Summerset

HALF YEAR REPORT 2015

Cover: *Hastings residents enjoy their croquet/bowling green at the opening of their village centre.*
This page: *Continuum of care is a core part of Summerset's offering.*

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SUMMERSET SNAPSHOT

More than
3,200
residents

Build rate of
300
retirement units for 2015

2,257
retirement units

523
care beds

21
villages completed or under development

4
greenfield sites

Land bank of
1,856*
retirement units

Land bank of
404*
care beds

* These figures exclude the land bank for the Parnell and St Johns sites, which were purchased after the balance date for this half year period.

Summerset residents and staff loving the life.

The village centre at Hobsonville under construction.

HALF YEAR **BUSINESS HIGHLIGHTS**

3

Auckland land acquisitions, in St Johns, Parnell, and adjacent to our Warkworth village

Total build rate of

400

retirement units per annum announced for FY2016 and beyond, up from 300 in FY2015

Summerset's 20th village

in Wigram, Christchurch will welcome first residents in September 2015

270

sales of occupation rights, up 38% on 1H2014

141

new retirement units delivered

38

new care beds delivered

HALF YEAR **FINANCIAL HIGHLIGHTS**

$17.1M
underlying profit achieved, up 81% on 1H2014

$35.7M
NPAT, up 134% on 1H2014

$195M
of additional bank funding lines secured, now $450m in total

$66.5M
in operating cash flow, up 82% on 1H2014

$1.2B
total assets, up 26% on 1H2014

18.4%
development margin achieved, up from 15.7% for FY2014

The site of Summerset's future village in St Johns, Auckland.

JOINT CHAIRMAN AND CEO'S REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2015

Summerset has experienced a strong first half of 2015: we achieved our highest sales in a half-year period and a record underlying profit for any six-month period for the group.

Growth and development of the business

In the first six months of this year we delivered 141 retirement units. This is a record for the company for a six-month period, and we are on track to meet our build rate guidance of 300 retirement units for the full year. We have also announced updated guidance to our build rate target for 2016 and beyond, raising this to 400 retirement units per annum. Our ability to increase our rate of expansion has been assisted by strong sales of occupation rights, a robust land bank, and increased efficiency through in-house management of our development and construction process.

Our strong sales and profit can be attributed to a range of factors, including:

- Good demand for our villages across the country,
- Sales from the four villages we opened in the second half of 2014,
- Increased resales of occupation rights in our existing villages,
- A development margin of 18.4%.

This performance reflects the strength of our brand and offering for our customers. We are delighted to see more people are choosing us and that what we provide is highly regarded by our residents.

We are continuing to expand our offering around the country. By way of example, in July this year we announced three new Auckland land acquisitions, St Johns and Parnell in the Eastern suburbs and another in Warkworth, adjacent to our existing village.

The St Johns and Parnell sites will become two of Auckland's premier retirement villages and are in areas that are currently under-served by retirement living options. We also plan to extend our existing Warkworth village, building additional retirement units on the new land.

Financial results

Our underlying profit for the first half of 2015 was $17.1 million, representing an 81% increase on our 1H2014 result. Our net profit after tax was $35.7 million, up 134% from 1H2014.

In addition to achieving our highest level of sales in a six-month period in 1H2015, 38% higher than our overall sales performance for 1H2014, we also recorded our highest level of resales, 22% higher than resales posted in the half year results in 2014.

A large contributor to the growth seen in this period has been the four new villages opened in the second half of 2014, which have all performed well in the first half of 2015.

In the second half of this year we will open a village centre and care centre in Karaka and New Plymouth and a care centre in Katikati village. Our Wigram village will also welcome its first residents.

The Board has declared an interim dividend of 1.85 cents per share, to be paid on 7 September. The dividend policy remains 30% to 50% of underlying profit for the full year period. As previously indicated, dividend payments are likely to continue to be at the bottom end of this range given the current growth opportunities.

Sponsoring Dr Atul Gawande

One of the highlights for Summerset in the first half of 2015 was our sponsorship of renowned surgeon and author, **Dr Atul Gawande,** at this year's Auckland Writers Festival.

> "Having a place that genuinely feels like your home can seem as essential to a person as water to a fish."
>
> **Atul Gawande,** *Being Mortal: Medicine and What Matters in the End*

Norah Barlow, Dr Atul Gawande, Julian Cook and Dr Marie Bismark

Our people

Our staff play an important part in making a positive difference in the lives of our residents. A big part of our workforce are caregivers working in our care centres. Last year we increased caregiver wages by an average of 7% despite a Government funding increase of significantly less than this. We did this as we believe it is important to encourage good caregivers to stay in their jobs and providing quality care is an important focus for the business. However, funding from Government in this area still does not reflect the importance of the care provided. We note that the Government has indicated it would like to seek a settlement to the TerraNova case. Whilst we are yet to see the final shape of the settlement, we are encouraged by this and hopeful that an appropriate resolution will be reached.

Care and operations

It is essential to us that we provide good care to residents who need it, and that this care is tailored to their individual needs and requirements. A key part of our offering in this respect is our care apartment product. We completed additional care apartment wings on a number of our development sites in the first half of this year and will be completing further wings in the second half. Care apartments allow people to access a range of levels of care – from basic support through to DHB-certified and -funded rest home care – in their own spacious one-bedroom apartment. We have found these to be very popular with customers and their families.

Over the last year in our care business we have introduced benchmarking of clinical indicators across all of our facilities. These allow us to observe quality of care across the country, to identify sites performing well and to take the learnings from these sites and apply them across the group, and to identify early any areas of potential concern. This has aided our ability to ensure high standards across the group and to also improve performance over time. This year we have also started to share these benchmarks with other care providers. This provides us more information again which can be used to monitor and improve our performance in this important area.

Development

From a development perspective, the past six months have been a time of unprecedented growth for Summerset, and this growth is set to continue strongly.

As mentioned earlier in this report, in July we announced the acquisition of three new Auckland land sites, in Warkworth, St Johns and Parnell. These sites put us in a good position to meet increasing demand across the Auckland region.

We have exceeded the 17% development margin that we aimed for at the time of our Initial Public Offering (IPO) in November 2011, achieving 18.4% in the half year just ended. Based on the gains we have made to date, and further gains which we expect to be realised, we believe there is potential for the development margin to further increase to around 20% over time.

We are also on track to meet our target of building 300 retirement units for 2015. At the time of our IPO, our target was 250 retirement units per annum by 2016. The following year we updated this to 300 retirement units by 2015.

Bringing the development and construction functions in-house has been positive for the business. We are working on a number of larger and more complex builds in Auckland, notably in Hobsonville and Ellerslie. Our investment in the development and construction teams over the last five years leaves us well placed for these builds. Over the coming years we expect further gains to be achieved on this side of the business, from better integration of our design and construction teams to greater procurement efficiencies.

Summerset is seeing good demand across the country. This demand is generated by the needs and wants of our customers and by us providing a quality offering to them. We believe that, if the property market does turn in Auckland, we will continue to see good demand for our quality retirement units across New Zealand.

Our land bank currently stands at 1,856 retirement units and 404 care beds. This includes retirement units and care beds currently under construction, and also our greenfield sites at Lower Hutt and Casebrook.

These figures exclude the Parnell and St Johns sites, which were purchased after the balance date for this half-year period.

Demand for both Wigram and Casebrook has been encouraging and we are delighted to be bringing Summerset to Christchurch and playing a part in the region's rebuild. We have also started work on our Ellerslie site in Auckland. The completed village will enjoy views across the city, and will have a bowling green surrounded by a lake in the centre of the site. The first Ellerslie retirement units will be completed in 2016.

Our land site in Boulcott, Lower Hutt, is also currently awaiting resource consent. Plans for the Boulcott development have been met with some opposition from local residents, but we remain committed to the project and the planning process. We have received strong expressions of support both from prospective residents and Hutt Valley community members.

Looking ahead

The Summerset business is performing well and is well placed to continue to deliver a quality product to its customers and growth to its shareholders. In the 2014 financial results we signalled that our rate of earnings growth would increase in 2015 and beyond. The earnings guidance given for the full year 2015 shows a strong increase in earnings and we believe this will continue into 2016 and beyond. To our shareholders, our customers and our staff, thank you for your support. We look forward to talking to you again in our 2015 annual report.

Rob Campbell
Chairman

Julian Cook
Chief Executive Officer

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

DIRECTORS' REPORT

The directors have pleasure in presenting the interim financial statements of Summerset Group Holdings Limited and its subsidiaries (the "Group") for the six months ended 30 June 2015.

The interim financial statements of the Group have been prepared in accordance with New Zealand law and generally accepted accounting practice, and give a true and fair view of the financial position of the Group at 30 June 2015 and the results of the Group's operations and cash flows for the six months ended 30 June 2015.

The interim financial statements presented are signed for and on behalf of the Board and were authorised for issue on 10 August 2015.

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

Rob Campbell
Director and Chairman of the Board

James Ogden
Director and Chairman of the Audit Committee

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		GROUP		
	NOTES	6 MONTHS JUN 2015 UNAUDITED $000	6 MONTHS JUN 2014 UNAUDITED $000	12 MONTHS DEC 2014 AUDITED $000
Care fees and village services		22,021	17,297	37,452
Deferred management fees		10,380	7,812	16,526
Interest received		198	125	307
Total revenue		**32,599**	**25,234**	**54,285**
Reversal of impairment on land and buildings		-	-	1,882
Fair value movement of investment property	3	34,457	14,242	52,481
Total income		**67,056**	**39,476**	**108,648**
Operating expenses	2	27,240	20,442	45,279
Depreciation		1,429	973	2,540
Total expenses		**28,669**	**21,415**	**47,819**
Operating profit before financing costs		**38,387**	**18,061**	**60,829**
Net finance costs		3,715	2,949	6,835
Profit before income tax		**34,672**	**15,112**	**53,994**
Income tax credit		(1,047)	(171)	(179)
Profit for the period		**35,719**	**15,283**	**54,173**
Basic earnings per share (cents)	6	16.53	7.11	25.16
Diluted earnings per share (cents)	6	16.33	7.04	24.94
Net tangible assets per share (cents)	6	167.53	135.45	153.33

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	GROUP		
	6 MONTHS JUN 2015 UNAUDITED $000	6 MONTHS JUN 2014 UNAUDITED $000	12 MONTHS DEC 2014 AUDITED $000
Profit for the period	**35,719**	**15,283**	**54,173**
Fair value movement of interest rate swaps	(1,881)	(328)	(1,628)
Tax on items of other comprehensive income	527	92	455
Other comprehensive income which will be reclassified subsequently to profit or loss for the period net of tax	**(1,354)**	**(236)**	**(1,173)**
Fair value movement of land and buildings	-	-	5,053
Tax on items of other comprehensive income	-	-	(1,514)
Other comprehensive income which will not be reclassified subsequently to profit or loss for the period net of tax	**-**	**-**	**3,539**
Total comprehensive income for the period	**34,365**	**15,047**	**56,539**

All profit and total comprehensive income is attributable to Parent Company shareholders and is from continuing operations. The accompanying notes form an integral part of these interim financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

GROUP	SHARE CAPITAL $000	HEDGING RESERVE $000	REVALUATION RESERVE $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
As at 1 January 2014	**237,092**	**443**	**7,504**	**36,873**	**281,912**
Profit for the period	-	-	-	15,283	15,283
Other comprehensive loss for the period	-	(236)	-	-	(236)
Total comprehensive income/ (loss) for the period	**-**	**(236)**	**-**	**15,283**	**15,047**
Dividends paid	-	-	-	(7,014)	(7,014)
Shares issued	2,891	-	-	-	2,891
Employee share plan option cost	82	-	-	-	82
As at 30 June 2014 (unaudited)	**240,065**	**207**	**7,504**	**45,142**	**292,918**
Profit for the period	-	-	-	38,890	38,890
Other comprehensive income/ (loss) for the period	-	(937)	3,539	-	2,602
Total comprehensive income/ (loss) for the period	**-**	**(937)**	**3,539**	**38,890**	**41,492**
Dividends paid	-	-	-	(3,021)	(3,021)
Shares issued	800	-	-	-	800
Employee share plan option cost	81	-	-	-	81
As at 31 December 2014 (audited)	**240,946**	**(730)**	**11,043**	**81,011**	**332,270**
Profit for the period	-	-	-	35,719	35,719
Other comprehensive loss for the period	-	(1,354)	-	-	(1,354)
Total comprehensive income/ (loss) for the period	**-**	**(1,354)**	**-**	**35,719**	**34,365**
Dividends paid	-	-	-	(4,546)	(4,546)
Shares issued	1,461	-	-	-	1,461
Employee share plan option cost	172	-	-	-	172
As at 30 June 2015 (unaudited)	**242,579**	**(2,084)**	**11,043**	**112,184**	**363,722**

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

		GROUP		
	NOTES	6 MONTHS JUN 2015 UNAUDITED $000	6 MONTHS JUN 2014 UNAUDITED $000	12 MONTHS DEC 2014 AUDITED $000
Assets				
Cash and cash equivalents		6,486	4,568	4,890
Trade and other receivables		17,437	12,983	13,685
Interest rate swaps		-	287	-
Limited recourse loans		1,520	1,520	1,520
Property, plant and equipment		67,564	56,317	63,559
Intangible assets		1,425	979	1,364
Investment property	3	1,066,905	844,616	958,171
Total assets		**1,161,337**	**921,270**	**1,043,189**
Liabilities				
Trade and other payables		29,098	20,168	13,462
Employee benefits		4,281	2,653	2,548
Revenue received in advance		17,785	12,942	15,237
Interest rate swaps		2,895	-	1,013
Residents' loans	4	570,084	447,157	513,683
Interest-bearing loans and borrowings	5	160,895	132,420	150,819
Deferred tax liability		12,577	13,012	14,157
Total liabilities		**797,615**	**628,352**	**710,919**
Net assets		**363,722**	**292,918**	**332,270**
Equity				
Share capital		242,579	240,065	240,946
Reserves		8,959	7,711	10,313
Retained earnings		112,184	45,142	81,011
Total equity attributable to shareholders		**363,722**	**292,918**	**332,270**

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

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		GROUP		
	NOTES	6 MONTHS JUN 2015 UNAUDITED $000	6 MONTHS JUN 2014 UNAUDITED $000	12 MONTHS DEC 2014 AUDITED $000
Cash flows from operating activities				
Receipts from residents for care fees and village services		21,667	16,650	36,211
Interest received		198	125	307
Payments to suppliers and employees		(23,340)	(19,636)	(42,023)
Receipts for residents' loans		97,802	62,680	159,167
Repayment of residents' loans		(29,833)	(23,318)	(43,229)
Net cash flow from operating activities	**8**	**66,494**	**36,501**	**110,433**
Cash flows from investing activities				
Purchase and construction of investment property		(63,793)	(49,932)	(130,725)
Purchase and construction of property, plant and equipment		(4,086)	(4,938)	(9,105)
Purchase of intangibles		(330)	(518)	(333)
Capitalised interest paid		(428)	(691)	(1,907)
Net cash flow from investing activities		**(68,637)**	**(56,079)**	**(142,070)**
Cash flows from financing activities				
Net proceeds from borrowings		10,076	27,152	45,551
Advance/(repayment) of limited recourse loans		-	740	740
Proceeds from issue of shares		1,461	2,890	3,691
Interest paid on borrowings		(3,252)	(2,666)	(6,464)
Dividends paid	7	(4,546)	(7,014)	(10,035)
Net cash flow from financing activities		**3,739**	**21,102**	**33,483**
Net increase in cash and cash equivalents		1,596	1,524	1,846
Cash and cash equivalents at beginning of period		4,890	3,044	3,044
Cash and cash equivalents at end of period		**6,486**	**4,568**	**4,890**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. Summary of accounting policies

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

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

The interim financial statements presented for the six months ended 30 June 2015 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 Markets Conduct Act 2013 and these interim financial statements comply with that Act.

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

These interim financial statements have been prepared using the same accounting policies as, and should be read in conjunction with, the Group's financial statements for the year ended 31 December 2014. The interim financial statements for the six months ended 30 June 2015 are unaudited. They are presented in New Zealand dollars ($), which is the Group's functional currency.

2. Operating expenses

	GROUP		
	6 MONTHS JUN 2015 UNAUDITED $000	6 MONTHS JUN 2014 UNAUDITED $000	12 MONTHS DEC 2014 AUDITED $000
Employee expenses	13,243	9,675	20,998
Property-related expenses	3,784	3,346	7,157
Other operating expenses	10,213	7,421	17,124
Total operating expenses	**27,240**	**20,442**	**45,279**

3. Investment property

	GROUP		
	6 MONTHS JUN 2015 UNAUDITED $000	6 MONTHS JUN 2014 UNAUDITED $000	12 MONTHS DEC 2014 AUDITED $000
Balance at beginning of period	958,171	776,637	776,637
Additions	75,438	53,737	129,080
Disposals	(123)	-	(27)
Reclassification to property, plant and equipment	(1,038)	-	-
Fair value movement:			
Realised	16,906	8,540	24,789
Unrealised	17,551	5,702	27,692
Total investment property	**1,066,905**	**844,616**	**958,171**

The fair value of investment property as at 30 June 2015 was determined by CBRE Limited, an independent registered valuer and associate of the New Zealand Institute of Valuers. The fair value of the Group's investment property is determined on a semi-annual basis, based on a discounted cash flow model applied to the expected future cash flows generated by the investment properties. There has been no change in valuation technique since the previous valuation which was completed as at 31 December 2014.

Significant assumptions used by the valuer include a discount rate of between 14% and 16.25% (Jun 2014 and Dec 2014: between 14% and 16.5%) and a long-term nominal house price inflation rate of between 0% and 3.5% (Jun 2014 and Dec 2014: between 0% and 3.5%). Other assumptions used by the valuer include the average entry age of residents and occupancy periods of units.

The Group has deemed the most reliable method to value the fair value non-land capital work-in-progress is at cost. At 30 June 2015 this was $81.0 million (Jun 2014: $36.2 million, Dec 2014: $56.3 million).

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

3. Investment property (continued)

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

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

Security

At 30 June 2015, 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.

Reclassification

Components of investment property valued at $1.0 million have been reclassified to property, plant and equipment during the period.

4. Residents' loans

	GROUP		
	6 MONTHS JUN 2015 UNAUDITED $000	6 MONTHS JUN 2014 UNAUDITED $000	12 MONTHS DEC 2014 AUDITED $000
Balance at beginning of period	574,718	458,872	458,872
Amounts repaid on termination of occupation right agreements	(31,863)	(22,448)	(43,321)
Amounts received on issue of new occupation right agreements	97,802	62,680	159,167
Total gross residents' loans	640,657	499,104	574,718
Deferred management fees receivable	(70,573)	(51,947)	(61,035)
Total residents' loans	**570,084**	**447,157**	**513,683**

The fair value of residents' loans at 30 June 2015 is $365.9 million (Jun 2014: $295.4 million, Dec 2014: $332.9 million). The method of determining fair value is disclosed in Note 21 of the Group's financial statements for the year ended 31 December 2014. As the fair value of residents' loans is determined using inputs that are unobservable, the Group has categorised residents' loans as Level 3 under the fair value hierarchy in accordance with *NZ IFRS 13 – Fair Value Measurement*.

5. Interest-bearing loans and borrowings

	GROUP		
	6 MONTHS JUN 2015 UNAUDITED $000	6 MONTHS JUN 2014 UNAUDITED $000	12 MONTHS DEC 2014 AUDITED $000
Repayable within 12 months			
Finance lease liabilities	-	16	-
Total interest-bearing loans	**-**	**16**	**-**
Repayable after 12 months			
Secured bank loans	160,895	132,404	150,819
Total interest-bearing loans	**160,895**	**132,404**	**150,819**
Total loans and borrowings	**160,895**	**132,420**	**150,819**

The weighted average interest rate for the six months to 30 June 2015 was 4.48% (Jun 2014: 4.00%, Dec 2014: 4.27%). This excludes the impact of interest rate swaps and other finance costs.

The secured bank loan facility at 30 June 2015 has a maximum of $255.0 million (Jun 2014: $180.0 million, Dec 2014: $255.0 million). $160.0 million of lending expires in December 2017 and $95.0 million of lending expires in December 2019. The bank loans are secured by a general security agreement over the assets of Summerset Holdings Limited (a subsidiary of the Company) subject to a first priority to the Statutory Supervisor over the village assets.

6. Earnings per share and net tangible assets

Basic earnings per share

GROUP	6 MONTHS JUN 2015 UNAUDITED	6 MONTHS JUN 2014 UNAUDITED	12 MONTHS DEC 2014 AUDITED
Earnings ($000)	35,719	15,283	54,173
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	216,055	214,927	215,322
Basic earnings per share (cents per share)	**16.53**	**7.11**	**25.16**

Diluted earnings per share

GROUP	6 MONTHS JUN 2015 UNAUDITED	6 MONTHS JUN 2014 UNAUDITED	12 MONTHS DEC 2014 AUDITED
Earnings ($000)	35,719	15,283	54,173
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	218,789	216,950	217,254
Diluted earnings per share (cents per share)	**16.33**	**7.04**	**24.94**

Number of shares (in thousands)

GROUP	6 MONTHS JUN 2015 UNAUDITED	6 MONTHS JUN 2014 UNAUDITED	12 MONTHS DEC 2014 AUDITED
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	216,055	214,927	215,322
Weighted average number of ordinary shares issued under employee share plans	2,734	2,023	1,932
Weighted average number of ordinary shares for the purpose of earnings per share (diluted)	**218,789**	**216,950**	**217,254**

At 30 June 2015, there were 2,733,572 shares issued under employee share plans (Jun 2014: 1,756,973, Dec 2014: 2,733,572 shares).

Net tangible assets per share

GROUP	6 MONTHS JUN 2015 UNAUDITED	6 MONTHS JUN 2014 UNAUDITED	12 MONTHS DEC 2014 AUDITED
Net tangible assets ($000)	362,296	291,939	330,906
Shares on issue at end of period (basic and in thousands)	216,263	215,540	215,815
Net tangible assets per share (cents per share)	**167.53**	**135.45**	**153.33**

7. Dividends

On 25 March 2015 a dividend of 2.1 cents per ordinary share was paid to shareholders (2014: on 24 March 2014 a dividend of 3.25 cents per ordinary share was paid to shareholders and on 8 September 2014 a dividend of 1.4 cents per ordinary share was paid to shareholders).

A dividend reinvestment plan applied to the dividend paid on 25 March 2015 and 447,575 ordinary shares were issued in relation to the plan (2014: 860,915 ordinary shares).

8. Reconciliation of operating results and operating cash flows

	GROUP		
	6 MONTHS JUN 2015 UNAUDITED $000	6 MONTHS JUN 2014 UNAUDITED $000	12 MONTHS DEC 2014 AUDITED $000
Net profit for the period	**35,719**	**15,283**	**54,173**
Adjustments for:			
Amortisation of intangibles	265	178	357
Depreciation	1,429	973	2,540
Reversal of impairment on land and buildings	-	-	(1,882)
Impairment of plant and equipment	257	-	445
Fair value movement of investment property	(34,457)	(14,242)	(52,481)
Net finance costs paid	3,715	2,949	6,835
Deferred tax	(1,047)	(171)	(179)
Deferred management fee amortisation	(10,380)	(7,812)	(16,526)
Employee share plan option cost	172	82	163
	(40,046)	**(18,043)**	**(60,728)**
Movements in working capital			
Increase in trade and other receivables	(3,291)	(4,539)	(5,235)
Increase in employee benefits	1,733	605	500
Increase in trade and other payables	3,048	786	269
Increase in residents' loans net of non-cash amortisation	69,331	42,409	121,454
	70,821	**39,261**	**116,988**
Net cash flows from operating activities	**66,494**	**36,501**	**110,433**

9. Capital commitments

At 30 June 2015, the Group had capital commitments in relation to construction contracts of $49.1 million (Dec 2014: $35.4 million).

10. Subsequent events

Subsequent to 30 June 2015, the Group acquired a pre-paid long-term lease on a 2.5ha piece of land on St Johns Road, St Johns, Auckland.

The Group has also purchased, subsequent to balance date, a 2.3ha site at 23 Cheshire Street, Parnell, Auckland.

On 10 August 2015 the secured bank loan facility was extended by $195 million to fund land acquisitions and increased development activity. The loan conditions remained materially the same as 30 June 2015.

On 10 August 2015, the directors approved an interim dividend of 1.85 cents per share. The dividend record date is 25 August 2015 with payment on 7 September 2015.

There have been no other events subsequent to 30 June 2015 that materially impact on the results reported. (As at 30 June 2014 and 31 December 2014 no subsequent events were reported).

EY
Building a better working world

Chartered Accountants

Review report to the shareholders of Summerset Group Holdings Limited

We have reviewed the interim financial statements of Summerset Group Holdings Limited and its subsidiaries (together the "group") on pages 17 to 28, which comprise the statement of financial position as at 30 June 2015, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information. This information is stated in accordance with the accounting policies set out in the group's annual financial statements dated 23 February 2015.

Directors' responsibility for the interim financial statements

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

Auditor's responsibility

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

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

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

Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the group and its subsidiaries do not present fairly, in all material respects, the financial position of the group as at 30 June 2015, and its financial performance and cash flows for the period ended on that date, in accordance with NZ IAS 34 Interim Financial Reporting.

Ernst + Young

Wellington
10 August 2015

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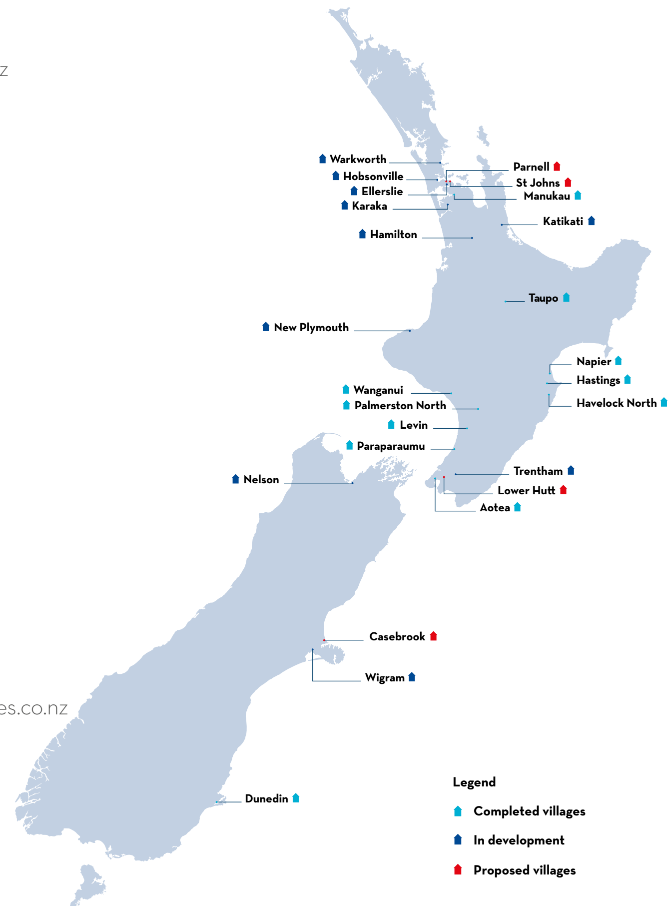

Summerset | welcome home