Half year results presentation

Six months ended 30 June 2018

Summerset Group Holdings Limited

14 August 2018

Agenda

1H18 result highlights

1H18 result highlights

Underlying profit up 27%, driven by strong margins

		1H18	1H17	*Variance*	FY17
Financial (NZ$m)	Net profit after tax (IFRS)	82.0	90.3	*-9%*	223.4
	Underlying profit*	45.2	35.7	*27%*	81.7
	Total assets	2,420	1,932	*25%*	2,216
	Net operating cash flow	92.8	86.4	*7%*	207.7
Operational	New sales of occupation rights	145	179	*-19%*	382
	Resales of occupation rights	154	144	*7%*	300
	Total sales of occupation rights	**299**	**323**	***-7%***	**682**
	New retirement units delivered	165	171	*-4%*	450

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

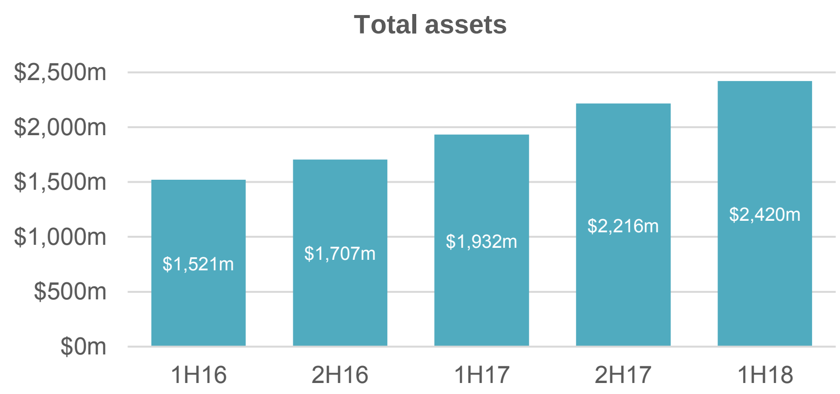
1H18 result highlights

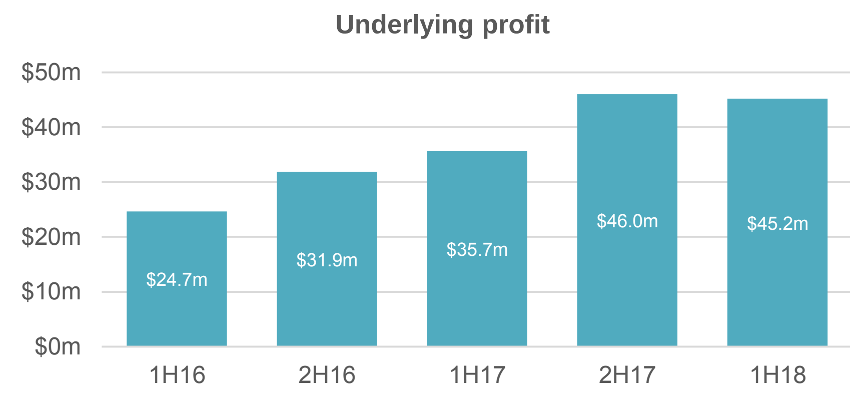
165 retirement units delivered, on track for delivery of 450 retirement units in FY18

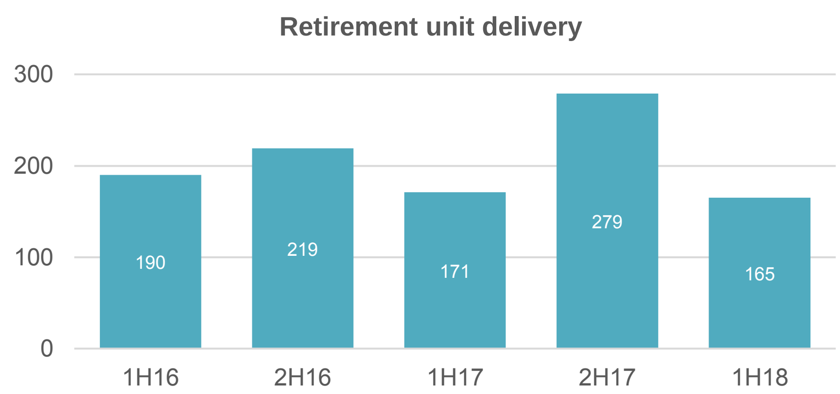
- 1H18 underlying profit of $45.2m, up 27% on 1H17, relative to guidance of $43.0m to $45.0m
- Delivery of 165 retirement units in 1H18, on track for delivery of 450 retirement units in FY18
- Record development margin of 33.0%, up from 28.0% in 1H17
- Resale gain of 23.3%, up from 20.2% in 1H17
- Interim dividend of 6.0 cents per share declared, amounting to $13.5m
- Net operating business cash flow up 35%
- Gearing ratio of 30.3%, down from 32.5% at 1H17
- Total assets now over $2.4b, up 25% on 1H17

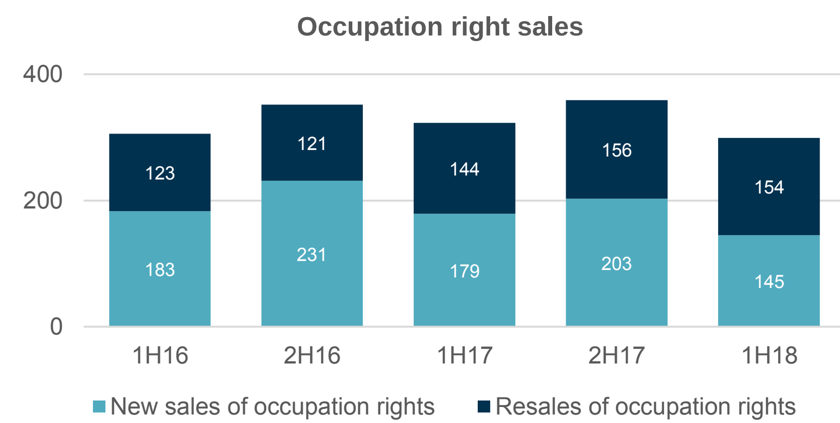
1H18 result highlights

Record first half underlying profit result









Business overview

Summerset snapshot

Second largest retirement village developer in New Zealand

- 21 years of consistent delivery and growth
- Balance sheet growth of 292% since listing on the NZX in 2011
- 3,443 retirement units (villas, apartments, serviced apartments and memory care apartments) and 858 care beds
- More than 5,000 residents
- 23 operating villages completed or under development
- Eight greenfield sites at Avonhead, Kenepuru, Lower Hutt, Parnell, Richmond, St Johns, Te Awa, and our newly announced acquisition in New Plymouth
- Land bank of 3,041 retirement units as at 30 June 2018*
- Four-time winner of Best Retirement Village Operator at the Australasian Over 50s Housing Awards
- Received a Highly Commended in the Reader's Digest Trusted Brands Survey three years running, from 2015-2017

** Excludes acquisition of new land in New Plymouth post balance date. This adds a further ~300 retirement units*

1H18 review

165 retirement units delivered, underlying profit of $45.2m

- Opened our Casebrook and Rototuna villages
- Granted resource consent for our Avonhead village
- Special housing area status granted and land earthworks consented for Richmond village
- Announced new land acquisitions in Te Awa (Napier) and New Plymouth
- Delivered 165 retirement units and on track to meet our build rate target of 450 retirement units in FY18
- Continued to progress with the planning and design of our two new Auckland sites in Parnell and St Johns
- Applied to Hutt City Council for a land use resource consent to develop our Boulcott village, and have applied for earthworks and land use resource consent to develop our Kenepuru village
- Continued our investigation into possible Australian expansion. We have established an office in Melbourne with a dedicated team focused on working through the appropriate diligence required before we make a decision on whether we enter this market

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

Summerset strategy

Summerset builds, owns and operates retirement villages across New Zealand

- Focus on continuum of care model
- High quality care and facilities across all villages
- Villages designed to integrate into local communities
- Internal development and construction model
- Nationwide brand offering
- Customer centric philosophy – bringing the best of life
- Investigation of expansion into Australia continuing

Operations and staff

Focus on staff initiatives and systems and process improvements

- 97% care customer satisfaction rating and 97% village customer satisfaction rating
- Successfully completed the rollout of VCare customer management system for village operations and rollout of clinical care functionality underway and due to be completed this year
- Introduced a new payroll system across head office and construction staff. Will implement across remainder of business in the second half of the year
- Introduced additional staff benefits including staff hardship assistance, staff charity fundraising assistance for good causes, and the day off on staff birthday
- Provision of new uniforms to all village staff in 2H18. Throughout the first half of this year we have been conducting wearer trials
- Working towards Certified Emissions Measurement and Reduction Scheme certification – will allow us to manage and reduce our impact on the environment


Ellerslie


Hobsonville


Ellerslie


Hobsonville

1H18 development activity

Delivery of 165 retirement units in 1H18 across seven sites

Unit delivery 1H18	Villas	Serviced apartments	Total retirement units	Total care beds
Casebrook	31	-	31	-
Hobsonville	-	18	18	52
Karaka	32	-	32	-
Katikati	22	-	22	-
Rototuna	14	-	14	-
Warkworth	16	-	16	-
Wigram	32	-	32	-
Total	**147**	**18**	**165**	**52**

- 165 retirement units and 52 care beds delivered across seven villages
- Completed the serviced apartment and care centre module in Hobsonville
- First deliveries in Casebrook and Rototuna villages
- On track to complete Karaka, Katikati, and Wigram villages by year end
- We will lift our build rate up to 600 retirement units per annum over the next two to three years. The 600 retirement units per annum is an average with potential for uneven deliveries across financial periods due to timing of main building and apartment block deliveries

1H18 development activity

Delivery of 165 retirement units in 1H18 across seven sites


Katikati


Wigram


Rototuna


Casebrook


Karaka

1H18 development activity

Delivery of 165 retirement units in 1H18 across seven sites

Future development

Land bank of 3,041 retirement units and 368 care beds

Land bank - as at 30 June 2018*

Village	Villas	Apartments	Serviced & memory care apartments	Total retirement units	Total care beds
Ellerslie	8	196	-	204	-
Hobsonville	10	36	23	69	-
Karaka	39	-	-	39	-
Parnell	-	264	76	340	48
St Johns	-	236	76	312	32
Warkworth	38	-	-	38	-
Auckland	**95**	**732**	**175**	**1,002**	**80**
Rototuna	174	-	76	250	43
Waikato	**174**	**-**	**76**	**250**	**43**
Katikati	16	-	-	16	-
Bay of Plenty	**16**	**-**	**-**	**16**	**-**
Te Awa	252	-	76	328	43
Hawke's Bay	**252**	**-**	**76**	**328**	**43**
Kenepuru	100	93	106	299	43
Lower Hutt	42	109	66	217	30
Trentham	-	-	20	20	-
Wellington	**142**	**202**	**192**	**536**	**73**
Richmond	234	-	76	310	43
Nelson-Tasman	**234**	**-**	**76**	**310**	**43**
Avonhead	156	12	98	266	43
Casebrook	229	12	76	317	43
Wigram	16	-	-	16	-
Christchurch	**401**	**24**	**174**	**599**	**86**
Total	**1,314**	**958**	**769**	**3,041**	**368**

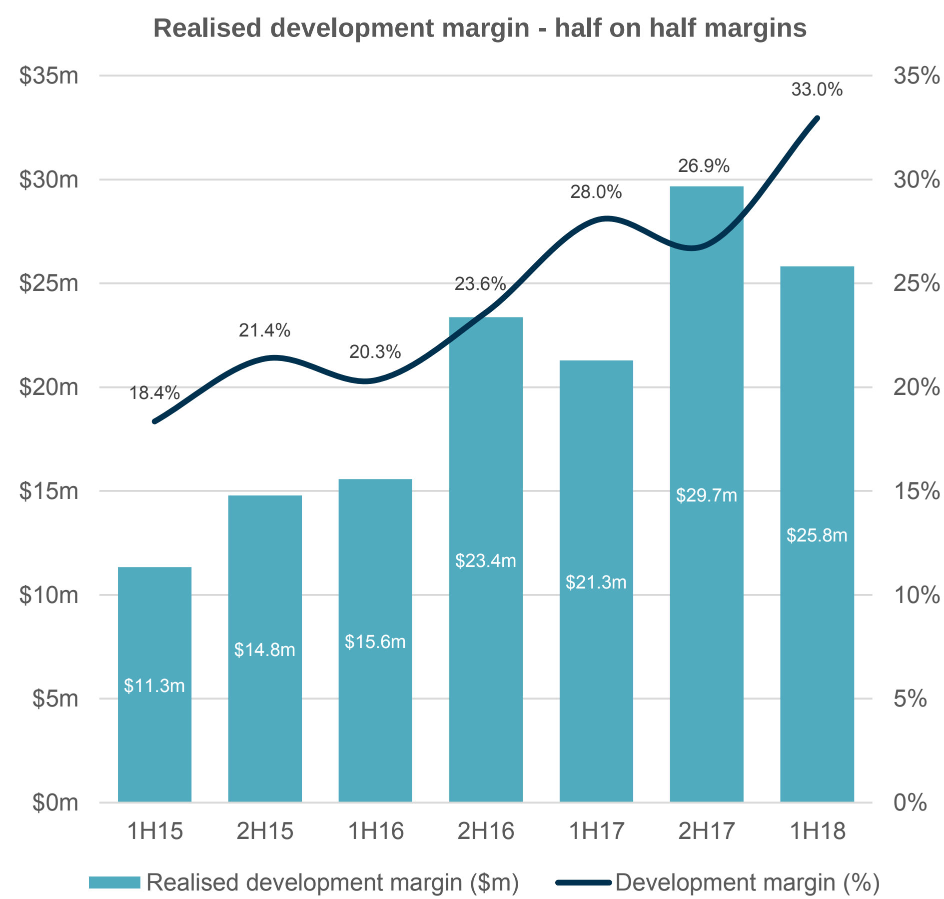
- Land bank of 3,041 retirement units spread across brownfield and greenfield sites
- Targeting delivery of around 450 retirement units in FY18. Land bank provides around seven years of supply at FY18 build rate

** Land bank reflects current intentions as at June 2018. Excludes acquisition of new land in New Plymouth post balance date. This adds a further ~300 retirement units and ~40 care beds*

Development margin

Record development margin of 33.0% with a realised margin of $25.8m

- Record development margin achieved in 1H18 with strong margins across all villages that settled new retirement units
- Consistent margins across both regional and Auckland villages
- Realised development margin of $25.8m, up 21% from $21.3m in 1H17
- Development margin of 33.0% in 1H18, this is up from 28.0% in 1H17
- Sales of new occupation rights were split 37% in our Auckland region villages and 63% across the rest of our developing villages
- Over the medium to long term we expect margins at levels more consistent with the last few years' performance

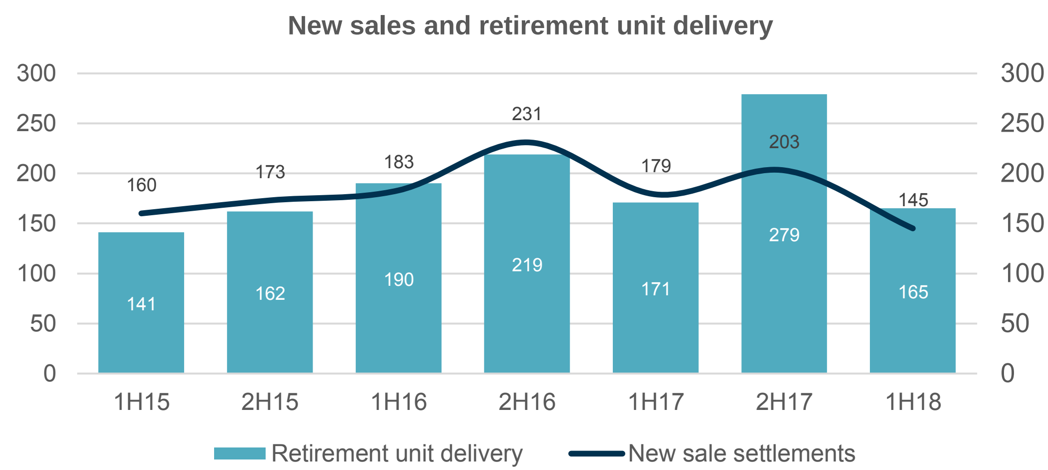


New sales of occupation rights

New sales gross proceeds of $78.3m across 145 settlements

- New sales of occupation rights of 145 in 1H18, down from 179 in 1H17
- Despite a lower number of new sales, gross proceeds were up from $75.9m in 1H17 to $78.3m in 1H18
- Average gross proceeds per new sale settlement of $540k, up from $424k in 1H17
- We continue to see strong demand for our product with waitlist numbers across our villages up 22% over the past year
- Average monthly presale contracts were 45% higher than what we were achieving in 2H17, and days to settle have remained around three months
- Serviced and memory care apartments made up 28% of the new sales of occupation rights in 1H18

New sales	1H18	1H17	*Variance*	FY17
Gross proceeds ($m)	78.3	75.9	*3%*	186.4
Villas	97	115	*-16%*	235
Apartments	7	1	*600%*	29
Serviced apartments	40	60	*-33%*	111
Memory care apartments	1	3	*-67%*	7
Total occupation rights	**145**	**179**	***-19%***	**382**



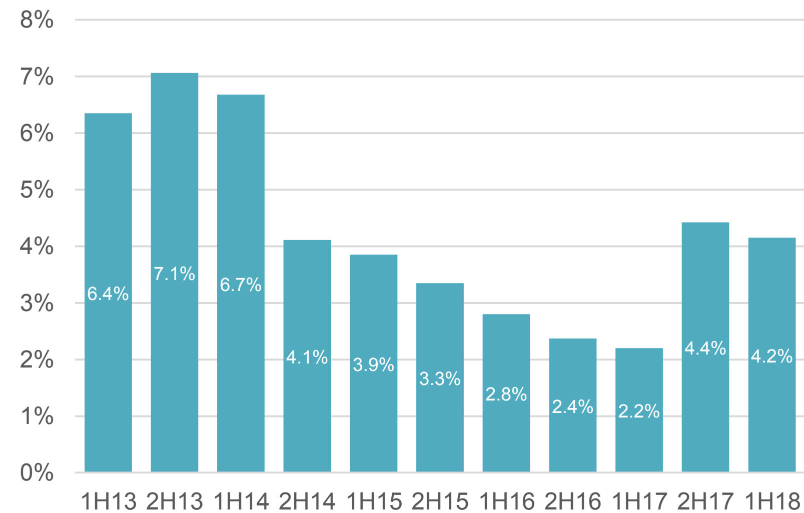
New sales stock

New sales stock remains historically low on a relative basis

- Uncontracted new sales stock of 143 retirement units at 1H18, down from 145 retirement units at FY17. Contract levels strong with 81 retirement units contracted at 30 June 2018 and likely to settle in the near future
- Serviced and memory care apartments are selling down steadily with uncontracted stock reducing from 90 at FY17 to 74 at 1H18. Uncontracted villa and apartment stock of 69 at 1H18, up from 55 at FY17. The uncontracted villa and apartment new sales stock has been available to settle for around four months. Stock levels provide good momentum moving into the second half of the year
- Low levels of new sales stock continue with uncontracted new sales stock making up 4.2% of our total retirement unit portfolio, this compares to over 6% four years ago and 4.4% at FY17

New sales stock	1H18	FY17	1H17
Contracted	81	59	62
Uncontracted	143	145	66
Total new sales stock	**224**	**204**	**128**
Contracted	55	26	36
Uncontracted	62	41	14
Villas	**117**	**67**	**50**
Contracted	5	5	0
Uncontracted	7	14	0
Apartments	**12**	**19**	**0**
Contracted	21	28	26
Uncontracted	74	90	52
Serviced & memory care apartments	**95**	**118**	**78**

Available new sales stock*



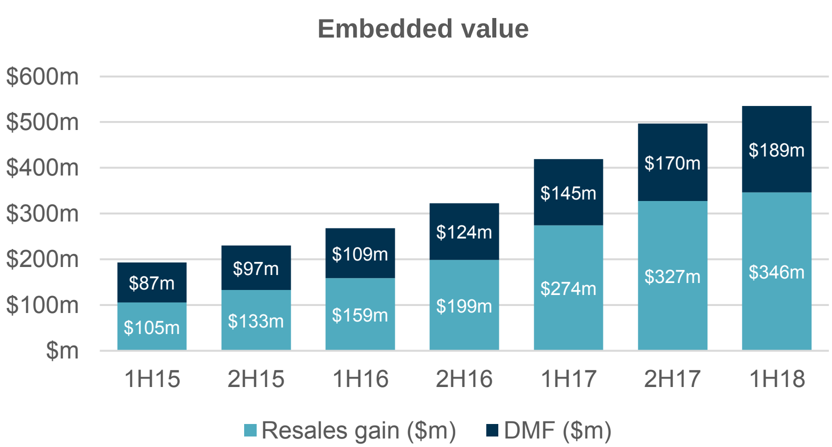
** Uncontracted new sales stock as a proportion of the total retirement unit portfolio at balance date*

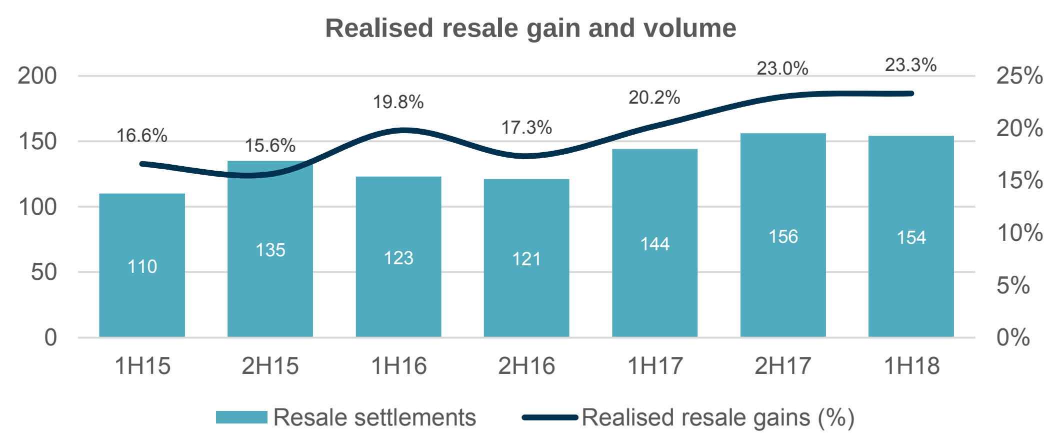
Resales of occupation rights

Resales of 154 occupation rights in 1H18

- Resales of 154 occupation rights in 1H18, an increase of 7% on 1H17
- Gross proceeds of $64.0m, up 20% on 1H17
- Realised resale gain of 23.3%, up 15% on 1H17
- Embedded value of $156k per retirement unit, as at 30 June 2018, up from $140k as at 30 June 2017
- Embedded resale gain of $101k per retirement unit, up from $91k as at 30 June 2017

Resales	1H18	1H17	*Variance*	FY17
Gross proceeds ($m)	64.0	53.4	*20%*	114.9
Realised resale gains ($m)	14.9	10.8	*38%*	24.9
Realised resale gains (%)	23.3%	20.2%	*15%*	21.7%
DMF realisation ($m)	7.7	6.2	24%	13.8
Villas	86	82	*5%*	172
Apartments	22	25	*-12%*	46
Serviced apartments	45	37	*22%*	82
Memory care apartments	1	0	*N/A*	0
Total occupation rights	**154**	**144**	***7%***	**300**





Resales stock

Resales stock levels continue to sit at record lows

- Resales stock remains low with 56 retirement units under contract and 47 retirement units uncontracted at 1H18
- We continue to see good demand for resale units across all villages. On average only ~2 uncontracted retirement units per village
- As a proportion of our total retirement unit stock, uncontracted resales stock makes up 1.4%

Resales stock	1H18	FY17	1H17
Contracted	56	63	53
Uncontracted	47	47	35
Total resales stock	**103**	**110**	**88**
Contracted	28	37	30
Uncontracted	25	24	18
Villas	**53**	**61**	**48**
Contracted	8	9	3
Uncontracted	2	5	8
Apartments	**10**	**14**	**11**
Contracted	20	17	20
Uncontracted	20	18	9
Serviced & memory care apartments	**40**	**35**	**29**

** Uncontracted resales stock as a proportion of the total retirement unit portfolio at balance date*

Financial results

1H18 reported profit (IFRS)

1H18 net profit after tax of $82.0m with total revenue up 29%

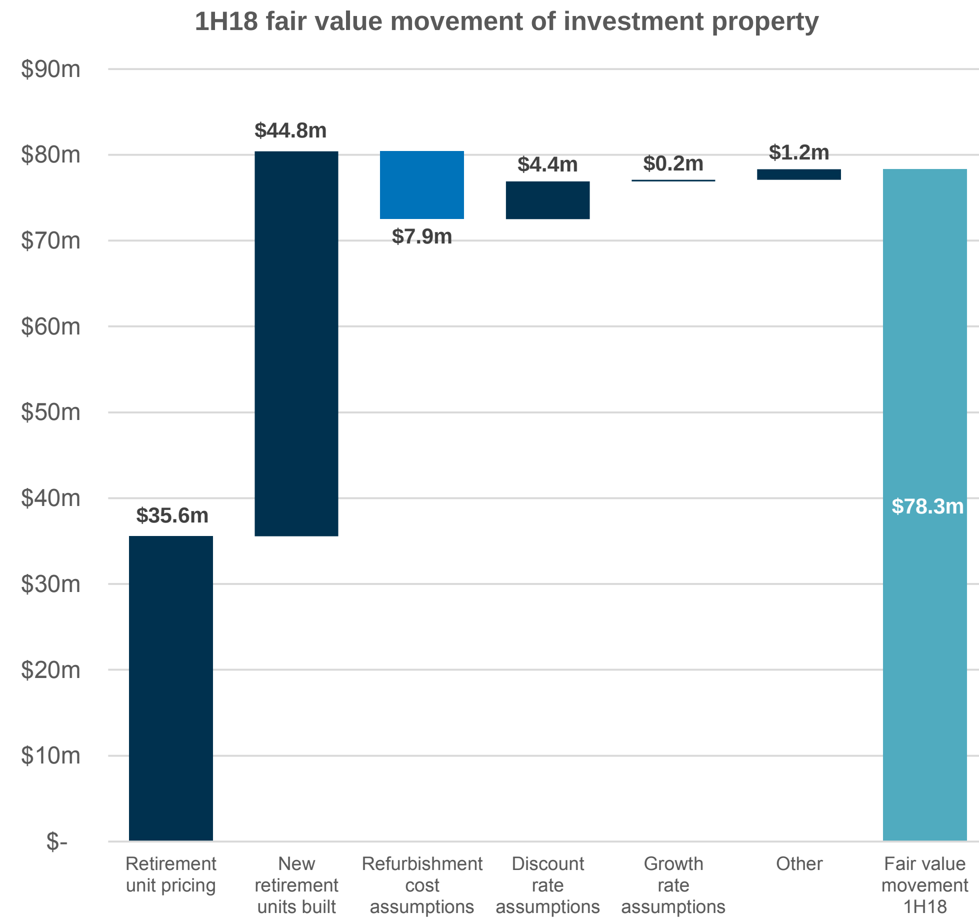
- IFRS NPAT of $82.0m, down $8.3m or 9% relative to 1H17
- Lower IFRS profit result for the half due to a lower fair value movement in investment property – refer to next slide for further details
- Total revenue of $65.7m, up $15.0m or 29% relative to 1H17
- 1H18 expenses are driven from a mix of growth in new and developing villages, additional operating costs in existing villages (including the impact of pay equity and the introduction of our premium food offering to residents), and project-specific costs
- Net finance costs of $5.4m are down 2% relative to 1H17 principally due to costs associated with the re-financing of banking facilities recognised in 1H17

NZ$m	1H18	1H17	*Variance*	FY17
Total revenue	65.7	50.7	*29%*	110.5
Reversal of impairment on land & buildings	-	-	-	0.0
Fair value movement of investment property	78.3	87.1	*-10%*	218.0
Total income	**144.0**	**137.8**	***4%***	**328.5**
Total expenses	55.8	41.7	*34%*	93.2
Net finance costs	5.4	5.5	*-2%*	11.5
Net profit before tax	**82.8**	**90.7**	***-9%***	**223.7**
Tax expense / (credit)	0.8	0.4	*104%*	0.3
Net profit after tax	**82.0**	**90.3**	***-9%***	**223.4**

Fair value movement

$78.3m fair value movement of investment property

- Fair value movement of $78.3m for 1H18, down 10% on 1H17
- Fair value movement has been driven by:
  - Retirement unit pricing ($35.6m): retirement unit price inflation on existing retirement units within the portfolio resulting in uplift in operators interest
  - New retirement units built ($44.8m): value of new retirement units delivered in 1H18
  - Refurbishment cost assumptions ($7.9m): uplift in refurbishment cost assumption used by valuer
  - Discount rates ($4.4m) and growth rates ($0.2m): change in assumptions used by valuer
  - Other movements ($1.2m): changes in all other valuation assumptions
- Refer to the appendices (slide 42) for key assumptions associated with the investment property valuation



1H18 underlying profit

Underlying profit up 27% on 1H17, 41% CAGR over last seven years

- 1H18 underlying profit of $45.2m, up 27% on 1H17, relative to guidance of $43.0m to $45.0m
- Uplift in underlying profit principally driven by the maturing nature of our operating business
- Realised development margin of $25.8m achieved in 1H18, up from $21.3m in 1H17 driven by a record high development margin of 33.0%
- Realised gain on resales of $14.9m achieved in 1H18 driven by a higher sales volume and strong sales price growth across our villages
- Underlying profit has seen an annual compounded increase of 41% since listing on the NZX in 2011

NZ$m	1H18	1H17	Variance	FY17
Care fees and village services	43.3	34.1	*27%*	74.5
Deferred management fees	22.3	16.5	*35%*	35.8
Realised gain on resales	14.9	10.8	*38%*	24.9
Realised development margin	25.8	21.3	*21%*	51.0
Other income & interest received	0.1	0.0	*28%*	0.2
Total income	**106.4**	**82.8**	***29%***	**186.4**
Operating expenses	52.9	39.6	*34%*	88.6
Depreciation and amortisation	2.9	2.1	*40%*	4.6
Net finance costs	5.4	5.5	*-2%*	11.5
Total expenses	**61.2**	**47.1**	***30%***	**104.7**
Underlying profit	**45.2**	**35.7**	***27%***	**81.7**

Underlying profit differs from NZ IFRS reported profit after tax. The Directors have provided an underlying profit measure to assist readers in determining the realised and non-realised components of fair value movement of investment property and tax expense in the Group's income statement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions and has been reviewed by Ernst & Young. Underlying profit is an industry wide measure which the Group uses consistently across reporting periods. See note 2 of the financial statements for detail on the components of underlying profit

1H18 cash flows

Net operating business cash flows up 35%

- Continuing to see benefits of maturing portfolio - net operating business cash flows up 35% from $12.7m in 1H17 to $17.1m in 1H18
- Have seen a consistent maturing operating cash flow since listing of 23% CAGR
- Net receipts from resales was up $8.8m on 1H17 with uplift in resale volume and margin
- Gross receipts from new sales was up on 1H17 despite lower sales volume
- Investing cash flows were down slightly on 1H17 with lower land purchase settlements within the period
- The other PP&E cash flows of $2.4m are largely made up of minor equipment purchases for head office, village, and care centre locations

NZ$m	1H18	1H17	*Variance*
Net operating business cash flow	17.1	12.7	*35%*
Receipts for residents' loans - new sales	75.7	73.7	*3%*
Net operating cash flow	**92.8**	**86.4**	***7%***
Purchase of land	(2.0)	(7.6)	*-73%*
Construction of new IP & care facilities	(89.1)	(94.6)	*-6%*
Refurb of existing IP & care facilities	(2.6)	(1.6)	*59%*
Other investing cash flows	(4.1)	(3.4)	*22%*
Capitalised interest paid	(4.0)	(2.5)	*60%*
Net investing cash flow	**(101.8)**	**(109.7)**	***-7%***
Net proceeds from borrowings	31.4	41.3	*-24%*
Net dividends paid	(9.9)	(7.6)	*30%*
Other financing cash flows	(5.4)	(6.1)	*-12%*
Net financing cash flow	**16.2**	**27.6**	***-42%***

1H18 balance sheet

Total assets of $2.4b, up 25% from $1.9b in 1H17

- Total assets of $2.4b, up 25% on 1H17
- Retained earnings have increased from $368.2m as at 30 June 2017 to $558.9m as at 30 June 2018. This continues to positively impact balance sheet strength and company gearing ratios
- Investment property valuation of $2.2b, up 24% on 1H17
- Other assets include land and buildings (primarily care centres). Care centres were valued as at 31 December 2017 (three yearly cycle), with additional care centres recorded at cost and tested for impairment
- Intangibles of $6.7m at 1H18. Principally made up of the VCare customer management system, our new Human Resources Information System (HRIS), and our new asset management system
- Embedded value of $535.4m, $156k per retirement unit, as at 30 June 2018:
  - $346.0m resale gains
  - $189.4m deferred management fees

NZ$m	1H18	1H17	*Variance*	FY17
Investment property	2,241	1,806	*24%*	2,058
Other assets	178.8	125.8	*42%*	158.2
Total assets	**2,420**	**1,932**	***25%***	**2,216**
Residents' loans	1,037	867.2	*20%*	966.6
Face value of bank loans & bonds*	379.3	315.3	*20%*	347.8
Other liabilities	162.5	122.0	*33%*	132.6
Total liabilities	**1,579**	**1,305**	***21%***	**1,447**
Net assets**	**840.5**	**627.6**	***34%***	**769.3**
Embedded value	**535.4**	**418.9**	***28%***	**497.1**
NTA (cents per share)	**377.9**	**285.7**	***32%***	**347.6**

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

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

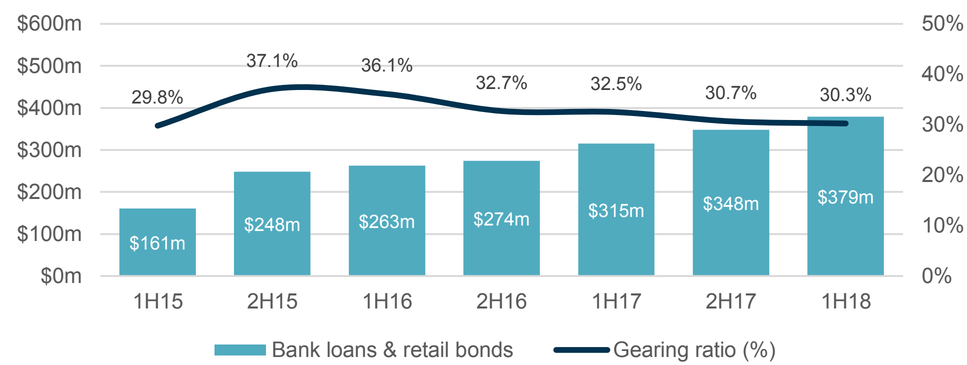
Gearing ratio

Gross debt of $379m* and gearing ratio of 30.3%

- Gross debt of $379.3m as at 30 June 2018, up $31.4m from 31 December 2017
- Uplift in gross debt principally due to development spend in Ellerslie, Casebrook, Hobsonville, Rototuna, Karaka, and Warkworth
- Bank facility of $500.0m with undrawn capacity of $220.7m at 30 June 2018
- Retail bonds of $100.0m successfully raised in FY17
- Gearing ratio of 30.3% is down from 32.5% as at 30 June 2017
- Maturing net assets are the principal driver of overall risk reduction
- Our recent land purchases in Kenepuru (Wellington), Te Awa (Napier), and New Plymouth were not fully settled as at 30 June 2018 – as such they are not fully reflected in the net debt figure

NZ$m	1H18	1H17	*Variance*	FY17
Face value of bank loans & retail bonds*	379.3	315.3	*20%*	347.8
Cash and cash equivalents	(14.7)	(13.1)	*13%*	(7.6)
Net debt	**364.5**	**302.2**	***21%***	**340.3**
Net assets	**840.5**	**627.6**	***34%***	**769.3**
Gearing ratio (%)**	**30.3%**	**32.5%**	***-7%***	**30.7%**
Bank & bond LVR (%)**	**31.6%**	**34.3%**	***-8%***	**31.4%**

Gross borrowings and gearing ratio



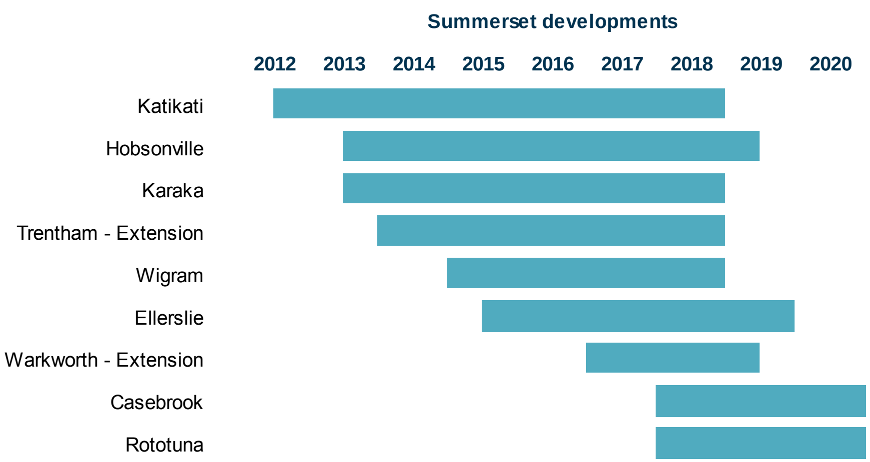
** Face value of drawn bank debt and retail bonds. Excludes capitalised and amortised bond issue costs, and fair value movement on hedged borrowings*

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

Project cash profits

Delivering significant positive cash flow across new villages

- Positive cash flows allow us to recycle our capital into future deliveries
- Our high rise sites require a large amount of capital but are forecast to deliver significant cash profits upon sell down of the village
- Our broad acre sites require a lower amount of capital, while all producing positive cash flows
- From the time construction of a village starts through to the last retirement unit being delivered takes, on average, around four to six years



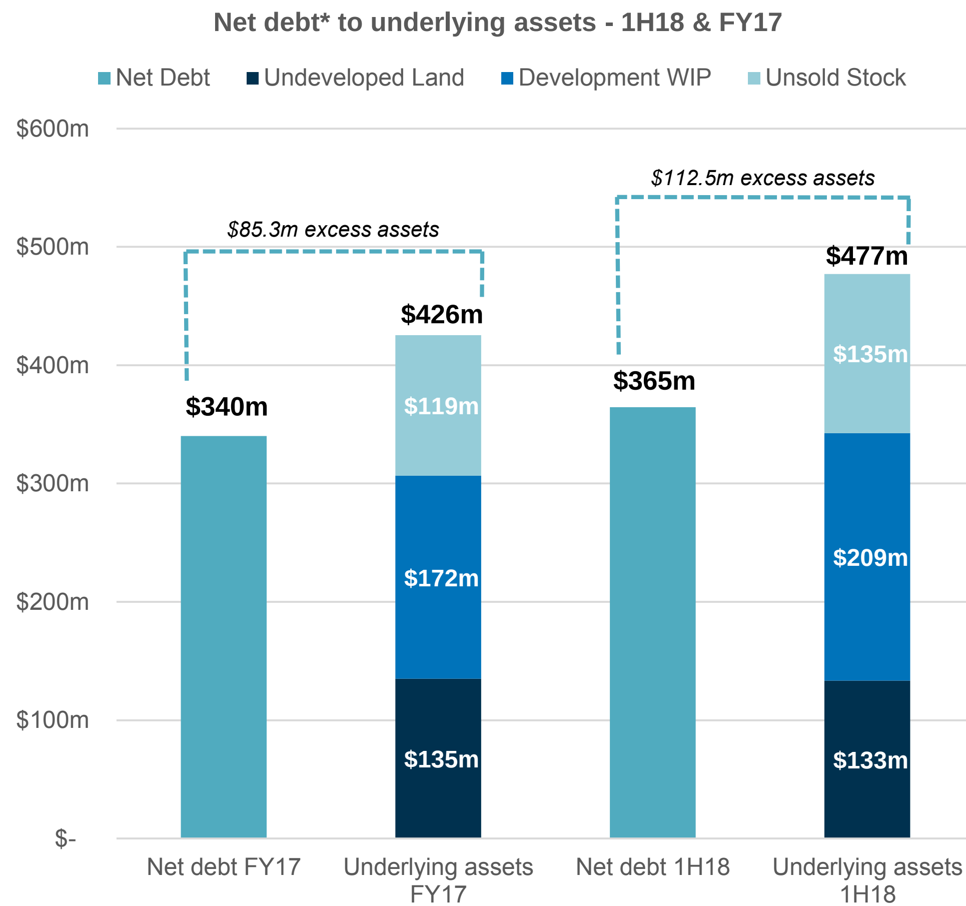
Village	Forecast Capital Investment ($m)	Forecast Net Cash Position* ($m)
Ellerslie	$200m +	$40m +
Casebrook Hobsonville Karaka Rototuna	$100m +	$20m +
Trentham - Extension Warkworth - Extension Wigram	$35m +	$5m - $20m
Katikati		$0m - $5m

**Forecast net position represents cash profits post land cost, retirement unit development costs, recreation and administration facility costs, care facility costs, management fees and interest costs*

Composition of drawn debt

Strong asset backing to net debt

- Development projects are debt funded. Development assets exceed the value of net debt by $112.5m or 30%, this has lifted from $85.3m or 25% as at FY17
- All debt is associated with development activities
- Development assets could be realised to reduce debt
- Total underlying assets of around $477.1m are made up of:
  - Undeveloped land of $133.3m
  - Development WIP of $209.2m
  - Vacant new sale stock of $134.5m



* *Face value of drawn bank debt and retail bonds*

Interim dividend

1H18 interim dividend

Summerset board declares 1H18 interim dividend

- The Summerset Board have declared an interim dividend of 6.0 cents per share, unimputed. This compares to a 2017 interim dividend of 3.9 cents per share
- This represents a pay-out for the first half of 2018 of approximately $13.5m
- This pay-out is 30% of 1H18 underlying profit
- The dividend reinvestment plan (DRP) will apply to this dividend enabling shareholders to take shares in lieu of the cash dividend
- A discount of 2% will be applied when determining the price per share of shares issued under the DRP
- Eligible investors wishing to take up the DRP must register by 5pm NZT on Wednesday the 29th of August 2018. Any applications received on or after this time will be applied to subsequent dividends
- The interim dividend will be paid on Monday the 10th of September 2018. The record date for final determination of entitlements to the interim dividend is Tuesday the 28th of August 2018
- The dividend policy remains 30% to 50% of underlying profit for the full year period. As previously indicated, dividend payments are likely to continue to be at the bottom end of this range given the growth opportunities present for the business at this time

Questions?

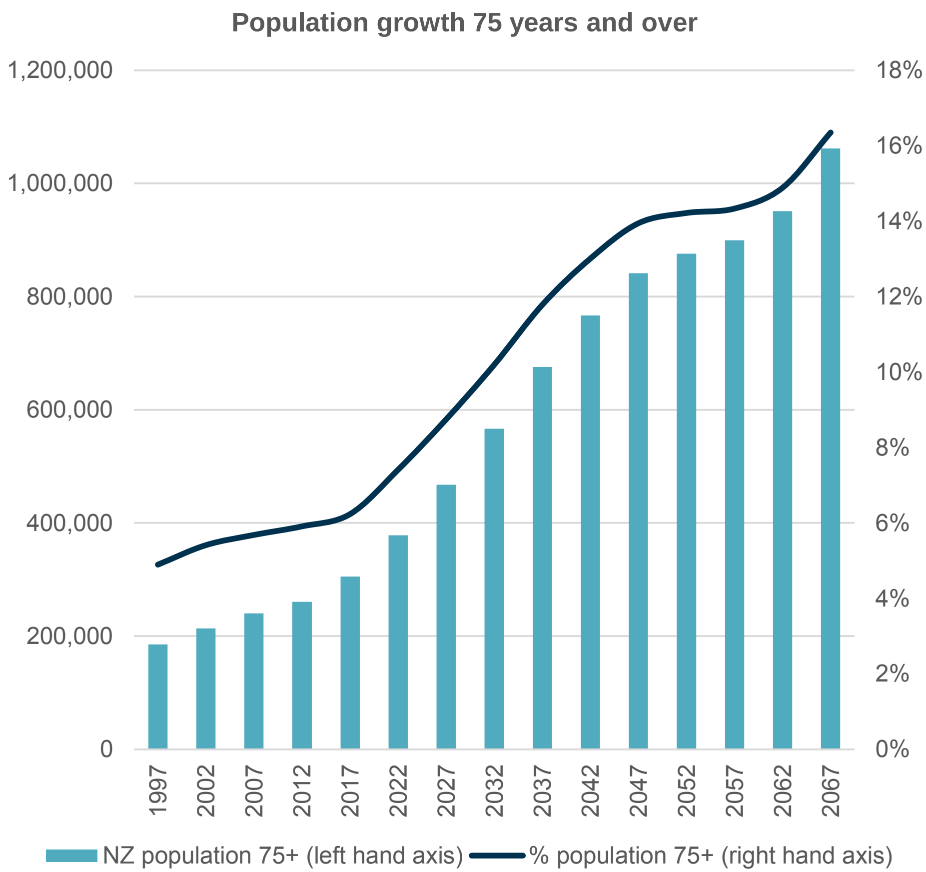
Disclaimer

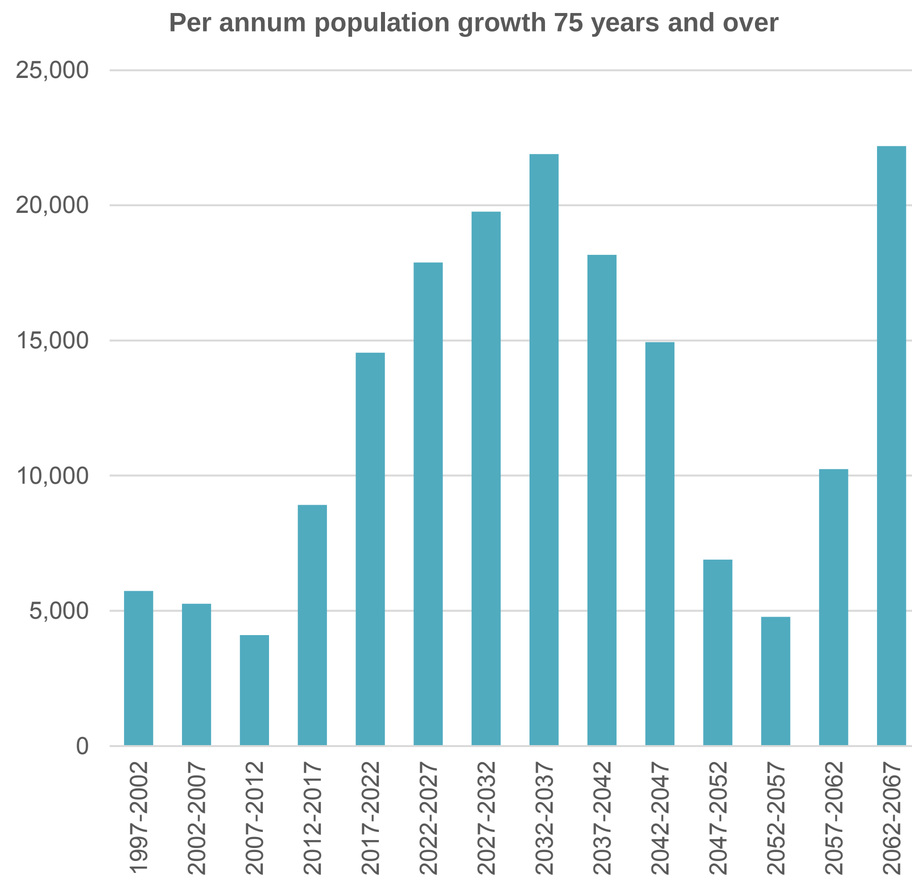
- This presentation may contain projections or forward looking statements regarding a variety of items. Such forward looking statements are based upon current expectations and involve risks and uncertainties
- Actual results may differ materially from those stated in any forward looking statement based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

Appendix

Demographics

Population over 75 years forecast to grow 245% from 2018 to 2068

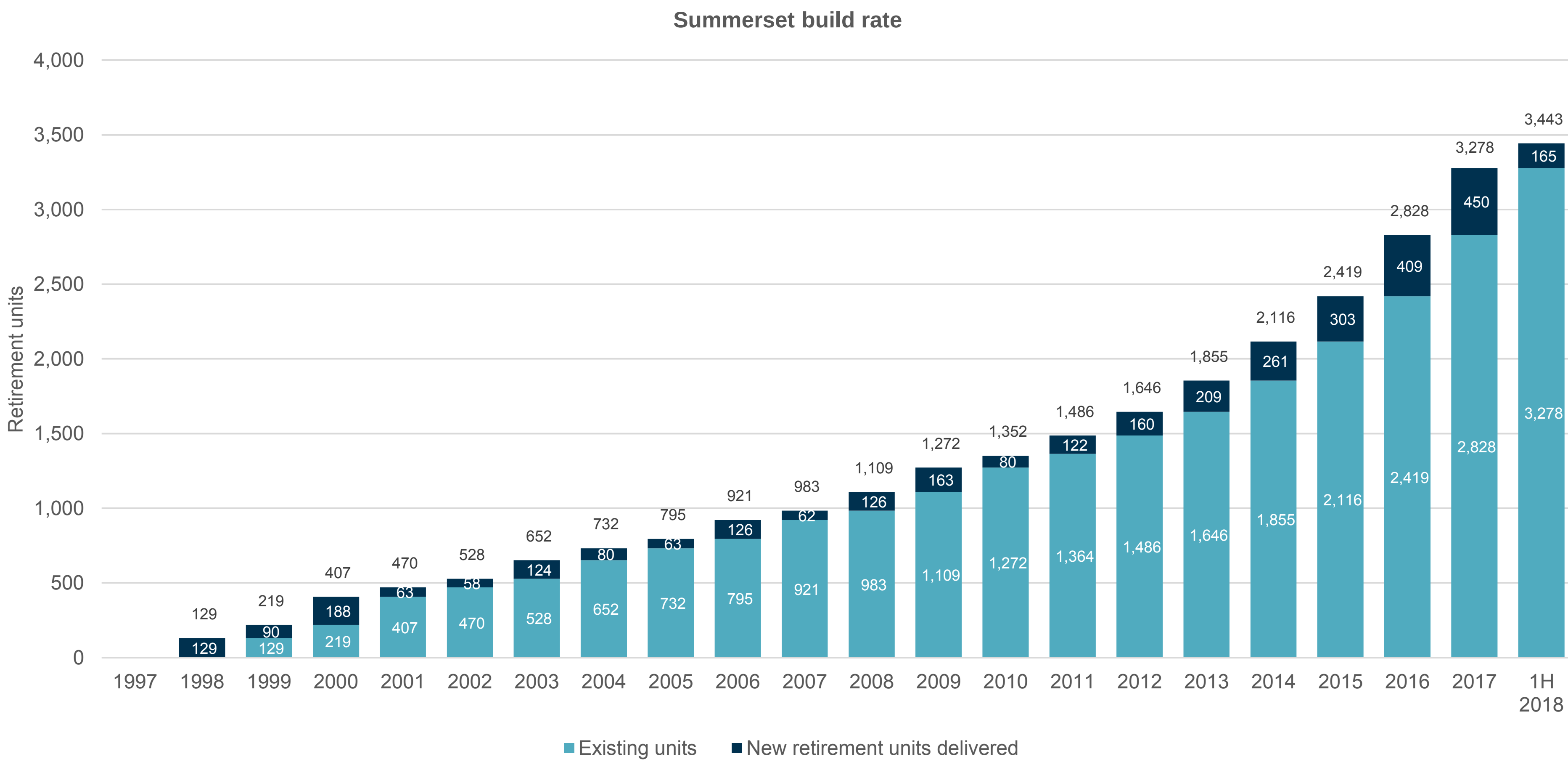




Source: Statistics New Zealand – National Population Projections

Summerset growth

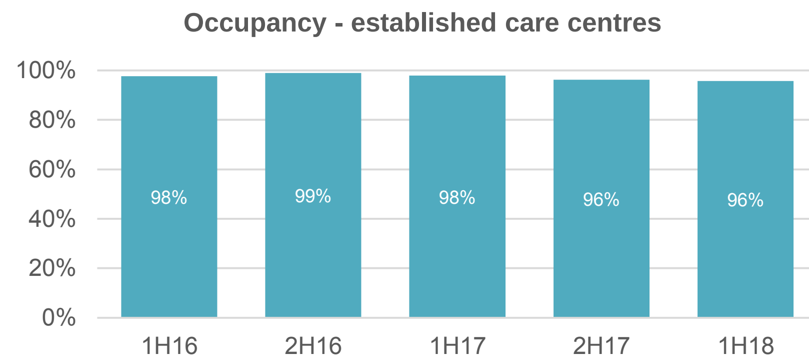
21 years of consistent delivery and growth

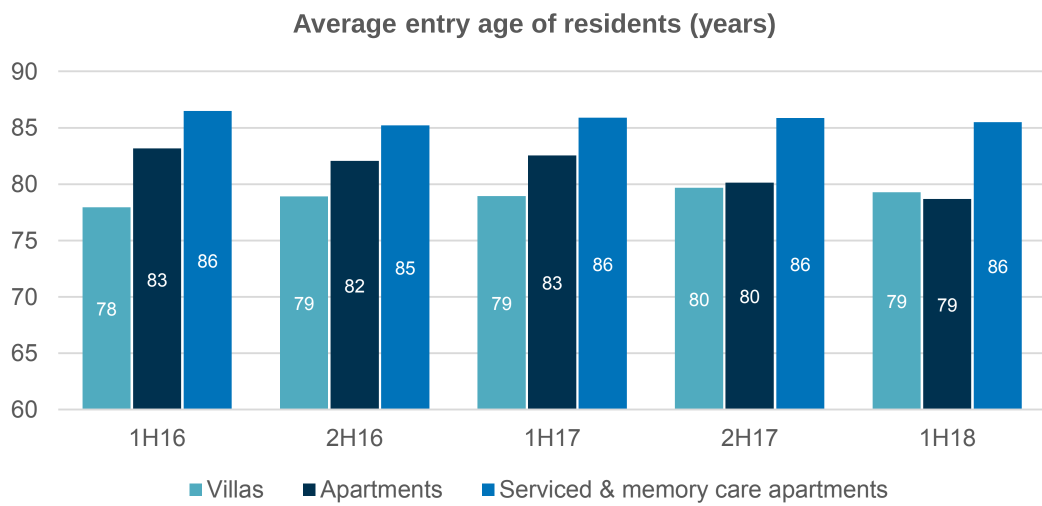


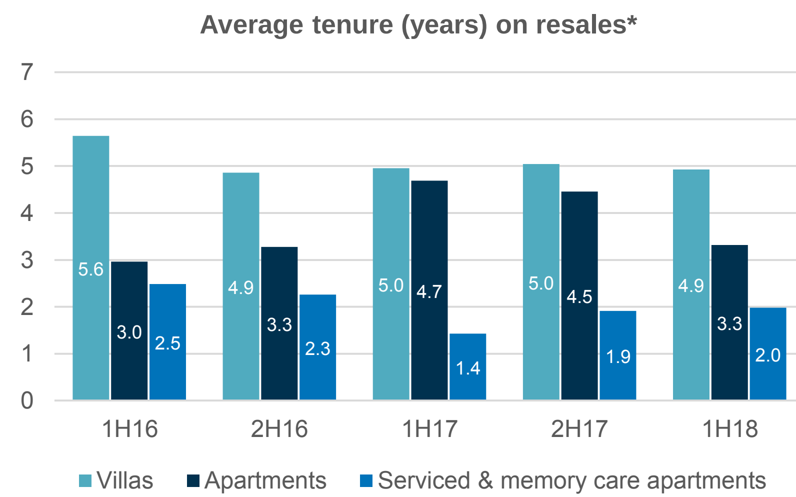
Customer profile & occupancy

Occupancy, tenure and resident demographic statistics

- Occupancy within our established care centres is stable with an average occupancy of 96% for 1H18
- Average tenure on 1H18 resale retirement units was 4.9 years for villas, 3.3 years for independent apartments, and 2.0 years for serviced and memory care apartments
- Average entry age on 1H18 new and resale retirement units was 79 years for villas and independent apartments, and 86 years for serviced and memory care apartments







** Average tenure has been calculated using the previous resident's occupancy on resales within the reporting period*

Portfolio as at 30 June 2018

3,443 retirement units and 858 care beds

Existing portfolio - as at 30 June 2018

Village	Villas	Apartments	Serviced apartments	Memory care apartments	Total retirement units	Total care beds
Ellerslie	34	23	57	-	114	58
Hobsonville	115	37	29	-	181	52
Karaka	143	-	59	-	202	50
Manukau	89	67	27	-	183	54
Warkworth	164	2	44	-	210	41
Auckland	545	129	216	-	890	255
Hamilton	183	-	50	-	233	49
Rototuna	14	-	-	-	14	-
Taupo	94	34	18	-	146	-
Waikato	291	34	68	-	393	49
Katikati	140	-	20	-	160	49
Bay of Plenty	140	-	20	-	160	49
Hastings	146	5	-	-	151	-
Havelock North	94	28	-	-	122	45
Napier	94	26	20	-	140	48
Hawke's Bay	334	59	20	-	413	93
New Plymouth	108	-	40	-	148	52
Taranaki	108	-	40	-	148	52
Levin	64	22	-	10	96	41
Palmerston North	90	12	-	-	102	44
Wanganui	70	18	12	-	100	37
Manawatu-Wanganui	224	52	12	10	298	122
Aotea	96	33	38	-	167	-
Paraparaumu	92	22	-	-	114	44
Trentham	231	12	20	-	263	44
Wellington	419	67	58	-	544	88
Nelson	214	-	55	-	269	59
Nelson-Tasman	214	-	55	-	269	59
Casebrook	31	-	-	-	31	-
Wigram	143	-	53	-	196	49
Christchurch	174	-	53	-	227	49
Dunedin	61	20	20	-	101	42
Otago	61	20	20	-	101	42
Total	**2,510**	**361**	**562**	**10**	**3,443**	**858**

Land bank as at 30 June 2018

Land bank of 3,041 retirement units and 368 care beds

Land bank - as at 30 June 2018*

Village	Villas	Apartments	Serviced & memory care apartments	Total retirement units	Total care beds
Ellerslie	8	196	-	204	-
Hobsonville	10	36	23	69	-
Karaka	39	-	-	39	-
Parnell	-	264	76	340	48
St Johns	-	236	76	312	32
Warkworth	39	-	-	39	-
Auckland	**96**	**732**	**175**	**1,003**	**80**
Rototuna	174	-	76	250	43
Waikato	**174**	**-**	**76**	**250**	**43**
Katikati	16	-	-	16	-
Bay of Plenty	**16**	**-**	**-**	**16**	**-**
Te Awa	252	-	76	328	43
Hawke's Bay	**252**	**-**	**76**	**328**	**43**
Kenepuru	100	93	106	299	43
Lower Hutt	42	109	66	217	30
Trentham	-	-	20	20	-
Wellington	**142**	**202**	**192**	**536**	**92**
Richmond	234	-	76	310	43
Nelson-Tasman	**234**	**-**	**76**	**310**	**43**
Avonhead	156	12	98	266	43
Casebrook	229	12	76	317	43
Wigram	16	-	-	16	-
Christchurch	**401**	**24**	**174**	**599**	**86**
Total	**1,314**	**958**	**769**	**3,041**	**368**

** Land bank reflects current intentions as at June 2018. Excludes acquisition of new land in New Plymouth post balance date. This adds a further ~300 retirement units and ~40 care beds*

1H18 underlying profit reconciliation

Reconciliation of underlying profit to reported net profit after tax

NZ$m	1H18	1H17	*Variance*	FY17
Reported net profit after tax	**82.0**	**90.3**	***-9%***	**223.4**
Less reversal of impairment on land & buildings	-	-	*N/A*	(0.0)
Less fair value movement of investment property	(78.3)	(87.1)	*-10%*	(218.0)
Add realised gain on resales	14.9	10.8	*38%*	24.9
Add realised development margin	25.8	21.3	*21%*	51.0
Add/(less) deferred tax expense/credit	0.8	0.4	*104%*	0.3
Underlying profit	**45.2**	**35.7**	***27%***	**81.7**

Underlying profit differs from NZ IFRS reported profit after tax. The Directors have provided an underlying profit measure to assist readers in determining the realised and non-realised components of fair value movement of investment property and tax expense in the Group's income statement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions and has been reviewed by Ernst & Young. Underlying profit is an industry wide measure which the Group uses consistently across reporting periods. See note 2 of the financial statements for detail on the components of underlying profit

Fair value movement

Fair value movement of investment property – key assumptions

Fair value movement of investment property		**Value of investment property***	**Fair value gain/(loss)**	**Key valuation assumptions**					
Village	**Location**	**NZ$m**	**NZ$m**	**Discount rate**	**Growth rate Yr 1**	**Growth rate Yr 2**	**Growth rate Yr 3**	**Growth rate Yr 4**	**Growth rate Yr 5+**
Summerset by the Park	Manukau	139.1	1.4	13.50%	1.5%	2.0%	2.5%	3.0%	3.5%
Summerset by the Lake	Taupo	53.6	0.6	15.75%	0.0%	0.5%	1.5%	2.5%	3.5%
Summerset in the Bay	Napier	63.0	0.2	14.00%	0.0%	1.0%	2.0%	2.5%	3.5%
Summerset in the Orchard	Hastings	63.8	1.5	15.00%	0.0%	0.5%	1.0%	2.5%	3.5%
Summerset in the Vines	Havelock North	52.8	0.6	14.75%	0.0%	1.0%	2.0%	2.5%	3.5%
Summerset in the River City	Wanganui	26.3	0.9	16.00%	0.0%	1.0%	1.5%	2.0%	2.5%
Summerset on Summerhill	Palmerston North	41.8	0.9	14.75%	0.0%	1.0%	2.0%	2.5%	3.0%
Summerset by the Ranges	Levin	24.8	1.0	15.75%	0.5%	1.0%	1.5%	2.0%	2.5%
Summerset on the Coast	Paraparaumu	48.8	0.7	14.50%	0.5%	1.0%	2.0%	2.5%	3.5%
Summerset at Aotea	Aotea	88.6	2.3	14.25%	0.5%	1.0%	2.0%	2.5%	3.5%
Summerset in the Sun	Nelson	133.7	3.5	14.00%	0.0%	1.0%	1.0%	2.5%	3.5%
Summerset at Bishopscourt	Dunedin	44.4	1.7	14.75%	0.5%	1.0%	1.5%	2.5%	3.0%
Summerset down the Lane	Hamilton	121.0	4.8	14.00%	0.5%	1.0%	2.0%	2.5%	3.5%
Summerset Mountain View	New Plymouth	66.6	0.2	14.75%	0.0%	0.5%	1.5%	2.5%	3.0%
Total for completed villages		**968.4**	**20.2**						
Summerset Falls	Warkworth	141.5	10.9	14.25%	0.5%	1.5%	2.0%	3.0%	3.5%
Summerset at Monterey Park	Hobsonville	183.4	0.1	14.00%	1.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Heritage Park	Ellerslie	107.5	0.4	15.00%	1.0%	1.0%	2.0%	2.5%	3.5%
Summerset at Karaka	Karaka	143.5	11.7	14.25%	0.5%	1.0%	2.0%	2.5%	3.5%
Summerset Rototuna	Rototuna	20.3	5.3	16.50%	0.0%	1.0%	2.0%	2.5%	3.5%
Summerset by the Sea	Katikati	82.5	7.7	15.00%	0.0%	0.5%	1.5%	2.5%	3.5%
Summerset at the Course	Trentham	130.5	0.7	14.00%	0.5%	1.0%	2.0%	2.5%	3.5%
Summerset at Wigram	Wigram	105.7	11.7	14.75%	0.0%	1.5%	2.0%	3.0%	3.5%
Summerset Casebrook	Casebrook	28.2	8.3	16.50%	0.0%	1.0%	2.0%	3.0%	3.5%
Total for villages in development		**943.3**	**56.6**						
Total for proposed villages		**120.0**	**1.5**	n/a	n/a	n/a	n/a	n/a	n/a
Total for all villages		**2,031.6**	**78.3**						

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

7 year metrics summary

Underlying profit 7 year CAGR of 41%

	Half Year Results	7 Year CAGR*	1H18	2H17	1H17	2H16	1H16	2H15	1H15	FY11
Operational	New sales of occupation rights	15%	145	203	179	231	183	173	160	108
	Resales of occupation rights	14%	154	156	144	121	123	135	110	123
	Total sales	**15%**	**299**	**359**	**323**	**352**	**306**	**308**	**270**	**231**
	New retirement units delivered	15%	165	279	171	219	190	162	141	122
	Retirement units in portfolio	14%	3,443	3,278	2,999	2828	2609	2419	2257	1,486
	Care beds in portfolio	16%	858	806	748	748	621	616	523	327
Financial (NZ$m)	Total revenue ($m)	21%	65.7	59.8	50.7	46.0	40.0	36.2	32.6	33.7
	Net profit after tax ($m)	68%	82.0	133.2	90.3	94.9	50.6	48.5	35.7	4.3
	Underlying profit** ($m)	41%	45.2	46.0	35.7	31.9	24.7	20.7	17.1	8.1
	Net operating cash flow ($m)	23%	92.8	121.3	86.4	108.2	84.4	76.7	63.6	43.7
	Total assets ($m)	22%	2,419.6	2,216.3	1,932.1	1,706.8	1,521.4	1,363.5	1,161.3	616.9
	Total equity ($m)	20%	840.5	769.3	627.6	545.6	448.7	409.8	363.7	233.4
	Interest bearing loans and borrowings ($m)	28%	379.7	347.2	315.3	274.0	262.7	248.2	160.9	69.1
	Cash and cash equivalents ($m)	7%	14.7	7.6	13.1	8.7	9.4	6.7	6.5	9.0
	Gearing ratio (Net D/ Net D+E)	6%	30.3%	30.7%	32.5%	32.7%	36.1%	37.1%	29.8%	20.5%
	EPS (cents) (IFRS profit)	63%	37.22	60.86	41.37	43.6	23.3	22.4	16.5	2.39
	NTA (cents)	19%	377.85	347.56	285.72	249.9	206.1	188.5	167.5	109.33
	Development margin (%)	27%	33.0%	26.9%	28.0%	23.6%	20.3%	21.4%	18.4%	6.2%

** Compound annual growth rate. Annualised 1H18 result compared to FY11*

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