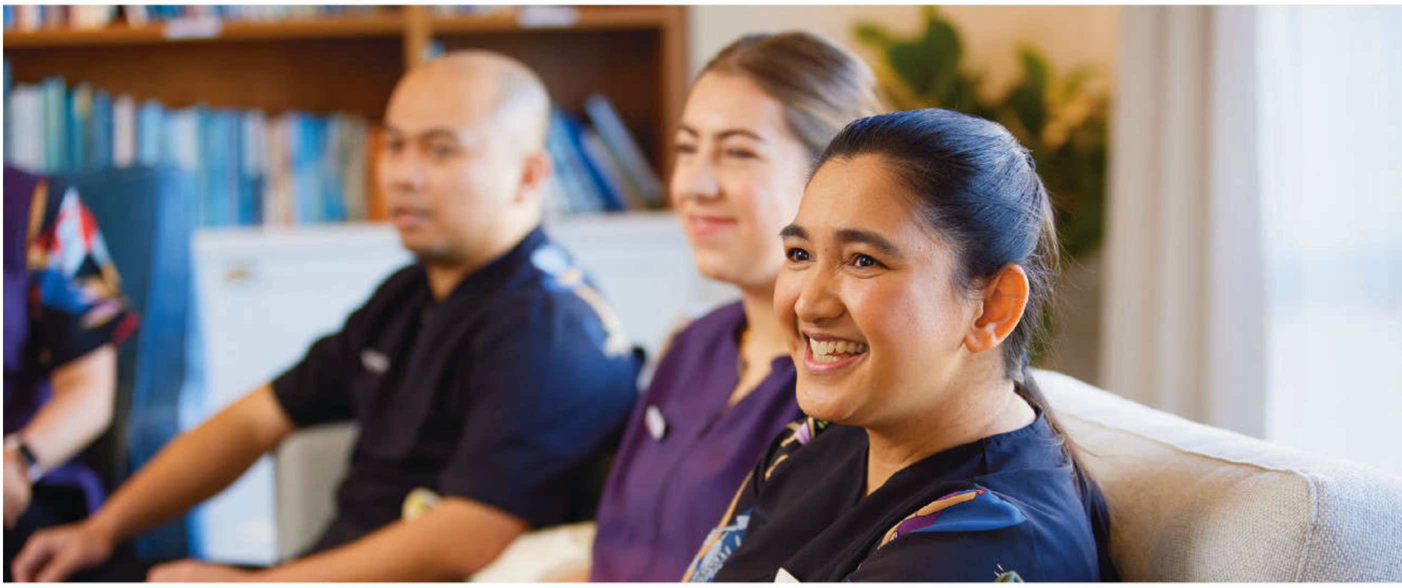
Annual Report

2022

OUR RESIDENTS

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



OUR ENVIRONMENT

Every day we focus on:

Minimising waste

Increasing energy efficiency

Being more sustainable

OUR PEOPLE

People are the heart of Summerset. Our values are:

Strong enough to care

One team

Strive to be the best

Contents

ABOUT THIS REPORT

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

It covers all our business operations for the year ended 31 December 2022. We are aligning our reporting to the International Integrated Reporting Framework to improve the way we communicate and improve transparency. We will continue to build on this approach.

COVER: Summerset's continuum of care model delivers dedicated and person-centred care, when needed

INSIDE COVER: Artist impression of **Summerset Milldale**

RIGHT: Artist impression of **Summerset Boulcott**

INSIDE BACK COVER: Artist impression of **Summerset Boulcott**

Our strategy

BRINGING THE BEST OF LIFE

OUR CUSTOMERS

We continue to improve and enhance our offering to residents.

OUR PEOPLE

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

GROWTH

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

WELLBEING **INNOVATION** **SUSTAINABILITY**

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

Chair and CEO's report

Mark Verbiest
Chair

Scott Scoullar
Chief Executive Officer

Welcome to our annual report for the 12 months ended 31 December 2022. This has been another year of significant achievements for Summerset, despite significant challenges.

Our achievements are all set against a backdrop of increasing inflation, supply chain constraints, national nursing and care staff recruitment shortages, a falling property market, and New Zealand's most difficult year combatting COVID-19. Despite this we have had a successful 2022 and we continue to be well equipped to deal with these ongoing challenges while maintaining focus on delivering value for our residents and shareholders.

Demand is strong for our product with 1,007 unit sales of Occupation Rights in 2022. New Zealand's population aged 75+ continues to grow and is forecast to almost triple in the next 50 years. With that comes an increasing pool of prospective Summerset residents. Throughout the year, time to settle has remained steady – driven by when our residents sell their home to move into a Summerset village – but we are also cognisant that with the easing of the residential property market, settlement timing will likely return to the more normal levels before the pandemic bubble which heavily inflated the market.

With an average age of 81, our residents' decision to enter a village is driven by life events – lifestyle, health, desire for more community, downsizing and more, and the COVID-19 pandemic highlighted many of the benefits gained from living in a village. These events continue to happen and continue to drive demand regardless of the wider economic landscape.

Summerset's offering is positioned to offer something to a wide range of people and budgets. Approximately 88% of our product is priced lower than the median house price which makes it affordable, particularly when many of our potential residents are selling 3-4 bedroom homes priced in the upper quartile of the market.

Also, we have a number of sales mechanisms to assist people to move into our villages while they're still selling their home. The 2023 property market is likely to be more challenging than 2022 but we feel prepared.

To meet demand, we have continued to strengthen our development pipeline in both New Zealand and Australia. This year we announced the purchase of four pieces of land - Masterton and Rotorua in New Zealand, and Mernda and Drysdale in Victoria, Australia.

Our Australian business continues to move forward well; we now have two of our seven pieces of land consented, with our Chirnside Park property gaining consent late 2022. Cranbourne North is the most advanced of our properties with the first residents expected to move in early 2024.

Sadly this year the first death on one of our construction sites occurred when Marin Construction (one of our sub contractors) scaffolder Michael Noche died following an incident at our St Johns site in November. Our thoughts are with Michael's family and colleagues after this tragedy and we have offered ongoing support to them. The incident is still being investigated by WorkSafe NZ and we have cooperated fully with them throughout.

Business performance

Underlying profit for 2022 is $171.4 million, an increase of 21.5% on 2021. Our IFRS net profit after tax is $269.1 million, down 50.5% on 2021. Operating cash flows of $369.2 million have decreased 4% from last year. The value of our investment property is now $5.4 billion, up 18.3% on 2021.

We are pleased with the overall performance of the business for 2022. We have weathered multiple challenges to deliver an increase in our underlying profit, while the net (IFRS) profit after tax includes the impact of reduced fair value gain on investment property compared to the prior year. We have shown how we can run the business effectively during turbulent times, and continue to position ourselves for growth into the future. Despite these challenges, we have kept our debt to an appropriate level, and have achieved strong growth in our balance sheet during 2022.

The Board is pleased to declare a final dividend of 11.6 cents per share, payable on 23 March 2023. Combined with our interim dividend of 10.7 cents per share, shareholders have received 22.3 cents per share for the 2022 financial year — a 20.5% increase over 2021.

Villages and care

Our care offering, and our continuum of care model, is a very important part of why our residents choose to live at Summerset, it's an integral part of our model as a business. Residents want the peace of mind that their needs will be met if their care requirements change while they're living in our villages. We have invested more in care this year with our care centre refurbishment programme, which has been reviewing our first generation facilities around the country to ensure they meet the needs and expectations of our residents now and into the future. Our Havelock North, Trentham and Levin villages are all in various stages of major upgrades to their care centres to provide modern and state-of-the-art facilities for our current and future residents.

Our newest care centre (including memory care centre) at our Kenepuru village was completed this year with residents moving in February 2023. Our Te Awa (Napier), Pāpāmoa (Tauranga) and Bell Block (Taranaki) main buildings will be ready for residents later in 2023 – all will have our world-class care and memory care centres.

As well as investing in new and improved buildings, we've invested in improving our residents' care further with our new Kaitiaki (wellbeing assistant) role. Our 70 Kaitiaki around the country provide more one-to-one care for our residents and support them both physically and emotionally. This can be from working with residents on their physical health and increasing their mobility, through to simply spending more individual time with residents to talk and provide much needed interaction for their mental health and wellbeing.

We, along with many of our competitors, continue to be very concerned about underfunding in the wider aged care sector. Summerset is part of a group called Aged Care Matters that has spent much of the year lobbying the government about the serious risks facing our sector.

Public funding for care services, including daily care rates, is insufficient to provide the exacting standards of service that are rightly expected. On average, providers get $170 per night for providing rest-home level aged care – less than a hotel room or what the government spends on emergency housing. The bed is only a small part of the need too; the funding doesn't account for the very complex needs that aged care residents present with. Providing care, meals, a room and everything else for $170 a day is unrealistic at best.

Well over 50% of the aged care beds in New Zealand are provided by not-for-profit providers who can't continue to run with funding gaps. It's not just not-for-profit providers either, a number of aged care businesses around the country have closed beds this year. More than 1,000 aged care beds closed in 2022 and with nowhere else to go our elderly will fall back on the public health system.

It's estimated that in 40 years' time New Zealand will need over 12,000 more aged care nurses, 7,700 more dementia beds and 15,000 aged care beds, but the current funding model is pushing the industry backwards and there's no way we'll meet that demand.

In terms of our own services, we will not compromise on standards. Our residents expect a high-quality care option if they need it, and we will continue to invest in and provide our care centres, as they are an integral part of our offering for our target audience. We can continue to provide care because we are a large business - our wider sector faces systemic challenges though.

In addition to funding, finding nursing staff has been an ongoing issue for the sector this year. While the borders opened up halfway through the year, finding nurses continues to be very difficult. It's


MultiBall wall in action with Summerset residents

estimated that there are more than 1,200 nursing vacancies in the sector (nearly 25% of nurses required in sector). Also, funding for aged care nurses' salaries have been set at between $15,000 to $20,000 a year less than nurses with the same qualifications and experience in public hospitals.

Late in 2022, after years of lobbying by industry groups, the government announced a $200m funding increase for aged care nurses' salaries and that nurses would be put on the fast-track residency pathway. To date health officials have not provided any detail on the extra funding in terms of how it will be allocated or when it will start. Also the announced public funds don't go far enough. Without the ability to allocate the funding or have certainty around when it will be received the industry will continue to see beds close and operators close their doors. More funding and better immigration pathways will be good steps in the right direction, and they will help the sector to retain nursing staff, if we can get moving.

If the systemic funding issues within aged care are not addressed, we will see more providers closing beds or shutting entirely. We will continue to push for funding that will ensure the health of our wider sector and gives elderly New Zealanders options when they need care.

Design and technology

We continue to evolve our design and offering to give our residents meaningful and useful facilities. Our dedicated research and development team apply best-practice design and innovation, and importantly also gather insights from residents' experience of life in our villages to continually look at opportunities to improve our offering. As an example, we've focused on upskilling on dementia care design and incorporating our residents' experience and use of our existing memory care facilities in order to improve our care offering further. Our landscaping designs focus on creating more communal areas, including children's playgrounds, vegetable gardens, breakout spaces for residents to use around the village, petanque and bowling greens and much more.

Outside of the physical environment we continued to test and invest in technology to enhance our residents' experience and lives. Bringing the Best of Life is at the heart of everything we do, and we are always looking at innovative ways to support all aspects of wellbeing, and have adapted since the pandemic to ensure that we can offer quality engagement opportunities both in our recreation centres and at home. Each of our villages has a dedicated activities coordinator who provides a calendar of activities for health and wellbeing, catering for a broad range of interests and supporting social interaction.

We have designed our own signature exercise programme, CB Fit, which is an accredited falls-prevention class as a part of the "Live Stronger for Longer" initiative. This is built on a foundation of the 4Ps: Prevent, Protect, Progress and Preserve, and we have recently developed our own chair-based exercise classes as an extension of the standing strength and balance class.

Our entertainment series "Summerset Sessions" continues to deliver a variety of content live and on-demand to residents regardless of where in the county they are. These sessions include "Cooking with a MasterChef", musical series "Summerset Sings", and "An Interview With..." featuring well-known icons and hosted by Summerset Ambassador Jude Dobson.

We've invested in experience and fitness technology such as virtual reality to allow our residents to "travel" to far-flung corners of the world, and our MultiBall interactive exerplay walls. We are utilising health technology like PainChek™ to improve the quality of life of residents living with pain.

Costs and procurement

We worked hard to secure long-term contracts through our procurement programme, which gave us certainty during this time of inflation and price volatility. We have very strong relationships with our suppliers, and we are a preferred partner with many of them. Our relationships and planning have meant that we've kept a tight lid on construction costs over the last 12 months.

This has led to a very healthy development margin through 2022 of 29.7%. However, many of our contracts are coming up for renewal in 2023 and while we will work hard to get the very best price with our suppliers, we do expect to see our costs increase. Over the coming year we expect to see our development margins return to the 20-25% range we've provided historically as market guidance.

We're also seeing costs such as rates and insurance increasing, like any other business. Unlike many of our competitors we don't fix our fees, so it means we have some ability to flex our fees to meet some of these costs while sticking to our commitment to residents to not increase our fees beyond the increase to NZ Superannuation.

We continue to keep a tight lid on our costs to ensure we set ourselves up for long-term growth.

Growth and development

Our design and consenting programme is very well positioned in both New Zealand and Australia and has continued well in 2022.

In New Zealand we have a very well-diversified portfolio with 76% of our land bank consented. Our highly consented portfolio gives us a lot of flexibility in how and where we're building, depending on demand and supply around the country.

We continue to hold the largest land bank in the New Zealand retirement village sector, allowing us to double our current village population.

This year, we delivered a record of 625 homes under Occupation Right Agreement (ORA) and 26 care beds in New Zealand to keep up with customer demand. Our delivery programme has become extremely sophisticated, and we expect to build 600-700 homes next year. Our build rate means we continue to be one of the top residential builders in the country.

With an uncertain year ahead we'll continue to monitor demand and flex our build programme as required. As part of a strategic review of our building programme we made the decision in December to put our proposed Parnell village on hold. Construction costs have escalated significantly and with a declining property market we considered it prudent to pause in this environment on the relatively complex build.

During 2023 we are building a lot of need-based products, with three main buildings opening around the country which will all feature care and memory care facilities, homes that remain in high demand.

In Australia we are building a strong land bank and like our New Zealand programme, we plan to have a high proportion of our sites consented so we can move from one site to another quickly.

In terms of land, we announced the purchase of our Mernda site in August and Drysdale in November, our sixth and seventh Australian sites respectively. We continue to see huge growth opportunities in Australia and we are very pleased with our progress. We're looking forward to welcoming our first Australian residents in early 2024.

We are pleased with progress on our Cranbourne North site where we will deliver our first homes in Q4 of 2023. Our Cranbourne North village has a pipeline of 341 homes (including 72 care units) while our Chirnside Park development, which received consent in November, will provide 267 homes (including 72 care units). Construction is planned to begin at Chirnside Park later in 2023.

At our other five Australian sites our planning process is well advanced and we're moving through the various stages with the local councils. We aim to have more consents in place in 2023.

Our people

We continue to invest in our people and focus on creating a positive culture that supports our staff and their careers and enables them to bring the best of life to our residents.

In our care centres, we created a new Kaitiaki role and have employed 70+ dedicated employees in our villages around New Zealand in this role. The Kaitiaki role was introduced as part of our safe staffing programme to support our care centre residents and provide them with opportunities


Artist impression of Summerset Cambridge

and assistance to live their lives to the fullest.

Our Kaitiaki come from diverse professional backgrounds including nursing, caregiving, and diversional therapy, and their mission is to deliver person-centred care to our residents by engaging in one-on-one activities and therapy sessions to improve their overall health and wellbeing. This dedicated role is already reducing the number of falls in the care centres and helping to alleviate the workload of our caregivers and therapists so they can focus on their own roles and duties.

Our staff have a lot to do when caring for residents and their time is limited. This year we've invested in technology to make their lives easier and to allow them more time to focus on residents. These include a mobile app for our resident information management and digital noticeboards.

Paying and recognising our staff for the work they do is important, particularly in the tight labour market we found ourselves in this year. Summerset's nursing pay is aged-care-market leading and an important strategy for us retaining nursing staff to care for our most vulnerable residents.

In addition to pay we have continued our work on diversity and inclusion to understand the make-up of our various sites around the country. The more we know, the better we can tailor our work to suit the needs of staff in various locations.

We have also commenced developing a new three-to-five-year Health, Safety & Wellbeing strategy to further improve our practices right across Summerset.

We are pleased to report that just over 600 permanent staff received free Summerset shares this year as part of the vesting of our annual staff share scheme, and nearly 2,000 eligible staff received $1,000 of Summerset shares which vest in July 2025.

Sustainability

We have short-, medium- and long-term sustainability goals to help us focus not just on the here and now, but to be strategic about what we're doing and how we're doing it.

This year was the last year of our short-term goal set off our 2017 base. The goal was to reduce our emissions intensity by 5% per million dollars of revenue, a target we're pleased to say we have overachieved with a 16% reduction.

One of our biggest areas of focus has been waste reduction in our construction business. Our construction teams have worked extremely hard to identify where we can do better and have teamed up with Waste Management NZ to look at all aspects of our waste across our sites.

Our work with Waste Management NZ has been recognised by the Sustainable Business Network, where we were a finalist for their Outstanding Collaboration Award. We were also pleased to be recognised as a leader by Forsyth Barr in their Inaugural Carbon and ESG Ratings report. Summerset was the 11th ranked company on the NZX and the top retirement village operator.

Our medium- and long-term targets are progressing well as we continue to embed sustainability into our business practices. We are continually testing new opportunities too, including solar panels at our Nelson and Karaka villages and to meet the needs of our future residents, electric vehicle (EV) charging infrastructure is being installed into all new Summerset villages.

Our COVID-19 response

Our Operations team were aware of the threat that the highly contagious Omicron variant posed early in the year and prepared ahead of the first cases arriving in our villages in January, including purchasing more Personal Protective Equipment (PPE) and Rapid Antigen Tests (RATs).

We had to remain nimble in our response to this new variant and how we balanced appropriate measures with allowing our residents to continue their lives as normally as possible. At times we closed our care centres and memory care centres to protect our most vulnerable residents, with our staff assisting residents to stay in touch with their loved ones electronically during these times. As soon as we were able, we reopened to allow that all important face-to-face contact to occur.

COVID-19 impacted our staffing throughout the year too, and we had to work hard to make sure we had enough staff in place to care for our residents. We're very proud of the response from our staff and the effort they put in, often above and beyond, to keep our residents, visitors and each other safe.

We'd like to thank our residents' families and loved ones who worked with us and followed the various precautions we had in place to protect residents and staff.

It wasn't just our villages that saw the impact of COVID-19, our construction sites were also impacted with Omicron repeatedly affecting our teams and subcontractors. In the face of this we had to stay flexible in order to keep delivering. Where we had people or teams isolating, we changed our plans and focused on other parts of the site to stay on time. Even with these issues we've done what we said and delivered 625 homes this year.

Board changes

We are sorry that Anne Urlwin will retire after nearly nine years on the Summerset Board on 28 February 2023. Anne has provided great experience and leadership throughout her time at Summerset. During her tenure we have grown from 18 villages to 38, and resident numbers have more than doubled.

The Summerset Board has welcomed Andrea Scown this year. She has joined as part of the Institute of Directors Future Directors programme which aims to develop New Zealand's next generation of directors and provide experience in large companies around the country.

Andrea is currently CEO of Mitre10 and we feel that while we can provide her with a valuable insight into governance of a large and successful listed company, we in turn will gain valuable insight from Andrea into the New Zealand consumer and construction sectors.

Looking forward

Despite the rocky economic conditions New Zealand has experienced during 2022, we have continued to grow and achieve. We've met our target build rate, and our first retirement village in Australia is taking shape, with the second consented and now under construction. We are adding to our significant land bank and have the ability to grow significantly in both New Zealand and Australia over the coming years.

We remain optimistic for the year ahead and that we are well prepared to deal with an uncertain economic period in 2023 while continuing to grow. We have a prudent capital structure, we can flex our build rate as demand dictates, we are focused on our cash generation, and we'll continue to closely monitor our costs during this period.

While we are managing our costs closely, we will continue to invest in bringing the best of life to our residents with new technology, village upgrades and care.

Subject to economic conditions we look forward to continued growth in the year ahead.

Finally, on behalf of the Board and management, we'd like to thank our investors, residents and partners for your commitment to, and belief in, Summerset's goals and future. We'd also like to thank our Summerset team, their families and their support networks for another very successful year.

Mark Verbiest
Chair

Scott Scoullar
Chief Executive Officer

DELIVERING VALUE TO OUR STAKEHOLDERS

DIVERSIFIED PORTFOLIO

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

LOOK AFTER OUR RESIDENTS

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

BUILD HIGH-QUALITY ASSETS

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

PROTECT THE ENVIRONMENT

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

HIRE SKILLED STAFF AND HELP THEM THRIVE

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

RESIDENTS AND FAMILIES

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

EMPLOYEES

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

SUPPLIERS

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

GOVERNMENT

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

COMMUNITIES

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

INVESTORS

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

Snapshot

Our people

7,400+
Residents

2,400+
Staff members

95%
Village resident satisfaction

Our care

94%
Care resident satisfaction

1,161
Care units (which includes beds) in portfolio

1,379
Care units (which includes beds) in land bank in New Zealand and Australia

Our portfolio

5,518
Retirement units

$5.8b
Total assets
FY21 $4.9b

5,985
Retirement units in land bank in New Zealand and Australia

39
Villages completed or under development

1,007
Sales of Occupation Rights

11
Greenfield sites

Our performance

$269.1m
Net profit after tax
FY21 $543.7m

$171.4m
Underlying profit
FY21 $141.1m

$369.2m
Operating cash flow
FY21 $383.4m

OUR PHILOSOPHY OF CARE

INDEPENDENT LIVING

4,570

Villas, cottages, townhouses and independent apartments

(TOTAL UNITS)

ASSISTED LIVING

948

Serviced apartments

(TOTAL UNITS)

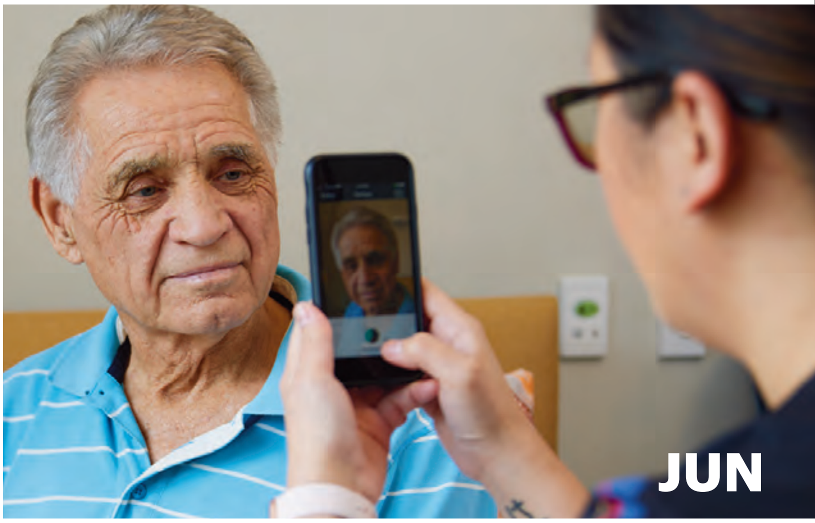
SPECIALISED CARE

1,161

Rest-home care, Memory care, Hospital care

(TOTAL UNITS)

2022 Highlights



APRIL

Q1 sales results released – our highest Q1 ever with 279 sales.

Announcement of our 2021 staff Applause Award winners (winners were celebrated at a Covid-delayed event in October).

JUNE

Purchased 10 virtual reality kits to travel around our villages to give our residents experiences they may not otherwise be able to witness.

Rolled out PainChek® an iPhone app that uses artificial intelligence to identify the presence of pain in an older person when it cannot be verbalised.

JULY

Principal sponsor of the new Wellington Free Ambulance 'Onesie Day Ambulance'

OCTOBER

Announced our partnership with Hato Hone St John sponsoring their therapy pet programme.

HIGHLIGHTS

FEBRUARY

Ordered our first two EVs to begin our fleet change to electric.

MARCH

Celebrated Caregiver and Frontliner Day by creating a gratitude wall where staff, residents, their families and anyone else could publicly share messages of gratitude for our frontliners.

AUGUST

Announced a half-year underlying profit of $82.5m (up 9.2% on last year).

Purchase of Fairy Springs site in Rotorua, Lansdowne in Masterton and Mernda in Melbourne.

SEPTEMBER

Named as a finalist in the Sustainable Business Network's Outstanding Collaboration award for our work on construction waste with Waste Management NZ.

Building consent granted for the first of our five lightweight and mass timber main buildings – to be built at Summerset Mt Denby (Whangārei).

Flew the flag in solidarity with MATES in Construction who are aiming to reduce suicide and mental health issues.

NOVEMBER

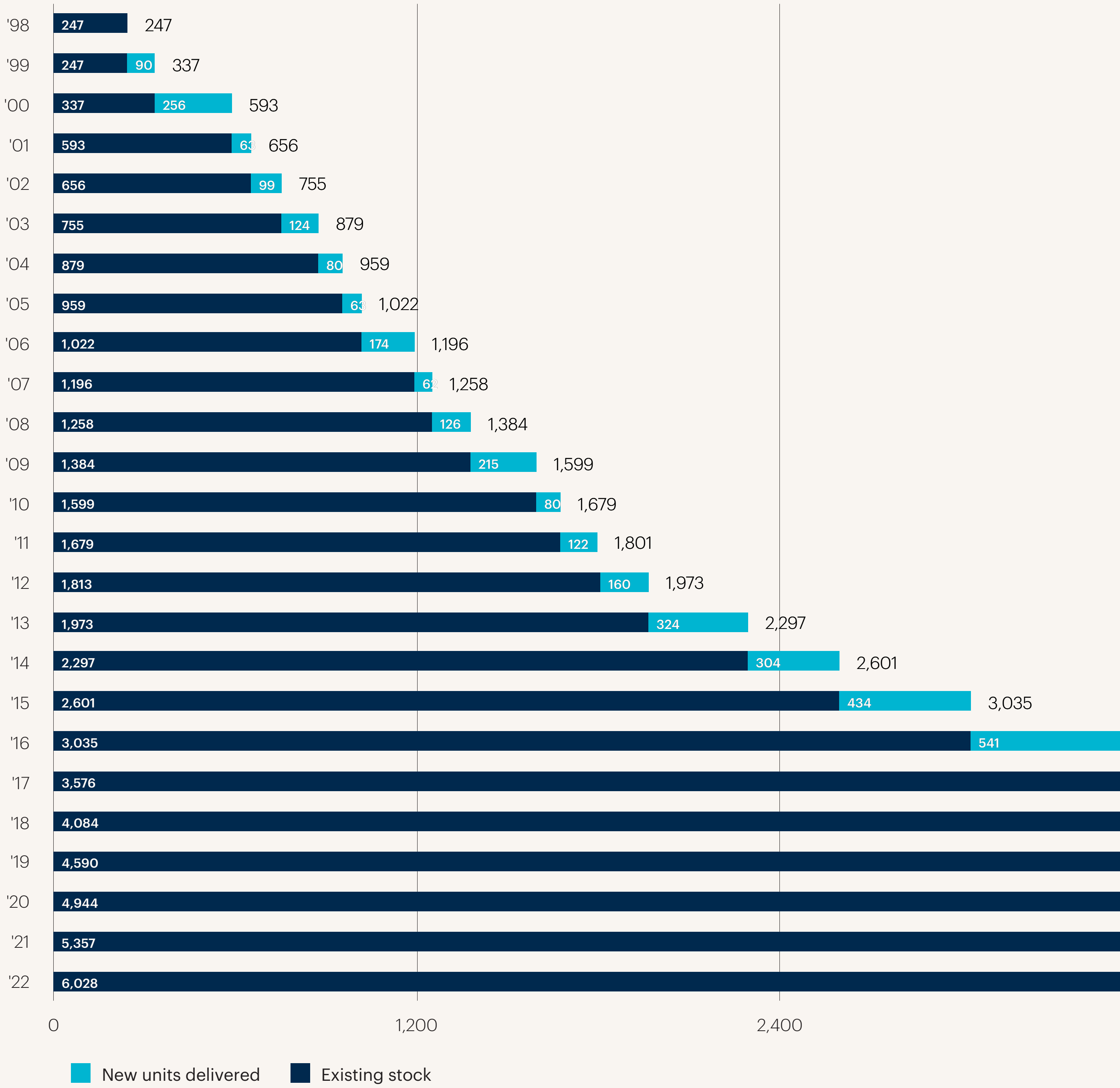
Celebrated our 25th birthday.

DECEMBER

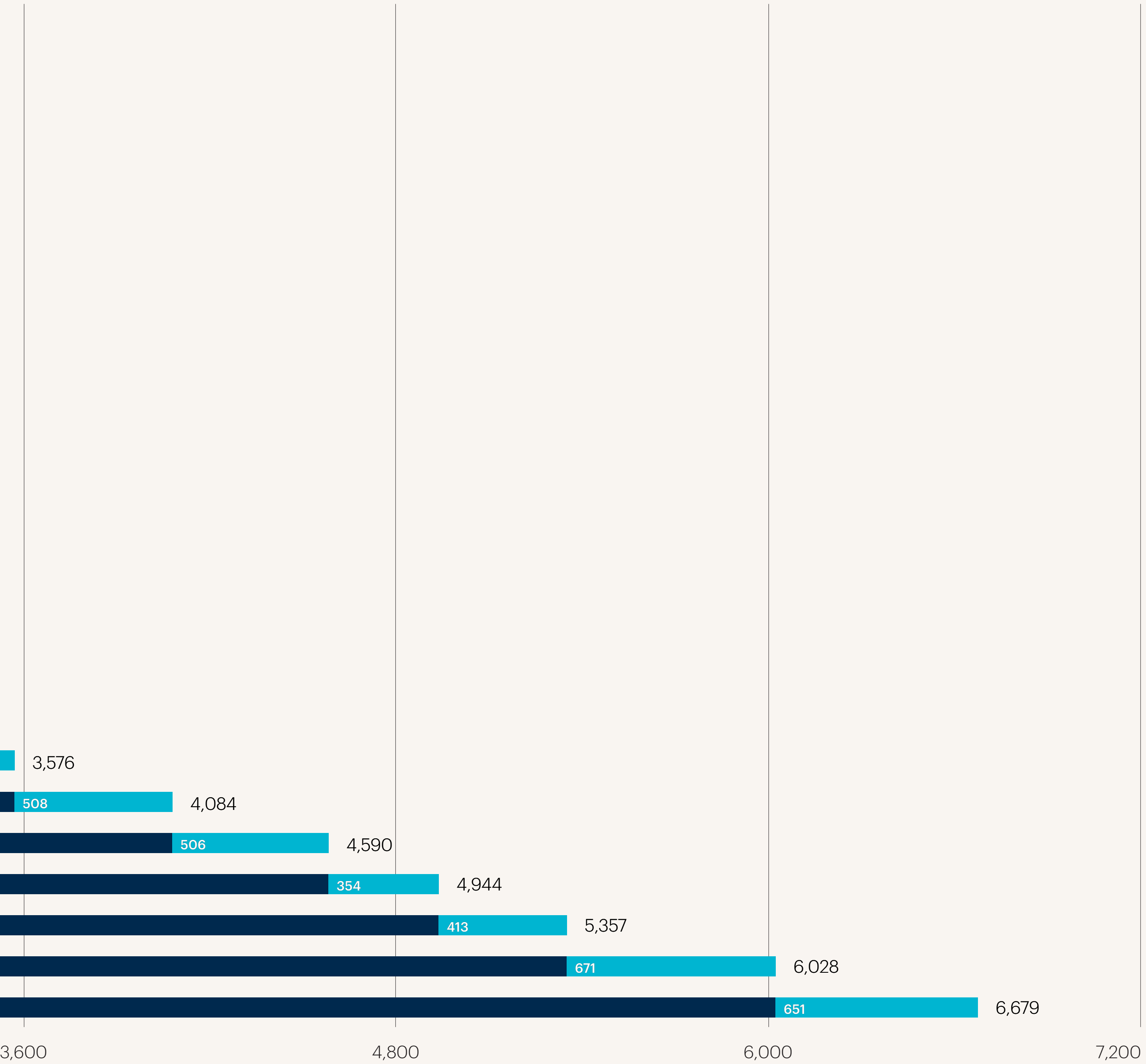
Summerset Chairman Mark Verbiest named Chairperson of the Year at the Deloitte Top 200 awards

Portfolio growth

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



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


3,576
508
4,084
506
4,590
354
4,944
413
5,357
671
6,028
651
6,679
3,600
4,800
6,000
7,200

Our people and community

Our 31 retirement villages are vibrant and diverse communities. Summerset is proud to be home to over 7,400 residents and to employ over 2,400 staff.

Our COVID-19 response

This year was another challenging one for residents with the ongoing COVID-19 pandemic changing the landscape again with the arrival of the Omicron variant. We were prepared, having invested early in Personal Protective Equipment (PPE), Rapid Antigen Tests (RATs), air purifiers and air quality monitors before cases arrived in our villages in January, but the need to lock down parts of our villages and cancel communal activities at times was tough on residents and staff alike.

Also, we had extremely high rates of vaccination in all of our villages which helped to provide further protection to our residents during this challenging year.

Our care and memory care facilities, are home to a population particularly vulnerable to COVID-19, and we were forced to close the centres to visitors at times. During these lockdowns we concentrated on giving our residents every opportunity to connect with their family and friends digitally, and on containing the outbreaks as quickly as we could to allow visits and valuable human interaction. We're extremely proud of how our team responded and protected each other, our residents and our visitors. We're also grateful to our residents' families and friends for working with us while we had to change and restrict visits during these outbreaks.

We have learnt a lot about managing COVID-19 over the last few years and our team understand how best to care for our residents when we do experience cases. COVID precautions are now a core part of how we manage the health and wellbeing of our residents in care.

Protecting our villages

We can't say enough about the dedication of our staff in protecting our residents during 2022. Very early on we invested in 'fit testing' of N95 masks to make sure our staff had not only the right mask, but the best possible fit. N95s have been a very important tool in protecting our staff, residents and visitors from the spread of COVID-19.

As the country moved down alert levels and settings there remained an increased risk of community transmission so we typically maintained a more cautious approach with our vulnerable care and memory care residents.

Influenza immunisation was also prioritised for vulnerable groups, and we facilitated immunisation clinics at all villages for residents and staff who valued the access to added protection.

Infection prevention and control remained a priority throughout the year and we continued with many of the hygiene and safety measures introduced early in the pandemic, including good ventilation, use of extensive PPE and cohorting of our teams to minimise any chance of cross-contamination. We welcomed the government's easing of PPE requirements in the latter part of the year, and we removed the requirement for our care centre visitors to provide RATs prior to seeing their loved ones.

Engaging residents

We pride ourselves on the opportunities - socially, physically and mentally - that we can provide our residents to bring them the best of life. Naturally COVID-19 has made us think and work differently to provide meaningful and engaging activities for our residents.

LUMIN KENEPURU TRIAL 1 AUG TO 9 NOV 2021 KEY STATISTICS

1,452
RADIO LAUNCHED

1,720
MESSAGES LAUNCHED

258
VIDEO CALLS

105
LUMINS IN USE

2,390
NEWS ARTICLES LAUNCHED

447
COMMUNITY ACTIVITIES LAUNCHED

LUMIN KENEPURU INSTALL NOV 2022 KEY STATISTICS

1,613
RADIO LAUNCHED

980
NEWS ARTICLES LAUNCHED

540
VIDEO CALLS

327
MESSAGES LAUNCHED

Image above: Paul Wilson, CEO and Co-Founder of Lumin; Kirsty Herbert, Summerset Lumin Project Manager & Ross McKenna, Summerset on the Landing resident.

While, as restrictions changed, we were able to bring more and more in-person activities back to our villages, we had to move many of our events and activities online to protect residents. One positive of the pandemic was how it challenged us to think differently about making events accessible to residents throughout the country and creating some memorable and unique opportunities.

We developed a suite of options for our residents including "Summerset Sessions" – a virtual entertainment programme, to be enjoyed at home or together in village lounges where possible. The programme included concerts, cooking lessons (with former Master Chef winner Brett McGregor) and interviews with well-known Kiwis including Dame Valerie Adams, Sir Graham Henry and David Lomas.

We are still very focused on in-person and interactive activities, particularly now that the threat of COVID-19 has reduced, and we now have a national activities programme that is accessible to our residents who are less mobile or are concerned about mixing in larger groups. It's also a great way to link our wider village network.

We have also been using virtual reality (VR) technology to enhance our resident experience, whether during times of limited visiting or for those who struggle to get outdoors. VR is one way to enhance the quality of life of all Summerset residents, with studies showing positive physical, psychological, and emotional outcomes after VR engagement. VR kits have been purchased to be rotated through villages, offering residents access to a diverse library of immersive virtual content such as swimming in the Caribbean or visiting the Louvre.

Rather than our annual satisfaction survey, we have adopted a continuous listening approach to drive improvements that our residents tell us are important to them. We survey our residents regularly on a number of aspects of village life to understand what is and isn't working for them. This allows our village managers to understand and change things within their village to better reflect the needs and wants of their residents.

Our food services are very important to our residents, so based on their feedback and needs we have completed moving our food services in-house earlier this year with the goal of increasing the consistency of service for our residents. We were pleased that existing staff were transferred across from our outsourcing providers and became Summerset employees, receiving our market-leading staff benefits and higher wage rates.

Technology

We committed to investing $4.5m in frontline staff as well as digital innovations this year, not just to keep our residents safer, but also to improve their experiences every day. These included:

- PainChek®
  After a successful trial in our Levin village, we are proud to be the first New Zealand aged care provider to implement this innovative tool throughout our villages. PainChek is an app available on smart phones and tablets, that uses artificial intelligence and facial recognition technology to identify the presence of pain in people who can't verbalise it. Additionally, PainChek has the ability to capture data directly into our resident management system. This smart system is far faster and more accurate than the traditional pain assessment tools, it helps vulnerable residents and frees up our staff to do more for our residents by automating many of our processes.
- Lumin
  In Kenepuru (Wellington), we completed the trial of a digital services platform, called Lumin, for our independent-living residents. Kenepuru has since had Lumin rolled out permanently and we're preparing to roll this out nationally. Lumin is run through a dedicated 17-inch screen or iPad. Lumin allows residents to stay connected to village life from the comfort of their home, providing the ability to receive newsletters, instant messages and emergency alerts from the village team, view and book village activities, special events and outings, and to connect with loved ones.
- MultiBall Wall
  Summerset is one of the first in the world, and the first in Australasia, to introduce MultiBall exergaming technology into a retirement village and aged care environment. MultiBall enables our residents to enjoy sports and brain-stimulating games in a fun and intuitive manner. While physical activities help with balance, agility and directional changes, memory games have interactive components that help with cognitive skill development. Residents with mobility issues who may require a walker, wheelchair or other assistive devices can still participate as there are options for games that can be played while seated. Allowing for multiple players at once, MultiBall has the added benefit of increasing our resident's social engagement, not to mention great fun for the family and grandchildren to enjoy when they visit.


A resident and staff member from Summerset at Avonhead enjoy a puzzle

Enhancing our services and our care

We continued to introduce and roll out new measures and initiatives to improve the lives of our residents and to ensure that those who are more vulnerable receive excellent care. Our care offering, and our continuum of care model, is a very important part of why our residents choose us, and we want to ensure we continue to be ahead of best practice to bring the best of life to our residents.

Our memory care centres are a specialist feature of our villages and are tailored for those needing secure dementia care. We have once again been re-accredited as a dementia-friendly organisation, recognising our demonstrated commitment to person-centred care.

To support our memory care teams at a national level, and to continue to upskill our team, we have appointed two new dementia specialists. These roles are in place to offer knowledge and expertise in the growing field of dementia care that will continue to give our residents the best possible experience in our care. Person-centred care means to put the person, our resident, at the centre of all decisions made around their wellbeing – especially in the care centre where they may not be in a position to take care of themselves.

To empower residents in this way, we introduced 70 new Kaitiaki (Wellbeing Assistant) roles in our villages who will provide the desired level of personalised care and quality one-on-one time for each resident. Our Kaitiaki roles were introduced as part of our safe staffing programme to support our care centre residents and provide them with more opportunities for personalised care and support.

Kaitiaki come from diverse professional backgrounds including nursing, caregiving and diversional therapy, and their mission is to deliver person-centred care to our residents by engaging in one-on-one activities and therapy sessions to improve their overall health and wellbeing. This can be as simple as spending more time with residents through to helping residents at meal times or improving their physical movement (see case study).

We are seeing an improvement in the physical, mental and social wellbeing of numerous residents, and staff and family are seeing the meaningful impact on the lives of our residents.

Having provided aged care services for more than two decades it is necessary for us to invest in upgrading our older care centres and facilities to provide modern, state-of-the-art facilities that meet the needs and expectations of our current and future residents. This year our care centre refurbishment programme has seen our Havelock North, Trentham and Levin villages commence with the rollout of upgrades to their care centres.

The Havelock North refurbishment is the first of these to get underway and does require care residents to relocate to other facilities, preferably nearby and within the Summerset village network. We understand how disruptive this is for our care residents and our team will work very closely with residents and their families to ensure the moves are as easy as possible with minimal disruption. For our Havelock North residents, they have the opportunity to move to our brand new care facility in Te Awa, once it has opened and we deliberately held off on the refurbishment programme to allow these transfers to take place, if residents choose to stay with Summerset. We recognise that this is not always easy on our residents and staff but we believe it's a necessary imposition in order to provide the best possible care offering for our residents now and into the future.

This year we completed the construction of our Kenepuru village main building which accommodates our new care and memory care centres, with residents moving in in February of 2023. Additionally, our Te Awa (Napier), Pāpāmoa (Tauranga) and Bell Block (Taranaki) main buildings will be ready for residents later in 2023, also offering our world-class care and memory care centres.

However, across the aged care sector nationally, the strong and increasing demand for care and memory care continues to be unmet. We have joined forces with providers from around the country and the Aged Care Association of New Zealand in a group called Aged Care Matters to continue to advocate for realistic government funding in aged care, including the issue of pay parity for aged care nurses.

Public funding for care services, including daily care rates, is insufficient to provide the exacting standards of service that are rightly expected. On average providers get $170 per night to provide rest home level aged care; however, this funding doesn't account for the very complex needs that aged care residents often present with.

Kaitiaki case study

Our Kaitiaki roles are part of our commitment to providing the best of life to our residents. Every Summerset village has at least one Kaitiaki, dedicated to providing more one-to-one care for our care centre residents to improve their health and wellbeing.

One of the best success stories we've seen in the last year, which highlights the benefits of our Kaitiaki role, comes from our Summerset in the Vines (Havelock North) village. Our resident, Iona, had been bedbound for 18 months following a stroke. Iona had been told that she may not walk again and told the team that she didn't think she ever could.

Our Kaitiaki carer started working with Iona to assist with her exercise and the rehabilitation exercises from her physiotherapist. They decided on a goal of being able to walk to her son's car so she could go on an outing with him.

From April to July the Kaitiaki, Iona and her physiotherapist worked towards this goal, making incremental improvements with our Kaitiaki encouraging and motivating Iona throughout the process. It started small with Iona learning to stand unaided followed by small steps within her room to build her movement and confidence. Later the exercises included working on car transfers to ensure Iona could get into and out of a car safely and confidently.

In July Iona was able to use her walking frame to independently walk to her son's car and have her first outing. Since then she's been out and about a lot more. Iona continues to work with the team at Summerset in the Vines to improve her walking and she's taking part in more and more of village life.

In addition to funding, rates for aged care nurses salaries have long needed adjusting. While Summerset has market leading salary packages for nurses, public funding for aged care nurses has been between $15,000 to $20,000 a year less than nurses with the same qualifications and experience in public hospitals.

Late in 2022, after years of lobbying by industry groups, the government announced a $200m funding increase for aged care nurses' salaries and that nurses would be put on the fast-track residency pathway. We're pleased to see some recognition of the issues in the sector and these are good steps in the right direction, as they will help to retain nursing staff in aged care, but it doesn't go far enough. To date health officials have not given any further detail on the new funding, including how it will be allocated and when it will start, they're moving too slowly. Without the ability to allocate the funding or have certainty around when it will be received the industry will continue to see beds close and operators close their doors. More funding for nurses and better immigration pathways will be good steps in the right direction, and they will help the sector to retain nursing staff, if we can get moving.

The $200m increase doesn't address aged care's funding issues. If the systemic lack of funding within aged care is not addressed, we will see more providers closing beds or shutting entirely. We will continue to push for funding that will ensure the health of our wider sector and

Summerset is proud to sponsor Netball NZ.
Photo by Michael Bradley Photography

give elderly New Zealanders options when they need care.

For us at Summerset we will not compromise on our standards of care and we will continue to provide care to the very best of our ability to our residents. Our care centres have been, and continue to be, an integral part of our offering and we intend to keep providing the continuum of care offering that makes us attractive to prospective residents.

Elevating our clinical care

Older people continue to enter aged care services with complex health and social needs, and deserve access to specialised clinical care delivered by competent and appropriately remunerated registered nurses. We were delighted that our Head of Clinical Services was appointed to the national Nursing Leadership Group (NLG) this year. The NLG has members from throughout the aged care sector as part of the New Zealand Aged Care Association and is the recognised voice of aged care nursing in New Zealand. The NLG has a focus on workforce recruitment, retention and development, including supporting registered nurses in aged care to work to their full potential, and promoting effective leadership in the sector.

We have continued the excellent work in clinical care with medication optimisation. Many of our residents have been prescribed a range of medications for multiple health conditions, and sometimes people are on medications that they no longer need or are no longer the best option for them. Working closely with our clinical pharmacist, other experts and our prescriber networks we make sure only medications necessary are being given to residents for better quality of life and to ensure better outcomes for them.

We continue to lead and support a cross-sector clinical benchmarking group to share anonymous data for key clinical indicators, and look to share learnings and improvements in clinical outcomes across the aged care sector. The group now represents all major aged care operators in New Zealand with the benchmarking data covering half of all aged care beds.

Lifting our profile

The retirement village sector is a highly competitive environment and we're seeing an increase in advertising spend and reach across a number of our competitors. Summerset's brand of an active, vibrant life, where age is just a number, continues to be strong, and research indicates we are the market leader on consideration. It is also pleasing that one year on from the roll out of our television commercials our research shows our advertising campaign has been well received by audiences and continues to retain relevance.

Our marketing activities are designed to reach older New Zealanders in their communities and to reinforce the support we offer locally. We are proud to be increasing the range of organisations we're supporting, and finding sponsorship opportunities that align with our brand and our values.

In September, World Alzheimer's Month, we announced our new partnership with Alzheimers NZ. We are committed to being dementia friendly and were among the first aged residential care providers accredited under Alzheimers NZ's Dementia Friendly Recognition Programme. Dementia is a growing problem in New Zealand and services aren't always available to meet the demand. For this reason, partnerships are crucial for the work that needs to be done to ensure everyone has access to the education and support they need. The partnership will provide support for Alzheimers NZ's work, including information and advice, advocacy, support for frontline services, and Dementia Friends.

COVID-19 has made fundraising extremely difficult for many charities. Street appeals were very difficult under the traffic light system and meant a big source of annual income was interrupted. We were pleased to partner with Wellington Free Ambulance (WFA) to be the principal sponsor of their brand new 'Onesie Day Ambulance' and to kickstart their annual appeal with a donation. WFA is the only free ambulance service in the country and has been vital to many of our residents and their families.

Hato Hone St John is similarly valuable and we were proud this year to become the major sponsor of the St John Therapy Pets Programme. Therapy pets is a popular community programme bringing canine companions to rest homes, bedsides and classrooms around the country, where a dose of unconditional love from an animal has the potential to reduce stress and put a smile on everyone's face. Our support will allow St John to grow this highly beneficial programme. Additionally, all our villages will support St John by fundraising for their annual appeal.

In addition to Alzheimers NZ, WFA and Hato Hone St John, we provided our continued support through partnerships with organisations in key areas that are important to our residents and their families. These include:

- Bowls NZ
- Dementia NZ
- Netball NZ
- New Zealand Symphony Orchestra

Our villages continue with grassroots support and are currently working with around 190 local community clubs, including bowls, golf, croquet, bridge and tennis. We also work with Age Concern, Rotary, the RSA, Working Men's Clubs and Women's Groups.

Engaging our people

Our people are an integral part of everything that Summerset offers and we are immensely proud of them and the work they do. The COVID-19 challenges of 2021 continued with us into the early part of 2022, but despite this, we are pleased that our employee engagement score has increased even though the median score for organisations we have benchmarked against has fallen.

Giving our staff the right tools when they join us assists them to perform at their best. This year we have continued our work to further improve our induction, orientation and onboarding processes and tools, and we're tailoring these for a number of key roles.

Emphasis on retaining talent in the current environment is critical, and our nursing turnover at 31 December 2022 is at its lowest in the past five years, it's also 20% below the rest of the sector[1]. Summerset is among the leading employers in terms of reputation, pay and benefits in the aged care industry.

We have continued to roll out our leadership development programmes as it is important to us to build leadership capability internally. We've also undertaken talent mapping and succession planning more widely across the company, which is particularly important in a tight employment market.

Our employee benefits provide another opportunity for us to differentiate ourselves as an employer of choice in a competitive environment and we are one of the market leaders in terms of our benefits package.

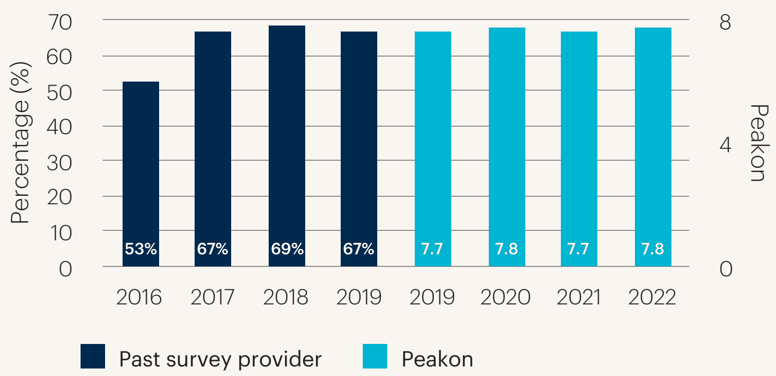
We are committed to the protection and promotion of the health and wellbeing of all our staff. We've surveyed our staff to build our knowledge around what impacts their wellbeing and supplemented this with a series of Wellbeing by Design workshops. We have promoted and delivered resilience training and mental health awareness to the majority of our frontline managers, through programmes including Mindfulness Month, Mental Health Awareness Week, the GoodYarn and MATES in Construction.

Attracting those with the right skills

We were very pleased to see the borders reopen earlier in the year as this allows us to supplement our hiring in the current market conditions. We successfully achieved accredited employer status for Immigration New Zealand's new (2022) programme and are already recruiting key positions across nursing, construction and design. Where we are bringing in overseas nurses we are helping them to upskill, complete Competency

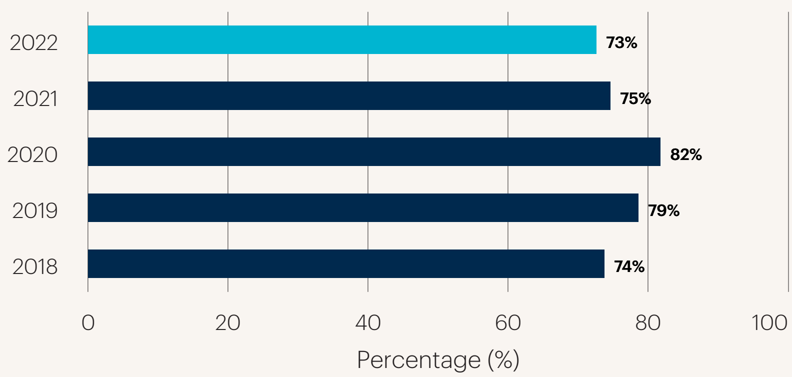
1 *NZACA 2021-22 Industry Profile published July 2022*

Staff engagement[1]

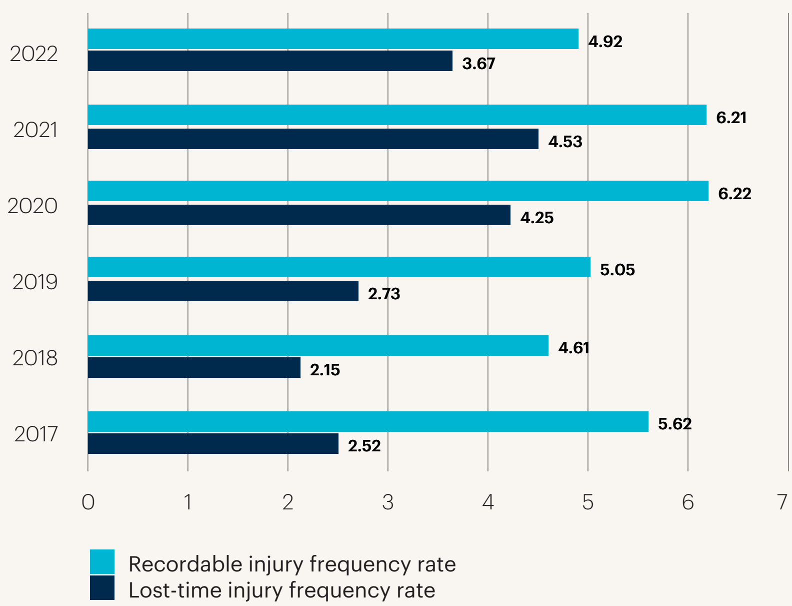


1 Peakon was provided with the 2019 raw data to ensure year-on-year consistency, noting different scoring scales (67% = 7.7)

Employee retention



Workplace injury rates (Summerset Group)



Assessment Programmes and we have partnered with Lonsdale Education Centre to assist with navigating through these skills and qualification requirements.

Attracting talent in a highly competitive market is very tough, particularly in nursing and construction, and keeping them is tougher. New Zealand is a less-attractive destination due to pay and immigration requirements making us one of the lowest in the OECD. We want to give our future talent more confidence about coming here, and we have specialist recruiters in place to support this and to find quality people to bring to join our Summerset team. We are also focusing on building the pipeline for nursing, construction and design talent, through both recruitment initiatives and the development of well structured career pathways.

Building safety into everything we do

We remain committed to creating safe work environments for our people and ensuring that we are leaders in health and safety. During FY22 we started developing a new three-to-five-year strategy which will be completed and in place during FY23.

Within Construction, we are extremely conscious of the industry's poor statistics around suicide and poor mental health, and we became a foundation partner of MATES in Construction to build awareness of the issue. As part of this we are doing regular "health checks" with our people and our subcontractors to provide a supportive environment in which good conversations, awareness and support are available. We are also working on behavioural safety through building capability and having better conversations to engage our teams and suppliers in a positive way to drive our safety culture.

Summerset is partnering with MATES in Construction

It is encouraging that we are a market leader in the industry with health and safety reporting. In construction, our total recordable injury frequency rate is less than three incidents per 200,000 operative hours. This is our lowest ever at a time when we we're doing more than ever.

It is paramount our sites are safe, and to this end we continue to use SiteWise prequalification as well as quarterly external Site Safe audits to check our performance against best practice. Both Operations and Construction have robust site-based processes and internal audits. All these measures are in addition to the extensive processes and practices we used to manage the Health & Safety of our residents and staff at our villages because of COVID-19.

However, sadly we had our the first death on one of our construction sites in November this year when Marin Construction scaffolder Michael Noche died following an incident at our St Johns site. This, of course, was devastating for us as a company and we'll do everything we can to avoid it happening again. WorkSafe NZ are still completing their investigation into the incident and we have cooperated fully with them throughout this time. We will assess their report when it's completed and look at what, if anything, should be improved on our construction sites to prevent a future tragedy.

Expanding our commitment to diversity and inclusion

At Summerset we celebrate diversity in all its forms. We are committed to an inclusive culture where everyone feels a sense of equity, inclusion and belonging at work. In 2021 we launched a three-year plan to progress this important aspect of our culture, the COVID-19 pandemic delayed a number of initiatives which are now being fast tracked to be completed in FY23.

Research with our staff provided important insights on how we can best accommodate the needs and expectations of our diverse multicultural workforce. To help us create a more inclusive environment, we need to ensure we meet the needs of different staff across our many work sites and help to build awareness of those needs with managers.

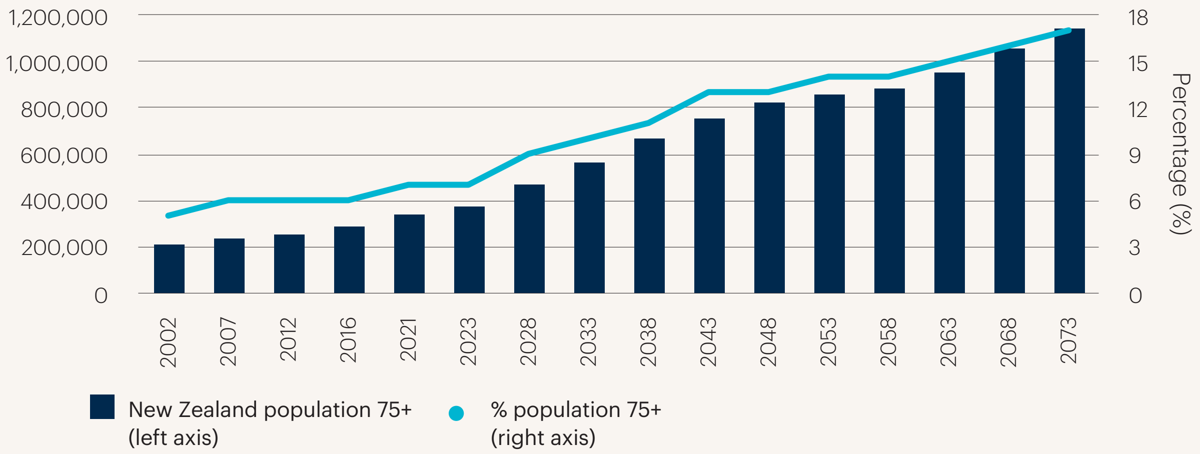
To support this, senior leaders have completed Diversity and Inclusion Leadership training this year and we're rolling this out to all people managers in FY23. Our Diversity and Inclusion Steering Group continues to influence change across the organisation.

In order to understand more about our people, we undertook demographic data gathering from employees across the company, with 72% of our people so far having shared information to the level to which they are comfortable. This information will allow us to target future programmes and efforts in the right areas and to give us a better understanding of the make-up of our staff around the country, and what's important to them.

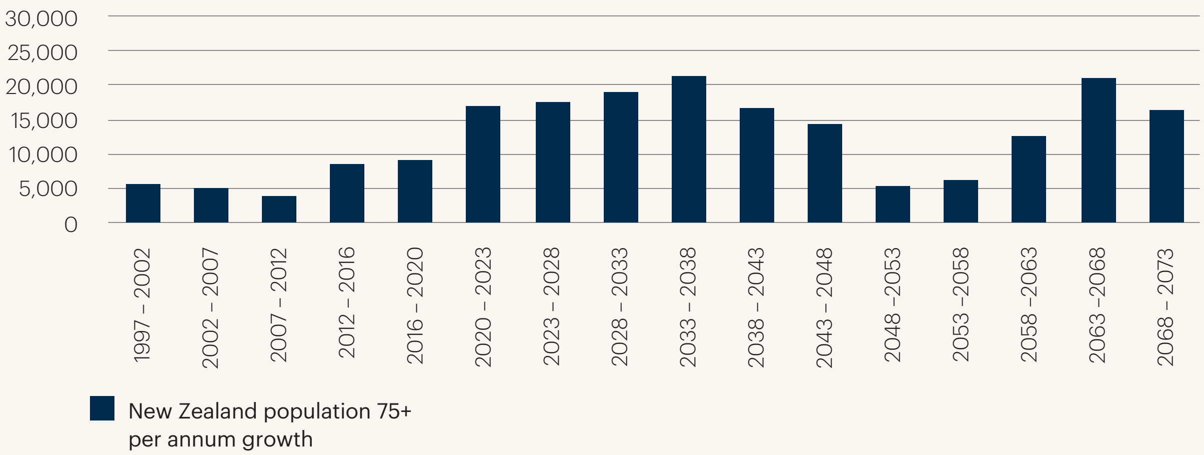
Strong wave of growth

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

New Zealand population 75+



Per annum New Zealand population growth 75+



Source: Statistics New Zealand – National Population Projections

Our villages

Protecting our residents, staff and visitors from COVID-19 was a huge focus for much of the year after the Omicron variant arrived in our villages, on our construction sites and around New Zealand, in January.

COVID-19 has not impacted sales at our villages. In fact, over the year, the continued restrictions further highlighted the positives of being part of a safe and welcoming village community where residents can benefit from our continuum of care model if they need it, along with the opportunities to build new friendships and pursue a range of activities.

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

Record levels of interest

Until COVID-19 restrictions eased in the latter part of the year, we were again challenged to be adaptable in capturing and managing interest from prospective residents. We adopted the use of online presentations and undertook a lot more phone calls throughout the sales process, particularly in the Auckland market where village visits were often restricted due to COVID-19 outbreaks.

We were pleased, as restrictions eased, to welcome our prospective residents back to our villages face-to-face and to be able to run open days at developing villages around the country. There's nothing like being able to show people our villages and letting them touch and experience our product.

We had record levels of interest in our developing villages with presale rates in 2022 being the highest we have ever achieved and we recorded 1,007 Occupation Right sales for the year. Our development pipeline remains strong to continue to meet the demand for our retirement living offering, with more developing villages coming around the country.

The first block of new villas at our new Prebbleton village in Canterbury were completed and we welcomed our first residents in October. In Cambridge the first of our villas for delivery were completed in December and received strong interest and presales. At the end of the year we also completed the Kenepuru village main building and we look forward to welcoming residents into the serviced apartments, care centre and memory care centre at the village in February 2023. In Lower Hutt we were delighted to kick off presales of the much-anticipated Boulcott village development.

We also continued with record levels of interest with strong waitlists at our completed villages.

Selling down our Ellerslie village has been a significant milestone for us given that it is such a large village. We achieved a record 125 unit sales at our Avonhead village - the largest number of units we've sold in one year at one village.

While demand has been high and sales strong we were also cognisant that with the easing in the residential property market, settlement timing will move back to the more regular level seen before the pandemic property bubble. Largely, our incoming residents are not experiencing much delay, but if necessary we have mechanisms in place to assist prospective residents with affordability challenges to help them to move into their new village community while in the process of selling their home.

Our residents are motivated to move to Summerset based around factors such as their lifestyle, health and desire for more community. This motivation doesn't change during property market cycles. We have a range of products from villas through to serviced apartments to cater to different demands and price point,s and we continue to be priced below the median property price. We remain optimistic that we can weather an uncertain economic period comfortably and continue to see high demand and sales throughout 2023.

To further encourage those who are looking to downsize to consider one of our villages, we introduced in 2021 an in-house moving service to support residents moving into our villages. We are the only retirement village provider offering this in-house service and the response has been so overwhelmingly positive we now have moving specialists across our four busiest markets - Auckland, Hamilton, Wellington and Christchurch.

Kenepuru Village winning the coveted Developing Village of the Year Award

Our consultants are available to help those interested in moving into one of our villages. We have also had significant success with delivering downsizing and decluttering seminars to our database of prospective residents. These are examples of how we continue to innovate our customer service to help people make what can be challenging choices about their retirement years.

Strength in our building programme

We have invested approximately $428 million into our build programme this year. Year-on-year increases mean we remain the largest constructor in the New Zealand retirement village sector and are in the top five residential construction companies in New Zealand. To this end, we successfully completed our annual New Zealand building target of 600 units under Occupation Right Agreement with 625 units completed during the year. That impetus and consistency to deliver year-on-year ensures we are well positioned to meet ongoing increases in sector demand, and we expect to build 600-700 homes in FY23.

This year's delivery achievement is even more remarkable given the impact of COVID-19 within the construction sector across resource and materials. The construction industry has reported that more than 70 percent of major construction projects have been delayed, whereas we have been able to meet our delivery targets. All our villages under construction met their year-end delivery targets, and several new sites were mobilised despite supply chain issues and material shortages. There are a number of reasons for this significant achievement, including robust procurement, planning and consenting processes, and designing most of the villages in-house. We also have long-standing reliable supply agreements that have enabled us to secure materials well in advance.

Our teams were simultaneously building on 16 sites this year, including completing our main building at our Kenepuru (Porirua) village.

Kenepuru is our largest commercial build ever – a 13,000 square metre building. Our Te Awa, Pāpāmoa and Bell Block main buildings will be ready for residents later in 2023 too, and like Kenepuru these buildings will have our world-class care and memory care centres. The number of sites we have delivering means we have the ability to accelerate or decelerate deliveries across regions to ensure the best return on investment.

Artist impression of Waikanae village where villa construction started in early January 2023

We completed the first release of villas at our Prebbleton (Canterbury) village in August. This village showcases a grand entrance avenue, indicative of the distinctiveness and individuality we aspire to in future village master plans.

Our Waikanae village development is also progressing well.

A major earthworks exercise saw us move approximately 300,000 cubic metres of earth in record time to enable the site to be prepared. Villa construction started in early January.

We have invested in our procurement programme and it has reaped dividends. We now have a very mature procurement function which has seen us through these uncertain times. This is contributed to by securing and maintaining excellent relationships with our suppliers. We are also highly regarded by our subcontractors, which has been crucial as with so much work on they have options, but they continue to choose to work with us thanks to our reputation and commitment to quality.

We remain confident that we'll get the best value for money we can with our procurement function but we're conscious that many of our contracts are up for renewal in 2023 and we will see cost rises. Currently we're not seeing any reduction of prices on the horizon so we continue to closely monitor our costs and look for the best possible ways to buy and build at scale without compromising on quality.

As part of a strategic review of our building programme we made the decision in December to put our proposed Parnell village on hold. Construction costs have escalated significantly and with a declining property market we considered it prudent to pause in this environment on the relatively complex build.

During 2023, other than at our St Johns and Boulcott sites, the vast majority of our building will be low-intensity structures which will help us to keep a lid on costs.

Also, we're starting to see early signs of more labour supply with increased subcontractor availability. Many construction companies are pausing or rationalising some of their programme in light of cost increases which means, coupled with the now open borders, we hope to have more labour available for our projects around the country. Also, while New Zealand continues to face high levels of inflation we are hopeful that the construction sector is starting to normalise.

Commitment to vibrancy and innovation

It is important to us to build vibrant villages with superior amenities, and we want our built environments to lead the sector. For each village's design we consider its unique setting and work to create great passive and active outdoor spaces for residents to enjoy communally or by themselves. These include children's playgrounds, outdoor BBQ areas, and as featured in our Cambridge and Milldale villages, a lovely wintergarden.

At both our Bell Block and Cambridge villages we have collaborated with local iwi on landscape features and pocket parks to make the villages not only a really nice, enjoyable place to live, but also acknowledge the land's history.

We believe that part of our point of difference is these added touches that give residents something more than just a high-quality home. It adds to their community and gives the village a sense of place containing varied elements for residents to enjoy.

To accelerate our drive for innovation and sustainability in design and construction, this year we have embedded a design Research and Development team to ensure we fully meet the customer's built-form needs of today and tomorrow.

A major sustainability initiative has been the introduction of significant cross-laminated timber elements into our main building structures, saving 50 tonnes of embodied carbon per building. Our Summerset Mt Denby village in Whangārei will have our first such lightweight main building, eliminating 760 cubic metres of concrete in favour of timber. The main buildings at Summerset Cambridge and Prebbleton will follow the same sustainable design.

We've also invested in an innovation and performance manager looking at onshore/offshore opportunities as we want to find better and faster methods that still maintain our exacting quality requirements.

We are proud of our building designs and quality and were delighted to also achieve external recognition of our commitment to excellence with industry awards. Our Richmond main building was a finalist in the Property Council awards, the first time a Summerset building has been entered.

The largest land bank in the sector

To meet demand, we have further strengthened our development pipeline both in New Zealand and Australia and we continue to have the largest land bank of any retirement village operator in New Zealand.

Our highly consented portfolio gives us a lot of flexibility to how and where we're building depending on demand and supply around the country.

This year we announced land acquisitions in Masterton and Rotorua in New Zealand, and Mernda and Drysdale in Victoria, Australia.

The Wairarapa, where our proposed Masterton village will be located, has a rapidly growing aging population with the number of people aged 75+ forecast to increase 50% in the next six years. It's also just over the hill from Wellington and we believe many Wellingtonians will relish the chance to retire among the Wairarapa's vineyards, golf courses and settled climate. Development can follow a plan change to rezone the land to residential, for which a council hearing is scheduled in early 2023.

The Rotorua area doesn't have a retirement village offering like ours currently, and with a strong 75+ population expected to increase by 30% in the next six years we believe demand for the proposed village will be very high.

Our Mernda site is a 30km drive north-east of Melbourne's CBD in a growing suburban area that is very well serviced by a wide range of social, recreational and retail amenities.

Drysdale is on the popular Bellarine Peninsula, not far from Geelong, an area with significant planned investment. The site itself provides excellent access to numerous amenities in the area including Clifton Springs Foreshore Reserve, Clifton Springs Golf Club and the Lake Lorne Recreation Reserve.

Also, we continue to see growth opportunities throughout Auckland. Earlier in the year we lodged a fast-track resource consent application under COVID-19 legislation enacted to accelerate shovel-ready projects for our proposed Half Moon Bay village.

Our plans in Australia are well advanced

Our Australian business is progressing at pace, and we have continued to invest in building the capability and capacity of the team.

We are excited to introduce Australians to our high-quality integrated model of village living, which includes a full range of retirement units, from independent living villas, townhouses and apartments to serviced apartments, care and memory care beds.

Australia's rapidly growing elderly population is forecast to see those aged 75+ increase by 140% to 4.1 million in the next 30 years and we are building a strong land bank like our New Zealand programme.

Our current pipeline will see us build more than 2,140 units accommodating some 2,500 residents with an aggregate project investment of $1 billion.

Cranbourne North - Summerset's first Australian site to begin construction.

We plan to have a high proportion of our sites consented so we can move from one site to another quickly, much like we do in New Zealand. This year we acquired additional new sites at Mernda and Drysdale, bringing our number of Australian sites to seven, all in Victoria.

Cranbourne North is our first Australian site to have begun construction. A significant piece of work being undertaken by Major Road Projects Australia on the road running parallel to the village slowed us down initially as we had to work within their timeline to connect our facilities infrastructure to the site. We are now pleased to be in alignment with them and progress is well underway to see us deliver our first units in Q4 2023 with the first residents moving in in 2024. The development will deliver 145 villas and townhouses, 72 aged care units, 50 serviced apartments and a one-hectare public reserve.

Our site in Chirnside Park was consented in early November following a unanimous vote by the Yarra Ranges Council. It is pleasing to have secured the permit in under nine months, which now paves the way for construction to start in 2023.

At our other five sites, our planning processes are well advanced.

We're moving through the various stages with local councils, expecting to have more consents in place in 2023.

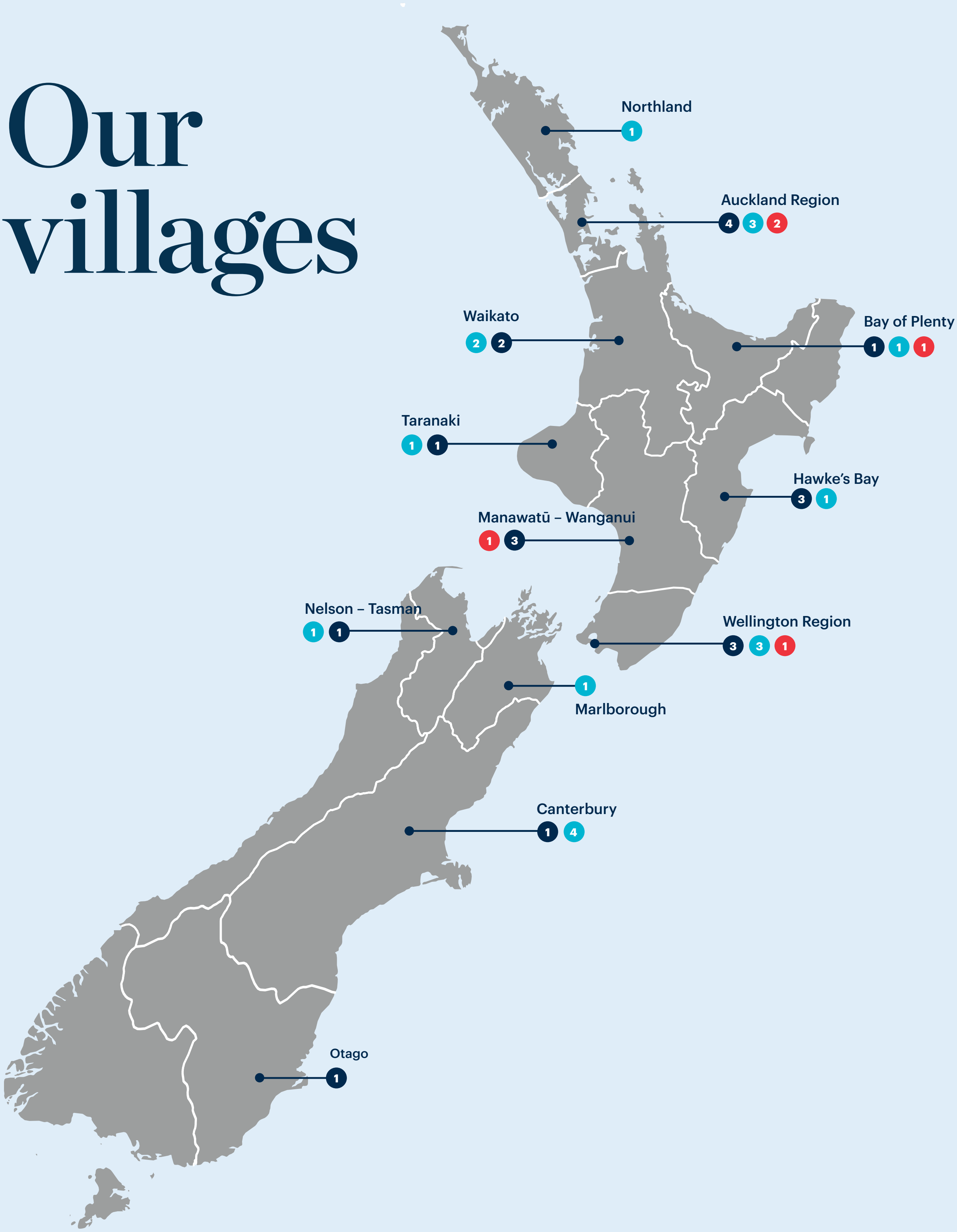
While the New Zealand and Australian markets have many similarities, there are also important differences. As our Victorian sites are climatically different, the footprint of our villas in Australia is larger and there is more emphasis on outdoor living.

Our integrated offering of independent living and care is also relatively new in the Australian market, with aged care often being a stand-alone offering. Our designs are contemporary in nature, and the build form matches the expectations of the market and tailors our villages to the locations we're building in. Our proposed village in Torquay, for example, will reflect the coastal identity of where it will be built.

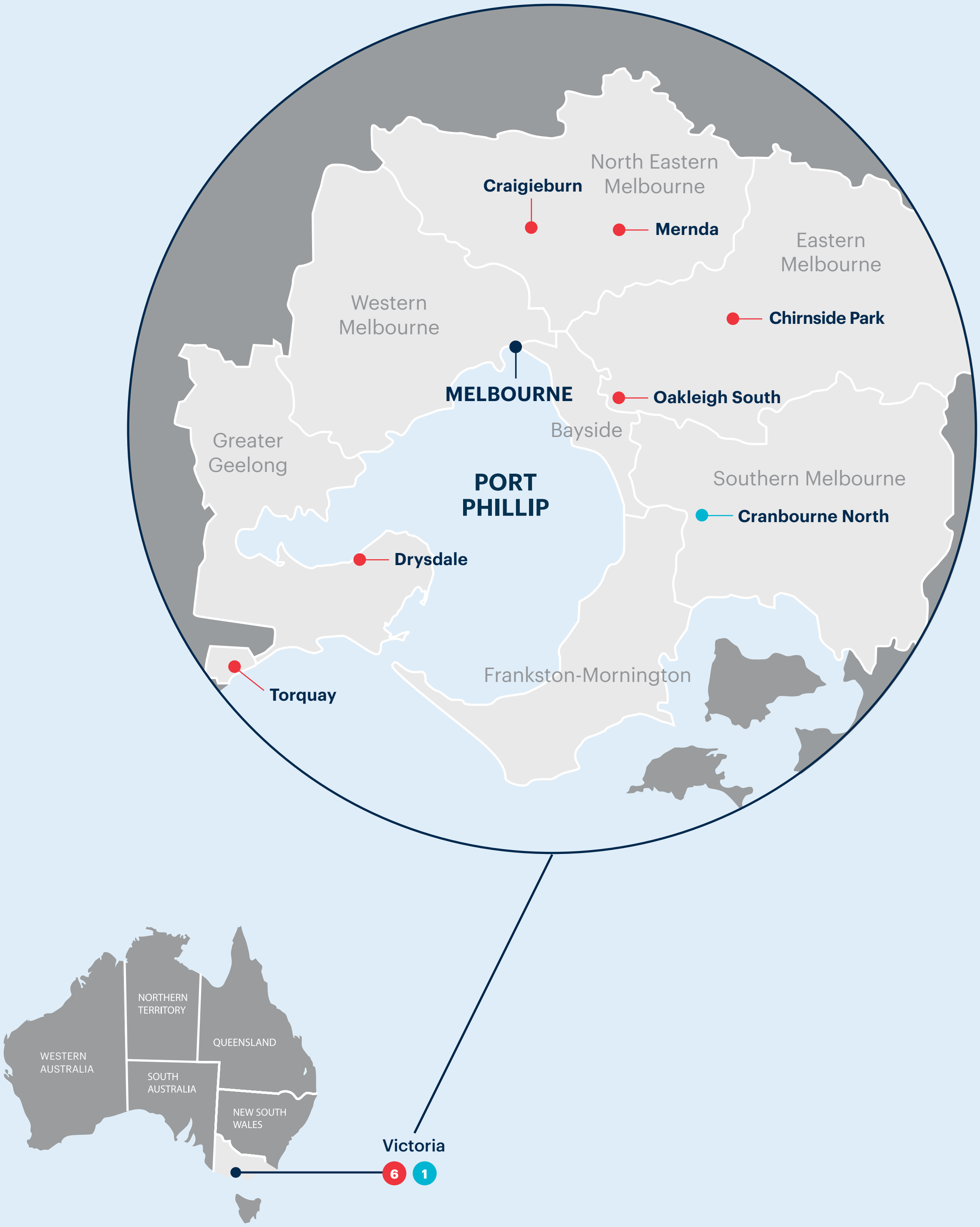
2

new land acquisitions in Australia in 2022

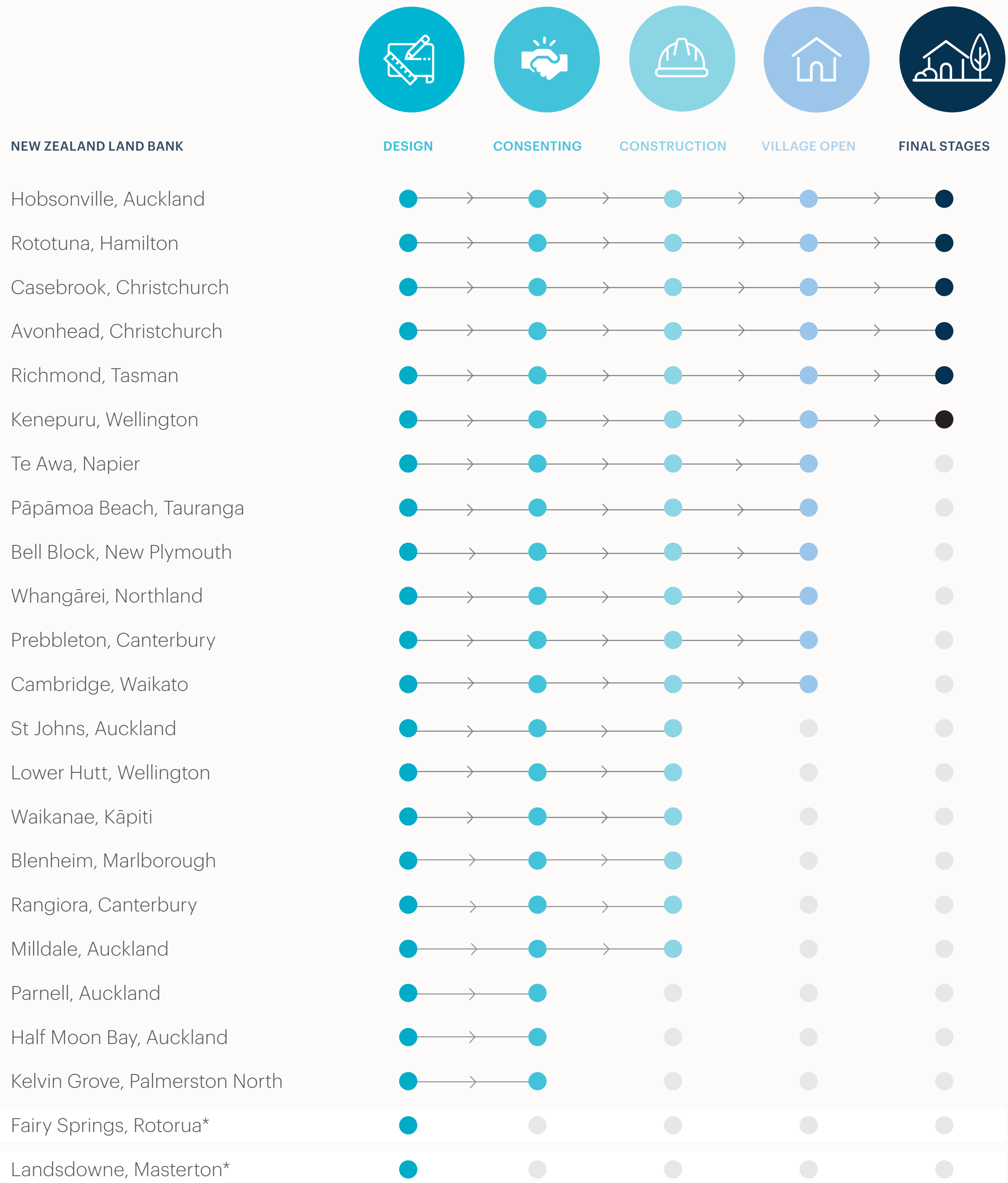
Our villages



- Completed villages
- In development
- Proposed villages


North Eastern Melbourne
Craigieburn
Mernda
Eastern Melbourne
Western Melbourne
Chirnside Park
MELBOURNE
Oakleigh South
Bayside
Greater Geelong
PORT PHILLIP
Southern Melbourne
Cranbourne North
Drysdale
Frankston-Mornington
Torquay
NORTHERN TERRITORY
QUEENSLAND
WESTERN AUSTRALIA
SOUTH AUSTRALIA
NEW SOUTH WALES
Victoria
6
1

Our pipeline



* New sites purchased

AUSTRALIAN LAND BANK	DESIGN	CONSENTING	CONSTRUCTION	VILLAGE OPEN	FINAL STAGES
Cranbourne North, Melbourne	●	●	●	○	○
Chirnside Park, Melbourne	●	●	○	○	○
Craigieburn, Melbourne	●	●	○	○	○
Oakleigh South, Melbourne	●	●	○	○	○
Torquay, Victoria	●	●	○	○	○
Mernda, Melbourne*	●	○	○	○	○
Drysdale, Victoria*	●	○	○	○	○


Summerset's Mernda site in Melbourne acquired in 2022

* New sites purchased


CHELSEA

From going green to thinking green

We take our commitment to sustainability very seriously and we've worked hard to embed sustainability right across our business.

Since our base year, 2017, we have been measuring, managing and reporting on our carbon footprint and we're proud that we were the first net carbonzero™ retirement village operator in New Zealand. Toitū Envirocare began independently auditing our emissions to the ISO14064-1 standard in 2018, and we have been increasing our commitment to sustainability ever since (see verified audit on the Toitū website www.toitu.co.nz).

Over the last five years we've significantly reduced our construction waste (and exceeded our targets), became the first retirement village operator to obtain sustainability linked lending, introduced a science-aligned target, joined the Climate Leaders Coalition (the only retirement village operator to do so) and changed many practices across our business from fertiliser use to travel.

We've moved past the 'going green' phase to thinking green right across the company. We've integrated sustainability into business decisions and we're challenging ourselves in all parts of our business to do better.

We were very pleased to have Forsyth Barr, in their Inaugural Carbon and ESG Ratings for NZX listed companies, name us as one of the 'Leaders' on the NZX and 11th overall. We were also the top-rated listed retirement village operator. It was very pleasing to have this external acknowledgement of our work to date.

All this is not to say there's not more to do – there is. We have three sustainability targets across the short, medium and long term and these targets guide our approach covering activities within operations, construction and development, as well as involving our residents.

Our emissions profile

Summerset's total emissions in 2022 were 8,549 tCO_2e, which is an increase on our 2017 base year of 5,939 tCO_2e. As Summerset's portfolio grows and the number of villages in operation increases, it means our absolute carbon emissions will continue to increase. We are pleased that the growth in emissions per square metre of developed land has decreased by 17% when compared to our base year of 2017. Our existing and new buildings are becoming more efficient and less carbon intensive as our portfolio grows.

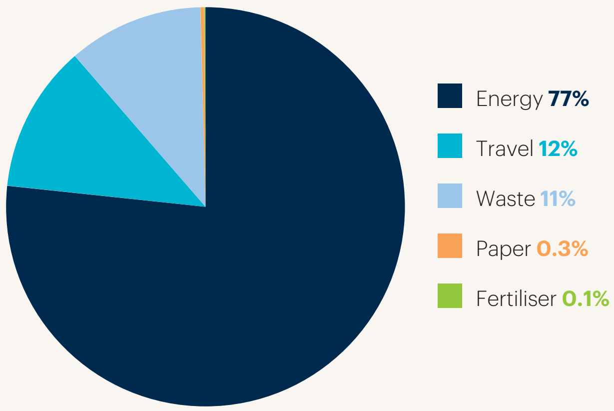
Our emissions profile includes Scope 3 mandatory and additional emissions from residents captured under waste to landfill and electricity. Resident electricity consumption contributes to 26% of our overall footprint with energy consumption overall accounting for 77% of our total carbon emissions.

Final year of our first short-term target

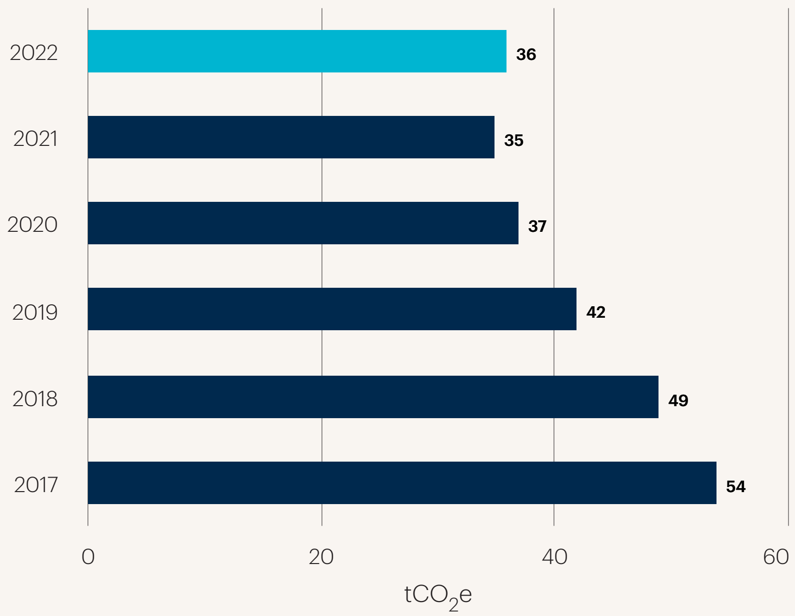
Our short-term target was put in place in 2018 and ran until the end of 2022. It kicked off our sustainability activity and has been an important driver for us to learn more about what we do and how we do it, and how to educate and engage our staff, residents and other stakeholders.

The Toitū-verified net carbonzero target aimed to reduce our emissions intensity by 5% from our 2017 base year. This target was intensity-based and focuses on the key areas of energy, waste to landfill, paper use, fertiliser and travel.

2022 key focus areas



Emissions intensity – tCO_2e per $million of revenue



We used intensity-based targets because they helped us to analyse lowering our emissions while we're growing as a business. To measure these areas, we used two key measures of efficiency: total emissions per $million of revenue, and total emissions per square metre.

Throughout the five years of the short-term target our emissions intensity has steadily dropped, and against our mandatory target of emissions per $million of revenue we have achieved an excellent 16% reduction based on a rolling average and adjusted for inflation.

We're very proud of the progress we've made: a 16% reduction demonstrates our commitment over the last five years to reduce our carbon footprint. A new five-year target that will run until the end of 2027 has been set for scopes 1 & 2 and scope 3. Our new scope 1 & 2 target is to reduce emissions intensity per square metre by 34% by 2027 (against base year 2022). This target is science-aligned and in line with the 1.5 degree of warming limit.

We have defined focus areas that keep us on track to meeting our targets:

ENERGY

We've decreased our energy consumption per square metre (including resident consumption and losses) by 14% when compared to our 2017 base year. This has been achieved through energy efficiency programmes, LED lighting upgrades and fuel switching opportunities.

WASTE

Our construction sites have invested a huge amount of time and effort into waste diversion in partnership with Waste Management NZ. Our waste avoidance programme was recognised by the Sustainable Business Network which made us a finalist in their Outstanding Collaboration Award in 2022. The programme diverted 1,276 tonnes of waste from landfill and saved ~238 tCO_2e in its first year.

PAPER

Our paper use has decreased by 50% per resident when compared to our 2017 base year. Initiatives such as follow me print, the use of low carbon paper, and transitioning resident invoices and newsletters to email and online have all contributed to this improvement.

FERTILISERS

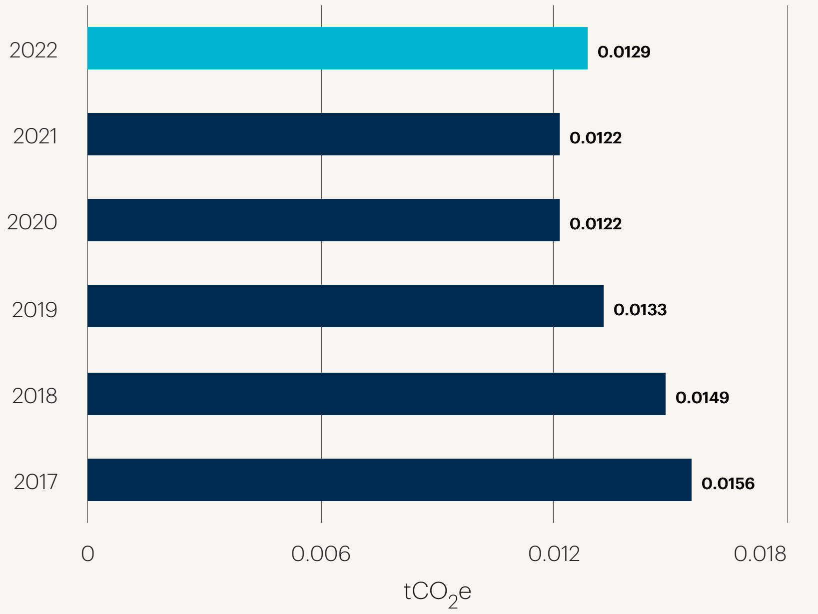
We have reduced the amount of nitrogen-based fertiliser we use around our village gardens and landscaping and we've increased the number of drought-friendly plants in our gardens.

TRAVEL

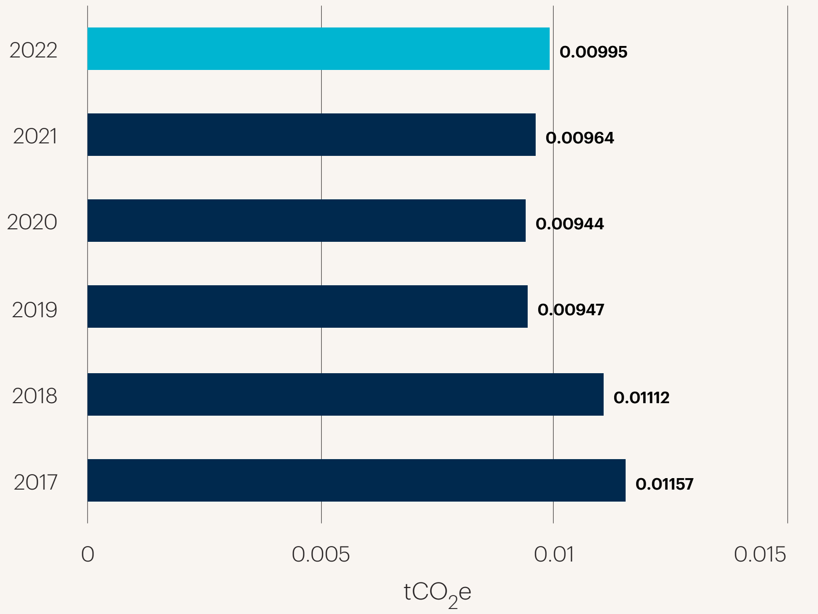
We expected a rise in travel emissions as the country reopened following COVID-19, our expansion into Australia and increase in the number of villages across New Zealand. The increased adoption of remote and virtual working will assist in keeping our travel emissions down.

Alongside actively working to reduce our emissions, we offset the emissions we can't avoid through purchasing carbon credits. This year we chose to again invest in Hinewai, an ecological restoration project on the Banks Peninsula of New Zealand. The primary aim of this project is to foster regeneration of native vegetation and wildlife.

Emissions intensity – tCO_2e per square metre



Energy emissions – tCO_2e per square metre



Summerset Mt Denby in Whangārei, our first of five lightweight and mass timber buildings

Continued progress on our medium-term target

Our medium-term (2026) performance targets are based on our sustainability linked lending facility which we announced last year.

We were the first retirement village operator in New Zealand to link sustainability to our funding arrangements.

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

We are very pleased with our progress – we have exceeded our first term target for our construction waste avoidance programme where we've made significant changes to our processes and looked right throughout our supply chain to find efficiencies.

Similarly we remained on track with meeting our carbon emission intensity reduction targets.

While we continue to be dementia accredited there were some delays which caused us to miss our target for new memory care beds this year. Our two new memory care centres at Kenepuru (Wellington) opens in February 2023 and Te Awa (Napier) will open mid 2023.

This is a cumulative medium-term goal though, and as we have a number of dementia beds opening in 2023, we are very confident we'll meet this target.

Our long-term goals

We introduced our long-term science-aligned target in late 2020 which supports our involvement in the Climate Leaders Coalition, Carbon Disclosure Project (CDP), Toitū and our sustainability linked lending arrangements.

This target means we have committed to reducing our emissions intensity by 62% per square metre by 2032, from our 2017 base year. This year we invested in a decarbonisation plan to assist in the transition to a low-carbon, climate-resilient future and to define the pathway toward meeting our science-aligned target.

Energy use currently accounts for 77% of our carbon emissions, so to achieve this target we recognise that we will need to move to more renewable energy sources. We have taken a number of steps to start this process including the introduction of a biomass boiler that uses wood pellets, and we've successfully introduced solar panels on the clubhouse at our Nelson village.

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

ROLES AND RESPONSIBILITIES

BOARD

Oversees climate-related issues and responsibility for sustainability
Reviews and approves our direction and monitors our progress against targets

CEO

Assesses and manages climate-related risks and opportunities. Reports on programme performance and progress

SUSTAINABILITY FORUM

Includes Executive Leadership Team members, Sustainability Manager and key Business Unit Managers. Shapes, monitors and coordinates our sustainability programme across the business

THINK GREEN | ONE TEAM. CREATING A SUSTAINABLE FUTURE FOR ALL.

GREEN TEAM

Implements specific actions and initiatives identified in the emissions reduction plan. Embeds sustainability culture throughout Summerset including within the village way of life

We have a further solar installation planned at our Karaka village and we're in the process of scoping incorporating solar panels into our new builds. We recognise reducing our absolute emissions is a challenge, particularly when we're growing so quickly. Reducing our reliance on the national grid will help us to achieve this goal.

Governance and reporting

Governance of our sustainability is important to keep us on target. This year we have invested further in innovation by introducing a research and development forum to support our efforts to build quality, sustainable housing in changing climatic conditions.

Increasingly, we are being asked to disclose more about what we are doing in relation to environmental, social and governance (ESG) activities. We are committed to transparent governance and reporting and will continue to report in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFDs) and participate in the annual CDP disclosure process, an international non-profit organisation that helps companies and cities disclose their environmental impact. This year we maintained our B result which puts us in the top 13 companies in New Zealand to be highly scored and among 30 who submitted a response to climate change questions. Our CDP Supplier Engagement Rating also scored high with an A-.

To meet the Task Force on Climate-Related Financial Disclosures (TCFD) and External Reporting Board (XRB) disclosure timeframes and obligations we undertook a gap analysis process in 2022 to evaluate our disclosure progress. Progress was determined as advancing according to plan, with the findings from the gap analysis being used to refine our implementation pathway and roadmap.

We have been a member of the Climate Leaders Coalition since its inception in 2018 when it was launched to promote business leadership and collective action on climate change.

We are now discussing a more ambitious science-aligned commitment for scopes 1, 2 and 3 emissions to support the delivery of the reductions needed to limit future global warming to 1.5 degrees Celsius. We will also continue to encourage our employees and residents to reduce their emissions as we continue our journey.

We also have an ongoing plan to actively identify and work to eliminate all forms of modern slavery in our supply chain.

Much of our business relies on international sourcing – so we are extremely attuned to supply risk. The range of risk we consider and assess is growing in both scope and depth, and as a business we feel we are taking the necessary steps to deepen our assessment of human rights risk as part of our wider supply chain assessment activities.

Summerset's modern slavery statements are available on the online register at www.modernslaveryregister.gov.au. Summerset also notes the ongoing consultation and legislative proposals in New Zealand and will ensure that we are fully compliant with its requirements once it is enacted and in force.

Other initiatives this year

At our villages, our residents have taken a keen interest in sustainability. In Summerset at Karaka our residents wanted to recycle their food waste and worked with village management to implement a solution. Other residents around the country have created gardens around their villages, including at Palmerston North where raised gardens were created using recycled materials.

The process of replacing the Summerset fleet with Electric Vehicles (EVs) started this year, and public EV charging points have been installed at a number of villages with plans to put more in around the country.

To meet the needs of our future residents, EV charging infrastructure is being installed into all new Summerset villages.

Biodiversity and doing more to protect the land we purchase and build on has been a focus too. At our developing Waikanae village we are replanting more trees than we've removed as part of our earthworks and we've designated a large area of emerging Mahoe forest as protected.

Water conservation is a big part of protecting the land and the surrounding areas where our villages are located too. Our proposed Half Moon Bay village will have water tanks onsite to collect rainwater to use in our gardens and we're recycling collected storm water at a number of villages around the country to be used in our irrigation.

We've also made changes that will impact our embodied carbon figures with our newly consented main building at Whangārei, which is a lightweight design that utilises cross-laminated timber and significantly cuts down the use of concrete and structural steel. This lightweight design will become the standard for many of our new builds around the country. Reducing the embodied carbon of construction materials within design and construction remains a key focus across all typologies.

A-

CDP Supplier Engagement Rating

Our commitment to sustainability extends to our Australian villages too. We are currently working through the feasibility of green star certification for our villages. Solar power will be provided on all main buildings after Cranbourne North, demonstrating a commitment towards the use of renewable energy. Our Australian villages also integrate initiatives such as drought-resistant landscaping, reticulated greywater use (where available), rainwater collection for use in the village, and water-efficient fittings and fixtures used throughout. We are also planning on creating 100% electric villages that are completely fossil gas free after Cranbourne North.

We're committed to leading positive change within our industry.

To achieve this, we must consistently demonstrate how we're meeting the goals and targets that we've set through real action. This includes transparent climate-related governance systems, improved policies, regular reporting, further investment in capability building and taking our residents on the journey with us.

Climate-Related Disclosures

THIS TABLE PROVIDES A ROADMAP OF PROGRESS AGAINST THE TCFD RECOMMENDATIONS ON CLIMATE-RELATED FINANCIAL DISCLOSURES. FROM FY23 SUMMERSET WILL REPORT AGAINST THE XRB REQUIRED DISCLOSURES.

SECTION	FY22
GOVERNANCE	
A. Describe the Board's oversight of climate-related risks and opportunities.	●
B. Describe management's role in assessing and managing climate-related risks and opportunities.	●
STRATEGY	
A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	◐
B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	◐
C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	◐
RISK MANAGEMENT	
A. Describe the organisation's processes for identifying and assessing climate-related risks.	◔
B. Describe the organisation's processes for managing climate-related risks.	◔
C. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	◐
METRICS AND TARGETS	
A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	◔
B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	●
C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	●

COMPLIANCE KEY

● Aligned ◐ Progressing ◔ In Progress

ROADMAP TO COMPLIANCE AGAINST TCFD AND XRB DISCLOSURE OBLIGATIONS

The Company has developed a roadmap to support the implementation of the Taskforce for Climate Related Financial Disclosure guidelines and the External Reporting Board's climate-related financial disclosure standards. Summerset is aiming for its full disclosure to be ready for the FY23 reporting cycle, published in 2024. In working towards this, Summerset is evaluating the systems, processes, resourcing, strategy and governance measures that will be necessary for it to meet TCFD/XRB disclosure requirements and effectively address climate change issues.

Casebrook construction team trial new reusable and changeable waste and recycling signage

1ST
NET CARBONZERO™ RETIREMENT VILLAGE OPERATOR IN NZ

16%
REDUCTION IN tCO_2e PER $MILLION OF REVENUE AGAINST 2017 BASELINE

1.5°
SCIENCE-ALIGNED TARGET

5
NEW LIGHTWEIGHT SUSTAINABLE MAIN BUILDINGS PLANNED

1,276
TONNES OF CONSTRUCTION WASTE DIVERTED FROM LANDFILL

A-
CDP SUPPLIER ENGAGEMENT RATING SCORE

SUMMERSET IS PROUD TO BE AFFILIATED WITH:

TOITŪ NET CARBON ZERO ISO 14064-1 ORGANISATION

NZGBC TE KAUNIHERA HANGANGA TAUTAIAO Member 2022–2023

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

CDP DISCLOSURE INSIGHT ACTION

Our performance

Artist impression of Summerset Milldale

Summerset has delivered another year of strong financial performance and maintained balance sheet resilience despite a challenging operating environment.

Financial performance overview

Underlying profit[1] for the year ended 31 December 2022 increased by 21% on the prior year to $171.4 million (2021: $141.1 million), driven primarily by increased margins on sales of new and existing units. This is a result of our new sales mix shifting more towards villa sales which attract higher margins. Villas made up 67% of total new sales (2021: 62%). Resale margins increased, reflecting higher sale prices across the board. We maintained our delivery of units to a similar rate on prior year to 625 (2021: 619). Sale volumes of new units remained at similar levels to 2021, decreasing three units to 537, while sales on existing units increased by 7.3% to 470 (2021: 438). Realised gains on investment property are $175.1 million (2021: $138.4 million). Revenue for the year grew 16% to $238.7 million (2021: $205.3 million), reflecting village revenue growth from deliveries within our developing villages and continued high rates of care occupancy in existing villages. Profits from operations have reduced due to wages and costs increasing at a rate higher than the increases to public funding, in particular nurses wages, council rates, insurance, and power.

Long-term growth

A key component of underlying profit is the realised development margin on new sales, which was $104.9 million in 2022 (2021: $78.5 million). The increase was driven by a higher proportion of new sales being villas, which attract higher margins. The development margin was 29.7%, up from 23.1% in the previous year. We expect that development margins will be maintained within the 20-25% range over the medium term. This will continue to be an area of focus for the Board and Management. Good margins reflect the advantage of having strong in-house capabilities for each stage of village development including land acquisition, planning, consenting, design, procurement and construction management. We continue to work to manage cost inflation across our build pipeline through leveraging from scale, standardisation and mature procurement planning.

Summerset continues to maintain the largest land bank for a retirement village operator in New Zealand.

We acquired four new sites in New Zealand and Australia in 2022.

These are Fairy Springs (Rotorua), Landsdowne (Masterton), Mernda (Melbourne), and Drysdale (Victoria). This brings our total land bank to 7,364 units.

Summary of sales and developments

Summerset had a record sales year, with 1,007 unit sales of Occupation Rights (2021: 978), 537 of them new unit sales and 470 sales of existing units. Average gross proceeds per new sale settlement of $658,000 was up from $630,000 in 2021 due to the mix of units sold along with the strong housing market in the first half of the year. Realised resale gain increased by 17% to $70.2 million in 2022. Average gross proceeds per resale settlement were $561,000, up 6% from 2021. Key development milestones included the delivery of the Kenepuru main building and beginning construction of three new villages, Whangārei (Northland), Lower Hutt (Wellington), and Milldale (Auckland). For developing villages still under construction, new unit sales were particularly strong at Bell Block (Taranaki), Te Awa (Napier), Kenepuru (Wellington), and Whangārei (Northland). We had our highest year of presales ever in 2022, with 302 villa deliveries pre-sold (60%). In Australia we have continued to acquire land, purchasing two additional sites taking our total Australian sites to seven. Civil works for our first village, at Cranbourne North (Melbourne), have begun and we expect the first deliveries in late 2023.

Net profit after tax

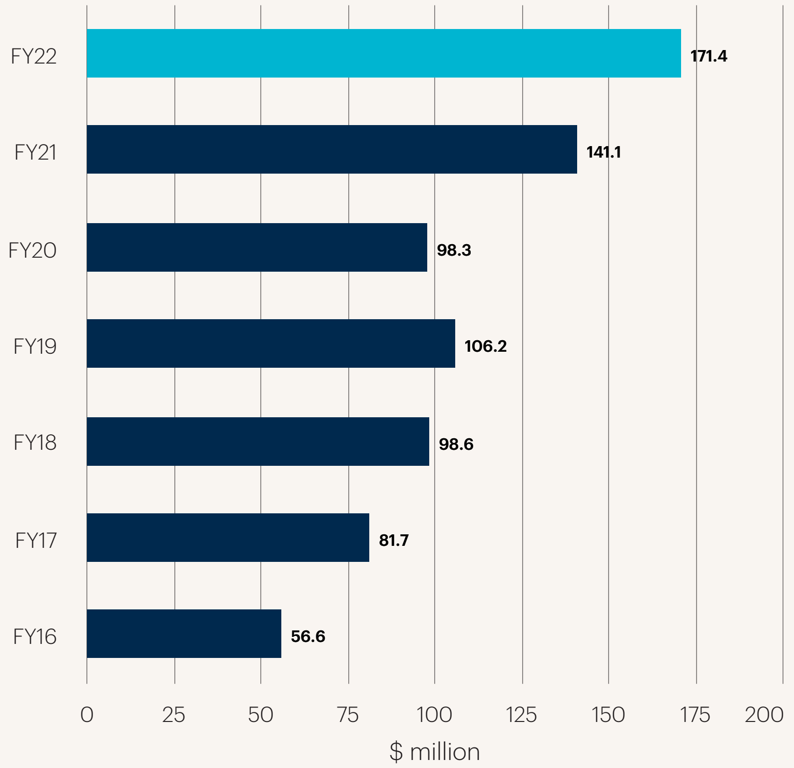
Summerset recorded a net profit after tax of $269.1 million for the year ended 31 December 2022, down from $536.8 million in 2021. This decrease is largely due to the large fair value recognised in 2021. Fair value movement in 2022 of $255.8 million reflects the delivery of 588 retirement units in the financial year.

Business growth and expenses

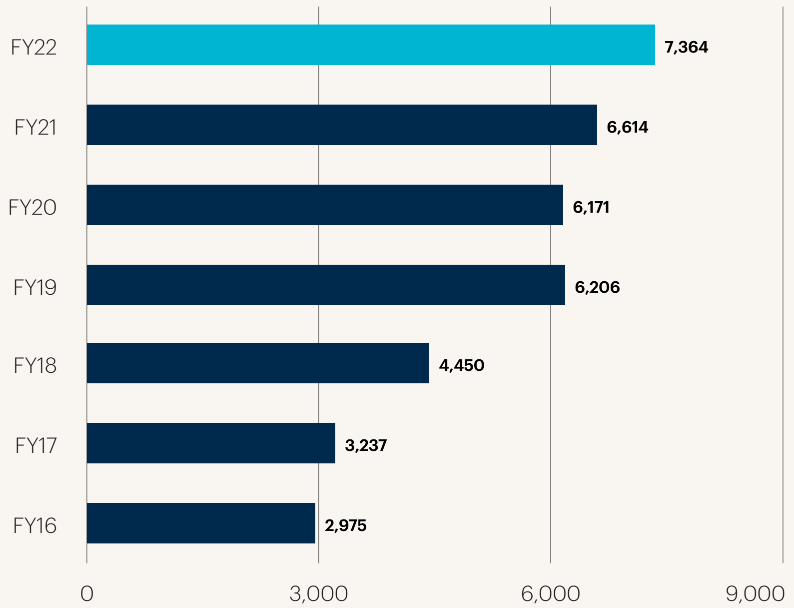
Summerset derives its revenue from selling units (deferred management fees) and providing village and care services. The company's revenue increased as a result of higher volumes, reflective of the continuing growth and scale of our operations. Deferred management fees on Summerset's units sold under Occupation Right Agreement were $92.3 million in 2022 (2021: $75.2 million). The growth reflects the increase in the number, occupancy and value of Summerset's portfolio of units. At

1 *Underlying profit is a non-GAAP measure. A detailed explanation is included in Note 2 to the Financial Statements (see page 67). In general terms, underlying profit removes the fair value movement of investment property and reinstates the realised gains associated with our resales and the development margin associated with our new sales. Underlying profit is used to determine the dividend pay-out to shareholders.*

Underlying profit



Land bank over time (units)



31 December 2022, Summerset's total unit portfolio reached 6,679 (2021: 6,028), and at year end there were only 308 new units and 150 resale units available for sale. Occupancy in our mature care centres was 92% (2021: 97%), which is above the industry average of 90%. Total expenses increased in 2022 by 18% to $225.7 million (2021: $190.6 million), largely due to the increased care wage costs at a rate above the level of public funding increases, and general cost growth across head office functions. We experienced growing employee costs due to tight labour conditions, higher rates across our properties and increased insurance premiums. We incurred $4.0 million of one-off operational costs due to COVID-19 in 2022. This was predominantly from PPE, RATs and staff stand downs.

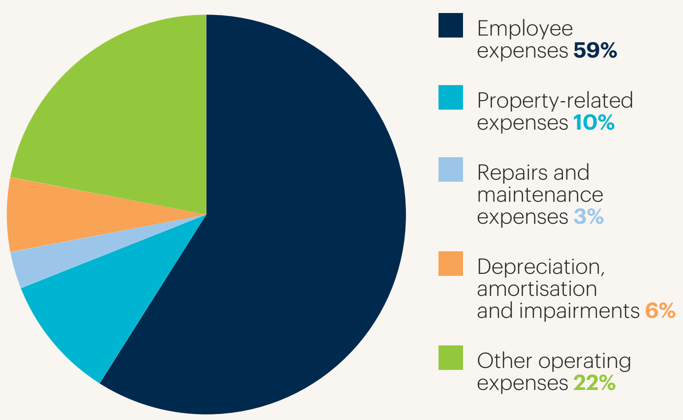
Net cash from operating activities

Summerset's net cash from operating activities was $369.2 million for the year, down 4% from 2021 (2021: $383.4 million). This was principally driven by increased costs of providing care and reduced receipts from resales due to the timing of resale settlements. Gross receipts from new Occupation Right Agreement sales were $347.3 million, up from $337.6 million in 2021. Summerset is a growth company and reinvests operating cash flows back into the business to finance future growth. In 2022 Summerset invested $651.7 million, primarily in relation to land acquisitions and new and existing retirement villages and care centres (2021: $425.0 million).

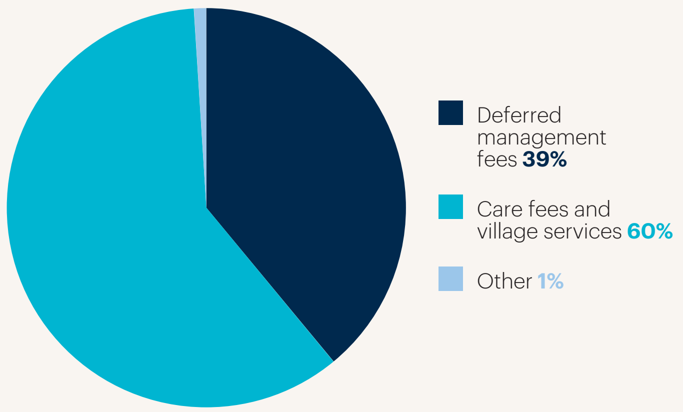
Assets rose to $5.8 billion
Total assets rose 19% to $5.8 billion at 31 December 2022 (2021: $4.9 billion), mainly due to growth in the size and value of Summerset's investment property, which reached $5.4 billion (2021: $4.6 billion). At balance date, Summerset also had property, plant and equipment valued at $326.1 million (2021: $277.7 million), most of this being care centres (these are operated to provide services and are therefore not included as investment property). An increased embedded value of $1.5 billion (2021: $1.4 billion) demonstrates future cash that can be generated when units are resold. Interest-bearing debt of $1,060.5 million was 18% of total assets at year end (2021: $747.0 million). The year-end debt at face value is made up of $699.4 million of bank borrowings and $375.0 million of retail bonds. Summerset also has residents' loans of $2.2 billion (2021: $1.8 billion). This is in the form of licences paid by residents under Occupation Right Agreements. These are repayable when residents vacate units and the associated Occupation Rights are resold.

2022 dividends
Summerset will pay a final dividend of 11.6 cents per share (cps) on 23 March 2023, making a full pay-out for the 2022 year of 22.3 cps (2021: 18.5 cps). Board policy remains for shareholder distributions in the range of 30–50% of each year's underlying profit. The 2022 distribution of $51.6 million represents 30% of underlying profit ($171.4 million), which is consistent with the last seven years. Summerset continues to offer shareholders a dividend reinvestment option, including a 2% discount to market share price.

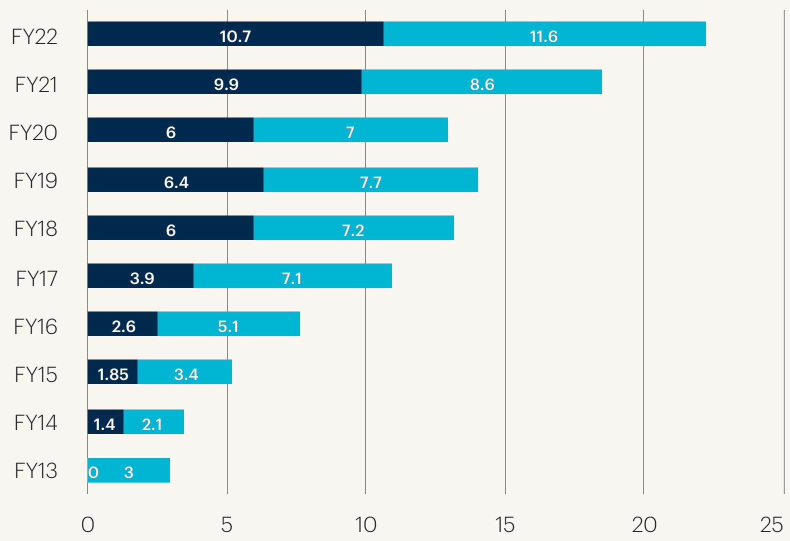
Expense breakdown



Revenue breakdown



Dividends (cents per share)



Five-year summary

Key operational and financial statistics for the five-year period up to and including FY22 are shown below.

Results highlights – operational

	Unit	FY22	FY21	FY20	FY19	FY18	FY21 to FY22 % Change
New sales of Occupation Rights	No.	537	540	404	329	339	-1%
Resales of Occupation Rights	No.	470	438	381	323	301	7%
Total sales of Occupation Rights	No.	1,007	978	785	652	640	3%
Development margin	%	29.7%	23.1%	19.6%	27.9%	33.2%	29%
New Occupation Right units delivered	No.	625	619	356	354	454	1%
Retirement units in portfolio	No.	5,518	4,930	4,385	4,076	3,722	12%
Care units in portfolio	No.	1,161	1,098	972	868	868	6%

Results highlights – financial

	Unit	FY22	FY21	FY20	FY19	FY18	FY21 to FY22 % Change
Net operating cash flow	$m	369.2	383.4	266.8	237.9	217.8	-4%
Total assets	$m	5,840.3	4,923.7	3,893.2	3,337.9	2,766.4	19%
Net assets	$m	2,193.0	1,924.5	1,354.8	1,131.9	978.8	14%
Underlying profit	$m	171.4	141.1	98.3	106.2	98.6	21%
Profit before income tax (IFRS)	$m	265.1	543.6	221.7	173.6	216.2	-51%
Profit for the period (IFRS)	$m	269.1	543.7	230.8	175.3	214.5	-51%
Dividend per share	cents	22.3	18.5	13.0	14.1	13.2	21%
Basic earnings per share	cents	116.7	238.2	102.3	78.6	97.1	-51%

Financial statements

Income Statement

For the year ended 31 December 2022

	NOTE	2022 $000	2021 $000
Care fees and village services	4	144,631	126,884
Deferred management fees	4	92,332	75,174
Other income	4	1,749	3,291
Total revenue		**238,712**	**205,349**
Reversal of impairment of property, plant and equipment	9	-	3,431
Fair value movement of investment property	11	268,757	537,497
Total income		**507,469**	**746,277**
Operating expenses	5	(211,795)	(179,045)
Depreciation and amortisation expense	9, 10	(13,597)	(11,555)
Total expenses		**(225,392)**	**(190,600)**
Operating profit before financing costs		**282,077**	**555,677**
Finance costs	6	(16,960)	(12,040)
Profit before income tax		**265,117**	**543,637**
Income tax credit	7	3,955	27
Profit for the period		**269,072**	**543,664**
Basic earnings per share (cents)	20	116.66	238.18
Diluted earnings per share (cents)	20	116.36	236.86

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2022

	NOTE	2022 $000	2021 $000
Profit for the period		**269,072**	**543,664**
Fair value gain on interest rate swaps	14	30,272	24,443
Tax on items of other comprehensive income	7	(8,718)	(6,881)
(Loss)/gain on translation of foreign currency operations		(68)	222
Other comprehensive income that will be reclassified subsequently to profit or loss for the period net of tax		**21,486**	**17,784**
Net revaluation of property, plant and equipment	9	4,566	35,783
Tax on items of other comprehensive income	7	(1,278)	(10,019)
Other comprehensive income which will not be reclassified subsequently to profit or loss for the period net of tax		**3,288**	**25,764**
Total comprehensive income for the period		**293,846**	**587,212**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2022

	SHARE CAPITAL $000	HEDGING RESERVE $000	REVALUATION RESERVE $000	RETAINED EARNINGS $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	TOTAL EQUITY $000
As at 1 January 2021	**303,499**	**(20,267)**	**34,508**	**1,037,325**	**(220)**	**1,354,845**
Profit for the period	-	-	-	543,664	-	543,664
Other comprehensive income for the period	-	17,562	25,764	-	222	43,548
Total comprehensive income for the period	**-**	**17,562**	**25,764**	**543,664**	**222**	**587,212**
Dividends paid	-	-	-	(38,943)	-	(38,943)
Shares issued	20,602	-	-	-	-	20,602
Employee share plan option cost	798	-	-	-	-	798
As at 31 December 2021	**324,899**	**(2,705)**	**60,272**	**1,542,046**	**2**	**1,924,514**
As at 1 January 2022	**324,899**	**(2,705)**	**60,272**	**1,542,046**	**2**	**1,924,514**
Profit for the period	-	-	-	269,072	-	269,072
Other comprehensive income for the period	-	21,554	3,288	-	(68)	24,774
Total comprehensive income for the period	**-**	**21,554**	**3,288**	**269,072**	**(68)**	**293,846**
Dividends paid	-	-	-	(44,650)	-	(44,650)
Shares issued	18,629	-	-	-	-	18,629
Employee share plan option cost	684	-	-	-	-	684
As at 31 December 2022	**344,212**	**18,849**	**63,560**	**1,766,468**	**(66)**	**2,193,023**

The accompanying notes form part of these financial statements.

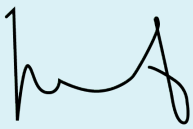
Statement of Financial Position

As at 31 December 2022

	NOTE	2022 $000	2021 $000
Assets			
Cash and cash equivalents		25,347	8,422
Trade and other receivables	8	36,727	44,992
Interest rate swaps	14	27,228	5,723
Property, plant and equipment	9	326,050	277,715
Intangible assets	10	7,251	6,664
Investment property	11	5,417,719	4,580,196
Total assets		**5,840,322**	**4,923,712**
Liabilities			
Trade and other payables	12	178,556	202,257
Employee benefits	13	27,565	21,580
Revenue received in advance	4	161,569	141,393
Interest rate swaps	14	10,299	7,243
Residents' loans	15	2,165,352	1,847,136
Interest-bearing loans and borrowings	17	1,060,494	747,015
Lease liability	16	15,970	12,638
Deferred tax liability	7	27,494	19,936
Total liabilities		**3,647,299**	**2,999,198**
Net assets		**2,193,023**	**1,924,514**
Equity			
Share capital	19	344,212	324,899
Reserves	19	82,343	57,569
Retained earnings		1,766,468	1,542,046
Total equity attributable to shareholders		**2,193,023**	**1,924,514**

The accompanying notes form part of these financial statements.

Authorised for issue on 23 February 2023 on behalf of the Board



Mark Verbiest
Director and Chair of the Board

Anne Urlwin
Director and Chair of the Audit and Risk Committee

Statement of Cash Flows

For the year ended 31 December 2022

	2022 $000	2021 $000
Cash flows from operating activities		
Receipts from residents for care fees and village services	142,482	127,045
Interest received	413	55
Payments to suppliers and employees	(206,871)	(171,804)
Receipts for residents' loans - new occupation right agreements	347,278	337,566
Net receipts for residents' loans - resales of occupation right agreements	85,877	90,543
Net cash flow from operating activities	**369,179**	**383,405**
Cash flows to investing activities		
Sale of investment property	6,335	15,201
Payments for investment property:		
- land	(185,469)	(87,164)
- construction of retirement units and village facilities	(385,096)	(285,234)
- refurbishment of retirement units and village facilities	(9,727)	(8,164)
Payments for property, plant and equipment:		
- construction of care centres	(42,819)	(33,084)
- refurbishment of care centres	(1,246)	(380)
- other	(7,580)	(7,980)
Payments for intangible assets	(1,908)	(1,725)
Capitalised interest paid	(24,235)	(16,472)
Net cash flow to investing activities	**(651,745)**	**(425,002)**
Cash flows from financing activities		
Net proceeds from bank borrowings	342,207	67,100
Proceeds from issue of shares	1,633	4,943
Interest paid on borrowings	(14,258)	(12,407)
Payments in relation to lease liabilities	(1,920)	(1,767)
Dividends paid	(28,166)	(23,712)
Net cash flow from financing activities	**299,496**	**34,157**
Net increase/(decrease) in cash and cash equivalents	16,930	(7,440)
Cash and cash equivalents at beginning of period	8,422	15,817
Foreign currency translation adjustment	(5)	45
Cash and cash equivalents at end of period	**25,347**	**8,422**

The accompanying notes form part of these financial statements.

Reconciliation of Operating Results and Operating Cash Flows

For the year ended 31 December 2022

	2022 $000	2021 $000
Profit for the period	**269,072**	**543,664**
Adjustments for:		
Depreciation and amortisation expense	13,597	11,555
Reversal of impairment of property, plant and equipment	-	(3,431)
Fair value movement of investment property	(268,757)	(537,497)
Net finance costs paid	16,960	12,040
Gain on sale of investment property	(1,336)	(3,236)
Income tax credit	(3,955)	(27)
Deferred management fee amortisation	(92,332)	(75,174)
Employee share plan option cost	1,196	1,459
Other non-cash items	(26)	431
	(334,653)	**(593,880)**
Movements in working capital		
Net increase in trade and other receivables	(8,371)	(1,619)
Net increase in employee benefits	5,985	6,142
Net increase/(decrease) in trade and other payables	5,485	(141)
Increase in residents' loans net of non-cash amortisation	431,661	429,239
	434,760	**433,621**
Net cash flow from operating activities	**369,179**	**383,405**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2022

1. Summary of accounting policies

Reporting entity

The consolidated financial statements presented for the year ended 31 December 2022 are for Summerset Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"). The Group develops, owns and operates integrated retirement villages.

Summerset Group Holdings Limited is registered in New Zealand under the Companies Act 1993 and is a FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. The Company is listed on the New Zealand Stock Exchange (NZX), being the Company's primary exchange, and is listed on the Australian Securities Exchange (ASX) as a foreign exempt listing.

Basis of preparation

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

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

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

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

- Buildings – Note 9
- Investment property – Note 11
- Interest rate swaps – Note 14
- Retail bonds – Note 17

Basis of consolidation

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

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

The New Zealand subsidiaries are:

Summer Land Developments Limited
Summerset Care Limited
Summerset Holdings Limited
Summerset LTI Trustee Limited
Summerset Management Group Limited
Summerset Properties Limited
Summerset Retention Trustee Limited
Summerset Villages (Aotea) Limited
Summerset Villages (Avonhead) Limited
Summerset Villages (Bell Block) Limited
Summerset Villages (Blenheim) Limited
Summerset Villages (Cambridge) Limited
Summerset Villages (Casebrook) Limited
Summerset Villages (Dunedin) Limited
Summerset Villages (Ellerslie) Limited
Summerset Villages (Half Moon Bay) Limited
Summerset Villages (Hamilton) Limited
Summerset Villages (Hastings) Limited
Summerset Villages (Havelock North) Limited
Summerset Villages (Hobsonville) Limited
Summerset Villages (Karaka) Limited
Summerset Villages (Katikati) Limited
Summerset Villages (Kelvin Grove) Limited
Summerset Villages (Kenepuru) Limited
Summerset Villages (Levin) Limited
Summerset Villages (Lower Hutt) Limited
Summerset Villages (Manukau) Limited
Summerset Villages (Milldale) Limited
Summerset Villages (Napier) Limited
Summerset Villages (Nelson) Limited
Summerset Villages (New Plymouth) Limited
Summerset Villages (Number 42) Limited
Summerset Villages (Number 44) Limited
Summerset Villages (Number 46) Limited
Summerset Villages (Number 47) Limited
Summerset Villages (Number 48) Limited
Summerset Villages (Number 49) Limited
Summerset Villages (Number 50) Limited
Summerset Villages (Number 51) Limited
Summerset Villages (Number 52) Limited
Summerset Villages (Number 53) Limited
Summerset Villages (Number 54) Limited
Summerset Villages (Number 55) Limited
Summerset Villages (Palmerston North) Limited
Summerset Villages (Papamoa) Limited
Summerset Villages (Paraparaumu) Limited
Summerset Villages (Parnell) Limited
Summerset Villages (Prebbleton) Limited
Summerset Villages (Rangiora) Limited
Summerset Villages (Richmond) Limited
Summerset Villages (Rotorua) Limited
Summerset Villages (Rototuna) Limited
Summerset Villages (St Johns) Limited
Summerset Villages (Taupo) Limited
Summerset Villages (Te Awa) Limited
Summerset Villages (Trentham) Limited
Summerset Villages (Waikanae) Limited
Summerset Villages (Wanganui) Limited
Summerset Villages (Warkworth) Limited
Summerset Villages (Whangarei) Limited
Summerset Villages (Wigram) Limited
Welhom Developments Limited

The Australian subsidiaries are:

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

Notes to the financial statements (continued)

Accounting policies

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

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

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

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

Disclosure of residents' loans

During the period, the Group reviewed its liquidity disclosure for residents' loans. Disclosures have been revised to reflect that residents' loans are repayable on demand and therefore fully repayable within 12 months of balance date. Previously, disclosures in relation to residents' loans were made based on the expected cash flows. Based on historical information, including estimated periods of tenure as disclosed in Note 4, it is estimated that only $202.8 million (2021: $168.6 million) is expected to become payable in the 12 months following balance date. For further information refer to Note 18.

Critical accounting estimates and judgements

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

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

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

Comparative information

The Statement of Cash Flows presentation has been amended to include the foreign exchange movement on the cash balance. For the comparative periods, this foreign exchange movement of $45k has been reclassified from net (repayments of)/proceeds from borrowings to foreign currency translation adjustment.

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

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

2. Non-GAAP underlying profit

	Ref	2022 $000	2021 $000
Profit for the period		269,072	543,664
Less fair value movement of investment property	a)	(268,757)	(537,497)
Less reversal of impairment of assets	b)	-	(3,431)
Add realised gain on resales	c)	70,191	59,905
Add realised development margin	d)	104,869	78,525
Less deferred tax credit	e)	(3,955)	(27)
Underlying profit		**171,420**	**141,139**

Underlying profit is a non-GAAP measure and differs from NZ IFRS profit for the period. Underlying profit does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The Directors have provided an underlying profit measure in addition to IFRS profit to assist readers in determining the realised and unrealised components of fair value movement of investment property, impairment and tax expense in the Group's income statement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions. Underlying profit is a measure that the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend pay-out to shareholders.

This statement presented is for the Group, prepared in accordance with the Basis of preparation: underlying profit described below.

Basis of preparation: underlying profit

Underlying profit is determined by taking profit for the period determined under NZ IFRS, adjusted for the impact of the following:

a) Less fair value movement of investment property: reversal of investment property valuation changes recorded in NZ IFRS profit for the period, which comprise both realised and non-realised valuation movements. This is reversed and replaced with realised development margin and realised resale gains during the period, effectively removing the unrealised component of the fair value movement of investment property.

b) Less reversal of impairment of assets: remove the impact of non-cash care centre valuation changes recorded in NZ IFRS profit for the period. Care centres are valued annually, with fair value gains flowing through to the revaluation reserve unless the gain offsets a previous impairment to fair value that was recorded in NZ IFRS profit. Where there is any impairment of a care centre, or reversal of a previous impairment that impacts NZ IFRS profit for the period, this is eliminated for the purposes of determining underlying profit.

c) Add realised gain on resales: add the realised gains across all resales of occupation rights during the period. The realised gain for each resale is determined to be the difference between the licence price for the previous occupation right for a unit and the occupation right resold for that same unit during the period. Realised resale gains are a measure of the cash generated from increases in selling prices of occupation rights to incoming residents, less cash amounts repaid to vacated residents for the repayment of the price of their refundable occupation right purchased in an earlier period, with the recognition point being the cash settlement. Realised resale gains exclude deferred management fees and refurbishment costs.

d) Add realised development margin: add realised development margin across all new sales of occupation rights during the period, with the recognition point being the cash settlement. Realised development margin is the margin earned on the first time sale of an occupation right following the development of a unit. The margin for each new sale is determined to be the licence price for the occupation right, less the cost of developing that unit.

   Components of the cost of developing units include directly attributable construction costs and a proportionate share of the following costs:

   - Infrastructure costs
   - Land cost on the basis of the purchase price of the land
   - Interest during the build period
   - Head office costs directly related to the construction of units

   All costs above include non-recoverable GST.

   Development margin excludes the costs of developing common areas within the retirement village (including a share of the proportionate costs listed above). This is because these areas are assets that support the sale of occupation rights for not just

Notes to the financial statements (continued)

the new sale but for all subsequent resales. It also excludes the costs of developing care centres, which are treated as property, plant and equipment for accounting purposes.

Where costs are apportioned across more than one asset, the apportionment methodology is determined by considering the nature of the cost.

Where a unit not previously sold under occupation right agreement is converted to a unit sold under occupation right agreement, realised development margin recognised on the new sale of these units includes the following costs:

- Conversion costs
- A fair value apportionment reflecting the value of the property immediately prior to conversion

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

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

3. Segment reporting

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

The Group continues to proceed with its expansion into Australia with seven sites purchased to date. These sites are currently being, or will be, developed into retirement villages. To date the activities in Australia have been immaterial to the Group and so are not reported as a separate operating segment as at 31 December 2022.

Health New Zealand 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 Health New Zealand for the year ended 31 December 2022 amounted to $36.1 million (2021: $34.6 million). No other customers individually contribute a significant proportion of the Group revenue. All revenue is earned in New Zealand, apart from a small amount of interest income earned in Australia.

4. Revenue

Care fees and village services income are charged to residents on a monthly basis, as agreed, and are recognised over time. A portion of village services is considered lease income based on the nature of the services provided.

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

Other income comprises:

	2022 $000	2021 $000
Interest received	413	55
Other income	1,336	3,236
Total other income	**1,749**	**3,291**

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

5. Operating expenses

	2022 $000	2021 $000
Employee expenses	132,937	105,621
Property-related expenses	22,479	18,543
Repairs and maintenance expenses	7,771	7,118
Other operating expenses	48,608	47,763
Total operating expenses	**211,795**	**179,045**

Employee expenses include post-employment benefits (KiwiSaver/Superannuation) of $4.0 million (2021: $2.9 million).

Other operating expenses include:

	2022 $000	2021 $000
Remuneration paid to auditors:		
- Audit and review of financial statements	304	254
- Other assurance services - sustainability linked lending assurance	26	27
- Executive remuneration review market analysis provided to the Group	5	135
- Tax policy advice provided to the Group	-	5
Donations	158	57
Rent[1]	290	291

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

6. Finance costs

	2022 $000	2021 $000
Interest on bank loans, retail bonds and related fees	41,737	26,234
Interest on interest rate swaps	159	2,148
Interest on lease liability	557	496
Capitalised finance costs	(25,493)	(16,841)
Fair value movement of interest rate swaps through profit or loss	11,817	16,243
Fair value movement of retail bonds designated as fair value through profit or loss	(11,817)	(16,240)
Finance costs	**16,960**	**12,040**

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

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

Borrowing costs of $25.5 million (2021: $16.8 million) have been capitalised during the period of construction in the current year. The weighted average capitalisation rate on funds borrowed representing the borrowing costs of the loans used to finance projects is 3.42% per annum (2021: 3.00% per annum).

Notes to the financial statements (continued)

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

7. Income tax

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

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

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

(a) Income tax recognised in the income statement

	2022 $000	2021 $000
Tax expense comprises:		
Deferred tax relating to the origination and reversal of temporary differences	(3,955)	(27)
Total tax credit reported in income statement	**(3,955)**	**(27)**

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:

	2022		2021	
	$000	%	$000	%
Profit before income tax	**265,117**		**543,637**	
Income tax using the corporate tax rate	74,233	28.0%	152,218	28.0%
Capitalised interest	(7,138)	(2.7%)	(4,722)	(0.9%)
Other non-deductible expenses	348	0.1%	197	0.0%
Non-assessable investment property revaluations	(70,917)	(26.7%)	(150,339)	(27.7%)
Transfer of investment property to property, plant and equipment	-	0.0%	2,472	0.5%
Other	(560)	(0.2%)	100	0.0%
Prior period adjustments	79	0.0%	47	0.0%
Total income tax credit	**(3,955)**	**(1.5%)**	**(27)**	**(0.0%)**

Total Group tax losses available amounted to $450.7 million at 31 December 2022 ($126.7 million tax effected) (2021: $341.1 million ($95.8 million tax effected)). There are no unrecognised tax losses for the Group at 31 December 2022 (2021: nil).

(b) Amounts charged or credited to other comprehensive income

	2022 $000	2021 $000
Tax expense comprises:		
Net gain on revaluation of property, plant and equipment	1,278	10,019
Fair value movement of interest rate swaps	8,718	6,881
Total tax expense reported in statement of comprehensive income	**9,996**	**16,900**

(c) Amounts charged or credited directly to equity

	2022 $000	2021 $000
Tax expense comprises:		
Deferred tax relating to employee share option plans	1,517	233
Total tax expense/(credit) reported directly in equity	**1,517**	**233**

(d) Imputation credit account

There were no imputation credits received or paid during the year and the balance at 31 December 2022 is nil (2021: nil).

Notes to the financial statements (continued)

(e) Deferred tax

Movement in the deferred tax balance comprises:

	BALANCE 1 JAN 2022 $000	RECOGNISED IN INCOME $000	RECOGNISED DIRECTLY IN EQUITY $000	RECOGNISED IN OCI* $000	BALANCE 31 DEC 2022 $000
Property, plant and equipment	28,896	147	-	1,278	30,321
Investment property	42,664	11,771	-	-	54,435
Revenue in advance	49,465	16,694	-	-	66,159
Interest rate swaps	(1,001)	-	-	8,718	7,717
Income tax losses not yet utilised	(95,779)	(30,883)	-	-	(126,662)
Other items	(4,309)	(1,684)	1,517	-	(4,476)
Net deferred tax liability	**19,936**	**(3,955)**	**1,517**	**9,996**	**27,494**

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

* Other comprehensive income

8. Trade and other receivables

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

	2022 $000	2021 $000
Trade receivables	4,923	3,541
Allowance for doubtful debts	(239)	(109)
Net trade receivables	**4,684**	**3,432**
Prepayments	13,550	13,349
Accrued income	3,001	1,057
Sundry debtors	15,492	27,154
Total trade and other receivables	**36,727**	**44,992**

9. Property, plant and equipment

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

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

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

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

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

Note 6 provides details on capitalised borrowing costs.

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

Major depreciation rates are as follows:

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

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

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

Notes to the financial statements (continued)

	BUILDINGS $000	MOTOR VEHICLES $000	PLANT AND EQUIPMENT $000	FURNITURE AND FITTINGS $000	RIGHT OF USE ASSETS $000	TOTAL $000
Cost						
Balance at 1 January 2021	155,372	2,450	21,795	8,790	11,009	199,416
Additions	39,697	901	5,344	600	2,795	49,337
Disposals	-	(28)	(92)	-	(111)	(231)
Transfer	18,718	-	-	-	-	18,718
Reversal of impairment through profit or loss	3,431	-	-	-	-	3,431
Net revaluations through other comprehensive income	30,210	-	-	-	-	30,210
Balance at 31 December 2021	**247,428**	**3,323**	**27,047**	**9,390**	**13,693**	**300,881**
Additions	42,719	1,888	5,745	1,277	5,064	56,693
Disposals	-	(51)	-	-	(654)	(705)
Net revaluations through other comprehensive income	(2,512)	-	-	-	-	(2,512)
Balance at 31 December 2022	**287,635**	**5,160**	**32,792**	**10,667**	**18,103**	**354,357**
Accumulated depreciation						
Balance at 1 January 2021	-	1,138	9,928	5,198	2,054	18,318
Depreciation charge for the year	5,573	244	2,323	1,038	1,341	10,519
Disposals	-	(28)	(23)	-	(47)	(98)
Net revaluations through other comprehensive income	(5,573)	-	-	-	-	(5,573)
Balance at 31 December 2021	**-**	**1,354**	**12,228**	**6,236**	**3,348**	**23,166**
Depreciation charge for the year	7,078	303	2,681	908	1,651	12,621
Disposals	-	(49)	-	-	(353)	(402)
Net revaluations through other comprehensive income	(7,078)	-	-	-	-	(7,078)
Balance at 31 December 2022	**-**	**1,608**	**14,909**	**7,144**	**4,646**	**28,307**
Carrying amounts						
As at 31 December 2021	247,428	1,969	14,819	3,154	10,345	277,715
As at 31 December 2022	**287,635**	**3,552**	**17,883**	**3,523**	**13,457**	**326,050**

Buildings include $49.4 million of care centres under development carried at fair value, which reflects cost due to the proximity of completion to 31 December 2022 (2021: $23.9 million).

Right of use assets relate to the Group's leased office premises and car park spaces; refer to Note 16 for further information.

Classification between investment property and property, plant and equipment

On initial recognition, the Group performs an assessment to determine whether a unit type should be classified as investment property or property, plant and equipment. The assessment is based on the significance of ancillary services provided to residents who occupy accommodation under an occupation right agreement. For the purposes of this assessment, the Group considers that portion of weekly fees that gives rise to a separate performance obligation for the Group, as ancillary services. In addition to a quantitative assessment, the business model (being the provision of accommodation) is considered when determining the classification of the property as either investment property or property, plant and equipment. Subsequent reclassification of unit types between investment property or property, plant and equipment, occur only when there has been a change in use.

Revaluations

An independent valuation to determine the fair value of all building assets related to completed care centres was carried out as at 31 December 2022 by CBRE Limited ("CBRE NZ"), an independent registered valuer. Valuations are carried out annually.

CBRE NZ determines the fair value of care centres (excluding units under occupation right agreement) using an earnings-based multiple approach and the amount apportioned to goodwill of $9.7 million is not recognised (2021: $16.0 million). Significant assumptions used in the most recent valuation include market value per care bed of between $63,100 and $204,000 (2021: $68,200 and $227,600), and individual unit earning capitalisation rate of between 11.50% and 14.75% (2021: 11.50% and 14.75%).

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

To assess the market value of the Group's interest in the units under occupation right agreement held as property, plant and equipment, CBRE NZ undertook a cash flow analysis to derive a net present value. Significant assumptions used by CBRE NZ include a discount rate of between 14.50% and 15.50% (2021: 14.75% to 15.50%), and a growth rate of between 0.5% and 3.0% (2021: 0.5% to 3.0%). Other assumptions used include the average entry age of residents of between 79 and 86 years (2021: 81 and 90 years), and the stabilised departing occupancy periods of units of between 3.0 and 3.1 years (2021: 2.9 and 3.1 years).

	2022 $000	2021 $000
Manager's net interest	51,592	49,027
Plus: revenue received in advance relating to property, plant and equipment	1,875	1,201
Plus: liability for residents' loans relating to property, plant and equipment	24,127	14,087
Total property, plant and equipment - units under occupation right agreement	**77,595**	**64,315**

Notes to the financial statements (continued)

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

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

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

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

Cost model

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

	2022 BUILDINGS $000	2021 BUILDINGS $000
Cost	227,359	184,640
Accumulated depreciation and impairment losses	(31,622)	(24,544)
Net carrying amount	**195,737**	**160,096**

Security

At 31 December 2022, all care centres held by retirement villages registered under the Retirement Villages Act 2003 are subject to a registered first mortgage in favour of the Statutory Supervisor.

10. Intangible assets

Intangible assets acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in the income statement on an SL basis over the estimated useful lives of intangible assets from the date that they are available for use. The intangible assets are software and the amortisation rates at 31 December 2022 are between 10% and 20% SL basis.

	2022 $000	2021 $000
Cost		
Opening balance	12,251	11,039
Additions	1,563	2,380
Disposals	-	(1,168)
Closing balance	**13,814**	**12,251**
Accumulated amortisation		
Opening balance	5,587	5,330
Amortisation	976	1,036
Disposals	-	(779)
Closing balance	**6,563**	**5,587**
Carrying amount	**7,251**	**6,664**

11. Investment property

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

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

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

Depreciation is not charged on investment property.

Note 6 provides details on capitalised borrowing costs.

Notes to the financial statements (continued)

	2022 $000	2021 $000
Balance at beginning of period	4,580,196	3,638,760
Additions	573,389	434,643
Disposals	(4,999)	(12,034)
Transfer to property, plant and equipment	-	(18,718)
Fair value movement	268,757	537,497
Foreign exchange movement	376	48
Total investment property	**5,417,719**	**4,580,196**

	2022 $000	2021 $000
Development land measured at fair value[1]	603,829	485,225
Retirement villages measured at fair value[2]	4,351,031	3,772,522
Retirement villages under development measured at cost	462,859	322,449
Total investment property	**5,417,719**	**4,580,196**

1 *Included in development land are pieces of land that were acquired close to balance date and as such were excluded from the valuation of investment property. These pieces of land have been accounted for at fair value, which has been determined to be cost due to the proximity of the transaction to balance date. At 31 December 2022 the land at cost was $162.5 million (2021 $95.3 million).*

2 *Included in retirement villages measured at fair value is $45.0 million related to completed retirement units at cost, which reflects fair value due to the proximity of completion to balance date (2021: nil).*

	2022 $000	2021 $000
Manager's net interest	3,116,800	2,606,955
Plus: revenue received in advance relating to investment property	159,694	140,192
Plus: liability for residents' loans relating to investment property	2,141,225	1,833,049
Total investment property	**5,417,719**	**4,580,196**

The Group is unable to reliably determine the fair value of the non-land portion of retirement villages under development at 31 December 2022 and therefore these are carried at cost. This equates to $462.9 million of investment property (2021: $322.4 million).

The fair value of investment property as at 31 December 2022 was determined by independent registered valuers CBRE NZ and Jones Lang LaSalle Limited ("JLL") for villages including land in New Zealand, and CBRE Valuations Pty Limited ("CBRE AU") for land in Australia. The fair value of the Group's investment property is determined on a semi-annual basis, based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

As required by NZ IAS 40 - *Investment Property*, the fair value as determined by the independent registered valuer is adjusted for assets and liabilities already recognised on the balance sheet which are also reflected in the cash flow analysis.

To assess the fair value of the Group's interest in each New Zealand village, CBRE NZ and JLL have undertaken a cash flow analysis to derive a net present value. The Group's development land has been valued by CBRE NZ using the direct comparison approach.

The valuers' view is that the most pressing issues facing the property market both nationally and globally are high inflation, high oil prices, sharply increasing energy costs, and ongoing disruption to global supply changes and the wider economic fallout from the current geopolitical crisis stemming from events in Ukraine. With these factors in mind, the valuers reiterate that their conclusions are based on data and market sentiment as at the date of the valuation and that a degree of caution should be exercised when relying upon the valuation.

Significant assumptions used by CBRE NZ and JLL in relation to the New Zealand investment property include a discount rate of between 13.5% and 16.5% (2021: 13.5% to 16.5%), and a long-term nominal house price inflation rate (growth rate) of between 0% and 3.5% (2021: 0% to 3.5%). Other assumptions used include the average entry age of residents of between 73 and 88 years (2021: 73 and 89 years), and the stabilised departing occupancy periods of units of between 3.9 and 8.6 years (2021: 3.5 and 8.8 years).

Sites under development in Australia have been valued separately by CBRE AU. Land is valued under the same methodology as development land in New Zealand.

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

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

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

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

	Adopted value[1]	Discount rate +50 bp	Discount rate -50 bp	Growth rates +50bp	Growth rates -50bp
31 December 2022					
Valuation ($000)	1,705,010				
Difference ($000)		(61,655)	66,100	102,685	(94,300)
Difference (%)		(3.6%)	3.9%	6.0%	(5.5%)
31 December 2021					
Valuation ($000)	1,574,940				
Difference ($000)		(55,660)	59,760	92,180	(84,440)
Difference (%)		(3.5%)	3.8%	5.9%	(5.4%)

1 *Completed units excluding unsold stock.*

Notes to the financial statements (continued)

Other key components in determining the fair value of investment property are the average entry age of residents and the average occupancy of units. A significant decrease (increase) in the occupancy period of units would result in a significantly higher (lower) fair value measurement, and a significant increase (decrease) in the average entry age of residents would result in a significantly higher (lower) fair value measurement.

Operating expenses

Direct operating expenses arising from investment property during the period amounted to $57.7 million (2021: $46.6 million).

Security

At 31 December 2022, all investment property relating to registered retirement villages under the Retirement Villages Act 2003 are subject to a registered first mortgage in favour of the Statutory Supervisor to secure the Group's obligations to the occupation right agreement holders.

12. Trade and other payables

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

	2022 $000	2021 $000
Trade payables	4,413	4,535
Accruals - development of retirement units and care centres	140,020	174,650
Accruals - other	21,791	16,354
Sundry payables	12,332	6,718
Total trade and other payables	**178,556**	**202,257**

13. Employee benefits

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

	2022 $000	2021 $000
Leave liabilities	15,373	10,905
Other employee benefits	12,192	10,675
Total employee benefits	**27,565**	**21,580**

14. Interest rate swaps

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

Cash flow hedges

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

Under the interest rate swap agreements that qualify for cash flow hedge accounting, the Group has a right to receive interest at variable rates and to pay interest at fixed rates. At 31 December 2022, the Group had interest rate swap agreements in place with a total notional principal amount of approximately $762.3 million, made up of $442.0 million denominated in NZD and $320.3 million in AUD (2021: $444.7 million, made up of $312.0 million denominated in NZD and $100.0 million in AUD). Of the swaps in place, at 31 December 2022 $535.5 million (2021: $339.8 million) are being used to cover approximately 78% (2021: 91%) of the floating rate debt principal outstanding. These agreements effectively change the Group's interest exposure on the principal covered by the interest rate swaps from a floating rate to fixed rates, which range between 0.56% and 4.85% (2021: 0.56% and 3.87%).

The fair value of these agreements at 31 December 2022 is a $26.5 million asset, comprised of $0.7 million of swap liabilities and $27.2 million of swap assets (2021: liability of $3.7 million, comprised of $7.2 million of swap liabilities and $3.5 million of swap assets). Of this, a liability of nil is estimated to be current (2021: $881,000). The agreements cover notional amounts for terms of up to seven years.

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

	2022 $000	2021 $000
Less than 1 year	45,000	70,000
Between 1 and 2 years	60,000	45,000
Between 2 and 3 years	76,694	60,000
Between 3 and 4 years	84,032	51,536
Between 4 and 5 years	178,130	83,844
Between 5 and 6 years	190,081	124,302
Between 6 and 7 years	128,388	10,000
Total	**762,325**	**444,682**
Current	535,550	339,766
Forward starting	226,775	104,916
Total	**762,325**	**444,682**

Fair value hedges

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

Both the hedging instrument (interest rate swap) and the hedged risk are recognised at fair value. The change in the fair value of both items offset in the statement of comprehensive income to the extent the hedging relationship is effective. The reduction in fair value of the interest rate swaps of $11.8 million (2021: reduction of $16.2 million) has been recognised in finance costs and has been offset with a similar fair value gain on the retail bonds to leave an ineffective amount in finance costs of nil (2021: $3,000).

Under the interest rate swap agreements that qualify for fair value hedge accounting, the Group has a right to receive interest at fixed rates and to pay interest at floating rates. At 31 December 2022, the Group had interest rate swap agreements in place with a total notional principal amount of $225.0 million (2021: $225.0 million). Of the interest rate swaps in place, at 31 December 2022 $225.0 million (2021: $225.0 million) are being used to cover 60% (2021: 60%) of the fixed interest rate retail bonds outstanding.

Notes to the financial statements (continued)

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

	2022 $000	2021 $000
Less than 1 year	100,000	-
Between 1 and 2 years	-	100,000
Between 2 and 3 years	125,000	-
Between 3 and 4 years	-	125,000
Total	**225,000**	**225,000**
Current	225,000	225,000
Total	**225,000**	**225,000**

15. Residents' loans

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

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

	2022 $000	2021 $000
Balance at beginning of period	2,276,945	1,872,736
Net receipts for residents' loans - resales of occupation right agreements	51,481	63,832
Receipts for residents' loans - new occupation right agreements	353,411	340,377
Total gross residents' loans	**2,681,837**	**2,276,945**
Deferred management fees and other receivables	(516,485)	(429,809)
Total residents' loans	**2,165,352**	**1,847,136**

16. Leases

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

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

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

The weighted average incremental borrowing rates used to measure lease liabilities at the date of application are between 3.19% and 4.67% (2021: 3.19% and 4.67%).

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

As a lessee

Right of use assets disclosed:

	2022 $000	2021 $000
Balance at beginning of period	10,345	8,955
Additions	5,064	2,795
Disposals	(301)	(64)
Depreciation charge for the year	(1,651)	(1,341)
Balance at end of period	**13,457**	**10,345**

Lease liabilities disclosed:

	2022 $000	2021 $000
Less than 1 year	1,709	1,412
Between 1 and 5 years	8,106	6,506
More than 5 years	6,155	4,720
Total lease liabilities at end of period	**15,970**	**12,638**

Notes to the financial statements (continued)

Amounts recognised in the profit and loss:

	2022 $000	2021 $000
Interest on lease liabilities	557	496
Expenses relating to short-term and low-value asset leases	371	200
Depreciation on right of use assets	1,651	1,341
Total amounts recognised in profit or loss	**2,579**	**2,037**

Amounts recognised in statement of cash flows:

	2022 $000	2021 $000
Total cash outflows for leases	**2,431**	**2,081**

As a lessor

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

17. Interest-bearing loans and borrowings

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

Interest-bearing loans and borrowings are recognised initially at fair value net of directly attributable transaction costs. Subsequent to initial recognition, the borrowings are measured at amortised cost, with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate. Two of the three retail bonds, SUM010 and SUM020, are designated in fair value hedge relationships, which means that any change in market interest rates results in a change in the fair value adjustment of that debt. SUM030 is not hedged. Transaction costs incurred in arranging financing are capitalised and amortised over the term of the relevant debt instrument.

	Coupon	2022 $000	2021 $000
Repayable within 12 months			
Retail bond - SUM010	4.78%	100,000	-
Repayable after 12 months			
Secured bank loans	Floating	699,400	374,940
Retail bond - SUM010	4.78%	-	100,000
Retail bond - SUM020	4.20%	125,000	125,000
Retail bond - SUM030	2.30%	150,000	150,000
Total loans and borrowings at face value		**1,074,400**	**749,940**
Transaction costs for loans and borrowings capitalised:			
Opening balance		(5,096)	(3,888)
Capitalised during the period		(521)	(2,194)
Amortised during the period		1,357	986
Closing balance		(4,260)	(5,096)
Total loans and borrowings at amortised cost		**1,070,140**	**744,844**
Fair value adjustment on hedged borrowings		(9,646)	2,171
Carrying value of interest-bearing loans and borrowings		**1,060,494**	**747,015**

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

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

	2022 $000	2021 $000
Borrowings at the start of the year	747,015	687,099
Net cash borrowed	324,460	77,364
Cash change in deferred financing costs	(521)	(2,194)
Non-cash change in deferred financing costs	1,357	986
Non-cash change in fair value adjustment	(11,817)	(16,240)
Borrowings at the end of the year	**1,060,494**	**747,015**

Notes to the financial statements (continued)

The weighted average interest rate for the year to 31 December 2022 was 3.42% (2021: 3.00%). This includes the impact of interest rate swaps (see Note 14).

Effective 11 November 2022, the Group refinanced an AUD tranche of the syndicated facility that was due to expire within the next year and obtained new AUD facilities. The secured bank loan facility at 31 December 2022 has a limit of approximately $1,160 million (2021: $1,110 million). Lending of NZ$310 million expires in November 2024, lending of NZ$50 million and AU$130 million expires in September 2025, lending of NZ$315 million and AU$185 million expires in September 2026 and lending of AU$170 million expires in September 2027.

The Group has issued three retail bonds listed on the NZDX:

ID	Amount	Maturity
SUM010	$100 million	11 July 2023
SUM020	$125 million	24 September 2025
SUM030	$150 million	21 September 2027

Security

The bank loans and retail bonds rank equally with the Group's other unsubordinated obligations and are secured by the following securities held by a security trustee:

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

18. Financial instruments

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

Categories of financial instruments

Financial assets

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

Financial liabilities

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

Credit risk

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

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

	2022		2021	
	GROSS RECEIVABLE $000	IMPAIRMENT $000	GROSS RECEIVABLE $000	IMPAIRMENT $000
Not past due	3,991	(56)	3,029	(45)
Past due 31 to 60 days	385	(18)	260	(13)
Past due 61 to 90 days	210	(17)	88	(10)
Past due more than 90 days	337	(148)	164	(41)
Total	**4,923**	**(239)**	**3,541**	**(109)**

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

	2022 $000	2021 $000
Gross trade receivables	4,923	3,541
Impairment	(239)	(109)
Net trade receivables	**4,684**	**3,432**

Market risk

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

Interest rate risk

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

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

In these hedge relationships the main sources of ineffectiveness are:

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

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

At 31 December 2022 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit by approximately $6.7 million (2021: decrease by $3.7 million) and increase total comprehensive income by approximately $14.3 million (2021: decrease by $1.8 million).

Liquidity risk

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

Notes to the financial statements (continued)

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

	2022		2021	
	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	178,556	-	202,257	-
Residents' loans	2,165,352	-	1,847,136	-
Interest-bearing loans and borrowings	145,751	1,075,950	21,819	812,625
Interest rate swaps	(839)	5,341	6,378	18,061
Lease liability	1,709	14,261	1,412	11,226
Total	**2,490,529**	**1,095,552**	**2,079,002**	**841,912**

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. Residents' loans are classified as being repayable on demand, and therefore fully repayable within 12 months, because the Group does not have an unconditional right to defer repayment of residents' loans for at least 12 months after balance date. Based on historical information including estimated periods of tenure as disclosed in Note 4, it is estimated that $202.8 million (2021: $168.6 million) is expected to become payable in the 12 months following balance date. To date, cash for new residents' loans received has exceeded cash to repay residents' loans, net of deferred management fees.

Foreign currency risk

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

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

The risk to the Group is that the value of the overseas subsidiaries' financial position and financial performance will fluctuate in economic terms and as recorded in the Group financial statements due to changes in foreign exchange rates. Due to limited activity in the Australian subsidiaries in 2022, the Group did not have a material exposure to foreign exchange risk.

Fair values

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

	2022		2021	
	CARRYING AMOUNT $000	FAIR VALUE $000	CARRYING AMOUNT $000	FAIR VALUE $000
Retail bonds	(363,207)	(343,417)	(374,153)	(374,328)
Total	**(363,207)**	**(343,417)**	**(374,153)**	**(374,328)**

The fair value of retail bonds is based on the price traded at on the NZX market as at 31 December 2022. The fair value of the retail bonds is categorised as Level 1 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

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

Capital management

The Group's capital includes share capital, reserves and retained earnings. The objective of the Group's capital management is to ensure a strong credit position to support business growth and maximise shareholder value. The Group is subject to capital requirements imposed by the bank lenders (through covenants in the Syndicated Facility Agreement) and bondholders (through covenants in the Master Trust Deed). The Group has met all of these externally imposed capital requirements for the year ended 31 December 2022 (2021: all requirements met). The Group capital structure is managed, and adjustments are made, with Board approval. There were no changes to objectives, policies or processes during the year ended 31 December 2022 (2021: none).

19. Share capital and reserves

At 31 December 2022, there were 232,116,894 ordinary shares on issue (2021: 230,215,366). All ordinary shares are fully paid and have no par value. All shares carry one vote per share and carry the right to dividends.

	2022 $000	2021 $000
Share capital		
On issue at beginning of year	324,899	303,499
Shares issued under the dividend reinvestment plan	16,484	15,230
Shares paid under employee share plans	2,145	5,372
Employee share plan option cost	684	798
On issue at end of year	**344,212**	**324,899**

	2022	2021
Share capital (in thousands of shares)		
On issue at beginning of year	229,427	227,073
Shares issued under the dividend reinvestment plan	1,504	1,102
Shares issued under employee share plans	629	1,252
On issue at end of year	**231,560**	**229,427**

The total shares on issue at 31 December 2022 of 232,116,894 for the Company differs from the share capital for the Group due to shares held in 100% owned subsidiary, Summerset LTI Trustee Limited. As at 31 December 2022, 557,242 shares are held by Summerset LTI Trustee Limited for employee share plans, which are eliminated on consolidation. Refer to Note 21 for further details on employee share plans.

Revaluation reserve

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

Hedging reserve

The hedging reserve is used to record gains or losses on instruments used as cash flow hedges.

Foreign currency translation reserve

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

Dividends

On 23 March 2022 a dividend of 8.6 cents per ordinary share was paid to shareholders and on 19 September 2022 a dividend of 10.7 cents per ordinary share was paid to shareholders (2021: on 22 March 2021 a dividend of 7.0 cents per ordinary share was paid to shareholders and on 20 September 2021 a dividend of 9.9 cents per ordinary share was paid to shareholders).

A dividend reinvestment plan applied to the dividends paid. 688,127 ordinary shares were issued in relation to the plan for the March 2022 dividend and 815,721 ordinary shares were issued in relation to the plan for the September 2022 dividend. (2021: 493,015 ordinary shares were issued in March 2021 and 608,493 ordinary shares were issued in September 2021).

Notes to the financial statements (continued)

20. Earnings per share and net tangible assets

Basic earnings per share

	2022	2021
Earnings ($000)	269,072	543,664
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	230,656	228,256
Basic earnings per share (cents per share)	**116.66**	**238.18**

Diluted earnings per share

	2022	2021
Earnings ($000)	269,072	543,664
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	231,233	229,525
Diluted earnings per share (cents per share)	**116.36**	**236.86**

Number of shares (in thousands)

	2022	2021
Weighted average number of ordinary shares for the purpose of basic earnings per share	230,656	228,256
Weighted average number of ordinary shares issued under employee share plans	577	1,269
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**231,233**	**229,525**

At 31 December 2022, there were a total of 557,242 shares issued under employee share plans held by Summerset LTI Trustee Limited (2021: 788,621 shares).

Net tangible assets per share

	2022	2021
Net tangible assets ($000)	2,185,772	1,917,850
Shares on issue at end of period (basic and in thousands)	231,560	229,427
Net tangible assets per share (cents per share)	**943.93**	**835.93**

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

21. Employee share plans

Senior employee share plan - share option scheme

The number of options granted to each participant equals the incentive remuneration value divided by the volume weighted average price on the NZX during the 10 trading day period. Where applicable, the exercise price of the granted share options is determined from the volume weighted average price on the NZX during the 10 trading day period determined by the Board prior to the grant. Effective from the 2021 annual option grant, the option exercise price is set at nil and therefore no option valuation is required.

	2022		2021	
	NUMBER OF OPTIONS 000's	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS 000's	WEIGHTED AVERAGE EXERCISE PRICE
Balance at beginning of period	2,306	$6.73	2,612	$7.78
Granted during the year	-	-	535	$1.89
Exercised during the year	(514)	$6.82	(412)	$6.34
Forfeited during the year	(165)	$8.08	(429)	$7.43
Balance at end of period	**1,627**	**$6.57**	**2,306**	**$6.73**
Exercisable at end of period	972	$8.31	903	$6.90

Options outstanding as at 31 December 2022 have a weighted average remaining life of 1.93 years (2021: 2.55 years).

There was no annual option grant in 2022 as the scheme was under review as at 31 December 2022.

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

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

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

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

The maximum terms for options granted range between three and six years.

The share option scheme is an equity-settled scheme and measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate that the share options will vest. Where applicable, these options were valued using the Black-Scholes valuation model, and the option cost for the year ending 31 December 2022 of $2,147,000 has been recognised in the income statement of the Company and the Group for that period (2021: $995,000). The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

Valuation assumptions for those options with an exercise price:

	2022	2021
Discount to reflect options may not meet vesting criteria	15%	15%
Risk free rate of return	0.5% - 2%	0.5% - 2%
Volatility	23% - 26%	23% - 26%

All-staff employee share plan

The Group operates an all-staff employee share plan. A total of 1,706 employees participated in the share issue under the plan for the year ended 31 December 2022 (2021: 1,368 employees). In 2022, the Group contributed $1,000 per participating employee (being the total value of the shares issued). A total of 167,188 Company shares were issued under the scheme at $10.16 per share (2021:

Notes to the financial statements (continued)

99,864 shares at $13.53 per share). The shares are held by Summerset LTI Trustee Limited and vest to participating employees after a three-year period.

The cost for the year ending 31 December 2022 of $566,000 has been recognised in the income statement of the Company and the Group for that period (2021: $368,000).

22. Related party transactions

Refer to Note 21 for employee share plan details.

Transactions with companies associated with Directors

The Group also enters into transactions with other entities that some of the Directors may sit on the board of. These transactions are entered into in the normal course of business. For a full list of all material director interests, please refer to the Disclosures section on page 126 of this report.

23. Key management personnel compensation

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

	2022 $000	2021 $000
Directors' fees	877	782
Short-term employee benefits	5,485	4,572
Share-based payments	1,273	542
Termination payments	62	-
Total	**7,697**	**5,896**

Refer to Note 21 for employee share plan details for key management personnel.

24. Commitments and contingencies

Guarantees

As at 31 December 2022, the Group had the following guarantees in place:

- NZX Limited holds a guarantee in respect of the Group, as required by the NZX Listing Rules, for $75,000 (2021: $75,000).
- Summerset Retention Trustee Limited holds guarantees in relation to retentions on construction contracts on behalf of the Group. As at 31 December 2022, $13.0 million was held for the benefit of the retentions beneficiaries (2021: $10.0 million).
- Auckland Transport holds a performance guarantee for $65,000 (2021: $65,000).
- Tauranga City Council holds a performance guarantee for $350,000 (2021: $350,000).
- Quattro RE Limited holds a demand guarantee in relation to the lease of the office premises for $120,819 (2021: nil).

Capital commitments

At 31 December 2022, the Group had $63.2 million of capital commitments in relation to construction contracts (2021: $210.5 million).

Contingent liabilities

WorkSafe New Zealand is investigating a construction site fatality which occurred at the Group's St Johns site on 4 November 2022. This investigation is ongoing, and the Group is cooperating fully with this process. The directors of Summerset cannot reasonably estimate the adverse financial effect (if any) on the Group if the ongoing investigation is ultimately resolved against the Group's interests.

There were no other known material contingent liabilities at 31 December 2022 (2021: nil).

25. Subsequent events

On 20 February 2023, the Group announced it was considering making an offer of up to NZ$125 million guaranteed, secured, unsubordinated fixed rate bonds, for a five year period. Under the proposed offer, the Group will have the ability to accept an additional NZ$50 million of oversubscriptions at its discretion. The offer is scheduled to open during the week commencing 27 February 2023.

On 23 February 2023, the Directors approved a final dividend of $26.9 million, being 11.6 cents per share. The dividend record date is 10 March 2023 with a payment date of 23 March 2023.

There have been no other events subsequent to 31 December 2022 that materially impact on the results reported.

Building a better working world

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Summerset Group Holdings Limited ("the company") and its subsidiaries (together "the Group") on pages 58 to 93, which comprise the statement of financial position of the Group as at 31 December 2022, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 58 to 93 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

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

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

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

Ernst & Young provides other assurance related and remuneration advisory services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Key audit matters

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

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

Valuation and classification of investment property and freehold land and buildings

Why significant	How our audit addressed the key audit matter
As disclosed in notes 9 and 11 of the consolidated financial statements: • the Group's investment property portfolio was valued at $5,418 million at 31 December 2022 and included completed investment property and investment property under development. • the Group's freehold land and buildings were valued at $288 million at 31 December 2022. This included freehold land and buildings operated by the Group for the provision of care services and land and buildings to be developed into care facilities in the future. The Group's accounting policy is to measure these assets at fair value. Independent valuations of all investment property and freehold land and buildings were carried out by third party valuers, CBRE Limited and Jones Lang LaSalle Limited (the Valuers). The valuation of investment property and freehold land and buildings is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. Investment property and freehold land and buildings are recorded in the consolidated financial statements based on the value determined by the Valuers. Summerset derives revenue from properties it holds from both deferred management fees and the provision of services to residents. NZ IAS 40 requires properties to be classified as an investment property where the revenue from the supply of ancillary services is insignificant to the arrangement as a whole. Judgement is required to assess the significance of ancillary services in this context.	To address the key audit matter, we: **External valuations** • read the valuation reports and discussed them with the Valuers. We assessed the valuation approach and confirmed that this was in accordance with the relevant accounting standards; and • tested, on a sample basis, whether property specific information supplied to the Valuers by the Group reflected the underlying property records held by the Group. **Assumptions and estimates** • held discussions with the Valuers to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This included understanding the impact that market uncertainty had on their assessment of significant inputs and assumptions. We also sought to understand and consider whether any restrictions had been imposed on the valuation process; • considered whether the valuation incorporated appropriate assumptions for a sample of individual properties to reflect their characteristics, overall quality, geographic location and desirability as a whole; and • engaged our in-house Real estate valuation experts to challenge the work performed by the Valuers and assess the reasonableness of the assumptions used based on their knowledge gained from reviewing valuations of similar properties, known transactions and available market data. Our work over the assumptions focused on the largest properties within the portfolio and those properties where the assumptions used and/or year-on-year fair value movement suggested a possible outlier compared to the rest of the portfolio and the market data for the sector. **Estimated valuation range** As a result of the judgement involved in determining valuations for individual properties and the existence of alternative assumptions and valuation methods, there is a range of values which can be considered reasonable when evaluating the independent property valuations used by the Group. If we identified an error in a property valuation or determined that the valuation was outside of a reasonable range, we evaluated the error or difference to determine if there was a material misstatement in the consolidated financial statements. **Classification** We considered management's assessment of the classification of each type of property as either investment property or freehold land and buildings, including assessment against the requirements of the accounting standards, including the significance of ancillary services. **Disclosures** We considered the adequacy of the disclosures made in notes 9 and 11 to the financial statements. These notes explain the key judgements made in relation to the classification and valuation of investment property and freehold land and buildings and the estimation uncertainty involved in the process.

Deferred Management Fee Revenue Recognition

Why significant	How our audit addressed the key audit matter
Deferred management fee ("DMF") revenue is 39% of the Group's total revenue. The Group recognises deferred management fee revenue from residents over the expected period of tenure. The amount of revenue recognised in each year is subject to the Group's judgement of each resident's expected tenure in the village as well as the terms of the occupational right agreement and the type of unit occupied. A change in the assumed tenure may have a material impact on revenue recognised in the year. Disclosures in relation to DMF revenue and the associated DMF receivable and revenue in advance balances are included in note 4 to the consolidated financial statements.	To address the key audit matter, we: • for a sample of residents, assessed the accuracy of a sample of the factual inputs to, and calculation of, the DMF revenue recognised during 2022 with reference to the occupancy right agreements; • assessed the movements year on year in revenue recognised by each village based on an expectation derived from underlying village data; • compared the Group's assessment of assumed tenure against actual observed tenure; and • assessed the adequacy of the related financial statement disclosures.

Information other than the financial statements and auditor's report

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

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

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

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

Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Ernst & Young

Chartered Accountants
Wellington
23 February 2023

Artist impression Summerset Boulcott

Governance

Summerset has adopted the principles below as an appropriate way to demonstrate its commitment to best practice governance and to provide transparency in the Company's approach to corporate governance for the benefit of its shareholders and other stakeholders. These principles are from the NZX Corporate Governance Code issued in June 2022 ('NZX Code'). Each principle of the NZX Code is set out below with an explanation on how Summerset meets it.

As at 31 December 2022, Summerset considers that it was in full compliance with NZX Listing Rules and the NZX Code.

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

Principle 1: Code of ethical behaviour

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

Ethical standards

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

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

Principle 2: Board composition and performance

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

Role of the Board of Directors

The Board of Directors is elected by Shareholders and has responsibility for taking appropriate steps to protect and enhance the value of the assets of the Company in the best interests of its Shareholders. The Board has adopted a formal Board Charter detailing its authority, responsibilities, membership and operation. The key responsibilities of the Board include setting the overall direction and strategy of the Company, establishing appropriate policies and monitoring performance of management. The Board appoints the Chief Executive Officer and delegates the day-to-day operating of the business to the Chief Executive Officer. The Chief Executive Officer implements policies and strategies set by the Board and is accountable to it. The Board also has responsibility for ensuring the Company's financial position is sound, and financial statements comply with generally accepted accounting practice, and that the Company adheres to high standards of ethical and corporate behaviour.

A summary of the Board mandate is as follows:

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

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

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

Delegation of authority

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

Retirement and re-election

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

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

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

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

Board composition

The Company's Constitution prescribes that the Board shall be comprised of a minimum of three Directors, with at least two Directors ordinarily resident in New Zealand. As at 31 December 2022, the Board was comprised of seven non-executive Independent Directors. In determining whether a Director is Independent, the Board has regard to the NZX Listing Rules.

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

As at 31 December 2022, the non-executive Independent Directors were Mark Verbiest (Chair), Dr Andrew Wong, Anne Urlwin, Gráinne Troute, Dr Marie Bismark, Stephen Bull and Venasio-Lorenzo Crawley.

Andrea Scown is a Future Director under the Institute of Directors' Future Directors programme, which aims to develop New Zealand's next generation of directors and provide experience in large companies around the country. Andrea joined the Board as a Future Director in November 2022. Future Directors fully participate in all Board matters but do not have voting or decision rights.

The Board is comprised of Directors who have a mix of skills, knowledge, experience and diversity to adequately meet and discharge its responsibilities and to add value to the Company through efficient and effective governance leadership. The current Directors have a varied and balanced mix of skills relevant to the Group's operations. A summary of the key skills and experience held across the Board as at 31 December 2022, is set out in the table on the following page.

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

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

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

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

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

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

Diversity and inclusion

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

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

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

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

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

In 2022 we completed collection of broader diversity data from our employees and embedded diversity data collection into our onboarding processes to better understand the breadth of our staff demographic and help drive future diversity and inclusion initiatives. We also designed and developed a Diversity Inclusion Awareness and Inclusive Leadership programme, which was completed by all Executive Leadership Team members and senior managers during 2022, with plans in place to roll out to all people leaders during 2023. We have also established a national diversity and inclusion steering group made up of a broad cross-section of our staff to support the design and development of Diversity & Inclusion initiatives centred around meaningful goals and targets.

Each year the Board reviews and assesses performance against the financial year objectives. The Board notes that the Omicron outbreak during the first half impacted the achievement of some FY22 plans; however, significant progress was achieved for the year ended 31 December 2022.

As at 31 December 2022 (and 31 December 2021 for the prior comparative period), the mix of gender of those employed by the Company is set out in the table on the following page.

The Executive Leadership Team comprises the Chief Executive Officer, the CFO and all General Managers who report to the Chief Executive Officer.

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

	GENDER	2022	2021
Directors	Male	4	4
	Female	3	3
Total		**7**	**7**
Executive Leadership Team	Male	6	8
	Female	3	3
Total		**9**	**11**
All staff	Male	626	535
	Female	1,839	1,594
	Gender diverse[1]	3	2
Total staff		**2,468**	**2,131**

1 Self-identified

Board performance

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

Executive Leadership Team performance

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

Principle 3: Board committees

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

Board committees

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

Audit and Risk Committee

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

- An appropriately resourced Audit and Risk Committee operating under a written charter, with specific responsibilities for financial reporting and risk management;
- Review and consideration by the Audit and Risk Committee of the financial information and preliminary releases of results to the market, before making recommendations to the Board;
- A process to ensure the independence and competence of the Company's external auditors and a process to ensure their compliance with the Company's External Audit Independence Policy (available on the Company's website);
- Responsibility for appointment of the external auditors residing with the Audit and Risk Committee;

- Monitoring by the Audit and Risk Committee of the strength of the internal control environment by considering the effectiveness and adequacy of Summerset’s internal controls, reviewing the findings of the external auditor's review of internal control over financial reporting, and being involved in setting the scope for the internal audit programme; and
- Ensuring that management has established a risk management framework and monitoring the Company’s risk profile and reporting of risk, including new and emerging sources of risk (including climate risk).

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

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

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

People and Culture Committee

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

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

The People and Culture Committee must comprise a minimum of three Directors, the majority of whom must be Independent. The Committee currently comprises Gráinne Troute (Chair), Mark Verbiest, Dr Marie Bismark, Anne Urlwin and Venasio-Lorenzo Crawley. The Board’s policy is that the Board needs to have an appropriate mix of skills, experience and diversity to ensure that it is well equipped. The Board reviews and evaluates on a regular basis the skill mix required, and identifies any existing gaps.

Clinical Governance Committee

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

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

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

Development and Construction Committee

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

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

The Development and Construction Committee must comprise a minimum of three Directors. The Committee currently comprises Stephen Bull (Chair), Mark Verbiest, Anne Urlwin, Venasio-Lorenzo Crawley and Dr Andrew Wong.

Attendance at Board and committee meetings

A total of eight Board meetings, seven Audit and Risk Committee meetings, six People and Culture Committee meetings, three Clinical Governance Committee meetings and three Development and Construction Committee meetings were held in 2022. Director attendance at Board meetings and committee member attendance at committee meetings is shown on the table on the next page.

	Board	Audit and Risk Committee	People and Culture Committee	Clinical Governance Committee	Development and Construction Committee
Total number of meetings held	**8**	**7**	**6**	**3**	**3**
Mark Verbiest[1]	8	7	6[2]	2[2]	3
James Ogden[3]	3	3	2	1[2]	1
Anne Urlwin[4]	8	7	6	3	3
Dr Andrew Wong[5]	8	7[2]	6[2]	3	3[2]
Gráinne Troute	8	7	6	3	3[2]
Dr Marie Bismark	8	7[2]	6	3	3[2]
Stephen Bull[6]	7	5[2]	4[2]	2[2]	2
Venasio-Lorenzo Crawley[7]	8	7[2]	6	3[2]	3[2]

1 *Mark Verbiest: appointed to the People and Culture Committee from 1 May 2022*

2 *Attended the meeting as a non-committee member (where relevant, prior to appointment to the committee, as noted in this table and its footnotes)*

3 *James Ogden: retired as a director effective 27 April 2022*

4 *Anne Urlwin: appointed as Chair of the Audit and Risk Committee from l May 2022; retired as Chair of the Development and Construction Committee from 1 May 2022*

5 *Dr Andrew Wong: appointed to Development and Construction Committee from 1 May 2022*

6 *Stephen Bull: appointed as a director effective 1 March 2022; appointed to the Audit and Risk Committee, and Development and Construction Committee (as Chair), from 1 May 2022*

7 *Venasio-Lorenzo Crawley: appointed to the Audit and Risk Committee, and Development and Construction Committee from 1 May 2022*

Principle 4: Reporting and disclosure

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

Making timely and balanced disclosures

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

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

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

Principle 5: Remuneration

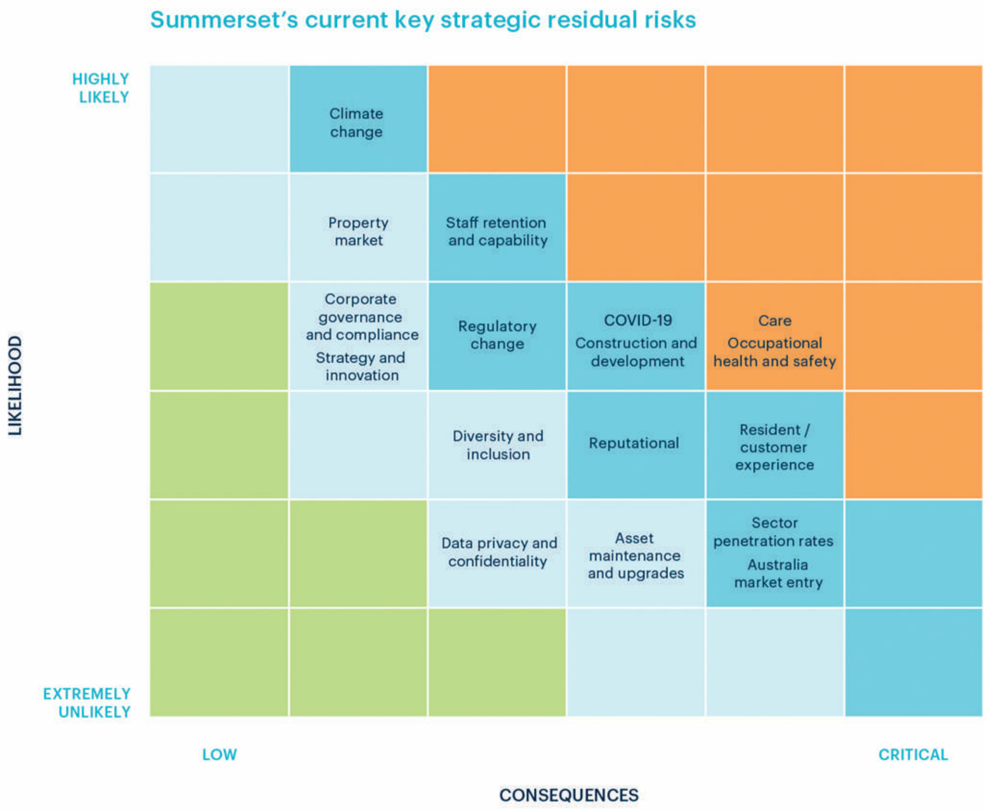
'The remuneration of Directors and executives should be transparent, fair and reasonable.'

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

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

Principle 6: Risk management

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



The Board is responsible for overseeing the management of risks across Summerset's business. Summerset has robust risk management and reporting frameworks in place, whereby material business risks are regularly identified, monitored and managed. Summerset's Audit and Risk Committee is responsible for providing oversight over the Company's risk management framework and compliance with that framework. Key risks are regularly reported to the Board, together with Summerset's approach to risk management. Summerset's risk management framework was reviewed by the Board in the 2021 financial year and a move to an enterprise risk management policy effective from 2022 was endorsed by the Board.

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

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

Health and safety (including in relation to risks, performance and management) is discussed regularly at Board meetings and specific reviews are sought as required. Monthly reporting is prepared and used to assist in risk management, covering areas such as health and safety incidents, injury and near-miss frequency rates, and actions undertaken. Further information is covered in the health and safety section of this Annual Report on pages 28 and 29.

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

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

- **Climate change risk** Summerset expects to operate in a climate that will progressively experience more acute challenges and risks arising from increasing climate variability. This is likely to have various impacts on the longer-term plans and operation of the Group – specifically in relation to the design, build and construction of villages, as well as in the provision of care services to frail residents and the overall lifestyle satisfaction enjoyed in Summerset's villages. As such this requires a planned approach to assessing climate change risks and opportunities, and public disclosure from 2024 under the TCFD mandatory reporting requirements and the XRB's climate-related financial disclosure standards. Summerset is committed to progressing towards TCFD/XRB compliant reporting as outlined in the roadmap table on page 50.
- **Property market risk** Property market factors could adversely affect sales volumes, occupancy levels or prices. This may have a flow-on impact to the value of Summerset's property assets and the associated property valuations, which would in turn impact Summerset's financial performance.
- **Staff retention and capability risk** In a tight and highly competitive labour market, Summerset is at risk of staff shortages. Key areas within our construction and nursing teams will continue to be monitored closely.
- **Corporate governance and compliance risk** Failure to comply with regulatory, societal and investor expectations in relation to corporate governance and environmental sustainability could impact Summerset's reputation and financial performance over the longer term. Summerset's governance procedures are continually monitored.
- **Strategy and innovation risk** There is a moderate risk with regard to Summerset's strategic direction and ability to continue to innovate. Summerset's intention is to stay at the forefront in all areas of its business, including technology, design, development and care. Summerset fosters a culture of continuous improvement and invests in innovation through a programme that enables the organisation to anticipate and respond to changes.
- **Diversity and inclusion risk** While our Diversity and Inclusion Strategy and annual plans fulfil all our obligations in this area and we continue to improve our culture, there is always some level of risk, particularly in a tight labour market. This will continue to be monitored regularly through staff surveys and employees being actively engaged in this area. Page 103 provides more information on the Company's Diversity and Inclusion Strategy.
- **Construction and development risk** Summerset faces construction and property development risks when developing new villages. These risks include project delays, default risk, governance and design risk, and potential labour and materials shortages. Supply chain cost inflation due to COVID-19 related shortages and delays remains ongoing.
- **Clinical care risk** This is a high-risk area for Summerset, which requires constant monitoring, management and policy review. Good training and professional development, retention of staff, and investment in health and safety all help mitigate risk in this area. The increasing level of investment required in this area is likely to affect care profitability.
- **Resident and customer experience risk** Providing top-level resident and customer experience at all times is a challenge due to the nature of the organisation. Summerset has various methods in which it manages and monitors these issues closely, including move-in surveys, ongoing resident feedback surveys, close one-on-one feedback sessions, and close contact with residents, families, next of kin and prospective residents.
- **Occupational health and safety risk** The physical and mental wellbeing of all Summerset staff is one of our top priorities. Summerset maintains a strong focus on managing the increased risk to staff associated with COVID-19.

- **Australia market entry risk** Entering a new market requires a measured and well-researched approach. Summerset is mitigating many new market entry risks through having established a local team, entering a well-researched market, and developing product and service offerings, procedures and processes tailored for the new market. Progress in Australia will be closely managed and has tracked well to date.
- **Data privacy and confidentiality risk** Summerset actively monitors and manages these risks through its risk management and reporting frameworks.
- **Asset maintenance and upgrades risk** Summerset has a coordinated approach to asset management and upgrades in all areas of the business. The Summerset Asset Management Plan dictates likelihood of replacement, and coupled with reactive maintenance analysis and trending directs a proactive application to our replacement programme. Asset upgrade standards are clearly defined and well documented, and industry accepted national asset grading methodology is enforced.
- **Sector penetration rates risk** Summerset is fortunate to operate in the high-growth New Zealand retirement sector. The risk is a declining penetration (or participation) in the market. Current forecasts show this is unlikely to be the case in New Zealand, but it is a risk to be monitored. Competitors making significant changes to their revenue models or pricing strategy could impact on the revenue earned by Summerset.
- **Reputational risk** Summerset operates in a sensitive market involving care of vulnerable members of society. Summerset's performance and reputation could be adversely impacted should it suffer adverse publicity, particularly in respect of care or health and safety issues.
- **Regulatory change risk** Changes in regulation could have a material impact on Summerset's business operations. The existing New Zealand retirement villages regulatory regime is currently being reviewed. In addition, Australia introduced changes to its aged care regime in April 2022 following the Royal Commission into Aged Care Quality and Safety and we will continue to implement further changes as recommended by the Royal Commission.

Principle 7: Auditors

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

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

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

Ernst & Young was first appointed as external auditor of Summerset in 2004. In 2017, a full tender for the external audit services was completed and Ernst & Young was reappointed through this process. The lead audit partner was last changed in 2018, with the appointment of Grant Taylor. The lead audit partner will rotate for the 2023 audit.

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

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

- The actions of Summerset's officers, directors, staff, and contractors comply with Summerset's policies, procedures and applicable laws, regulations and governance standards;
- The results of operations or programmes are consistent with established goals and objectives;
- Operations or programmes are being carried out effectively and efficiently, with adequate internal controls;

- Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact Summerset;
- Information and the means used to identify, measure, analyse, classify and report such information is reliable and has integrity; and
- Resources and assets are acquired economically, used efficiently and protected adequately.

Principle 8: Shareholder rights and relations

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

Respecting the rights of Shareholders

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

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

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

Communicating with Shareholders

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

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

Shareholder voting rights

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

Notice of Annual and Special Shareholder Meetings

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

Board of Directors

ANDREA SCOWN
Future Director

VENASIO-LORENZO CRAWLEY
Independent

GRÁINNE TROUTE
Independent

MARK VERBIEST
Chair, Independent

VIEW DIRECTOR BIOGRAPHIES AT:
www.summerset.co.nz/investor-centre/board-of-directors

ANNE URLWIN
Independent

STEPHEN BULL
Independent

DR ANDREW WONG
Independent

DR MARIE BISMARK
Independent

Executive Leadership Team

STEWART SCOTT
General Manager
Development – Australia

DEAN TALLENTIRE
General Manager
Construction

SCOTT SCOULLAR
Chief Executive
Officer

ELEANOR YOUNG
General Manager Operations
and Customer Experience

VIEW EXECUTIVE LEADERSHIP BIOGRAPHIES AT:

www.summerset.co.nz/investor-centre/our-leadership-team/

KAY BRODIE
General Manager
Marketing and Communications

DAVE CLEGG
General Manager
People and Culture

WILL WRIGHT
Chief Financial Officer and General Manager Corporate Services

AARON SMAIL
General Manager
Development

FAY FRENCH
General Manager
Sales

Remuneration

Remuneration overview

Remuneration philosophy

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

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

Market position

Summerset benchmarks pay rates, comparing market rates while ensuring affordability (i.e. paying at the level necessary to attract and retain good people while controlling costs). A review of market relativity is conducted annually to ensure that Summerset remains competitive and has cost-effective pay practices. The market review draws on several data sources, for example:

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

The market review helps us to determine whether we've remained competitive with the market and implement strategies to adjust pay ranges as required in the annual remuneration review process.

Benefits

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

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

Director remuneration

The total amount of remuneration and other benefits received by each Director during the year ended 31 December 2022 is provided below. These amounts reflect actual payments to directors during the year, and consequently, depending on each Director's quarterly billing cycle, payroll periods and the actual payment date, the amounts stated may vary between directors and may not be representative of the directors' fees earned for the year ended 31 December 2022.

Director	Board fees	Audit and Risk Committee	Clinical Governance Committee	People and Culture Committee	Development and Construction Committee	Total remuneration
Mark Verbiest	$180,000 (Chair)					$180,000
Anne Urlwin	$95,000	$13,333 (incoming Chair)			$2,500 (outgoing Chair)	$110,833
Dr Andrew Wong	$94,760					$94,760
Gráinne Troute	$96,250			$13,750 (Chair)		$110,000
James Ogden[1]	$15,000	$3,000 (outgoing Chair)				$18,000
Dr Marie Bismark	$90,000		$15,000 (Chair)			$105,000
Stephen Bull[2]	$86,878				$11,058 (incoming Chair)	$97,936
Venasio-Lorenzo Crawley	$94,760					$94,760
Total	**$752,647**	**$16,333**	**$15,000**	**$13,750**	**$13,558**	**$811,288**

1 Retired from Board on 27 April 2022

2 Appointed to Board on 1 March 2022

Directors' fees were reviewed during 2022 and increases were approved by Shareholders, effective from 1 May 2022. As at 31 December 2022, the maximum aggregate amount of remuneration payable by Summerset to Directors (in their capacity as Directors) was $904,450 per annum for the non-executive Directors (2021: $840,000) and annualised standard Directors' fees were $831,200, inclusive of additional remuneration for committee Chairs (2021: $768,000).

In respect of Australian-based directors, the Board has decided to pay those Directors in Australian dollars at the same face value the New Zealand directors are paid. This results in those Directors receiving slightly more fees (as recorded in the table above). As at 31 December 2022, the only Director who received payment in Australian dollars was Stephen Bull.

As at 31 December 2022, the standard Director fees per annum are as follows:

	Position	Fees (per annum)
Board of Directors	Chair	$181,200
	Member	$97,500
Audit and Risk Committee	Chair	$20,000
Clinical Governance Committee	Chair	$15,000
People and Culture Committee	Chair	$15,000
Development and Construction Committee	Chair	$15,000

No additional fees are paid to committee members.

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

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

Executive remuneration

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

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

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

Market alignment of Executive remuneration 2020-2022

Over the past two years the People and Culture Committee has been progressively reviewing and adjusting Executive remuneration to more closely align with the market, and the rest of the NZX. The overarching goal was to ensure this was achieved whilst retaining strongly performing members of the Executive Leadership Team who successfully managed the business through the COVID-19 environment (which resulted in considerable operational complexities).

This remuneration alignment journey has seen significant adjustments to the structure of the Long-Term Incentive (LTI) scheme. Related adjustments were made to the Executive fixed remuneration that in part compensated for the stepped changes in the Executive LTI Scheme. Detail on the changes made to the LTI scheme are set out below under the heading Long-term incentives.

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

The remuneration packages for members of the Executive Leadership Team, including the CEO, do not include severance or exit payments, payable on termination of their appointment.

Fixed remuneration

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

Short-term incentives

Short-term incentives (STIs) are at-risk payments designed to motivate and reward for performance, for the financial year that they relate to. The target value of an STI payment is set annually, as a percentage of the Executive Leadership Team member's fixed remuneration. For 2022, the relevant percentages were 20–30% (2021: 20–40%).

A proportion of the STI (80% for CEO and 40-60% for the other Executive Leadership Team members) is related to achievement of annual business performance metrics, which aim to align executives to a shared set of key performance indicators (KPIs) based on business priorities for the next 12 months. Target areas which applied to the shared KPIs for 2022 are outlined on the table on the next page.

Target	Minimum performance	On-target weighting	Maximum performance
Underlying EBITDA*	36%	40%	80%
New sales development margin*	9%	10%	20%
Resales net cash*	9%	10%	20%
Retirement unit delivery	20%	20%	20%
Customer satisfaction	2.5%	5%	5%
Customer clinical quality of care	5%	5%	5%
Health and safety	5%	5%	5%
People and culture	5%	5%	5%
Total payable	**91.5%**	**100%**	**160%**

There are three performance levels within each financial (*) target – gate-opener, on-target and maximum performance – with 100% of the amount allocated to that target area being payable when the on-target level is achieved.

The Retirement unit delivery target has 100% payable when on-target performance is achieved. The Customer satisfaction target has two performance levels – gate opener and on-target performance with 50% and 100% respectively being payable. The three remaining non-financial measures and the % payable for each target area are assessed against Board approved annual objectives each year.

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

If the gate-opener underlying EBITDA performance against budget is not achieved, no STI payment will be made.

The gate-opener is based on achieving 100% of underlying EBITDA performance target (90% pay-out in relation to this target). In addition, the areas of new sales development margin and the resales net cash pay out at 90% on achievement of performance targets. Minimum performance is when all of the gate-opener performance targets are achieved and there is full achievement of all other targets, which results in 91.5% of the shared targets being payable.

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

The maximum performance levels allow employees to be rewarded for exceptional performance results.

The maximum amount of an STI payment for an Executive Leadership Team member is 160% of the STI on-target amount for that individual and would require material overachievement at 125% or more of the financial targets (*) and maximum achievement of every other KPI target and individual performance measures.

Long-term incentives

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

LTI Plan

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

Option grants are made annually, with the value of each grant being set at the date of each grant and determined as a percentage of the Executive Leadership Team member's fixed remuneration.

As noted above there have been progressive changes to the LTI plan which were implemented in relation to the 2021 and 2022 grants.

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

2018, 2019 and 2020

For the three option grants made under the LTI plan in 2018, 2019 and 2020, the relevant participation percentages for Executives ranged from 20% to 40% of fixed remuneration. The number of Options granted was calculated utilising the Black Scholes risk-weighted methodology, with an option exercise price based on a 10-day volume weighted average price (VWAP) of Summerset shares prior to grant date. Vesting of share options was subject to achievement of performance hurdles, which are assessed over two- and three-year periods.

2021

This was the first step by the People and Culture Committee to closer align Executive Remuneration to the market with the relevant participation percentages for Executives ranging from 20% to 30%. The number of Options granted was based on a 10-day VWAP prior to grant date. Options were zero priced and vesting is in two tranches at three and four years. 50% of each tranche vests based on time (retention) and 50% vests based on performance hurdles.

Consistent with prior years, the performance hurdle portion of each tranche is based on the following measures:

50%	Absolute earnings (cumulative actual underlying net profit after tax for the Group against budget)
20%	Relative earnings (earnings per share growth of the Group compared to a defined peer group)
10%	Clinical strategy delivery
10%	People (5% staff engagement; 5% staff turnover)
10%	Customer satisfaction (5% village residents; 5% care centre residents)

The Absolute and Relative Earnings performance hurdles both have gate-openers, which, if met, result in 50% of the options related to that performance hurdle vesting for that tranche. The Clinical Strategy hurdle and the % of related options vesting is assessed by the Board relative to the improvements in clinical systems and quality achieved during the vesting period. The People and Customer hurdles each have targets which if met result in 100% of the related options vesting. Where all performance hurdles for a tranche meet their gate-opener and target criteria requirements, and including that tranche's time-based options, a total of 55.6% of that tranche's options vest.

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

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

With the change in vesting periods from two and three years to three and four years, the Board approved a one-off transition grant for existing participants in 2021. The transition grant consisted of two tranches with the first tranche vesting at two years and the second tranche at three years. The options granted were zero-priced and are time (retention) based with no performance hurdle requirements. 173,238 options were issued in December 2021 (including 73,740 transition grant options).

2022

In 2022 the LTI plan was further amended and is now more closely aligned with broader practice in other NZX-listed companies. Options remain zero-priced and vesting occurs in two tranches at three and four years. The vesting of all options is now subject to the achievement of two financial performance hurdles – 75% based on absolute Total Shareholder Return (aTSR) and 25% based on relative Total Shareholder Return (rTSR) (compared to a defined peer group). Non-financial hurdles and time-based vesting have been removed.

In 2022 the option grants as a percentage of the Executive Leadership Team member's fixed remuneration increased to a range between 30% and 50% as part of the alignment to market. A 10-day VWAP prior to the original planned December 2022 grant date was used to calculate the number of Options granted.

Performance hurdles are set by the Board with the objective of aligning executive reward to the development and achievement of strategies and business objectives creating sustainable value for shareholders. The Board considers the 2022 LTI performance hurdles now better reflect the drivers of sustainable value for shareholders.

Senior Leadership Team LTI Plan

In addition to the LTI share option plan in place for Executive Leadership Team members, Summerset also operates an LTI share option plan for other senior managers. The 2018, 2019 and 2020 LTI grants for senior managers were time (retention) based. For this group, no individual performance hurdles applied to LTI grants. The number of Options granted were calculated utilising the Black Scholes risk-weighted methodology, with an option exercise price based on a 10-day VWAP prior to grant date. Vesting of share options was over two- and three-year tranche periods.

Effective from 2021, and including the changes made in 2022, all senior managers invited to participate do so on the same terms and conditions as the Executive Leadership Team (as detailed above). The number of options to be granted for the 2022 LTI are based on a percentage of base remuneration ranging from 15% to 25% (2021: 10–18%).

2022 LTI Option grants delayed

Due to the changes to the schemes' performance hurdles noted above made in late 2022, the issuing of options was deferred to facilitate implementation of the changes and no share options were granted to Executive Leadership Team members or Senior Managers in December 2022 as would usually occur. Options will be issued to participants early in 2023.

Options vested in 2022

348,803 Executive share options vested as at 31 December 2022. The 2019 tranche 2 grant performance hurdles resulted in a 90% vesting (167,840 Options) and the 2020 tranche 1 grant performance hurdle resulted in a 95% vesting (180,963 Options). These Options are therefore currently exercisable subject to Board confirmation of satisfaction of performance hurdle achievement and approval.

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

Chief Executive Officer remuneration

Remuneration for years ended 31 December 2020 to 2022

TABLE A – FY2022 remuneration package of the CEO

TABLE A	Fixed remuneration			Pay for performance			
	Salary	Other benefits[1]	Subtotal	STI	LTI	Subtotal	Total remuneration
FY2022	$649,631	$25,369	$675,000	$202,500[2]	$337,500[3]	$540,000	$1,215,000

1 Other benefits for the current CEO include a car park and KiwiSaver.

2 STI component in CEO package, based on 30% of fixed remuneration at target (based on 100% payout).

3 LTI component in CEO package, based on 50% of fixed remuneration target (see LTI section above).

TABLE B – provides the FY2020–2022 remuneration packages actually paid to the current and former CEO. Note the current CEO was appointed on 29 March 2021 (Remuneration includes both his time as CFO and his time as newly appointed CEO), and the former CEO's employment ended 26 March 2021.

TABLE B	Fixed remuneration			Pay for performance			
	Salary	Other benefits[1]	Subtotal	STI	LTI	Subtotal	Total remuneration
FY2022	$649,631	$25,369	$675,000	$206,071[2]	$337,500[3]	$543,571	$1,218,571
FY2021[4]	$607,155	$24,095	$631,250	$166,071	$475,888[5]	$641,959	$1,273,209
Former CEO							
FY2021	$166,410	$681	$167,091	$291,240[6]	$0[7]	$291,240	$458,331
FY2020	$623,242	$1,758	$625,000	$261,625[8]	$0[9]	$261,625	$886,625

1 *Other benefits for the current CEO include a car park and KiwiSaver.*

2 *STI for FY2021 performance period (paid FY2022) for current CEO.*

3 *LTI component in current CEO package, based on 50% of fixed remuneration (see LTI section above)*

4 *STI component in CEO package, based on 30% of fixed remuneration (based on 100% payout).*

5 *LTI value granted in FY2021 period (which will vest based on performance criteria, in future years) for current CEO. This includes one-off transition options granted above the base LTI entitlement (see LTI section above).*

6 *STI for FY2020 performance period (paid FY2021) for former CEO.*

7 *No LTI awarded in the FY2021 period to former CEO.*

8 *STI for FY2019 performance period (paid FY2020) for former CEO.*

9 *No LTI awarded in the FY2020 period to former CEO.*

KiwiSaver

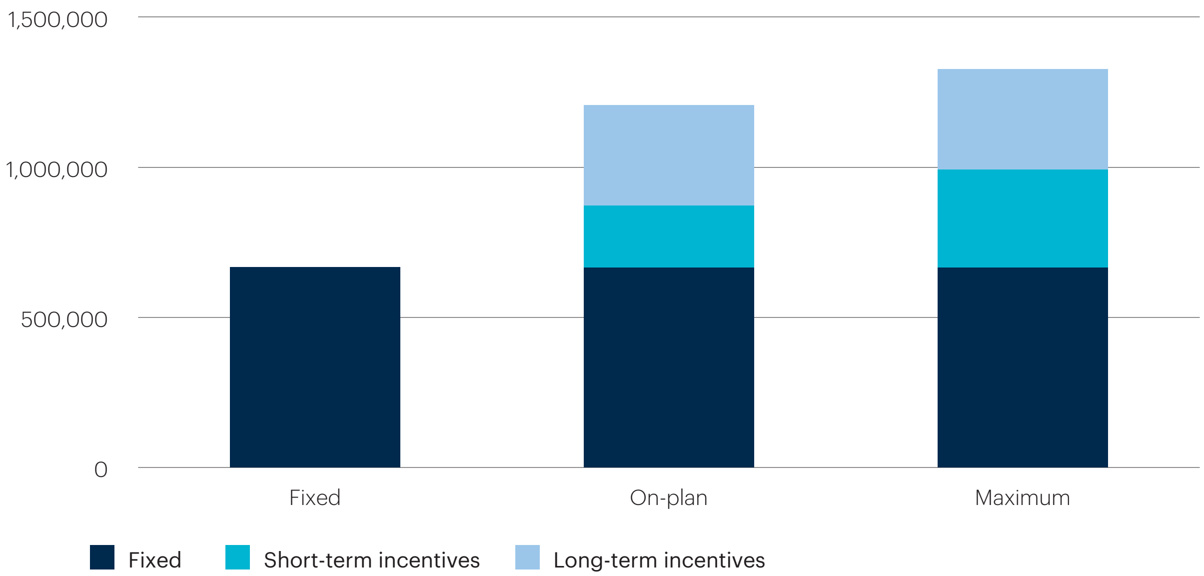
The Chief Executive Officer is a member of KiwiSaver. As a member of this scheme, the Chief Executive Officer is eligible to contribute and receive a company contribution of 3% of gross taxable earnings. For FY22, the company's contribution for Scott Scoullar was $19,489.

The CEO's STI payable in relation to the FY22 period (payable in February 2023) is $211,432 and is based on achievement of shared KPI targets as follows:

FY2022 KPI	FY2022 KPI performance	% STI payable
Underlying EBITDA	On-target performance exceeded	52.49%
New sales development margin	On-target performance exceeded	13.51%
Resales net cash	101% of gate opener achieved	9.1%
Retirement unit delivery	On target performance achieved	20%
Customer satisfaction	On target performance achieved	5%
Customer clinical quality of care	On target performance achieved	5%
People and culture	On target performance partially achieved	2.5%
Health and safety	On target performance partially achieved	0%[1]
Total payable		**107.6%**

1 *No payment of this STI component following the death of scaffolding contractor on St Johns construction site.*

Components of CEO FY2022 annualised remuneration



The Chief Executive Officer's fixed remuneration comprised annual salary and taxable benefits set at $675,000 per annum. The STI and LTI (based on the value granted in the FY2022), were 30% and 50% respectively of fixed remuneration. STI had a maximum available payment of 160% of the on-target as noted above. The standard LTI grant for 2022 will vest based on performance to 31 December 2025 (tranche 1) and 31 December 2026 (tranche 2), subject to retention and performance criteria being met. Further details are included in the LTI Plan entitlements section.

Description of Chief Executive Officer remuneration for performance for the year ended 31 December 2022

Plan	Description	Performance measures	Percentage awarded against on-plan performance
LTI	In February 2022, vesting for 63,889 options granted under the LTI Plan at $6.34 on 10 December 2018 was assessed per the Plan Rules. The assessment period was 1 January 2019 to 31 December 2021. The vesting criteria were assessed and 95% of the options vested.	50% based on absolute earnings 25% based on relative earnings 10% based on employee strategy initiatives 10% based on customer satisfaction 5% based on clinical strategy initiatives	95.0%
	In February 2022, vesting for 64,655 options granted under the LTI Plan at an exercise price of $7.62 on 9 December 2019 was assessed per the Plan Rules. The assessment period was 1 January 2020 to 31 December 2021. The vesting criteria were assessed and 95% of the options vested.	50% based on absolute earnings 25% based on relative earnings 10% based on employee strategy initiatives 10% based on customer satisfaction 5% based on clinical strategy initiatives	95.0%

Chief Executive Officer – LTI Plan entitlements

Tranche	Performance and retention period	No. of Options	Exercise price at grant	Status
T2 2022	2023-2026	17,815	$0.00	Unvested
T1 2022	2023-2025	17,815	$0.00	Unvested
T2 2021	2022–2025	10,635	$0.00	Unvested
T1 2021	2022–2024	10,635	$0.00	Unvested
Transition T2 2021	2022–2024	7,877	$0.00	Unvested
Transition T1 2021	2022–2023	7,877	$0.00	Unvested
T2 2020	2021–2023	31,780	$10.85	Unvested
T1 2020	2021–2022	34,927	$10.85	Vested – Not exercised
T2 2019	2020–2022	50,000	$7.62	Vested – Not exercised
T1 2019	2020–2021	61,422	$7.62	Vested – Not exercised
T2 2018	2019–2021	60,694	$6.34	Vested – Not exercised

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

Issue date	No. of shares	Status
18 July 2022	98	Vesting 18 July 2025
19 July 2021	73	Vesting 19 July 2024
17 August 2020	107	Vesting 17 August 2023
22 July 2019	140	Vested 22 July 2022

Current Chief Executive Officer LTI share option movements for the year ended 31 December 2022

	Dec 2018 grant	Dec 2019 grant	Dec 2020 grant	Dec 2021 grants	Dec 2022 grant	Total
Balance at 1 January 2022	137,361	116,978	68,545	37,024	-	359,908
Forfeited	-	(5,556)	(1,838)	-	-	(7,394)
Granted	-	-	-	-	35,630[1]	35,630
Exercised	(76,667)	-	-	-	-	(76,667)
Balance at 31 December 2022	**60,694**	**111,422**	**66,707**	**37,024**[2]	**35,630**	**311,477**
Vesting status	Vested	Vested	Partially vested	Unvested	Unvested	
Exercise price at grant	$6.34	$7.62	$10.85	Nil	Nil	

1 To be granted in early 2023, relates to the year ended 31 December 2022

2 Includes 15,754 one-off transition options granted in December 2021

The table above includes options granted under the LTI plan prior to 29 March 2021, when the Chief Executive Officer took up this role (previously Chief Financial Officer).

Employee remuneration

The number of employees or former employees (including employees holding office as Directors of subsidiaries), who received remuneration and other benefits valued at or exceeding $100,000 during the financial year ended 31 December 2022 is specified in the following table.

The remuneration figures shown in the 'Remuneration' column include all monetary payments actually paid during the course of the year ended 31 December 2022. The table also includes the value of options relating to the 2022 financial year, which will be granted to individual employees under Summerset's LTI Plan in early 2023. The table does not include amounts paid after 31 December 2022 that relate to the year ended 31 December 2022.

The method of calculating remuneration is consistent with the method applied for the previous year.

Remuneration	No. of employees	Remuneration	No. of employees
$100,000 to $109,999	83	$310,000 to $319,999	2
$110,000 to $119,999	70	$320,000 to $329,999	2
$120,000 to $129,999	43	$330,000 to $339,999	1
$130,000 to $139,999	46	$340,000 to $349,999	2
$140,000 to $149,999	36	$350,000 to $359,999	1
$150,000 to $159,999	23	$360,000 to $369,999	2
$160,000 to $169,999	17	$380,000 to $389,999	1
$170,000 to $179,999	11	$390,000 to $399,999	1
$180,000 to $189,999	16	$400,000 to $409,999	1
$190,000 to $199,999	7	$440,000 to $449,999	2
$200,000 to $209,999	4	$450,000 to $459,999	1
$210,000 to $219,999	5	$470,000 to $479,999	1
$220,000 to $229,999	1	$490,000 to $499,999	1
$230,000 to $239,999	5	$630,000 to $639,999	1
$240,000 to $249,999	6	$650,000 to $659,999	1
$250,000 to $259,999	2	$700,000 to $709,999	1
$260,000 to $269,999	2	$770,000 to $779,999	1
$270,000 to $279,999	2	$850,000 to $859,999	1
$280,000 to $289,999	4	$1,230,000 to $1,239,999	1

Pay gap

The pay gap represents the number of times greater the Chief Executive Officer remuneration is to the remuneration of an employee paid at the median of all Summerset employees. For the purposes of determining the median paid to all Summerset employees, all permanent full-time, permanent part-time and fixed-term employees are included, with part-time employee remuneration adjusted to a full-time equivalent amount. At 31 December 2022, the Chief Executive Officer's salary of $649,631 was 11.0 times (2021: 11.4 times) that of the median employee at $58,760 per annum. The Chief Executive Officer's total remuneration, including STIs and LTIs, of $1,218,571, was 18.8 times (2021: 21.6 times) the total remuneration of the median employee at $64,784 per annum.

Disclosures

Director changes during the year ended 31 December 2022

Stephen Bull was appointed to the Board on 1 March 2022. James Ogden retired from the Board on 27 April 2022.

Directors' interests

The following is an excerpt from the Company's Interests Register, showing the material interests of Directors as at 31 December 2022, together with any entries in the Interests Register made during the year for the purposes of section 211(1)(e) of the Companies Act 1993. Interests no longer held as at 31 December 2022 are disclosed in *italics*.

Director	Entity	Position
Mark Verbiest	Meridian Energy Limited	Chair
	Freightways Limited (retired 31 March 2022)	Chair
	ANZ Bank New Zealand Limited (retired 31 December 2022)	Director
	Willis Bond	Consultant
Anne Urlwin	Te Rūnanga Audit and Risk Committee of Te Rūnanga O Ngāi Tahu	Independent Chair
	City Rail Link Limited	Director
	Precinct Properties New Zealand Limited	Director
	Cigna Life Insurance New Zealand Limited (retired 21 February 2022)	Director
	Queenstown Airport Corporation Limited	Director
	Vector Limited	Director
	Ventia Services Group Limited	Director
	Infratil Limited (appointed 1 January 2023)	Director
Dr Marie Bismark	GMHBA Health Insurance	Director
	Royal Australasian College of Physicians	Fellow
	Veteran's Health Advisory Panel	Member
	Melbourne Health (retired 22 August 2022)	*Psychiatry Registrar*
	Public Health Medicine Specialist registered with New Zealand Medical Council	n/a
	Royal Women's Hospital, Melbourne	Director
	North Western Mental Health (retired 22 August 2022)	*Psychiatry Registrar*
	University of Melbourne	Professor
	Te Whatu Ora - Capital & Coast (appointed 22 August 2022)	Psychiatry Registrar
	Australian Institute of Company Directors (Victoria) (appointed 1 December 2022)	Council Member

Director	Entity	Position
Gráinne Troute	Tourism Holdings Limited Investore Property Limited Tourism Industry Aotearoa Tourism Industry Transformation Plan Duncan Cotterill (appointed June 2022)	Director Director Chair Co-Chair Board Member
Dr Andrew Wong	HealthCare Holdings Limited QCS (Quipt Clinical Supplies) Limited Health Tick Limited The Drug Detection Agency Group Limited Kakariki Hospital Limited Ascot Hospitals and Clinics Limited New Zealand Radiology Group Limited MercyAscot Properties Limited Endoscopy Auckland Limited Auckland Radiation Oncology Limited Kensington Hospital Limited MercyAscot Orthopaedics Limited Auckland University of Technology Endoscopy Governance Group New Zealand	Managing Director Director Director Director Director Managing Director Director Director Chair Chair Director Chair Adjunct Professor Member
Venasio-Lorenzo Crawley	AUT Business School Added Value Limited Contact Energy Limited	Advisory Board Chair Director / Shareholder Shareholder
Stephen Bull	Wingate Direct Property (added 1 March 2022 on appointment) MaxCap Industrial Opportunites Fund (added 1 March 2022 on appointment) Bridge Housing Limited (added 1 March 2022 on appointment)	Investment Committee Member Investment Committee Member Director

Effective 27 April 2022, James Ogden ceased to be a Director. He did not make any entries in the Company's Interests Register during the period 1 January 2022 to 27 April 2022.

Information used by Directors

There were no notices from Directors of the Company requesting to disclose or use Company information received in their capacity as Directors that would not otherwise have been available to them.

Directors' security holdings

Securities in the Company in which each Director has a relevant interest as at 31 December 2022 are specified in the table below:

Director	Ordinary shares	SUM010 retail bonds	SUM020 retail bonds	SUM030 retail bonds
Mark Verbiest	11,500*	–	–	–
Anne Urlwin	32,046	30,000	–	30,000
Dr Marie Bismark	24,438	–	–	–
Gráinne Troute	25,409	–	–	–
Dr Andrew Wong	10,500	–	–	–
Venasio-Lorenzo Crawley	4,285	–	–	–
Stephen Bull	6,700	–	–	–
Total	**114,878**	**30,000**	**0**	**30,000**

**Sarah Verbiest has a legal and beneficial interest in 11,500 SUM ordinary shares.*

Securities dealings of Directors

During the year, Directors disclosed the following transactions in respect of Section 148(2) of the Companies Act 1993. These transactions took place in accordance with the Company's Securities Trading Policy.

Director	Nature of relevant interest	Date of transaction	Number of securities acquired/ (disposed)	Consideration
Mark Verbiest	Power to acquire or dispose	1 September 2022	4,500	On-market acquisition of ordinary shares at an average price of $11.02 per share
Anne Urlwin	Beneficial interest	23 March 2022	164	Issue of shares under dividend reinvestment plan at $11.20 per share
	Beneficial interest	19 September 2022	212	Issue of shares under dividend reinvestment plan at $10.76 per share
	Beneficial interest	25 September 2022	32,046	Transfer of legal ownership of shares at $9.05 per share (no change in beneficial interest)
Dr Marie Bismark	Legal and beneficial interest	23 March 2022	157	Issue of shares under dividend reinvestment plan at $11.20 per share
	Legal and beneficial interest	19 September 2022	205	Issue of shares under dividend reinvestment plan at $10.76 per share
Gráinne Troute	Legal and beneficial interest	23 March 2022	129	Issue of shares under dividend reinvestment plan at $11.20 per share
	Legal and beneficial interest	19 September 2022	168	Issue of shares under dividend reinvestment plan at $10.76 per share
Stephen Bull	Beneficial interest	19 April 2022	6,700	On-market acquisition of ordinary shares at an average price of $11.45 per share

Director appointment dates

The date of each Director's first appointment to the position of Director is provided below. Since the date of appointment, Directors have been re-appointed at Annual Meetings when retiring by rotation as required.

Director	Appointment date
Mark Verbiest	1 July 2021
Anne Urlwin	1 March 2014
James Ogden*	2 September 2011
Dr Marie Bismark	1 September 2013
Gráinne Troute	1 September 2016
Dr Andrew Wong	1 March 2017
Venasio-Lorenzo Crawley	1 February 2020
Stephen Bull	1 March 2022

**James Ogden retired on 27 April 2022. He was also a Director from 1 October 2007 to 26 March 2009.*

Indemnity and insurance

In accordance with Section 162 of the Companies Act 1993 and the constitution of the Company, the Company has arranged insurance for, and indemnities to, Directors and Officers of the Company, including Directors of subsidiary companies, for losses from actions undertaken in the course of their legitimate duties or costs incurred in any proceeding.

Directors of subsidiary companies

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

Scott Scoullar, Will Wright, Aaron Smail and Robyn Heyman were Directors of all the Company's New Zealand incorporated subsidiaries as at 31 December 2022, with the exception of Summerset LTI Trustee Limited (the Directors of which are Mark Verbiest and Dr Marie Bismark). Scott Scoullar, Will Wright, Stewart Scott and Robyn Heyman were Directors of all the Company's Australian incorporated subsidiaries as at 31 December 2022. No extra remuneration is payable to any Director of the Company for any Directorship of a subsidiary.

Top 20 Shareholders as at 31 December 2022

Rank	Registered Shareholder	Number of shares	% of shares
1	Custodial Services Limited	24,123,993	10.39%
2	Tea Custodians Limited*	23,275,169	10.03%
3	BNP Paribas Nominees NZ Limited (BPSS40)*	13,835,243	5.96%
4	HSBC Nominees (New Zealand) Limited*	11,064,559	4.77%
5	Citibank Nominees (NZ) Ltd*	10,537,917	4.54%
6	New Zealand Superannuation Fund Nominees Limited*	10,302,253	4.44%
7	Accident Compensation Corporation*	9,775,132	4.21%
8	HSBC Nominees (New Zealand) Limited*	9,773,264	4.21%
9	Forsyth Barr Custodians Limited	8,485,935	3.66%
10	JPMORGAN Chase Bank*	7,711,786	3.32%
11	FNZ Custodians Limited	7,461,459	3.21%
12	Hobson Wealth Custodian Limited	4,773,029	2.06%
13	New Zealand Depository Nominee	4,677,415	2.02%
14	New Zealand Permanent Trustees Limited*	3,783,818	1.63%
15	Premier Nominees Limited*	3,477,772	1.50%
16	National Nominees New Zealand Limited*	3,290,752	1.42%
17	JBWERE (NZ) Nominees Limited	2,443,948	1.05%
18	BNP Paribas Nominees (NZ) Limited*	2,391,847	1.03%
19	MFL Mutual Fund Limited*	2,236,900	0.96%
20	Cogent Nominees Limited*	2,011,613	0.87%
	Total	**165,433,804**	**71.28%**

** Shares held through the New Zealand Central Securities Depository Limited*

Spread of Shareholders as at 31 December 2022

Size of shareholding	Shareholders Number	Shareholders %	Shares Number	Shares %
1 to 1,000	4,007	39.26%	1,742,402	0.75%
1,001 to 5,000	4,209	41.24%	10,304,738	4.44%
5,001 to 10,000	1,128	11.05%	8,155,052	3.52%
10,001 to 50,000	761	7.46%	14,532,900	6.26%
50,001 to 100,000	52	0.51%	3,580,389	1.54%
100,001 and over	49	0.48%	193,801,413	83.49%
Total	**10,206**	**100.00%**	**232,116,894**	**100.00%**

Substantial product holder notices received as at 31 December 2022

According to the records kept by the Company and notices given under the Financial Market Conducts Act 2013, the following were substantial holders in the Company as at 31 December 2022. The total number of voting products on issue at 31 December 2022 was 232,116,894 ordinary shares.

Shareholder	Relevant interest	% held at date of notice	Date of notice
Fisher Funds Management Limited	16,753,143	7.2175%	21 September 2022
Harbour Asset Management Limited*	16,015,699	6.925%	29 August 2022

** Includes the holding of related body corporate, Jarden Securities Limited*

Top 20 Bondholders as at 31 December 2022

SUM010

Rank	Registered Bondholder	Number of bonds	% of bonds
1	Custodial Services Limited	45,186,000	45.19%
2	FNZ Custodians Limited	14,997,000	15.00%
3	Forsyth Barr Custodians Limited	9,141,000	9.14%
4	FNZ Custodians Limited	1,557,000	1.56%
5	Hobson Wealth Custodian Limited	1,475,000	1.48%
6	Pt (Booster Investments) Nominees Limited*	1,204,000	1.20%
7	Tea Custodians Limited*	1,173,000	1.17%
8	Forsyth Barr Custodians Limited	595,000	0.60%
9=	Robert Andrew Wakelin & David Andrew Wakelin	500,000	0.50%
9=	Alistair Wyatt White & Elisabeth Anne Marie White	500,000	0.50%
11	JBWERE (NZ) Nominees Limited	490,000	0.49%
12	Custodial Services Limited	465,000	0.47%
13	Investment Custodial Services Limited	390,000	0.39%
14	Craig Paul Werner & Lea Lynn Werner	360,000	0.36%
15	Commonwealth Bank Of Australia*	334,000	0.33%
16	Custodial Services Limited	330,000	0.33%
17	Hobson Wealth Custodian Limited	264,000	0.26%
18=	Wellspring Television Limited	250,000	0.25%
18=	Dunedin Diocesan Trust Board	250,000	0.25%
18=	Green Lane Research & Education Fund Board	250,000	0.25%
	Total	**79,711,000**	**79.72%**

** Bonds held through the New Zealand Central Securities Depository Limited*

SUM020

Rank	Registered Bondholder	Number of bonds	% of bonds
1	Custodial Services Limited	25,379,000	20.30%
2	FNZ Custodians Limited	24,165,000	19.33%
3	Hobson Wealth Custodian Limited	20,479,000	16.38%
4	Forsyth Barr Custodians Limited	20,151,000	16.12%
5	Private Nominees Limited*	1,720,000	1.38%
6	FNZ Custodians Limited	1,647,000	1.32%
7	Best Farm Limited	1,500,000	1.20%
8	Investment Custodial Services Limited	1,403,000	1.12%
9	Tea Custodians Limited*	1,393,000	1.11%
10	Hobson Wealth Custodian Limited	1,225,000	0.98%
11	JBWERE (NZ) Nominees Limited	1,147,000	0.92%
12	Forsyth Barr Custodians Limited	756,000	0.60%
13	Hobson Wealth Custodian Limited	735,000	0.59%
14	FNZ Custodians Limited	701,000	0.56%
15	Custodial Services Limited	671,000	0.54%
16=	Social Service Council Of The Diocese Of Christchurch	500,000	0.40%
16=	Investment Custodial Services Limited	500,000	0.40%
18	Forsyth Barr Custodians Limited	470,000	0.38%
19	Kiwigold.Co.Nz Limited	415,000	0.33%
20	Custodial Services Limited	337,000	0.27%
	Total	**105,294,000**	**84.23%**

** Bonds held through the New Zealand Central Securities Depository Limited*

SUM030

Rank	Registered Bondholder	Number of bonds	% of bonds
1	Custodial Services Limited	43,708,000	29.14%
2	Forsyth Barr Custodians Limited	19,420,000	12.95%
3	FNZ Custodians Limited	17,835,000	11.89%
4	Tea Custodians Limited*	17,096,000	11.40%
5	Hobson Wealth Custodians Limited	10,323,000	6.88%
6	NZ Permanent Trustees Ltd Grp Invstmnt Fund No 20*	4,000,000	2.67%
7	Mmc Limited*	2,800,000	1.87%
8	Commonwealth Bank Of Australia*	2,335,000	1.56%
9	Westpac Banking Corporation*	1,326,000	0.88%
10	Investment Custodial Services Limited	1,300,000	0.87%
11	FNZ Custodians Limited	1,225,000	0.82%
12	JBWERE (NZ) Nominees Limited	1,183,000	0.79%
13	Forsyth Barr Custodians Limited	1,173,000	0.78%
14	JPMORGAN Chase Bank*	957,000	0.64%
15	FNZ Custodians Limited	784,000	0.52%
16	Jml Capital Limited	700,000	0.47%
17	Forsyth Barr Custodians Limited	668,000	0.45%
18	Hobson Wealth Custodian Limited	590,000	0.39%
19	Public Trust Rif Nominees Limited*	497,000	0.33%
20	Forsyth Barr Custodians Limited	455,000	0.30%
	Total	**128,375,000**	**85.60%**

** Bonds held through the New Zealand Central Securities Depository Limited*

Spread of bondholders as at 31 December 2022

SUM010

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1 to 5,000	78	9.87%	390,000	0.39%
5,001 to 10,000	201	25.44%	1,950,000	1.95%
10,001 to 50,000	431	54.56%	11,681,000	11.68%
50,001 to 100,000	54	6.84%	4,521,000	4.52%
100,001 and over	26	3.29%	81,458,000	81.46%
Total	**790**	**100.00%**	**100,000,000**	**100.00%**

SUM020

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1 to 5,000	43	6.58%	215,000	0.17%
5,001 to 10,000	127	19.46%	1,211,000	0.97%
10,001 to 50,000	406	62.17%	10,974,000	8.78%
50,001 to 100,000	43	6.58%	3,762,000	3.01%
100,001 and over	34	5.21%	108,838,000	87.07%
Total	**653**	**100.00%**	**125,000,000**	**100.00%**

SUM030

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1,001 to 5,000	47	6.62%	235,000	0.16%
5,001 to 10,000	164	23.10%	1,591,000	1.06%
10,001 to 50,000	418	58.87%	11,187,000	7.46%
50,001 to 100,000	45	6.34%	3,771,000	2.51%
100,001 and over	36	5.07%	133,216,000	88.81%
Total	**710**	**100.00%**	**150,000,000**	**100.00%**

Waivers from the NZX Listing Rules

No waivers from the application of NZX Listing Rules have been utilised by the Company during the year ended 31 December 2022.

Credit rating

The Company has no credit rating.

Auditor fees

Ernst & Young Wellington has continued to act as auditors of the Company. The amount payable by Summerset and its subsidiaries to Ernst & Young Wellington in respect of FY22 audit fees was $304,500 (noting that this fee includes assurance services in relation to Summerset's long-term incentive plan). In addition, Ernst & Young Wellington undertook assurance services in relation to Summerset's sustainability linked lending arrangements during the year; the fee for this engagement was $26,300. Ernst & Young also performed non-audit work in relation to remuneration advisory services, the fees for this engagement was $5,300.

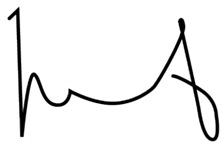
Donations

In accordance with section 211(1)(h) of the Companies Act 1993, Summerset records that it donated $158,500 during the year ended 31 December 2022.

Dividend reinvestment plan

The last date of receipt for a participation election from a shareholder who wishes to participate in the dividend reinvestment plan is 13 March 2023.

This Annual Report is authorised for and on behalf of the Board by:



Mark Verbiest
Director and
Chair of the Board

Anne Urlwin
Director and
Chair of the Audit and
Risk Committee

Authorised for issue on 23 February 2023

Directory

New Zealand

Northland

Summerset Mount Denby
7 Par Lane, Tikipunga,
Whangārei 0112
Phone (09) 470 0282

Auckland

Summerset Falls
31 Mansel Drive,
Warkworth 0910
Phone (09) 425 1200

Summerset Milldale
Argent Lane, Milldale,
Wainui 0992
Phone (0800) 786 637

Summerset at Monterey Park
1 Squadron Drive, Hobsonville,
Auckland 0618
Phone (09) 951 8920

Summerset at Heritage Park
8 Harrison Road, Ellerslie,
Auckland 1060
Phone (09) 950 7960

Summerset by the Park
7 Flat Bush School Road,
Flat Bush 2019
Phone (09) 272 3950

Summerset at Karaka
49 Pararekau Road,
Karaka 2580
Phone (09) 951 8900

Summerset Parnell[1]
23 Cheshire Street, Parnell,
Auckland 1052
Phone (09) 950 8212

Summerset Half Moon Bay[1]
25 Thurston Place,
Half Moon Bay,
Auckland 2012
Phone (09) 306 1422

Summerset St Johns
180 St Johns Road, St Johns,
Auckland 1072
Phone (09) 950 7982

Waikato – Taupō

Summerset down the Lane
206 Dixon Road,
Hamilton 3206
Phone (07) 843 0157

Summerset Rototuna
39 Kimbrae Drive,
Rototuna North 3210
Phone (07) 981 7822

Summerset by the Lake
2 Wharewaka Road, Wharewaka,
Taupō 3330
Phone (07) 376 9470

Summerset Cambridge
1 Mary Ann Drive,
Cambridge 3493
Phone (07) 839 9482

Bay of Plenty

Summerset by the Sea
181 Park Road,
Katikati 3129
Phone (07) 985 6890

Summerset by the Dunes
35 Manawa Road,
Pāpāmoa Beach, Tauranga 3118
Phone (07) 542 9082

Summerset Rotorua[1]
171-193 Fairy Springs Road,
Rotorua 3010
Phone (0800) 786 637

Hawke's Bay

Summerset in the Bay
79 Merlot Drive, Greenmeadows,
Napier 4112
Phone (06) 845 2840

Summerset in the Orchard
1228 Ada Street, Parkvale,
Hastings 4122
Phone (06) 974 1310

Summerset Palms
136 Eriksen Road,
Te Awa, Napier 4110
Phone: (06) 833 5852

Summerset in the Vines
249 Te Mata Road,
Havelock North 4130
Phone (06) 877 1185

Taranaki

Summerset Mountain View
35 Fernbrook Drive, Vogeltown,
New Plymouth 4310
Phone (06) 824 8900

1 *Proposed village*

Summerset at Pohutukawa Place
70 Pohutukawa Place, Bell Block,
New Plymouth 4371
Phone (06) 824 8532

Manawatū – Wanganui

Summerset in the River City
40 Burton Avenue, Wanganui East,
Wanganui 4500
Phone (06) 343 3133

Summerset on Summerhill
180 Ruapehu Drive, Fitzherbert,
Palmerston North 4410
Phone (06) 354 4964

Summerset Kelvin Grove[1]
Stony Creek, Kelvin Grove,
Palmerston North 4470
Phone (06) 825 6530

Summerset by the Ranges
104 Liverpool Street,
Levin 5510
Phone (06) 367 0337

Wellington

Summerset Waikanae
28 Park Avenue,
Waikanae 5036
Phone (04) 293 0002

Summerset on the Coast
104 Realm Drive,
Paraparaumu 5032
Phone (04) 298 3540

Summerset on the Landing
1-3 Bluff Road, Kenepuru,
Porirua 5022
Phone (04) 230 6722

Summerset at Aotea
15 Aotea Drive, Aotea,
Porirua 5024
Phone (04) 235 0011

Summerset at the Course
20 Racecourse Road, Trentham,
Upper Hutt 5018
Phone (04) 527 2980

Summerset Lower Hutt
1 Boulcott Street,
Lower Hutt 5010
Phone (04) 568 1442

Summerset Masterton[1]
Landsdowne
Masterton 5871
Phone (06) 370 1792

Nelson – Tasman

Summerset in the Sun
16 Sargeson Street, Stoke,
Nelson 7011
Phone (03) 538 0000

Summerset Richmond Ranges
1 Hill Street North, Richmond,
Tasman 7020
Phone (03) 744 3432

Marlborough

Summerset Blenheim
183 Old Renwick Road, Springlands,
Blenheim 7272
Phone (03) 520 6042

Canterbury

Summerset Rangiora
141 South Belt, Waimakariri,
Rangiora 7400
Phone (03) 364 1312

Summerset at Wigram
135 Awatea Road, Wigram,
Christchurch 8025
Phone (03) 741 0870

Summerset at Avonhead
120 Hawthornden Road, Avonhead,
Christchurch 8042
Phone (03) 357 3202

Summerset on Cavendish
147 Cavendish Road, Casebrook,
Christchurch 8051
Phone (03) 741 3340

Summerset Prebbleton
578 Springs Road,
Prebbleton 7604
Phone (03) 353 6312

Otago

Summerset at Bishopscourt
36 Shetland Street, Wakari,
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1 *Proposed village*

Australia

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Summerset Cranbourne North
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Summerset Torquay[1]
Grossmans Road and Briody Drive,
Torquay VIC 3228
Phone (1800) 321 700

Summerset Chirnside Park[1]
266-268 Maroondah Hwy,
Chirnside Park VIC 3116
Phone (1800) 321 700

Summerset Cragieburn[1]
1480 Mickleham Road,
Craigieburn VIC 3064
Phone (1800) 321 700

Summerset Oakleigh South[1]
52 Golf Road,
Oakleigh South VIC 3167
Phone (1800) 321 700

Summerset Mernda[1]
305 Bridge Inn Road,
Mernda VIC 3116
Phone (1800) 321 700

Summerset Drysdale[1]
145 Central Road,
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Phone (1800) 321 700

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Ernst & Young

Solicitor
Russell McVeagh

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ANZ Bank New Zealand Limited
Australia and New Zealand Banking Group Limited
Bank of New Zealand
National Australia Bank Limited
Commonwealth Bank of Australia
Westpac New Zealand Limited
Westpac Banking Corporation
Industrial and Commercial Bank of China Limited
Bank of China Limited

Statutory Supervisor
Public Trust

Bond Supervisor
The New Zealand Guardian Trust
Company Limited

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