SUMMERSET HALF YEAR REPORT

2014

SUMMERSET **HALF YEAR REPORT** 2014

SUMMERSET **SNAPSHOT**

CURRENT PORTFOLIO

- 1,991 retirement units
- 483 care beds

- 18 villages nationwide
- Home to more than 2,900 residents
- Approximately 600 staff employed
- Five high-quality land sites; Casebrook, Wigram, Ellerslie, Lower Hutt and New Plymouth
- Combined landbank of 2,001 retirement units and 587 care beds
- On track for a build target of around 250 retirement units this year, rising to 300 retirement units in 2015
- Nationwide brand offering
- Focus on continuum of care model


Summerset
Best Retirement Village Operator
2010, 2011, 2012 & 2013
Australasian Over 50s Housing Awards
AUSTRALIA & NEW ZEALAND
Warkworth
Hobsonville
Karaka
Ellerslie
Manukau
Katikati
Hamilton
Taupo
New Plymouth
Napier
Hastings
Havelock North
Wanganui
Palmerston North
Levin
Paraparaumu
Trentham
Lower Hutt
Aotea
Nelson
Casebrook
Wigram
Dunedin
Legend
Completed villages
In development
Proposed villages

HALF YEAR **BUSINESS HIGHLIGHTS**

- Both Karaka and Hobsonville welcomed first residents, sales demand high
- Village centres opened at Nelson and Dunedin
- Construction underway on Trentham village extension and new village at New Plymouth
- Construction on Dunedin village completed
- Purchased 3.2ha at Karaka adjacent to existing site

PHOTOS

1. The Village Centre at Nelson opened in February
2. First villas at Karaka have been completed

PHOTOS

1. The Village Centre at Dunedin
2. Dunedin residents mark the opening of the Village Centre with CEO Julian Cook
3. Construction has started at New Plymouth

HALF YEAR **FINANCIAL HIGHLIGHTS**

- Underlying profit of $9.4 million
- Net profit after tax of $15.3 million, up 42% on 1H13
- 195 sales of occupation rights, up 3% on 1H13
- 136 new retirement units delivered, up 33% on 1H13
- Total assets of $921 million, up 21% on 1H13

UNDERLYING PROFIT

$000	1H14 ACTUAL	1H13 ACTUAL	% CHANGE	FY13 ACTUAL
Reported profit after tax *	$15,283	$10,772	41.9%	$34,223
Fair value movement of investment property *	($14,242)	($10,121)	40.7%	($29,722)
Realised gain on resales	$3,581	$4,629	(22.6%)	$9,671
Realised development margin	$4,958	$4,960	0.0 %	$10,450
Deferred tax credit *	($171)	($225)	(24.0%)	($2,468)
Underlying profit	$9,409	$10,015	(6.1%)	$22,154

***Figure has been extracted from financial statements**

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

> "Summerset is continuing to grow strongly and position itself for the future."
>
> ***Chairman Rob Campbell and CEO Julian Cook***

1H14 RESULTS HIGHLIGHTS – FINANCIAL

$000	1H14 ACTUAL	1H13 ACTUAL	% CHANGE	FY13 ACTUAL
Net operating cash flow	$36,501	$43,375	(15.8%)	$88,590
Net profit before tax (NZ IFRS)	$15,112	$10,547	43.3%	$31,755
Net profit after tax (NZ IFRS)	$15,283	$10,772	41.9%	$34,223
Underlying profit	$9,409	$10,015	(6.1%)	$22,154
Total assets	$921,270	$764,212	20.6%	$844,932
NTA (cents per share)	135.45	119.92	13.0%	131.24

Underlying profit differs from NZ IFRS net profit after tax. See reconciliation on previous page.

1H14 RESULTS HIGHLIGHTS – OPERATIONAL

	1H14 ACTUAL	1H13 ACTUAL	% CHANGE	FY13 ACTUAL
New sales of occupation rights	105	116	(9.5%)	228
Resale of occupation rights	90	73	23.3%	174
New retirement units delivered	136	102	33.3%	209
Realised development margin ($000)	$4,958	$4,960	0.0%	$10,450
Gross proceeds (new sales) ($000)	$36,504	$39,858	(8.4%)	$79,274
Realised gains on resales ($000)	$3,581	$4,629	(22.6%)	$9,671

HALF YEAR **REPORT**

Joint Chairman and CEO's report for the six months ended 30 June 2014

The first half of 2014 has seen a good start to the year. Summerset is continuing to grow strongly and position itself for the future. We have delivered 136 retirement units in the first half of the year, a company record, and are well on track for our guidance of 250 retirement units for this year, and have opened village centres and care centres in our Dunedin and Nelson villages. We have opened two new villages at Karaka and Hobsonville, and will open two more in the second half of this year; one in New Plymouth, and the extension to our Trentham village.

Financial Results

Our net profit after tax was NZ$15.3 million, up 42% from 1H13. This includes NZ$14.2 million of fair value uplift on investment property.

Our underlying profit for the first half of 2014 was NZ$9.4 million. This is slightly below the result for the first half of 2013 (being NZ$10.0 million) and reflects the costs associated with our investment in new villages and care centres, and additional investment in head office capability. In the last twelve months we have opened care facilities in Nelson, Dunedin and Hamilton and are opening four villages this year. Often at the early stages of a village or a care centre there is a range of costs that need to be absorbed. These are investments that we believe are well worthwhile and will bear fruit in time.

Resales of occupation rights were strong, with a 23% increase on 1H13 with only 36 unsold resales units in the group. New sales were 9% lower than 1H13, due to the timing of our new

villages. In the second half of the year our four new openings – Karaka, Hobsonville, New Plymouth, and Trentham extension – will all contribute to sales of occupation rights.

The Board has declared an interim dividend of 1.4 cents per share to be paid on 8 September, amounting to a total of NZ$3.0 million. This is the first interim dividend Summerset has paid and has previously been signalled to shareholders. There is no change to dividend policy whereby the total annual dividend will be between 30–50% of underlying profit in that year. Dividends are likely to be at the lower end of this range, given the level of investment in new villages.

Care and Operations

Delivery of high-quality care and services to our customers is fundamental to this business. We are in a rapid growth phase, opening a number of new villages and care centres. We are proud of the quality of care that we deliver to our customers, we are acutely aware of the importance of the work we do in this area, and we believe that what we do makes a real and positive difference to our customers' lives.

We are also conscious that we need to not only preserve this standard as we grow but also to improve upon it over time. To this end we have some significant initiatives underway in our care business. We are to introduce a Clinical Governance Committee of the Board. This will be chaired by Marie Bismark who has a strong background in clinical governance and continuous improvement in the clinical area.

Training of our staff and their positive engagement with their work is also very important to us. We have a programme called Stepping Up, which matches wage increases to achieving qualification levels. Our caregivers are able to move through this programme securing NZQA-recognised qualifications and increasing their wages at the same time. This year we have significantly increased the pay increments as each qualification is reached. This will encourage training and assist in retention of our best and most able staff.

We have instituted a new quality control programme for our care operations that includes an internal audit function, and have reviewed and increased our staffing levels on sites. We will communicate more to you as we progress these initiatives through the year.

Development

This year we are building retirement units across a total of nine sites. This is a significant step up from only a few years ago, and reflects the growth that we have achieved to date and the growth we are experiencing now. This portfolio of development provides the business benefits from scale, on-the-ground knowledge up and down the country on market conditions and the ability to adjust our efforts to best match demand and growth.

Construction started at our sites in Karaka and Hobsonville earlier this year, and we have recently welcomed first residents at both villages. The demand for homes in these villages has been extraordinary, with stages released early to cope with demand. We look forward to welcoming more people into their new homes and nurturing the development of warm and caring communities in these villages.

Construction has begun at our 4ha site in New Plymouth, where we are building nearly 150 homes. This site, with views to Mount Taranaki, will also feature a village centre with a 49-bed care facility. We expect to complete our first homes and welcome our first residents by the end of this year.

The first homes in Trentham's village extension are also expected by the end of the year. We bought 5.4ha of land adjoining our existing Trentham village last year. In addition to the new homes added, more recreational facilities will be built, including an indoor pool and a café. The development will allow us to include care apartments. Care apartments are certified by the district health board and are an important innovation that we have pioneered. They enable residents to maintain independence in their own home while choosing the care that suits them best, right up to rest home-level.

Construction continues at other villages, and in September we will build our 2,000th home.

We have been busy building village centres in a number of villages. These provide the recreational and community facilities of the village and a care centre where we provide care up to hospital level. In the first half of this year we completed village centres and care facilities in Dunedin and Nelson.

We are currently building further village centres in Katikati and Karaka, and are extending our Hamilton care centre due to strong demand for what we offer.

The capital that we raised in our initial public offering has allowed us to increase our rate of growth. Importantly, it has also allowed us to invest in our village centres earlier in the development of each village. The village centre is a key aspect of a retirement village acting as a community hub and in the provision of care in the care centre. It underpins why people choose a retirement village. Previously, these were built part-way through development of a village. It was always evident that sales and interest would pick up significantly once the village centre was completed. Now we are moving to build them at the outset of the village. This has involved significant investment over the last three years. At our new villages we now commence the village centre in conjunction with the development of the first units. We believe that in time this will enhance sales in new villages.

We are well on track to achieve our target of building 300 retirement units per annum from 2015. We are continuing to make progress in lifting development margins and are on track towards our targets here. This is driven by taking construction management in-house over the last few years, and now all our sites are managed internally.

Landbank

Our landbank currently stands at 2,001 retirement units and 587 care beds. This includes retirement units and care beds currently under construction and to be built at the sites mentioned previously, but also at our greenfield sites; Ellerslie, Lower Hutt, Wigram and Casebrook.

At our Annual Meeting in April, we announced the purchase of further land adjoining our Karaka village. This will enable us to almost double the size of the village's foot print. Karaka is a rapidly developing area in southern Auckland, and we are pleased to be part of this growing community.

Our landbank will enable us to build at our targeted rate for at least another six years as a result of having purchased some attractive sites over the last two years. This means we are now in the fortunate position of not having urgency to purchase land. We will continue to look at and purchase land to meet the growing demand in the market but there is no pressure on us to do this.

The Future

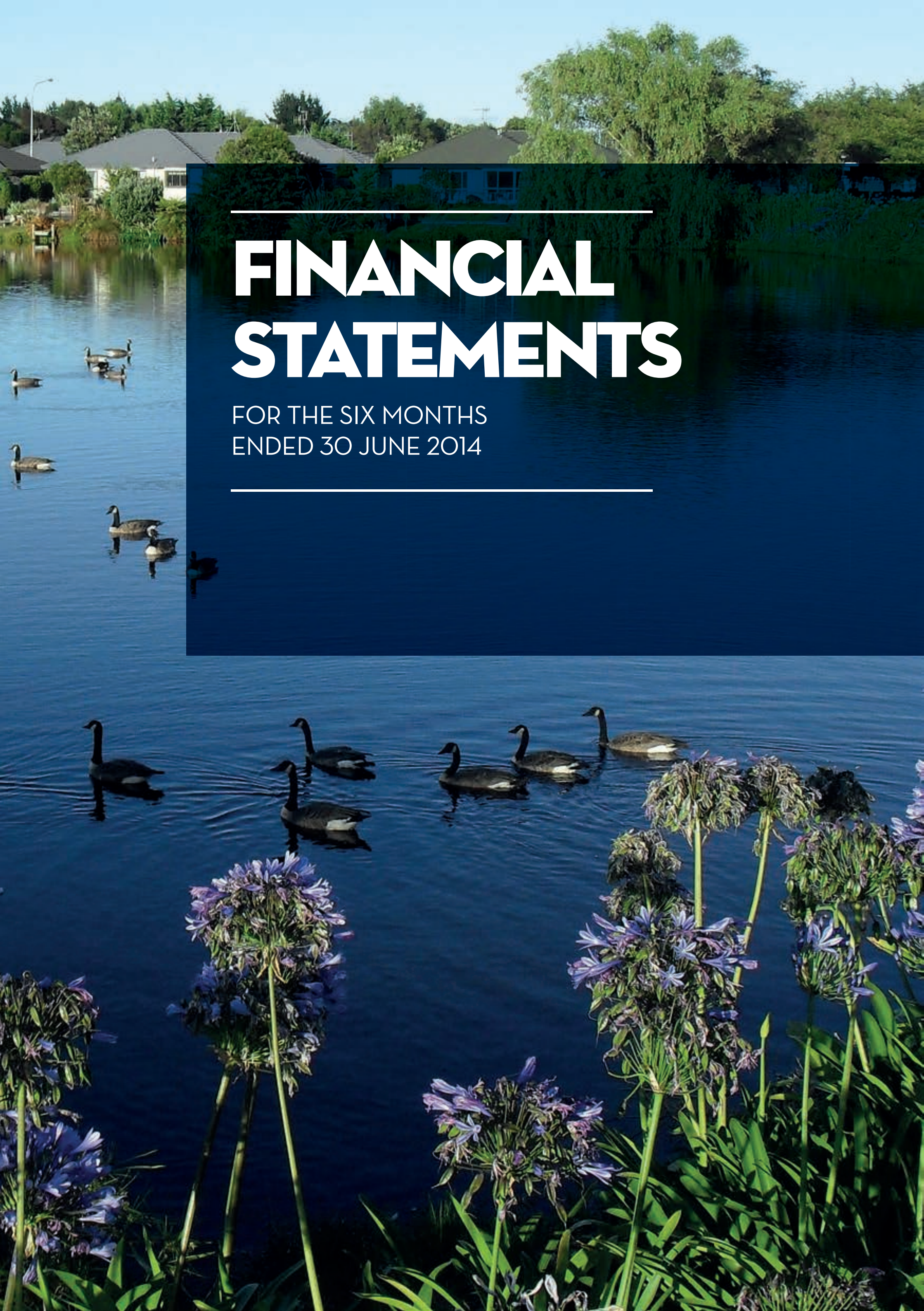
When Summerset began 17 years ago, our goal was to build 20 villages in 20 years. With the imminent launch of New Plymouth on top of the 18 villages we already operate, and the strong pipeline for growth ahead of us, we feel confident that we will not only reach this goal but surpass it. Our integrated care model will continue to play an important part of our business as the population ages, as will the innovative approach we take to giving customers choice, certainty and community.

We are often asked what makes us different from our competitors, and we believe it comes down to our respect for our customer. We believe in improving the quality of life for our residents and we deliver this in many ways, including the design of our retirement units which make them easier to live in as people age, and by creating communities that celebrate and embrace each stage of life.

This has paid off for us; both in winning the award for Best Retirement Village Operator in Australasia for the last four years running, and in the numbers of people choosing to make Summerset their home. We hear time and again from our residents how pleased they are that they have made the move to Summerset, and we look forward to welcoming many more in the years to come as we continue towards our goal of being the first choice in retirement village living and aged care services in New Zealand.

Rob Campbell
Director and Chairman of the Board

Julian Cook
Chief Executive Officer



FINANCIAL STATEMENTS

FOR THE SIX MONTHS
ENDED 30 JUNE 2014

DIRECTORS' REPORT

The directors have pleasure in presenting the interim financial statements of Summerset Group Holdings Limited and its subsidiaries (the "Group") for the six months ended 30 June 2014.

The interim financial statements of the Group have been prepared in accordance with New Zealand law and generally accepted accounting practice, and give a true and fair view of the financial position of the Group at 30 June 2014 and the results of the Group's operations and cash flows for the six months ended 30 June 2014.

The interim financial statements presented are signed for and on behalf of the Board and were authorised for issue on 11 August 2014.

The interim financial statements have been subject to review by the Group's auditors, Ernst & Young.

Rob Campbell
Director and Chairman of the Board

James Ogden
Director and Chairman of the Audit Committee

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	NOTE	6 MONTHS JUN 2014 UNAUDITED $000	6 MONTHS JUN 2013 UNAUDITED $000	12 MONTHS DEC 2013 AUDITED $000
Care fees and village services		17,297	14,460	30,724
Deferred management fees		7,812	6,591	14,275
Interest received		125	100	209
Total revenue		**25,234**	**21,151**	**45,208**
Fair value movement of investment property		14,242	10,121	29,722
Total income		**39,476**	**31,272**	**74,930**
Operating expenses	2	20,264	17,244	36,644
Depreciation and amortisation expense		1,151	886	1,922
Total expenses		**21,415**	**18,130**	**38,566**
Operating profit before financing costs		**18,061**	**13,142**	**36,364**
Finance costs		2,949	2,595	4,609
Profit before income tax		**15,112**	**10,547**	**31,755**
Income tax credit		(171)	(225)	(2,468)
Profit for the period		**15,283**	**10,772**	**34,223**
Basic earnings per share (cents)	6	7.11	5.04	15.99
Diluted earnings per share (cents)	6	7.04	5.00	15.87
Net tangible assets per share (cents)	6	135.45	119.92	131.24

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	6 MONTHS JUN 2014 UNAUDITED $000	6 MONTHS JUN 2013 UNAUDITED $000	12 MONTHS DEC 2013 AUDITED $000
Profit for the period	15,283	10,772	34,223
Other comprehensive income			
Fair value movement of interest rate swaps	(328)	290	1,417
Tax on items of other comprehensive income	92	(81)	(397)
Other comprehensive income which will be reclassified subsequently to profit or loss for the period net of tax	(236)	209	1,020
Total comprehensive income for the period	15,047	10,981	35,243

All profit and total comprehensive income is attributable to Parent Company shareholders and is from continuing operations.

The accompanying notes form an integral part of these interim financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	SHARE CAPITAL $000	HEDGING RESERVE $000	REVALUATION RESERVE $000	MAINTENANCE RESERVE $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
At 1 January 2013	**233,875**	**(577)**	**7,504**	**47**	**7,945**	**248,794**
Profit for the period	-	-	-	-	10,772	10,772
Other comprehensive income for the period	-	209	-	-	-	209
Total comprehensive income for the period	**-**	**209**	**-**	**-**	**10,772**	**10,981**
Dividends paid	-	-	-	-	(5,342)	(5,342)
Shares issued	3,155	-	-	-	-	3,155
Transfer (from) / to maintenance reserve	-	-	-	(47)	47	-
Employee share plan option cost	32	-	-	-	-	32
At 30 June 2013	**237,062**	**(368)**	**7,504**	**-**	**13,422**	**257,620**
Profit for the period	-	-	-	-	23,451	23,451
Other comprehensive income for the period	-	811	-	-	-	811
Total comprehensive income for the period	**-**	**811**	**-**	**-**	**23,451**	**24,262**
Employee share plan option cost	30	-	-	-	-	30
At 31 December 2013	**237,092**	**443**	**7,504**	**-**	**36,873**	**281,912**
Profit for the period	-	-	-	-	15,283	15,283
Other comprehensive income for the period	-	(236)	-	-	-	(236)
Total comprehensive income for the period	**-**	**(236)**	**-**	**-**	**15,283**	**15,047**
Dividends paid	-	-	-	-	(7,014)	(7,014)
Shares issued	2,891	-	-	-	-	2,891
Employee share plan option cost	82	-	-	-	-	82
At 30 June 2014	**240,065**	**207**	**7,504**	**-**	**45,142**	**292,918**

The accompanying notes form an integral part of these interim financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	NOTE	AS AT JUN 2014 UNAUDITED $000	AS AT JUN 2013 UNAUDITED $000	AS AT DEC 2013 AUDITED $000
ASSETS				
Cash and cash equivalents		4,568	3,582	3,044
Trade and other receivables		12,983	9,271	10,313
Interest rate swaps		287	-	615
Limited recourse loans		1,520	2,260	2,260
Property, plant and equipment		56,317	42,229	51,421
Intangible assets		979	625	642
Investment property	3	844,616	706,245	776,637
Total assets		**921,270**	**764,212**	**844,932**
LIABILITIES				
Trade and other payables		20,168	25,450	16,926
Employee benefits		2,653	2,297	2,048
Revenue received in advance		12,942	10,413	11,275
Interest rate swaps		-	511	-
Residents' loans	4	447,157	374,015	414,226
Interest-bearing loans and borrowings	5	132,420	78,702	105,268
Deferred tax liability		13,012	15,204	13,277
Total liabilities		**628,352**	**506,592**	**563,020**
Net assets		**292,918**	**257,620**	**281,912**
EQUITY				
Share capital		240,065	237,062	237,092
Reserves		7,711	7,136	7,947
Accumulated profit		45,142	13,422	36,873
Total equity attributable to shareholders		**292,918**	**257,620**	**281,912**

The accompanying notes form an integral part of these interim financial statements.

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	NOTE	AS AT JUN 2014 UNAUDITED $000	AS AT JUN 2013 UNAUDITED $000	AS AT DEC 2013 AUDITED $000
Cash flows from operating activities				
Receipts from residents for care fees and village services		16,650	14,201	31,797
Interest received		125	100	209
Payments to suppliers and employees		(19,636)	(16,291)	(36,910)
Receipts for residents' loans		62,680	60,654	129,447
Repayment of residents' loans		(23,318)	(15,289)	(35,953)
Net cash flow received from operating activities	**8**	**36,501**	**43,375**	**88,590**
Cash flows from investing activities				
Acquisition of investment property		(49,932)	(38,315)	(97,109)
Acquisition of property, plant and equipment		(4,938)	(441)	(10,961)
Acquisition of intangibles		(518)	(103)	(292)
Capitalised interest paid		(691)	(211)	(1,171)
Net cash flow used in investing activities		**(56,079)**	**(39,070)**	**(109,553)**
Cash flows from financing activities				
Proceeds from borrowings		27,152	540	27,109
Interest paid on borrowings		(2,666)	(2,411)	(4,270)
Proceeds from issue of shares		2,890	3,155	3,705
Dividends paid		(7,014)	(5,342)	(5,342)
Proceeds from repayment of limited recourse loans		740	550	-
Net cash flow (used in) / received from financing activities		**21,102**	**(3,508)**	**21,202**
Net increase in cash and cash equivalents		1,524	797	259
Cash and cash equivalents at beginning of period		3,044	2,785	2,785
Cash and cash equivalents at end of period		**4,568**	**3,582**	**3,044**

The accompanying notes form an integral part of these interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. Summary of accounting policies

Summerset Group Holdings Limited (the "Company") is a Tier 1 for-profit listed public company incorporated and domiciled in New Zealand and is registered under the Companies Act 1993.

The Company is listed on both the New Zealand Stock Exchange ("NZX") and the Australian Securities Exchange ("ASX") with NZX being the Company's primary exchange.

The interim financial statements presented for the six months ended 30 June 2014 are those of Summerset Group Holdings Limited and its subsidiaries ("the Group"). The Group develops, owns and operates integrated retirement villages, rest homes and hospitals for the elderly within New Zealand. The Group is a reporting entity for the purposes of the Financial Reporting Act 1993 and these interim financial statements comply with that Act.

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

These interim financial statements have been prepared using the same accounting policies as, and should be read in conjunction with, the Group's financial statements for the year ended 31 December 2013. The interim financial statements for the six months ended 30 June 2014 are unaudited. They are presented in New Zealand dollars ($), which is the Group's functional currency.

2. Operating expenses

	AS AT JUN 2014 UNAUDITED $000	AS AT JUN 2013 UNAUDITED $000	AS AT DEC 2013 AUDITED $000
Employee expenses	9,675	7,727	16,271
Property-related expenses	3,346	2,840	6,363
Other operating expenses	7,243	6,677	14,010
Total operating expenses	**20,264**	**17,244**	**36,644**

3. Investment property

	AS AT JUN 2014 UNAUDITED $000	AS AT JUN 2013 UNAUDITED $000	AS AT DEC 2013 AUDITED $000
Balance at beginning of period	776,637	644,506	644,506
Additions	53,737	51,618	102,409
Fair value movement			
Realised	8,540	9,589	20,121
Unrealised	5,702	532	9,601
Total investment property	**844,616**	**706,245**	**776,637**

The fair value of investment property as at 30 June 2014 was determined by CBRE Limited, an independent registered valuer and associate of the New Zealand Institute of Valuers. The fair value of the Group's investment property is determined on a semi-annual basis, based on a discounted cash flow model applied to the expected future cash flows generated by the investment properties. There has been no change in valuation technique since the previous valuation which was completed as at 31 December 2013.

Significant assumptions used by the valuer include a discount rate of between 14% and 16.5% (Jun 2013 and Dec 2013: between 14% and 16.5%) and a long-term nominal house price inflation rate of between 0% and 3.5% (Jun 2013 and Dec 2013: between 0% and 3.5%). Other assumptions used by the valuer include the average age of entry of residents and occupancy periods of units.

The Group has deemed the most reliable method to value non-land capital work in progress is at cost. The value at 30 June 2014 was $36.2 million (Jun 2013: $35.2 million, Dec 2013: $38.1 million).

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

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

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

4. Residents' loans

	AS AT JUN 2014 UNAUDITED $000	AS AT JUN 2013 UNAUDITED $000	AS AT DEC 2013 AUDITED $000
Balance at beginning of period	458,872	368,978	368,978
less: amounts repaid on termination	(22,448)	(15,289)	(39,553)
add: amounts received on new licences issued	62,680	59,284	129,447
Total residents' loans	**499,104**	**412,973**	**458,872**
Deferred management fee receivable	(51,947)	(38,958)	(44,646)
Net residents' loans	**447,157**	**374,015**	**414,226**

The fair value of residents' loans at 30 June 2014 is $295,400 (Jun 2013: $248,269, Dec 2013: $274,959). The method of determining fair value is disclosed in Note 20 of the Group's financial statements for the year ended 31 December 2013. As the fair value of resident's loans is determined using inputs that are unobservable, the Group has categorised residents' loans as Level 3 under the fair value hierarchy in accordance with *NZ IFRS 13 – Fair Value Measurement*.

5. Interest-bearing loans and borrowings

	AS AT JUN 2014 UNAUDITED $000	AS AT JUN 2013 UNAUDITED $000	AS AT DEC 2013 AUDITED $000
Repayable within 12 months			
Finance lease liabilities	16	64	60
Total interest-bearing loans	**16**	**64**	**60**
Repayable after 12 months			
Secured bank loans	132,404	78,582	105,208
Finance lease liabilities	-	56	-
Total interest-bearing loans	**132,404**	**78,638**	**105,208**
Total loans and borrowings	**132,420**	**78,702**	**105,268**

The weighted average interest rate for the six months to 30 June 2014 was 4.00% (Jun 2013: 3.81%, Dec 2013: 3.82%). This excludes the impact of interest rate swaps and other finance costs.

The expiry date of the secured bank loans was extended in January 2014 from 27 January 2016 to 30 June 2018. The secured bank loan facility has a maximum of $180 million (Jun 2013 and Dec 2013: $180 million). The bank loans are secured by a general security agreement over the assets of Summerset Holdings Limited (a subsidiary of the Company) and its subsidiaries, subject to a first priority to the Statutory Supervisor over the village assets.

6. Earnings per share and net tangible assets

Basic earnings per share

	6 MONTHS JUN 2014 UNAUDITED	6 MONTHS JUN 2013 UNAUDITED	12 MONTHS DEC 2013 AUDITED
Earnings ($000)	15,283	10,772	34,223
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	214,927	213,764	214,040
Basic earnings per share (cents per share)	**7.11**	**5.04**	**15.99**

Diluted earnings per share

	6 MONTHS JUN 2014 UNAUDITED	6 MONTHS JUN 2013 UNAUDITED	12 MONTHS DEC 2013 AUDITED
Earnings ($000)	15,283	10,772	34,223
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	216,950	215,439	215,706
Diluted earnings per share (cents per share)	**7.04**	**5.00**	**15.87**

Number of shares

	6 MONTHS JUN 2014 UNAUDITED 000'S	6 MONTHS JUN 2013 UNAUDITED 000'S	12 MONTHS DEC 2013 AUDITED 000'S
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	214,927	213,764	214,040
Weighted average number of ordinary shares issued under employee share plans	2,023	1,675	1,666
Weighted average number of ordinary shares for the purpose of earnings per share (diluted)	**216,950**	**215,439**	**215,706**

At 30 June 2014, there were 1,756,973 shares issued under employee share plans (Jun 2013: 1,607,143 shares, Dec 2013: 2,231,699 shares).

Net tangible assets per share

	AS AT JUN 2014 UNAUDITED	AS AT JUN 2013 UNAUDITED	AS AT DEC 2013 AUDITED
Net tangible assets ($000)	291,939	256,995	281,271
Shares on issue at end of period (basic and in thousands)	215,540	214,311	214,311
Net tangible assets per share (cents per share)	**135.45**	**119.92**	**131.24**

7. Dividends

On 24 March 2014 a dividend of 3.25 cents per ordinary share was paid to shareholders (2013: on 20 March 2013 a dividend of 2.5 cents per ordinary share was paid to shareholders).

A dividend reinvestment plan applied to the dividend paid on 24 March 2014 and 585,959 ordinary shares were issued in relation to the plan (2013: 1,099,175 ordinary shares).

8. Reconciliation of operating results and operating cash flows

	6 MONTHS JUN 2014 UNAUDITED $000	6 MONTHS JUN 2013 UNAUDITED $000	12 MONTHS DEC 2013 AUDITED $000
Net profit for the period	**15,283**	**10,772**	**34,223**
Adjustments for:			
Depreciation and amortisation expense	1,151	886	1,922
Fair value adjustment of investment property	(14,242)	(10,121)	(29,722)
Net finance costs	2,949	2,595	4,609
Deferred tax	(171)	(225)	(2,468)
Deferred management fee amortisation	(7,812)	(6,591)	(14,275)
Employee share plan option cost	82	32	62
	(18,043)	**(13,424)**	**(39,872)**
Movements in working capital			
(Increase)/decrease in trade and other receivables	(4,539)	(1,107)	631
Increase in employee entitlements	605	742	493
Increase/(decrease) in trade and other payables	786	895	(1,139)
Increase in residents loans net of non-cash amortisation	42,409	45,497	94,254
	39,261	**46,027**	**94,239**
Net cash flows from operating activities	**36,501**	**43,375**	**88,590**

9. Subsequent events

On 11 August 2014, the directors approved an interim dividend of 1.4 cents per share. The dividend record date is 26 August 2014 with payment on 8 September 2014.

There have been no other events subsequent to 30 June 2014 that materially impact on the results reported (Jun 2013 and Dec 2013: nil).

Chartered Accountants

Review Report to the Shareholders of Summerset Group Holdings Limited

We have reviewed the interim financial statements of Summerset Group Holdings Limited and its subsidiaries (together the "group") on pages 17 to 27, which comprise the statement of financial position as at 30 June 2014, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information. This information is stated in accordance with the accounting policies set out in the group's annual financial statements dated 24 February 2014.

Directors' Responsibility for the interim financial statements

The directors of Summerset Group Holdings Limited are responsible for the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial statements are not presented fairly, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting*. As the auditor of Summerset Group Holdings Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Other than in our capacity as auditor, we have no relationship with, or interest in, Summerset Group Holdings Limited or any of its subsidiaries.

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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the group and its subsidiaries do not present fairly, in all material respects, the financial position of the group as at 30 June 2014, and its financial performance and cash flows for the period ended on that date, in accordance with NZ IAS 34 *Interim Financial Reporting*.

Ernst + Young

Wellington
11 August 2014

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*Village in development. Rest home-level and hospital-level care will be available on completion of the care centre.

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Public Trust

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James Ogden
Anne Urlwin

CFO
Scott Scoullar

Company Secretary
Leanne Walker

Summerset
SURE
MEANS I'M SURE

The Right Home

The Right Care

Love it –
or your money back*

*Some conditions apply