act as auditors of the Company. The amount payable by Summerset and its subsidiaries to Ernst & Young Wellington in respect of FY21 audit fees was $258,000 (noting that this fee includes assurance services in relation to Summerset's long-term incentive plan). In addition, Ernst & Young Wellington undertook assurance services in relation to Summerset's sustainability linked lending arrangements during the year; the fee for this engagement was $27,000. Ernst & Young also performed non-audit work in relation to executive remuneration review market analysis and tax policy services, the fees for these engagements were $134,500 and $5,400 respectively.

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, Summerset records that it donated $57,000 during the year ended 31 December 2021.

Dividend reinvestment plan

The last date of receipt for a participation election from a shareholder who wishes to participate in the dividend reinvestment plan is 11 March 2022.

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

Mark Verbiest
Director and
Chair of the Board

James Ogden
Director and
Chair of the
Audit Committee

Authorised for issue on 23 February 2022

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

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

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

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

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

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

Summerset 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

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 4371
Phone (06) 824 8532

1 *Proposed villages*

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

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

Nelson – Tasman

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

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

Marlborough

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

Canterbury

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

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

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

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

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

Otago

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

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

1 *Proposed villages*


LEE CHILD
LEE CHILD
LEE CHILD

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

Statutory Supervisor
Public Trust

Bond Supervisor
The New Zealand Guardian Trust
Company Limited

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

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

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

Company Secretary
Robyn Heyman

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

Summerset

summerset.co.nz
summerset.com.au

Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Results for announcement to the market		
Name of issuer	Summerset Group Holdings Limited	
Reporting Period	12 months to 31 December 2021	
Previous Reporting Period	12 months to 31 December 2020	
Currency	NZD	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$205,349	19.1%
Total Revenue	$205,349	19.1%
Net profit/(loss) from continuing operations after tax	$543,664	135.6%
Total net profit/(loss) after tax	$543,664	135.6%
Underlying profit*	$141,139	43.6%
Final Dividend		
Amount per Quoted Equity Security	$0.086 per Ordinary Share	
Imputed amount per Quoted Equity Security	Not imputed	
Record Date	10 March 2022	
Dividend Payment Date	23 March 2022	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$8.36	$5.94
A brief explanation of any of the figures above necessary to enable the figures to be understood	See also other attached documents (annual report, media release, results presentation and distribution notice). * 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 which the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend pay-out to shareholders.	

Authority for this announcement	
Name of person authorised to make this announcement	Robyn Heyman
Contact person for this announcement	Robyn Heyman
Contact phone number	027 506 5562
Contact email address	robyn.heyman@summerset.co.nz
Date of release through MAP	24 February 2022

Audited financial statements accompany this announcement.

NEW ZEALAND'S EXCHANGE

Distribution Notice

Please note: all cash amounts in this form should be provided to 8 decimal places

Section 1: Issuer information				
Name of issuer	Summerset Group Holdings Limited			
Financial product name/description	Ordinary Shares			
NZX ticker code	SUM			
ISIN (If unknown, check on NZX website)	NZSUME0001S0			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year	X	Quarterly	
	Half Year		Special	
	DRP applies	X		
Record date	10/03/2022			
Ex-Date (one business day before the Record Date)	09/03/2022			
Payment date (and allotment date for DRP)	23/03/2022			
Total monies associated with the distribution[1]	$19,798,521.47600000			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution[2]	$0.08600000			
Total cash distribution[3]	$0.08600000			
Excluded amount (applicable to listed PIEs)	$0.00000000			
Supplementary distribution amount	$0.00000000			
Section 3: Imputation credits and Resident Withholding Tax[4]				
Is the distribution imputed	No imputation			
If fully or partially imputed, please state imputation rate as % applied	N/A			
Imputation tax credits per financial product	N/A			
Resident Withholding Tax per financial product	$0.02838000			

[1] Continuous issuers should indicate that this is based on the number of units on issue at the date of the form

[2] "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (**RWT**).

[3] "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should *include* any excluded amounts, where applicable to listed PIEs.

[4] The imputation credits plus the RWT amount is 33% of the gross distribution for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross distribution with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.

Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	2%	
Start date and end date for determining market price for DRP	11/03/2022	17/03/2022
Date strike price to be announced (if not available at this time)	18/03/2022	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	New issue	
DRP strike price per financial product	TBA	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	11/03/2022	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Robyn Heyman	
Contact person for this announcement	Robyn Heyman	
Contact phone number	+64 27 506 5562	
Contact email address	robyn.heyman@summerset.co.nz	
Date of release through MAP	24/02/2022	