SUMMERSET ANNUAL REPORT 2011

Summerset

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Summerset Hamilton, first residents, Gwen and Inga

"On my first night I was totally convinced I had made the right decision moving here." Inga

SUMMERSET ANNUAL REPORT 2011

SUMMERSET SNAPSHOT

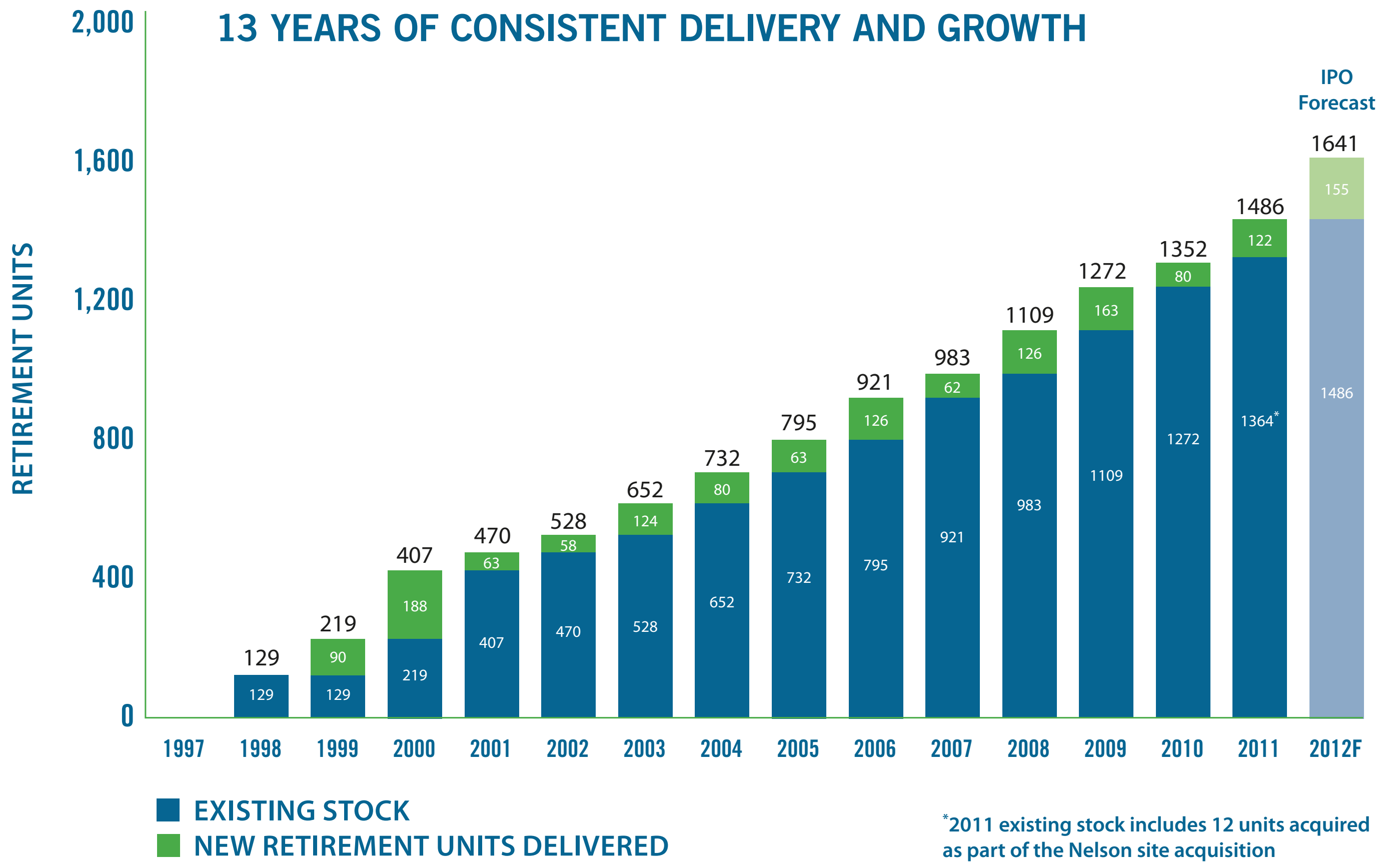
- Home to almost 2,000 residents
- Over 400 staff employed
- 1,486 retirement village units
- 327 care beds

- Customer-centric philosophy – "we love the life you bring to our villages"
- Focus on continuum of care model
- Internal development model
- Nationwide brand offering
- Respect for everyday New Zealanders

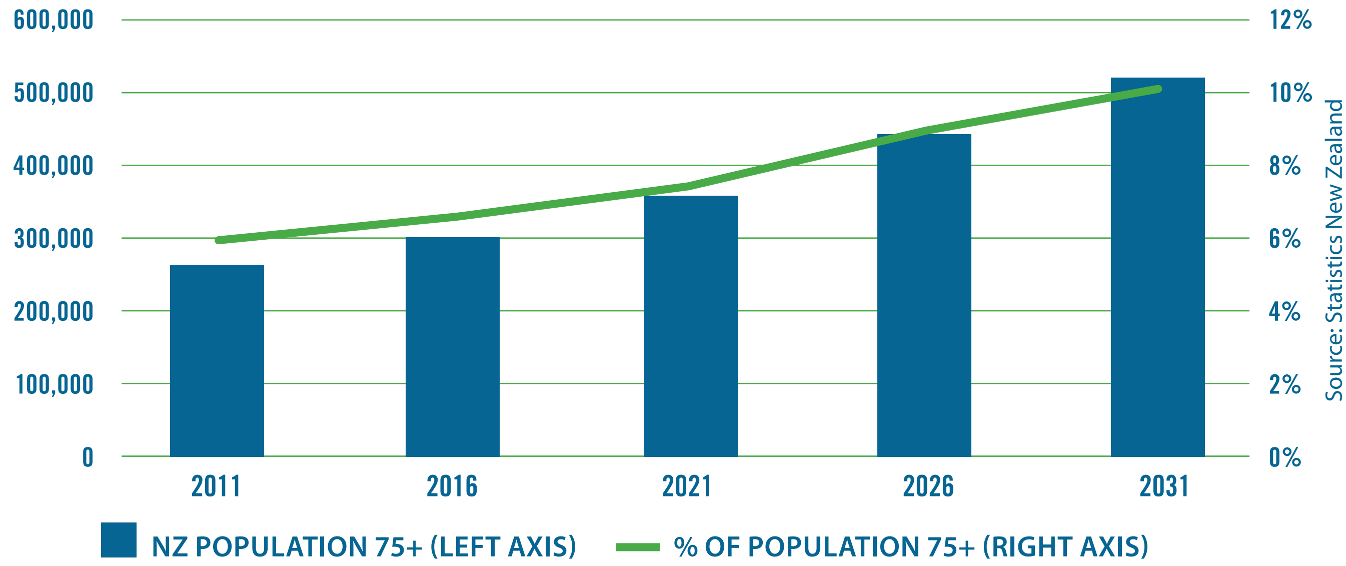
• 14 operational villages
• 122 units delivered in FY11
• On track to deliver 155 units in FY12
• Build target of 250 new retirement village units per annum within 5 years
• Significant land bank
    • 1,052 retirement units
    • 240+ care beds

THIRD-LARGEST OPERATOR, SECOND-LARGEST DEVELOPER OF RETIREMENT VILLAGES IN NEW ZEALAND

SUMMERSET SNAPSHOT



POPULATION AGED OVER 75 YEARS FORECAST TO DOUBLE BY 2031



NEW ZEALAND'S OLDER POPULATION IS PROJECTED TO GROW RAPIDLY

- By 2031 New Zealand's population aged 65 and over is projected to increase from 586,000 to 1,072,000 in 2011.
- The population aged 75 years and over is projected to increase from 261,000 to 516,000 over the same period.
- The population aged 85 years and over is projected to increase from 73,000 to 144,000 over the same period.
- Summerset's residents are typically 75 years and over.

A MILESTONE YEAR FOR SUMMERSET

"Operational performance exceeded IPO forecast in all key areas."

Norah Barlow, CEO

FINANCIAL HIGHLIGHTS

- Underlying profit of $8.1m, up 35% on IPO forecast
- 108 new sales of occupation rights, up 35% on 2010
- 123 resales of occupation rights, up 17% on 2010
- Net operating cash flow of $43.7m, up 29% on 2010
- Net profit before tax of $4.4m, up 7.8% on 2010
- Total assets of $617m, up 15% on 2010

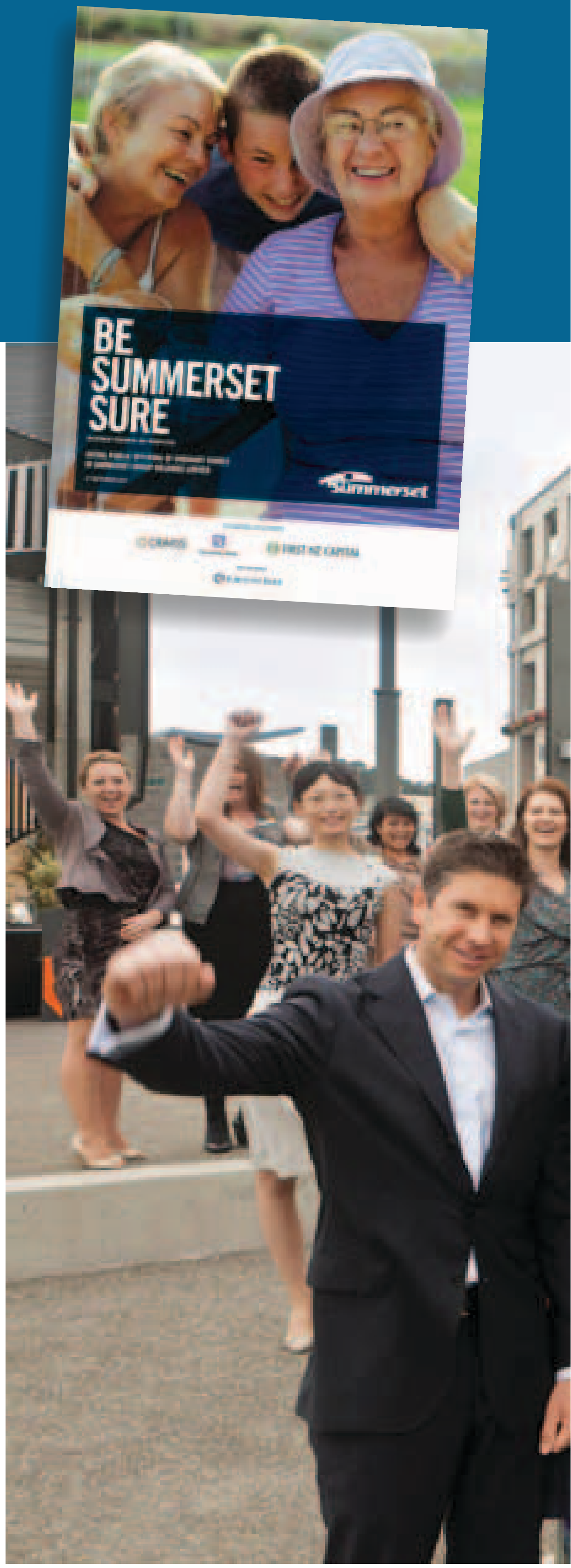
BUSINESS HIGHLIGHTS

- Initial public offering fully subscribed
- $123 million raised
- $50 million new equity to accelerate growth
- 122 new homes delivered
- Two new villages commenced (Nelson, Hamilton)
- Two new main buildings commenced (Warkworth, Hastings)

PEOPLE HIGHLIGHTS

- Home to almost 2,000 New Zealanders
- Best Retirement Village Operator in Australasia for the second year running
- Nationwide television brand commercial went to air
- New training partnership with Careerforce implemented
- Summerset Sure promises rolled out
- Industry-leading disaster-relief policy introduced

BUSINESS HIGHLIGHTS

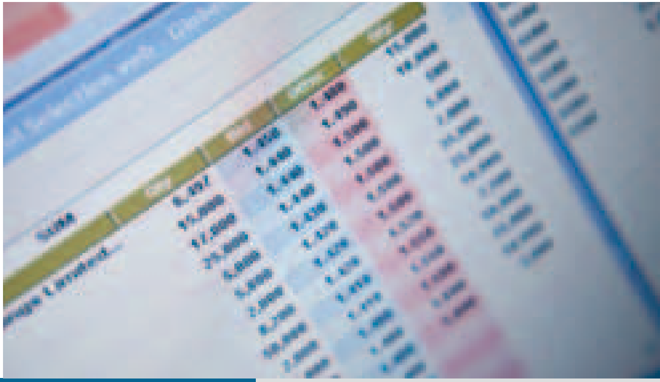


SUMMERSET BEGAN TRADING ON THE NZX ON 1 NOVEMBER 2011

A significant step in the company's evolution took place in 2011 with our successful listing on the New Zealand Stock Exchange. Since opening our first village in Wanganui in 1997, Summerset has grown to become the third-largest operator in New Zealand and the second-largest developer of retirement villages.

November 2011 saw the launch of trading on the NZX. We welcomed over 1,200 new investors in a fully subscribed float against a backdrop of significant economic uncertainty. We thank our investors for their support in this.

We believe Summerset is a business worthy of this support. Demand for retirement village living and aged care is growing rapidly. We offer stable earnings and strong growth prospects largely unaffected by the volatility in international markets. We look forward to continuing to share this growth with you.



- Initial public offering fully subscribed
- $123 million raised
- $50 million new equity to accelerate growth
- 122 new homes delivered
- Two new villages commenced
- Two new main buildings commenced

Summerset management and staff at listing, 1 November, 2011

HIGHLIGHTS

Village	Unit delivery FY11
Hamilton	40
Hastings	25
Manukau	17
Nelson	26
Warkworth	14
Total	**122**

Summerset Manukau, final stage

Summerset Hamilton, first stage

Summerset Hamilton, first stage

Summerset Warkworth

122 UNITS BUILT IN 2011, ON TRACK FOR GROWTH

It has been a busy and productive year for our development team with the delivery of 122 units across five villages.

In 2011 we started construction at our two newest villages in Hamilton and Nelson, with residents moving into both by the end of the year. We also saw the completion of our biggest village to date in Manukau. In the same period we began the construction of significant main buildings at Warkworth and Hastings.

We have continued directing resources into the development team to internalise more of the development process.

This is enabling improved village design and reducing construction costs. Project management and cost management have been internal for the past two years. In 2011 we established an in-house design team. The design team is charged with tailoring all aspects of village design to Summerset. This will benefit both residents and stakeholders, as increased control over every aspect of village design will lead to a higher build rate and faster unit delivery.

The next step is to manage the construction process, with Summerset construction managers on development sites. This was proven in Nelson where we managed the construction of the first stage of units. This allowed us to complete the stage quickly and with a reduction in cost. Less than a year after the site was purchased we started stage two of development. In 2012 Summerset will manage the majority of construction across our villages.

Our land bank has the capacity to deliver a further 1,052 units and more than 240 care beds. We are on track to deliver 155 units in 2012 and on target to reach 250 new retirement village units per annum within five years. We continue to seek new land opportunities across the country.

PEOPLE HIGHLIGHTS

WINNER BEST RETIREMENT VILLAGE OPERATOR SECOND YEAR IN A ROW

Our people - both staff and residents - are what makes our business.

Over 90% of our staff are in the villages, at the forefront of delivering the life, activity and care expected by our residents. This year once again Summerset was awarded the Best Retirement Village Operator in Australasia. This meant a lot to everyone at Summerset. What was particularly special about the award were the words of the awards convenor. "The difference is in the quality of the management. As a collective they have grown into new horizons without losing the common touch."

- Home to almost 2,000 New Zealanders
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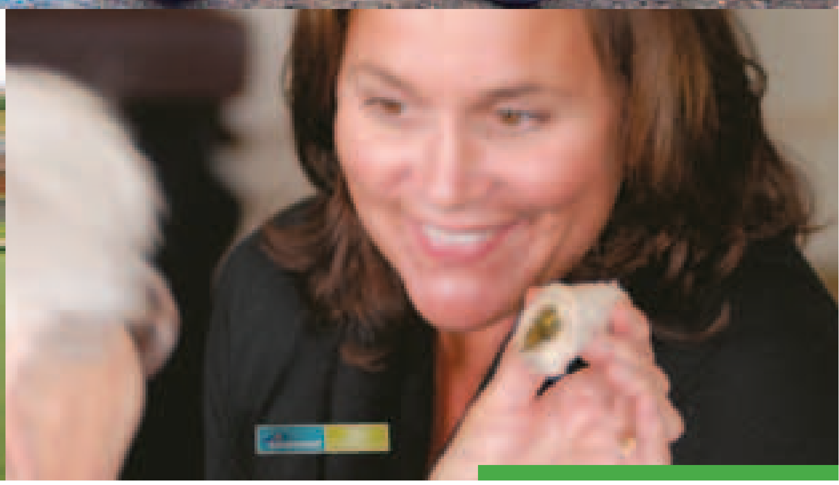
- Industry-leading disaster-relief policy introduced
- Nationwide television brand commercial went to air



HIGHLIGHTS

OUR BRAND PROFILE IS INCREASING

Nearly 2,000 New Zealanders have chosen to make Summerset their home. In 2011 we reached out to even more people as we ran our first television brand commercial, which was seen by 96% of the population over the age of 65. More importantly it was a customer-centric message, "we love the life you bring to our villages", that we believe resonates with those considering a village.

Following on from the Christchurch earthquakes we looked at our responsibilities to residents. As a result we implemented the best disaster-relief policy offered by a retirement village operator in the country, giving our residents the certainty and security of knowing at Summerset they will always have a home following an event of this scale.

WE ARE COMMITTED TO HAVING ALL OF OUR STAFF TRAINED

In 2011, in conjunction with Careerforce, Summerset began training our care staff to achieve a NZQA qualification. Our commitment is to have all of our caregivers qualified so that we may offer the best possible care to our residents. Our first group of caregivers have just received their qualifications; a proud day for them and us.

“I’m worry free and very relaxed. I feel good. I feel at home.” Taupo resident

FINANCIAL HIGHLIGHTS

FINANCIAL RESULTS

In our first year as a publicly listed company we are pleased to report our 2011 results surpassed expectations. We posted an underlying profit of $8.1 million, exceeding the IPO forecast by 35%. This followed a strong second half which saw record sales of occupation rights across the Summerset Group, early delivery of new developments and better operating performance.

NZ$000	FY11 Actual
Net profit after tax	4,324
Less: fair value movement of investment property	(5,841)
Less: reversal of impairment of land and buildings	(278)
Add: realised gain on resales	7,535
Add: realised development margin	2,300
Add: deferred tax expense	40
Underlying net profit after tax	**8,080**

Summerset's net operating cash flow was up on forecast by 14% at $44 million.

Total assets are now $617 million, having grown 15% from $537 million in 2010.

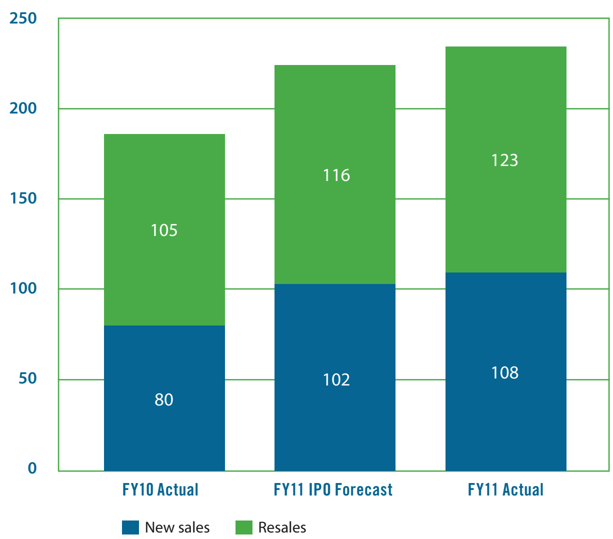
Net profit before tax was $4.4 million, up 3.8% on our forecast. Net profit after tax was down 13% on forecast after non-cash accounting tax adjustments were made.

PERFORMANCE EXCEEDED IPO FORECASTS IN ALL KEY AREAS

There was strong growth on 2010, with operational and financial performance in all key areas exceeding IPO forecasts.

New sales and resales of occupation rights in the 2011 year were the highest for Summerset since it was established in 1997, up on IPO forecast by 6.0% and up 25% on the prior year. This led to higher realised gains on resales and a higher development margin.

UNIT SALES OF OCCUPATION RIGHTS



- Underlying profit of $8.1m, up 35% on IPO forecast
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- Total assets of $617m, up 15% on 2010

FY11 RESULT HIGHLIGHTS – FINANCIAL

NZ$000	FY11 Actual	FY11 IPO Forecast	FY11 Actual vs. FY11 IPO Forecast	FY10 Actual	FY11 Actual vs. FY10
Underlying net profit after tax*	$8,080	$5,995	+35%	N/A	N/A
Net operating cash flow	$43,684	$38,333	+14%	$33,849	+29%
Net profit before tax**	$4,364	$4,264	+2.3%	$4,047	+7.8%
Net profit/(loss) after tax**	$4,324	$4,994	-13%	($1,900)	N/A
Total assets	$616,894	$595,661	+3.6%	$537,226	+15%
NTA (cents per share)	109.3	106.6	+2.5%	99.8	+9.5%

* Underlying net profit after tax differs from NZ IFRS net profit after tax.
** NZ IFRS

FY11 RESULT HIGHLIGHTS – OPERATIONAL

	FY11 Actual	FY11 IPO Forecast	FY11 Actual vs. FY11 IPO Forecast	FY10 Actual	FY11 Actual vs. FY10
New sales of occupation rights	108	102	+5.9%	80	+35%
Resale of occupation rights	123	116	+6.0%	105	+17%
New units delivered	122	121	+0.8%	80	+53%
Development margin ($000)	$2,300	$2,095	+9.8%	N/A	N/A
Gross proceeds (new sales) ($000)	$37,259	$34,883	+6.8%	$28,044	33%
Realised resale gains ($000)	$7,535	$6,128	+23%	$6,238	21%

ROB CAMPBELL

CHAIRMAN

Welcome to the first Annual Report of Summerset Group as an entity listed on the New Zealand Stock Exchange.

Last year Summerset continued to position itself to cope with the predicted increase in demand stemming from New Zealand's aging population. The successful raising of new capital and introduction of new shareholders has provided us with the capital to benefit from this. We see ourselves as very much part of the solution to the aging demographic from both a public and private perspective.

I took on the role of chairman of the Summerset board in September 2011 as the company was preparing to list on the NZX. My job has been to help guide Summerset through its evolution into a listed company with an increasing profile within the country's business community. Of course, within its own industry, Summerset is a brand that is well known and has an excellent reputation.

Summerset's first set of annual results show that the decision to list on the NZX was the right one. We out-performed forecast figures in all key areas. The results for our first financial year reward the confidence shown by new shareholders with an underlying profit of $8.1 million for the 12 months ended 31 December 2011 - exceeding forecast for the period by 35%.

All key operating metrics also exceeded forecasts. Sales of occupation rights were up 6% and were a 25% increase on 2010. New villages in Nelson and Hamilton contributed to this.

> **"Summerset's first set of annual results show that the decision to list on the NZX was the right one."**
>
> Rob Campbell

The financial results show strong growth in year-on-year performance, as well as out-performing IPO forecast figures. The company's strong operational performance contributed to this, as did the increased sales of occupation rights and early delivery of developments. A very good second half of the year strengthened the underlying profit result, a trend we expect to continue into the 2012 year.

Growth in our asset portfolio and the quality of our assets has increased. Net tangible assets per share increased from 99.8 cents in 2010, to 109.3 cents in 2011. We have a land bank of 1,052 units across the country, putting us in a good position to continue developing.

Summerset is taking a leadership position in terms of quality facilities and the level of security provided for residents. We continue to break new ground in our work with regulatory agencies to ensure that there is an appropriate balance between the private and public provision of healthcare services.

What has struck me about this industry, since taking the chair, is the real drive to provide top-quality care and to think outside the box. I am certain we will continue to see great innovation in the aged-care sector and Summerset sits at the front of the pack in this regard.

This drive is further shown through Summerset's commitment to corporate governance. This year has been about ensuring that our corporate governance foundations are in line with best practice, and we believe we now have a solid base from which to work. We believe that good governance starts at the top with the board and are committed to a transparent and open approach. This year saw the establishment of an Audit and Risk Committee and a Nominations and Remuneration Committee.

From an operations perspective, Summerset has always had thorough guidelines which show our commitment to providing the best in aged care. It is important in this industry to maintain quality and encourage a strong code of ethics.

James Ogden also joined us as an independent director in September 2011. James knows the company well, having been an independent director previously and we welcome him back to this position.

At the upcoming annual meeting in April, directors Marcus Darville and Christopher Hadley, who are retiring by rotation, will seek re-election.

Norah and the team have worked incredibly hard over the past year, and we have seen the results through a successful listing, strengthened operations, good cost control and meeting of development targets. The results show a company that is in good shape. The team has steered Summerset through a very important year. Their commitment to growing the company while maintaining a focus on providing its residents with top-quality care is second to none.

On behalf of the board and the shareholders I would like to congratulate the team at Summerset on a very successful year. I would also like to welcome you, our shareholders, to Summerset.

Rob Campbell
Chairman

NORAH BARLOW

MANAGING DIRECTOR AND CEO

It has been a milestone year for Summerset and the most significant in our 14-year history. Listing on the New Zealand Stock Exchange in November was a great achievement. On top of that we have seen excellent results from across the organisation, including the highest sales of occupation rights since the company was established.

Summerset was able to surpass expectations during our maiden listed year exceeding all operating metrics and posting an underlying profit of $8.1 million. This exceeded the forecast by 35%. We are justifiably pleased with this performance and are committed to continuing to deliver excellent results to our shareholders.

During the current challenging economic environment we have continued to grow both our village footprint and our care portfolio. We are a company committed to providing solutions to prospective residents and to the government as it looks increasingly to the private sector to invest in the facilities and people that will enable New Zealand to care for an aging population with increasingly complex needs.

"It has been a milestone year for Summerset and the most significant in our 14-year history."

Norah Barlow

RECORD DEMAND, RECORD SALES

The 2011 year saw record sales across the company, with an increase of 25% on the 2010 year. This is the result of many factors: the quality of our product, an increased brand profile, the promises we make through our Summerset Sure statements, and an increased awareness from the market of the benefits that come from village living. We know that the provision of aged care on the same site as independent living is a very important factor for people in making a decision to move from their home. Providing ongoing care is a core business and operations focus for the company.

This year our nationwide television advertising campaign aired, introducing the slogan "we love the life you bring to our villages", which sums up our overall philosophy.

During 2011 we welcomed more residents to Summerset than in any year previously. This year we expect to have 2,000 New Zealanders choosing to live in a Summerset village.

DEVELOPING VILLAGES, EXPANDING CARE

In 2011, we experienced extensive development at both our new and existing villages. We were able to commence construction at our two newest villages in Hamilton and Nelson, with the first residents moving into their new homes before Christmas. We also saw the completion of Summerset Manukau.

We were pleased to commence the construction of the main buildings at Warkworth and Hastings. The buildings include recreation facilities, services such as doctor's rooms and hairdressing salons, as well as care options. The introduction of the care component into a village is an important step in its development.

We expect development to continue at a rapid pace, with $50 million of the capital raised during the IPO process allocated to fund this.

INCREASING GROWTH WHILE BOOSTING QUALITY

We have the structure in place to continue to deliver units while maintaining our commitment to our residents and their families.

Summerset was founded on the belief that older New Zealanders have earned the right to a high standard of living in a safe, secure and enjoyable environment. This is at the core of what we do as we continue to grow and increase our presence nationally.

While increasing this presence, we strive to stand out as an operator. An example of this is Summerset's continued relationship with Lifemark. Summerset is the only retirement village operator to use the independent standard overseen by Lifetime Design. This ensures our homes are designed to remain suitable should residents' needs change.

We are keeping an eye on the quality of our service to all of our residents. We have worked with our industry training organisation to provide on-the-job training to our caregivers which will see them achieve the National Certificate in Health, Disability and Aged Support (Foundation Skills). We aim to have 100% of our caregivers qualified or working toward the qualification.

The entire team at Summerset has worked particularly hard throughout the 2011 year. We simply can't do what we do without good people, and we believe we have the best. They have enabled us to continue our vision of being among the best operators in this country.

You can be assured the Summerset team is committed to growing the business and performing beyond expectations.

Welcome to the Summerset family.

Norah Barlow

Norah Barlow
Managing Director and CEO

DIRECTORS' PROFILES

ROB CAMPBELL

Chairman, Independent

Rob has over 25 years' experience in corporate governance and capital markets. Currently he is a director and Investment Committee chair of ACC. He also serves as the chairman of Guinness Peat Group plc, and Turners & Growers Ltd, and he is a director of AquaSure Pty Ltd, Ports of Auckland Ltd and CallPlus Ltd.

As well as this, Rob is a board or advisory board member of several private equity and hedge funds globally. He has previously directed the investments of a large family office and held board appointments in numerous private and public sector organisations in New Zealand.

NORAH BARLOW

Managing Director and CEO

Norah joined Summerset in 1999, taking on the CEO role in 2001. In that time Norah oversaw Summerset's evolution from a small operator to the third-largest operator and second-largest developer in the industry.

Norah is a qualified accountant with an extensive background in business leadership and management, strategy, corporate finance, governance and tax.

Norah's knowledge of the sector has seen her hold the position of president of the Retirement Villages Association for the past five years. She was involved in the formation of the Retirement Villages Act 2003, and instrumental in the formation of the industry's Code of Practice from 2004 to its completion in 2008.

CHRIS HADLEY

Director

Chris is the managing director of Quadrant Private Equity. He is one of the longest serving executives in the Australian private equity industry and was one of the founding council members of the Australian Private Equity and Venture Capital Association Ltd (AVCAL).

Chris has led and managed the raising of all six Quadrant funds, the first in 1996, and has been a member of the Investment Committee of all funds.

In addition to Summerset, Chris is currently a director of Quadrant investee companies Seniors Money International, Burson Auto Parts and Sentia Media.

MARCUS DARVILLE

Director

Marcus is a director at Quadrant Private Equity, having joined them in 2006. He has worked in the private equity industry for over 18 years, commencing his career in the UK with NatWest Ventures before joining AMP as joint head of private equity in 1994. At AMP he developed the company's private equity activity over a 12-year period. During this time Marcus worked on more than 15 completed transactions.

Marcus is a member of the Quadrant Investment Committee and a director of current Quadrant investee companies Virtus Health, Ortho Group and Sentia Media.

JAMES OGDEN

Director, Independent

James has an extensive background in investment banking, including six years as country manager for Macquarie Bank and five years as a director at Credit Suisse First Boston. James has also worked in the New Zealand dairy industry in CEO and finance roles.

James is currently a director of The Warehouse Group Ltd. Former directorships include Summerset during AMPCI's ownership, as well as Powerco Ltd, Capital Properties New Zealand Ltd, Kiwibank Ltd and New Zealand Post Ltd. He has been the managing director of Ogden Consulting Ltd since 2003.

MANAGEMENT PROFILES

From left to right: Julian Cook, Catherine Fyfe, Paul Morris, Norah Barlow, Tristan Saunders, Richard Catto

JULIAN COOK
Chief Financial Officer

Julian joined Summerset in 2010 from Macquarie Bank where he worked for 11 years in investment banking, gaining a broad range of financial and commercial experience.

Julian has a sound understanding of the retirement village and aged care industry, having been involved in advising a number of clients on transactions in the retirement village sector while at Macquarie. Julian is responsible for development funding, investor relations, information technology and ensuring our villages and residents are supported by the finance team.

PAUL MORRIS
General Manager, Development

Paul joined Summerset in 2000 with over 20 years' experience in the banking sector. This included 15 years experience in retirement village and aged care business banking.

Paul has now been with Summerset for over 11 years and has held various senior roles including finance and funding, and sales and marketing. Paul has overseen the development function for the last seven years. Paul's primary focus has been to ensure Summerset's structure supports the current and expanding development property portfolio, while also developing and expanding the land opportunity acquisition network to ensure that the strategic objectives are achieved.

TRISTAN SAUNDERS
General Manager, Sales & Marketing

Tristan commenced with Summerset in 2007 having spent the previous 15 years in marketing, sales and business management roles across a wide range of industries. Tristan has held senior international and national positions with leading companies including Heinz Watties and Ngāi Tahu Seafood.

Tristan is responsible for all areas of Summerset's marketing and sales including brand management, advertising, media and PR, new village launches, pricing strategy, marketing collateral and leadership of the national sales team.

RICHARD CATTO
General Manager, Operations

Richard began with Summerset in 2009 and has over 20 years' experience in the public and private health sector providing a strong operational skill set to Summerset.

Richard came to Summerset from Wakefield Health where he was General Manager of Wakefield Hospital. He has held a number of senior positions throughout the public health sector.

Richard is responsible for the ongoing delivery to our residents of the Summerset brand offering. This encompasses overseeing the staffing and operation of our villages, leadership of the Operations, Property and Clinical Teams and provision of care to our residents.

CATHERINE FYFE
General Manager, Human Resources

Catherine joined Summerset in 2010 following a number of years working for an international management consultancy firm. Prior to that Catherine had an extensive background in senior management roles in human resources with a number of New Zealand's largest financial services organisations.

Catherine's focus at Summerset is to ensure that Summerset recruits, develops and manages its people to ensure that it is able to deliver the best possible outcome for residents.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS' STATEMENT

The directors of Summerset are pleased to present to shareholders the financial statements of Summerset Group Holdings Limited and its subsidiaries (the "Group") for the year ended 31 December 2011.

The directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Group as at 31 December 2011 and the results of the Group's operations and cash flows for the year ended 31 December 2011.

The directors consider the financial statements of the Group have been prepared using appropriate accounting policies which have been consistently applied and supported by reasonable and prudent judgments and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The financial statements were authorised for issue for and on behalf of the Board on 29 February 2012 by:

Rob Campbell
Director and Chairman

Norah Barlow
Managing Director and Chief Executive Officer

INCOME STATEMENT

For the year ended 31 December 2011

		GROUP		COMPANY	
	NOTE	2011 $000	2010 $000	2011 $000	2010 $000
Care fees and village services		24,868	22,351	-	-
Deferred management fees	2	8,643	11,745	-	-
Interest received		192	109	-	-
Other income		-	30	-	-
Total revenue		33,703	34,235	-	-
Reversal of impairment of land and buildings	7	278	-	-	-
Fair value movement of investment property	8	5,841	1,628	-	-
Total income	23	39,822	35,863	-	-
Operating expenses	3	28,750	27,303	62	184
Depreciation expense	7	1,064	1,103	-	-
Total expenses		29,814	28,406	62	184
Operating profit/(loss) before financing costs		10,008	7,457	(62)	(184)
Net finance costs	4	5,644	3,410	-	-
Profit/(loss) before income tax	23	4,364	4,047	(62)	(184)
Income tax expense	5	40	5,947	-	-
Profit/(loss) for the period	23	4,324	(1,900)	(62)	(184)
Basic and diluted earnings per share (cents)	14	2.39	(1.12)		
Net tangible assets per share (cents)		109.33	99.80		

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

		GROUP		COMPANY	
	NOTE	2011 $000	2010 $000	2011 $000	2010 $000
Profit/(loss) for the period		4,324	(1,900)	(62)	(184)
Other comprehensive income					
Fair value movement of interest rate swaps		(1,366)	-	-	-
Fair value movement transferred to income statement on de-designation		88			
Fair value movement of land and buildings	7	5,862	-	-	-
Tax on items of other comprehensive income	5	(1,374)	62	-	-
Other comprehensive income for the period net of tax		3,210	62	-	-
Total comprehensive income/(loss) for the period	23	7,534	(1,838)	(62)	(184)

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

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

GROUP	SHARE CAPITAL $000	HEDGING RESERVE $000	REVALUATION RESERVE $000	MAINTENANCE RESERVE $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
At 1 January 2010	164,983	-	3,312	1,622	(10,875)	159,042
Loss for the period	-	-	-	-	(1,900)	(1,900)
Other comprehensive income for the period	-	-	62	-	-	62
Total comprehensive income for the period	-	-	62	-	(1,900)	(1,838)
Transfer (from)/to maintenance reserve	-	-	-	(450)	450	-
Interest on maintenance reserve	-	-	-	45	(45)	-
Shares issued	17,249	-	-	-	-	17,249
At 31 December 2010	182,232	-	3,374	1,217	(12,370)	174,453
At 1 January 2011	182,232	-	3,374	1,217	(12,370)	174,453
Profit for the period	-	-	-	-	4,324	4,324
Other comprehensive income for the period	-	(920)	4,130	-	-	3,210
Total comprehensive income for the period	-	(920)	4,130	-	4,324	7,534
Transfer (from)/to maintenance reserve	-	-	-	(760)	760	-
Interest on maintenance reserve	-	-	-	34	(34)	-
Shares issued	53,122	-	-	-	-	53,122
Capital raising costs	(1,685)	-	-	-	-	(1,685)
At 31 December 2011	233,669	(920)	7,504	491	(7,320)	233,424

COMPANY	SHARE CAPITAL $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
At 1 January 2010	164,983	(36,167)	128,816
Loss for the period	-	(184)	(184)
Total comprehensive income for the period	-	(184)	(184)
Shares issued	17,249	-	17,249
At 31 December 2010	182,232	(36,351)	145,881
At 1 January 2011	182,232	(36,351)	145,881
Loss for the period	-	(62)	(62)
Total comprehensive income for the period	-	(62)	(62)
Shares issued	53,122	-	53,122
Capital raising costs	(1,685)	-	(1,685)
At 31 December 2011	233,669	(36,413)	197,256

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

		GROUP		COMPANY	
	NOTE	2011 $000	2010 $000	2011 $000	2010 $000
Assets					
Cash and cash equivalents	16(a)	8,987	4,762	-	-
Trade and other receivables	6	10,620	5,083	-	20
Intercompany loan receivable	17	-	-	67,876	18,979
Investments in subsidiaries	20	-	-	126,570	126,570
Limited recourse loans	15,17	2,810	230	5,360	230
Property, plant and equipment	7	36,789	31,061	-	-
Intangible assets		548	324	-	82
Investment property	8	557,140	495,766	-	-
Total assets		616,894	537,226	199,806	145,881
Liabilities					
Trade and other payables	9	9,438	7,982	2,550	-
Employee benefits	10	1,616	1,450	-	-
Revenue received in advance		7,712	6,497	-	-
Unamortised deferred management fee		-	622	-	-
Residents' loans	11	278,408	231,801	-	-
Interest-bearing loans and borrowings	12	69,121	100,213	-	-
Interest rate swaps	13	1,553	-	-	-
Deferred tax liability	5	15,622	14,208	-	-
Total liabilities		383,470	362,773	2,550	-
Net assets		233,424	174,453	197,256	145,881
Equity					
Share capital	14	233,669	182,232	233,669	182,232
Reserves	14	7,075	4,591	-	-
Accumulated deficit		(7,320)	(12,370)	(36,413)	(36,351)
Total equity attributable to shareholders		233,424	174,453	197,256	145,881

Rob Campbell
Director and Chairman

Norah Barlow
Managing Director and Chief Executive Officer

For and on behalf of the Board, who authorise the issue of these financial statements, 29 February 2012

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

		GROUP		COMPANY	
	NOTE	2011 $000	2010 $000	2011 $000	2010 $000
Cash flows from operating activities					
Receipts from residents for care fees and village services		25,093	23,371	-	-
Interest received		192	109	-	-
Payments to suppliers and employees		(28,716)	(26,385)	20	-
Receipts for residents' loans		70,987	53,695	-	-
Repayment of residents' loans		(23,872)	(16,941)	-	-
Net cash flow received from operating activities	16(b),23	43,684	33,849	20	-
Cash flows from investing activities					
Advance to subsidiary		-	-	(48,897)	(16,734)
Acquisition of investment property		(49,149)	(26,537)	-	-
Acquisition of property, plant and equipment		(691)	(931)	-	-
Acquisition of intangibles		(317)	(335)	82	(266)
Capitalised interest paid		(1,852)	(1,619)	-	-
Net cash used in investing activities	23	(52,009)	(29,422)	(48,815)	(17,000)
Cash flows from financing activities					
Repayment of borrowings		(31,092)	(15,214)	-	-
Proceeds from issue of shares		48,795	17,000	48,795	17,000
Interest paid on borrowings		(5,153)	(3,410)	-	-
Net cash flow received from financing activities	23	12,550	(1,624)	48,795	17,000
Net increase in cash and cash equivalents	23	4,225	2,803	-	-
Cash and cash equivalents at beginning of period		4,762	1,959	-	-
Cash and cash equivalents at end of period	16(a)	8,987	4,762	-	-

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. Summary of accounting policies

Statement of Compliance

Summerset Group Holdings Limited (the "Company") is a for-profit listed public company incorporated and domiciled in New Zealand and is registered under the Companies Act 1993. Summerset Group Holdings Limited listed on the New Zealand stock exchange ("NZX") on 1 November 2011.

The financial statements presented for the year ended 31 December 2011 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 financial statements comply with that Act.

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards ("IFRS"), and other applicable financial reporting standards as appropriate for profit-oriented entities.

Basis of preparation

These financial statements have been prepared on the historical cost basis with the exception of the items noted below.

- Investment property – see Note 8
- Land and buildings – see Note 7
- Limited recourse loans – see Accounting policy 1(i)
- Interest rate swaps – see Note 13

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

All monetary values are presented in thousands of New Zealand dollars, which is the Group's functional currency, unless otherwise noted.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Valuation of investment property – Note 8
- Valuation of land and buildings – Note 7
- Revenue in advance – Accounting policy 1(k)
- Deferred management fee – Accounting policy 1(b)
- Interest rate swaps – Note 13

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation

The Group financial statements are prepared by consolidating the financial statements of all entities that comprise the Group, being Summerset Group Holdings Limited and its subsidiaries as defined in *NZ International Accounting Standard ("IAS")–27 : Consolidated and Separate Financial Statements*. A list of subsidiaries appears in Note 20. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements. All intercompany transactions and balances, and unrealised profits arising within the Group are eliminated in full. Investments in subsidiaries are recorded at cost less any adjustment for impairment.

(b) Revenue recognition

(i) Services

When the outcome of a contract to provide services can be estimated reliably, revenue is recognised by reference to the percentage of the services performed, specifically:

<u>Deferred management fees</u>

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 industry averages are estimated to be 7 to 8 years for villas, 5 years for apartments and 3 years for care apartments.

<u>Care fees and residents' levies</u>

Care fees and residents' levies are recognised over the period in which the service is rendered.

(ii) Interest received

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

(c) Investment property

Investment properties are held to earn rental income and for capital appreciation. They comprise land and buildings and associated equipment and furnishings relating to independent living units, care apartments and common facilities in the retirement village. Investment properties include buildings under development. Initial recognition of investment property is at cost and subsequently measured at fair value with any change in fair value recognised in the income statement.

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

Rental income from investment property, being deferred management fees, is accounted for as described in accounting policy 1(b). Depreciation is not charged on investment property.

(d) Property, plant and equipment

Property, plant and equipment comprises care facilities, both complete and under development, and corporate assets held.

<u>Recognition and measurement</u>

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 assets includes material and direct labour, and any other costs directly attributable to bringing the asset to its working condition for its intended use.

Subsequent to initial recognition, land and buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses, if any, since the assets were last revalued. Plant and equipment is 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.

<u>Capitalisation of borrowing costs</u>
Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset commence and expenditures and borrowing costs are incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use.

<u>Depreciation</u>
Depreciation is charged to the income statement on a diminishing value basis over the estimated useful lives of each item of property, plant and equipment, with the exception of land, which is not depreciated and buildings which are depreciated on a straight line basis. Depreciation methods, useful lives and residual values are reassessed at the reporting date. Major depreciation rates are as follows:

- Buildings 2%
- Furniture and fittings 10% – 31%
- Plant and equipment 9% – 80%
- Motor vehicles 20% – 36%

(e) 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 diminishing value basis over the estimated useful lives of intangible assets from the date that they are available for use, with the exception of licences, which are depreciated on a straight line basis. Major amortisation rates are as follows:

- Licences 10%
- Software 48% – 60%

(f) Impairment
The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

(i) Trade receivables
Trade receivables are not significant on an individual basis and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate, less an allowance for impairment. Impairment is assessed on an individual basis.

(ii) Non-financial assets
The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Leased assets (Group as lessee)
Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are expensed on a straight line basis over the life of the lease. Other leases are treated as operating leases and the leased assets are not recognised on the Group's balance sheet.

(h) Occupation right agreements
An occupation right agreement confers a right of occupancy to a villa, apartment or serviced apartment. For occupation right agreements issued prior to September 2006, consideration received on the grant of an occupation right agreement is split between a resident loan and deferred management fee according to the terms of the occupation right agreement. The amount of the consideration allocated to the resident loan is 75%, 80% or 82% (depending on the terms of the occupation right agreement) and the remainder is allocated to the deferred management fee. From September 2006 the consideration received is allocated to the resident loan payment in full. Refer to accounting policy 1(i) with respect to residents' loans and deferred management fee liability.

(i) Financial instruments
(i) Financial risk management objectives and policies
The Group's principal financial instruments comprise loans and borrowings, residents' loans, unamortised deferred management fee liability and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also holds other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control of substantially all the risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(ii) Non-derivative financial instruments

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables
Trade and other receivables are stated at amortised cost, being their cost less impairment losses.

Investment in subsidiaries
Investment in subsidiaries is stated at cost less any impairment.

Limited recourse loans
All limited recourse loans have been designated as fair value through profit or loss in order to manage an accounting mismatch.

Intercompany loans
Intercompany loans are recorded at amortised cost, as they are interest free and repayable on demand.

Trade and other payables
Trade and other payables are carried at amortised cost with the exception of liabilities for puttable shares. Due to their short-term nature they are not discounted.

Liabilities for puttable shares are designated as fair value through profit or loss in order to manage an accounting mismatch.

Interest-bearing loans and borrowings
Interest-bearing loans and borrowings are recorded at amortised cost, with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

Residents' loans and deferred management fee receivable
Residents' loans are amounts payable under occupation right agreements, as described in accounting policy 1(h). 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 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 accounting policy 1(b) for further detail on recognition of deferred management fee revenue.

(iii) Derivative financial instruments

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.

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.

(iv) Share capital
Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(j) Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is made for benefits accruing to employees in respect of wages, salaries, annual leave, bonuses and profit-sharing plans when it is probable that settlement will be required and the amount can be estimated reliably.

(k) Revenue in advance
Revenue in advance comprises those amounts by which the amortisation of deferred management fees over the contractual period exceeds the amortisation of the deferred management fee based on estimated tenure. Refer to accounting policy 1(b) for estimated tenure details.

(l) Expenses
Lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

(m) Income tax
Income tax comprises current and deferred tax and is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is provided using the comprehensive balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, unless they arise on a business combination, are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

(n) GST
All amounts are shown exclusive of goods and services tax ("GST"), other than trade debtors and trade creditors, except where the amount of GST incurred is not recoverable from the taxation authority. When this occurs the GST is recognised as part of the cost of the asset or as an expense, as applicable.

(o) Change in presentation and comparative information
The Group has reviewed the presentation of its financial statements in accordance with *NZ IAS 1 – Presentation of Financial Statements* to aid easier understanding of these statements, and determined to adjust the presentation of the statements where considered appropriate. The key adjustments made are:

- Separate the income statement from the statement of comprehensive income;
- Move revenue information previously found in the notes to the accounts to the face of the income statement;
- Reclassify employee expenses, repairs and maintenance and other operating expenses as operating expenses on the face of the income statement;
- Reclassify interest received from investing activities to operating activities in the statement of cash flows;
- Reclassify employee related accruals from trade and other payables to employee benefits on the face of the balance sheet and the related notes to the financial statements.

In the 2010 statement of cash flows there has been a reclassification of $5.1 million between payments to suppliers and employees and acquisition of investment property. This has no impact on net cash flow.

(p) New standards and interpretations not yet adopted
NZ IFRS Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual report period ending 31 December 2011 are outlined below:

NZ IFRS 9 – Financial Instruments (effective from 1 January 2013)
This standard will replace *NZ IAS 39 – Financial Instruments: Recognition and Measurement* and will specify how an entity should classify and measure financial assets including some hybrid contracts. Whilst there may be some disclosure changes, the impact of this standard is not considered to be significant for the Group.

NZ IFRS 13 – Fair Value Measurement (effective from 1 January 2013)
This standard establishes a single source of guidance for determining the fair value of assets and liabilities and may result in different fair values being determined for relevant assets and liabilities. This standard also expands disclosure requirements for assets and liabilities carried at fair value. Application of this standard may impact the carrying value of land and buildings and investment property for the Group. The quantum of any impact has not yet been determined.

NZ IAS 1 – Presentation of Financial Statements (effective from 1 January 2012)
Amendments to this standard require entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods. Whilst there may be some disclosure changes, the impact of this standard is not considered to be significant for the Group.

FRS 44 – New Zealand Additional Disclosures (effective from 1 January 2012)
This standard relocates New Zealand-specific disclosures from other standards to one place and revises disclosures in certain areas.
This standard is not expected to affect the Group significantly.

2. Deferred management fees

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Change in structure of deferred management fees*	-	3,938	-	-
Deferred management fees	8,643	7,807	-	-
Total deferred management fees	8,643	11,745	-	-

* Deferred management fees for the comparative period include a one-off amount due to a change in structure of the agreement that generates this fee.

3. Operating expenses

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Employee expenses	14,690	15,576	62	-
Property related expenses	571	599	-	-
Other operating expenses	13,489	11,128	-	184
Total operating expenses	28,750	27,303	62	184

Other operating expenses include:

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Remuneration paid to auditors:				
Audit of statutory financial statements	168	217	-	-
Other assurance services	-	13	-	-
Other services (taxation)	92	144	-	-
Directors' fees	171	80	-	-
Rent and operating lease costs	429	341	-	-
Donations	19	6	-	-
Impairment of goodwill	-	184	-	184

Services of $0.5 million not included above were provided by auditors for the year to 31 December 2011 in relation to the initial public offering in November 2011. These costs have been recorded in equity.

4. Net finance costs

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Interest on bank loans	7,077	4,990	-	-
Release of interest rate swap reserve	490	-	-	-
Capitalised finance costs	(2,229)	(1,619)	-	-
Fair value movement of derivatives designated as fair value through profit or loss	187	-	-	-
Movement out of other comprehensive income on de-designation	88	-	-	-
Finance charges on finance leases	31	39	-	-
Net finance costs	5,644	3,410	-	-

5. Income tax

The Group elected to early adopt the amendments of *NZ IAS 12 – Income Taxes – Deferred Tax: Recovery of Underlying Assets,* which is effective from 1 January 2012, and made the amendments retrospectively in the financial statements for the year ended 31 December 2010 in accordance with transitional provisions. These financial statements reflect this early adoption.

There was a change in the corporate tax rate from 30% to 28% applied to current tax from 1 January 2011.

(a) Income tax recognised in income statement

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Tax expense comprises:				
Current tax expense	-	-	-	-
Deferred tax relating to the origination and reversal of temporary differences	40	5,947	-	-
Total tax expense reported in income statement	**40**	**5,947**	**-**	**-**

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:

GROUP

	2011		2010	
	$000	%	$000	%
Profit before tax	4,364		4,047	
Income tax using the corporate tax rate	1,222	28.0%	1,214	30.0%
Other adjustments	422	9.7%	302	7.5%
Capitalised interest	(624)	(14.3%)	(501)	(12.4%)
Change in company tax rate	-	-	(1,032)	(25.5%)
Change in deductibility of building depreciation	-	-	5,358	132.4%
Other non-deductible expenses	17	0.4%	55	1.4%
Non-assessable land and building revaluations	(78)	(1.8%)	-	-
Non-assessable investment property revaluations	(1,635)	(37.5%)	(489)	(12.1%)
Current year losses for which no deferred tax asset was recognised	716	16.4%	1,040	25.7%
Total income tax expense	40	0.9%	5,947	146.9%

COMPANY

	2011		2010	
	$000	%	$000	%
Loss before tax	(62)		(184)	
Income tax using the corporate tax rate	(17)	28.0%	(55)	30.0%
Other non-deductible expenses	17	(28.0%)	55	(30.0%)
Total income tax expense	-	-	-	-

5. Income tax (continued)

(b) Amounts charged or credited to other comprehensive income

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Net gain on revaluation of buildings	1,732	-		
Fair value movement of interest rate swaps	(358)	-	-	-
Change in company tax rate	-	(62)	-	-
Total tax expense reported in statement of comprehensive income	1,374	(62)	-	-

(c) Income tax losses
At 31 December 2011, the Group had unrecognised tax losses of $2.6 million (2010: $9.9 million) and the Company had unrecognised tax losses of nil (2010: nil). During the year ended 31 December 2011, carried forward unrecognised tax losses of $9.9 million were forfeited due to changes in shareholder continuity.

(d) Imputation credit account
There were no imputation credits received or paid during the year and the balance at 31 December 2011 is nil (2010: nil).

(e) Deferred tax
The deferred tax balance comprises:

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Property, plant and equipment	8,010	5,951	-	-
Investment property	10,514	10,343	-	-
Revenue in advance	(2,159)	(1,817)	-	-
Interest rate swaps	(435)	-	-	-
Other items	(308)	(269)	-	-
Net deferred tax liability	15,622	14,208	-	-

Movement in the deferred tax balance comprises:

	BALANCE 1 JAN 2011 $000	RECOGNISED IN INCOME $000	RECOGNISED IN OCI* $000	BALANCE 31 DEC 2011 $000
Property, plant and equipment	5,951	327	1,732	8,010
Investment property	10,343	171	-	10,514
Revenue in advance	(1,817)	(342)	-	(2,159)
Interest rate swaps	-	(77)	(358)	(435)
Other items	(269)	(39)	-	(308)
Net deferred tax liability	14,208	40	1,374	15,622

	BALANCE 1 JAN 2010 $000	RECOGNISED IN INCOME $000	RECOGNISED IN OCI* $000	BALANCE 31 DEC 2010 $000
Property, plant and equipment	1,016	4,997	(62)	5,951
Investment property	9,345	998	-	10,343
Revenue in advance	(1,806)	(11)	-	(1,817)
Other items	(232)	(37)	-	(269)
Net deferred tax liability	8,323	5,947	(62)	14,208

* Other comprehensive income

6. Trade and other receivables

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Trade receivables	799	1,068	-	-
Allowance for doubtful debts	(84)	(90)	-	-
	715	978	-	-
Prepayments	1,268	392	-	-
Accrued income	398	654	-	-
Sundry debtors	8,239	3,059	-	20
Total trade and other receivables	10,620	5,083	-	20

Sundry debtors includes amounts owing for occupation right agreements settled but not yet paid at balance date.

7. Property, plant and equipment

GROUP	LAND	BUILDINGS	MOTOR VEHICLES	PLANT AND EQUIPMENT	FURNITURE AND FITTINGS	TOTAL
	$000	$000	$000	$000	$000	$000
Cost						
Balance at 1 January 2010	4,525	25,041	999	2,038	1,962	34,565
Additions	-	35	186	272	438	931
Balance at 31 December 2010	4,525	25,076	1,185	2,310	2,400	35,496
Additions	-	158	236	260	37	691
Reversal of impairment through profit or loss	-	278	-	-	-	278
Revaluations through other comprehensive income	(425)	5,114	-	-	-	4,689
Disposals	-	-	-	-	(39)	(39)
Balance at 31 December 2011	4,100	30,626	1,421	2,570	2,398	41,115
Accumulated depreciation						
Balance at 1 January 2010	-	-	624	1,437	1,271	3,332
Depreciation charge for the year	-	621	152	189	141	1,103
Balance at 31 December 2010	-	621	776	1,626	1,412	4,435
Depreciation charge for the year	-	552	157	217	138	1,064
Revaluations through other comprehensive income	-	(1,173)	-	-	-	(1,173)
Balance at 31 December 2011	-	-	933	1,843	1,550	4,326
Carrying amounts						
As at 31 December 2010	4,525	24,455	409	684	988	31,061
As at 31 December 2011	4,100	30,626	488	727	848	36,789

Revaluations

An independent valuation to determine the fair value of all completed rest homes and hospitals which are classified as land and buildings was carried out as at 31 December 2011 (previous valuation 31 December 2009) by Michael Gunn, an independent registered valuer of the firm CB Richard Ellis (2009: valuation carried out by Milton Bevin of the firm Darroch New Zealand Ltd). Michael Gunn is a member of the New Zealand Institute of Valuers (Inc). Valuations are carried out on a regular basis. Significant assumptions include capitalisation rates applied to individual unit earnings ranges of between 12.5% and 15.5% (2009: 8.75% to 10.5%) and market value per care bed of between $80,000 and $131,000.

7. Property, plant and equipment (continued)

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

	GROUP	
	2011 $000	2010 $000
Cost	30,696	30,538
Accumulated depreciation and impairment losses	(4,618)	(4,066)
Net carrying amount	26,078	26,472

Leased motor vehicles

The Group leases motor vehicles under a number of finance lease agreements. The leased motor vehicles secure the lease obligation (refer to Note 12). At 31 December 2011 the net carrying amount of leased motor vehicles included in motor vehicles above was $0.2 million (2010: $0.3 million).

8. Investment property

	GROUP	
	2011 $000	2010 $000
Balance at beginning of period	495,766	460,841
Additions	56,459	33,447
Disposals	(926)	(150)
Fair value movement*	5,841	1,628
Total investment property	557,140	495,766

*Fair value movement for the year ended 31 December 2011 was made up of a $9.8 million realised gain and a $4.0 million unrealised loss.

The fair value of investment property for the year ended 31 December 2011 was determined by Michael Gunn, an independent registered valuer of the firm CB Richard Ellis (2010: fair value of the property determined by Milton Bevin of the firm Darroch New Zealand Ltd). The fair value of the Group's investment property is determined on an 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 knowledgeable, prudently and without compulsion.

Significant assumptions used by the valuer include a discount rate of between 14% and 16.5% (2010: 14%) and a long-term nominal house price inflation rate of between 0% and 3.5% (2010: 2.5% to 5%). Other assumptions used by the valuer include the average age of entry of residents and occupancy periods of units.

The entity has deemed it is unable to reliably determine the fair value of WIP at 31 December 2011 and therefore is carried at cost.
This equates to $17.6 million of investment property (2010: $16.8 million).

	GROUP	
	2011 $000	2010 $000
Valuation of manager's net interest	278,732	263,343
Liability for residents' loans	278,408	231,801
Unamortised deferred management fees	-	622
Total investment property	557,140	495,766

Operating expenses

Direct operating expenses arising from investment property that generated rental income during the period amounted to $9.6 million (2010: $9.4 million). There were 113 units (2010: 190) in investment property that did not generate rental income during the period.

Security

At 31 December 2011, all investment property was subject to a registered first mortgage in favour of the Statutory Supervisor to secure the Group's obligations to the occupation agreement holders.

9. Trade and other payables

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Trade payables	523	469	-	-
Accrued expenses	6,855	7,273	-	-
Liability for puttable shares	-	-	2,550	-
Other payables	2,060	240	-	-
Total trade and other payables	9,438	7,982	2,550	-

10. Employee benefits

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Holiday pay accrual	1,013	1,032	-	-
Other employee benefits	603	418	-	-
Total employee benefits	1,616	1,450	-	-

11. Residents' loans

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Balance at beginning of period	247,068	215,366	-	-
Amounts repaid on termination of occupation right agreements	(23,872)	(17,673)	-	-
Reduction due to change in deferred management fees	-	(4,320)	-	-
Amounts received on issue of new occupation right agreements	78,337	53,695	-	-
Total gross residents' loans	301,533	247,068	-	-
Deferred management fees receivable	(23,125)	(15,267)	-	-
Total residents' loans	278,408	231,801	-	-

12. Interest-bearing loans and borrowings

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Repayable within 12 months				
Secured bank loans	-	89,024	-	-
Finance lease liabilities	77	62	-	-
Total interest-bearing loans	77	89,086	-	-
Repayable after 12 months				
Secured bank loans	68,881	10,889	-	-
Finance lease liabilities	163	238	-	-
Total interest-bearing loans	69,044	11,127	-	-
Total loans and borrowings	69,121	100,213	-	-

The weighted average interest rate for the year to 31 December 2011 was 4.48% (2010: 4.61%). This excludes the impact of interest rate swaps (see Note 13).

The secured bank loans have an expiry date of 27 January 2015.

Security

The bank loans are secured by a general security agreement over the assets of Summerset Holdings Limited subject to a first priority to the Statutory Supervisor over the village assets. Finance leases are secured over the assets to which they relate.

Finance lease liabilities

Finance lease liabilities for the Group are payable as follows:

	2011			2010		
	MIN LEASE PAYMENTS	INTEREST	PRINCIPAL	MIN LEASE PAYMENTS	INTEREST	PRINCIPAL
Less than 1 year	97	20	77	96	34	62
Between 1 and 5 years	173	10	163	264	26	238
Total	270	30	240	360	60	300

13. Derivative financial instruments

The Group has entered into interest rate swaps in order to minimise the impact of rising interest rates. Under these agreements, the Group has a right to receive interest at variable rates and to pay interest at fixed rates. At 31 December 2011, the Group had interest rate swap agreements in place with a total notional principal amount of $85.0 million (2010: nil). Of the swaps in place, at 31 December 2011 $63.8 million are being used to cover approximately 92% of the loan principal outstanding and are timed to expire at the renewal dates of each loan. These agreements effectively change the Group's interest exposure on the principal from a floating rate to fixed rates, which range between 3.34% and 3.79% (2010: nil). The fair value of these agreements at 31 December 2011 is a liability of $1.6 million (2010: nil), of which $0.2 million is estimated to be current. The agreements cover notional amounts for a term of between two and three years.

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

GROUP	2011 $000	2010 $000
Between 1 and 2 years	35,000	-
Between 2 and 3 years	50,000	-
Total	85,000	-

14. Share capital and reserves

At 31 December 2011, the Company had 214,819,360 ordinary shares on issue (2010: 176,483,645). All ordinary shares are fully paid and have no par value. All shares carry one vote per share and carry the right to dividends.

Basic and diluted earnings per share have been calculated on the basis of 180,920,279 weighted average ordinary shares (2010: 169,203,065) and net profit as per the income statement.

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Share capital				
On issue at beginning of year	182,232	164,983	182,232	164,983
Shares issued during the year	53,122	17,249	53,122	17,249
Capital raising costs	(1,685)	-	(1,685)	-
On issue at end of year	233,669	182,232	233,669	182,232

	GROUP		COMPANY	
	2011	2010	2011	2010
Share capital (in thousands of shares)				
On issue at beginning of year	176,484	154,200	176,484	154,200
Shares issued during the year	36,514	22,634	36,514	22,634
Shares issued under the employee share plan	-	-	1,821	-
Shares cancelled during the year	-	(350)	-	(350)
On issue at end of year	212,998	176,484	214,819	176,484

	GROUP		COMPANY	
	2011	2010	2011	2010
Share capital (in thousands of shares)				
Fully paid shares	212,998	174,484	214,819	174,484
Unpaid shares	-	2,000	-	2,000
On issue at end of year	212,998	176,484	214,819	176,484

Revaluation reserve

The revaluation reserve is used to record the revaluation of property, plant and equipment.

14. Share capital and reserves (continued)

Maintenance reserve

The maintenance reserve is set aside for the future maintenance of village investment property.

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.

Dividends

There were no dividends declared or paid by the group for the period ended 31 December 2011 (2010: nil).

15. Employee share plan

The Group operates an employee share plan ("Share Plan") for selected key management personnel ("Participants") to purchase shares in Summerset Group Holdings Limited. The Share Plan commenced on 1 November 2011 and the related shares have a maximum vesting date being the day after the day on which the Company releases to NZX Limited its preliminary audited financial results for the year ended 31 December 2013.

The Group has provided Participants with interest-free limited-recourse loans to fund the acquisition of these shares (see Note 17). The loans have a maximum expiry date of 31 October 2017.

Vesting criteria for the Share Plan is based on meeting specified financial targets for the years ended 31 December 2012 and 31 December 2013, as set out in the Share Plan rules. The Share Plan shares were issued at $1.40, being the offer price of shares on the listing of the Group on 1 November 2011. The related shares are held by a nominee on behalf of Participants, until such time after the vesting of shares the nominee is directed by the Participant to transfer or sell the shares, or the shares are sold by the nominee if vesting criteria are not met. The shares carry the same rights as all other ordinary shares.

At 31 December 2011, the Share Plan holds 1,821,429 shares, which represents 0.8% of the total shares on issue (2010: nil).

	2011 NUMBER OF SHARES
Balance at beginning of the period	-
Issued during the year	1,821,429
Balance at end of the period	1,821,429

The Share Plan is treated as an option plan for accounting purposes. These options were valued at grant date using the Black Scholes valuation model and the option cost for the year ending 31 December 2011 of $62,000 has been recognised in the income statement of the Company and the Group for that period (2010: nil).

16. Notes to the cash flow statement

(a) Reconciliation of cash and cash flow equivalents

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Bank balances	8,973	4,758	-	-
Petty cash	14	4	-	-
Cash and cash equivalents in statement of cash flows	8,987	4,762	-	-

(b) Reconciliation of operating results and operating cash flows

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Net profit/(loss) for the period	4,324	(1,900)	(62)	(184)
Adjustments for:				
Depreciation, impairment and amortisation expense	1,157	1,362	-	184
Net gain on disposal of fixed assets	-	(30)	-	-
Reversal of impairment of land and buildings	(278)	-	-	-
Fair value movement of investment property	(5,841)	(1,628)	-	-
Net finance costs paid	5,644	3,410	-	-
Deferred tax	40	5,947	-	-
Deferred management fee amortisation	(8,643)	(11,745)	-	-
Employee share plan option cost	62	-	62	-
	(7,859)	(2,684)	62	184
Movements in working capital				
(Increase)/decrease in trade and other receivables	(4,647)	1,156	20	-
Increase/(decrease) in employee benefits	166	178	-	-
Increase/(decrease) in trade and other payables	598	346	-	-
Increase/(decrease) in residents' loans net of non-cash amortisation	51,102	36,683	-	-
	47,219	38,433	20	-
Net cash flows from operating activities	43,684	33,849	20	-

17. Related party transactions

The balance owing from subsidiaries to the company at 31 December 2011 is $67.9 million (2010: $19.0 million).

The Group has loans to employees receivable at 31 December 2011 of $2.8 million (2010: $0.2 milion). The Company has loans to employees and nominees receivable at 31 December 2011 of $5.4 million (2010: $0.2 million). Refer to Note 15 for employee share plan details. All loans outstanding are interest-free limited-recourse loans.

18. Key management personnel compensation

The compensation of the Chief Executive Officer ("CEO") and the key management personnel of the Group is set out below:

	GROUP		COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Short-term employee benefits	1,536	1,000	-	-
Share-based payments	62	-	62	-
Total	1,598	1,000	62	-

Refer to Note 15 for employee share plan details for key management personnel.

19. Segment reporting

The Group operates in one industry, being the provision of integrated retirement villages in New Zealand for the elderly. The services provided across all of the Group's villages are similar, as are the type of customer and the regulatory environment. 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 financial result.

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 2011 were approximately 57% of total care fees (2010: 56%). The Group has no other significant customers.

20. Subsidiary companies

All subsidiary companies are 100% owned and incorporated in New Zealand with a balance date of 31 December. The significant subsidiaries are:

- Summerset Care Limited
- Welhom Developments Limited
- Summerset Properties Limited
- Summerset Management Group Limited
- Summerset Management Company Limited
- Summerset Villages (Aotea) Limited
- Summerset Villages (Dunedin) Limited
- Summerset Villages (Hamilton) Limited
- Summerset Villages (Hastings) Limited
- Summerset Villages (Havelock North) Limited
- Summerset Villages (Karaka) Limited
- Summerset Villages (Katikati) Limited
- Summerset Villages (Levin) Limited
- Summerset Villages (Manukau) Limited
- Summerset Villages (Napier) Limited
- Summerset Villages (Nelson) Limited
- Summerset Villages (Palmerston North) Limited
- Summerset Villages (Paraparaumu) Limited
- Summerset Villages (Taupo) Limited
- Summerset Villages (Trentham) Limited
- Summerset Villages (Waimauku) Limited
- Summerset Villages (Wanganui) Limited
- Summerset Villages (Warkworth) Limited
- Summerset Holdings Limited
- Summerset LTI Trustees Limited

21. Financial instruments

Exposure to credit, market and liquidity risk arises in the normal course of the Group's business. The Board reviews and agrees policies for managing each of these risks as summarised below. The Group has no exposure to foreign currency or any other substantional market price risk.

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, bank balances and limited recourse loans. The Group manages its exposure to credit risk. Receivables balances are monitored on an on-going basis and funds are placed with high credit quality financial institutions. The Group does not require collateral from its debtors and the directors consider the Group's exposure to any concentration of credit risk to be minimal.

The carrying amount of financial assets represents the Group's maximum credit exposure. The status of trade receivables at 31 December is as follows:

	2011		2010	
	GROSS RECEIVABLE $000	IMPAIRMENT $000	GROSS RECEIVABLE $000	IMPAIRMENT $000
Not past due	450	-	235	-
Past due 31 – 60 days	111	-	224	-
Past due 61 – 90 days	36	-	96	-
Past due more than 90 days	202	84	513	90
Total	799	84	1,068	90

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

	2011 $000	2010 $000
Gross trade receivables	799	1,068
Individual impairment	-	(90)
Collective impairment	(84)	-
Net trade receivables	715	978

All amounts past due but not impaired are considered recoverable.

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 also entered into interest rate swap agreements in order to provide an effective cash flow hedge against the variability in floating interest rates. See Note 13 for details of the interest rate swap agreements.

At 31 December 2011 it is estimated that a general increase of one percentage point in interest rates would increase the Group's profit before income tax by approximately $0.5 million (2010: $1.0 million) and would increase equity by $1.8 million (2010: nil).

21. Financial instruments (continued)

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, banking facilities and reserve-borrowing 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 through the contractual requirements of occupation rights agreements, whereby a residents' loan is only repaid on receipt of the loan monies from the incoming resident.

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

	2011		2010	
	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	9,438	-	7,982	-
Unamortised deferred management fee	-	-	622	-
Residents' loans	23,910	254,498	17,480	214,321
Interest-bearing loans and borrowings	3,038	75,421	90,584	11,277
Interest rate swaps	772	781	-	-
Total	37,158	330,700	116,668	225,598

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 from repaid residents' loans, net of deferred management fees.

Fair values

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

	2011		2010	
	CARRYING AMOUNT $000	FAIR VALUE $000	CARRYING AMOUNT $000	FAIR VALUE $000
GROUP				
Residents' loans	(278,408)	(202,842)	(231,801)	(171,860)
Total	(278,408)	(202,842)	(231,801)	(171,860)

The fair value of residents' loans is based on the present value of projected cash flows. Future cash flows are based on the assumption that the average tenure periods are those disclosed above and have been discounted at 14% (2010: 14%).

The fair value of interest rate swaps, liabilities for puttable shares and limited recourse loans are determined using inputs from third parties that are observable, either directly (ie as prices) or indirectly (ie derived from prices). Based on this, the Company and Group has categorised these financial instruments as Level 2 under the fair value hierarchy in accordance with *NZ IFRS 7 – Financial Instruments: Disclosures*.

Categories of financial instruments

All financial assets are classified as loans and receivables except for limited-recourse loans which are designated as fair value through profit or loss. All financial liabilities are classified as liabilities at amortised cost, with the exception of interest rate swaps which are classified as derivatives held for trading and liabilities for puttable shares which are designated as fair value through profit or loss.

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 rating to support business growth and maximise shareholder value.

The Group's capital is managed through Summerset Holdings Limited and its subsidiaries ("SHL Group"). The SHL Group is subject to capital requirements imposed by the bank through the Group Deed of Covenant. The SHL Group has met all externally imposed capital requirements for the year ended 31 December 2011 (2010: all requirements met).

Summerset Holdings Limited's 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 2011 (2010: nil).

22. Commitments and contingencies

Operating lease commitments
Non-cancellable operating lease rentals are payable as follows:

COMPANY AND GROUP	2011 $000	2010 $000
Less than 1 year	471	491
Between 1 and 5 years	1,850	1,858
More than 5 years	1,503	1,965
Total operating lease commitments	3,824	4,314

During the year ended 31 December 2011 $0.4 million was recognised in the income statement in respect of operating leases (2010: $0.3 million).

Guarantees
At 31 December 2011, NZX Limited holds a guarantee in respect of the Group, as required by the NZX Listing Rules, for $75,000 (2010: nil).

Capital commitments
At 31 December 2011 construction contracts not provided for at balance date is nil (2010: nil)

Contingent liabilities
There are no known material contingent liabilities at 31 December 2011 (2010: nil)

23. Comparison against prospectus forecast

Actual amounts presented are from the full-year financial statements and as such include part-year costs for the pre-initial public offering financing arrangements (and higher debt levels), along with inclusion of part-year costs due to operating as a listed company post 1 November 2011. The prospectus forecast reflected a normalised view to portray the equivalent expected full-year result.

Summary income statement

For the year ended 31 December 2011

	ACTUAL 2011 $000	FORECAST 2011 $000
Total income	39,822	39,135
Profit before income tax expense	4,364	4,264
Profit for the period	4,324	4,994

- Total income is higher than forecast due to better than expected operational performance.
- Profit for the period is lower than forecast due to not recognising the future income tax benefit of tax losses that were forecast to be recognised.

Summary statement of comprehensive income

For the year ended 31 December 2011

	ACTUAL 2011 $000	FORECAST 2011 $000
Total comprehensive income for the period	7,534	4,994

Total comprehensive income for the period is higher than forecast primarily due to the fair value arising from the revaluation of land and buildings being higher than expected.

Summary statement of cash flows

For the year ended 31 December 2011

	ACTUAL 2011 $000	FORECAST 2011 $000
Net cash flow from operating activities	43,684	38,333
Net cash flow used in investing activities	(52,009)	(58,497)
Net cash flow received from financing activities	12,550	19,317
Net decrease in cash and cash equivalents	4,225	(847)

- Net cash flow from operating activities is higher than forecast due to better than forecast cash from the sale and resale of occupation right agreements.
- Net cash flow used in investing activities is lower than forecast due to the timing of payment for construction costs.
- Net cash flow received from financing activities was lower than forecast due to the timing of loan repayments.

24. Subsequent events

There have been no events subsequent to 31 December 2011 that materially impact on the results reported (2010: nil).

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF SUMMERSET GROUP HOLDINGS LIMITED

Report on the Financial Statements

We have audited the financial statements of Summerset Group Holdings Limited and its subsidiaries on pages 30 to 52, which comprise the statement of financial position of Summerset Group Holdings Limited and the group as at 31 December 2011, and the statement of comprehensive income, income statement, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. 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.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Ernst & Young provides taxation and transaction advisory services to the Group.

Opinion

In our opinion, the financial statements on pages 30 to 52:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Summerset Group Holdings Limited and the group as at 31 December 2011 and the financial performance and cash flows of the company and group for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by Summerset Group Holdings Limited as far as appears from our examination of those records.

Ernst + Young

29 February 2012
Wellington

STATEMENT OF CORPORATE GOVERNANCE

As a newly listed entity, the Company is committed to following best practice governance structures and principles in keeping with Appendix 16 of the NZSX Listing Rules (the Rules) and to having good governance overseeing the way in which the Company operates.

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. For a copy of the Board Charter, go to www.summerset.co.nz/investor_centre/corporate-governance.

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 and delegates the day-to-day operating of the business to the Chief Executive. The Chief Executive implements policies and strategies set by the Board and is accountable to it. The Board also has responsibility for ensuring the Company's financial position is sound, financial statements are true and fair, and for ensuring that the Company adheres to a high standard of ethical and corporate behaviour.

The Board currently carries out its responsibilities according to the following mandate:

- The Board should comprise a majority of non-executive Directors;
- At least a third of the Directors should be Independent as defined in the Rules;
- The Chairman of the Board should be a non-executive Director;
- Directors should possess a broad range of skills, qualifications and experience, and remain current on how to best 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 effectively discharge its duties;
- The effectiveness and performance of the Board and its individual members should be re-evaluated on an annual basis.

Delegation of Authority

The Board delegates to the Chief Executive responsibility for implementing the Board's strategy and for managing the Company's operations. The Chief Executive has Board-approved levels of authority and, in turn, sub-delegates authority in some cases to direct reports, and has established a formal process for direct reports to sub-delegate certain authorities as appropriate.

Board Composition

The Company's constitution requires a minimum of three directors. There is no specified maximum number. The Board currently comprises five Directors, of whom two are non-executive and also Independent as defined in NZX Listing Rule 1.6.1. The Independent Directors are Rob Campbell (Chairman, appointed 2 September 2011) and James Ogden (appointed 2 September 2011). Christopher Hadley and Marcus Darville are non-executive Directors and Norah Barlow, the Managing Director and Chief Executive is the only non-Independent executive Director. More information on the Directors, including their interests, qualifications and shareholdings, is provided in the Directors' Profiles and Statutory Information sections of this report.

The Board holds regular scheduled meetings. The Directors generally receive material for Board meetings five 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.

All Directors have access to executive management 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 executive managers are invited to attend and participate in appropriate sessions of Board meetings. Further, Directors have unrestricted access to company records and information.

Retirement and Re-election

In accordance with the Company's constitution and the Rules, one third of the Directors are required to retire by rotation and may offer themselves for re-election by Shareholders each year.

Director Remuneration

Directors' fees have previously been set at $400,000 per annum for the non-executive Directors. Current annualised Director fees are $315,000, comprising $150,000 for Rob Campbell as Chairman, $85,000 for James Ogden (inclusive of $10,000 as Audit and Risk Committee Chairman) and $40,000 for each of Marcus Darville and Christopher Hadley. Details of remuneration paid to each Director for the year ended 31 December 2011 are provided in the Statutory Information section of this Annual Report.

Independent Professional Advice

With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings to assist in fulfilling their duties and responsibilities as Directors.

Director Education

All Directors are responsible for ensuring they remain current in understanding their duties as Directors.

Indemnities and Insurance

The Company arranges insurance cover for, and provides indemnities to, Directors and certain executive employees. The Directors and Officers' Liability insurance covers risks normally covered by such policies arising out of acts or omissions of Directors and employees in their capacity as such. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions.

Board Committees

The Board has two standing committees, being the Audit and Risk Committee, and the Nomination and Remuneration Committee. Each committee operates under specific terms of reference approved by the Board, and any recommendations they make are recommendations to the Board. The terms of reference for each committee are reviewed annually. All Directors are entitled to attend committee meetings.

Audit and Risk Committee

The Audit and Risk Committee comprises James Ogden (Chairman), Rob Campbell and Marcus Darville.

The Audit and Risk Committee assists and makes recommendations to the Board on financial reporting and other corporate financial matters. The committee also provides a forum for effective communication between the Board and external auditors. The committee has a number of specific responsibilities, including:

- Reviewing the appointment of the external auditor, the annual audit plan, and addressing any recommendations arising out of the audit;
- Reviewing all financial information to be issued to the public, and any dividend proposals; and
- Ensuring that appropriate financial systems and internal controls are in place.

The committee generally invites the Managing Director, Chief Financial Officer and external auditors to attend meetings. The committee also meets and receives regular reports from the external auditors without management present, concerning any matters which arise in connection with the performance of their role. For a copy of the Audit and Risk Committee Charter, go to www.summerset.co.nz/investor_centre/corporate-governance.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises Marcus Darville (Chairman), Rob Campbell and James Ogden.

The Nomination and Remuneration Committee assists the Board in establishing and reviewing remuneration policies and practices for the Company and in reviewing Board composition. Specific objectives include:

- Assist in discharging the Board's responsibilities relative to reviewing the Managing Director's and Directors' remunerations;
- Advise and assist the Managing Director in remuneration setting for the senior management team; and
- Regularly review, and recommend changes to the composition of the Board, and identify and recommend individuals for nomination as members of the Board and its committees.

For a copy of the Nomination and Remuneration Committee Charter, go to www.summerset.co.nz/investor_centre/corporate-governance

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 summarises the basic principles of legal and ethical conduct expected of all employees and Directors (full policy provided at www.summerset.co.nz/ investor_centre/corporate-governance).
- **Market Disclosure and Communications** – The Company has a policy on open communication and appropriate and timely market disclosure (full policy provided at www.summerset. co.nz/investor_centre/ corporate-governance). The company encourages open and honest communication by staff about any current or potential problem, complaint, suggestion, concern, or question.
- **Conflicts of Interest** – To maintain integrity in decision making each Director must advise the Board of any potential conflict of interest if such arises. If a significant conflict of interest exists, the Director concerned will have no involvement in the decision-making process relating to the matter.
- **Securities Trading** – Directors and employees of the Company are subject to limitations on their ability to buy or sell Company shares in accordance with the Company's Securities Trading Policy, the Rules, and the Securities Markets Act 1988. The full Securities Trading Policy is provided at www.summerset.co.nz/ investor_ centre/corporate-governance).
- **Gifts, Entertainment and Inducements** – The Company has a gifts, entertainment and inducements policy governing the acceptance and reporting of benefits given to staff by third parties.
- **Interest Register** – In accordance with the Companies Act 1993 and the Securities Markets (Disclosure of Relevant Interests by Directors and Officers) Regulations 2003, the Company maintains an Interests Register in which all relevant transactions and matters involving the Directors are recorded.

Corporate Governance Best Practice Code

The corporate governance principles adopted by the Company follow the Corporate Governance Best Practice Code in Appendix 16 of the Rules (the Code), with the exception of paragraph 2.7 of the Code, which encourages Directors to take a portion of their remuneration under a performance-based Equity Security Compensation plan. The Company does not currently run such a plan. In all other areas, there are no material differences between the Company's corporate governance principles and those contained in the Code.

For a full comparison of the Company's policies in comparison to the Corporate Governance Best Practice Code, go to www.summerset. co.nz/investor_centre/corporate-governance.

STATUTORY INFORMATION

For the year ended 31 December 2011

1. DIRECTORS' INTERESTS

Summerset Group Holdings Limited maintains an Interests Register in which particulars of certain transactions and matters involving the Directors is recorded. Disclosure of Directors' declarations of interest entered in the Interests Register of the Company pursuant to section 140 of the Companies Act 1993 is provided below.

Rob Campbell and James Ogden were appointed Directors of the Company on 2 September 2011 and Jason Cachia resigned as an Alternate Director of the Company on 21 September 2011. Throughout the Statutory Information section all references to Rob Campbell and James Ogden are marked with a * and all references to Jason Cachia are market with a ** to alert the reader to this change in composition of the Board.

DIRECTOR	INTEREST	ENTITY
Rob Campbell *	Chairman	Guinness Peat Group plc
	Chairman	Turners and Growers Limited
	Chairman	King Tide Asset Management Limited
	Chairman	Accident Compensation Corporation Investment Committee
	Director	Accident Compensation Corporation
	Director	AquaSure Pty Limited
	Director	Ports of Auckland
	Director	Serica Balanced Credit Fund
	Director	Murray and Co
	Director	Truescape Limited
	Director	CallPlus Limited
	Director	Tutanekai Investments Limited
	Director	Aotearoa Financial Investments Limited
	Director	Coats Plc
	Director	LTFM Limited
	Member	Silverfern Co-Investment Partners (US) Investment Committee
	Member	Trafalgar Copley Multi-Strategy Fund Advisory Board
	Member	CPE Partners (US) Advisory Board
	Member	AquaSure Pty Limited (Australia) Audit and Risk Committee
	Member	VGI Partners Advisory Board
	Trustee	Auckland City Mission Foundation
James Ogden *	Chairman	Ministry of Social Development Audit Committee
	Chairman	Ministry of Social Development Value for Money Advisory Board
	Director	The Warehouse Group Limited
	Director	Motor Trade Association Group Investments Limited
	Director	Vehicle Testing Group Limited
	Director	Seaworks Limited
	Director	Ogden Consulting Limited
	Member	AMP Capital Property Portfolio Fund Governance Committee
	Member	Ministry of Foreign Affairs and Trade Audit Committee
	Member	Crown Forestry Rental Trust Finance and Risk Committee
	Member	Nominating Committee for Guardians of New Zealand Superannuation
	Member	Pencarrow IV Investment Fund Investment Committee
	Member	Victoria University of Wellington Council
Norah Barlow	Director	Various subsidiaries of Summerset Group Holdings Limited
Jason Cachia **	Director	Cachia Investments Pty Limited
	Director	J & L Cachia Investments Pty Limited
	Director	J & L Cachia Holdings Pty Limited

Christopher Hadley	Director	Barrijag Investments Pty Limited
	Director	QPE Co-Investment Pty Limited
	Director	QPE Funds Management Pty Limited
	Director	Quadrant Private Equity Management Pty Limited
	Director	Quadrant Private Equity Services Pty Limited
	Director	Quadrant Private Equity Services No.2 Pty Limited
	Director	Quadrant Private Equity Management No.2 Pty Limited
	Director	Westpac Private Equity Pty Limited
	Director	Barrijag Pty Limited
	Director	BLE Capital Investments Pty Ltd
	Director	BLE Capital Ltd
	Director	BLE Development Pty Ltd
	Director	Quadrant Private Equity Pty Limited
	Director	Quadrant Private Equity Investment Pty Limited
	Director	BLE Holdings Pty Limited
	Director	QPE No. 3 Holdings Pty Limited
	Director	QPE No. 3 Management Pty Limited
	Director	QPE No. 3LP Pty Limited
	Director	QPE No. 3GP Pty Limited
	Director	Quadrant Private Equity No. 3A Pty Limited
	Director	Quadrant Private Equity No. 3B Pty Limited
	Director	Quadrant Private Equity No. 3C Pty Limited
	Director	Quadrant Private Equity No. 3D Pty Limited
	Director	Burson Group Holdings Pty Limited
	Director	Burson Finance Pty Limited
Marcus Darville	Director	IVF Finance Pty Limited
	Director	Virtus Health Pty Limited
	Director	Ortho Group Pty Limited
	Director	Ortho Group 2 Pty Limited
	Director	Ortho Group (NSW) Pty Limited
	Director	Ortho Group (Hospitals) Pty Limited
	Director	Ortho Group 1 Pty Limited
	Director	Media Monitors Holdings Pty Limited
	Director	Media Monitors Finance Pty Limited
	Director	Darville Pty Limited
	Director	Darville Investments Pty Limited
	Director	QPE No. 3 Holdings Pty Limited
	Director	QPE No. 3 Management Pty Limited
	Director	QPE No. 3LP Pty Limited
	Director	QPE No. 3GP Pty Limited
	Director	Quadrant Private Equity No. 3A Pty Limited
	Director	Quadrant Private Equity No. 3B Pty Limited
	Director	Quadrant Private Equity No. 3C Pty Limited
	Director	Quadrant Private Equity No. 3D Pty Limited
	Director	Surgical Supplies Pty Limited

2. 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.

3. DIRECTORS HOLDING OFFICE AND THEIR REMUNERATION

The Directors holding office during the year are listed below. Pursuant to section 211(f) of the Companies Act 1993, the total amount of remuneration and other benefits received by each Director during the year ended 31 December 2011 are provided below. For annualised figures, see the Statement of Corporate Governance.

The remuneration figure shown in the "Salaries, Bonuses and Employee Share Plan" column include all monetary payments actually paid during the course of the year ended 31 December 2011, as well as the value of share options provided to the Chief Executive during the course of the same period. The figure does not include amounts paid post 31 December 2011 that relate to the year ended 31 December 2011.

DIRECTOR	DIRECTORS' FEES	SALARIES, BONUSES AND EMPLOYEE SHARE PLAN	RESPONSIBILITY
Rob Campbell *	$50,000	-	Chairman
James Ogden *	$26,667	-	Director
Norah Barlow	-	$435,031	Chief Executive
Christopher Hadley	$40,000	-	Director
Marcus Darville	$40,000	-	Director
Jason Cachia **	-	-	Alternate Director

In addition to the Directors' fees disclosed above, Rob Campbell and James Ogden received $12,500 each during the year ended 31 December 2011 for services provided in relation to the initial public offering of the Company.

* Rob Campbell and James Ogden were appointed to the Board on 2 September 2011.

** Jason Cachia resigned from the Board on 21 September 2011.

4. 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 certain employees of the company and its subsidiaries for losses from actions undertaken in the course of their legitimate duties.

5. SUBSIDIARY COMPANIES DIRECTORS

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

Norah Barlow and Julian Cook are Directors of all the Company's subsidiaries, and Paul Morris and Tristan Saunders alternate Directors for all of the Company's subsidiaries, with the exception of Summerset LTI Trustees Limited (Directors Rob Campbell and Marcus Darville) and Summerset Management Company Limited (Directors Norah Barlow, Christopher Hadley and Marcus Darville). No extra remuneration is payable to any Director of the Company for any directorship of a subsidiary.

6. EMPLOYEE REMUNERATION

The number of employees or former employees (including employees holding office as Directors of subsidiaries, but not including the Chief Executive who is a Director of Summerset Group Holdings Limited), who received remuneration and other benefits valued at or exceeding $100,000 during the financial year ended 31 December 2011 are specified in the table below.

The remuneration figures shown in the "Remuneration" column include all monetary payments actually paid during the course of the year ended 31 December 2011. The table also includes the value of any share options provided to individuals during the course of the same period. The table does not include amounts paid post 31 December 2011 that relate to the year ended 31 December 2011.

REMUNERATION	NO. OF EMPLOYEES	REMUNERATION	NO. OF EMPLOYEES
$100,000 to $109,999	2	$220,000 to $229,999	1
$110,000 to $119,999	2	$240,000 to $249,999	1
$120,000 to $129,999	3	$260,000 to $269,999	1
$130,000 to $139,999	2	$320,000 to $329,999	1
$150,000 to $159,999	1		

7. DIRECTOR RELEVANT INTERESTS AND TRANSACTIONS IN SHARES OF THE COMPANY

DIRECTOR	SHARES HELD LEGAL OR BENEFICIAL AS AT 31 DECEMBER 2011
Rob Campbell *	35,000
James Ogden *	250,000
Norah Barlow (1)	1,874,270
Christopher Hadley	-
Marcus Darville	-
Jason Cachia **	-

(1) 642,857 of these shares are held by a nominee company (Summerset LTI Trustee Limited) in relation to an employee share plan. These shares are subject to certain financial and operational targets being met in the financial years ending 31 December 2012 and 31 December 2013, upon which the shares will vest.

Pursuant to Section 148 of the Companies Act 1993, the Company has received notice of share dealings by Directors in Company shares during the year ended 31 December 2011 as follows:

DIRECTOR	DATE OF TRANSACTION	NUMBER OF SHARES ACQUIRED/(DISPOSED)	CONSIDERATION
Norah Barlow	1 November 2011	(532,000)	Disposal of shares through initial public offering at price of $1.40 per share
Norah Barlow	1 November 2011	642,857	Shares issued under employee share plan and held in a nominee, at a price of $1.40 per share
James Ogden	1 November 2011	50,000	Purchase of shares through initial public offering at price of $1.40 per share
Rob Campbell	1 November 2011	20,000	Purchase of shares through initial public offering at price of $1.40 per share
Rob Campbell	2 and 3 November 2011	15,000	On-market purchase of shares at average price of $1.37 per share

8. TOP 20 SHAREHOLDERS AS AT 29 FEBRUARY 2012

RANK	REGISTERED SHAREHOLDER	SHARES HELD	%
1	Perpetual Trustee Company Limited (Quadrant Private Equity No 2A a/c)	43,116,862	20.07%
2	Perpetual Trustee Company Limited (Quadrant Private Equity No 2B a/c)	43,116,862	20.07%
3	QPE Co-Investment Pty Limited (Macquarie Summerset Co-Investment a/c)	16,728,062	7.79%
4	QPE Co-Investment Pty Limited (Quay Summerset Co-Investment a/c)	11,292,446	5.26%
5	Accident Compensation Corporation	10,205,000	4.75%
6	Tea Custodians Limited	6,626,934	3.09%
7	Cogent Nominees Limited	6,251,600	2.91%
8	QPE Co-Investment Pty Limited (WPMA2 Summerset Co-Investment a/c)	5,571,763	2.59%
9	AMP Investment Strategic Equity Growth Trust Fund	4,950,586	2.31%
10	Forsyth Barr Custodians Limited (1-33 a/c)	4,917,100	2.29%
11	FNZ Custodians Limited	4,089,885	1.90%
12	Custodial Services Limited	3,734,454	1.74%
13	Norwich Union Life Insurance (NZ) Limited	3,565,112	1.66%
14	Guardian Nominees Limited	3,267,500	1.52%
15	BT NZ Unit Trust Nominees Limited	3,054,900	1.42%
16	Forsyth Barr Custodians Limited (1-17.5 a/c)	2,218,800	1.03%
17	First NZ Captial Custodians Limited	2,080,000	0.97%
18	NZGT Nominees Limited (AIF Equity Fund a/c)	1,982,487	0.92%
19	Summerset LTI Trustee Limited	1,821,429	0.85%
20	New Zealand Superannuation Fund Nominees Limited	1,818,965	0.85%
	Total	180,410,747	83.98%

9. SPREAD OF SHAREHOLDERS AS AT 29 FEBRUARY 2012

SIZE OF SHAREHOLDING	SHAREHOLDERS		SHARES	
	NUMBER	%	NUMBER	%
1 to 1,000	28	2.05%	22,495	0.01%
1,001 to 5,000	598	43.91%	2,173,021	1.01%
5,001 to 10,000	397	29.15%	3,298,873	1.54%
10,001 to 50,000	271	19.90%	5,788,600	2.69%
50,001 to 100,000	21	1.54%	1,657,200	0.77%
100,001 and Over	47	3.45%	201,879,171	93.98%
	1,362	100.00%	214,819,360	100.00%

10. SUBSTANTIAL SECURITY HOLDER NOTICES RECEIVED AS AT 29 FEBRUARY 2012

The following information is given pursuant to section 35F of the Securities Market Act 1988. According to the file kept by the Company under section 35C of the Securities Market Act 1988 the following were substantial holders in the Company as at 29 February 2012.
The total number of voting securities on issue at 31 December 2011 was 214,819,360 ordinary shares.

SHAREHOLDER	RELEVANT INTEREST	%	DATE OF NOTICE
QPE Funds Management Pty Limited	119,825,995	55.78	1 November 2011

11. WAIVERS FROM THE LISTING RULES

There have been no waivers from the application of NZSX Listing Rules for the year ended 31 December 2011.

This anual report is dated 29 February 2012 and was authorised for and on behalf of the board by:

Rob Campbell
Director and Chairman

Norah Barlow
Managing Director and Chief Executive Officer

Summerset Manukau, pool and gym complex

DIRECTORY

OUR VILLAGES

SUMMERSET AT AOTEA (AOTEA)
15 Aotea Drive, Aotea, Porirua 5024
Ph: (04) 235 0011

SUMMERSET DOWN THE LANE (HAMILTON)
206 Dixon Road, RD 2, Hamilton 3282
Phone: (07) 843 2578

SUMMERSET IN THE ORCHARD (HASTINGS)
1228 Ada Street, Parkvale, Hastings 4122
Phone: (06) 974 1311

SUMMERSET IN THE VINES (HAVELOCK NORTH)
249 Te Mata Road, Havelock North 4130
Phone: (06) 877 1185

SUMMERSET BY THE RANGES (LEVIN)
102 Liverpool Street, Levin 5510
Phone: (06) 367 0337

SUMMERSET BY THE PARK (MANUKAU)
7 Flat Bush School Road, Flat Bush, Manukau 2016
Phone: (09) 272 3950

SUMMERSET IN THE BAY (NAPIER)
79 Merlot Drive, Greenmeadows, Napier 4112
Phone: (06) 845 2840

SUMMERSET IN THE SUN (NELSON)
16 Sargeson Street, Stoke, Nelson 7011
Phone: (03) 538 0000

SUMMERSET ON SUMMERHILL (PALMERSTON NORTH)
180 Ruapehu Drive, Fitzherbert,
Palmerston North 4410
Phone: (06) 354 4964

SUMMERSET ON THE COAST (PARAPARAUMU)
104 Realm Drive, Paraparaumu Beach 5032
Phone: (04) 298 3540

SUMMERSET BY THE LAKE (TAUPO)
2 Wharewaka Road, Wharewaka, Taupo 3330
Phone: (07) 376 9470

SUMMERSET AT THE COURSE (TRENTHAM)
20 Racecourse Road, Trentham, Upper Hutt 5018
Phone: (04) 527 2980

SUMMERSET IN THE RIVER CITY (WANGANUI)
40 Burton Avenue, Wanganui East, Wanganui 4500
Phone: (06) 343 3133

SUMMERSET FALLS (WARKWORTH)
31 Mansel Drive, Warkworth 0910
Phone: (09) 425 1201

WELLINGTON OFFICE / REGISTERED OFFICE

Level 12, State Insurance Tower, 1 Willis Street, Wellington 6145
PO Box 5187, Lambton Quay, Wellington 6145
Phone: (04) 894 7320 Fax: (04) 894 7319
Email: reception@summerset.co.nz
Website: www.summerset.co.nz

AUDITOR

Ernst & Young

BANKERS

ANZ National Bank Limited
Bank of New Zealand Limited

STATUTORY SUPERVISOR

Public Trust

SHARE REGISTRAR

Link Market Services,
PO Box 91976, Auckland 1142
Phone: (09) 375 5998 Fax: (09) 375 5990
Email: Lmsenquiries@linkmarketservices.com

DIRECTORS

Rob Campbell
Norah Barlow
Marcus Darville
Chris Hadley
James Ogden

CFO & COMPANY SECRETARY

Julian Cook

THREE PROMISES

SUMMERSET SURE

FOR YOUR FUTURE

THE RIGHT HOME

Choose a home that is ideal for your stage of life.

THE RIGHT CARE

At the right time, in the place that is right for you.

LOVE IT – OR YOUR MONEY BACK*

90 days to be sure your new home is right – or your money back.