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**NZX & ASX RELEASE**

**26 February 2024**

# SUMMERSET POSTS $190.3M FULL YEAR UNDERLYING PROFIT

- Underlying profit for FY23 of NZ$190.3 million, up 11.0% on FY22
- Net profit after tax of NZ$436.3 million, up 62.1% on FY22
- Total assets of NZ$6.9 billion, up 18.9% on FY22
- Two new sites acquired this year in New Zealand
- 1,103 total sales of occupation rights, up 10% on FY22
- 643 new homes under occupation right agreement (ORA) delivered
- Land bank total of 5,571 retirement homes and 1,338 care homes across NZ and Australia
- Gearing ratio at 34.7%
- Development margin of 31.6%
- Final dividend of NZ13.2 cents per share

Retirement village operator Summerset Group Holdings Limited today announced a record full year underlying profit for the year ending 31 December 2023 of NZ$190.3 million, up 11.0% on FY22.

Net profit after tax (IFRS) was NZ$436.3 million for the year ended 31 December 2023, the company's second highest ever NPAT.

Summerset Chief Executive Scott Scoullar said 2023 had been a very good year for Summerset, despite a very challenging macroeconomic environment.

"We are very pleased with this result. We have continued to deliver value for our residents and shareholders during a year which has been one of the most challenging we've seen as a company. Increasing inflation, recruitment shortages and a falling residential property market made business difficult throughout the year, and yet we withstood those challenges and continued to grow," Mr Scoullar said.

Summerset delivered a record 1,103 ORA sales for 2023 up 10% on FY22.

"This result has again shown, that while the residential property market has an influence on our business, our strong sales and demand pipeline demonstrates that we are not solely dependent upon it to grow. Our residents are often motivated by life events such as community, security and health when coming to Summerset. We continued to see these motivating factors prompting moves into our villages."

Mr Scoullar said Summerset continued to deliver for residents this year with continued high satisfaction scores and external acknowledgement of their work.

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“Our resident satisfaction scores have remained extremely high this year with 96% of village residents and 95% of care residents telling us they are very satisfied or satisfied with their experience with us.

“We’ve also won a number of awards this year including Aged Advisor’s “Best Provider Nationwide” at their annual People’s Choice Awards and gold for the Reader’s Digest 2024 Quality Service Award in the Retirement Villages category. The most satisfying aspect of these awards are that they’re voted for by consumers, including many of our residents. It’s an honour that many of our residents and their families nominated us.”

Summerset also achieved a record year of construction, meeting its build target, delivering 643 homes under ORA. These included serviced apartments, care suites and memory care suites delivered with the opening of three main buildings at the company’s Kenepuru (Wellington), Bell Block (New Plymouth) and Te Awa (Napier) villages throughout the year.

Mr Scoullar said Summerset reported a development margin of 31.6% up from 29.7% in FY22, driven by improved margins across all unit types which continue to benefit from long-term supplier relationships and well managed procurement contracts.

“In addition to our strong build programme delivery in New Zealand, we were pleased to have achieved the significant milestone of delivering our first Australian homes at our Cranbourne North village in Victoria. We look forward to welcoming our first Australian residents in March.” said Mr Scoullar.

Construction will begin at Summerset’s second Australian village, Chirnside Park, and the company’s Oakleigh South and Craigieburn sites have both received consent.

In New Zealand the company also welcomed the first residents at four new villages at Cambridge, Boulcott (Lower Hutt), Waikanae, and Milldale (Auckland).

Summerset grew its development pipeline in New Zealand, achieving resource consent for its Half Moon Bay (Auckland) and Kelvin Grove (Palmerston North) sites and announcing the purchase of two new sites in Rolleston (Christchurch) and Mosgiel (Dunedin).

“We continue to look for opportunities to expand our portfolio and grow our business to introduce more New Zealanders and Australians to our retirement village lifestyle,” said Mr Scoullar.

Having navigated through a challenging 2023, Mr Scoullar said that Summerset is optimistic for the year ahead, remaining focussed on growth while providing an excellent retirement experience for residents.

“We expect to deliver 675-725 homes in 2024, including Stage 1 of our St Johns village in Auckland, our first multi-level village, delivering four of the seven buildings comprising the main building, care centre and sixty percent of the village’s homes.”

Shareholders will receive a final dividend of NZ13.2 cents per share, bringing the total dividend payable for FY23 to NZ24.5 cents per share, up 9.9% on FY22.

**ENDS**

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**ABOUT SUMMERSET**

- Summerset is one of the leading operators and developers of retirement villages in New Zealand, with 38 villages completed or in development nationwide
- In addition, Summerset has six proposed sites at Half Moon Bay (Auckland), Rotorua (Bay of Plenty), Palmerston North (Manawatu), Masterton (Wairarapa), Rolleston (Christchurch), and Mosgiel (Dunedin)
- Summerset also has two villages in development (Cranbourne North and Chirnside Park) and five other properties in Victoria, Australia (Craigieburn, Drysdale, Mernda, Oakleigh South and Torquay)
- Summerset provides a range of living options and care services to more than 8,000 residents

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# Annual Report

2023

Summerset



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## 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 2023. 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: Residents at Summerset Avonhead enjoy socialising in the village centre
Inside cover: Summerset Prebbleton

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## 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**










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## Contents


| | |
|---|---|
| **Chair and CEO's report** | **04** |
| Summerset Strategy | **11** |
| **Highlights** | **14** |
| Snapshot | **14** |
| 2023 highlights | **16** |
| **Our people and community** | **20** |
| **Our villages** | **32** |
| **Embedding sustainability** | **42** |
| **Our performance** | **50** |
| **Five-year summary** | **54** |
| **Financial statements** | **55** |
| Governance | **94** |
| Board of Directors | **106** |
| Executive Leadership Team | **108** |
| Remuneration | **110** |
| Disclosures | **122** |
| Directory | **131** |
| Company information | **134** |

# 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 2023. Despite significant challenges, Summerset has had a year of considerable achievements.

We have been able to continue to deliver value for our residents and shareholders during a year which has been one of the most challenging we've seen as a company. Increasing inflation, recruitment shortages and a falling residential property market made business difficult throughout the year, and yet we continued to grow.

Over 2023 we saw a record 1,103 sales of Occupation Rights, our highest year to date, and an excellent result in a very difficult macroeconomic environment.

The downturn in the New Zealand property market presented a new challenge for our Sales team in 2023. With housing turnover reportedly at its lowest in decades we had to adapt to help our prospective residents who wanted to join our village communities.

To make it easier for our future residents to join their chosen village, we employed a number of sales mechanisms to assist them move into our villages while they were still selling their home. Providing flexibility helped new residents to sell their homes and get organised at a time when selling homes was taking longer.

However, while the residential property market certainly has an influence on our business, our strong sales and demand pipeline shows that we are not solely dependent upon the property market to grow. This is because our residents are often motivated by life events when moving to Summerset. They come to us for a change in lifestyle, security, health, desire for community and more. We continued to see these motivating factors prompting shifts into our villages while the residential property market was in a state of flux.

Throughout the year demand for our retirement living offering significantly increased, with our waitlists and prospective resident databases increasing considerably. The underlying factors driving demand in the market look set to continue. To meet this demand we have continued to strengthen our development pipeline in both New Zealand and Australia. This year we announced the purchase of two pieces of land – Rolleston and Mosgiel in New Zealand. We continue to explore opportunities in both countries to expand our portfolio and land bank.

This year was a landmark for our Australian business with the first homes delivered at our Cranbourne North village in December. Summerset's first Australian residents will move into their new village in March 2024.

Our hard work has been recognised with Summerset receiving a number of awards this year, including winning Gold for the Reader's Digest 2024 Quality Service Award in the Retirement Villages category, it is an honour that New

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Zealand consumers named us for this accolade.

### Business performance

Underlying profit for 2023 is $190.3 million, an increase of 11.0% on 2022. Our IFRS net profit after tax is $436.3 million, up 62.2% on 2022. Operating cash flows of $398.2 million have increased 8.0% from last year. The value of our investment property is now $6.4 billion, up 18.3% on 2022, largely as a result of new purchases and development.

We are very pleased with the overall performance of the business for 2023. We have been able to withstand significant challenges to deliver an increase in our underlying and net (IFRS) profits.

We have continued to show how we can run our business efficiently and effectively in unpredictable and difficult conditions, and at the same time position ourselves for growth into the future.

Levels of uncontracted stock have increased on FY22 but this is unsurprising as we opened two new main buildings at our Bell Block (New Plymouth) and Te Awa (Napier) villages. Both villages have had very high demand for their apartments, and care and memory care facilities but historically we know main buildings take 18–24 months to sell down. When we exclude the new main buildings our uncontracted stock is down 19% year-on-year, a very pleasing result in a tough market.

The Board is pleased to declare a final dividend of 13.2 cents per share, payable on 22 March 2024. Combined with our interim dividend of 11.3 cents per share, shareholders have received 24.5 cents per share for the 2023 financial year — a 9.9% increase over 2022.

Our dividend policy has been to pay out 30-50% of underlying profit for the full year period and we have traditionally paid at the lower end of this range to balance the desire to invest for growth with the preference of some shareholders for yield. Summerset's growth strategy is to deliver on expansion opportunities in New Zealand and Australia that will produce competitive returns for our shareholders.

We are expecting strong underlying profit growth over the medium term as our business matures, which is why we signalled at our half-year results announcement that we were undertaking a review of our Dividend Policy to ensure it remained appropriate for Summerset moving forward.

As part of our review we benchmarked our current policy against NZX and ASX companies, tested alternatives and obtained feedback from our retail and institutional investors, as well as investment analysts in our sector.

Our analysis found that our dividend policy had broad acceptance with our shareholders and was consistent with our peers. Many of our stakeholders highlighted that it was important to them that the dividend policy is free from technical adjustments, can be forecast by the investment community and is easily understood by retail investors.

With this information in mind, the Board has decided to leave the dividend measure unchanged. However, the policy range of paying 30–50% of underlying profit was slightly narrower than it needed to be, so in order to be more flexible and prudent in our approach we have opted to move to 20–50% of underlying profit.

This gives us more scope to reinvest our profits when we need to, in order to maintain long-term financial health, while ensuring we continue to give our investors an appropriate return on their investment where we can.

### Care

Our continuum of care model remains a key part of our appeal to prospective residents. We are committed to providing high-quality care, and we continue to invest to provide our residents with the peace of mind that should their needs change they have options at Summerset.

During 2023 we opened new main buildings at our Kenepuru, Bell Block and Te Awa villages, which all feature our world-class care and memory care centres.

In the care centres, we are commencing a move to a household model approach, creating smaller, family grouping sized environments which help to grow relationships and create a sense of home.

In addition to opening new facilities, we have continued the work to refurbish our older, first-generation, facilities around the country. Our Levin, Havelock North and Trentham (Upper Hutt) villages' care centres are all in varying stages of development. At each village we will create a modern facility that better caters to the needs and demands of our current and future residents.

We're also investing in new technology, including ceiling hoists above beds being rolled out at all care centres over the next two years. These are easier to operate and safer for both our residents and staff.

### Regulation and funding

Throughout the year we've continued, along with many of our competitors, to advocate for adequate funding for the aged care sector. Successive governments have failed to invest adequately in aged care and the sector has become unsustainable.

Aged care beds are closing around the country, and without change a large proportion of New Zealand's growing aged population will need to be cared for in hospitals, which

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has a flow-on effect to the entire health sector.

The New Zealand Aged Care Association (NZACA), with support from Summerset and other aged care providers, ran a compelling campaign highlighting this risk, called the Domino Effect. More elderly New Zealanders in hospital beds or requiring home care will impact the health system dramatically, affecting people of all ages who need hospital care.

As a large company Summerset can, and will, continue to keep providing care. While we continue to be committed to providing the very best care possible for our residents and we are investing in care, we are rationalising our care offering. Our future care centres will be smaller and will be targeted primarily at providing a continuum of care to our independent residents.

As well as funding, finding nursing staff continues to be an issue for the sector. It's estimated that there are more than 1,200 nursing vacancies in the sector (nearly 25% of nurses required). While aged care nurses' salaries were increased 11% this year to achieve parity with public sector nurses, Te Whatu Ora increased pay for hospital nurses shortly after this, which meant rather than pay parity the gap remains at least $4,000 per annum depending on their level.

This has again made aged care nursing a less attractive option for nurses when they earn less than nurses with the same qualifications and experience in public hospitals.

We continue to advocate with health officials for a more equitable outcome.

Summerset also welcomed the review by the Ministry of Housing and Urban Development (MHUD) of the Retirement Villages Act. MHUD released a discussion document to the public asking for views about a number of proposals to change the Act. We welcome any changes that make operators raise their standards.

Most of Summerset's practices already align with the proposals in the review, for instance we stop weekly fees after someone vacates their home, there are no charges for maintenance and repairs and we have worked hard to create plain English documentation.

**Resident initiatives and events**

Our purpose is "bringing the best of life" and we continually look for opportunities to innovate and improve on the experience we provide our residents in all our villages.

In 2023 we have run a successful pilot of our Holiday Homes programme which gives residents and their families the opportunity to rent a fully furnished apartment in one of our villages. The pilot at three villages was very successful and popular and we plan to roll it out to more villages in 2024.

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

Popular singer Will Martin performed for Summerset residents in Wellington, Christchurch and Hawke's Bay during the year, and we held resident competitions including Summerset's Best Garden and the Summerset Challenge. The challenge tested residents' quiz skills, with regional finalists travelling to Wellington to compete to be the best quiz team in our villages.

Our efforts have been recognised by residents, with our satisfaction scores remaining extremely high – 96% of village residents and 95% of care residents tell us they are very satisfied or satisfied with their experience with us.

We were also named the Best Provider Nationwide in Aged Advisor's annual "Peoples' Choice Awards". As well as the nationwide win, five of our villages were named finalists in their categories. The most satisfying aspect of this award is that it's voted on by consumers, including retirement village residents and their families. We were honoured that many of our residents nominated us.

**Design and technology**

We have continued to modify the designs and features of our villages to meet the needs of our current and future residents, and to tailor designs for their varying locations around the country.

Our first provincial main building (PMB), the village centre that provides resident amenities and care facilities, will be built at our Blenheim village. Built to our usual high specification, it will be single storey to be in keeping with its location and be constructed faster for our residents.

Similarly, we have been designing our refreshed regional main building (RMB). Our current RMBs have been built successfully and to the delight of residents around the country for a number of years, but the needs and demands of our residents has meant it's time to refresh the design.

We continue to look at how the quality and greenspace in our villages can be maximised too, with children's playgrounds, wider streets, small parks and indoor/outdoor golf ranges all being investigated in our designs.

We also continue to invest in technology to enhance the lives and experiences of our residents around the country. Our resident experience services and experiences platform Lumin is now rolled out to seven

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Wellington region residents' Summerset Sings concert with Will Martin

villages and will go to a further eight by 2025. Lumin allows residents to communicate with each other, book activities, access entertainment and much more, all on a specially designed tablet with a system designed for elderly users.

Summerset is one of the few village operators in the country to offer anything like this to its residents and we believe it's a huge step forward in how we communicate with, and enable, our residents to get on and enjoy their retirement with technology that makes their lives in the village easier.

### New Zealand construction and development

Our design and consenting programme continues to position us well for growth across New Zealand.

In New Zealand we have a very well diversified portfolio with 73% of our land bank having resource consent. Those consents allow flexibility in the rate and location of development, so we can respond to localised demand and supply, and the changing economic conditions.

This past year has been an excellent example of the flexibility we can bring to our build programme. We back-weighted deliveries to the second half of the year where we saw economic and market conditions improving, to better enable the sale and settlement of our homes.

We also opted to prudently deliver a total number of units at the lower end of our market guidance while market conditions were less favourable. This year we delivered 633 homes under Occupation Right Agreement and 49 care beds in New Zealand. This reflects growth of around 5% in construction numbers, another record year for Summerset.

Our construction team worked across 17 New Zealand sites this year, including delivering two new main buildings complete with indoor pools, memory and care centres, cafes and other facilities, and completing our Kenepuru (Porirua) and Hobsonville (Auckland) villages.

We also handed over the first homes at our Cambridge, Boulcott (Lower Hutt), Waikanae, Milldale (Auckland) and Blenheim villages, and commenced construction at a number of sites including Rangiora.

We expect to increase our output of homes next year with the market picking up. Our sophisticated delivery programme means that we can scale up and we expect to build 675–725 homes next year. This includes delivering our St Johns (Auckland) village, where 60% of the 329 homes, as well as the main building and the care centre, will be completed in the first stage.

We began the process of divesting our Parnell site this year, as part of actively managing our portfolio weighting of capital deployed across intensive metropolitan developments and the regional developments (which recycle cash faster). The economics of this village were very strong over the long term, and it was consented, but it fell outside our current strategy of minimising the number of concurrent capital-intense metropolitan projects under development.

In 2022 we advised shareholders of the tragic death of Michael

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Noche, a scaffolding contractor who worked for Marin Construction on our St Johns site. We worked with WorkSafe NZ during 2023 while they investigated Michael's death.

WorkSafe advised late in 2023 that they were not taking any action against either Marin or Summerset. While we were reassured that Worksafe didn't feel any action was warranted, we have not lost sight of the fact that this was, of course, a terrible tragedy for Michael's family, colleagues and for us as a business and we needed to learn from it. As a company we have made modifications to our processes and worked across the construction industry to lead change that we hope will make our people as safe as possible when using temporary work structures.

### Costs and procurement

We have worked hard to keep a tight lid on our costs to ensure we set ourselves up for long-term growth. Construction costs have been a focus for us this year as inflation and materials shortages saw prices rise sharply, but we are seeing the market stabilise now.

Our Procurement team works hard to secure value-for-money long-term contracts through the strong relationships we have with our suppliers and we're confident we're tightly managing our construction costs. This work and the diligence of our Construction team has meant that we've delivered our forecast homes on time and within budget.

Our hard work has seen us deliver a very healthy development margin through 2023 of 31.6%, well above the 20–25% guidance we gave last year.

Like most New Zealand businesses, we saw overhead costs such as rates and insurance increasing in 2023. While we can flex our weekly fees to meet these costs, we opted to keep our weekly fee increase as low as possible this year in recognition that inflation was having a big impact on our residents too. We are committed to not increasing fees beyond the percentage increase to NZ Superannuation, and this year we set our weekly fee increase at half that of superannuation.

### Australia

In Australia we achieved a major milestone with the delivery of our first homes at our Cranbourne North village. Our first Australian residents will move in March 2024.

Construction begins at our Chirnside Park development shortly, and both our Oakleigh South and Craigieburn sites have been consented. We continue to build a strong land bank and we plan to mirror our New Zealand programme where we have a high percentage of our sites consented so we can flex our build programme as demand and supply dictate. Our three other sites at Torquay, Mernda and Drysdale are all progressing through their consent processes.

Australia continues to offer huge growth opportunities for us if we can access the right sites, and we are now also looking at sites beyond Melbourne and Victoria. We see Queensland as the next logical step in our strategic growth into Australia. This move will provide us with more diversity in our portfolio and allow us to manage market movements with greater flexibility, similar to our development approach in New Zealand where we can adapt to changing market conditions. We plan to continue to grow our land bank in Victoria in parallel to our expansion into Queensland.

We're very pleased to have reached the major milestone of opening our first Australian village and look forward to delivering more homes and villages in the coming years.

### Our people

Our people are crucial to our success. At our heart we are a people-centred business providing high-quality homes, care, food, entertainment, support, therapy and much more to more than 8,000 people in our villages across New Zealand, and now into Australia.

Without great people we can't do our work and we can't achieve our purpose of "bringing the best of life".

Throughout this year we have invested in our people, providing them with the tools and opportunities to flourish and grow their careers.

Diversity & Inclusion (D&I) has been a focus for us to ensure that all our staff are comfortable and supported to bring all of themselves to their workplace. All Summerset managers were given D&I training through the year, and we've supported employee representative groups such as our Pride Network and our Women in Construction forum.

We've supported our people's wellbeing by providing them with access to financial, physical and mental health information, and we delivered mental health awareness training to Summerset managers so they can support their people more.

Our people's health and safety is, of course, of enormous importance to us as a business. We have implemented a new three-year Health and Safety (H&S) strategy and we've grown our H&S compliance team to ensure that we are doing everything we can to protect our people. In 2024 we will introduce a new H&S monitoring system that will be a better fit for our varying business units and allow us to capture and analyse more of our data to make improvements quickly across our villages, constructions sites and offices.

In recognising that the cost of living was impacting our people across

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Summerset's "Green Team" wins a Construction Sector Accord Beacon Award

the country we gifted a one-off payment of $250 to 65% of our staff. They were identified through our set criteria as needing it the most and in order to give them a meaningful amount.

We are also pleased to report that 659 permanent staff received free Summerset shares this year as part of the vesting of our annual staff share scheme, and 1,944 eligible staff received $1,000 of Summerset shares which vest in July 2026.

### Sustainability

Sustainability continues to be a big focus for the business and we've made huge strides since we started measuring and reporting on our environmental impacts. We know there is a long way to go but we believe we are on the right track to meet our sustainability targets.

We were pleased to publish our Sustainability Review in May which detailed the many changes we have made over the last five years.

Our Sustainability Review was our first step into ESG (environmental, social and governance) reporting and cataloguing what we do across these areas. We have evolved our new version of this document and included mandatory climate related disclosures, which were legislated by the government in 2023. Our new Sustainability Review document and disclosures can be found on the Summerset website.

All parts of our business have sustainability goals at the core, whether it is designing and building new villages, managing the use of fossil fuels in our existing facilities, or removing unnecessary plastic packaging from our supply chain.

At the same time, we are committed to creating vibrant, connected communities with skilled, caring, and dedicated staff right across New Zealand and Australia.

Waste reduction in our construction business continues to be a major focus for our business and all 17 construction sites we worked on this year worked hard to reduce waste wherever possible, resulting in 4,372 tonnes of waste diverted from landfill. A great deal of work has also been done reviewing the entire building life cycle from design, procurement, pre-construction through to waste treatment.

Our work was recognised with our construction waste avoidance initiative, titled "Building out Waste by Thinking Green" winning a Construction Sector Accord Beacon Award. Our Think Green programme was also recognised in the Retirement Village Association's Sustainability Awards where we won the APL Operator-led Sustainability Award for our work in reducing our carbon emissions and embedding sustainability across the organisation.

Outside of awards, we were pleased to again be recognised by Forsyth Barr in their second Carbon and ESG Ratings for NZX listed companies. We were again 11th of all NZX-listed companies based on their criteria and we're still the top-rated listed retirement village operator.

We have continued to roll out green initiatives at our villages too with our Karaka village having photovoltaic solar panels installed this year, and

the pool at our Manukau village is now heated by solar panels too.

Further information is available in our Sustainability Review and Climate-related Disclosures FY23 report on the Summerset website at www.summerset.co.nz/investor-centre/esg-reporting/.

### Emergency preparedness and response

The catastrophic flooding in the Auckland and Northland regions, and Cyclone Gabrielle's impact across large parts of the North Island, tested our resilience with multiple villages suffering power outages during these events.

Our Napier and Te Awa villages were the most heavily impacted, with power out for significant periods, and Te Awa residents having to temporarily evacuate as a precaution during the flooding. We were very pleased that all our village residents and staff were physically unharmed during this time and that none of our villages sustained any major damage.

The benefits of our scale and expert staff based around the country were evident during the cyclone. Summerset was able to provide extra generators to power our main buildings, set up Wi-Fi hotspots for residents to keep in touch with loved ones, fly in staff to support their colleagues and residents and cook meals for residents for two weeks while they got back onto their feet.

For our staff we created a disaster relief fund so they could get access to cash quickly to replace anything in their homes that had been damaged, pay bonds if they needed to move to new rental accommodation and anything else that they might need to look after themselves and their families. We'd like to take the time here to thank the staff of our villages who were impacted by the flooding and Cyclone Gabrielle. Their dedication and support made our residents' lives a lot easier under very trying circumstances.

We completed a comprehensive review of our actions and preparedness following Cyclone Gabrielle and have made changes including purchasing more generators, installing Starlink wireless broadband, and updating our Emergency Response and Business Continuity plans based on lessons learned from the event.

### Board and Executive changes

We farewelled long serving Board member, Anne Urlwin, in February 2023 and welcomed our newest director, Fiona Oliver, who was formally elected at our April AGM.

Fiona brings significant commercial, investment and governance expertise to the Summerset Board from her experience at Freightways, First Gas/First Gas Services, Gentrack and others. Fiona has taken Anne's role as chair of our Audit & Risk Committee.

Chris Lokum joined Summerset as GM of People & Culture in October. Chris replaced Dave Clegg who, after a successful four years with us, decided to move into a well-earned retirement. Chris joined us from Waka Kotahi and before that spent many years in HR in Australia and the UK, including her role as Vice President of HR-Fuels in Asia Pacific at BP.

Chris is known for delivering organisation efficiency, increasing organisational capability and providing strategic leadership. She is passionate about people and culture, and brings a strategic, commercial and business lens to her work.

### Looking forward

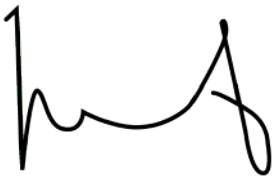
While the economic outlook remains uncertain, we are optimistic for the coming year. We have come through one of the most challenging in Summerset's history with robust demand and record sales numbers.

Not only this but we've also met our targeted build rate, opened our first Australian village, added to our significant land bank, and continued to invest in our residents' experience.

During 2023 we showed our ability to navigate the business through challenging times while continung to grow. We have managed our costs very closely through the year and brought our gearing down from our half-year result. We have acted prudently where we've had to, reducing our build rate to align with market conditions, and made tough decisions like planning to sell our Parnell land.

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

Finally, on behalf of the Summerset 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

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## SUMMERSET STRATEGY

Summerset's strategy covers our short- and long-term goals for the next 10 years. It helps us prioritise our work to ensure we stay on the path that points toward our purpose: to bring the best of life.

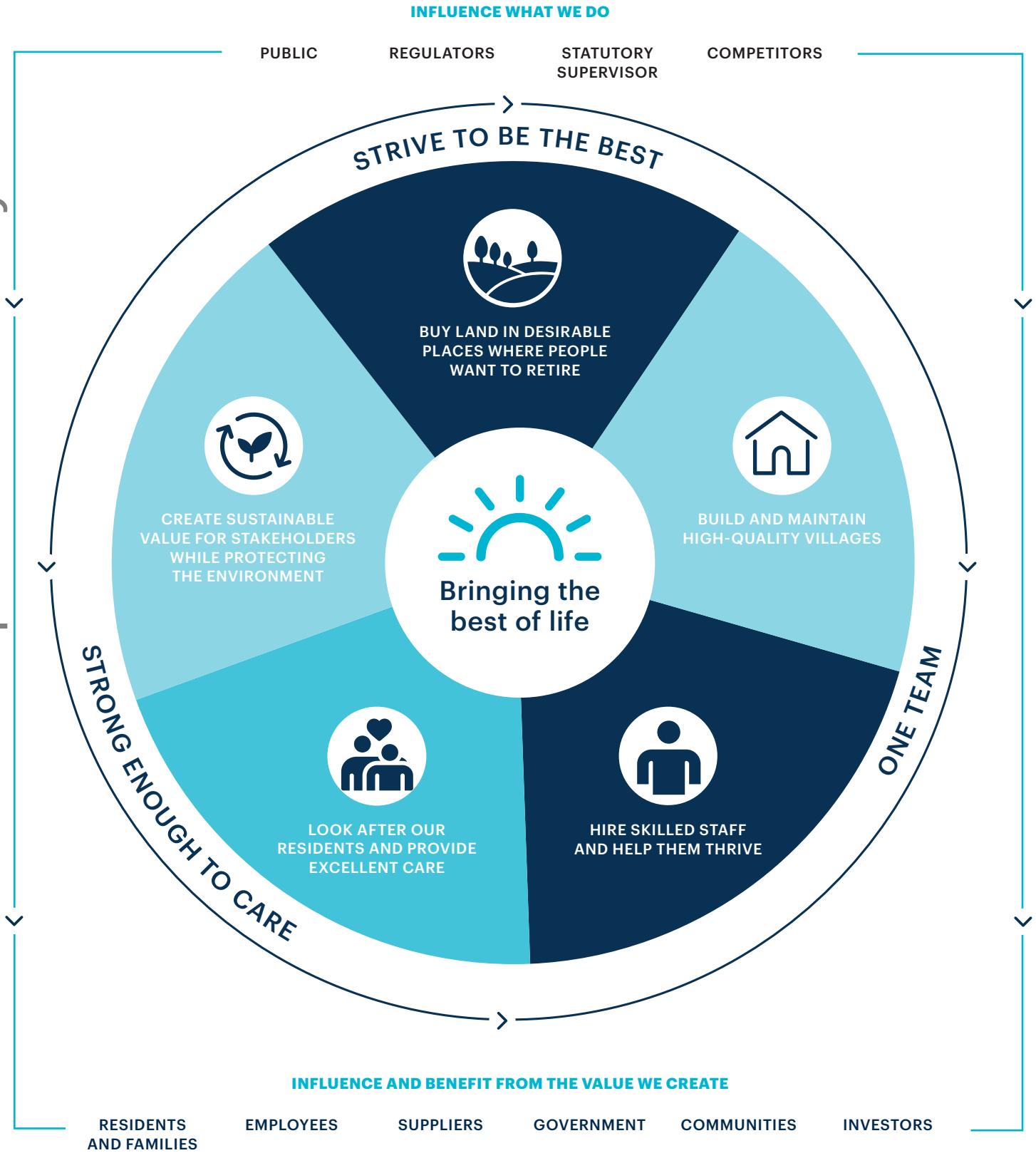
**Three principles guide us in the strategy:**

- Our people lead the change
- Provide our residents with the best life
- Deliver appropriate returns to the shareholders who help fund our business

We have six strategic pillars, each with a number of initiatives under them, that we'll pursue over the next 10 years to grow and continue delivering great experiences for our residents and staff.

Our pillars are: Invest in our People, Deliver New Zealand's best retirement villages, Grow in Australia, Be a good corporate citizen, Create attractive new products and services and Be a more efficient and effective business.

## DELIVERING VALUE TO OUR STAKEHOLDERS




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### 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.

### 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.

### 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.

### LOOK AFTER OUR RESIDENTS

We want our residents to feel secure and respected, and our consistently high satisfaction rates reflect that. We are also committed to our continuum of care model and providing residents high quality assistance should their needs change as they age.

### 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. We significantly overachieved our first short-term goal by reducing our emissions by 16% from 2018-2022.

## OUR PHILOSOPHY OF CARE



INDEPENDENT LIVING

**5,027**

Villas, cottages, townhouses and independent apartments

(TOTAL UNITS)



ASSISTED LIVING

**1,060**

Serviced apartments

(TOTAL UNITS)



SPECIALISED CARE

**1,284**

Rest-home care, Memory care, Hospital care

(TOTAL UNITS)

# Snapshot

## Our people

**8,000+**
Residents

**2,800+**
Staff members

**96%**
Village resident satisfaction

## Our care

**95%**
Care resident satisfaction

**1,284**
Care units (which includes beds) in portfolio

**1,338**
Care units (which includes beds) in land bank in New Zealand and Australia

## Our portfolio

**6,087**
Retirement units

**$6.9b**
Total assets
**FY22** $5.8b

**5,571**
Retirement units in land bank in New Zealand and Australia

**40**
Villages completed or under development

**1,103**
Sales of Occupation Rights

**11**
Greenfield sites

## Our performance

**$436.3m**
Net profit after tax
**FY22** $269.1m

**$190.3m**
Underlying profit
**FY22** $171.4m

**$398.2m**
Operating cash flow
**FY22** $369.2m

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# 2023 Highlights




**FEBRUARY**

Staff from Hawke's Bay and around the country pitched in to support residents during Cyclone Gabrielle

**MARCH**

To recognise the hard work and dedication of our frontline workforce in the villages we created a gratitude wall at every village for residents, their families and anyone else to publicly share messages of thanks to our people

Solar panels installed on our Karaka village's poolhouse




**APRIL**

Summerset's AGM was held in Wellington where Directors Andrew Wong, Venasio-Lorenzo Crawley and Fiona Oliver were all re-elected

**MAY**

Resource Consent granted for our Half Moon Bay (Auckland) village

Released our Sustainability Review ESG report detailing our five year sustainability journey




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### JULY

Summerset's "Think Green" programme won the RVA's Operator-led Sustainability Award

### AUGUST

Summerset wins gold for "Group Provider Nationwide" in Aged Advisor's 2023 Peoples' Choice annual awards.

### SEPTEMBER

Pohutukawa Place (Bell Block) main building officially opened with New Plymouth District Mayor Neil Holdom







### OCTOBER

Chris Lokum joins summerset as the new GM People & Culture

Summerset's Annual Applause Awards held in Auckland to recognise high performing staff and teams across the company




### NOVEMBER

Winners of the Reader's Digest 2024 Quality Service Award for the Retirement Villages category.

Resource consent granted for our Kelvin Grove (Palmerston North) village.

### DECEMBER

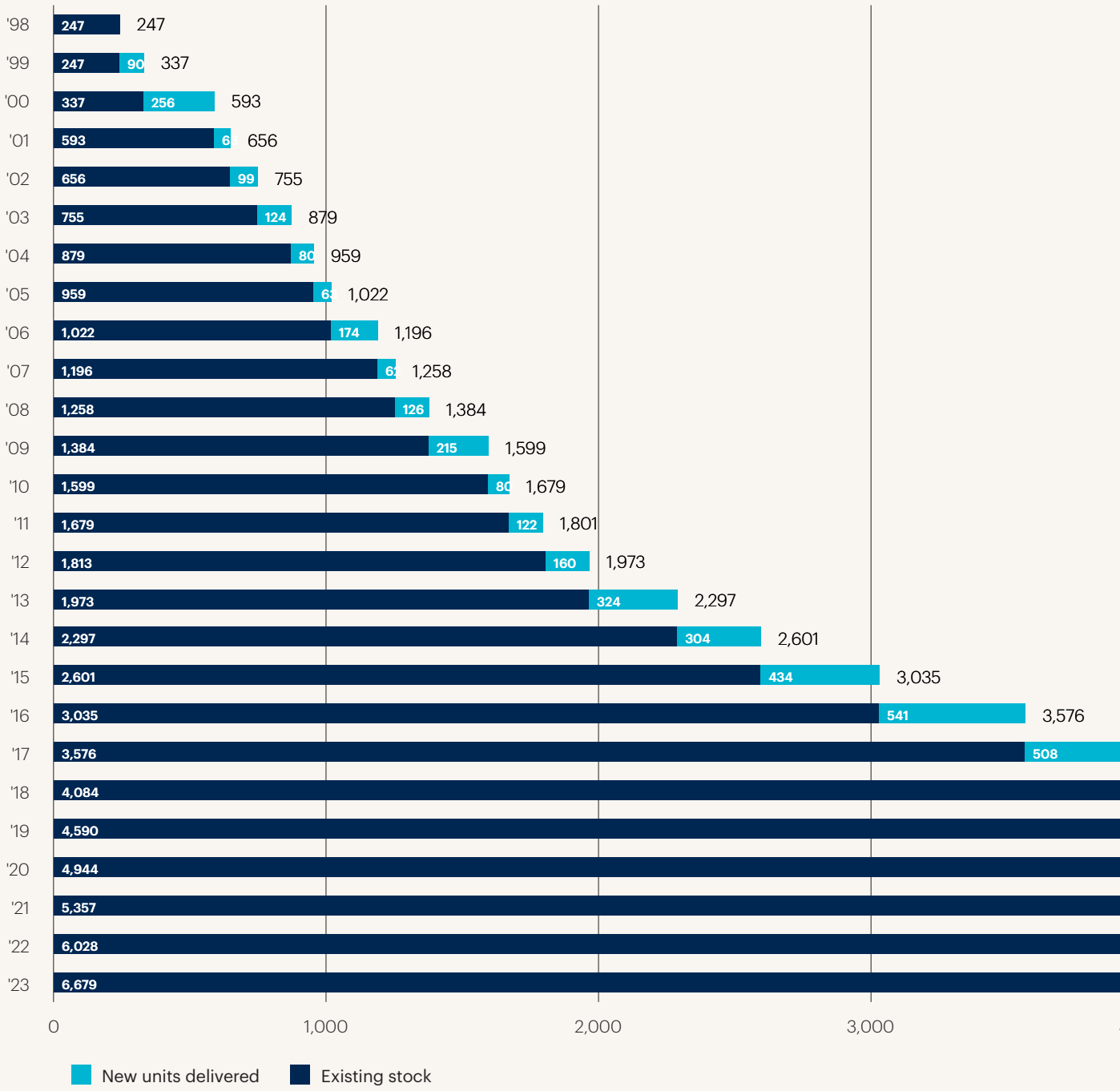
Summerset Cranbourne North's first villas delivered




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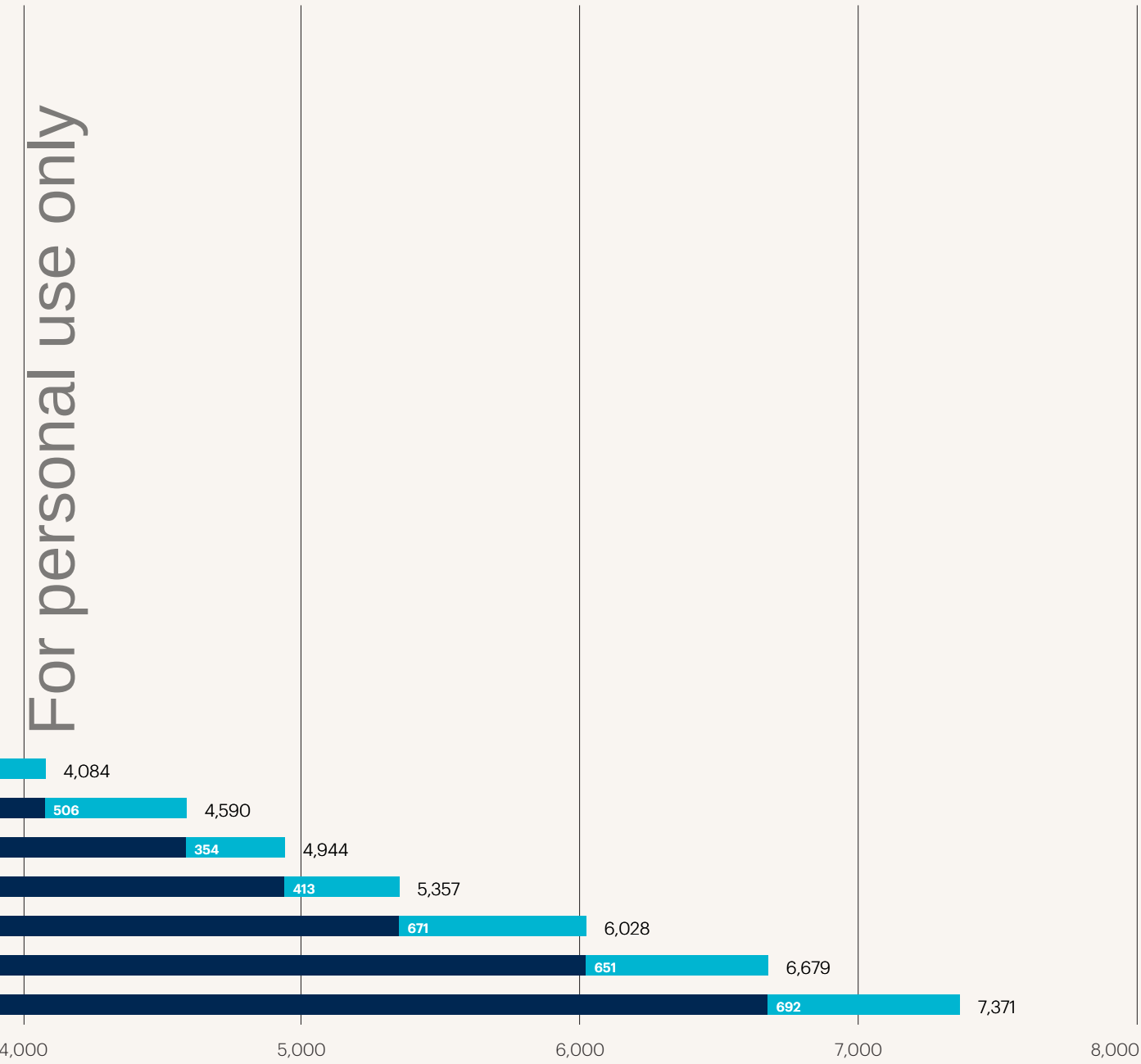
# Portfolio growth

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




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

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# Our people and community

We're proud to be home to more than 8,000 retirement village residents. Our vibrant and diverse communities are built, run and supported by over 2,800 staff.

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Bringing the best of life is Summerset's purpose, and we value and recognise our people who are at the core of delivering this to our residents. Our business functions across Australasia are multi-faceted – we employ a diverse range of roles to design beautiful villages, construct high-quality homes and buildings, give our residents amazing experiences and care, and bring new residents to live in our villages every week.

For more than 25 years, Summerset has been dedicated to creating retirement villages that go beyond providing homes and evolve into thriving communities. We were delighted to win the Aged Advisor's 2023 "Peoples' Choice Award" for Group Provider Nationwide, underscoring the genuine affection our residents have for the lifestyle we offer.

The award is based purely on independent reviews and ratings from residents and their families throughout New Zealand. We were very proud to get this endorsement from them to win this award.

Also, an outstanding achievement for us this year was being named winner of the coveted Reader's Digest 2024 Quality Service Award in the Retirement Villages category. To find those companies that provide the highest level of customer service and that truly understand and value consumer needs, Reader's Digest approaches everyday consumers to ask them to assess companies across five pillars of customer service. These prestigious awards have been running for ten years, and while we've been runner-up a number of times, taking top spot this year is a testament to our team's commitment to bring the best of life.

### Emergency preparedness

In 2021 and 2022 the global COVID-19 pandemic challenged our teams to think and act differently in how we continued to safely provide the quality experiences that village life offers. As an aged care provider, COVID-19 was still with us in 2023 and impacted a number of our care centres; however, our skilled teams have managed to care for residents while safely continuing visits. It meant we didn't have to close our care centres to visitors (except under special circumstances) like we'd had to in previous years.

The challenges of extreme weather events earlier in the year further strengthened our resilience and adaptability to focus on the needs of our residents and staff. Particularly in Hawke's Bay with Cyclone Gabrielle, we were able to lean on our exceptional people throughout the business who assisted with the logistics of procuring additional generators, food and supplies, as well as filling in for staff who had been personally affected by the event.

We are very proud of the lengths that our people went to in finding and delivering these solutions and in ensuring that our residents and their families were able to keep in touch either directly or through our regular communication updates during a very difficult time for the region.

### 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, and our annual resident engagement scores are an indicator of how well we're getting those experiences right. This year, 96% of village residents tell us that

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Team Heritage - Summerset at Heritage Park - Ellerslie, winners of The Great Summerset Challenge

they are very satisfied or satisfied with their experience, which is an improvement over 2022. For our care residents, 95% are very satisfied or satisfied, with many praising the professionalism and care they receive from our staff.

We maintain a continuous listening approach to drive improvements that our residents tell us are important to them, surveying 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 at their village quickly to better reflect the needs and wants of their residents.

We've also committed this year to ensure we're keeping all our residents and their families better informed about what we're doing to bring the best of life and to bring in innovations they've asked for. This led to us launching a quarterly email newsletter – Your Summerset – providing regular updates.

A desire to bring loved ones closer together was at the heart of a new "Holiday Homes" initiative we started trialling in February this year. The trial involved three villages offering short-term accommodation exclusively for Summerset residents, families, and friends in the village.

It offers on-site convenience and best value for money for residents and their families in a fully furnished, comfortable, self-contained apartment. During the trial we had apartments available at our Hobsonville, Hastings and Richmond (Nelson) villages and it allowed residents to travel and stay in familiar surroundings and the opportunity to host their family in their village. There has been a lot of demand and bookings so far and we intend to roll this out further in 2024 with a view to doing this nationally over the coming years.

**Events and experiences**

Our "Summerset Sessions" continue to provide an exciting array of events and entertainment that residents can enjoy in person or online. The programme includes events, concerts, cooking lessons (with former MasterChef winner Brett McGregor) and interviews with well-known Kiwis. Various Summerset Sessions were held at villages around the country and were filmed at the same time so they could be enjoyed on-demand.

We've also created a few new events and initiatives this year including:

- "A Summerset World", a video series filmed at each village that highlights the vibrancy and variety of village life and showcases the residents who call it home.
- "The Great Summerset Challenge", a general knowledge quiz for teams of residents. Our first nationwide inter-village

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competition saw teams of village residents from across the country competing in six regional events to earn a spot in the grand final held in Wellington. The events were live-streamed for fellow village residents and staff to enjoy and cheer on their talented teams. Congratulations to Team Heritage from our Ellerslie village who took out the inaugural title.

- "Summerset's Best Garden Competition", a seasonal event to showcase how talented our residents are at tending to their gardens, plants and veggies, judged by top New Zealand landscape designer and well-known TV and radio host Tony Murrell.

We also continue to invest in technology that enhances the lives and experiences of our residents. After a successful trial in Kenepuru of the Lumin platform, we launched the product at the village and installed it at six other villages in 2023.

Lumin is run through a dedicated 17-inch tablet and 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 fellow residents and loved ones.

We plan to roll Lumin out further in 2024 across another eight villages.

### Enhancing our services and our care

We continue to introduce and roll out new measures and initiatives to improve the lives of our residents. Our care offering, and our continuum of care model, is a very important part of why our residents choose us, and we want to adopt relevant best practice to bring the best of life to our residents.

During 2023 we opened three village centre buildings in our Kenepuru, Bell Block and Te Awa villages, which in addition to a range of beautiful village amenities also contain our serviced apartments and state-of-the-art care and memory care centres. These new facilities have allowed us to develop new initiatives in our continuum of care offering in those villages, including the introduction of care apartments. Our care apartments are certified to provide care to residents right up to hospital-level which means that residents can purchase a care apartment and can remain in their home even if their needs change.

It also gives couples the ability to remain in the same home even if they have different care needs. Our care apartments have been very popular and are selling very well.

In the care centres, we have commenced a move to a household model approach, creating smaller, family grouping sized environments which help to grow relationships and create a sense of home.

We continue to focus on providing high-quality aged care for our residents already living in our care facilities, and offering an ongoing continuum of care with guaranteed priority placement for our village residents. Our care business saw occupancy rates this year at 93% in our developed villages.

In addition to investing in new care facilities in new villages we are committed to progressively upgrading our older care centres. Our care centre refurbishment programme has progressed well at our Havelock North, Trentham and Levin villages, where extensive refurbishment work at all three villages is underway to modernise these facilities and meet the needs and expectations of our care residents and their families.

We recognise that it is not always easy on our residents and their families when we close a care centre in order to upgrade it, and our team worked very closely with them to ensure minimal disruption in moving to alternative temporary or permanent accommodation while this work was undertaken. Where possible we've given our residents the opportunity to move into another Summerset care centre if they'd like to, and for our Trentham residents we have temporarily leased Kelvin House, a facility eight kilometres down the road where they can receive care while their homes are refurbished. This has also allowed us to keep our staff with us and provide continuity of care.

We are also investing in equipment and technology to make our care residents more comfortable and to maximise the effectiveness of their care.

This year we've commenced installing ceiling hoists above beds in all our care centres to aid residents with mobility difficulties. The ceiling hoists are far more comfortable, and residents tell us they feel safer than the manual hoists. They're also easier to operate for our staff and reduce the risk of strains when assisting a resident to move.

We have also completed a successful pilot of the app version of our resident and care management software. The app allows staff to enter resident care information at the time the care is delivered, with the benefit of saving staff valuable time to spend with residents directly, and also ensuring that the resident information is shared efficiently and effectively among care team members. We will be rolling this out to all our care centres in 2024.

Older people continue to enter aged care services with complex health and support needs and deserve excellence in clinical care from appropriately skilled staff.

Alongside continuing our work with medication optimisation we have

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focussed on falls prevention and management. For older people it is important to balance the risk of harm alongside enabling their independence and participation in activities. Best practice informs us of the need to reduce loss of muscle for older people and maximise bone health. We have focussed on boosting prescription of vitamin D for residents, and boosting protein and calcium in food offerings. These initiatives are delivering positive results for residents in relation to harm from falls and unintended weight loss.

### Sector funding

Summerset, and many other aged care sector operators, continue to be very concerned about underfunding in the wider aged care sector. The population of New Zealanders over 85 is set to triple over the next 25 years, and estimates indicate that at least another 40,000 aged residential care beds, including those providing hospital-level care, will be needed.

Instead of the necessary growth, underfunding contributed to 1,000 aged care beds being permanently closed across New Zealand in the past year, and with nowhere else to go our elderly will fall back on the public health system.

Successive governments have failed to invest in aged care, and the sector has become unsustainable. The former government made some changes in the year: increasing the funding to aged care facilities with a lift in remuneration for aged care nurses to reduce the pay gap compared to public hospital nurses, and a five percent cost pressures increase which was added to the funding for nurses.

These increases were collectively expected to be 11%, and while that was a meaningful change, it only largely covers the inflationary pressures operators have faced over the last 12 months and does not address the systemic pressures the sector is under.

Also, while the nursing pay disparity was reduced, it was only a temporary change as Te Whatu Ora also increased pay for public sector nurses last year. Nurses in the public sector continue to be paid significantly more than aged care nurses and this only increases the challenges for the sector to attract people. It's estimated that there are more than 1,200 nursing vacancies in the sector (nearly 25% of nurses required).

We continue to support the New Zealand Aged Care Association (NZACA) in their work to highlight the underfunding of aged care. This year NZACA ran a compelling campaign highlighting this risk, called the Domino Effect. Without aged care beds, more elderly New Zealanders will end up in hospital beds which will impact all New Zealanders who need hospital care.

Not only that, the cost of providing a hospital bed is $1,700 a day, four-and-a-half times the break-even cost of providing an aged care bed at $372. At the moment providers receive approximately $170 per day for an aged care bed, far below what they need and it means small providers are closing their doors.

Our message is clear - the current situation is not sustainable, nor is it fair to New Zealanders and we'll continue to advocate with health officials for a more equitable outcome.

### Regulatory environment

We welcomed the review of the Retirement Villages Act 2003 led by the Ministry of Housing and Urban Development (MHUD). In August, MHUD released a public discussion paper seeking views on a number of proposed changes to the Act.

As in every industry around the country there are a range of practices between the different operators in the retirement village sector and some have terms that are fairer than others. We welcome these reviews, especially where it requires operators to raise the bar if they are not already doing so.

Summerset is broadly aligned with the proposed changes from MHUD and we do not engage in the vast majority of the practices the review is seeking feedback on. For instance we do not charge weekly fees after our residents have vacated their units, we don't charge additional fees for maintenance or repairs and our advertising does not guarantee services which are subject to availability.

We have developed plain English, clear and fair contract terms and conditions for our residents. We work hard to make sure people joining our villages around the country have easy-to-understand contracts and, of course, all residents must get independent legal advice before they join one of our villages.

### Lifting our profile

In New Zealand, the retirement village sector is a highly competitive environment, with 2023 being the most competitive we've seen in media investment across the main players in the sector.

Despite this heightened activity our independent research shows that Summerset has continued to hold the number one position for consideration amongst our core audience. This means that Summerset is not only top of mind for our audience, but also a brand of choice when making the decision to move into a retirement village community.

We pride ourselves on being one of the best performing in the sector in converting advertising spend into leads for our sales team. This year we have seen 22% year-on-year growth

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Bringing vibrant experiences to our residents with the Silver Ferns

in lead generation to support our sales pipeline.

Ahead of the opening of our Cranbourne North village in Australia, we began marketing in the local media and via community engagement activity to tell our local target audience who we are, our depth of experience and what we have to offer. We will grow both our brand and presence as we open more villages and expand our Australian footprint.

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 October we announced our relationship as naming rights partner for the GT New Zealand Championship, the premiere motorsport class in New Zealand. As a brand that is about retirement being a time for new adventures and the freedom to pursue hobbies and passions, partnering with motorsport was a perfect fit. The 2023/24 Summerset New Zealand Championship consists of a five-round series over five months and commenced in November 2023.

We provided our continued support through partnerships with organisations in key areas that are important to our residents and their families:

- Netball NZ – We had an active and vibrant programme throughout the year, including hosting Silver Fern fan engagement events in our villages. We also hosted game-day match experiences and held a competition with the prize of seeing the Silver Ferns playing in Melbourne.
- Wellington Free Ambulance – In addition to kick-starting the annual appeal drive for Onesie Day with a $50,000 donation, our Wellington region village residents and staff, along with our head office teams, again supported the appeal by volunteering to be street collectors and holding fundraising events to support this much valued regional service.
- Hato Hone St Johns
  - We proudly support Hato Hone St Johns Therapy Pets. This popular community programme aims to grow and broaden its reach to bring animal companions to villages, rest homes, bedsides and classrooms around the country. The visits from the therapy pets are extremely popular at our villages.
  - We also support Hato Hone St John staff welfare initiatives and community health programmes, and this year we also saw our villages getting behind the annual appeal through a range of fundraising activites
- Alzheimer's NZ & Dementia NZ – We believe in the work Alzheimer's NZ and Dementia NZ do in diminishing the stigma and increasing the education around dementia. In recognising September's World Alzheimer's Month, we held a dance challenge in our villages




Summerset Avonhead winners of the Applause Awards Care Centre of the Year 2022, received by Care Centre Manager Raphelle Yabyabin

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called "Boogie for Dementia", to not only raise awareness but also get our residents moving to improve their mental and physical wellbeing.

- Bowls NZ – Our partnership with Bowls NZ continues to go from strength to strength with the excellent exposure at national and local level through championship events.
- New Zealand Symphony Orchestra – We enjoy being able to bring cultural and enriching experiences to our residents. In addition to having in-village performances by small groups from the orchestra, we were also able to offer exclusive behind-the-scenes experiences this year, including attending live rehearsals and meeting the musicians.

We also like to give back to our local communities where our villages are and will be in the future. Over the year we worked with approximately 202 local community clubs and organisations, including bowls, golf, bridge and croquet clubs, Age Concern, Lions, Rotary, RSAs and more.

## Engaging our people

Our people are exceptional and valued - without them we couldn't deliver a quality retirement living experience to the more than 8,000 residents who have made Summerset their home.

We strive to ensure we create a great place for them to work and thrive, and we are committed to the protection and promotion of their health and wellbeing so they can be at their best both at home and at work.

Our wellbeing programme provides an intranet hub with support tools that sit alongside a calendar of regular communications on wellbeing initiatives, spanning physical, mental and financial health. During the year we changed our Employee Assistance Programme (EAP) provider as we seek to evolve our offering to our people and better ensure they have the support available to them if they need it.

Recognising and celebrating the dedication, commitment and successes of our people demonstrates how we, and our residents, value them. We celebrate their exceptional hard work at our annual Applause Awards, which this year had a record of more than 1,500 nominations received across 34 categories.

Held in Auckland, our Applause Awards event, with 135 finalists in attendance, was a great occasion to celebrate our people. It was also a highlight to be able to live-stream the awards, meaning that fellow staff and residents could cheer on their finalists and celebrate alongside them.

In addition to those awards, and to allow our hardworking staff the opportunity to be recognised more regularly, we introduced the Surprise and Delight monthly staff recognition programme to support staff to nominate their peers for their exceptional day-to-day successes and achievements.

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To increase engagement with our village and frontline staff, we completed a rollout of our digital signage platform, Vibe, in all our village staffrooms to better enable us to communicate with those staff who are often not at a computer to get information they may need, whether it's a village-specific notice or a national update.

We also recognised that the cost of living was impacting our people across the country and gifted 65% of our 2,500 staff a one-off payment of $250 to help with larger than expected bills or other necessities. We targeted the payment to those staff we identified as needing it the most in order to give them a meaningful amount.

We were pleased to see our work to engage our people reflected in our latest employee survey which returned our highest engagement score to date at 8.1.

### Attracting and retaining talent

Now, some 18 months on from the reopening of our borders since COVID-19 restrictions, attracting talent in a highly competitive market continues to be challenging. This is difficult particularly in nursing and construction professions.

Employee benefits provide an 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 continue to enhance our offering and look to improve our engagement with staff through benefits such as enhancing our parental leave offering. All permanent Summerset staff are offered free health insurance and can receive an annual $1,000 in Summerset shares – two benefits which our people value highly.

Providing leadership and development pathways is important to us in both attracting and retaining our people.

Our Construction Management Cadet programme offers a pathway for motivated people to get hands-on, practical experience across a range of construction disciplines. After a minimum two years of work our successful management cadets graduate to be fully trained site supervisors or junior quantity surveyors. We commenced this programme four years ago with one cadet in Christchurch and now have six around the country. They are important roles for Summerset to create a talent pathway and to give talented and enthusiastic construction workers opportunities to progress their careers in a market-leading organisation.

In our villages we work with Careerforce to provide learning modules that upskill our frontline staff and allow them to increase their remuneration. Careerforce now marks all our modules so our motivated people can learn and grow.

Similarly, bringing our food services offering in-house has seen this side of our business evolve, and we have created ways to attract and retain hospitality staff with career pathways.

While we know there is more to do we are pleased to see our retention figures increase four percent against 2022 to 77%.

### Building safety into everything we do

Creating safe work environments for our people and ensuring that we are leaders in health and safety is of the greatest importance to us, and this year we implemented a new three-year Health and Safety strategy.

We are also rolling out a new Health & Safety monitoring system across the company in early 2024, Donesafe, allowing us to get even better at recording and analysing our incidents, issues and near misses to continuously improve how we keep our people safe.

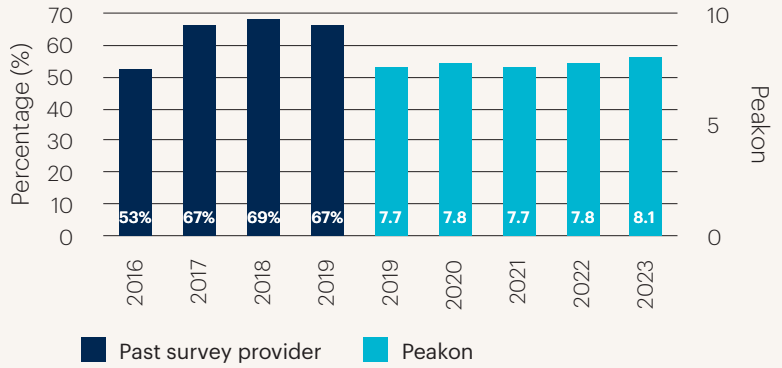
Following the tragic incident at our St Johns site in November last year, where scaffolding contractor Michael Noche lost his life, Worksafe completed their investigation and advised us that they were not taking any action against Summerset. This outcome is welcome; however, we also haven't lost sight of the fact that this was a tragedy. We are committed to continuous improvement and undertook our own investigations into where improvements could be made.

Michael was working on what is called a 'temporary works' structure, and since the incident we have made a number of process and procedural improvements to make our people as safe as possible on these structures. Summerset is leading an industry working group to look at what can be done to make these even safer for all construction workers and we will be engaging with leading engineers.

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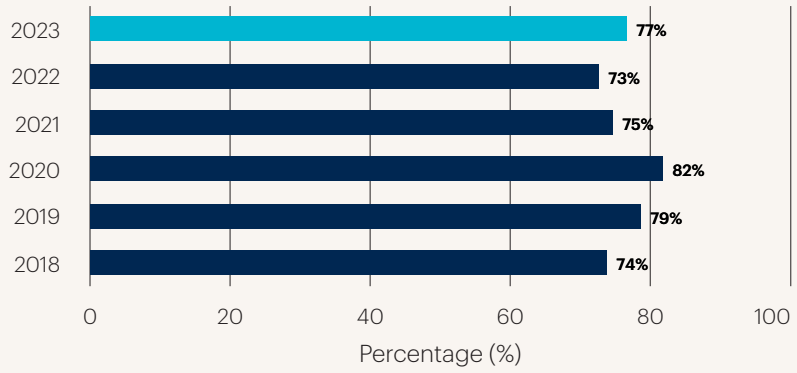


### Staff engagement[1]

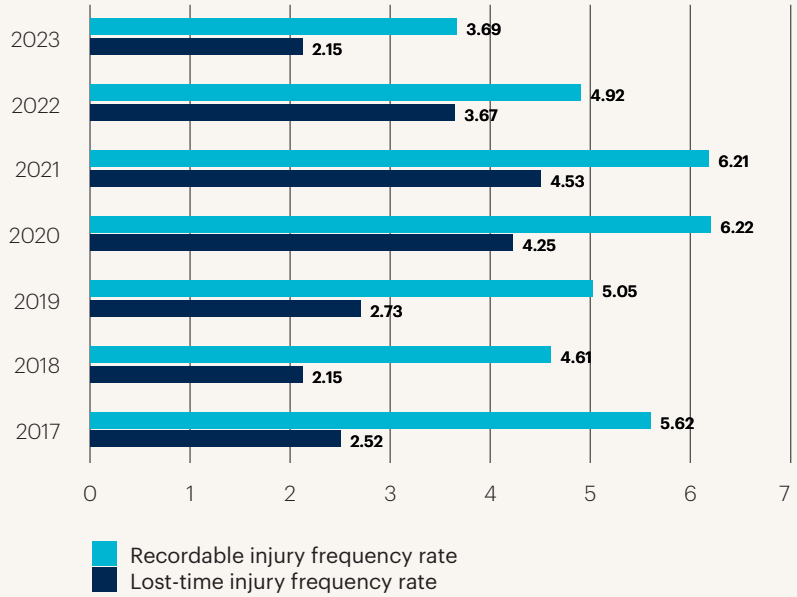



*1 Peakon was provided with the 2019 raw data to ensure year-on-year consistency, noting different scoring scales (67% = 7.7)*

### Employee retention




### Workplace injury rates (Summerset Group)




### Our commitment to diversity and inclusion

At Summerset we celebrate diversity in all its forms and we are committed to an inclusive culture where everyone feels a sense of equity, inclusion and belonging at work.

We believe it's important to support our leaders to effectively lead their increasingly diverse and multi-cultural teams, and one way we have done this is delivery of our Creating an Inclusive Workplace training programme for managers.

The programme equips our leaders to deepen their understanding of others and create an inclusive team environment where all team members feel valued and appreciated, and can contribute to bringing the best of life to our residents.

This year we have also actively supported employee representative groups, including the establishment of the Summerset Pride Network and the continuing work of our Women in Construction Forum. We aim to seek equity and inclusion through building awareness of the challenges, celebrating the successes, and supporting the ideas of these groups.

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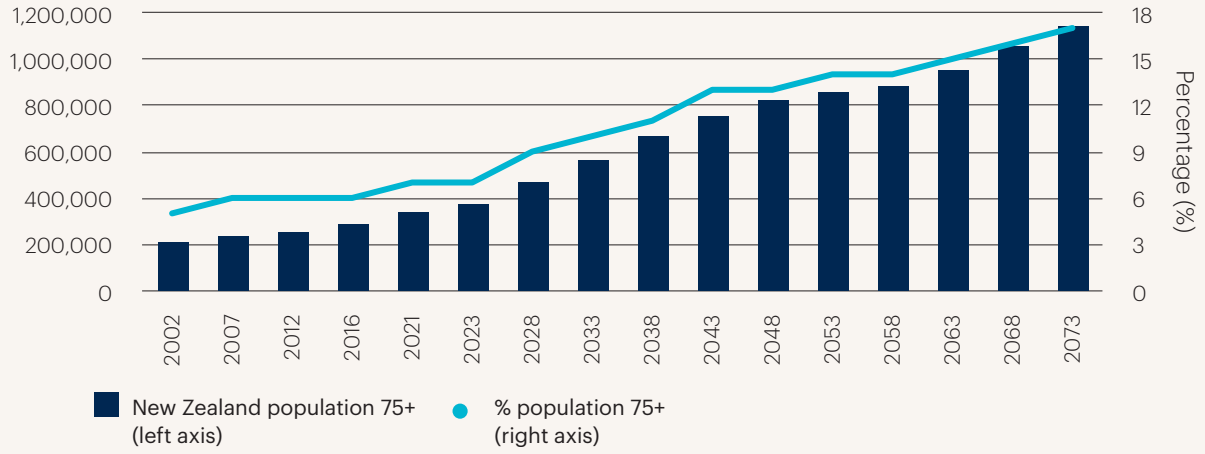



Annmaree Kane, Quantity Surveyor Administrator based at our Papamoa Site, a finalist for a NAWIC (National Association of Women in Construction) 2023 Excellence Award

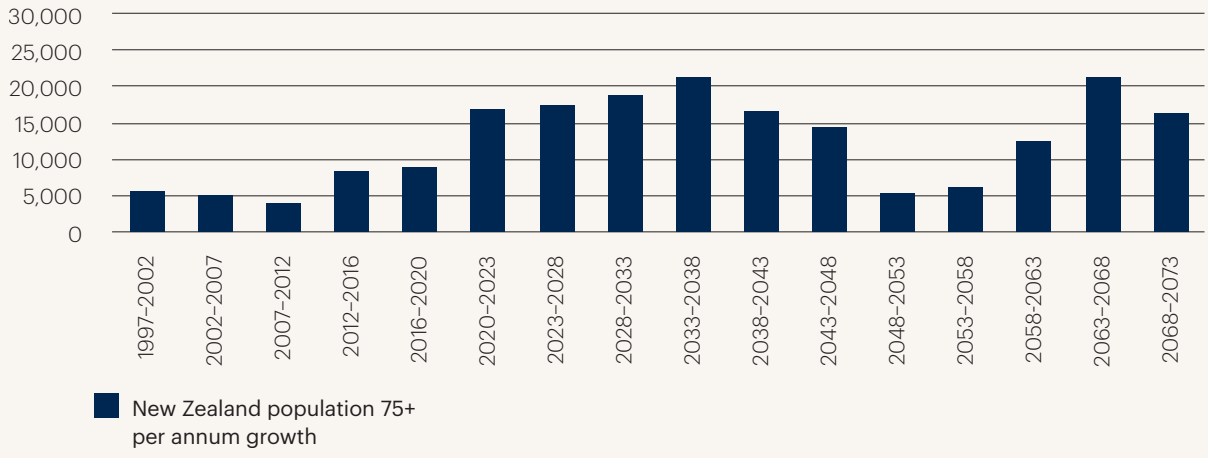
# Strong wave of growth

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

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# Our villages

Despite a challenging start to the year with inflationary pressures and a volatile property market we have seen record sales and demand for our retirement living offering.

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In 2023 our build programme has continued to perform, and we've delivered homes across New Zealand as well as our first Australian retirement homes. Even in an economic downturn we saw increased demand and interest, because our residents are motivated by many factors when deciding to live in a retirement village – a desire for more community, security, health changes, lifestyle and much more.

**Record levels of interest**

We experienced record levels of demand in our developing villages with record sales settlements and very strong presales. Our development pipeline remains strong to meet the growth of demand for our retirement living offering around the country.

It was a very busy year for our sales teams with four new villages welcoming their first residents in 2023 – Cambridge in March, Boulcott in August, Waikanae in October, and Milldale in December. All four new villages have sold consistently well since opening, particularly Cambridge, achieving 30 settlements in 2023, followed by Waikanae with 11 settlements.

With the completion of main buildings at our Bell Block and Te Awa villages, we were also able to welcome residents into serviced apartments, care centres and memory care centres in those villages.

Presales commenced for our Blenheim village, with first residents to move in early 2024. Our multi-storey St Johns village in the heart of Auckland has seen strong demand and presales.

We also continued to generate record levels of interest with strong waitlists at our completed villages throughout the country. Our resale villages have very strong demand with Whanganui, Dunedin and Napier in particular seeing strong levels of enquiry.

While demand has been high and sales strong, we were mindful that cost of living pressures and the slowdown in the residential property market had the potential to delay settlement times and move-in dates for some prospective residents. In response, we were able to provide comfort to those considering coming into a Summerset village with a Moving Made Easy package at selected villages, offering six months to sell their home (double our standard offer), six months waiver of weekly fees, a contribution towards legal costs and a moving package.

To further support and encourage people considering one of our villages, we continue to grow our in-house moving services to support residents moving into our villages. We are the only retirement village provider offering this in-house service. The response has been so overwhelmingly positive we now have moving specialists based at key regions – Auckland, Hamilton, Hawke's Bay, Wellington and Christchurch, while also servicing our New Plymouth and Bay of Plenty villages.

To support prospective residents to prepare for their next step towards retirement village living, we have delivered highly successful downsizing and decluttering seminars. We have also added real estate seminars, partnering with local agencies to provide their expertise and insights, to assist not only our prospective residents, but also members of community clubs and groups to understand the current property market. These events have been very well attended, and valued.

We pride ourselves on our ability to listen, understand and be flexible to meet the needs of our prospective and existing residents, allowing us to continue to innovate our customer service to help people make what can be challenging choices about their retirement years.

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Outdoor and green spaces like this one at Summerset at Monterey Park, Hobsonville, are important to residents



**Strength in our building programme**

We have invested approximately $500 million into our build programme this year, and we remain the largest constructor in the New Zealand retirement village sector.

Once again, we have successfully met our annual New Zealand build target, delivering 633 units to be sold under occupation right agreements. Our ability to deliver year-on-year ensures we are well positioned to meet ongoing increases in sector demand and we expect to deliver 675–725 homes in FY24.

All our villages under construction met their year-end delivery targets. There are a number of reasons for this achievement, including robust procurement, planning and consenting processes, and designing most of the villages in-house. We also have long-standing and reliable supply agreements that have enabled us to secure materials well in advance, and after supply chain constraints experienced during COVID-19, we are pleased to see timber and steel commodity pricing beginning to ease.

We have a very mature procurement programme and function, which has seen us through difficult and uncertain times, and our team were announced as finalists in two categories – Most Effective Team of the Year, and Transformation of the Year – in the New Zealand Procurement Excellence Forum's 2023 Awards.

Our construction teams were simultaneously building on 17 sites this year, including completing our main buildings at Bell Block, and Te Awa.

Our main buildings not only provide village residents with an array of amenities, but also contain our world-class care and memory care centres. During 2023 we also handed over the first homes at our Cambridge, Boulcott, Waikanae, Milldale and Blenheim villages, and completed our Kenepuru and Hobsonville villages.

Work at our St Johns village has gone very well and four of the seven multi-level buildings will open as a grand Stage 1 later in 2024, comprising the main building, care centre and 60% of all dwellings. At our broadacre sites we take a more staged approach, releasing smaller quantities of new homes as they're built. St Johns has up to 300 subcontractors working onsite at any one time and it's a testament to our team's planning and capability that we have continued to hit our deadlines and this great village is quickly taking shape.

The incredible views and location of the St Johns village, as well as the promised community and amenities we're creating there, have led to extremely strong presales activity with many of the penthouse and premium apartments already presold. When settled these will be among the most valuable retirement village homes in the country.


Summerset Palms village centre which opened in November 2023

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**Commitment to vibrancy and innovation**

Bringing the best of life to our residents requires us to build vibrant villages with superior amenities that meet the expectations of our current residents and consider the future needs of our prospective residents.

Each village is designed with consideration to its unique surroundings, creating great indoor and outdoor spaces and features for our residents, their families and friends to enjoy.

Residents have told us they want more options and we're looking at how we can incorporate additions such as outdoor BBQ areas, winter gardens, indoor/outdoor golf ranges and children's playgrounds in future designs. This year our Te Awa village residents enjoyed our first installation of a pétanque piste.

We have commenced a redesign of our regional main buildings (RMBs) which are the heart of our villages containing resident amenities, and care and memory care centres.

The new buildings will be more contemporary in architecture and will be two storeys rather than three in our current design, with more flexible and scalable spaces that can be adapted to various uses such as private functions and family gatherings. In supporting our residents to enjoy social, active and healthy lifestyles there will be an increased emphasis on outdoor leisure and activities.

Amenities on offer will match those of the existing main buildings, such as pools, libraries, cafes and more but the buildings will be smaller overall in keeping with our aim to rationalise the scale of our care offering – ensuring we continue to meet the continuum of care requirements of our village residents. Larger care centres capable of accommodating people from outside the village are no longer economic to operate under the current government funding model.

For smaller areas or towns, we have designed a single-storey main building, and the first of these provincial main buildings (PMBs) will be built at our Blenheim village. Our PMBs are designed to be modular, allowing us to add or reduce different elements as needed, or as the area demands. For instance, we may not include memory care in all locations initially, but the PMB design means we can add that in the future should we want to.

Also boasting contemporary architectural design and a high-specification build, the PMB will have the added benefit of being delivered faster to residents. PMBs will also be more in keeping with the areas they are located in where large two-storey buildings are less common in the local environment.

**The largest land bank in the sector**

We continue to find quality sites to grow our business where we'll be able to introduce more New Zealanders to our retirement village lifestyle.

In New Zealand we were pleased to announce two new land acquisitions at Mosgiel (Dunedin) and Rolleston (Christchurch). Both sites are well appointed with excellent local

amenities available to residents, and make strong additions to our land bank.

The site in Mosgiel will complement our existing Dunedin village and offer access to a high level of amenities and recreational and open space areas.

Rolleston is predicted by Statistics New Zealand to have the highest population growth in New Zealand over the next 30 years. Rolleston's attractiveness is driven by its easy access to Christchurch, and position as the primary satellite town for the Selwyn District. The site is our sixth in the Canterbury region.

The new sites will each offer over 300 units and further boost our land bank of units, the largest in New Zealand's retirement village sector. We have enough secured land to more than double the size of our current New Zealand business.

First deliveries from these sites are expected from FY26 onwards.

Earlier in the year, we gained consent for our Half Moon Bay development in east Auckland and construction will commence in 2024. We have also gained resource consent for our Kelvin Grove (Palmerston North) village, resource consent for a premium extension to the St Johns village, and we received the Minister for the Environment's referral to use the fast-track consenting process for our Rotorua village. A resource consent application is currently being processed for the Masterton village.

We also completed a strategic review of our land portfolio and decided to sell our Parnell site. Despite being consented and promising very good long-term returns, we elected to balance the portfolio and prudently manage our capital demands with a higher weight of more regional villages with short cash recycling profiles.

We are proud to be providing high quality homes at reasonable prices for retirees, and we have the capacity, the consents, and the development capability to continue to do so.

**Australia expansion progresses**

We achieved a major milestone in our Australian build programme this year completing the first stage of villas at our Cranbourne North village and look forward to welcoming our first Australian residents to the Summerset community in early 2024.

Cranbourne North was our first site to be consented and commence construction in Australia. The second stage of the development is progressing well, and work will commence on the village's main building in 2024. With the delivery of these first units our team has also expanded as we appointed our first Village Manager and Sales Manager in Australia.

Once complete, the village will provide a variety of purpose-built homes including two- and three-bedroom independent living villas and townhouses, as well as serviced apartments for residents requiring extra support. There will also be extensive recreational amenities and aged care onsite, offering options for residents in our aged care or memory care facility.

Enablement works are underway and construction will begin shortly at our Chirnside Park site. In November we held a traditional Smoking Ceremony at the site, performed by local Wurundjeri elders (the traditional owners of the land), a significant Aboriginal custom that cleanses places and people of bad sprits, to promote the wellbeing of our people and guests in attendance.

At the end of June, we were very pleased to receive consent for our Oakleigh South site from Victoria's City of Monash Council and will begin construction early in 2024. The Oakleigh South site is our first inner suburban approval for a boutique medium-density village, and it is important to note that the upfront funding required to build this village is similar to our broadacre village model. We undertook extensive community engagement to ensure we developed a proposal that met the community needs and expectations and were pleased of the local community support we received.

Our Cragieburn site achieved consent in January 2024 with the Hume City Council approving the Planning Permit Application.

Planning processes are continuing well at our three other Victoria sites at Torquay, Mernda and Drysdale, as we build a strong land bank and have a high percentage of our sites consented to provide our build programme with the flexibility required as demand and supply necessitates.

Australia offers huge growth opportunities for us and we're very pleased with the progress we have made there. We're looking forward to delivering more homes and villages in the coming years, and we have begun the process of looking beyond Victoria as part of our expansion strategy.

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Staff and guests celebrating the sod turning and smoking ceremony at our second Australia site, Chirnside Park

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We will seek to grow our land bank in Victoria, but in parallel to this growth we have started to investigate opportunities in Queensland, as we believe it is the next logical step in expanding our Australian operations.

Queensland appeals as it has supportive residential house prices and strong forecast population growth. The state also has a favourable lifestyle appeal to our target audience and is supported by excellent economic growth prospects and development opportunities.

Building our land bank in Queensland also provides us with greater diversity in our portfolio and ability to adjust our Australian build programme based on market conditions, similar to our development approach in New Zealand.

### Australian Reconciliation Action Plan

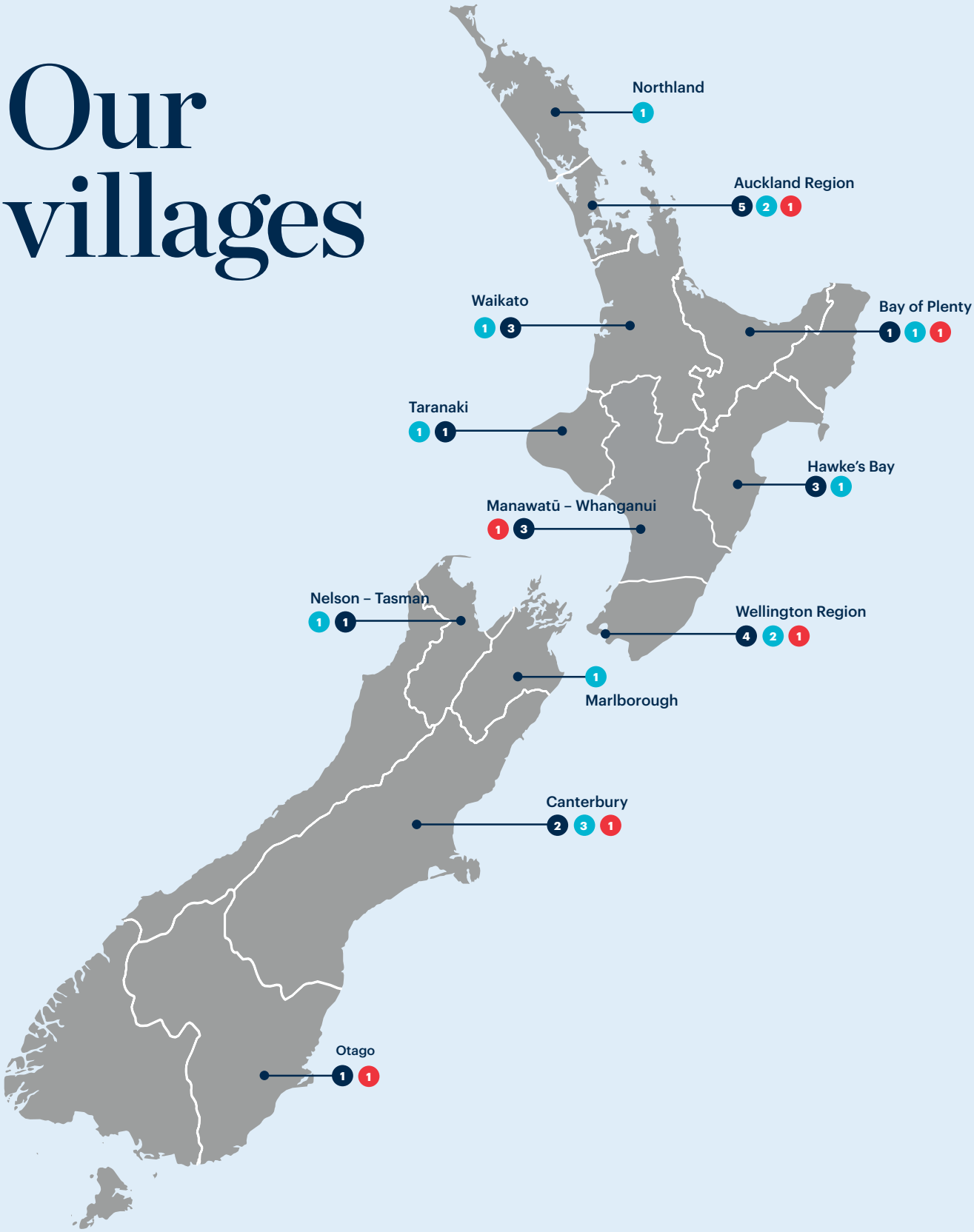
Summerset is founded on a deep respect for people, striving to be the best and bringing the best of life. As our business develops in Australia, we recognise the importance of taking affirmative action towards reconciliation efforts, and we wanted to acknowledge the enduring connection of Aboriginal and Torres Strait Islander peoples to the land over tens of thousands of years.

We initiated a Reflect Reconciliation Action Plan (Reflect RAP) as our first step towards supporting the self-determination and recognition of Aboriginal and Torres Strait Islander peoples, and this has now been formally endorsed by Reconciliation Australia. With our current and future team, we aim to embrace diversity, cultivate an inclusive work environment, and enrich our business with the knowledge to champion reconciliation efforts. As Summerset grows, our villages will become home to thousands of older Australians and workplaces for hundreds, fostering diverse communities.

We crafted our Reflect RAP to promote education and cultural awareness in our villages, empowering both residents and employees to participate in reconciliation events. Additionally, it supports our efforts to establish meaningful relationships with First Australian businesses and local communities, actively supporting endeavours for reconciliation.

Throughout the plan's development, we partnered with a local Victorian artist Sam Richards from the Wurundjeri and Dja Dja Wurrung people. The beautiful artwork she has created, unveiled at our Chirnside Park Smoking Ceremony, embodies our core values of Bringing the best of life, Strong enough to care, and One team, and symbolises Summerset communities, illustrating staff and residents coming together to share knowledge, strengths, and experiences.

# Our villages




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# Our pipeline



| NEW ZEALAND LAND BANK | DESIGN | CONSENTING | CONSTRUCTION | VILLAGE OPEN | FINAL STAGES |
|---|---|---|---|---|---|
| Bell Block, New Plymouth | ● | ● | ● | ● | ● |
| Casebrook, Christchurch | ● | ● | ● | ● | ● |
| Te Awa, Napier | ● | ● | ● | ● | ● |
| Blenheim, Marlborough | ● | ● | ● | ● | |
| Cambridge, Waikato | ● | ● | ● | ● | |
| Lower Hutt, Wellington | ● | ● | ● | ● | |
| Milldale, Auckland | ● | ● | ● | ● | |
| Pāpāmoa Beach, Tauranga | ● | ● | ● | ● | |
| Prebbleton, Canterbury | ● | ● | ● | ● | |
| Richmond, Tasman | ● | ● | ● | ● | |
| Waikanae, Kāpiti | ● | ● | ● | ● | |
| Whangārei, Northland | ● | ● | ● | ● | |
| Rangiora, Canterbury | ● | ● | ● | | |
| St Johns, Auckland | ● | ● | ● | | |
| Half Moon Bay, Auckland | ● | ● | | | |
| Fairy Springs, Rotorua | ● | ● | | | |
| Kelvin Grove, Palmerston North | ● | ● | | | |
| Lansdowne, Masterton | ● | ● | | | |
| Mosgiel, Dunedin* | ● | | | | |
| Rolleston, Christchurch* | ● | | | | |

* New sites purchased

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| 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 | ● | | | | |





Construction work at our first Australian village, Summerset Cranbourne North



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# Embedding sustainability

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We are committed to our sustainability goals and in everything we do aim to be a good corporate citizen. In 2023 we took further steps to embed sustainability and sustainable practices across our business.



We have also taken further steps to enhance our reporting to give our staff, residents, shareholders and other interested stakeholders an understanding of our sustainability performance and activities.

In May 2023 we released our Sustainability Review FY18–22 which documented the first five years of our sustainability journey since we began measuring our impacts in 2017. This was our first steps into ESG (environmental, social and governance) reporting, and shows how we are contributing and working to have an impact beyond just the environmental aspects of our operations.

In 2023 the government legislated new disclosure requirements for large listed companies to outline the potential negative impacts and risks of climate change on business and society, and how we will mitigate and adapt to the effects.

Alongside this Annual Report we have released our Sustainability Review and Climate-Related Disclosures FY23 document which includes our mandatory climate disclosures. We believe the new disclosures are a positive step in transparent reporting.

Below we have provided a high-level update on our sustainability activities with more detailed information available in the Sustainability Review. Our Sustainability Review and Climate-related Disclosures FY23 report is available on the Summerset website at www.summerset.co.nz/investor-centre/esg-reporting/.

We were very pleased to be again recognised by Forsyth Barr in their second Carbon and ESG Ratings for NZX-listed companies. We retained our place at 11th, and were noted by Forsyth Barr as a "leader" among NZX-listed companies. We were also the highest-rated listed retirement village operator. External acknowledgement of our work is very pleasing and helps validate our approach to date.

**Environment**

Summerset has made a number of changes to mitigate and reduce our environmental impact.

Across our villages, construction sites and offices we have focused on waste minimisation, carbon emissions reductions through our decarbonisation programme and operational efficiencies, working to determine how and where we use water, and protecting and enhancing our biodiversity efforts.

Our efforts have been recognised externally and in 2023 we won two sustainability awards.

We won a Construction Sector Beacon Award for our entry titled “Building out Waste by Thinking Green”. The Beacons identify instances of excellence within the construction industry, offering valuable lessons and examples for other companies to follow.

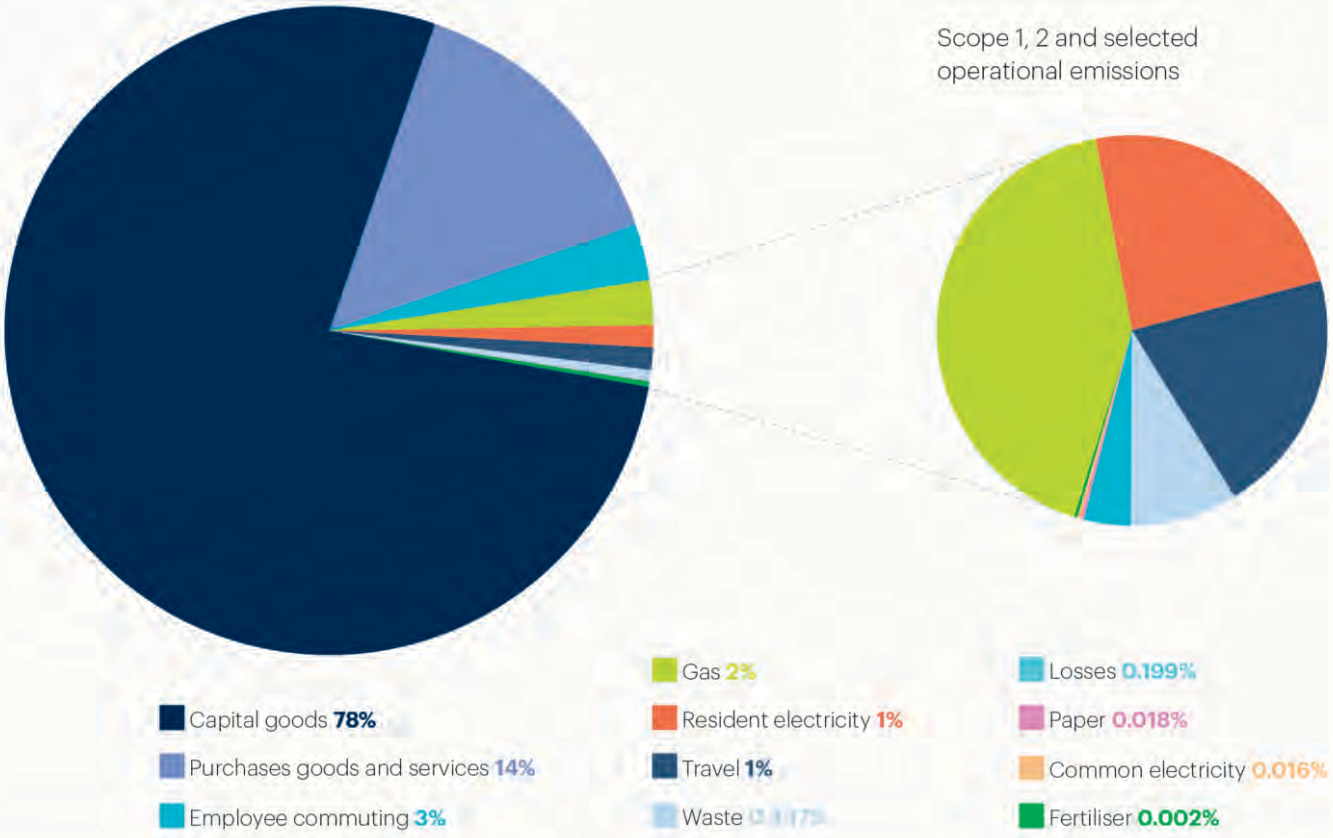
The panel of judges said our entry showed, “A strong example not only of collaboration but of sharing and educating with the wider network for broader outcomes. A shining

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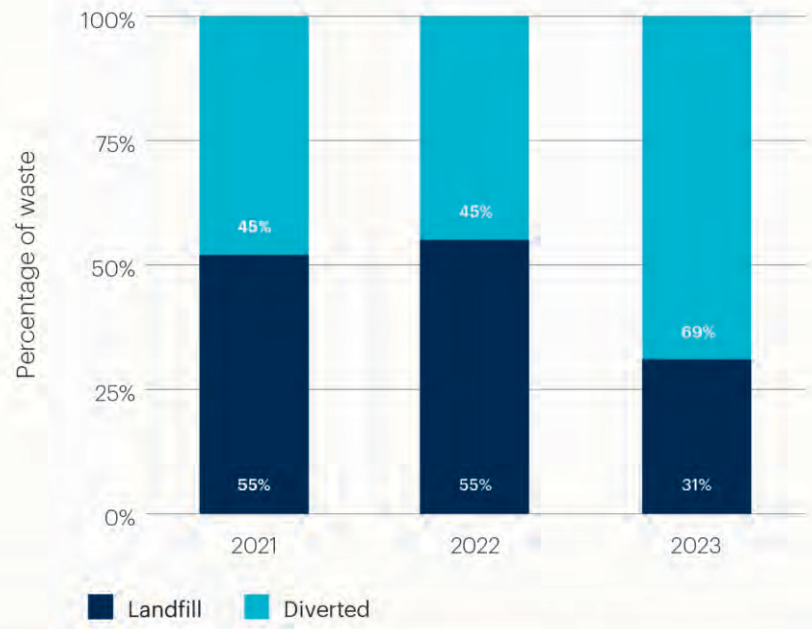


## Emissions by source

Full value chain emissions by source




## Construction waste diversion progress



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example of how to embed learning across a site and empower people to challenge others' practices for the betterment of all."

As well as our construction waste avoidance we have worked hard to reduce the impact of our existing villages with LED light replacement programmes, installation of electric vehicle (EV) charging points and working with residents to reduce and recycle their waste. Residents across New Zealand have worked with us on many projects to reduce, reuse and recycle where they can, including taking part in NZ Recycling Week to learn more about how they can minimise waste and be more sustainable.

Think Green was recognised in the Retirement Village Association's Sustainability Awards where we won the Best Operator-led Sustainability initiative Award for our work over the last five years to reduce our carbon emissions.

The judges for this award said they were impressed with how much we'd learned, how we had embedded sustainability across the organisation, how we have taken residents on the journey with us, and our commitment to do more.

We know this is the beginning and we have more to do. As a business we're also looking at how we can decrease our embodied carbon. This is the carbon that is used and created in the construction process. Materials like timber create a lot less embodied carbon than concrete, for example, during the building process.

We have measured the embodied carbon of two of our key housing types – our Louisville and our stand-alone villas which are at many of our sites. We will use this information to form a baseline figure we can compare against and to help us refine future designs and reduce the embodied carbon found in these homes.

As our understanding and work around sustainability matures, we want to look at what materials and other aspects of our operations we could change to lessen our longer-term impacts. This might mean designing out unnecessary materials or activities, or removing or phasing out assets that create emissions, prioritising the use of energy-efficient equipment or renewable energy sources, or choosing materials that have a longer life cycle, or can be reused or recycled at end of life.

Water consumption is another focus for us in the coming years. We installed water meters at a number of villages this year and they're already providing us with a better level of understanding of our usage at village level in the areas of care, grounds and independent living residents. Over the next 12 months we'll look at how we can make water savings across the villages.

For more information on our environmental impact and work see page 8 of our Sustainability Review and Climate-related Disclosures FY23 report.

### Social

As a retirement village operator, it is our impact on our residents, staff and communities that most defines us.

This is why one of our three sustainability goals is focused on creating caring communities for our residents and employees.

Summerset supports causes, charities and organisations that resonate with our residents and are part of the local communities of our villages, including Netball New Zealand, Hato Hone St John Therapy Pets, golf clubs, Rotary and more.

As well as the more than 190 organisations we support throughout New Zealand, Summerset's villages and construction sites play a large part in the communities they're located in, employing hundreds of people, supporting local businesses and providing high-quality, affordable homes, which frees up housing stock elsewhere.

One of our strategic goals is to "Invest in our people". We do this by providing a supportive and encouraging workplace where they can grow their careers. We also want them to be at their best both at work and at home so we support our staff's wellbeing with our wellbeing hub, encouraging them to be their full selves in the workplace with cultural celebrations and employee representative groups like our Pride Network. Summerset managers have also received Diversity & Inclusion and mental health awareness training.

Summerset also provides care and memory care beds across the country to not only provide peace of mind to our residents that they can access help if their needs change, but to provide a supportive, dignified and enjoyable care experience for them and their family.

While Summerset is committed to providing aged care, and can continue to do so, it is getting very difficult for smaller providers to continue operating due to inadequate funding. Summerset, along with a number of other aged care providers, supported the New Zealand Aged Care Association's

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Domino Effect campaign this year to highlight the effects that a lack of aged care beds has on the wider health system.

With aged care beds closing around the country it will mean that more elderly people will need to be cared for in hospitals, reducing the capacity for other people to receive much needed health care. We continue to advocate for our industry so we can all continue the important work of aged care across New Zealand.

For more information on our social impact and work, see page 12 of our Sustainability Review and Climate-related Disclosures FY23 report.

### Governance

To ensure we remain on track and meet our ambitious goals, strong governance and oversight is essential.

Summerset has a Sustainability Forum made up of executives, senior managers and other critical staff who are responsible for leadership, coordination and advice on our sustainability initiatives.

This team is overseen by the Summerset Board who receive six-monthly updates and reporting against our sustainability strategy.

In addition Summerset's Executive team are responsible for delivering sustainability projects in their business units.

For more information on our sustainability governance see page 16 of our Sustainability review and Climate-related Disclosures FY23 report.

### Our emissions profile

Summerset's total emissions in 2023 were 102,926 tCO2e, which is an increase from our 2017 base year (5,381 $tCO_2e$[1]). As Summerset's portfolio grows and the number of villages in operation increases, our scope 1 & 2 carbon emissions will continue to increase. However, the growth in emissions per square metre of developed land decreased 58% when compared to our base year of 2017 due to greater construction, operational efficiencies and the sourcing of renewable energy. In 2023 we disclosed our full value chain scope 3 emissions for the first time, including category 1 capital goods, 2 purchased goods and services, and employee commuting category 7. This has resulted in a significant change to our emissions profile.

With most of our greenhouse gas emissions now in our value chain, we started work on establishing our procurement sustainability programme to work with our suppliers to drive down our scope 3 emissions and innovate lower carbon products and services.

We have commenced our supplier engagement programme through national and regional supplier forums focused on both material and product suppliers as well as service providers. We work hard to build strong relationships with our suppliers and through this approach we will successfully encourage our supply chain to continually



Summerset Wigram residents model recycled outfits

1 *FY17 has been restated as a result of historical emission factor changes*

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improve in line with Summerset's sustainability strategy ambitions.

**Our new short-term target**

As well as being Toitū Envirocare net carbonzero certified, in 2023 we committed to a new five-year science-aligned target (baseline year of 2022) to keep us on track and ensure we are on the trajectory needed to be within the 1.5 degrees of global warming.

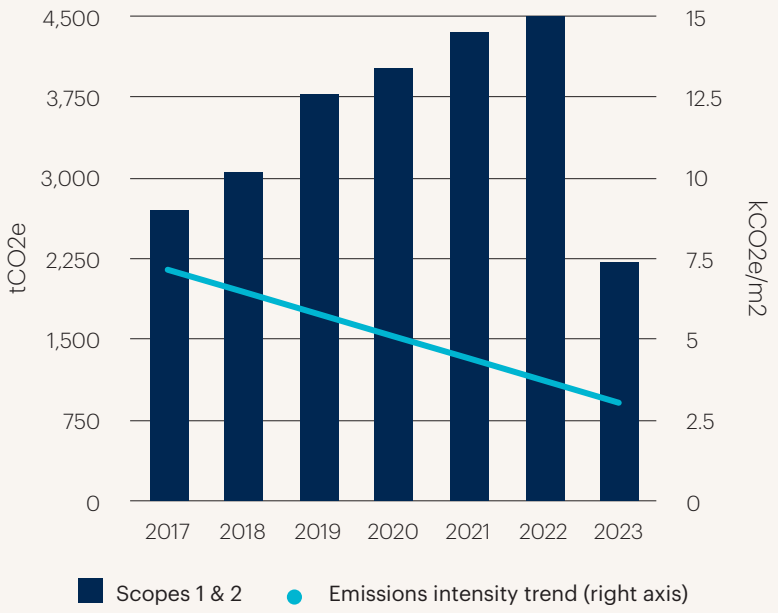
After more than achieving our previous five-year target of a 5% reduction in carbon emissions intensity across scopes 1, 2 and selected 3 per $m of revenue by 2023, our new five-year target of a 34% reduction in emissions intensity per square metre by 2027 on baseline year 2022 is more ambitious and meets the Science Based Target Initiative target setting criteria.

**Continued progress on our medium-term target**

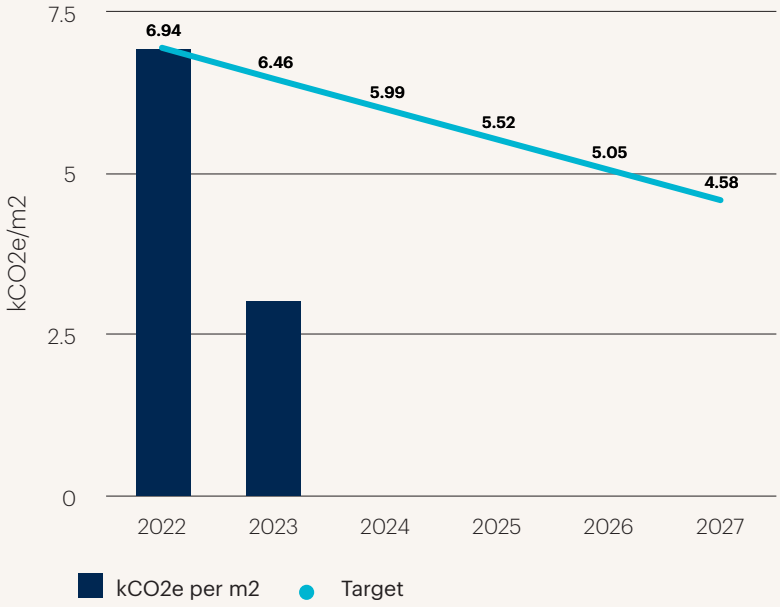
Our medium-term (2028) targets are based on our sustainability linked lending facility. We were the first retirement village operator in New Zealand to link sustainability to our funding arrangements, and during the year further illustrated our commitment by extending the facility for a further two years. All our bank funding is now sustainability-linked.

Our sustainability-linked lending allows us to get favourable rates by linking sustainability targets to our medium-term business strategy. It is also a way of keeping us accountable externally.

**Scope 1 & 2 emissions profile**




**Short-term science-aligned target trajectory**




*Note: market-based reporting of scope 2 emissions from FY23*


Looking South at Waikanae construction site with the mitigation Mahoe planting

There are three key deliverables associated with this arrangement: ongoing dementia certification and increasing supply of dementia beds; reduction in our emissions intensity; and a reduction in construction waste going to landfill.

We are very pleased with our progress – we have done an excellent job in reducing our construction waste and all 17 New Zealand sites we worked on this year practiced waste avoidance and onsite source separation. Since we implemented our site separation policy in 2021, over 6,000 tonnes of waste has been diverted from landfill.

Similarly, we met our carbon emission intensity reduction targets and we've set ambitious goals for the coming years to reduce further.

We continue to be dementia accredited and we opened memory care centres at our Te Awa and Bell Block villages. We plan to open more memory care beds in 2024 at Papamoa and St Johns so we are confident in meeting this target going forward.

**Our long-term goals**

We introduced our long-term science-aligned target in late 2020.

This target means we have committed to reducing our emissions intensity by 62% per square metre by 2032, from our 2017 base year.

With electricity use being a key element of our carbon footprint we recognise that we will need to move to more renewable energy sources to achieve our science-aligned target. We have taken a number of steps to start this process, including the introduction of a biomass boiler that uses wood pellets, and this year we've successfully introduced solar panels on the pool house at our Karaka village, the pool and gym building at our Manukau village and on the main building at our Richmond village.

Our Richmond village is the first to have solar panels on the main building and they're already seeing savings in kWh usage and cost on our electricity bills.

We've also scoped solar panels to be installed at all our future main buildings, with Whangārei and Cambridge the first two to be delivered in the coming years. We recognise reducing our absolute emissions is a challenge, particularly when we're growing so quickly and reducing our reliance on the national grid will help us to achieve this goal.

**Other initiatives this year**

We continue to replace the Summerset village fleet with EVs and we've installed more EV charging points at villages around the country. We now have nine villages with an EV available for residents to use as part of our car sharing programme.



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We anticipate a further 10 EVs to be delivered into villages in 2024.

Our residents are also keen to help with sustainability initiatives. At our Avonhead village we realised that waste diversion was very low, so staff and residents worked together on the barriers that were in place. With simple changes like more recycling bins, food collection stations and more regular waste collections from our property team, the village was able to increase their diversion from 15% to 68% in a matter of months.

We worked to educate and engage our staff about how they can be more sustainable too – completing our first commuting survey to understand how our people get to work and how we can educate them on more sustainable travel. Following this survey, we are investigating a number of actions including the implementation of a staff Workride scheme, an employee benefit scheme designed to get more people riding to work and living healthier lives.

We continue to look for opportunities in our new and existing villages to increase biodiversity.

At our Waikanae village we replanted a mahoe forest adjacent to the village and have seen significant growth over the past year.

Our commitment to sustainability extends to our Australian villages too, with all villages being designed so they are gas free and 100% electric. Our Australian villages will 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. Our Cranbourne North construction site is part of our very successful construction waste avoidance initiative, achieving landfill diversion rates of above 90% across the recent reporting period.

We're very pleased with the work we've done to date, and we remain committed to leading positive change within our industry.

As a business we'll continue our regular reporting and improving the activities and initiatives we're already undertaking dedicated to ongoing investigation and experimentation with new methods and technologies that will help us in achieving our sustainability goals and ensure we continue to advance our corporate citizenship in both New Zealand and Australia.

For further information please see our Sustainability Review and Climate-related Disclosures FY23 report on the Summerset website at www.summerset.co.nz/investor-centre/esg-reporting/.





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# Our performance

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Artist impression of Summerset Cranbourne North

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

**Financial performance overview**
Underlying profit for the year ended 31 December 2023 increased by 11% on the prior year to $190.3 million (2022: $171.4 million), driven primarily by record new sales and resales in the year. New sales increased by 23 units on the prior year (+4%), while resales increased by 73 on the prior year (+16%). We maintained our delivery of units to a similar rate on prior year of 643 (2022: 625). Realised gains on investment property are $209.4 million (2022: $175.1 million). Revenue for the year grew 14% to $272.2 million (2022: $238.7 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 slightly on prior year, with three new care centres opening, which incur large fixed costs while occupancy builds up. We continue to see 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 $121.2 million in 2023 (2022: $104.9 million). The increase was driven by higher volume of new sales on last year (+23 units) and improving margins from higher sales prices across the portfolio. The development margin was 31.6%, up from 29.7% in the previous year. We expect that development margins will be maintained within the 20–25% range over the medium term. 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 two new sites in New Zealand in 2023. These are Rolleston (Christchurch) and Mosgiel (Dunedin). This brings our total land bank to 6,909 units.

**Summary of sales and developments**
Summerset had another record sales year, with 1,103 unit sales of occupation rights (2022: 1,007), 560 of them new unit sales and 543 sales of existing units. Average gross proceeds per new sale settlement of $686,000 was up from $658,000 in 2022 due to higher sales prices across all product types, in particular in villa sales, where the average sale price increased to $843,000 from $730,000 in 2022. Realised resale gain increased by 26% to $88.1 million in 2023. Average gross proceeds per resale settlement were $587,000, up 5% from 2022. Key development milestones included the delivery of the Te Awa, and Bell Block main buildings along with the start of construction at two new villages, Rangiora (Christchurch), and Blenheim. For developing villages still under construction, new unit sales were particularly strong at Bell Block (Taranaki), Cambridge, and Te Awa (Hawke's Bay). In Australia we delivered our first units at Cranbourne North, and expect first residents in March 2024

**Net profit after tax**
Summerset recorded a net profit after tax of $436.3 million for the year ended 31 December 2023, up from $269.1 million in 2022. This increase is largely due to the large fair value recognised in 2023. Fair value movement in 2023 of $441.6 million reflects the delivery of retirement units in the financial year as well as pricing, the uplift in land bank and growth rate assumptions.

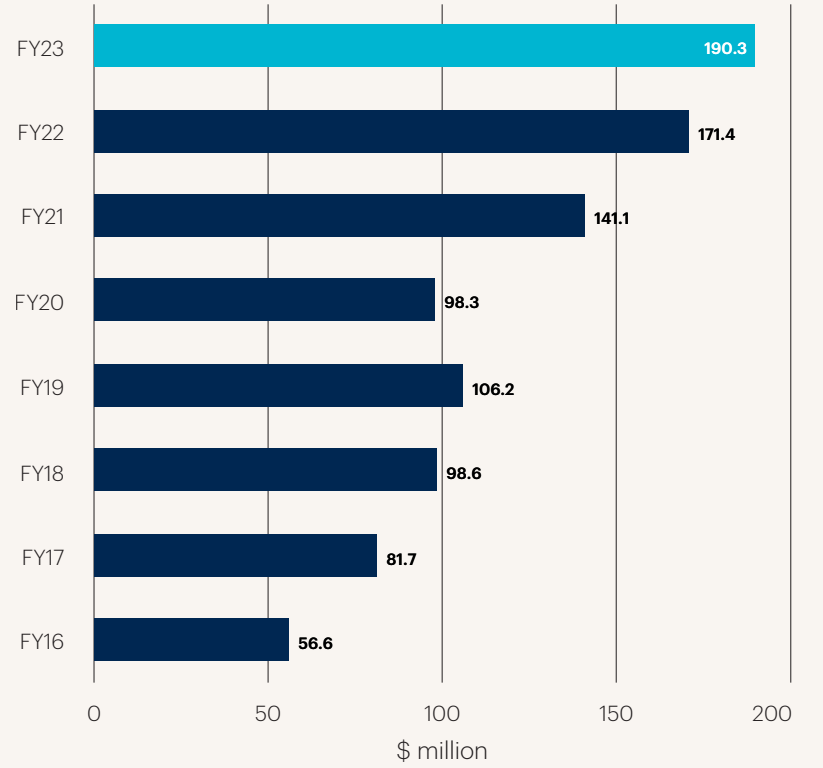
**Business growth and expenses**
Summerset derives its revenue from selling units (deferred management fees) and providing village and care services. The company's revenue increased as a result of higher volumes, reflective of the continuing growth and scale of our operations. Deferred management fees on Summerset's units sold under occupation right agreements were $104.6 million in 2023 (2022: $92.3 million). The growth reflects the increase in the number, occupancy and value of Summerset's portfolio of units. 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 payout to shareholders.

Summerset's total unit portfolio reached 7,371 (2022: 6,679), and at year end there were only 408 new units and 156 resale units available for sale. Occupancy in our mature care centres was 93% (2022:

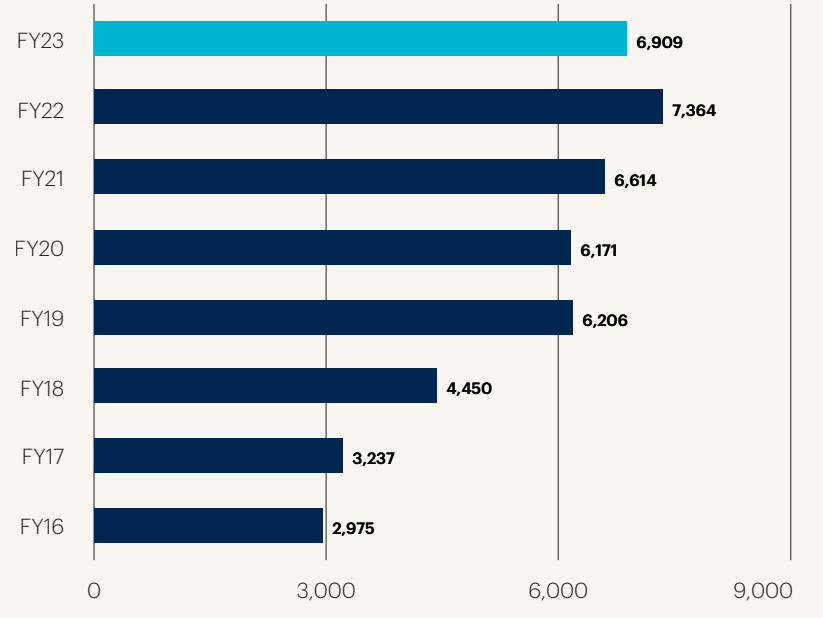
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### Underlying profit




### Land bank over time (units)




92%), which is above the industry average of 90%. Total expenses were managed well, increasing by 17% to $263.8 million in 2023 (2022: $225.7 million), mainly driven by the increased care wage costs at a rate above the level of public funding increases, and general cost growth across head office functions. We continue to experience growing employee costs due to tight labour conditions, higher rates across our properties and increased insurance premiums. We incurred $0.5 million of one-off operational costs due to the impact of Cyclone Gabrielle.

**Net cash from operating activities**

Summerset's net cash from operating activities was $398.2 million for the year, up 8% from 2022 (2022: $369.2 million). This was principally driven by increased receipts from residents but reduced by increased costs of providing care. Summerset is a growth company and reinvests operating cash flows back into the business to finance future growth. In 2023 Summerset invested $668.5 million, primarily in relation to new and existing retirement villages and care centres (2022: $651.7 million).

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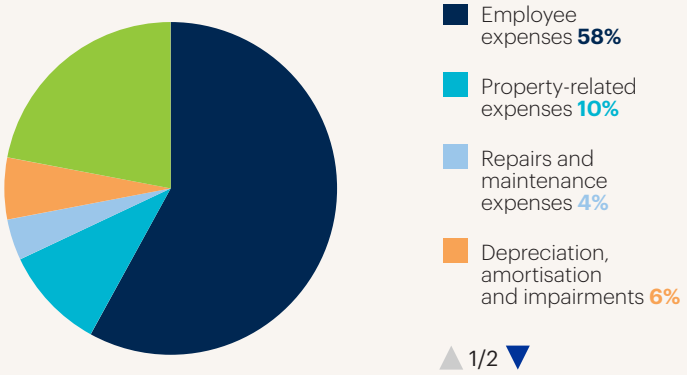
**Assets rose to $6.9 billion**

Total assets rose 19% to $6.9 billion at 31 December 2023 (2022: $5.8 billion), mainly due to growth in the size and value of Summerset's investment property, which reached $6.4 billion (2022: $5.4 billion). At balance date, Summerset also had property, plant and equipment valued at $403.2 million (2022: $326.1 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 $1.6 billion (2022: $1.5 billion) demonstrates future cash that can be generated when units are resold. Interest-bearing debt of $1,393.5 million was 20% of total assets at year end (2022: $1,060.5 million). The year-end debt at face value is made up of $949.0 million of bank borrowings and $450.0 million of retail bonds. Summerset also has residents' loans of $2.5 billion (2022: $2.2 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.

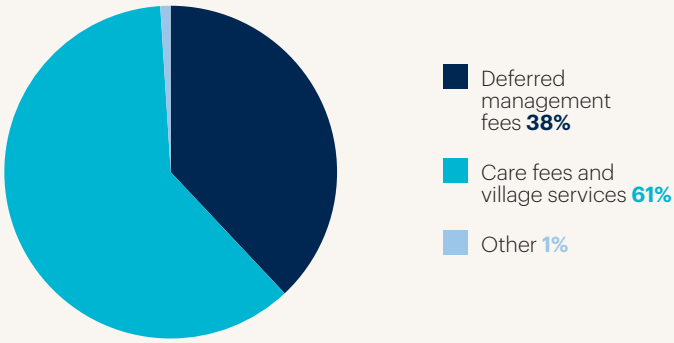
**2023 dividends**

Summerset will pay a final dividend of 13.2 cents per share (cps) on 22 March 2024, making a full payout for the 2023 year of 24.5 cps (2022: 22.3 cps). Board policy for shareholder distributions was reviewed during the year and the payout range updated to 20–50% of each year's underlying profit. The 2023 distribution of $57.3 million represents 30% of underlying profit ($190.3 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.

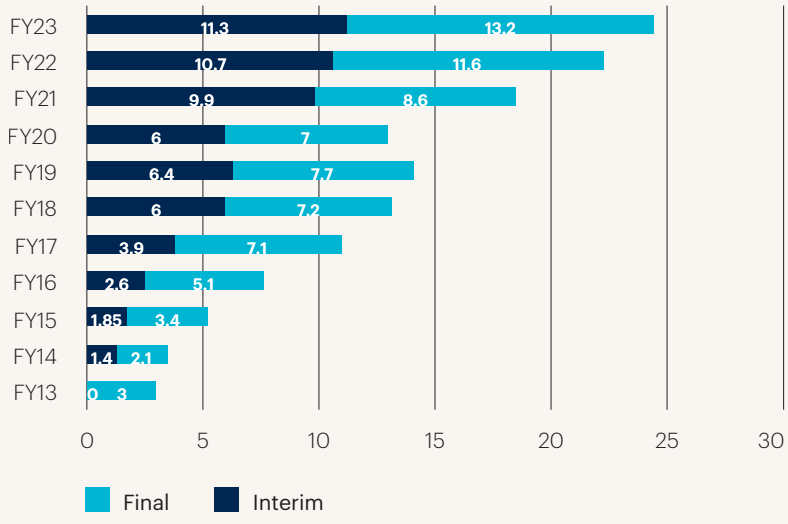
## Expense breakdown




## Revenue breakdown




## Dividends (cents per share)



# Five-year summary

Key operational and financial statistics for the five-year period up to and including FY23 are shown below.

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## Results highlights – operational

| | Unit | FY23 | FY22 | FY21 | FY20 | FY19 | FY22 to FY23 % Change |
|---|---|---|---|---|---|---|---|
| New sales of Occupation Rights | No. | 560 | 537 | 540 | 404 | 329 | 4% |
| Resales of Occupation Rights | No. | 543 | 470 | 438 | 381 | 323 | 16% |
| Total sales of Occupation Rights | No. | 1,103 | 1,007 | 978 | 785 | 652 | 10% |
| Development margin | % | 31.6% | 29.7% | 23.1% | 19.6% | 27.9% | 6% |
| New Occupation Right units delivered | No. | 643 | 625 | 619 | 356 | 354 | 3% |
| Retirement units in portfolio | No. | 6,087 | 5,518 | 4,930 | 4,385 | 4,076 | 10% |
| Care units in portfolio | No. | 1,284 | 1,161 | 1,098 | 972 | 868 | 11% |

## Results highlights – financial

| | Unit | FY23 | FY22 | FY21 | FY20 | FY19 | FY22 to FY23 % Change |
|---|---|---|---|---|---|---|---|
| Net operating cash flow | $m | 398.2 | 369.2 | 383.4 | 266.8 | 237.9 | 8% |
| Total assets | $m | 6,941.7 | 5,840.3 | 4,923.7 | 3,893.2 | 3,337.9 | 19% |
| Net assets | $m | 2,605.4 | 2,193.0 | 1,924.5 | 1,354.8 | 1,131.9 | 19% |
| Underlying profit | $m | 190.3 | 171.4 | 141.1 | 98.3 | 106.2 | 11% |
| Profit before income tax (IFRS) | $m | 422.5 | 265.1 | 543.6 | 221.7 | 173.6 | 59% |
| Profit for the period (IFRS) | $m | 436.3 | 269.1 | 543.7 | 230.8 | 175.3 | 62% |
| Dividend per share | cents | 24.5 | 22.3 | 18.5 | 13.0 | 14.1 | 10% |
| Basic earnings per share | cents | 187.4 | 116.7 | 238.2 | 102.3 | 78.6 | 61% |

# Financial statements

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# Income Statement

For the year ended 31 December 2023

| | NOTE | 2023 $000 | 2022 $000 |
|---|---|---|---|
| Care fees and village services | 4 | 165,945 | 144,631 |
| Deferred management fees | 4 | 104,557 | 92,332 |
| Other income | 4 | 1,701 | 1,749 |
| **Total revenue** | | **272,203** | **238,712** |
| | | | |
| Fair value movement of investment property | 12 | 441,553 | 268,757 |
| **Total income** | | **713,756** | **507,469** |
| | | | |
| Operating expenses | 5 | (247,983) | (211,795) |
| Depreciation and amortisation expense | 10, 11 | (15,797) | (13,597) |
| **Total expenses** | | **(263,780)** | **(225,392)** |
| | | | |
| **Operating profit before financing costs** | | **449,976** | **282,077** |
| | | | |
| Finance costs | 6 | (27,496) | (16,960) |
| **Profit before income tax** | | **422,480** | **265,117** |
| | | | |
| Income tax credit | 7 | 13,839 | 3,955 |
| **Profit for the period** | | **436,319** | **269,072** |
| | | | |
| Basic earnings per share (cents) | 21 | 187.43 | 116.66 |
| Diluted earnings per share (cents) | 21 | 187.09 | 116.36 |

*The accompanying notes form part of these financial statements.*

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# Statement of Comprehensive Income

For the year ended 31 December 2023

| | NOTE | 2023 $000 | 2022 $000 |
|---|---|---|---|
| **Profit for the period** | | **436,319** | **269,072** |
| Fair value (loss)/gain on interest rate swaps | 15 | (24,627) | 30,272 |
| Tax on items of other comprehensive income | 7 | 7,082 | (8,718) |
| Loss on translation of foreign currency operations | | (200) | (68) |
| **Other comprehensive income that will be reclassified subsequently to profit or loss for the period net of tax** | | **(17,745)** | **21,486** |
| Net revaluation of property, plant and equipment | 10 | 33,793 | 4,566 |
| Tax on items of other comprehensive income | 7 | (9,462) | (1,278) |
| **Other comprehensive income which will not be reclassified subsequently to profit or loss for the period net of tax** | | **24,331** | **3,288** |
| **Total comprehensive income for the period** | | **442,905** | **293,846** |

*The accompanying notes form part of these financial statements.*

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# Statement of Changes in Equity

For the year ended 31 December 2023

| | SHARE CAPITAL $000 | HEDGING RESERVE $000 | REVALUATION RESERVE $000 | RETAINED EARNINGS $000 | FOREIGN CURRENCY TRANSLATION RESERVE $000 | TOTAL EQUITY $000 |
|---|---|---|---|---|---|---|
| **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** |
| | | | | | | |
| **As at 1 January 2023** | **344,212** | **18,849** | **63,560** | **1,766,468** | **(66)** | **2,193,023** |
| Profit for the period | - | - | - | 436,319 | - | 436,319 |
| Other comprehensive income for the period | - | (17,545) | 24,331 | - | (200) | 6,586 |
| **Total comprehensive income for the period** | **-** | **(17,545)** | **24,331** | **436,319** | **(200)** | **442,905** |
| Dividends paid | - | - | - | (53,260) | - | (53,260) |
| Shares issued | 19,501 | - | - | - | - | 19,501 |
| Employee share plan option cost | 3,199 | - | - | - | - | 3,199 |
| **As at 31 December 2023** | **366,912** | **1,304** | **87,891** | **2,149,527** | **(266)** | **2,605,368** |

*The accompanying notes form part of these financial statements.*

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# Statement of Financial Position

As at 31 December 2023

| | NOTE | 2023 $000 | 2022 $000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 12,648 | 25,347 |
| Trade and other receivables | 8 | 44,330 | 36,727 |
| Interest rate swaps | 15 | 19,308 | 27,228 |
| Asset held for sale | 9 | 45,000 | - |
| Property, plant and equipment | 10 | 403,248 | 326,050 |
| Intangible assets | 11 | 8,421 | 7,251 |
| Investment property | 12 | 6,407,150 | 5,417,719 |
| Investments | | 1,576 | - |
| **Total assets** | | **6,941,681** | **5,840,322** |
| | | | |
| **Liabilities** | | | |
| Trade and other payables | 13 | 172,670 | 178,556 |
| Employee benefits | 14 | 30,753 | 27,565 |
| Revenue received in advance | 4 | 185,514 | 161,569 |
| Interest rate swaps | 15 | 16,628 | 10,299 |
| Residents' loans | 16 | 2,507,112 | 2,165,352 |
| Interest-bearing loans and borrowings | 18 | 1,393,523 | 1,060,494 |
| Lease liability | 17 | 14,130 | 15,970 |
| Deferred tax liability | 7 | 15,983 | 27,494 |
| **Total liabilities** | | **4,336,313** | **3,647,299** |
| | | | |
| **Net assets** | | **2,605,368** | **2,193,023** |
| | | | |
| **Equity** | | | |
| Share capital | 20 | 366,912 | 344,212 |
| Reserves | 20 | 88,929 | 82,343 |
| Retained earnings | | 2,149,527 | 1,766,468 |
| **Total equity attributable to shareholders** | | **2,605,368** | **2,193,023** |

*The accompanying notes form part of these financial statements.*

Authorised for issue on 23 February 2024 on behalf of the Board

**Mark Verbiest**
Director and Chair of the Board

**Fiona Oliver**
Director and Chair of the Audit and Risk Committee

# Statement of Cash Flows

For the year ended 31 December 2023

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from residents: | | |
| - care fees and village services | 165,341 | 142,482 |
| - deferred management fees | 155,802 | 137,328 |
| - residents' loans - new occupation right agreements | 266,703 | 258,926 |
| - residents' loans - resales of occupation right agreements (net) | 44,784 | 36,901 |
| Interest received | 1,701 | 413 |
| Payments to suppliers and employees | (236,156) | (206,871) |
| **Net cash flow from operating activities** | **398,175** | **369,179** |
| | | |
| **Cash flows to investing activities** | | |
| Sale of investment property | - | 6,335 |
| Payments for investment property: | | |
| - land | (56,489) | (185,469) |
| - construction of retirement units and village facilities | (479,809) | (385,096) |
| - refurbishment of retirement units and village facilities | (19,391) | (9,727) |
| Payments for property, plant and equipment: | | |
| - construction of care centres[1] | (45,230) | (42,819) |
| - refurbishment of care centres | (128) | (1,246) |
| - other | (10,760) | (7,580) |
| Payments for intangible assets | (2,281) | (1,908) |
| Capitalised interest paid | (52,794) | (24,235) |
| Acquisition of long-term investments | (1,587) | - |
| **Net cash flow to investing activities** | **(668,469)** | **(651,745)** |
| | | |
| **Cash flows from financing activities** | | |
| Net proceeds from bank borrowings | 247,928 | 342,207 |
| Proceeds from issue of retail bonds | 175,000 | - |
| Repayment of retail bonds | (100,000) | - |
| Proceeds from issue of shares | - | 1,633 |
| Interest paid on borrowings | (28,374) | (14,258) |
| Payments in relation to lease liabilities | (2,614) | (1,920) |
| Dividends paid | (34,288) | (28,166) |
| **Net cash flow from financing activities** | **257,652** | **299,496** |

*1 Included in the construction of care centres is $1.7m relating to care centre upgrades.*

*The accompanying notes form part of these financial statements.*

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## Statement of Cash Flows (continued)

For the year ended 31 December 2023

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Net (decrease)/increase in cash and cash equivalents | (12,642) | 16,930 |
| Cash and cash equivalents at beginning of period | 25,347 | 8,422 |
| Foreign currency translation adjustment | (57) | (5) |
| **Cash and cash equivalents at end of period** | **12,648** | **25,347** |

## Reconciliation of Operating Results and Operating Cash Flows

For the year ended 31 December 2023

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **Profit for the period** | **436,319** | **269,072** |
| | | |
| **Adjustments for:** | | |
| Depreciation and amortisation expense | 15,797 | 13,597 |
| Fair value movement of investment property | (441,553) | (268,757) |
| Net finance costs paid | 27,496 | 16,960 |
| Gain on sale of investment property | - | (1,336) |
| Income tax credit | (13,839) | (3,955) |
| Deferred management fees amortisation | (104,557) | (92,332) |
| Employee share plan option cost | 3,764 | 1,196 |
| Other non-cash items | 26 | (26) |
| | **(512,866)** | **(334,653)** |
| | | |
| **Movements in working capital** | | |
| Net increase in trade and other receivables | (7,596) | (8,371) |
| Net increase in employee benefits | 3,614 | 5,985 |
| Net increase in trade and other payables | 7,369 | 5,485 |
| Increase in residents' loans net of non-cash amortisation | 471,335 | 431,661 |
| | **474,722** | **434,760** |
| | | |
| **Net cash flow from operating activities** | **398,175** | **369,179** |

*The accompanying notes form part of these financial statements.*

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# Notes to the financial statements

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For the year ended 31 December 2023

## 1. Summary of accounting policies

### Reporting entity

The consolidated financial statements presented for the year ended 31 December 2023 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.

- Asset held for sale – Note 9
- Buildings – Note 10
- Investment property – Note 12
- Investments
- Interest rate swaps – Note 15
- Retail bonds – Note 18

### 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 (Mosgiel) 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 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 (Chirnside Park) Pty Limited
Summerset Villages (Craigieburn) Pty Limited
Summerset Villages (Cranbourne North) Pty Limited
Summerset Villages (Drysdale) Pty Limited
Summerset Villages (Mernda) Pty Limited
Summerset Villages (Number 4) 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
Summerset Villages (Number 15) Pty Limited
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
Summerset Villages (Oakleigh South) Pty Limited
Summerset Villages (Torquay) Pty Limited

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# 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 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.

During the period, the Group reviewed its cash flows from operating activities disclosure. The Statement of Cash Flows presentation has been amended to more accurately reflect the nature of the cash flows and to assist users of the financial statements. Previously cash receipts received from residents relating to expected deferred management fees were included in the receipts for residents' loans categories. This has now been split into its own category.

## 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 15
- Leases – Note 17
- Revenue in advance – Note 4
- Valuation of investment property – Note 12
- Valuation of buildings – Note 10
- Valuation of retail bonds – Note 18
- Valuation of asset held for sale - Note 9

## Comparative information

The Statement of Cash Flows presentation has been amended to separately disclose cash receipts from residents relating to deferred management fees. This amendment has been applied retrospectively and the impact on the comparative periods is shown below:

| | 2022 Reported $000 | Reclass $000 | 2022 Reclassified $000 |
|---|---|---|---|
| **Statement of Cash Flows** | | | |
| Receipts from residents: | | | |
| - residents' loans - new occupation right agreements | 347,278 | (88,352) | 258,926 |
| - residents' loans - resales of occupation right agreements (net) | 85,877 | (48,976) | 36,901 |
| - deferred management fees | - | 137,328 | 137,328 |

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## 2. Non-GAAP underlying profit

| | Ref | 2023 $000 | 2022 $000 |
|---|---|---|---|
| Profit for the period | | 436,319 | 269,072 |
| Less fair value movement of investment property | a) | (441,553) | (268,757) |
| Less reversal of impairment of assets | b) | - | - |
| Add realised gain on resales | c) | 88,131 | 70,191 |
| Add realised development margin | d) | 121,231 | 104,869 |
| Less deferred tax credit | e) | (13,839) | (3,955) |
| **Underlying profit** | | **190,289** | **171,420** |

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.

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, 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 2023.

Te Whatu Ora 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 Te Whatu Ora for the year ended 31 December 2023 amounted to $44.3 million (2022: $36.1 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.



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## 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.

Other income comprises:

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| Interest received | 1,701 | 413 |
| Other income | - | 1,336 |
| **Total other income** | **1,701** | **1,749** |

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.

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## 5. Operating expenses

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Employee expenses | 153,478 | 132,937 |
| Property-related expenses | 26,643 | 22,479 |
| Repairs and maintenance expenses | 10,041 | 7,771 |
| Other operating expenses | 57,821 | 48,608 |
| **Total operating expenses** | **247,983** | **211,795** |

Employee expenses include post-employment benefits (KiwiSaver/Superannuation) of $5.3 million (2022: $4.0 million).

Other operating expenses include:

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Remuneration paid to auditors: | | |
| - Audit and review of financial statements | 345 | 304 |
| - Other assurance services - sustainability linked lending assurance | 52 | 26 |
| - Remuneration advisory services | 6 | 5 |
| - Other services - training | 5 | - |
| Donations | 9 | 158 |

## 6. Finance costs

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Interest on bank loans, retail bonds and related fees | 81,145 | 41,737 |
| Interest on interest rate swaps | (3,584) | 159 |
| Interest on lease liability | 520 | 557 |
| Capitalised finance costs | (50,974) | (25,493) |
| Fair value movement of interest rate swaps through profit or loss | (10,394) | 11,817 |
| Fair value movement of retail bonds designated in a fair value hedge relationship | 10,394 | (11,817) |
| Other | 389 | - |
| **Finance costs** | **27,496** | **16,960** |

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 10), and investment property (Note 12), 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 $51.0 million (2022: $25.5 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 5.09% per annum (2022: 3.42% per annum).

Two of the Group's retail bonds are designated in a fair value hedging relationship. Details of fair value hedging are included in Note 15.

# Notes to the financial statements (continued)

## 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

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| **Tax expense comprises:** | | |
| Deferred tax relating to the origination and reversal of temporary differences | (13,839) | (3,955) |
| **Total tax credit reported in income statement** | **(13,839)** | **(3,955)** |

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:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | $000 | % | $000 | % |
| **Profit before income tax** | **422,480** | | **265,117** | |
| Income tax using the corporate tax rate | 118,294 | 28.0% | 74,233 | 28.0% |
| Capitalised interest | (14,267) | (3.4%) | (7,138) | (2.7%) |
| Other non-deductible expenses | 686 | 0.2% | 348 | 0.1% |
| Non-assessable investment property revaluations | (126,539) | (30.0%) | (70,917) | (26.7%) |
| Other | 6,881 | 1.6% | (560) | (0.2%) |
| Prior period adjustments | 1,106 | 0.3% | 79 | 0.0% |
| **Total income tax credit** | **(13,839)** | **(3.3%)** | **(3,955)** | **(1.5%)** |

The Group tax losses are as follows:

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| Tax losses available | 601,269 | 450,670 |
| Tax effected | 169,017 | 126,662 |
| Unrecognised tax losses | 7,918 | - |

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### (b) Amounts charged or credited to other comprehensive income

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **Tax expense comprises:** | | |
| Net gain on revaluation of property, plant and equipment | 9,462 | 1,278 |
| Fair value movement of interest rate swaps | (7,082) | 8,718 |
| **Total tax expense reported in statement of comprehensive income** | **2,380** | **9,996** |

### (c) Amounts charged or credited directly to equity

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **Tax expense comprises:** | | |
| Deferred tax relating to employee share option plans | (52) | 1,517 |
| **Total tax (credit)/expense reported directly in equity** | **(52)** | **1,517** |

### (d) Imputation credit account

There were no imputation credits received or paid during the year and the balance at 31 December 2023 is nil (2022: nil).

### (e) Deferred tax

Movement in the deferred tax balance comprises:

| | BALANCE 1 JAN 2023 $000 | RECOGNISED IN INCOME $000 | RECOGNISED DIRECTLY IN EQUITY $000 | RECOGNISED IN OCI* $000 | BALANCE 31 DEC 2023 $000 |
|---|---|---|---|---|---|
| Property, plant and equipment | 30,321 | (2,026) | - | 9,462 | 37,757 |
| Investment property | 54,435 | 4,160 | - | - | 58,595 |
| Revenue in advance | 66,159 | 18,438 | - | - | 84,597 |
| Interest rate swaps | 7,717 | - | - | (7,082) | 635 |
| Income tax losses not yet utilised | (126,662) | (34,437) | - | - | (161,099) |
| Other items | (4,476) | 26 | (52) | - | (4,502) |
| **Net deferred tax liability** | **27,494** | **(13,839)** | **(52)** | **2,380** | **15,983** |

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# Notes to the financial statements (continued)

| | 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** |

* 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%.

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Trade receivables | 5,392 | 4,923 |
| Allowance for doubtful debts | (246) | (239) |
| **Net trade receivables** | **5,146** | **4,684** |
| Prepayments | 18,528 | 13,550 |
| Accrued income | 2,643 | 3,001 |
| Sundry debtors | 18,013 | 15,492 |
| **Total trade and other receivables** | **44,330** | **36,727** |

## 9. Asset held for sale

Following a review of the Group's land portfolio, land at Parnell in Auckland is being held for sale. The land is being actively marketed for sale and a sale is expected to take place within 12 months. The land is being held at its fair value. The fair value of the land was determined by independent registered valuers Jones Lang LaSalle Limited ("JLL") using the direct comparison approach.

## 10. 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

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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 17.



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# 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 2022 | 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** |
| Additions | 46,193 | 1,725 | 9,263 | 736 | 930 | 58,847 |
| Disposals | - | (28) | (7) | - | - | (35) |
| Remeasurements | - | - | - | - | (691) | (691) |
| Net revaluations through other comprehensive income | 25,416 | - | - | - | - | 25,416 |
| **Balance at 31 December 2023** | **359,244** | **6,857** | **42,048** | **11,403** | **18,342** | **437,894** |
| | | | | | | |
| **Accumulated depreciation** | | | | | | |
| Balance at 1 January 2022 | - | 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** |
| Depreciation charge for the year | 8,377 | 375 | 3,224 | 805 | 1,968 | 14,749 |
| Disposals | - | (28) | (5) | - | - | (33) |
| Net revaluations through other comprehensive income | (8,377) | - | - | - | - | (8,377) |
| **Balance at 31 December 2023** | **-** | **1,955** | **18,128** | **7,949** | **6,614** | **34,646** |
| | | | | | | |
| **Carrying amounts** | | | | | | |
| As at 31 December 2022 | 287,635 | 3,552 | 17,883 | 3,523 | 13,457 | 326,050 |
| **As at 31 December 2023** | **359,244** | **4,902** | **23,920** | **3,454** | **11,728** | **403,248** |

Buildings include $51.1 million of care centres under development carried at fair value, which reflects cost due to the proximity of completion to 31 December 2023 (2022: $49.4 million).

Right of use assets relate to the Group's leased office premises, car park spaces and plant and equipment; refer to Note 17 for further information.

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### 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 2023 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 is not recognised. Significant assumptions used in the most recent valuation are included in the table below:

| | 2023 | 2022 |
|---|---|---|
| Market value per care bed | $69,000 - $222,000 | $63,100 - $204,000 |
| Individual unit earning capitalistion rate | 12.5% - 15.8% | 11.5% - 14.8% |

### 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 discounted cash flow analysis to derive a present value. Significant assumptions used by CBRE NZ are included in the table below:

| | 2023 | 2022 |
|---|---|---|
| Discount rate | 14.5% - 15.5% | 14.5% - 15.5% |
| Growth rate | 0.5% - 3.0% | 0.5% - 3.0% |
| Average entry age of residents | 80 years - 89 years | 79 years - 86 years |
| Stabilised departing occupancy periods of units | 3.0 years - 3.1 years | 3.0 years - 3.1 years |

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| Manager's net interest | 91,612 | 51,592 |
| Plus: revenue received in advance relating to property, plant and equipment | 2,821 | 1,875 |
| Plus: liability for residents' loans relating to property, plant and equipment | 39,861 | 24,127 |
| **Total property, plant and equipment - units under occupation right agreement** | **134,294** | **77,595** |

### 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

# Notes to the financial statements (continued)

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:

| | 2023<br>BUILDINGS $000 | 2022<br>BUILDINGS $000 |
|---|---|---|
| Cost | 273,552 | 227,359 |
| Accumulated depreciation and impairment losses | (39,999) | (31,622) |
| **Net carrying amount** | **233,553** | **195,737** |

## Security

At 31 December 2023, 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.

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## 11. 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 2023 are between 10% and 20% SL basis.

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| **Cost** | | |
| Opening balance | 13,814 | 12,251 |
| Additions | 2,218 | 1,563 |
| **Closing balance** | **16,032** | **13,814** |
| | | |
| **Accumulated amortisation** | | |
| Opening balance | 6,563 | 5,587 |
| Amortisation | 1,048 | 976 |
| **Closing balance** | **7,611** | **6,563** |
| | | |
| **Carrying amount** | **8,421** | **7,251** |

## 12. 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.

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| Balance at beginning of period | 5,417,719 | 4,580,196 |
| Additions | 590,807 | 573,389 |
| Transfer to asset held for sale | (45,000) | - |
| Disposals | - | (4,999) |
| Fair value movement | 441,553 | 268,757 |
| Foreign exchange movement | 2,071 | 376 |
| **Total investment property** | **6,407,150** | **5,417,719** |

# Notes to the financial statements (continued)

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Development land measured at fair value[1] | 578,266 | 603,829 |
| Retirement villages measured at fair value[2] | 5,302,570 | 4,351,031 |
| Retirement villages under development measured at cost | 526,314 | 462,859 |
| **Total investment property** | **6,407,150** | **5,417,719** |

*1 Included in development land are pieces of land that were acquired close to balance date. 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 2023 the land at cost was $35.7 million (2022: $162.5 million).*

*2 Included in retirement villages measured at fair value is $5.4 million related to completed retirement units at cost, which reflects fair value due to the proximity of completion to balance date (2022: $45.0 million). Included in retirement villages measured at fair value is $190.4 million relating to a village under development measured at fair value (2022: nil).*

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Manager's net interest | 3,757,207 | 3,116,800 |
| Plus: revenue received in advance relating to investment property | 182,693 | 159,694 |
| Plus: liability for residents' loans relating to investment property | 2,467,250 | 2,141,225 |
| **Total investment property** | **6,407,150** | **5,417,719** |

The Group is unable to reliably determine the fair value of the non-land portion of retirement villages under development at 31 December 2023 and therefore these are carried at cost, with the exception of one site due to its advance stage of construction. This equates to $526.3 million of investment property (2022: $462.9 million).

The fair value of investment property as at 31 December 2023 was determined by independent registered valuers CBRE NZ and JLL for villages including land in New Zealand, and CBRE Valuations Pty Limited ("CBRE AU") and Jones Lang LaSalle Australia Pty Limited ("JLL 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 discounted 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 discounted cash flow analysis to derive a present value. The Group's development land has been valued by CBRE NZ using the direct comparison approach.

One of the sites under development has been valued using the residual approach where a number of blocks were valued as work in progress together with residual land. The value of the work in progress was calculated as the market value of completed stock less selling expenses, and an allowance for profit and risk, holding costs, and costs to complete including a contingent sum. Previously land at this site was valued using the direct comparison with any development measured at cost. The change in valuation approach provides a more fair and accurate representation of fair value at balance date.

The valuers' view is that the markets both nationally and globally are being heavily impacted by high interest rate rises instigated by central banks to combat inflation. Markets are also impacted by ongoing disruption to global supply chains and geopolitical instability in certain regions, particularly the ongoing war in Ukraine and recent events in Gaza. 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 are included in the table below:

| | 2023 | 2022 |
|---|---|---|
| Discount rate | 13.5% - 16.5% | 13.5% - 16.5% |
| Growth rate | 0.5% - 3.5% | 0% - 3.5% |
| Average entry age of residents | 73 years - 91 years | 73 years - 88 years |
| Stabilised departing occupancy periods of units | 3.8 years - 8.7 years | 3.9 years - 8.6 years |

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Sites under development in Australia have been valued separately by CBRE AU and JLL 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 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*.

### 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 discounted cash flow analysis to derive a present value.

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 2023** | | | | | |
| Valuation ($000) | 2,017,910 | | | | |
| Difference ($000) | | (74,725) | 80,050 | 126,025 | (115,665) |
| Difference (%) | | (3.7%) | 4.0% | 6.2% | (5.7%) |
| **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%) |

*1 Adopted value differs to figures in other notes. It is the value of completed units, net of related resident liability. The amount does not include unsold stock, work in progress or development land.*

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 $66.5 million (2022: $57.7 million).

### Security

At 31 December 2023, 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.

## 13. Trade and other payables

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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Trade payables | 6,923 | 4,413 |
| Accruals - development of retirement units and care centres | 125,937 | 140,020 |
| Accruals - other | 23,985 | 21,791 |
| Sundry payables | 15,825 | 12,332 |
| **Total trade and other payables** | **172,670** | **178,556** |

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# Notes to the financial statements (continued)

## 14. 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.

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Leave liabilities | 14,195 | 15,373 |
| Other employee benefits | 16,558 | 12,192 |
| **Total employee benefits** | **30,753** | **27,565** |

## 15. 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 2023, the Group had interest rate swap agreements in place with a total notional principal amount of approximately $847.0 million, made up of $497.0 million denominated in NZD and $350.0 million in AUD (2022: $762.3 million, made up of $442.0 million denominated in NZD and $320.3 million in AUD). Of the swaps in place, at 31 December 2023 $673.4 million (2022: $535.5 million) are being used to cover approximately 71% (2022: 78%) 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 4.93% (2022: 0.56% and 4.85%).

The fair value of these agreements at 31 December 2023 is a $1.9 million asset, comprised of $11.9 million of swap liabilities and $13.8 million of swap assets (2022: asset of 26.5 million, comprised of $0.7 million of swap liabilities and $27.2 million of swap assets). Of this, a liability of nil is estimated to be current (2022: nil). The agreements cover notional amounts for terms of up to seven years.

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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Less than 1 year | 60,000 | 45,000 |
| Between 1 and 2 years | 76,944 | 60,000 |
| Between 2 and 3 years | 84,333 | 76,694 |
| Between 3 and 4 years | 179,331 | 84,032 |
| Between 4 and 5 years | 190,832 | 178,130 |
| Between 5 and 6 years | 128,888 | 190,081 |
| Between 6 and 7 years | 153,888 | 128,388 |
| **Total** | **874,216** | **762,325** |
| | | |
| Current | 673,384 | 535,550 |
| Forward starting | 200,832 | 226,775 |
| **Total** | **874,216** | **762,325** |

### 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 $300.0 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 increase in fair value of the interest rate swaps of $10.4 million (2022: reduction of $11.8 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 (2022: nil).

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 2023, the Group had interest rate swap agreements in place with a total notional principal amount of $300.0 million (2022: $225.0 million). Of the interest rate swaps in place, at 31 December 2023 $300.0 million (2022: $225.0 million) are being used to cover 67% (2022: 60%) of the fixed interest rate retail bonds outstanding.



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# 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:

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Less than 1 year | - | 100,000 |
| Between 1 and 2 years | 125,000 | - |
| Between 2 and 3 years | - | 125,000 |
| Between 5 and 6 years | 175,000 | - |
| **Total** | **300,000** | **225,000** |
| | | |
| Current | 300,000 | 225,000 |
| **Total** | **300,000** | **225,000** |

## 16. 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.

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Balance at beginning of period | 2,681,837 | 2,276,945 |
| Net receipts for residents' loans - resales of occupation right agreements | 55,521 | 51,481 |
| Receipts for residents' loans - new occupation right agreements | 384,042 | 353,411 |
| **Total gross residents' loans** | **3,121,400** | **2,681,837** |
| Deferred management fees and other receivables | (614,288) | (516,485) |
| **Total residents' loans** | **2,507,112** | **2,165,352** |



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## 17. Leases

The leases to which NZ IFRS 16 applies are the leases of plant and equipment and 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 certain 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 primarily relate to the Group's leased office premises and are classified as property, plant and equipment, and lease liabilities are disclosed as such in the Group's statement of financial position.

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:*

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| Balance at beginning of period | 13,457 | 10,345 |
| Additions | 930 | 5,064 |
| Disposals | - | (301) |
| Remeasurements | (691) | - |
| Depreciation charge for the year | (1,968) | (1,651) |
| **Balance at end of period** | **11,728** | **13,457** |

*Lease liabilities disclosed:*

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| Less than 1 year | 2,475 | 1,709 |
| Between 1 and 5 years | 7,786 | 8,106 |
| More than 5 years | 3,869 | 6,155 |
| **Total lease liabilities at end of period** | **14,130** | **15,970** |

*Amounts recognised in the profit and loss:*

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| Interest on lease liabilities | 587 | 557 |
| Expenses relating to short-term and low-value asset leases | 491 | 371 |
| Depreciation on right of use assets | 1,968 | 1,651 |
| **Total amounts recognised in profit or loss** | **3,046** | **2,579** |

# Notes to the financial statements (continued)

*Amounts recognised in statement of cash flows:*

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **Total cash outflows for leases** | **3,313** | **2,431** |

### 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 and a portion of care fees and village services. The lease term is determined to be the greater of the expected period of tenure or the contractual right to revenue. The Group allocates individual leases of units to village residents to different portfolios depending on the type of unit. The Group does not have any subleases.

## 18. 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, SUM020 and SUM040, 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 | 2023 $000 | 2022 $000 |
|---|---|---|---|
| **Repayable within 12 months** | | | |
| Retail bond - SUM010 | 4.78% | - | 100,000 |
| **Repayable after 12 months** | | | |
| Secured bank loans | Floating | 948,957 | 699,400 |
| Retail bond - SUM020 | 4.20% | 125,000 | 125,000 |
| Retail bond - SUM030 | 2.30% | 150,000 | 150,000 |
| Retail bond - SUM040 | 6.59% | 175,000 | - |
| **Total loans and borrowings at face value** | | **1,398,957** | **1,074,400** |
| **Transaction costs for loans and borrowings capitalised:** | | | |
| Opening balance | | (4,260) | (5,096) |
| Capitalised during the period | | (3,678) | (521) |
| Amortised during the period | | 1,756 | 1,357 |
| Closing balance | | (6,182) | (4,260) |
| **Total loans and borrowings at amortised cost** | | **1,392,775** | **1,070,140** |
| Fair value adjustment on hedged borrowings | | 748 | (9,646) |
| **Carrying value of interest-bearing loans and borrowings** | | **1,393,523** | **1,060,494** |

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.



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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Borrowings at the start of the year | 1,060,494 | 747,015 |
| Net cash borrowed | 324,557 | 324,460 |
| Cash change in deferred financing costs | (3,678) | (521) |
| Non-cash change in deferred financing costs | 1,756 | 1,357 |
| Non-cash change in fair value adjustment | 10,394 | (11,817) |
| **Borrowings at the end of the year** | **1,393,523** | **1,060,494** |

The weighted average interest rate for the year to 31 December 2023 was 5.09% (2022: 3.42%). This includes the impact of interest rate swaps (see Note 15).

Effective 18 September 2023, the Group refinanced NZD tranches of the syndicated facility that were due to expire within the next year and obtained new NZD and AUD facilities. The secured bank loan facility at 31 December 2023 has a limit of approximately $1,460 million (2022: $1,160 million). This includes lending of the following:

| Currency | Lending limit | Expiration |
|---|---|---|
| NZD | $50 million | September 2025 |
| AUD | $130 million | September 2025 |
| NZD | $315 million | September 2026 |
| AUD | $185 million | September 2026 |
| AUD | $170 million | September 2027 |
| NZD | $310 million | November 2027 |
| NZD | $100 million | September 2028 |
| AUD | $200 million | September 2028 |

The Group has three retail bonds listed on the NZDX:

| ID | Amount | Maturity |
|---|---|---|
| SUM020 | $125 million | 24 September 2025 |
| SUM030 | $150 million | 21 September 2027 |
| SUM040 | $175 million | 9 March 2029 |

### 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;

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# Notes to the financial statements (continued)

- 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.

## 19. 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 and investments, 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 18 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:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | GROSS RECEIVABLE $000 | IMPAIRMENT $000 | GROSS RECEIVABLE $000 | IMPAIRMENT $000 |
| Not past due | 4,631 | (61) | 3,991 | (56) |
| Past due 31 to 60 days | 344 | (24) | 385 | (18) |
| Past due 61 to 90 days | 174 | (19) | 210 | (17) |
| Past due more than 90 days | 243 | (142) | 337 | (148) |
| **Total** | **5,392** | **(246)** | **4,923** | **(239)** |

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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Gross trade receivables | 5,392 | 4,923 |
| Impairment | (246) | (239) |
| **Net trade receivables** | **5,146** | **4,684** |

### 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.

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## 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 15 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 2023 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit by approximately $9.4 million (2022: decrease by $6.7 million) and increase total comprehensive income by approximately $16.7 million (2022: increase by $14.3 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.



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):

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | 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 | 172,670 | - | 178,556 | - |
| Residents' loans | 2,507,112 | - | 2,165,352 | - |
| Interest-bearing loans and borrowings | 78,116 | 1,598,523 | 145,751 | 1,075,950 |
| Interest rate swaps | (6,455) | (14,149) | (839) | 5,341 |
| Lease liability | 2,475 | 11,655 | 1,709 | 14,261 |
| **Total** | **2,753,918** | **1,596,029** | **2,490,529** | **1,095,552** |

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 $191.2 million (2022: $202.8 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.

# Notes to the financial statements (continued)

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 2023, 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:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | CARRYING AMOUNT $000 | FAIR VALUE $000 | CARRYING AMOUNT $000 | FAIR VALUE $000 |
| Retail bonds | (447,407) | (431,414) | (363,207) | (343,417) |
| **Total** | **(447,407)** | **(431,414)** | **(363,207)** | **(343,417)** |

The fair value of retail bonds is based on the price traded at on the NZX market as at 31 December 2023. 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*.

The fair value of investments is categorised as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement* and its fair value is measured using valuation techniques based on discounted future cash flow forecasts and various unobservable inputs.

## 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 2023 (2022: 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 2023 (2022: none).



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## 20. Share capital and reserves

At 31 December 2023, there were 234,281,382 ordinary shares on issue (2022: 232,116,894). All ordinary shares are fully paid and have no par value. All shares carry one vote per share and carry the right to dividends.

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **Share capital** | | |
| On issue at beginning of year | 344,212 | 324,899 |
| Shares issued under the dividend reinvestment plan | 18,968 | 16,484 |
| Shares paid under employee share plans | 527 | 2,145 |
| Other | 6 | - |
| Employee share plan option cost | 3,199 | 684 |
| **On issue at end of year** | **366,912** | **344,212** |

| | 2023 | 2022 |
|---|---|---|
| **Share capital (in thousands of shares)** | | |
| On issue at beginning of year | 231,560 | 229,427 |
| Shares issued under the dividend reinvestment plan | 2,093 | 1,504 |
| Shares issued under employee share plans | 219 | 629 |
| **On issue at end of year** | **233,872** | **231,560** |

The total shares on issue at 31 December 2023 of 234,281,382 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 2023, 409,248 shares are held by Summerset LTI Trustee Limited for employee share plans, which are eliminated on consolidation. Refer to Note 22 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 2023 a dividend of 11.6 cents per ordinary share was paid to shareholders and on 19 September 2023 a dividend of 11.3 cents per ordinary share was paid to shareholders (2022: 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).

A dividend reinvestment plan applied to the dividends paid. 1,077,198 ordinary shares were issued in relation to the plan for the March 2023 dividend and 1,016,720 ordinary shares were issued in relation to the plan for the September 2023 dividend (2022: 688,127 ordinary shares were issued in March 2022 and 815,721 ordinary shares were issued in September 2022).

# Notes to the financial statements (continued)

## 21. Earnings per share and net tangible assets

### Basic earnings per share

| | 2023 | 2022 |
|---|---|---|
| Earnings ($000) | 436,319 | 269,072 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands) | 232,786 | 230,656 |
| **Basic earnings per share (cents per share)** | **187.43** | **116.66** |

### Diluted earnings per share

| | 2023 | 2022 |
|---|---|---|
| Earnings ($000) | 436,319 | 269,072 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands) | 233,211 | 231,233 |
| **Diluted earnings per share (cents per share)** | **187.09** | **116.36** |

### Number of shares (in thousands)

| | 2023 | 2022 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 232,786 | 230,656 |
| Weighted average number of ordinary shares issued under employee share plans | 425 | 577 |
| **Weighted average number of ordinary shares for the purpose of diluted earnings per share** | **233,211** | **231,233** |

At 31 December 2023, there were a total of 409,248 shares issued under employee share plans held by Summerset LTI Trustee Limited (2022: 557,242 shares).

### Net tangible assets per share

| | 2023 | 2022 |
|---|---|---|
| Net tangible assets ($000) | 2,596,947 | 2,185,772 |
| Shares on issue at end of period (basic and in thousands) | 233,872 | 231,560 |
| **Net tangible assets per share (cents per share)** | **1,110.41** | **943.93** |

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

## 22. 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.

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| | 2023 | | 2022 | |
|---|---|---|---|---|
| | NUMBER OF OPTIONS 000's | WEIGHTED AVERAGE EXERCISE PRICE | NUMBER OF OPTIONS 000's | WEIGHTED AVERAGE EXERCISE PRICE |
| Balance at beginning of period | 1,627 | $6.57 | 2,306 | $6.73 |
| Granted during the year | 380 | - | - | - |
| Exercised during the year | (475) | $6.82 | (514) | $6.82 |
| Forfeited during the year | (75) | $8.08 | (165) | $8.08 |
| **Balance at end of period** | **1,457** | **$6.57** | **1,627** | **$6.57** |
| Exercisable at end of period | 756 | $8.31 | 972 | $8.31 |

Options outstanding as at 31 December 2023 have a weighted average remaining life of 2.46 years (2022: 1.93 years).

For the 2023 annual option grant, the following performance hurdles apply to all participants:

- 75% of each Tranche will vest based on absolute total shareholder return performance
- 25% of each Tranche will vest based on relative total shareholder return performance

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 2023 of $2,782,606 has been recognised in the income statement of the Company and the Group for that period (2022: $2,147,000). 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:

| | 2023 | 2022 |
|---|---|---|
| Discount to reflect options may not meet vesting criteria | N/A | 15% |
| Risk free rate of return | N/A | 0.5% - 2% |
| Volatility | N/A | 23% - 26% |

### All-staff employee share plan

The Group operates an all-staff employee share plan. A total of 1,944 employees participated in the share issue under the plan for the year ended 31 December 2023 (2022: 1,706 employees). In 2023, the Group contributed $1,000 per participating employee (being the total value of the shares issued). A total of 188,568 Company shares were issued under the scheme at $10.27 per share (2022:167,188 shares at $10.16 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 2023 of $891,000 has been recognised in the income statement of the Company and the Group for that period (2022: $566,000).

## 23. Related party transactions

Refer to Note 22 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 122 of this report.



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# Notes to the financial statements (continued)

## 24. Key management personnel compensation

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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Directors' fees | 895 | 877 |
| Short-term employee benefits | 5,238 | 5,485 |
| Share-based payments | 1,374 | 1,273 |
| Termination payments | 311 | 62 |
| **Total** | **7,818** | **7,697** |

Refer to Note 22 for employee share plan details for key management personnel.

## 25. Commitments and contingencies

### Guarantees

As at 31 December 2023, 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 (2022: $75,000).
- Summerset Retention Trustee Limited holds guarantees in relation to retentions on construction contracts on behalf of the Group. As at 31 December 2023, $23.0 million was held for the benefit of the retentions beneficiaries (2022: $13.0 million).
- Auckland Transport holds a performance guarantee for $65,000 (2022: $65,000).
- Tauranga City Council holds a performance guarantee for nil (2022: $350,000).
- Quattro RE Limited holds a demand guarantee in relation to the lease of the office premises for $120,819 (2022: $120,819).
- Department of Transport (Melbourne) holds guarantees for $72,749 (2022: nil).
- South East Water holds guarantees for $13,688 (2022: nil).
- Casey City Council holds guarantees for $229,162 (2022: nil).

### Capital commitments

At 31 December 2023, the Group had $70.8 million of capital commitments in relation to construction contracts (2022: $63.2 million).

### Contingent liabilities

There were no known material contingent liabilities at 31 December 2023 (2022: nil).

## 26. Subsequent events

On 23 February 2024, the Directors approved a final dividend of $30.9 million, being 13.2 cents per share. The dividend record date is 11 March 2024 with a payment date of 22 March 2024.

There have been no other events subsequent to 31 December 2023 that materially impact on the results reported.

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# 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 56 to 90, which comprise the statement of financial position of the Group as at 31 December 2023, 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 material accounting policy information.

In our opinion, the consolidated financial statements on pages 56 to 90 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 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 IFRS training, other assurance 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

As disclosed in notes 10 and 12 of the consolidated financial statements:

- the Group's investment property portfolio was valued at $6,407 million at 31 December 2023 and included completed investment property and investment property under development.
- the Group's care centre buildings were valued at $359 million at 31 December 2023. This included completed care centre buildings operated by the Group for the provision of care services and care centres under development.

Independent valuations of all investment property and completed care centre buildings were carried out by third party valuers, CBRE Limited and Jones Lang LaSalle Limited (the Valuers). The valuation of investment property and care centre buildings is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values.

Properties which are externally valued are recorded in the consolidated financial statements based on the value determined by the Valuers.

Investment property and care centre buildings under development that are not substantially progressed to enable fair value to be reliably determined are carried at cost less any impairment.

Summerset derives revenue from properties it holds in the form of 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.

### How our audit addressed the key audit matter

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 of 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. 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 and measurement**

We considered management's assessment of the classification of each type of property as either investment property or care centre buildings. This included assessment against the requirements of the accounting standards, and where relevant considering the significance of ancillary services.

We also considered management's assessment of whether the fair value of investment property under development could not be reliably determined.

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| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| | **Disclosures**<br>We considered the adequacy of the disclosures in notes 10 and 12 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 this process. |

## 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 Sam Nicolle.

Ernst & Young

Chartered Accountants
Wellington
23 February 2024

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# 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 April 2023 ('NZX Code'). Each principle of the NZX Code is set out below with an explanation on how Summerset meets it.

As at 31 December 2023, 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: Ethical standards

**'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.

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## 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 CEO and delegates the day-to-day operating of the business to them. The CEO 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 protocols 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 CEO 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 CEO responsibility for implementing the Board's strategy and for managing the Company's operations. The CEO 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 ten 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 2023, 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 and factors described in the NZX Code.

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 (or be perceived to influence), in a material way, their decisions in relation to the Company.

As at 31 December 2023, the non-executive Independent Directors were Mark Verbiest (Chair), Dr Andrew Wong, Gráinne Troute, Fiona Oliver, 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 comprises 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 2023, is set out in the table on the following page.

| Capability | Level of Experience | | |
|---|---|---|---|
| | **Highly competent**[1] | **Competent**[2] | **Aware**[3] |
| **Governance**<br>Experience in and commitment to the highest standards of corporate governance, including as a non-executive director of a listed company or other large or complex organisation | 7 | | |
| **Leadership**<br>Experience in senior leadership or management positions in an organisation of significant size or complexity | 6 | | 1 |
| **Financal acumen**<br>Proficiency and understanding of financial statements and reporting, capital management, key financial and performance drivers and internal controls | 3 | 4 | |
| **Customer and operations**<br>Deep understanding of business operations and sales, marketing and brand strategies | 4 | 3 | |
| **Health and clinical**<br>Experience across the health or aged care sectors (in New Zealand and/or Australia) | 3 | 1 | 3 |
| **Property and construction**<br>Property, construction and development management experience | 1 | 5 | 1 |
| **Health and safety**<br>Experience and understanding of health and safety and wellbeing requirements | 5 | 1 | 1 |
| **People and culture**<br>Experience in overseeing workplace culture, people management, development, and succession planning, setting remuneration frameworks and promoting diversity and inclusion | 5 | 2 | |
| **Digital and technology**<br>Experience in technology, use of data and analytics, digital transformation and innovation and their impacts on business operations and customers including cybersecurity | 1 | 5 | 1 |

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| | | | |
|---|---|---|---|
| **Strategy**<br>Experience in the development and execution of growth strategies, and the ability to assess strategic options and business plans | 4 | 3 | |
| **Australian experience**<br>Australian property and business experience | 3 | 3 | 1 |
| **Risk management**<br>Experience in identifying, assessing, monitoring, and managing systemic, existing, and emerging material financial and non-financial risks | 5 | 2 | |
| **Environmental and social**<br>Understanding and experience in sustainable practices to manage the impact of Summerset on the environment and community as well as the impact of climate change on business operations | 1 | 4 | 2 |

*1 Extensive experience, including serving as a key resource and advising others*

*2 Complete understanding and experience in practical application*

*3 Fundamental understanding and knowledge*

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 may be 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,



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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.'

To help Summerset's leaders lead their increasingly diverse and multi-cultural teams and support diversity and inclusion the Company started its "Creating an Inclusive Workplace" training programme for all managers in 2023. The programme helps leaders to deepen their understanding of others and create an inclusive team environment where all team members feel valued, appreciated, and can contribute to bringing the best of life for residents.

Summerset also supported the establishment of employee representative groups including the Summerset Pride Network, and continued work of the Women in Construction Forum. Both groups aim to seek equity and inclusion through building awareness of the challenges, celebrating the successes, and supporting the ideas of these groups.

Each year the Board reviews and assesses performance against the financial year objectives. The Board considers that for the year ended 31 December 2023, the objectives for achieving diversity have been met.

As at 31 December 2023 (and 31 December 2022 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 CEO, the CFO and all General Managers who report to the CEO.

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

| | GENDER | 2023 | 2022 |
|---|---|---|---|
| Directors | Male | 4 | 4 |
| | Female | 3 | 3 |
| **Total** | | **7** | **7** |
| Executive Leadership Team | Male | 5 | 6 |
| | Female | 4 | 3 |
| **Total** | | **9** | **9** |
| 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 CEO annually. The CEO 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.

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## 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;
- 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, Fiona Oliver (Chair), Mark Verbiest, Gráinne Troute, Stephen Bull and Venasio-Lorenzo Crawley.

The Audit and Risk Committee generally invites the CO, CFO 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 CEO, 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 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;
- 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), Gráinne Troute, Venasio-Lorenzo Crawley 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;
- 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, Fiona Oliver, Venasio-Lorenzo Crawley and Dr Andrew Wong.

### Attendance at Board and committee meetings

A total of six Board meetings, seven Audit and Risk Committee meetings, five People and Culture Committee meetings, three Clinical Governance Committee meetings and three Development and Construction Committee meetings were held in 2023. Director attendance at Board meetings and committee member attendance at committee meetings is shown in the table below.

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

*1 Not a member of this committee*

*2 Anne Urlwin: retired as a Director effective 28 February 2023*

*3 Fiona Oliver: appointed as a Director and as Chair of the Audit and Risk Committee from 1 March 2023; appointed to the Development & Construction Committee from 27 June 2023*

*4 Venasio-Lorenzo Crawley: appointed to the Clinical Governance Committee from 27 June 2023*

## 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 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 and in our separate Sustainability Review and Climate-Related Disclosures FY23 document available at www.summerset.co.nz/investor-centre/esg-reporting/.

## 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.

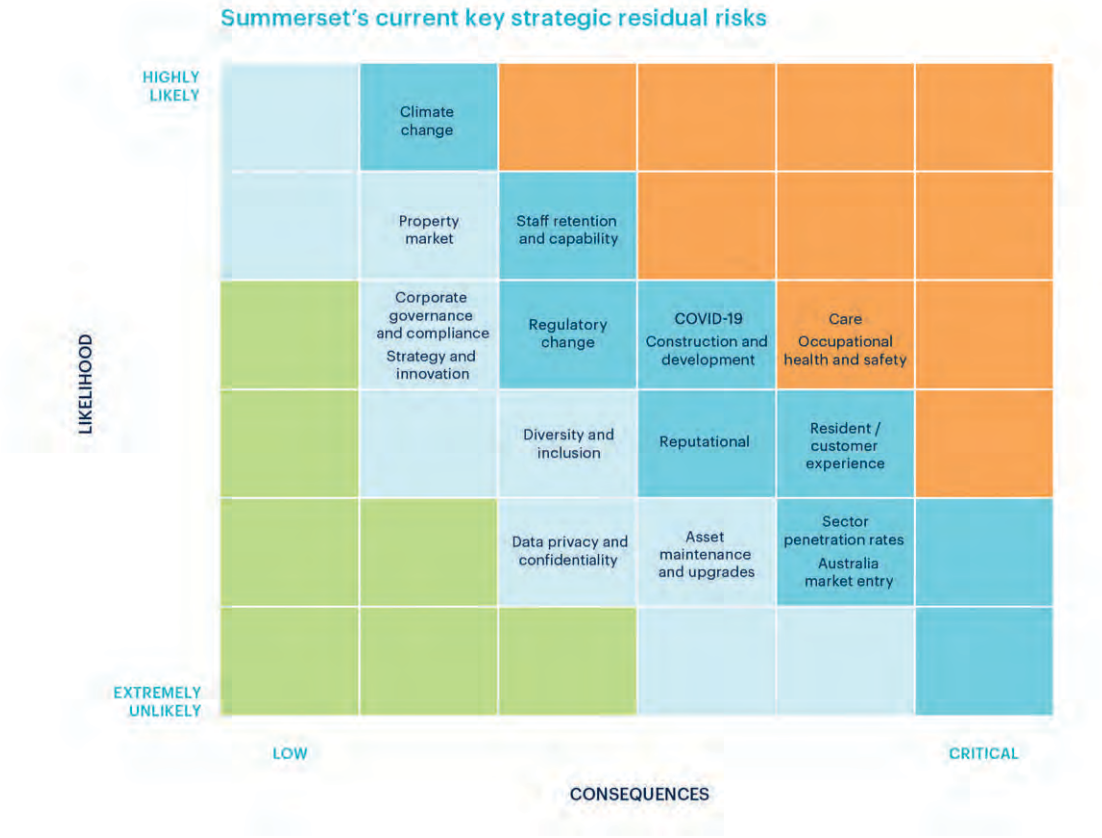
Further details on remuneration are provided in the Remuneration section of this Annual Report (page 110).



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## 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 introduced its refreshed Risk Management Policy and its Enterprise Risk Framework in 2023, consistent with best practice principles set out in the ISO31000:2018 Risk Management Standard.

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 page 27.

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

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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. For more information on how Summerset is managing climate change risks and opportunities please review our Sustainability Review and Climate-related Disclosures FY23 found at www.summerset.co.nz/investor-centre/esg-reporting/
- **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. Pages 99 and 100 provide 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.
- **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.
- **Health and safety risk** – The health, safety and wellbeing of our people and residents remain a top priority and require systematic approach and strategic focus to ensure continued compliance with relevant legislation.
- **Executing Australian growth risk** – Scaling and managing the ongoing growth of the Australian business and associated business risks. Summerset is mitigating 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 is under close management oversight and has tracked well to date.
- **Cybersecurity risk** – A cyber-attack may lead to data privacy breaches, loss of integrity / availability of information or of a control system and business disruption potentially resulting in financial loss or reputational damage or regulatory action. 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

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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. Summerset has been actively involved in the regulatory change process in relation to the New Zealand and Victorian retirement villages legislative reviews and is well placed to comply with the amendments to these regimes, as well as the amendments to the Australian aged care regime.

## 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 changed in 2023, with the appointment of Sam Nicolle.

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.

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## 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.



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# Board of Directors

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**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

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**FIONA OLIVER**
Independent

**STEPHEN BULL**
Independent

**DR ANDREW WONG**
Independent

**DR MARIE BISMARK**
Independent

# Executive Leadership Team



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**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/

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**KAY BRODIE**
General Manager
Marketing and
Communications

**CHRIS LOKUM**
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

### Report from the Chair

Dear shareholders,

On behalf of Summerset's People & Culture Committee I am pleased to present our 2023 Remuneration report.

In December 2023 the NZX released a suggested template for the remuneration sections of listed companies' Annual Reports which we have opted to follow for our FY23 Report. We believe this is a positive step in transparent and consistent reporting.

**Remuneration objectives**

Our remuneration objectives remained consistent in 2023. Summerset's purpose is to "Bring the Best of Life" to our residents, and the Board is aware that in order to achieve this we need motivated employees performing at a consistently high level. Our objective is that reward outcomes for executive and senor leaders are aligned with outcomes experienced by shareholders, and a competitive and affordable remuneration structure that is equitable and attractive is an important contributory factor for maintaining this high level of employee engagement.

Summerset's executive remuneration is set in accordance with the principles laid out in the People and Culture Committee Charter. More broadly, remuneration encompasses wages, salaries, incentives, non-reimbursing allowances, and a range of employee benefits including KiwiSaver. More information on Summerset's staff benefits can be found on the careers page of the company website[1].

Summerset continues to benchmark pay rates to a market median position, while also being cognisant of factors such as incumbent experience, to create a balance between competitiveness and affordability for the business. During the year we conducted (with expert external input) our annual market analysis of our pay to ensure we remain appropriately positioned against the market, and we continued to offer a number of benefits to our staff to differentiate our offering.

**Changes to incentive schemes**

Through 2023 we have continued to refine our approach to incentives. We assessed our alignment with other listed companies to ensure we benchmark and balance appropriately in rewarding the performance of the Summerset Executive and Senior managers. To assist this ongoing process, we sought advice from PwC during the year.

In 2022 we moved to solely financial targets for the Long-Term Incentive (LTI) scheme hurdles. Our work during 2023 included further refining our LTI scheme regarding the comparator companies we use to measure the hurdle for absolute total shareholder return. This has meant that, starting with our 2023 allocation, we've broadened our comparator group to the NZX50.

We also completed a review of our Short-Term Incentive (STI) scheme that resulted in refining the shared set of key performance indicators (KPIs) for 2024 and ensuring individual KPIs for the Executive Leadership team are aligned to our new ten year Strategy. We also looked at the STI weighting for the Executive Leadership team between shared and individual KPIs to bring them closer to NZX and ASX market practice, as well as the inclusion of some carbon specific targets for individual KPIs.

**Executive KPIs**

The 2023 Shared KPIs took a balanced scorecard approach with financial, customer and staff related KPIs. The performance outcomes against 2023 shared KPIs has been strong with all targets achieving on target performance and several exceeding targets including our financial targets and retirement unit deliveries.

These KPIs were all stretch targets, and it's a testament to the strength of the Executive Leadership team, and their people, that they have continued to achieve so highly in a very difficult macroeconomic environment. The Executives' achievements against their individual, role-specific KPIs was also very strong, with the majority fully or partially achieved.

1 *https://careers.summerset.co.nz/staff-benefits*

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**Board fees**

Following external benchmarking data we also increased the Board Chair's fee from $181,200 to $195,000, within the approved fee pool, to address a relative misalignment. At the time of writing, a market review of Director fees is being carried out by PWC for the Committee. The outcomes of this review will determine whether an increase to the fee pool might be sought at the forthcoming Annual Shareholder Meeting.

During the year we also established a Due Diligence Committee to oversee Summerset's 2023 bond issue. The three directors on the Committee (Anne Urlwin (replaced on retirement by Mark Verbiest), Stephen Bull and Gráinne Troute) were each paid a fee of $5,000 (+GST) to recognise the additional responsibilities above and beyond the normal duties of the Board they were undertaking.



**Gráinne Troute**
Chair People & Culture Committee

## Remuneration Governance

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 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 CEO. The review takes into account external benchmarking to ensure competitiveness with comparable market peers, along with consideration of each individual's performance, skills, expertise and experience.

## Executive Remuneration Policy

The remuneration of members of the Executive Leadership Team (CEO 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.

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

### Fixed remuneration

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

### Short-term incentives

Short-term incentives (STIs) are at-risk payments designed to motivate and reward for performance, typically in that financial year. The target value of an STI payment is set annually, as a percentage of the Executive Leadership Team member's fixed remuneration. For 2023, the relevant percentages were 20–30% (2022: 20–30%).

A proportion of the STI (80% for CEO and 40–70% 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 KPIs based on business priorities for the next 12 months. Target areas for the shared KPIs for 2023 are outlined below:



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| Target | Minimum performance | On-target weighting | Maximum performance |
|---|---|---|---|
| Underlying EBITDA* | 31.5% | 35% | 70% |
| New sales development margin* | 9% | 10% | 20% |
| Resales net cash* | 9% | 10% | 20% |
| Development numbers | 15% | 15% | 15% |
| Customer – satisfaction | 10% | 10% | 10% |
| Customer – clinical | 10% | 10% | 10% |
| Staff – people and culture | 5% | 5% | 5% |
| Staff – health and safety | 5% | 5% | 5% |
| **Total payable** | **94.5%** | **100%** | **155%** |

For 2024, the KPI scheme has been adjusted, with the removal of the health and safety and the clinical target areas. Instead, the Board can now reduce or cancel STI payments where there are concerns around Health and Safety or Clinical performance. This has effectively strengthened their oversight by granting the Board the explicit ability to exercise discretion.

There are three performance levels within each target area – 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. Performance against both financial and non-financial measures is assessed and approved by the Board each year.

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

In the event that 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 90% on achievement of performance targets. Including the other targets, this would mean a total pay-out of 94.5%.

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

The maximum performance levels allow employees to be rewarded for performance above on-target levels. The maximum amount of an STI payment for an Executive Leadership Team member is 155% of the STI on-target amount for that Executive Leadership Team member and is based on significant overachievement being 125% or more of the financial targets (*) and meeting all the other KPI target criteria 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. For the three annual option grants made under this plan in 2018, 2019 and 2020, the relevant percentages were 20–40%. Vesting of these share option grants is subject to achievement of performance hurdles, which are assessed over two and three-year periods.

In 2021 the LTI plan was amended. Options are zero priced and vesting will occur in two tranches at three and four years. 50% of each tranche vests based on time (retention) and 50% vests based on performance hurdles. The option grants as a percentage of the Executive Leadership Team member's fixed remuneration ranged from 20% to 30%.

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

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| | |
|---|---|
| 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) |

Each performance hurdle has a gate opener, which if met results in 50% of the options related to that performance hurdle vesting for that tranche. Where all performance hurdles for a tranche meet gate opener 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 a tranche, 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 requirement, 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.

In 2022 the LTI plan was amended to further improve our alignment with 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 2023 the option grants as a percentage of the Executive Leadership Team member's fixed remuneration ranged from 20–50% (30%-50% in 2022). The performance hurdles for 2023 are consistent with those in 2022 as explained above. However, during the year, Summerset sought external and independent advice from PwC to review the comparator companies we use to measure aTSR. This resulted in a broadening of our comparators to the NZX50.

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 performance hurdles reflect the drivers of sustainable value for shareholders.

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.

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 grants for senior managers did not have any performance hurdles. 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. In 2023, the number of options granted based on a percentage of fixed remuneration ranged from 15% to 25% (consistent with 2022).

As at 31 December 2023 138,756 Executive share options vested and are therefore currently exercisable subject to Board confirmation of satisfaction of performance hurdle achievement and approval.

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

Summersets Remuneration Policy relating to the Board and Executive is available to view here www.summerset.co.nz/investor-centre/governance-documents/. The number of executives to whom this policy applies is nine (9) and Board members seven (7).

This Remuneration Report contains disclosure of the employees (other than employees who are directors) who received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum, in brackets of $10,000, as required by the Companies Act 1993.

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# Key Performance Summary

## STI Company performance 2023

| FY2023 KPI | FY2023 KPI Performance | % STI payable |
|---|---|---|
| Underlying EBITDA | On-target performance exceeded | 53% |
| New sales development margin | On-target performance exceeded | 15% |
| Resales net cash | On-target performance partially met | 3% |
| Development numbers | On-target performance met | 15% |
| Customer satisfaction | On-target performance met | 10% |
| Customer clinical quality of care | On-target performance met | 10% |
| People & Culture | On-target performance met | 5% |
| Health & Safety | On-target performance partially met | 5% |
| **Total payable** | | 116.4% |

## LTI performance for vested options 31 December 2023

*Tranche 2 – 2020*

| December 2020 – tranche 2 vesting assessment summary | Assessment | Weighting | Total |
|---|---|---|---|
| Absolute earnings | 100% | 50% | 50% |
| Relative earnings | 100% | 20% | 20% |
| Staff engagement | 0% | 5% | 0% |
| Staff turnover | 100% | 5% | 5% |
| Customer satisfaction – village residents | 100% | 5% | 5% |
| Customer satisfaction – care residents | 100% | 5% | 5% |
| Clinical strategy delivery | 100% | 10% | 10% |
| **Total** | | **100%** | **95%** |

*Tranche 1 – 2021*

Special transition grant – time-based grant of zero priced options, therefore no performance hurdles.

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# Chief Executive Officer remuneration arrangements and outcomes

## CEO FY23 Remuneration outcomes

This year we have adopted the new NZX reporting guidelines issued in December 2023. This represents a change to STI and LTI reporting in the CEO remuneration table (below). This table refers to the STI *earned* in the reporting year, i.e. the FY23 STI reported will be paid in FY24. Previous annual reports refer to STI *paid* in the financial year, which may relate to a previous year's performance. The LTI value in the table refers to the market value, less exercise price of the vested options within the reporting period at the time of vesting. Previous annual reports record the value of options issued in the reporting year, at the time of issue.

*Overall FY23 remuneration*

| Year | Fixed remuneration | | Short Term Incentive (STI) | | | Long Term Incentive (LTI) | | | | | Total[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Base Salary | Other benefits[2] | Earned[3] | Amount earned[4] | Total [5] | Tranche vesting | Number of options vested[6] | Percent awarded[7] | Market price[8] | LTI value[9] | |
| FY23 | $683,612 | $26,388 | $321,346 | 113% | $1,031,346 | T1 2021 | 7,877 | 100% | $10.25 | $80,739 | $1,112,085 |
| | | | | | | T2 2020 | 30,191 | 95% | | $0 | |
| FY22 | $649,631 | $25,365 | $211,432 | 104% | $886,428 | T1 2020 | 34,927 | 95% | $8.64 | $0 | $937,428 |
| | | | | | | T2 2019 | 50,000 | 90% | | $51,000 | |
| FY21[10] | $607,155 | $24,095 | $206,071 | 105% | $837,321 | T1 2019 | 61,422 | 95% | $13.13 | $338,435 | $1,587,868 |
| | | | | | | T2 2018 | 60,694 | 95% | | $412,112 | |
| FY21[11] | $166,410 | $681 | $0 | N/A | $167,091 | N/A | 0 | N/A | N/A | N/A | $167,091 |

*1 Fixed REM + STI earned + LTI vesting*

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

*3 The STI is the amount assessed as Earned in the reporting period but will be paid in the next (as the assessment of the STI performance hurdle was made after the balance date). E.g. FY23 STI earned will be paid in the FY24 period*

*4 As a percentage of maximum award*

*5 Total cash remuneration earned*

*6 No LTI awarded in the FY21 period to former CEO*

*7 Maximum precentage awarded for the relevant performance period*

*8 At vesting date*

*9 At vesting date*

*10 Current CEO*

*11 Former CEO (employment ended 26 March 2021)*

Note: The CEO's remuneration package does not include a severance or exit payment, payable on termination of the CEO's appointment.

## KiwiSaver

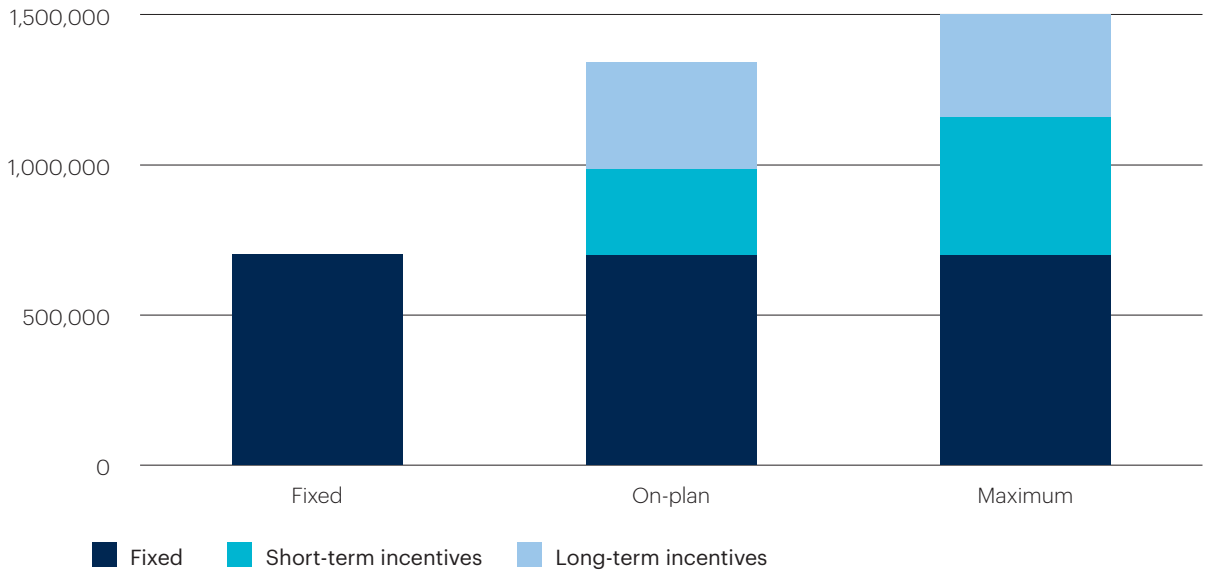
The CEO is a member of KiwiSaver. As a member of this scheme, the CEO is eligible to contribute and receive a company contribution of 3% of gross taxable earnings. For FY2023, the company's contribution for Scott Scoullar was $27,879.05 including ESCT.

## STI

The CEO's STI payable in relation to the FY2023 period (payable in February 2024) is $321,346 and is based on achievement of shared KPI targets as per table above (80%) and individual targets (20%).

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### Components of CEO FY2023 annualised remuneration




The CEO's fixed remuneration comprised annual salary and taxable benefits set at $710,000 per annum. The STI and LTI (based on the value granted in the FY2023), being 40% and 50% respectively of fixed remuneration. STI had maximum available payment of 160% of the on-target as noted above. The standard LTI grant for 2023 will vest based on performance to 31 December 2026 (tranche 1) and 31 December 2027 (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 2023

| Plan | Description | Performance measures | Percentage awarded against on-plan performance |
|---|---|---|---|
| LTI | In February 2023, vesting for 34,927 options granted under the LTI Plan at $10.85 on 18 December 2020 was assessed per the Plan Rules. The assessment period was 1 January 2021 to 31 December 2022. The vesting criteria were assessed and 95% of the options vested. | 50% based on absolute earnings<br>25% based on relative earnings<br>10% based on employee strategy initiatives<br>10% based on customer satisfaction<br>5% based on clinical strategy initiatives | 95% |
| | In February 2023, vesting for 50,000 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 2022. The vesting criteria were assessed and 90% of the options vested. | 50% based on absolute earnings<br>25% based on relative earnings<br>10% based on employee strategy initiatives<br>10% based on customer satisfaction<br>5% based on clinical strategy initiatives | 90% |



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## Chief Executive Offficer – LTI Plan entitlements

*PSRs granted to the CEO as at 31 December 2023*

**Unvested**

| PSR Award date | Vesting date | Balance of PSRs at 31 December 2023 | Awarded during the reporting period | | PRS lapsed during the reporting period |
|---|---|---|---|---|---|
| | | | PSRs Awarded | Market Price at Award | |
| T2 2023 | 31/12/27 | - | 18,924 | $0.00 | - |
| T1 2023 | 31/12/26 | - | 18,924 | $0.00 | - |
| T2 2022 | 31/12/26 | 17,815 | - | $0.00 | - |
| T1 2022 | 31/12/25 | 17,815 | - | $0.00 | - |
| T2 2021 | 31/12/25 | 10,635 | - | $0.00 | - |
| T1 2021 | 31/12/24 | 10,635 | - | $0.00 | - |
| Transition T2 2021 | 31/12/24 | 7,887 | - | $0.00 | - |

**Vested**

| PSR award date | Vesting Date | Balance of PSRs 2022[1] | Awarded during the reporting period | | PRSs lapsed[2] | Shares Vested during the reporting period | | Shares issued/transferred during the reporting period | | | Balance of PSRs 2023[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | PSRs Awarded | Market price[4] | | Market price[5] | Market value[6] | Vesting date | Shares issued/ transferred | Market price[7] | Issue/ transfer date | |
| Transition T1 2021 | 31/12/23 | 7,887 | - | $0.00 | - | $10.25 | $80,739 | 31/12/23 | - | - | - | 7,887 |
| T2 2020 | 31/12/23 | 31,780 | - | $10.85 | - | $10.25 | ($18,115) | 31/12/23 | - | - | - | 31,780 |
| T1 2020 | 31/12/22 | 34,927 | - | $10.85 | - | $8.64 | ($77,189) | - | - | - | - | 34,927 |
| T2 2019 | 31/12/22 | 50,000 | - | $7.62 | - | $8.64 | $51,000 | - | - | - | - | 50,000 |
| T1 2019 | 31/12/21 | 61,422 | - | $7.62 | - | $13.13 | $338,435 | - | 61,422 | $8.85 | 01/09/23 | - |
| T2 2018 | 31/12/21 | 60,694 | - | $6.34 | - | $13.13 | $412,112 | - | 61,422 | $8.85 | 01/09/23 | - |

*1 As at 31 December 2022*

*2 During reporting period*

*3 As at 31 December 2023*

*4 At award*

*5 At vesting date*

*6 At vesting date*

*7 At issue/transfer date*

Note the CEO is also a participant of the Employee Share Scheme:

| Issue date | No. of shares | Status |
|---|---|---|
| 17 July 2023 | 97 | Vesting 17 July 2026 |
| 18 July 2022 | 98 | Vesting 18 July 2025 |
| 19 July 2021 | 73 | Vesting 19 July 2024 |
| 17 August 2020 | 107 | Vested 17 August 2023 |
| 22 July 2019 | 140 | Vested 22 July 2022 |

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

## ESG Disclosures

### CEO/Worker Ratio

The pay gap represents the number of times greater the CEO 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 employees remuneration adjusted to a full-time equivalent amount.

At 31 December 2023, the CEO's salary of $683,612 was 10.97 times (2022: 11.0 times) that of the median employee salary at $62,296 per annum. The CEO's total remuneration, including STIs and LTIs, of $1,319,562, was 20.24 times (2022: 20.0 times) the total remuneration of the median employee at $65,210 per annum.

### Gender pay gap

Summerset is commited to cultivating a workplace that embraces diversity and inclusivity and acknowledges the significance of addressing gender pay equity within the unique context of New Zealand and Australia.

We are undertaking a thorough examination of the factors contributing to any gender pay gap that may exist within our organisation. We are dedicated to fostering an environment that values all employees, and we recognise the importance of fair compensation and equal opportunities for everyone on our team.

While we are currently in the process of reviewing our internal data, Summerset affirms its commitment to advancing discussions and initiatives that contribute to a workplace where every individual, irrespective of gender, is accorded respect and opportunities.

### Remuneration bands

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 2023 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 2023. The table also includes the value of options granted to individual employees under Summerset's LTI Plan during the same period. The table does not include amounts paid after 31 December 2023 that relate to the year ended 31 December 2023.

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

| Remuneration | Number of employees | Remuneration | Number of employees |
|---|---|---|---|
| $100,000 to $109,999 | 112 | $320,000 to $329,999 | 1 |
| $110,000 to $119,999 | 98 | $330,000 to $339,999 | 5 |
| $120,000 to $129,999 | 55 | $340,000 to $349,999 | 1 |
| $130,000 to $139,999 | 64 | $350,000 to $359,999 | 1 |
| $140,000 to $149,999 | 35 | $360,000 to $369,999 | 2 |
| $150,000 to $159,999 | 27 | $380,000 to $389,999 | 3 |
| $160,000 to $169,999 | 20 | $390,000 to $399,999 | 1 |
| $170,000 to $179,999 | 19 | $430,000 to $439,999 | 1 |
| $180,000 to $189,999 | 17 | $440,000 to $449,999 | 1 |
| $190,000 to $199,999 | 12 | $450,000 to $459,999 | 1 |
| $200,000 to $209,999 | 9 | $460,000 to $469,999 | 1 |
| $210,000 to $219,999 | 10 | $470,000 to $479,999 | 1 |
| $220,000 to $229,999 | 8 | $480,000 to $489,999 | 1 |
| $230,000 to $239,999 | 3 | $490,000 to $499,999 | 1 |

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| | | | |
|---|---|---|---|
| $240,000 to $249,999 | 7 | $640,000 to $649,999 | 1 |
| $250,000 to $259,999 | 4 | $690,000 to $699,999 | 1 |
| $260,000 to $269,999 | 6 | $710,000 to $719,999 | 1 |
| $270,000 to $279,999 | 2 | $750,000 to $799,999 | 1 |
| $280,000 to $289,999 | 3 | $810,000 to $819,999 | 1 |
| $290,000 to $299,999 | 1 | $990,000 to $999,999 | 1 |
| $300,000 to $309,999 | 3 | $1,310,000 to 1,319,999 | 1 |
| $310,000 to $319,999 | 2 | | |

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## Director remuneration

The Board of Directors Chair fees were increased by the Board with effect from 1 September 2023. The increase was made utilising the pool of funds approved by shareholders for payment of Directors fees. As at 31 December 2023, 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 (2022: $904,450) and annualised standard Directors' fees were $845,000, inclusive of additional remuneration for committee Chairs (2022: $831,200).

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 higher fees (as recorded in the table below). As at 31 December 2023, the only Director who received payment in Australian dollars was Stephen Bull.

As at 31 December 2023, the standard Director fees per annum are as follows:

### Fee schedule

| Governance body | Position | Fees for reporting period |
|---|---|---|
| Board of Directors | Chair | $195,000 |
| | Director | $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 standing 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.

The Company distinguishes the structure of non-executive Directors' remuneration from that of executive Directors.

The total amount of remuneration and other benefits received by each Director during the year ended 31 December 2023 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 2023.

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## Actual fees paid in CY2023

| Director | Board fees | Audit and Risk Committee | People and Culture Committee | Clinical Governance Committee | Development and Construction Committee | Other Board Committees[1] | Total |
|---|---|---|---|---|---|---|---|
| Mark Verbiest | $140,450 (Chair) | | | | | $2,500 | $142,950 |
| Anne Urlwin | $16,250 | $3,333 (outgoing Chair) | | | | $2,500 | $22,083 |
| Dr Andrew Wong | $97,500 | | | | | | $97,500 |
| Gráinne Troute | $97,500 | | $15,000 (Chair) | | | $5,000 | $117,500 |
| Fiona Oliver | $81,250 | $16,667 (incoming Chair) | | | | | $97,917 |
| Dr Marie Bismark | $102,404 | | | $15,000 (Chair) | | | $117,404 |
| Stephen Bull | $105,491 | | | | $16,229 | $5,467 | $127,187 |
| Venasio Lorenzo Crawley | $97,500 | | | | | | $97,500 |
| **Total** | **$738,345** | **$20,000** | **$15,000** | **$15,000** | **$16,229** | **$15,467** | **$820,041** |

*1 A Due Diligence Committee was established in FY23 to oversee Summerset's 2023 bond issue*



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# Disclosures

## Director changes during the year ended 31 December 2023

Fiona Oliver was appointed to the Board on 1 March 2023. Anne Urlwin retired from the Board on 28 February 2023.

## Directors' interests

The following is an excerpt from the Company's Interests Register, showing the material interests of Directors as at 31 December 2023, 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 2023 are disclosed in *italics*.

| Director | Entity | Position |
|---|---|---|
| **Mark Verbiest** | Meridian Energy Limited | Chair |
| | Willis Bond | Consultant |
| | WorkSafe (appointed October 2023) | Crown Monitor |
| **Dr Marie Bismark** | GMHBA Health Insurance | Director |
| | Royal Australasian College of Physicians | Fellow |
| | Veteran's Health Advisory Panel | Member |
| | Public Health Medicine Specialist registered with New Zealand Medical Council | n/a |
| | Royal Women's Hospital, Melbourne | Director |
| | University of Melbourne | Professor |
| | Te Whatu Ora - Capital & Coast (Role changed from Psychiatry Registrar to Consultant Psychiatrist in June 2023) | Consultant Psychiatrist |
| | Victorian Department of Health's Voluntary Assisted Dying 5 Year Review Governance Committee (appointed September 2023 | Member |
| | Australian Institute of Company Directors (Victoria) | Council Member |

| Director | Entity | Position |
|---|---|---|
| **Gráinne Troute** | Tourism Holdings Limited | Director |
| | Investore Property Limited | Director |
| | Duncan Cotterill | Board Member |
| | Montana Group Limited (appointed June 2023) | Chair |
| | *Tourism Industry Aotearoa (retired June 2023)* | *Chair* |
| | *Tourism Industry Transformation Plan (retired June 2023)* | *Chair* |
| **Dr Andrew Wong** | HealthCare Holdings Limited | Managing Director |
| | QCS (Quipt Clinical Supplies) Limited | Director |
| | Health Tick Limited | Director |
| | The Drug Detection Agency Group Limited | Director |
| | Kakariki Hospital Limited | Director |
| | Ascot Hospitals and Clinics Limited | Managing Director |
| | New Zealand Radiology Group Limited | Director |
| | MercyAscot Properties Limited | Director |
| | Endoscopy Auckland Limited | Chair |
| | Auckland Radiation Oncology Limited | Chair |
| | Kensington Hospital Limited | Director |
| | MercyAscot Orthopaedics Limited | Chair |
| | Auckland University of Technology | Adjunct Professor |
| | Forte Health Limited (appointed June 2023) | Director |
| | Careway Ltd | Chair |
| | Mountain Road Properties Ltd | Director |
| **Venasio-Lorenzo Crawley** | AUT Business School | Chair |
| | Added Value Limited | Director and Shareholder |
| | Te Whatu Ora - People, Culture, Development and Change Committee | Independent Board Member |

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| Director | Entity | Position |
|---|---|---|
| | (appointed February 2023)<br>IOD Pacific Governance Advisory Board (appointed February 2023) | <br>Member |
| **Stephen Bull** | MaxCap Industrial Opportunites Fund<br><br>Bridge Housing Limited (appointment changed from Director to Chair in November 2023)<br>NSW Government Transport Asset Holding Entity (appointed February 2023)<br><br>*Wingate Direct Property (retired June 2023)* | Investment Committee Member<br><br>Chair<br><br>Investment Committee Member<br>*Investment Committee Member* |
| **Fiona Oliver** | Freightways Limited[1]<br>Gentrack Group Limited[1]<br>First Gas Limited (including related subsidiaries and holding companies)[1]<br>Kingfish Limited[1]<br>Barramundi Limited[1]<br>Marlin Global Limited[1]<br>New Zealand Waterpolo[1]<br>Grasmere Trust[1]<br>Bella Vista Trust[1]<br>Wilson Partners (Oliver) Trustees Limited[1]<br>Wynyard Group Limited (in liquidation)[1]<br>NZ Superannuation Fund[1] | Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Trustee<br>Trustee<br>Director<br>Director<br>Guardian |
| **Anne Urlwin*** | Infratil Limited (appointed January 2023)<br>Te Runanga Audit and Risk Committee of Te Runanga O Ngai Tahu<br>City Rail Link Limited<br>Precinct Properties New Zealand Ltd<br>Queenstown Airport Corporation Ltd<br>Vector Limited<br>Ventia Services Group Limited | Director<br>Independent Chair<br>Director<br>Director<br>Director<br>Director<br>Director |

*1 Added 1 March 2023 on appointment*

*Anne Urlwin ceased to be a Director with effect from 28 February 2023.

## 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 2023 are specified in the table below:

| Director | Ordinary shares | SUM020 retail bonds | SUM030 retail bonds | SUM040 retail bonds |
|---|---|---|---|---|
| Mark Verbiest | 11,500* | – | – | – |
| Dr Marie Bismark | 24,967 | – | – | – |
| Gráinne Troute | 25,843 | – | – | – |
| Dr Andrew Wong | 10,500 | – | – | – |
| Venasio-Lorenzo Crawley | 4,285 | – | – | – |
| Stephen Bull | 6,700 | – | – | – |
| Fiona Oliver | 9,700 | – | – | – |
| **Total** | **93,495** | **0** | **0** | **0** |

**Mr Verbiest's wife has a legal and beneficial interest in 11,500 SUM ordinary shares.*

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## 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 |
|---|---|---|---|---|
| Dr Marie Bismark | Legal and beneficial interest | 23 March 2023 | 283 | Issue of shares under dividend reinvestment plan at $8.50 per share |
| | Legal and beneficial interest | 19 September 2023 | 246 | Issue of shares under dividend reinvestment plan at $9.65 per share |
| Gráinne Troute | Legal and beneficial interest | 23 March 2023 | 233 | Issue of shares under dividend reinvestment plan at $8.50 per share |
| | Legal and beneficial interest | 19 September 2023 | 201 | Issue of shares under dividend reinvestment plan at $9.65 per share |
| Fiona Oliver | Power to acquire or dispose | 23 May 2023 | 9,700 | On-market acquisition of ordinary shares at an average prices of $8.75 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 |
| 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 |
| Fiona Oliver | 1 March 2023 |

**Anne Urlwin retired on 28 February 2023*

## 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 this Annual Report. Employees did not receive additional remuneration or benefits for acting as Directors during the year.

Scott Scoullar, Will Wright, Aaron Smail, Dean Tallentire, Sarah Theodore and Robyn Heyman were Directors of all the Company's New Zealand incorporated subsidiaries as at 31 December 2023, with the exception of Summerset LTI Trustee Limited (the Directors of which are Mark Verbiest and Dr Marie Bismark). Scott Scoullar, Will Wright, Stewart

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Scott, Sarah Theodore and Robyn Heyman were Directors of all the Company's Australian incorporated subsidiaries as at 31 December 2023, with the exception of Summerset Care (Australia) Pty Limited (the Directors of which are Scott Scoullar, Will Wright, Stewart Scott and Robyn Heyman). No extra remuneration is payable to any Director of the Company for any Directorship of a subsidiary.

## Top 20 Shareholders as at 31 December 2023

| Rank | Registered Shareholder | Number of shares | % of shares |
|---|---|---|---|
| 1 | Custodial Services Limited | 23,996,219 | 10.24% |
| 2 | HSBC Nominees (New Zealand) Limited* | 20,121,837 | 8.59% |
| 3 | Tea Custodians Limited* | 19,644,791 | 8.39% |
| 4 | BNP Paribas Nominees NZ Limited (BPSS40)* | 17,154,294 | 7.32% |
| 5 | Citibank Nominees (NZ) Ltd* | 14,900,170 | 6.36% |
| 6 | New Zealand Superannuation Fund Nominees Limited* | 13,426,762 | 5.73% |
| 7 | FNZ Custodians Limited | 8,503,512 | 3.63% |
| 8 | Accident Compensation Corporation* | 8,258,257 | 3.52% |
| 9 | Forsyth Barr Custodians Limited | 6,728,914 | 2.87% |
| 10 | JPMORGAN Chase Bank* | 6,684,523 | 2.85% |
| 11 | New Zealand Depository Nominee | 5,015,193 | 2.14% |
| 12 | Hobson Wealth Custodian Limited | 4,797,188 | 2.05% |
| 13 | New Zealand Permanent Trustees Limited* | 3,990,722 | 1.70% |
| 14 | HSBC Nominees (New Zealand) Limited* | 3,717,515 | 1.59% |
| 15 | Premier Nominees Limited* | 3,531,903 | 1.51% |
| 16 | JBWERE (NZ) Nominees Limited | 2,843,399 | 1.21% |
| 17 | BNP Paribas Nominees (NZ) Limited* | 2,392,446 | 1.02% |
| 18 | Premier Nominees Limited* | 2,131,651 | 0.91% |
| 19 | Public Trust* | 2,108,204 | 0.90% |
| 20 | Pt Booster Investments Nominees Limited | 1,785,318 | 0.76% |
| | **Total** | **171,732,818** | **73.29%** |

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

## Spread of Shareholders as at 31 December 2023

| Size of shareholding | Shareholders Number | Shareholders % | Shares Number | Shares % |
|---|---|---|---|---|
| 1 to 1,000 | 3,978 | 40.48% | 1,679,613 | 0.72% |
| 1,001 to 5,000 | 3,975 | 40.45% | 9,802,616 | 4.18% |
| 5,001 to 10,000 | 1,056 | 10.75% | 7,619,188 | 3.25% |
| 10,001 to 50,000 | 710 | 7.23% | 13,387,995 | 5.71% |
| 50,001 to 100,000 | 53 | 0.54% | 3,602,084 | 1.54% |
| 100,001 and over | 54 | 0.55% | 198,189,886 | 84.60% |
| **Total** | **9,826** | **100.00%** | **234,281,382** | **100.00%** |

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## Substantial product holder notices received as at 31 December 2023

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 2023. The total number of voting products on issue at 31 December 2023 was 234,281,382 ordinary shares.

| Shareholder | Relevant interest | % held at date of notice | Date of notice |
|---|---|---|---|
| Fisher Funds Management Limited | 13,375,316 | 5.7365% | 31 August 2023 |
| Harbour Asset Management Limited* | 13,344,167 | 5.721% | 24 March 2023 |
| New Zealand Superannuation Fund Nominees Limited | 11,687,398 | 5.017% | 2 May 2023 |

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

## Top 20 Bondholders as at 31 December 2023

### SUM020

| Rank | Registered Bondholder | Number of bonds | % of bonds |
|---|---|---|---|
| 1 | Custodial Services Limited | 28,907,000 | 23.13% |
| 2 | FNZ Custodians Limited | 22,673,000 | 18.14% |
| 3 | Hobson Wealth Custodian Limited | 19,038,000 | 15.23% |
| 4 | Forsyth Barr Custodians Limited | 17,808,000 | 14.25% |
| 5 | FNZ Custodians Limited | 1,762,000 | 1.41% |
| 6 | Best Farm Limited | 1,500,000 | 1.20% |
| 7 | Private Nominees Limited* | 1,445,000 | 1.16% |
| 8 | Investment Custodial Services Limited | 1,386,000 | 1.11% |
| 9 | Tea Custodians Limited* | 1,368,000 | 1.09% |
| 10 | PT (Booster Investments) Nominees Limited* | 1,296,000 | 1.04% |
| 11 | JBWERE (NZ) Nominees Limited | 1,192,000 | 0.95% |
| 12 | Hobson Wealth Custodian Limited | 1,060,000 | 0.85% |
| 13 | Comonwealth Bank of Australia* | 772,000 | 0.62% |
| 14 | FNZ Custodians Limited | 678,000 | 0.54% |
| 15 | Forsyth Barr Custodians Limited | 629,000 | 0.50% |
| 16 | Custodial Services Limited | 599,000 | 0.48% |
| 17 | New Zealand Permanent Trustees Limited* | 582,000 | 0.47% |
| 18 | Hobson Wealth Custodian Limited | 547,000 | 0.44% |
| 19 | Investment Custodial Services Limited | 500,000 | 0.40% |
| 20 | Westpac Banking Corporation* | 474,000 | 0.38% |
| | **Total** | **104,216,000** | **83.39%** |

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

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## SUM030

| Rank | Registered Bondholder | Number of bonds | % of bonds |
|---|---|---|---|
| 1 | Custodial Services Limited | 44,033,000 | 29.36% |
| 2 | Tea Custodians Limited* | 23,260,000 | 15.51% |
| 3 | FNZ Custodians Limited | 17,068,000 | 11.38% |
| 4 | Forsyth Barr Custodians Limited | 14,363,000 | 9.58% |
| 5 | Hobson Wealth Custodian Limited | 10,124,000 | 6.75% |
| 6 | Westpac Banking Corporation | 2,340,000 | 1.56% |
| 7 | NZ Permanent Trustees Ltd Grp Invstmnt Fund No 20* | 2,093,000 | 1.40% |
| 8 | FNZ Custodians Limited | 1,590,000 | 1.06% |
| 9 | Investment Custodial Services Limited | 1,324,000 | 0.88% |
| 10 | ANZ National Bank Limited* | 1,265,000 | 0.84% |
| 11 | Private Nominees Limited* | 1,215,000 | 0.81% |
| 12 | JBWERE (NZ) Nominees Limited | 1,195,000 | 0.80% |
| 13 | Hobson Wealth Custodian Limited | 1,165,000 | 0.78% |
| 14 | Forsyth Barr Custodians Limited | 969,000 | 0.65% |
| 15 | JPMORGAN Chase Bank | 957,000 | 0.64% |
| 16 | NZX WT Nominees Limited | 775,000 | 0.52% |
| 17= | Leveraged Equities Finance Limited | 760,000 | 0.51% |
| 17= | Commonwealth Bank of Australia* | 760,000 | 0.51% |
| 18 | JML Capital Limited | 700,000 | 0.47% |
| 19 | Forsyth Barr Custodians Limited | 668,000 | 0.45% |
| 20 | FNZ Custodians Limited | 608,000 | 0.41% |
| | **Total** | **127,232,000** | **84.87%** |

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



## SUM040

| Rank | Registered Bondholder | Number of bonds | % of bonds |
|---|---|---|---|
| 1 | Custodial Services Limited | 51,852,000 | 29.63% |
| 2 | Forsyth Barr Custodians Limited | 24,722,000 | 14.13% |
| 3 | FNZ Custodians Limited | 9,894,000 | 5.65% |
| 4 | JBWERE (NZ) Nominees Limited | 8,960,000 | 5.12% |
| 5 | Hobson Wealth Custodian Limited | 8,344,000 | 4.77% |
| 6 | HSBC Nominees (New Zealand) Limited* | 7,000,000 | 4.00% |
| 7 | Tea Custodians Limited* | 5,690,000 | 3.25% |
| 8 | New Zealand Permanent Custodian Limited | 3,553,000 | 2.03% |
| 9 | Investment Custodial Services Limited | 2,899,000 | 1.66% |
| 10 | Forsyth Barr Custodians Limited | 2,124,000 | 1.21% |
| 11 | Private Nominees Limited* | 1,685,000 | 0.96% |
| 12 | Pt (Booster Investments) Nominees Limited* | 1,280,000 | 0.73% |

| | | | |
|---|---|---|---|
| 13= | Christopher William Randall | 1,000,000 | 0.57% |
| 13= | JBWERE (NZ) Nominees Limited | 1,000,000 | 0.57% |
| 14 | Phazma Holdings Limited | 935,000 | 0.53% |
| 15 | Yingxian Shi | 900,000 | 0.51% |
| 16 | JBWERE (NZ) Nominees Limited | 750,000 | 0.43% |
| 17 | David James Foster & Linda Joyce Foster | 600,000 | 0.34% |
| 18 | NZX WT Nominees Limited | 580,000 | 0.33% |
| 19 | Wellspring Television Limited | 509,000 | 0.29% |
| 20 | Custodial Services Limited | 502,000 | 0.29% |
| | **Total** | **134,779,000** | **77.00%** |

* Bonds held through the New Zealand Central Securities Depository Limited

## Spread of bondholders as at 31 December 2023

### SUM020

| Size of bondholding | Bondholders Number | Bondholders % | Bonds Number | Bonds % |
|---|---|---|---|---|
| 1 to 1,000 | - | - | - | - |
| 1,001 to 5,000 | 43 | 6.60% | 215,000 | 0.17% |
| 5,001 to 10,000 | 133 | 20.40% | 1,278,000 | 1.02% |
| 10,001 to 50,000 | 402 | 61.66% | 10,763,000 | 8.61% |
| 50,001 to 100,000 | 39 | 5.98% | 3,421,000 | 2.74% |
| 100,001 and over | 35 | 5.36% | 109,323,000 | 87.46% |
| **Total** | **652** | **100.00%** | **125,000,000** | **100.00%** |

### SUM030

| Size of bondholding | Bondholders Number | Bondholders % | Bonds Number | Bonds % |
|---|---|---|---|---|
| 1 to 1,000 | - | - | - | - |
| 1,001 to 5,000 | 47 | 6.65% | 235,000 | 0.16% |
| 5,001 to 10,000 | 162 | 22.91% | 1,565,000 | 1.04% |
| 10,001 to 50,000 | 409 | 57.85% | 11,012,000 | 7.34% |
| 50,001 to 100,000 | 49 | 6.93% | 4,088,000 | 2.73% |
| 100,001 and over | 40 | 5.66% | 133,100,000 | 88.73% |
| **Total** | **707** | **100.00%** | **150,000,000** | **100.00%** |

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**SUM040**

| Size of bondholding | Bondholders Number | Bondholders % | Bonds Number | Bonds % |
|---|---|---|---|---|
| 1 to 1,000 | - | - | - | - |
| 1,001 to 5,000 | 69 | 6.70% | 345,000 | 0.20% |
| 5,001 to 10,000 | 179 | 17.36% | 1,707,000 | 0.98% |
| 10,001 to 50,000 | 598 | 58.00% | 16,613,000 | 9.49% |
| 50,001 to 100,000 | 106 | 10.28% | 8,579,000 | 4.90% |
| 100,001 and over | 79 | 7.66% | 147,756,000 | 84.43% |
| **Total** | **1,031** | **100.00%** | **175,000,000** | **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 2023.

## Credit rating

The Company has no credit rating.

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## 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 FY23 audit fees was $345,300 (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 $52,000. Ernst & Young also performed non-audit work in relation to remuneration advisory services and training, the fees for this engagement was $11,400.

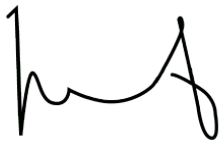
## Donations

In accordance with section 211(1)(h) of the Companies Act 1993, Summerset records that it donated $8,800 during the year ended 31 December 2023.

## 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 12 March 2024.

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





**Mark Verbiest**
Director and
Chair of the Board

**Fiona Oliver**
Director and
Chair of the Audit and
Risk Committee

*23 February 2024*

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# Directory

## 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 Half Moon Bay**[1]
25 Thurston Place,
Half Moon Bay,
Auckland 2012
Phone (09) 306 1422

**Summerset St Johns**
188 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 villages*

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**Summerset at Pohutukawa Place**
70 Pohutukawa Place, Bell Block,
New Plymouth 4312
Phone (06) 824 8532

## Manawatū – Whanganui

**Summerset in the River City**
40 Burton Avenue, Whanganui East,
Whanganui 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 Cashmere Oaks**[1]
Lansdowne
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

**Summerset Rolleston**[1]
153 Lincoln Rolleston Road
Rolleston
Phone (0800) 786 637

## Otago

**Summerset at Bishopscourt**
36 Shetland Street, Wakari,
Dunedin 9010
Phone (03) 950 3102

**Summerset Mosgiel**[1]
51 Wingatui Road,
Mosgiel 0616
Phone (03) 474 3930

1 *Proposed villages*

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# Australia

## Victoria

**Summerset Cranbourne North**
98 Mannavue Boulevard,
Cranbourne North VIC 3977
Phone (1800) 321 700

**Summerset Chirnside Park**
266-268 Maroondah Hwy,
Chirnside Park VIC 3116
Phone (1800) 321 700

**Summerset Torquay**[1]
Grossmans Road and Briody Drive,
Torquay VIC 3228
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,
Drysdale,
VIC 3167 Phone
(1800) 321 700

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1 *Proposed villages*

# Company information

## Registered offices

**New Zealand**
Level 27, Majestic Centre,
100 Willis Street
Wellington 6011

PO Box 5187,
Wellington 6140

Phone: +64 4 894 7320
Email: reception@summerset.co.nz
www.summerset.co.nz

**Australia**
Deutsche Bank Place,
Level 4, 126 Phillip Street,
Sydney, NSW 2000

**Auditor**
Ernst & Young

**Solicitor**
Russell McVeagh

**Bankers**
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
China Construction Bank (New Zealand Limited)

**Statutory Supervisor**
Public Trust

**Bond Supervisor**
The New Zealand Guardian Trust
Company Limited

**Share Registrar**
Link Market Services,
PO Box 91976, Auckland 1142,
New Zealand

Phone: +64 9 375 5998
Email: enquiries@linkmarketservices.co.nz

**Directors**
Mark Verbiest
Dr Marie Bismark
Stephen Bull
Venasio-Lorenzo Crawley
Gráinne Troute
Fiona Oliver
Dr Andrew Wong

**Company Secretary**
Robyn Heyman

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Artist impression of Summerset by the Ranges, Levin care centre refurbishment

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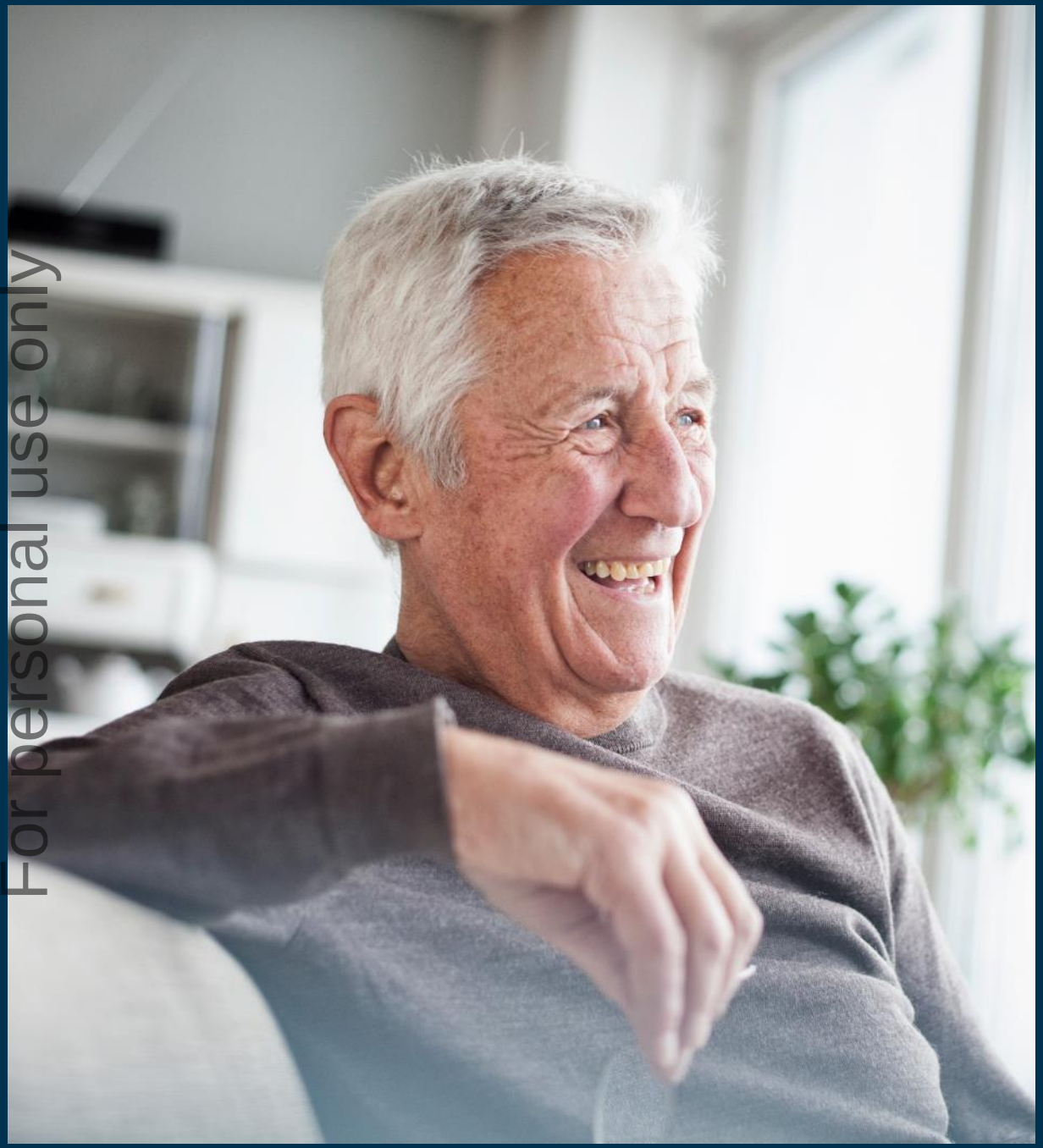
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# Full year results presentation

Full Year Report 2023

# Agenda

01 Our highlights

02 Our strategy

03 Our community

04 Our environment

05 New Zealand development

06 Australia development

07 Financial performance

08 Business performance

09 Appendix

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*Summerset Cambridge, Waikato District*

# Our highlights

**Full Year Report 2023**

# FY23 investor highlights

## Record underlying profit of $190.3m in FY23, up 11% on FY22 with strong sales pipeline in place to start FY24

- Record underlying profit of $190.3m, up 11% from $171.4m in FY22
- Net profit after tax (NZ IFRS) of $436.3m, up 62% from $269.1m in FY22
- Record realised development margin of $121.2m, up 16% on FY22 and realised resale gain of $88.1m, up 26% on FY22
- Net operating cash flows of $398.2m, a company record and up 8% from $369.2m in FY22
- Total assets now $6.9b, up 19% on FY22, total equity of $2.6b and sector leading net tangible assets per share of $11.10
- Record 1,103 total settlements comprising 560 new sales and 543 resales, up 10% on FY22
- Committed sales pipeline of 395 units under contract at 31 December 2023, an increase of 11% on FY22
- Excellent resident satisfaction scores maintained, retirement villages achieving 96%, and care centres 95% in 2023
- Four new villages opened in New Zealand, at Blenheim, Lower Hutt, Milldale and Waikanae and first Australian retirement units delivered at Cranbourne North (Melbourne)



*Summerset at Monterey Park (Hobsonville)*

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# Record underlying profit of $190.3m up 11% on FY22

Record underlying profit of $190.3m in FY23, up 11% on FY22 with strong sales pipeline in place to start FY24

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**$436.3m**
Net profit after tax
**FY22** $269.1m

**$398.2m**
Net operating cash flows
**FY22** $369.2m

**$190.3m**
Underlying profit
**FY22** $171.4m

**31.6%**
Development margin
**FY22** 29.7%

**36.5%**
Resales cash margin
**FY22** 37.5%

**$1.6b**
Embedded value
**FY22** $1.5b

**643**
Units delivered to be sold under Occupation Right*
**FY22** 625

**1,103**
Sales of Occupation Rights
**FY22** 1,007

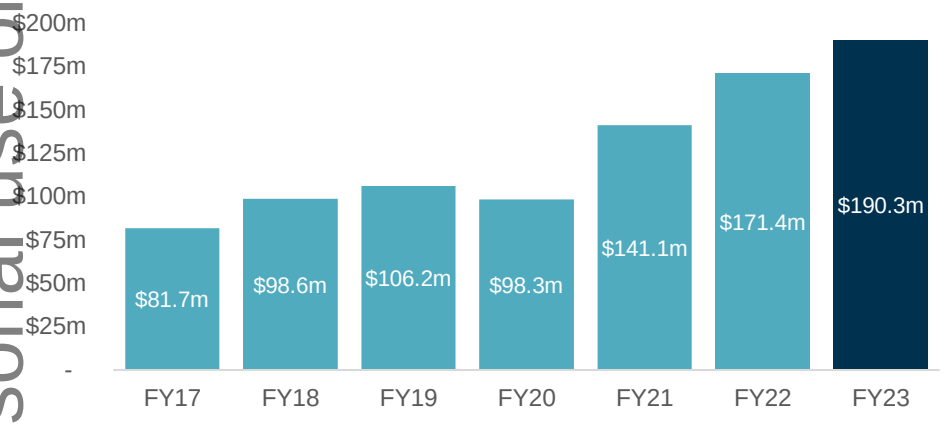
**6,909**
New Zealand and Australia land bank (including care)
**FY22** 7,364

** 633 units in New Zealand and 10 units in Australia to be sold under Occupation Right Agreement*

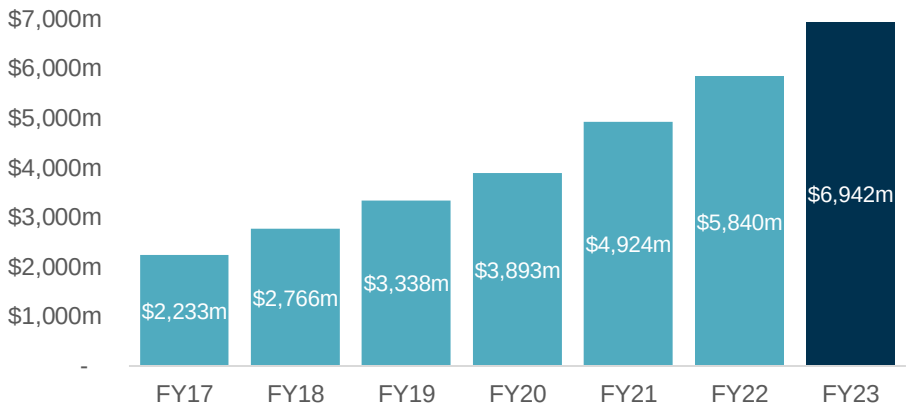
# Record underlying profit of $190.3m up 11% on FY22

## Consistent asset growth over time continues to strengthen balance sheet

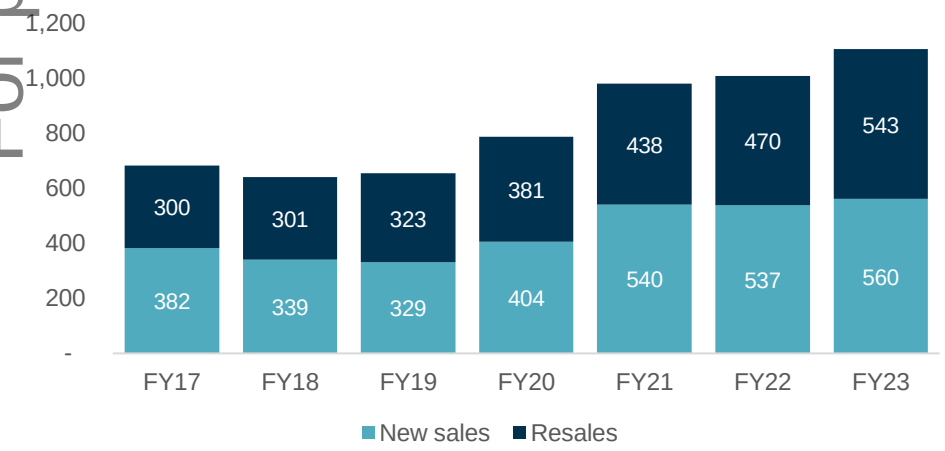
### Underlying profit



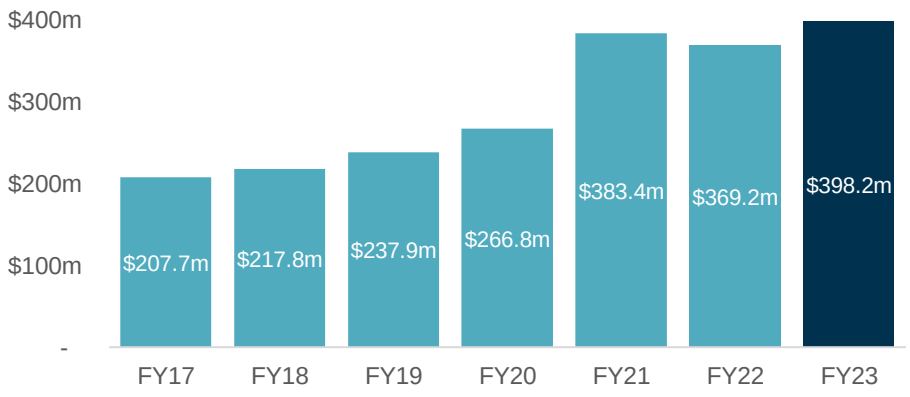

### Total assets




### Total settlements of occupation rights




### Net operating cash flows




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# Looking back – FY23 milestones

## A showcase of key events from the past year

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Cyclone Gabrielle support


Kenepuru main building opens


Cambridge village opens



St Johns sales launch





Summerset Oakleigh South

**February**

Our people from Hawke's Bay and around the country support residents during Cyclone Gabrielle

Opened our largest main building to date, the 12,500 sqm village centre at our Kenepuru village

**March**

Solar panels installed on pool house at Karaka

First residents move into our Cambridge village

**April**

Presales at St Johns launched

**May**

Half Moon Bay receives resource consent

Released our first Sustainability Review ESG report

**June**

Development plan for Oakleigh South, Melbourne approved

# Looking back – FY23 milestones

## A showcase of key events from the past year

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Aged Advisor Award


Mosgiel acquisition


Rolleston acquisition





Cranbourne North first units


Bell Block main building opens


Chirnside Park Smoking Ceremony

### July

Summerset's "Think Green" programme won the RVA's Operator-led Sustainability Award

First units delivered at Summerset Boulcott (Lower Hutt)

### August

Summerset wins gold for "Group Provider Nationwide" in Aged Advisor's 2023 people's choice annual awards

Announced the purchase of our new sites in Rolleston and Mosgiel, New Zealand

### September

Bell Block main building officially opened

First units delivered at Summerset Blenheim and Summerset Waikanae

### October

Chris Lokum joins Summerset as the new GM People & Culture

Announced as naming rights sponsor for the GT NZ motorsport championship

### November

Te Awa main building officially opened

Welcome to Country and Smoking Ceremony performed by the Bunurong People at Chirnside Park (Melbourne)

Winner of Reader's Digest 2024 Quality Service Award for the Retirement village category

Resource consent granted for Kelvin Grove (Palmerston North)

### December

First units delivered at Summerset Cranbourne North and Summerset Milldale

# Our strategy – FY23 progress

Summerset builds, owns and operates integrated retirement villages, creating vibrant, happy communities for residents and our people that delivers on our purpose – bringing the best of life

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## BRINGING THE BEST OF LIFE

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



### DELIVER NEW ZEALAND'S BEST RETIREMENT VILLAGES

We create **vibrant**, connected **communities** with skilled, caring and dedicated people right across New Zealand. We want to **grow the reach** of our villages by making them available to more retirees in more locations throughout New Zealand

**FY23 progress:**

- Named the 'Best Provider Nationwide' in the Aged Advisor annual People's Choice Awards
- Resident portal, Lumin, rolled out to seven villages, enabling more vibrant communication with residents
- Launched a suite of holiday homes, providing short term accommodation to residents, their friends & families
- Purchased new sites at Rolleston (Selwyn District) and Mosgiel (Dunedin)
- $192m positive cash flow recycled out of our last ten completed village developments, a 14.1% cash margin



### INVEST IN OUR PEOPLE

Summerset's people are vital to its success. We are **committed** to providing sustainable, meaningful career pathways and opportunities. We are **focused on the health, safety** and the **wellbeing of our employees** to ensure they can be at their **best** at work, and at home

**FY23 progress**

- Enhanced parental leave offering to complement our sector leading employee benefits
- Assisted our people with the cost of living, gifting $250 to over 1,600 staff across the organisation
- Partnered with Careerforce to upskill frontline staff, and continued our Leadership Development Programme
- Supported employee representative groups including our Pride Network & Women in Construction forum
- Engagement and retention both increased in 2023



### CREATE ATTRACTIVE NEW PRODUCTS AND SERVICES

To match our customers' expectations we strive to create new products, amenities and services with a **continuum of care** at the heart of our offering. Our products are **tailored** to the needs of individual communities, but will always look to exceed the demands of customers who may want more

**FY23 progress:**

- New main building and villa designs underway for provincial and regional areas
- Care Centre upgrades for our first-generation villages in progress at Levin, Havelock North and Trentham
- Flagship village, St Johns, on track to deliver the first units, main building and care centre in 2H24
- Installing ceiling hoists in care centres to assist residents & our people with more comfortable and safe bed access

ONE TEAM

STRONG ENOUGH TO CARE

STRIVE TO BE THE BEST

# Our strategy – FY23 progress

Summerset builds, owns and operates integrated retirement villages, creating vibrant, happy communities for residents and our people that delivers on our purpose – bringing the best of life

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## BRINGING THE BEST OF LIFE

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



### GROW IN AUSTRALIA

Summerset is **ambitious** about its **future** in Australia. We are excited to be taking our **established brand** of retirement village living into the Australian market - we plan to **deliver thriving communities**, grow our team, and expertise as we open villages in Victoria

**FY23 progress:**

- Delivered first villas at our first Australian village, Cranbourne North in Melbourne
- Enabling works underway at Chirnside Park
- Oakleigh South development plan and Craigieburn planning permit approved
- Continue to look for new sites in Victoria to complement our existing pipeline of over 2,100 units and beds
- Now exploring opportunities in other Australian states to support our wider Australian expansion strategy



### BE A GOOD CORPORATE CITIZEN

We are proud of our **industry leading** approach to sustainability, making significant improvements in this space over the last five years. This is the start of our journey - we will **continue to focus** on finding new opportunities to better ourselves, utilise sustainable lending and meet our growing disclosure obligation

**FY23 progress**

- Published our Sustainability Review document and Climate-Related Disclosures for FY23
- Have five, ten and 15-year emissions intensity reduction targets, audited annually by Toitū
- Investing in solar, embodied carbon, water usage measurement, food waste and EV infrastructure to help achieve our sustainability targets
- Now sponsor over 200 local clubs that align with our residents' interests and Summersets' brand and values



### BE A MORE EFFICIENT AND EFFECTIVE BUSINESS

To match our customers' expectations we strive to create new products, amenities and services with a **continuum of care** at the heart of our offering. Our products are **tailored** to the needs of individual communities, but will always look to exceed the demands of customers who may want more

**FY23 progress:**

- Vibe digital signage installed in village staff rooms to improve interaction and communication with our people
- New onboarding processes introduced to improve administration requirements for the business
- Begun the rollout of VCare for mobile, allowing our people to update care notes more efficiently, enabling them to spend more time with residents

ONE TEAM

STRONG ENOUGH TO CARE

STRIVE TO BE THE BEST

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# Our community

Full Year Report 2023

# Our residents

## Bringing the best of life to residents every day

- Named the ‘Best Provider Nationwide’ in the Aged Advisor annual People's Choice Awards, with five villages also named as finalists in their categories
- Our retirement village achieved 96% resident satisfaction with 95% for our care centre residents in 2023
- Increased the range of events offered to residents, including a Best Garden competition, a nationwide Summerset Challenge Quiz, and the “Summerset Sessions” entertainment series
- Now offer a suite of holiday homes that provide short term accommodation to residents, their friends and family - bringing new destinations and our communities closer together
- Progressed the rollout of Lumin, our resident experience platform, which is now in seven villages with a further eight to follow over the next 12 months
- Opened three new main buildings in Bell Block, Kenepuru and Te Awa allowing more residents to enjoy the excellent care and recreation facilities within these buildings
- Commenced the installation of ceiling hoists above beds in all care centres, giving our people the ability to assist residents with more comfortable and safe access to their bed
- Enhanced our medication optimisation and falls prevention management to ensure better quality of life for care residents
- Continued our work to refurbish our older care centres with Levin, Havelock North and Trentham all underway















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# Our people

## Our people are key to our success, and we are immensely proud of the work they do

- Improved our sector leading employee benefits, enhancing our parental leave offering to complement our wide range of existing benefits
- Recognised that the cost of living was impacting our people, gifting a one-off payment of $250 to over 1,600 staff
- Completed the rollout of our digital signage platform ‘Vibe’ to better communicate with our people in our villages
- Supported the establishment of employee representative groups including Summerset’s Pride Network and the Women in Construction Forum
- Partnered with Careerforce to upskill our frontline staff, giving all motivated people the ability to learn and grow at Summerset
- Procurement team named finalists in two categories at the NZ Procurement Excellence Forum’s 2023 awards
- Increased our focus on diversity and inclusion, all managers having training in 2023
- Now into the fourth year our leadership development programme with our village and clinical leaders completing the programme in 2023
- Introduced a new three-year health and safety strategy to ensure we are doing everything to protect our people

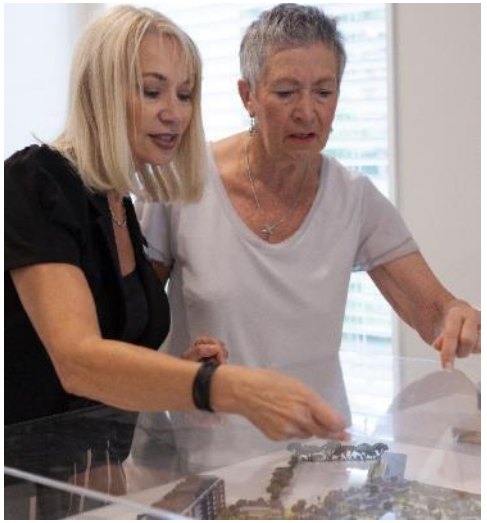










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# Community support

## Promoting and supporting our communities

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- Media investment in the sector was highly competitive in 2023, with Summerset continuing to lead in brand consideration
- Our focus remains on growing our brand and presence in both New Zealand and Victoria
- We continue to increase the range of organisations we support, and sponsorship opportunities that align with our brand and our values
- In October we became naming rights sponsor for the GT NZ motorsport championship
- Reaffirmed our partnerships with organisations in key areas important to our residents and their families. These include:
  - New Zealand Symphony Orchestra
  - Netball New Zealand
  - Wellington Free Ambulance
  - Bowls New Zealand
  - Dementia New Zealand
  - Alzheimers New Zealand
  - Hato Hone St John Therapy Pet Programme
- Our villages now work with over 200 local community clubs, including bowls, golf, croquet, bridge and theatre groups



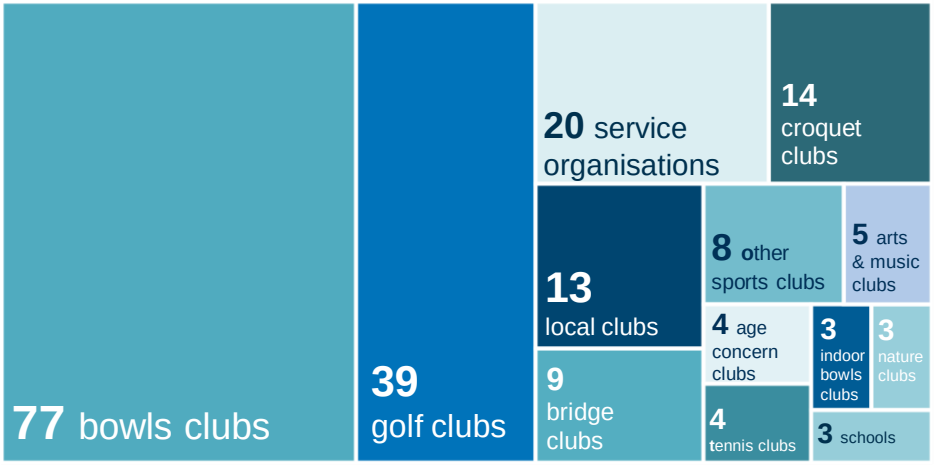
Netball New Zealand


Bowls New Zealand


New Zealand Symphony Orchestra


Wellington Free Ambulance

## Community engagement



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# Our environment



Full Year Report 2023

# Our environment

## Environmental performance and sustainability

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- Summerset is a market leader in sustainability in the retirement and aged care sectors, performing well on key rating indices
- We strive to develop, build and manage more sustainable retirement villages in both New Zealand and Australia
- Now invested over $1.5m in renewable energy opportunities and solution projects to reduce our carbon emissions
- Enhanced our electric vehicle infrastructure – our EV charge station roll out progressing well with nine villages now also having electric vehicles available for residents to use
- Successfully installed solar panels at our Nelson, Karaka and Manukau villages, and have commenced the roll out of solar onto our new main buildings, starting at our Richmond village
- Introduced formal measurement of water consumption and installed water meters to better understand water usage in our villages
- Piloted a food waste reduction initiative in conjunction with the Retirement Villages Association (RVA) and the University of Otago
- Implemented other new environment initiatives that include the planting of an orchard at our Whangārei village and the replanting of a māhoe forest adjacent to our Waikanae village
- Our Sustainability Report and climate related disclosures, which summarise our sustainability progress over past five years, are available on our website (www.summerset.co.nz)


Electric vehicle rollout


Solar implementation


Waste diversion

## Latest sustainability ratings

MSCI

**AAA**

**ESG RATING (2023)**

FORSYTH BARR

**A-**

**ESG RATING (2023)**

Aged care sector average B-
New Zealand average C+

CRAIGS INVESTMENT PARTNERS

**4.9**

**ESG RATING (2022)**

Rating scored out of 5
Aged care sector average 4.4
New Zealand average 4.3

CDP DRIVING SUSTAINABLE ECONOMIES

**A-**

**SUPPLIER ENGAGEMENT (2022)**

Rates our supply chain engagement on climate related issues

CDP DRIVING SUSTAINABLE ECONOMIES

**B**

**CLIMATE CHANGE (2023)**

Health care organisations around the world achieved an average score of 'C'

# Our environment

## Environmental performance and sustainability

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- We have been successfully measuring, managing, and reporting on our carbon footprint since 2017 (our base year)
- Winner of Best Operator Led Initiative at the 2023 RVA Sustainability Awards for achieving a 16% reduction against our original 2017- 2022 Toitū emissions target of 5%
  - New target is to reduce emissions intensity 34% per square metre by 2027 on a baseline year of 2022
  - Long term target remains to reduce emissions intensity 62% per square metre by 2032
- Member of the Climate Leaders Coalition, meeting the Statement of Ambition for membership - being a reduction in emissions to limit future warming to 1.5 degrees Celsius
- Our focus on waste minimisation and construction waste avoidance efforts were recognised externally, winning a 2023 Construction Sector Beacon Award
- Investigating the implementation of a staff Workride scheme as part of our scope 3 supply chain reporting, supported by feedback from our 2023 Employee Commuting Survey
- Established a working group to manage the volume of embodied carbon in materials and product quantities on selected unit typologies - enabling us to continue exploring the use of more sustainable materials
- New supplier engagement programme in place, focusing on reducing emissions within our value supply chain

| Emissions source & measure | 2017 (Base year) | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| **Gas** Emissions from gas used per main building $m^2$ ($tCO_2e/m^2$) | 0.013 | 0.012 | 0.012 | 0.011 |
| **Fuels** Emissions from fuels used per operational village ($tCO_2e$/village) | 9.77 | 11.23 | 12.32 | 13.34 |
| **Electricity (scope 2)** Emissions from electricity used per main building $m^2$ ($tCO_2e/m^2$) | 0.017 | 0.019 | 0.018 | 0.001 |
| **Travel** Emissions used from travel per head office staff member ($tCO_2e$/Head office staff) | 2.96 | 1.01 | 1.90 | 2.46 |
| **Waste** Emissions from waste per total residents & staff ($tCO_2e$/Residents + Staff) | 0.116 | 0.097 | 0.096 | 0.043 |
| **Resident electricity** Emissions from resident electricity per resident ($tCO_2e$/Resident) | 0.336 | 0.274 | 0.304 | 0.155 |
| **Paper** Emissions from paper per staff member ($tCO_2e$/Staff) | 0.020 | 0.011 | 0.009 | 0.007 |

| 2017 - 2022 Original short-term target | 2023 – 2027* New short-term target | 2017 – 2032* Long-term target |
|---|---|---|
| **5%** Reduction in emissions intensity per $1m of revenue by 2022 (2017 base year) | **34%** Reduction in emissions intensity per square metre by 2027 (2022 base year) | **62%** Reduction in emissions intensity per square metre by 2032 (2017 base year) |
| **16%** Reduction achieved | **15%** Reduction to date | **18%** Reduction to date |

*Our emissions are independently audited by Toitū Envirocare to the ISO14064-1: 2018 standard*
** Emissions reduction targets are science aligned and cover scopes 1 and 2*

# Our sustainability framework and targets

Our vision is to develop villages responsibly, creating a sustainable future for all

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| | | | |
|---|---|---|---|
| **STRATEGIC GOALS** | Reduce our impact on the planet through efficiency and innovation | Contribute to the economic prosperity of Aotearoa New Zealand | Create caring communities for our residents and employees |
| **OUR FOCUS AREAS** | • Reduce carbon footprint<br>• Reduce landfill waste<br>• Energy efficiency<br>• Measure water take<br>• Sustainable design and construction practices<br>• Embrace technology including solar | • Adapt to economic conditions<br>• Fulfil sustainability-linked lending criteria<br>• Provide a secure and sustainable business for shareholders<br>• Fulfil governance and compliance obligations | • Act ethically and responsibly<br>• Support local communities<br>• Provide a safe workplace<br>• Staff wellbeing<br>• Diversity and inclusion<br>• Grow stakeholder understanding of sustainability |
| **OUR TARGETS** | **5 year – Short term carbon target:**<br>Reduce emissions intensity by 34% by 2027<br>**10+ year - Long term target**<br>Reduce emissions intensity per sqm by 62% by 2032<br>**15+ year** - Carbon net zero by 2050 | **Sustainability Linked Loans:**<br>1. Ongoing dementia certification and increase dementia beds<br>2. 5% year on year reduction in carbon intensity per sqm scopes 1, 2, 3 net full value chain<br>3. Diversion of construction waste from landfill (selected scopes) | **Scope 3 target:**<br>Engage and encourage 67% of our supply chain to measure and report their emissions by 2027 (based on scope 3 emissions) |
| **SUSTAINABLE DEVELOPMENT GOALS** |  |  |  |

**Our affiliates**

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

Lifemark ACCESSIBILITY APPROVED SUMMERSET VILLAGE

**Aged Care Matters**

# Our climate action plan

Our climate action plan summarises how we are tackling the challenge of decarbonisation and transition

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| OUR PRIORITIES | DESIGN & CONSTRUCTION | DECARBONISATION OF VILLAGES | MANAGING OPERATIONAL EFFICIENCIES |
|---|---|---|---|



## OUR INITATIVES

### Design and Construction
- We're taking a holistic, sustainable design approach where designing for operation needs is considered up-front, and where we actively look to utilise low carbon construction processes, materials and products

### Smart Water Management
- Adopting smart water management practices across our villages' entire lifecycle

### Solar Generation
- Installation of solar panels on new and existing villages reduces our emissions and reliance on the national grid

### Gas Transition
- Staged transition of existing villages off gas to a more sustainable alternative

### Embodied Carbon
- We are calculating the embodied carbon of standard typologies within our built environment to assist in identifying opportunities and ways where we can reduce our impact

### Electrification of Fleet
- Transitioning our fleet vehicles away from fossil fuels to electric vehicles and hybrid alternatives

### Minimising Waste
- Continued focus on waste minimisation through recovery and diversion and advancing a circular economy mindset

### Energy Efficiency
- Optimisation and fine tuning of our building management systems coupled with energy efficient technology to reduce overall energy use

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*Summerset at [illegible] Place (Bell Block, New Plymouth)*

# New Zealand development



**Full Year Report 2023**

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Summerset Milldale (Auckland)



Summerset St Johns (Auckland)

# Development activity

## New Zealand summary

- Delivered 633 units to be sold under Occupation Right and 49 care beds over 14 sites in FY23, deliveries weighted to the second half of the year and at the lower end of market guidance, in line with economic conditions
- Now have a total of 14 villages in construction across ten regions in New Zealand
- Completed our successful Hobsonville and Kenepuru villages, home to over 700 residents, and returning a cash margin to the business of 13%
- Two main buildings delivered at Te Awa and Bell Block in 2H23, following Kenepuru that opened to residents in 1H23
  - Sales in all three villages have been strong, already around 60% of units sold
- Four new villages opened with first units delivered at Blenheim, Lower Hutt, Milldale and Waikanae
- Progressed the upgrade of three of our older care centres, at Havelock North, Levin and Trentham,
- Two new sites acquired in FY23, in Rolleston and Mosgiel
- Construction at St Johns progressing well, first deliveries remain on track for Q3 2024 with presales strong
- Granted resource consent for Kelvin Grove, along with our Half Moon Bay and St Johns extensions
- Successfully completed plan change for Masterton, and lodged resource consent



Summerset Mt Denby (Whangārei)



Summerset at Monterey Park (Hobsonville, Auckland)



Summerset Cambridge (Waipā District)



Summerset by the Dunes (Pāpāmoa Beach, Tauranga)

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# Summerset Pōhutukawa Place (Bell Block, New Plymouth)



**Site progress – December 2023**

- 144 independent villas delivered
- Main building with 56 serviced apartments, 20 memory care apartments, 19 care suites and 21 care beds delivered
- Rest home and hospital level care available

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# Summerset Palms (Te Awa, Napier)

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**Site progress – December 2023**

- 181 independent villas delivered
- Main building with 56 serviced apartments, 20 memory care apartments, 15 care suites and 28 care beds delivered
- Rest home and hospital level care available

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Summerset Waikanae (Kāpiti Coast)



Summerset Boulcott (Lower Hutt, Wellington)



Summerset on the Landing (Kenepuru, Wellington)



Summerset Richmond Ranges (Tasman)



Summerset Blenheim (Marlborough District)



Summerset Rangiora (Waimakariri District)



Summerset on Cavendish (Casebrook, Christchurch)



Summerset Prebbleton (Selwyn District)

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# New Zealand development pipeline

## Diversified development pipeline with 20 sites in FY23




** New sites purchased in FY23*

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# Project cash profits

- Summerset developments produce positive net cash flows (net cash position) upon completion, this means they carry no debt once built
- The villages currently under development in New Zealand are expected to return over $235.0m in positive net cash flows on completion
- These net cash flows represent the project cash profits from village development
  - They incorporate the land cost, ILU costs, recreation and administration facility costs, care centre costs, management fees (incl. a share of corporate overheads), interest costs and the first time sales proceeds for all units sold under Occupation Right
  - All expense and revenue inputs are updated regularly as part of our internal development management processes
- Villages in early-stage development are likely to experience at least one residential property cycle during construction, improving the net funding position significantly over the life of the project
- Overall, the four villages in the 'last stage' of development are forecast to return between $25m and $40m per project

**$3.1b+**
Forecast capital investment

**$235m+**
Projected net cash position

| Village | Development Stage | Forecast Capital Investment ($m) | Forecast Net Cash Position* ($m) |
|---|---|---|---|
| St Johns | Early stages | $250m+ | ($5m) - $80m |
| Lower Hutt | Early stages | | |
| Cambridge | Early stages | | |
| Milldale | Early stages | | |
| Rangiora | Early stages | $200m+ | ($5m) - $30m |
| Waikanae | Early stages | | |
| Prebbleton | Early stages | | |
| Whangārei | Mid stages | | |
| Richmond | Last stages | | |
| Pāpāmoa Beach | Mid stages | $150m + | $25m - $45m |
| Casebrook | Last stages | | |
| Bell Block | Last stages | | |
| Te Awa | Last stages | | |
| Blenheim | Early stages | $100m + | $0m-$5m |
| **Total NZ** | | **$3.1b - $3.3b** | **$235m+** |

*Avonhead, Hobsonville Extension, Kenepuru and Rototuna removed from table since FY22, total net cash position relating to these four developments $78.8m*

# Project cash profits

- Our last ten villages to complete recycled around $195.2m of positive cash flow
- This is an average cash margin of 14.1%
- Two villages were completed in FY23, these were Kenepuru and our Hobsonville extension
- These villages recycled a combined $32.7m from village development
- These positive net cash flows from development allow us to recycle capital for new projects, repay debt and distribute to shareholders through the payment of dividends

**14.1%**
Cash margin*

**$195m**
Project cash profit

| Village | Type | Total units | | Project cash profit | Cash Margin |
|---|---|---|---|---|---|
| | | Retirement units | Care units | | |
| Avonhead | Broadacre | 244 | 63 | $26.0m | 18.8% |
| Ellerslie | Mid rise | 313 | 53 | $29.6m | 11.7% |
| Hobsonville | Mid rise | 250 | 52 | $23.2m | 14.6% |
| Hobsonville Extension | Mid rise | 38 | - | $22.2m | 34.6% |
| Karaka | Broadacre | 241 | 50 | $24.4m | 23.0% |
| Katikati | Broadacre | 186 | 27 | $9.4m | 15.0% |
| Kenepuru | Mid rise | 266 | 43 | $10.5m | 5.4% |
| Rototuna | Broadacre | 244 | 63 | $20.1m | 13.7% |
| Warkworth Extension | Broadacre | 79 | - | $16.4m | 42.0% |
| Wigram | Broadacre | 212 | 49 | $13.1m | 16.7% |
| **Total** | | | | **$195.2m** | **14.1%** |

** Cash margin is the project cash profit divided by new sales receipts*



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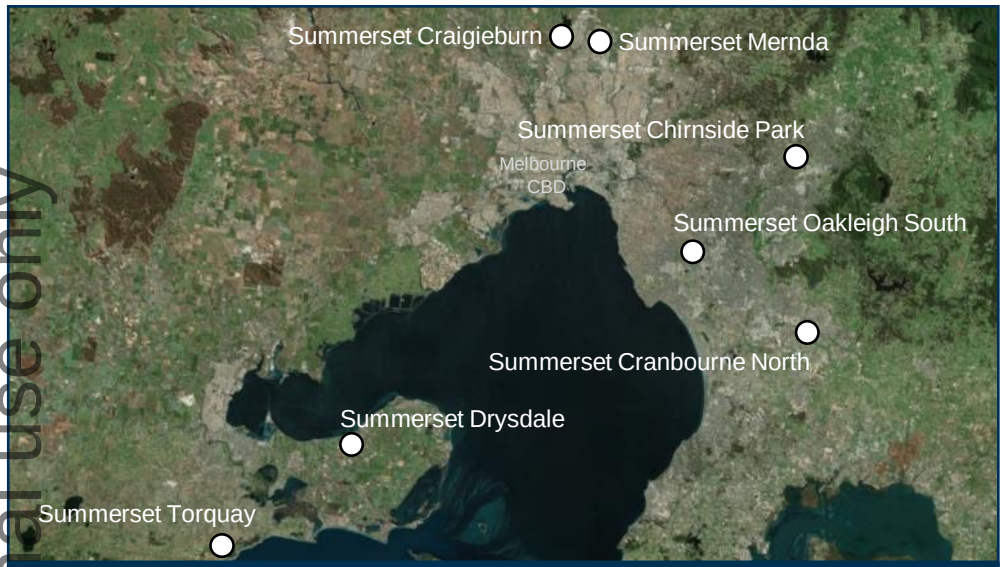


*Summerset Cranbourne North (Melbourne, Victoria)*

# Australia development



**Full Year Report 2023**




**Summerset Australia**



**Site progress - Summerset Cranbourne North (Melbourne)**

# Development activity

## Australia summary

- Development at our Australian sites on track with several major milestones achieved in FY23
- Summerset's first Australian retirement units were completed in Q4 at Cranbourne North, with our first village residents moving in early in 2024
- Enabling works are underway at Chirnside Park and construction will commence in Q1 2024
- Oakleigh South development plan unanimously approved by Council in June 2023, with detailed design now underway
- Planning permit also approved for Craigieburn, and the planning application processes for our remaining Australian sites at Drysdale, Mernda and Torquay are well advanced
- The current Australian pipeline gives us capacity to build over 2,100 units (including 450 beds)
- We continue to look for suitable new village development opportunities, including sites beyond Victoria as part of our wider Australian expansion strategy
- Summerset is a Commonwealth Government approved provider of both residential aged care and home care services across Australia

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# Summerset Cranbourne North (Melbourne)

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**Site progress – December 2023**

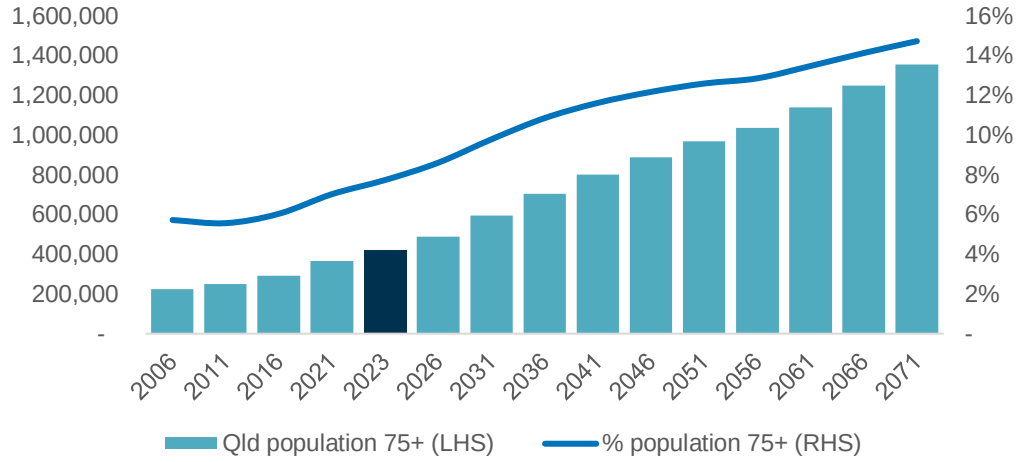
- 10 independent villas delivered
- Main building with 34 assisted living apartments and 72 care beds to commence construction in FY24
- Rest home and hospital level care will be available

# Australia expansion

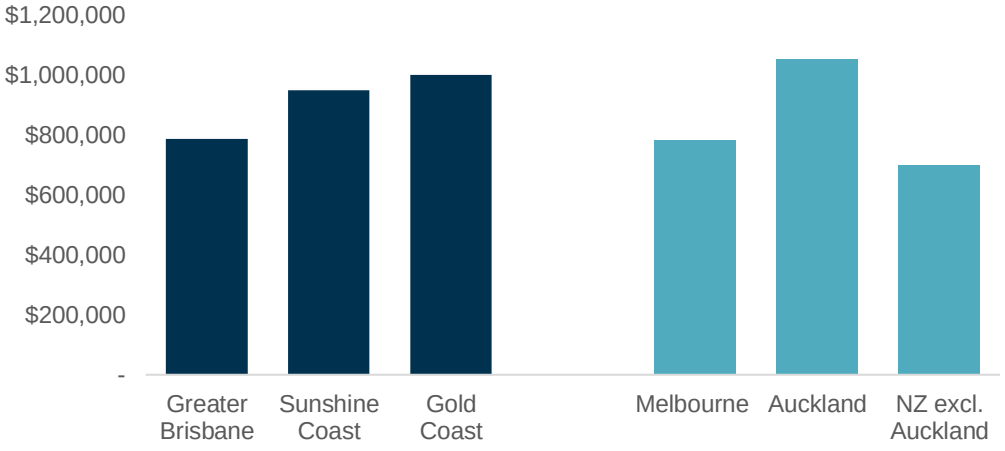
## Queensland seen as logical next step for expansion in Australia

- Summerset has been active in Australia since 2018, establishing strong local management expertise and acquiring seven sites (a pipeline of over 2,100 units)
- We are on track to meet the growth targets set out for entry into Australia and with our first retirement units now delivered, we are commencing the second stage of our growth strategy - expansion into other Australian states
- This planned move will provide portfolio diversity and an ability to manage market movements with a greater level of flexibility, similar to our development approach in New Zealand
- Queensland has been identified as the next logical step, having supportive residential house prices and strong forecast population growth
- The state also has a favourable lifestyle appeal to our target audience and is supported by excellent economic growth prospects and development opportunities
- During this phase we will continue to target new broad acre opportunities in Greater Melbourne and Victoria, alongside investigating opportunities in Queensland to support our longer-term Australian growth strategy

## Queensland population growth 75 years and over




## Median residential housing market comparison

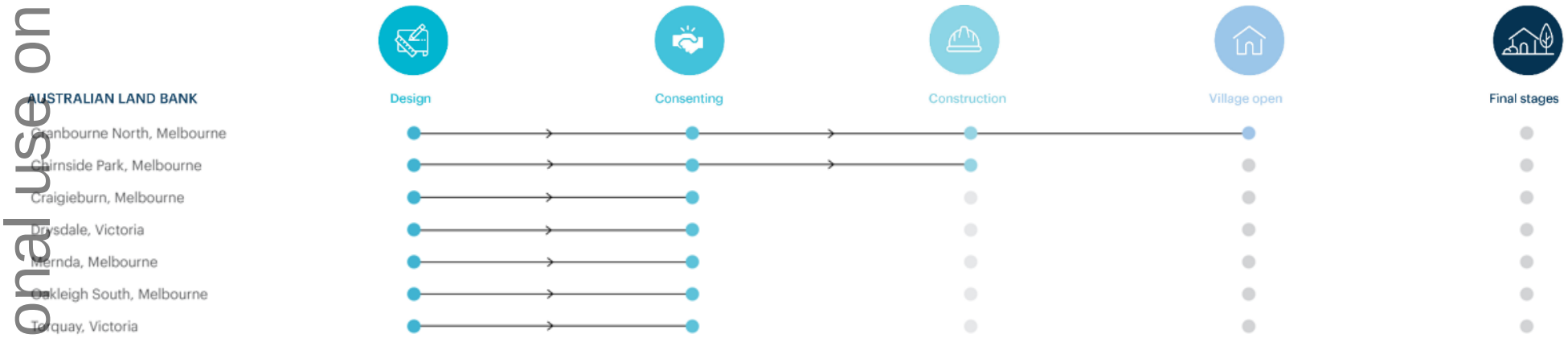



*Source: Australian Bureau of Statistics, CoreLogic Australia and the Real Estate Institute of New Zealand (REINZ)*

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# Australia development pipeline

## Now have seven villages in planning and development across Victoria




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*Clark Coastal, Summerset at Monterey Park (Hobsonville)*

# Financial performance



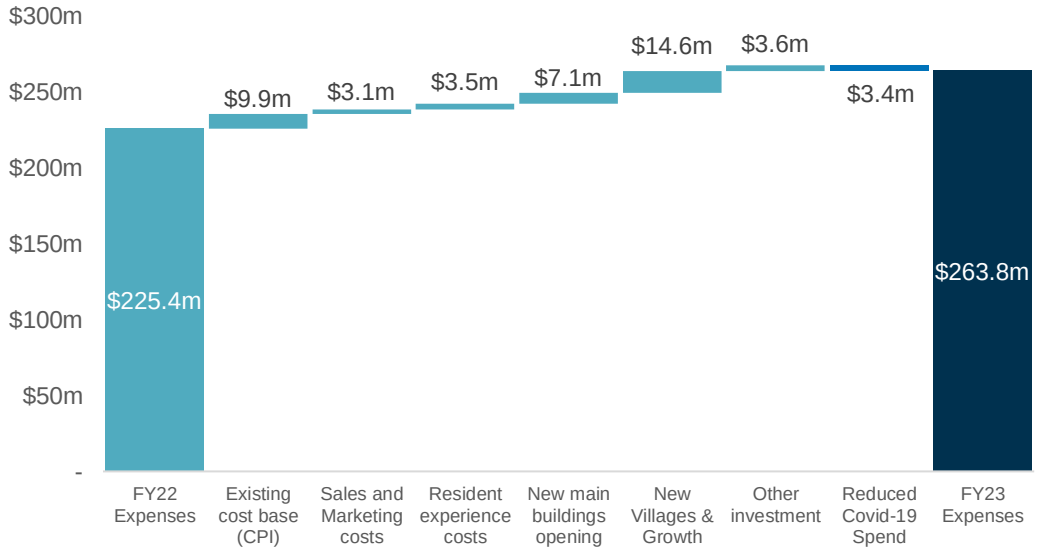
## Full Year Report 2023

# Reported profit (IFRS)

- IFRS NPAT of $436.3m, 62% up on FY22 and the second highest in Summerset's history
- Record total revenue of $272.2m, up 14% on FY22
- Total expenses of $263.8m, up 17% on FY22
- Key movements in expenses include the following:
  - $9.9m on inflationary cost pressures, with almost 75% relating to wages, followed by insurance, rates and electricity
  - $3.1m for increased spend on sales and marketing costs, primarily relating to targeted campaigns and an increase of spend in Australia
  - $3.5m on resident experience costs such improvements to food services, village happy hours and celebrations, and an increase in the number of fitness classes and other recreation activities offered
  - $21.7m on new villages, as signalled, with three main buildings opening in FY23 that included a combined 384 units ($7.1m uplift)
- Increase in net finance costs is driven by movement in market interest rates and increased net debt in line with the uplift in overall build program

| NZ$m | FY23 | FY22 | Variance | FY21 |
|---|---|---|---|---|
| Total revenue | 272.2 | 238.7 | 14% | 205.3 |
| Reversal of impairment on land & buildings | - | - | - | 3.4 |
| Fair value movement of investment property | 441.6 | 268.8 | 64% | 537.5 |
| **Total income** | **713.8** | **507.5** | **41%** | **746.3** |
| Total expenses | 263.8 | 225.4 | 17% | 190.6 |
| Net finance costs | 27.5 | 17.0 | 62% | 12.0 |
| **Net profit before tax** | **422.5** | **265.1** | **59%** | **543.6** |
| Tax expense / (credit) | (13.8) | (4.0) | 250% | (0.0) |
| **Net profit after tax** | **436.3** | **269.1** | **62%** | **543.7** |

## Movement in total expenses: FY22 vs FY23




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# Fair value movement

- Fair value movement of $441.6m, up 64% on FY22
- Fair value movement has been driven by:
  - New units built ($159.1m): Value of new units delivered in FY23
  - Unit pricing ($121.3m): Retirement unit price inflation on existing units within the portfolio
  - Movement in land bank ($64.8m): Valuation movement on St Johns and the undeveloped land bank
  - Growth rate assumptions ($46.9m): Valuers adopting more standard short term growth rates within the valuation in line with the residential property market cycle
  - Discount rates ($30.4m): Change in assumptions used by the valuers
  - Stock discount assumptions: Reversal of previous discount applied to stock settled in FY23 ($23.5m)
- Refer to the appendices (slide 66 and 67) for key assumptions associated with the investment property valuation

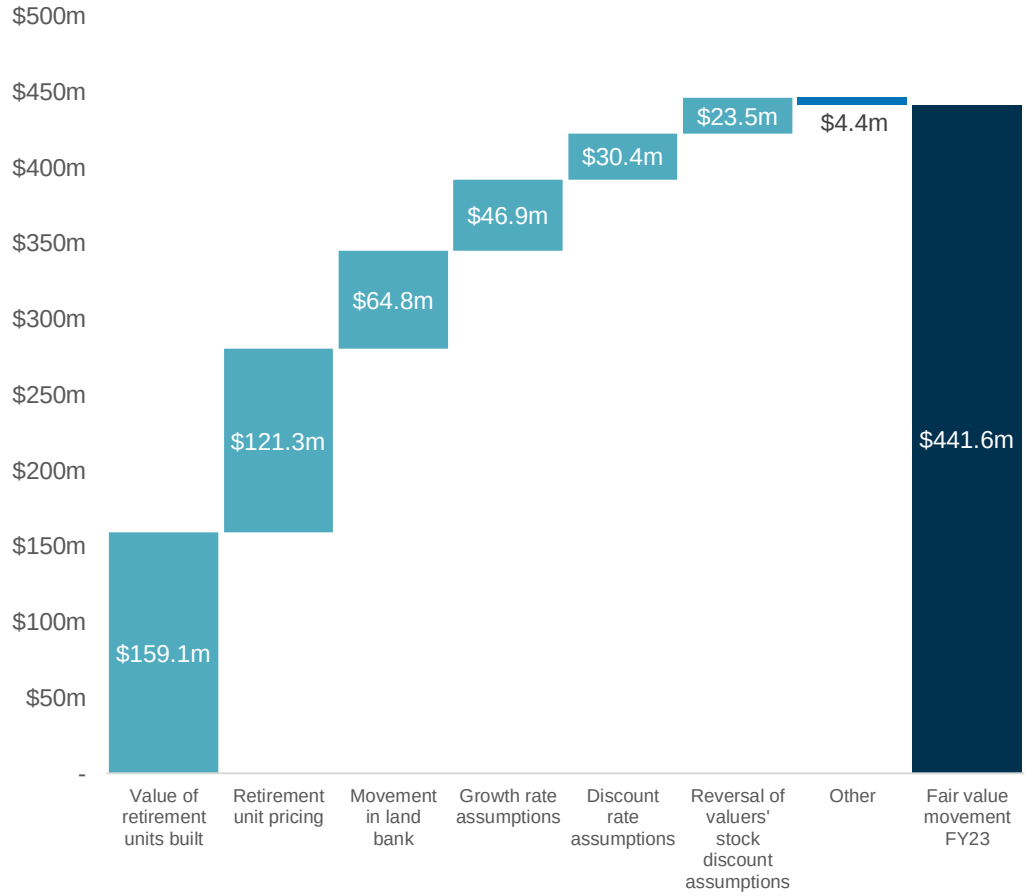
**$441.6m**

Fair value movement

**$159.1m**

Increase from new units delivered

## Fair value movement of investment property FY23




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# Underlying profit

- Record underlying profit of $190.3m, up 11% on FY22
- The increase is driven by the following:
  - Realised development margin of $121.2m, a 16% increase on FY22, with an average margin of $216k per unit, and record new sale settlements
  - Deferred management fee of $104.6m, up 13%
  - Realised gain on resales of $88.1m, up 26%, with an average margin of $162k, and record resale settlements

**$190.3m**

Underlying profit

**11%**

Increase on FY22 ▲

| NZ$m | FY23 | FY22 | Variance | FY21 |
|---|---|---|---|---|
| Care fees and village services | 165.9 | 144.6 | *15%* | 126.9 |
| Deferred management fees | 104.6 | 92.3 | *13%* | 75.2 |
| Realised gain on resales | 88.1 | 70.2 | *26%* | 59.9 |
| Realised development margin | 121.2 | 104.9 | *16%* | 78.5 |
| Other income & interest received | 1.7 | 1.7 | *(3%)* | 3.3 |
| **Total income** | **481.6** | **413.8** | ***16%*** | **343.8** |
| Operating expenses | 248.0 | 211.8 | *17%* | 179.0 |
| Depreciation and amortisation | 15.8 | 13.6 | *16%* | 11.6 |
| Net finance costs | 27.5 | 17.0 | *62%* | 12.0 |
| **Total expenses** | **291.3** | **242.4** | ***20%*** | **202.6** |
| **Underlying profit** | **190.3** | **171.4** | ***11%*** | **141.1** |

*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 and has been audited by Ernst & Young. Underlying profit is a measure which the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend payout to shareholders.*

# Cash flows

- Net operating cash flows of $398.2m, up from $369.2m at FY22
- Net operating business cash flows of $131.5m, which includes:
  - Deferred management fees of $155.8m for FY23
  - Investment in working capital to support the business through difficult trading conditions. This comprised a $2.8m uplift in the repurchase of stock from outgoing residents and an increase in advances in resident loans for residents transferring of $16.4m relative to FY22
- Increase in refurbishment costs driven by volume and age of units terminating alongside planned investment in common spaces - new furniture, solar installation, cafe upgrades, LED lighting and generators
- Investing cash out flows of $668.5m, up 3% on FY22, with the following projects advancing in the period:
  - Main buildings at Bell Block, Cambridge, Pāpāmoa, Lower Hutt, Te Awa and Whangārei
  - Apartment blocks at Lower Hutt and St Johns
  - Civils spend at new sites including Milldale, Rangiora and Waikanae
  - Villa construction at 14 villages in New Zealand, and Cranbourne North in Melbourne, Australia

**$398.2m**

Net operating cash flows

**8%**

Increase on FY22 ▲

| NZ$m | FY23 | FY22 | Variance | FY21 |
|---|---|---|---|---|
| Net operating business cash flow* | 131.5 | 110.3 | *19%* | 130.9 |
| Receipts for residents' loans - new sales** | 266.7 | 258.9 | *3%* | 252.5 |
| **Net operating cash flow** | **398.2** | **369.2** | ***8%*** | **383.4** |
| Sale and purchase of land | (56.5) | (179.1) | *(68%)* | (72.0) |
| Construction of new IP & care facilities | (523.3) | (427.9) | *22%* | (318.3) |
| Refurb of existing IP & care facilities | (19.5) | (11.0) | *78%* | (8.5) |
| Care centre upgrades | (1.7) | - | - | - |
| Other investing cash flows | (14.6) | (9.5) | *54%* | (9.7) |
| Capitalised interest paid | (52.8) | (24.2) | *118%* | (16.5) |
| **Net investing cash flow** | **(668.5)** | **(651.7)** | ***3%*** | **(425.0)** |
| Net proceeds from borrowings | 322.9 | 342.2 | *(6%)* | 67.1 |
| Net dividends paid | (34.3) | (28.2) | *22%* | (23.7) |
| Other financing cash flows | (31.0) | (14.6) | *113%* | (9.2) |
| **Net financing cash flow** | **257.7** | **299.5** | ***(14%)*** | **34.2** |

| Free cash flow reconciliation NZ$m | FY23 | FY22 | Variance | FY21 |
|---|---|---|---|---|
| Net operating business cash flow | 131.5 | 110.3 | *19%* | 130.9 |
| Refurb of existing IP & care facilities | (19.5) | (11.0) | *78%* | (8.5) |
| Interest paid on borrowings | (28.4) | (14.3) | *99%* | (12.4) |
| Other investing cash flows | (14.6) | (9.5) | *54%* | (9.7) |
| Payments in relation to lease liabilities | (2.6) | (1.9) | *36%* | (1.8) |
| **Summerset free cash flow** | **66.3** | **73.6** | *(10%)* | **98.5** |

** Net operating business cash flows includes care fees and village services, interest received, payments to suppliers and employees, DMF on new sales, DMF on resales, all other net receipts from residents' loans – resales*

*** Receipts for residents' loans – new sales is total new sales receipts less DMF on new sales*

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# Balance sheet

- Total assets of $6.9b, up 19% on FY22 driven by portfolio growth and the underlying value in our existing villages
- Investment property valuation of $6.4b, up 18% on FY22
- Retained earnings are now $2.1b, up 22% from $1.8b at FY22. This continues to positively impact balance sheet strength and company gearing ratios
- Other assets include buildings, primarily care centres which are valued annually
- Net tangible assets per share now a sector leading $11.10

**$6.9b**

Total assets ▲ 19%

**$2.1b**

Retained earnings ▲ 22%

| NZ$m | FY23 | FY22 | Variance | FY21 |
|---|---|---|---|---|
| Investment property | 6,407 | 5,418 | *18%* | 4,580 |
| Other assets | 534.5 | 422.6 | *26%* | 343.5 |
| **Total assets** | **6,942** | **5,840** | ***19%*** | **4,924** |
| Residents' loans | 2,507 | 2,165 | *16%* | 1,847 |
| Face value of bank loans & bonds* | 1,399 | 1,074 | *30%* | 749.9 |
| Other liabilities | 430.2 | 407.5 | *6%* | 402.1 |
| **Total liabilities** | **4,336** | **3,647** | ***19%*** | **2,999** |
| **Net assets**** | **2,605** | **2,193** | ***19%*** | **1,925** |
| | | | | |
| **Embedded value** | **1,620** | **1,488** | ***9%*** | **1,365** |
| **NTA (cents per share)** | **1,110** | **943.9** | ***18%*** | **835.9** |
| | | | | |
| **Retained earnings** | **2,150** | **1,766** | ***22%*** | **1,542** |

** Face value of drawn bank debt and retail bonds. Excludes capitalised and amortised transaction costs for loans and borrowing, and fair value movement on hedged borrowings*

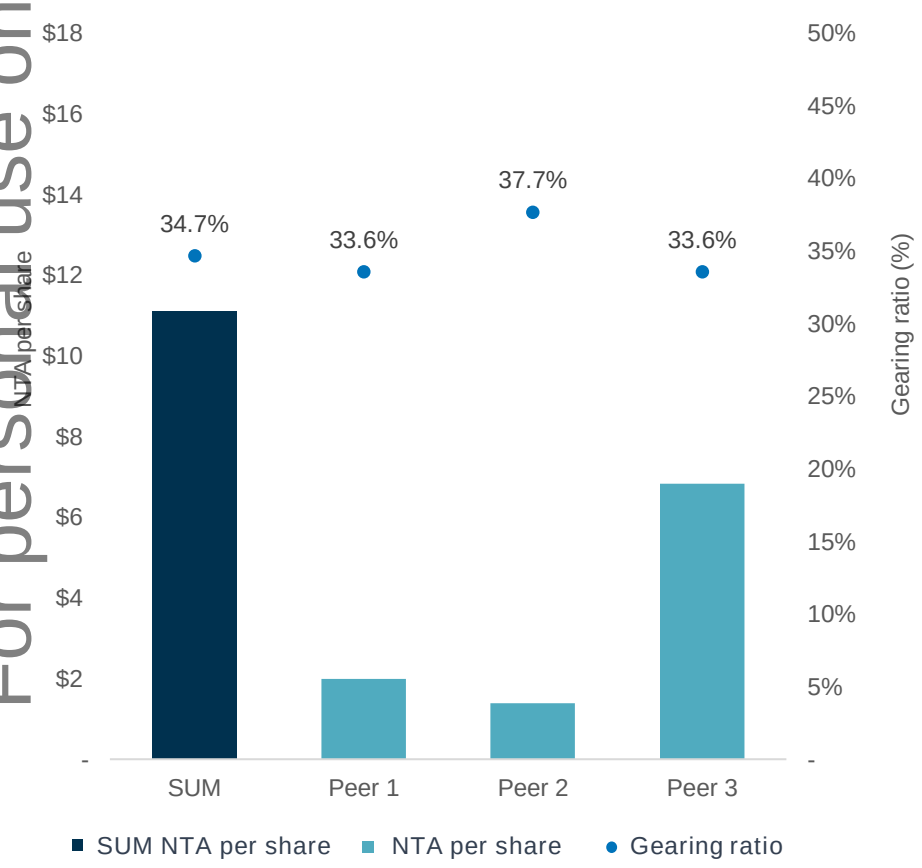
*** Net assets includes share capital, reserves, and retained earnings*

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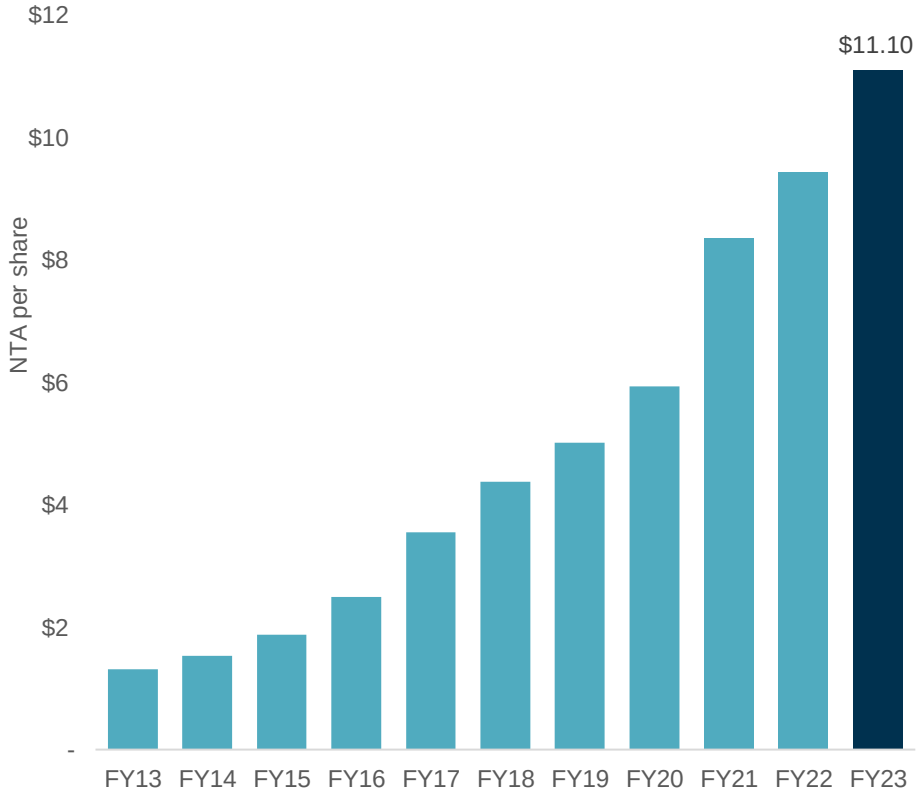
# Net tangible assets

## Strong financial discipline underpinning net tangible assets and gearing

### Net tangible assets and gearing*




### Summerset net tangible assets per share




** Peer results based on most recent NZX disclosures*

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# Funding

- Bank facility approximately $1.5b, with existing $450.0m of retail bonds at 31 December 2023
- As at 31 December 2023, 59% of total debt was hedged at fixed interest rates, resulting in a weighted average interest rate of 5.09% for FY23, up from 3.42% in FY22
- Total facility (incl. bonds) has an average tenor of 3.5 years
- Total bank facilities were refinanced in September with an increase of $300.0m in additional capacity
- Bank facility has undrawn capacity of $564.3m as at 31 December 2023
- Retail bond of $100.0m was repaid on 11 July 2023
- Retail bond offer of $75.0m with ability to accept oversubscriptions of $50.0m to be released the week beginning 26 February 2024

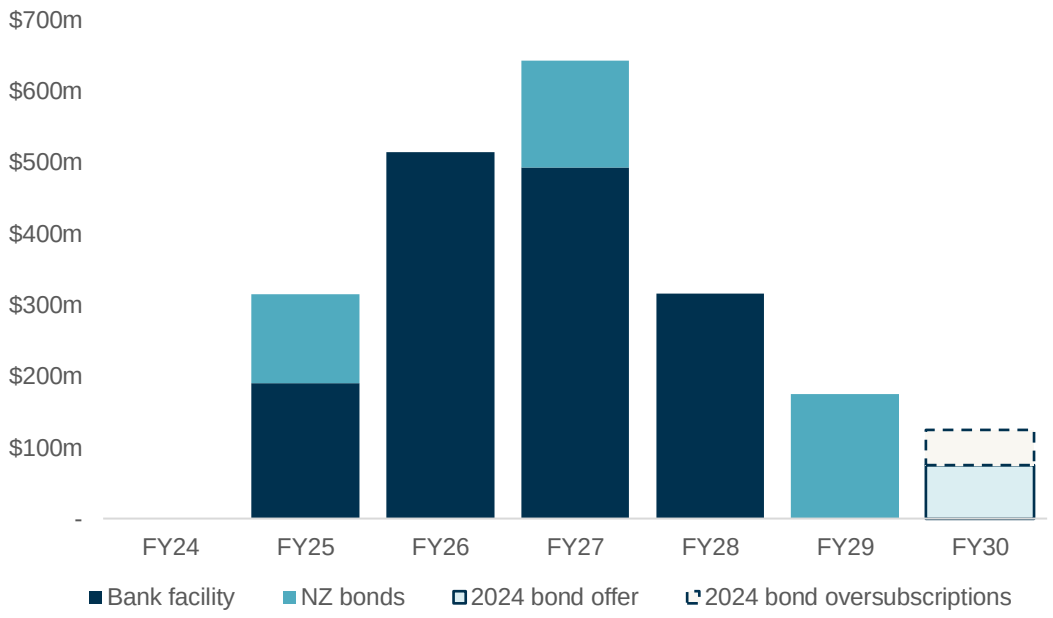
**$1.5b**

Bank facility

**$450m**

Retail bonds

Funding maturity profile




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# Development assets

- Development assets exceed the value of net debt by $263.6m, or 19%
- Development assets comprise:
  - $603.0m relating to undeveloped land, being the fair value of our Australia and New Zealand land bank
  - $644.4m for development WIP (villages under construction), and
  - $402.5m from unsold new sale stock, which is all delivered new sale stock that is yet to settle
- Net debt of $1,386m* at FY23, up from $1,049m* at FY22

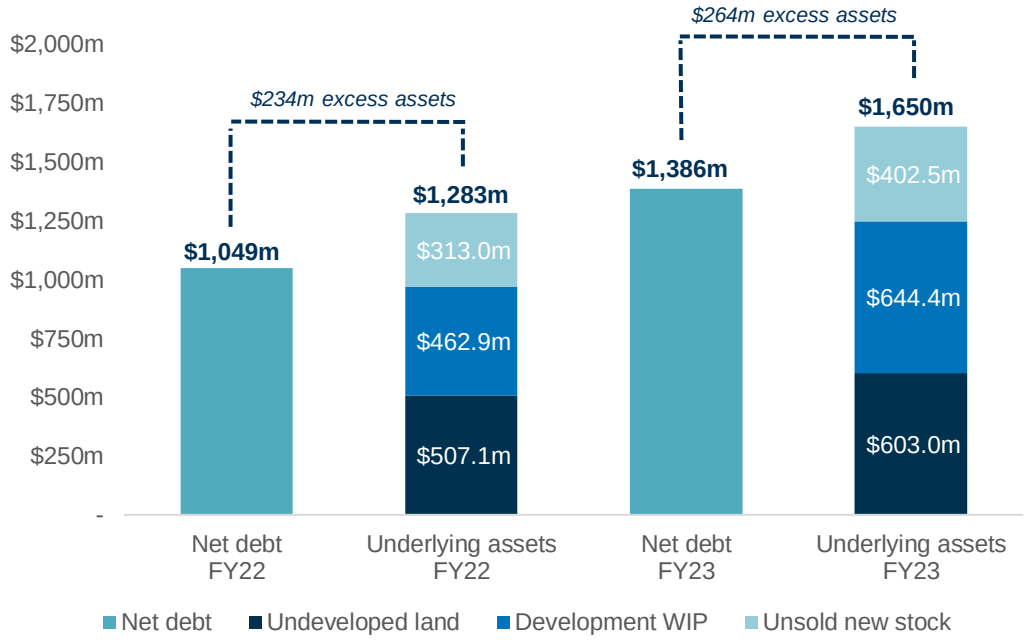
**$1.7b**

Underlying development assets

**36.4%**

Bank & bond LVR

Net debt to underlying assets




| Ratio | FY23 | FY22 | % change | FY21 |
|---|---|---|---|---|
| Gearing ratio (%)** | 34.7% | 32.4% | 7% | 27.8% |
| Bank & bond LVR (%)** | 36.4% | 35.3% | 3% | 29.8% |

** Face value of drawn bank debt and retail bonds less cash and cash equivalents. Excludes capitalised and amortised transaction costs for loans and borrowing, 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)*

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# Debt measures

- Gross debt of $1.399b*, up from $1.074b* at FY22
- Uplift in gross debt driven by increased construction activity across our developing villages and land settlements in the period
- Gearing ratio** of 34.7%, slightly up on FY22 but down from 35.5% at 1H23
- Summerset remains well placed to execute on its growth ambitions
  - The business holds no core debt
  - New Zealand gearing ratio with Australian growth related debt excluded is 27.7%
- Summerset's ICR coverage is 201%, more than double the required covenant measure, providing a high degree of covenant headroom for the business

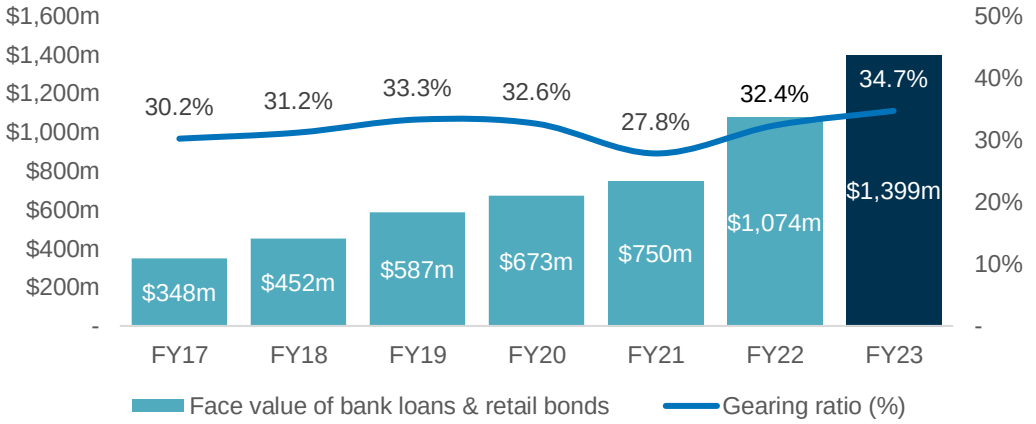
**34.7%**

Gearing ratio

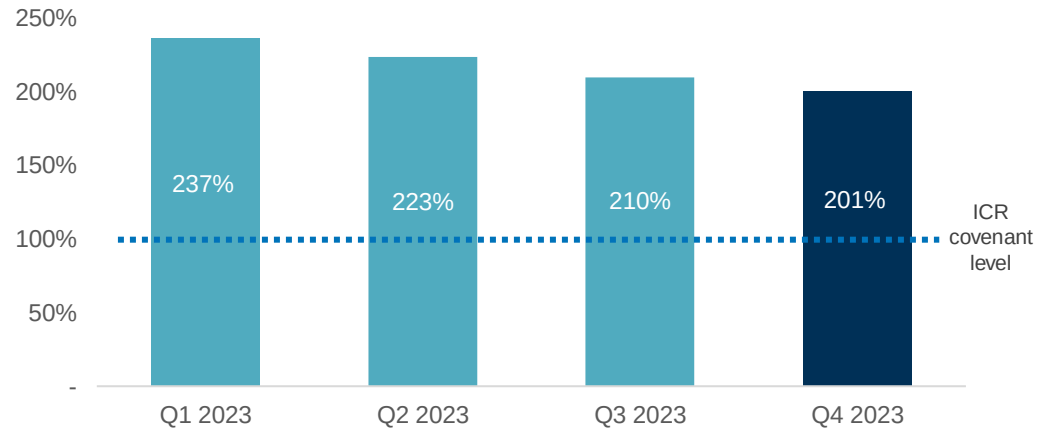
**201%**

ICR coverage

## Gross borrowings and gearing




## ICR coverage ratio




** Face value of drawn bank debt and retail bonds. Excludes capitalised and amortised transaction costs for loans and borrowing, and fair value movement on hedged borrowings less cash and cash equivalents*

*** 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)*

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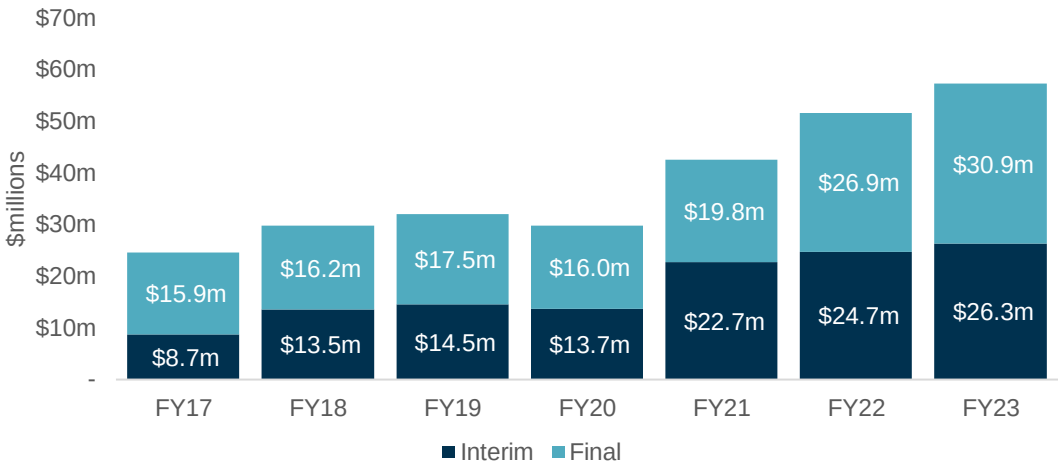
# Final dividend

## Declared FY23 final dividend of 13.2 cents per share

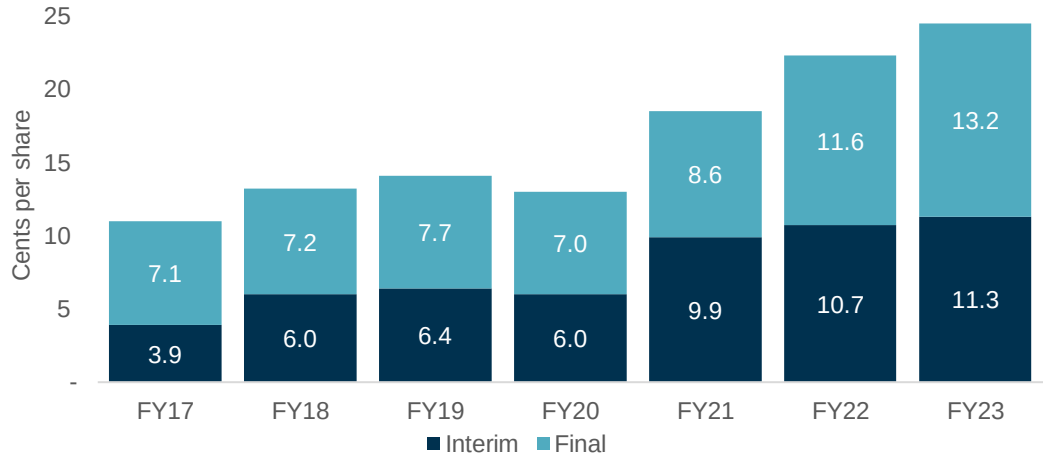
- The Board has declared an unimputed final dividend of 13.2 cents per share, being 30% of underlying profit
- This represents a payout for FY23 of approximately $57.3m
- The dividend reinvestment plan (DRP) will apply to this dividend enabling shareholders to take shares in lieu of the cash dividend
- A discount of 2% will be applied when determining the price per share of shares issued under the DRP
- The final dividend will be paid on Friday 22 March 2024. The record date for final determination of entitlements to the final dividend is Monday 11 March 2024

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## Gross dividend payout per year




## Dividend per share



# Dividend policy review

## Dividend policy updated to 20% to 50% of Underlying profit

- Summerset's growth strategy is to deliver expansion opportunities in New Zealand and Australia, that produce competitive returns for shareholders
- For FY23, the Board has undertaken a review of the dividend policy to ensure our approach remains appropriate moving forward
- Our review benchmarked the current policy against NZX and ASX companies, tested alternatives and canvassed feedback from retail and institutional investors
- Overall, the review highlighted that using underlying profit as the basis is consistent with industry peers, is easy to understand, free from technical adjustments and investors are comfortable with this approach
- The board have decided to leave the dividend measure unchanged, however, make a small adjustment to the payout range to 20% to 50% of underlying profit to ensure the board retains flexibility as the business continues to grows
- This gives Summerset scope to maintain long-term financial health, while ensuring it continues to give its investors an appropriate return on their investment

## Cumulative dividend payout (2018 to 2023)

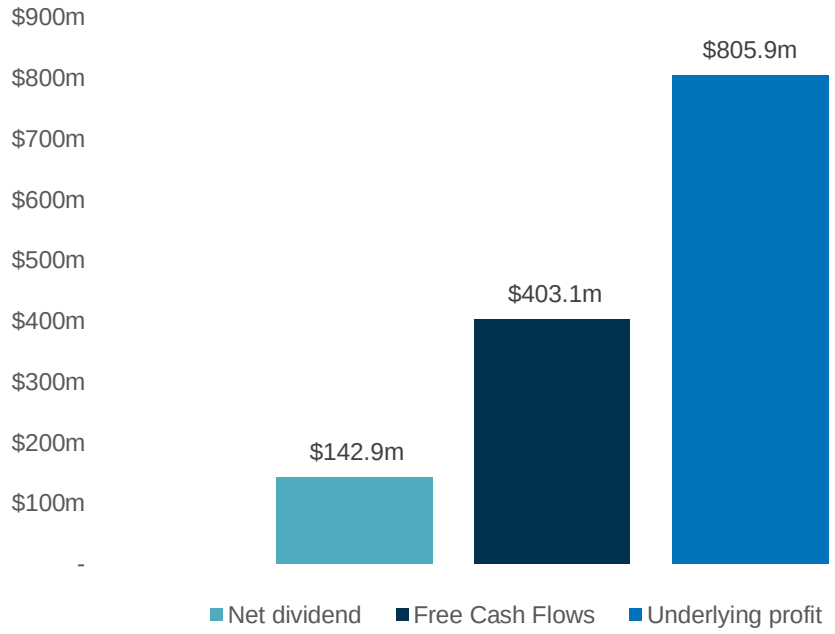



**Chart Summary**

- Since 2018, Summerset has paid out a cumulative dividend of $142.9m* compared to free cash flows of $403.1m, and underling profit of $805.9m
- Net dividend is the cumulative dividend paid between 2018 and 2023 based on the current policy of 30% to 50% of underling profit (paid out at 30% of underlying profit each year), net of dividend reinvestment plan uptake
- Summerset free cash flow is calculated as follows:
  - Net operating business cash flows (Care fees and village services, interest received, payments to suppliers and employees, deferred management fees on new sales, deferred management fees on resales, all other net receipts from residents' loans – resales)
  - **Less:** Refurbishment of retirement units, village facilities and care centres, payment for intangible assets and other, interest paid on borrowings, payments in relation to lease liabilities
- Underlying profit is the cumulative underlying profit earned between 2018 and 2023

** Cumulative dividend paid net of dividend reinvestment plan uptake*

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# Business performance



Full Year Report 2023

# Retirement unit delivery

## Record 692 total units delivered in FY23, includes first deliveries in Australia

- 692 total units delivered in the period across 15 villages, including 569 retirement units and 123 care units
- Of these, 643 will be sold under Occupation Right Agreement, the remaining 49 being care beds
- Four new villages opened in New Zealand at Blenheim, Lower Hutt, Milldale and Waikanae
- First Australian retirement units delivered at Cranbourne North
- Deliveries in 2023 carried a heavy weighting to the second half of the year with main buildings opening at Te Awa and Bell Block during 2H23
- Main building at Pāpāmoa Beach will open early in 2024 and St Johns remains on track with first deliveries expected in 2H24
- Expect a New Zealand build rate of approximately 675 to 725 units to be sold under Occupation Right in FY24

| FY23 unit delivery | Retirement units | | | Care units | | | Total units |
|---|---|---|---|---|---|---|---|
| | Villas | Apartments | Serviced apartments | Memory care apartments | Care suites | Care beds | |
| Bell Block | 33 | - | 56 | 20 | 19 | 21 | 149 |
| Blenheim | 15 | - | - | - | - | - | 15 |
| Cambridge | 42 | - | - | - | - | - | 42 |
| Casebrook | 37 | - | - | - | - | - | 37 |
| Hobsonville | 14 | - | - | - | - | - | 14 |
| Kenepuru | 11 | - | - | - | - | - | 11 |
| Lower Hutt | 9 | 20 | - | - | - | - | 29 |
| Milldale | 19 | - | - | - | - | - | 19 |
| Pāpāmoa Beach | 46 | - | - | - | - | - | 46 |
| Prebbleton | 43 | - | - | - | - | - | 43 |
| Richmond | 44 | - | - | - | - | - | 44 |
| Te Awa | 40 | - | 56 | 20 | 15 | 28 | 159 |
| Waikanae | 27 | - | - | - | - | - | 27 |
| Whangārei | 47 | - | - | - | - | - | 47 |
| **Total NZ** | **427** | **20** | **112** | **40** | **34** | **49** | **682** |
| Cranbourne North | 10 | - | - | - | - | - | 10 |
| **Total Australia** | **10** | **-** | **-** | **-** | **-** | **-** | **10** |
| **Total Group** | **437** | **20** | **112** | **40** | **34** | **49** | **692** |

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# Development margin

## Record realised development margin of $121.2m, with a 32% development margin

- Record realised development margin of $121.2m, an increase of 16% on FY22
- Development margin of 32%, up from 30% in FY22 driven by improved margins across all unit types
  - Villa margins increased to an average of 38% across 16 villages
  - Apartment margins of 22% included the first units at our Lower Hutt village
  - Margins for serviced apartments, memory care apartments and care suites, all increased to above 10%
- Margins have benefitted from our long-term supplier relationships and well managed procurement contracts
- Average development margin per unit was $216k, up from $195k in FY22, and $145k in FY21

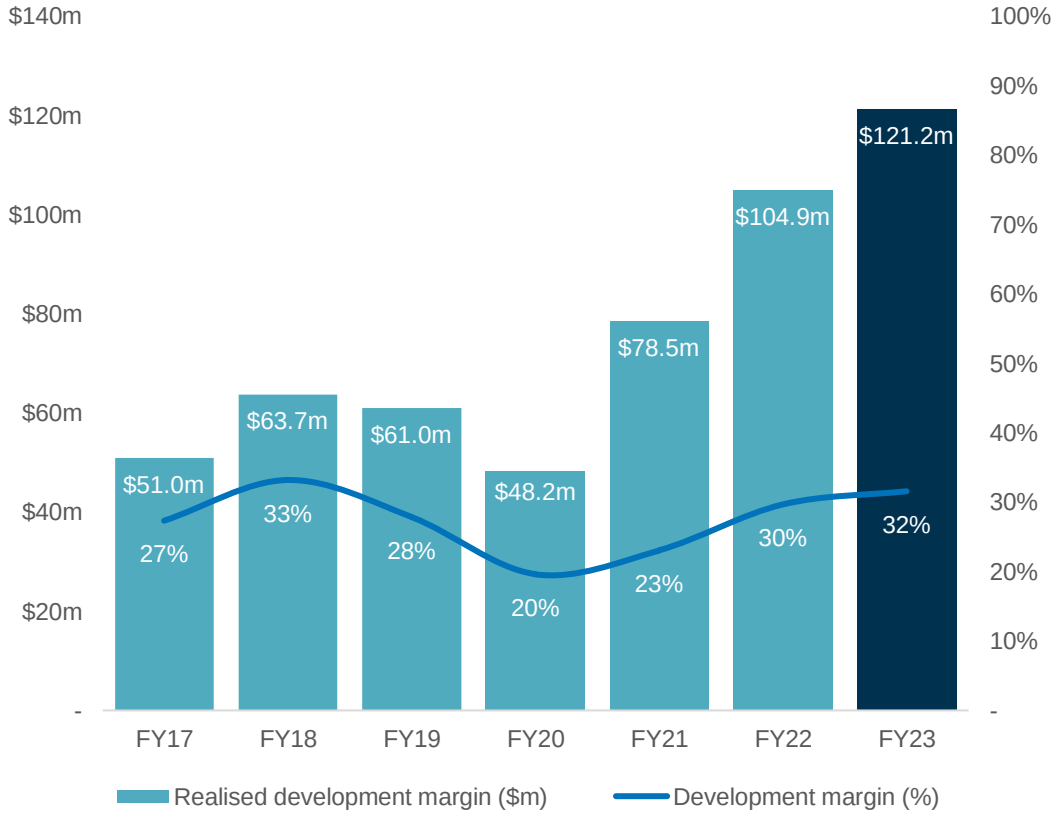
**32%**

Development margin

**$121.2m**

Realised margin ▲ 16%

Realised development margin




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# New sales

## Record 560 new sales in the period, gross proceeds of $384.0m

- A record 560 new sales of Occupation Rights in FY23, up 4% on the 537 settled in FY22
- Record gross proceeds of $384.0m, up 9% on FY22
- Average gross proceeds per new sale settlement now $686k, up from $658k in FY22
- New sales growth driven by serviced apartments (+52%) and care suites (+194%)
- Our best performing villages were Kenepuru (114 new sales), Bell Block (66 new sales) and Richmond (66 new sales)
- All regions with stock secured over 25 settlements each, highlighting the strength of our diversified portfolio that can be flexed to align with market conditions
- Unit pricing continues to be reviewed monthly and current contract rates show prices are appropriately aligned to prospective residents' expectations

**560**

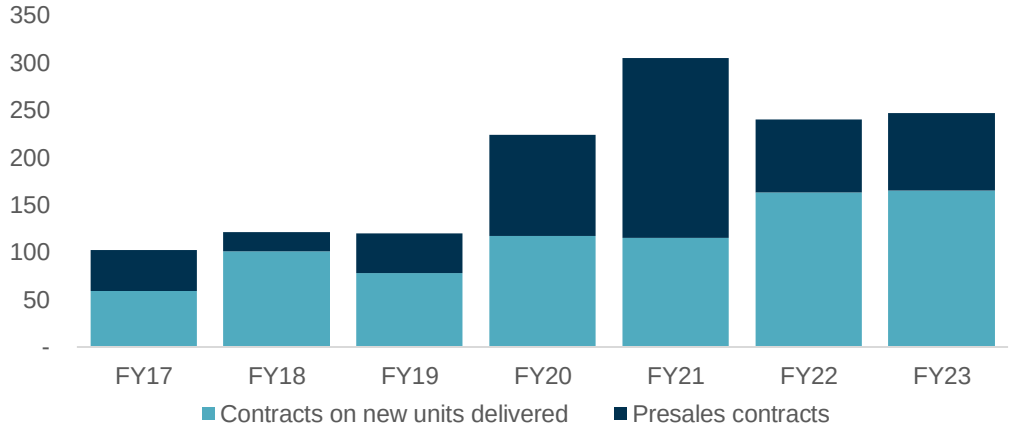
New sales of Occupation Rights

**$686k**

Average gross proceeds ▲ 4%

| New sales | FY23 | FY22 | *Variance* | FY21 |
|---|---|---|---|---|
| **Gross proceeds ($m)** | **384.0** | **353.4** | ***9%*** | **340.3** |
| Villas | 329 | 350 | *(6%)* | 335 |
| Apartments | 20 | 46 | *(57%)* | 79 |
| Serviced apartments | 132 | 87 | *52%* | 92 |
| Memory care apartments | 29 | 37 | *(22%)* | 19 |
| Care Suites | 50 | 17 | *194%* | 15 |
| **Total occupation rights** | **560** | **537** | ***4%*** | **540** |

## Committed new sales pipeline




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# New sales stock

## 380 uncontracted stock as at FY23, impacted by almost 250 units delivered in Q4

- Uncontracted stock as a % of total portfolio of 6.0% is up from 5.4% at FY22
- This was expected with our delivery programme for FY23 heavily weighted to the second half of the year
  - 78% of the 692 deliveries were delivered in 2H23
- Record number of units under contract at 165, including 113 villas
- Good progress made in serviced apartment, memory care apartment and care suite stock, reducing by 9% with 186 delivered in 2H23
- When normalised for Q4 deliveries, uncontracted stock as a % of portfolio is 4.4% and in line with the lower end of historical performance

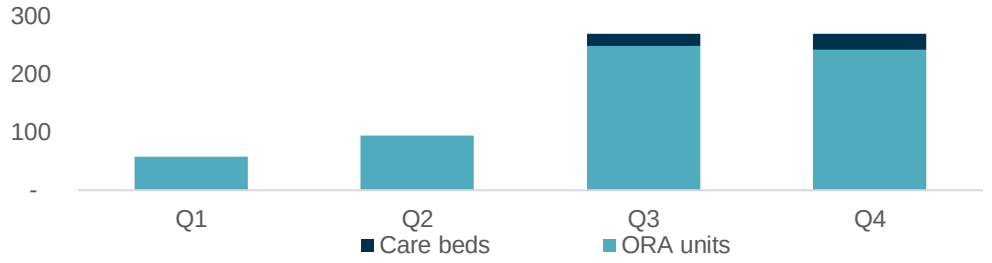
**380**
Uncontracted new sale stock

**6.0%**
Percentage of uncontracted stock

| New sales stock | FY23 | FY22 |
|---|---|---|
| Contracted | 165 | 163 |
| Uncontracted | 380 | 308 |
| **Total new sales stock** | **545** | **471** |
| Contracted | 113 | 103 |
| Uncontracted | 217 | 131 |
| **Villas** | **330** | **234** |
| Contracted | 9 | 11 |
| Uncontracted | 25 | 26 |
| **Apartments** | **34** | **37** |
| Contracted | 35 | 41 |
| Uncontracted | 85 | 100 |
| **Serviced apartments** | **120** | **141** |
| Contracted | 2 | 3 |
| Uncontracted | 35 | 23 |
| **Memory care apartments** | **37** | **26** |
| Contracted | 6 | 5 |
| Uncontracted | 18 | 28 |
| **Care suites** | **24** | **33** |

*Percentage of uncontracted stock calculated off all units sold under Occupation Right Agreement*

### FY23 deliveries



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# Resales

## Record 543 resales in the period, up 16% on FY22 with realised resale gain of $88.1m

- Total gross proceeds of $318.6m, up 21% on FY22
- This was driven by higher average gross proceeds per unit and higher overall resales settlements
- Record resales of 543 Occupation Rights in FY23, up from 470 in FY22, a 16% increase
- This included 174 resales in Q4, which is a company record and 18% above the previous record quarter (Q2 2023)
- Gross proceeds per resale settlement of $587k, up 5% from $561k in FY22
- Realised resale gain of $88.1m with an average gain per unit of $162k, up 9% on FY22

**543**

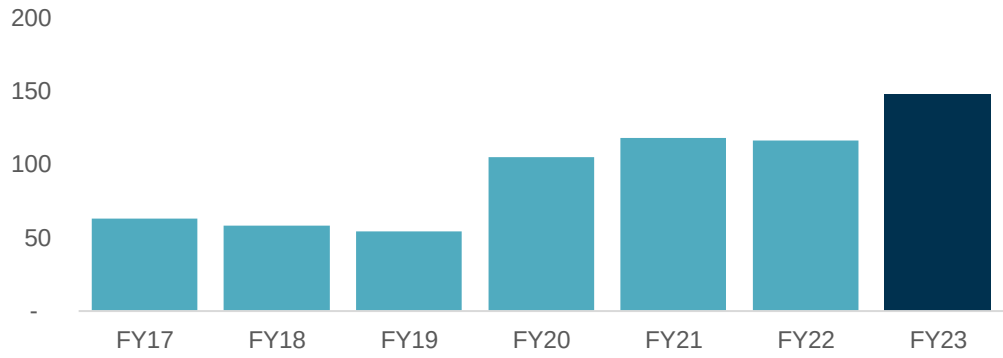
Resales of Occupation Rights

**$88.1m**

Realised resale gains ▲ 26%

| Resales | FY23 | FY22 | *Variance* | FY21 |
|---|---|---|---|---|
| **Gross proceeds ($m)** | **318.6** | **263.6** | ***21%*** | **231.3** |
| Realised resale gains ($m) | 88.1 | 70.2 | *26%* | 59.9 |
| Realised resale gains (%) | 28% | 27% | *4%* | 26% |
| DMF realisation ($m) | 41.5 | 34.5 | *20%* | 32.0 |
| Villas | 238 | 201 | *18%* | 219 |
| Apartments | 55 | 51 | *8%* | 58 |
| Serviced apartments | 208 | 185 | *12%* | 151 |
| Memory care apartments | 29 | 26 | *12%* | 10 |
| Care Suites | 13 | 7 | *86%* | - |
| **Total occupation rights** | **543** | **470** | ***16%*** | **438** |

## Committed resales pipeline



# Resales cash margin

## Cash margin on resales of 37% with $115.7m realised in FY23

- Resales cash margin of 37% in FY23 with an average margin of $214k per unit, up from $210k in FY22
- Average refurbishment costs per unit of $20k, up from $8k in FY22 due to higher proportion of rollovers on stock with long tenures in our established villages
  - These units being upgraded to match the fitout of units at our new villages
- Sales and marketing costs reflect costs associated with commissions, sales manager salaries and direct marketing costs for our resale villages

**$115.7m**

Cash margin on resales

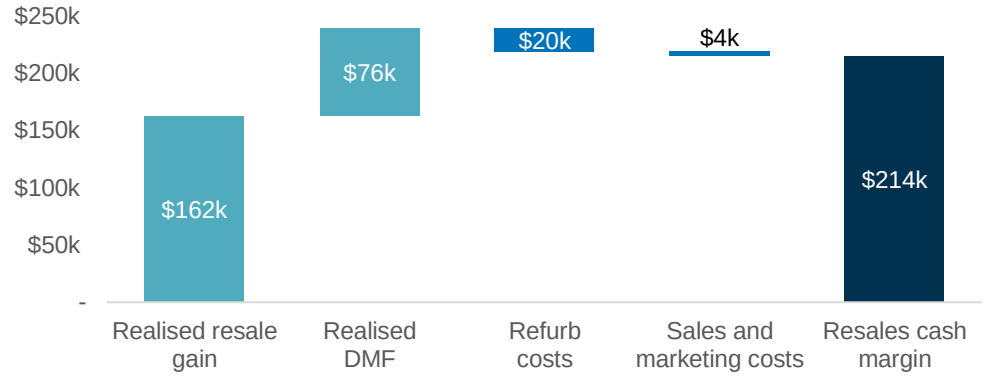
**$214k**

Realised resale cash margin

| Resales | FY23 | FY22 | Variance |
|---|---|---|---|
| **Gross proceeds ($m)** | **318.6** | **263.6** | ***21%*** |
| Realised resale gains ($m) | 88.1 | 70.2 | *26%* |
| DMF realisation ($m) | 41.5 | 34.5 | *20%* |
| Refurb of existing IP* | (11.6) | (4.6) | *156%* |
| Sales and marketing costs | (2.3) | (2.1) | *14%* |
| **ILU cash margin on resale** | **115.7** | **98.0** | ***18%*** |
| | | | |
| Gross proceeds per unit ($k) | 586.8 | 560.8 | *5%* |
| Net cash per unit ($k) | 238.8 | 222.7 | *7%* |
| Average refurb cost per rollover ($k) | (20.1) | (8.1) | *149%* |
| Sales and marketing costs per unit ($k) | (4.3) | (4.4) | *(2%)* |
| **Cash margin on resale per unit ($k)** | **214.4** | **210.2** | ***2%*** |
| **Cash margin %** | **37%** | **37%** | ***(3%)*** |

** Excludes refurbishment costs relating to common areas*

## Resales cash margin per unit




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# Embedded value

## Embedded value now $1.6b, up 9% on FY22

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Total embedded value now $1.6b, having increased from $1.5b at FY22, a 9% uplift

Embedded value comprised of:

- $1.07b resale gains
- $0.55b deferred management fees

Embedded value per unit now $255k, in line with the $261k at FY22

Unrealised resale gain per unit now $168k, 3% above the $162k achieved on the 543 resales of Occupation Rights in FY23

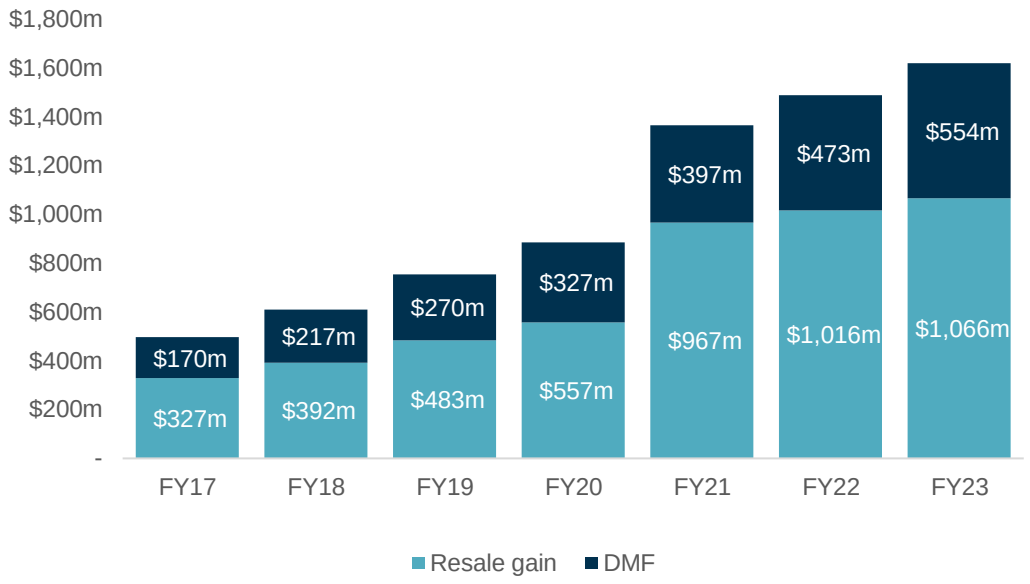
**$1.6b**

Embedded value ▲ 9%

**$1.1b**

Embedded resale gain

Embedded value




| NZ$m | FY23 | FY22 | Variance | FY21 |
|---|---|---|---|---|
| DMF | $554.3 | $472.7 | *17%* | $397.4 |
| Resales gain | $1,066 | $1,016 | *5%* | $967.3 |
| **Embedded value** | **$1,620** | **$1,488** | ***9%*** | **$1,365** |

# Resale stock

## Uncontracted resale stock remains low

- Resale stock has increased from 266 units at FY22 to 292 units at FY23
- The increase in overall stock was driven by a record number of vacated units in the period, up 8% on FY22
- Now have a record number of resale units under contract at year end of 148, up 28% on FY22
- Uncontracted stock is 2.3% of portfolio with 144 total uncontracted units, down from 150 at FY22 and 155 at 1H23
- Continue to see consistent strong demand in our villages with a waitlist of over 1,500

**144**

Uncontracted resale stock

**2.3%**

Percentage of uncontracted stock

| Resales stock | FY23 | FY22 |
|---|---|---|
| Contracted | 148 | 116 |
| Uncontracted | 144 | 150 |
| **Total resales stock** | **292** | **266** |
| Contracted | 92 | 57 |
| Uncontracted | 83 | 81 |
| **Villas** | **175** | **138** |
| Contracted | 17 | 14 |
| Uncontracted | 15 | 13 |
| **Apartments** | **32** | **27** |
| Contracted | 36 | 40 |
| Uncontracted | 34 | 52 |
| **Serviced apartments** | **70** | **92** |
| Contracted | 2 | 4 |
| Uncontracted | 6 | 4 |
| **Memory care apartments** | **8** | **8** |
| Contracted | 1 | 1 |
| Uncontracted | 6 | - |
| **Care suites** | **7** | **1** |

*Percentage of uncontracted stock calculated off all units sold under Occupation Right Agreement*

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*Summerset Pohutukawa Place (Bell Block)*

# Questions

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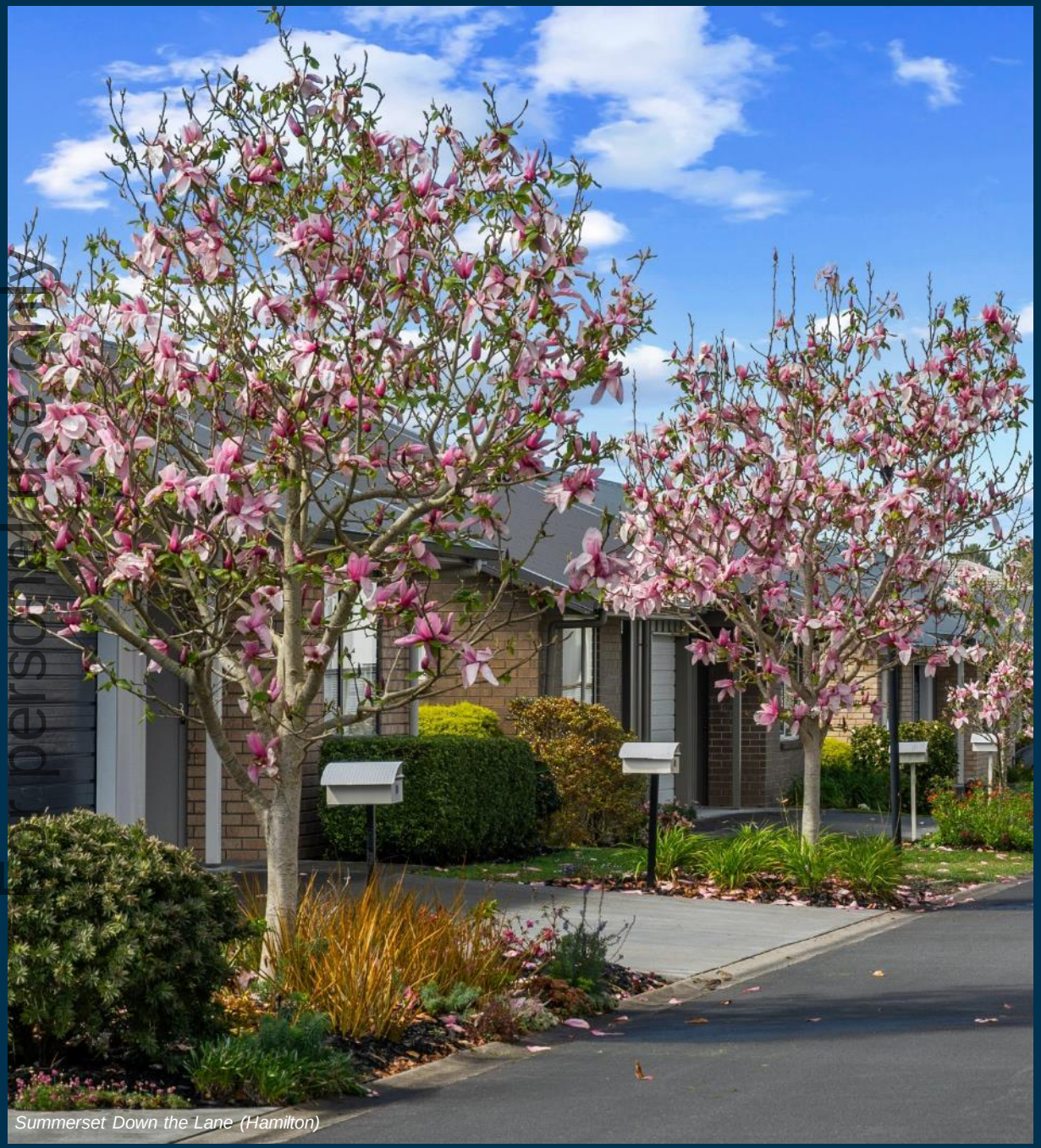
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Actual results may differ materially from those stated in any forward looking statement based on a number of important factors and risks

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*Summerset Down the Lane (Hamilton)*

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# Appendix


01 Summerset overview

02 Portfolio and land bank

03 Underlying profit reconciliation

04 Historical trends

05 Fair value movement

06 Sales price relativity

07 Summerset growth and demographics

08 Customer profile and occupancy

# Summerset overview

## Diversified portfolio throughout New Zealand and Australia

### Our portfolio

**6,087**
Retirement units in portfolio

**5,571**
Retirement units in land bank

**$6.9b**
Total assets

### Our care

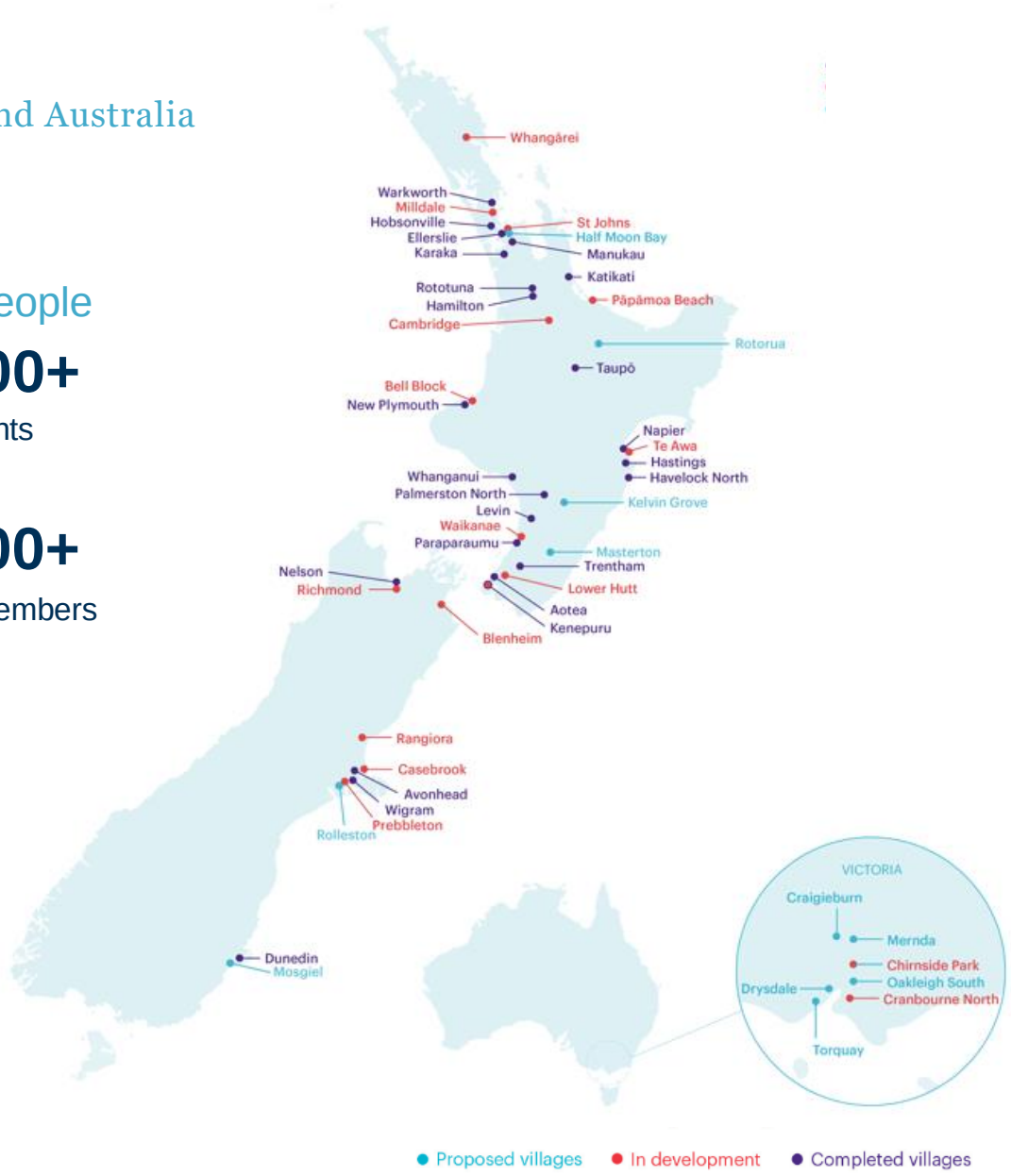
**1,284**
Care units in portfolio

**1,338**
Care units in land bank

### Our people

**8,000+**
Residents

**2,800+**
Staff members




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# Portfolio as at 31 December 2023

## 7,371 total units including 6,087 retirement units and 1,284 care units

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| Existing portfolio - as at 31 December 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Retirement units | | | Care units | | | |
| Village | Villas | Apartments | Serviced apartments | Memory care apartments | Care suites | Care beds | Total units and care beds |
| Whangārei | 118 | - | - | - | - | - | 118 |
| **Northland** | **118** | **-** | **-** | **-** | **-** | **-** | **118** |
| Ellerslie | 38 | 218 | 57 | - | - | 58 | 371 |
| Hobsonville | 163 | 73 | 52 | - | - | 52 | 340 |
| Karaka | 182 | - | 59 | - | - | 50 | 291 |
| Manukau | 89 | 67 | 27 | - | - | 54 | 237 |
| Milldale | 19 | - | - | - | - | - | 19 |
| Warkworth | 202 | 2 | 44 | - | - | 41 | 289 |
| **Auckland** | **693** | **360** | **239** | **-** | **-** | **255** | **1,547** |
| Cambridge | 45 | - | - | - | - | - | 45 |
| Hamilton | 183 | - | 50 | - | - | 49 | 282 |
| Rototuna | 188 | - | 56 | 20 | 7 | 36 | 307 |
| Taupō | 94 | 34 | 18 | - | - | - | 146 |
| **Waikato** | **510** | **34** | **124** | **20** | **7** | **85** | **780** |
| Katikati | 156 | - | 30 | - | - | 27 | 213 |
| Pāpāmoa Beach | 152 | - | - | - | - | - | 152 |
| **Bay of Plenty** | **308** | **-** | **30** | **-** | **-** | **27** | **365** |
| Hastings | 146 | 5 | - | - | - | - | 151 |
| Havelock North | 94 | 28 | - | - | - | 45 | 167 |
| Napier | 94 | 26 | 20 | - | - | 48 | 188 |
| Te Awa | 181 | - | 56 | 20 | 15 | 28 | 300 |
| **Hawke's Bay** | **515** | **59** | **76** | **20** | **15** | **121** | **806** |
| Bell Block | 144 | - | 56 | 20 | 19 | 21 | 260 |
| New Plymouth | 108 | - | 40 | - | - | 52 | 200 |
| **Taranaki** | **252** | **-** | **96** | **20** | **19** | **73** | **460** |
| Levin | 64 | 22 | - | 10 | - | 41 | 137 |
| Palmerston North | 90 | 12 | - | - | - | 44 | 146 |
| Whanganui | 70 | 18 | 12 | - | - | 37 | 137 |
| **Manawatū-Whanganui** | **224** | **52** | **12** | **10** | **-** | **122** | **420** |

# Portfolio as at 31 December 2023

## 7,371 total units including 6,087 retirement units and 1,284 care units

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| Existing portfolio - as at 31 December 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Retirement units | | | Care units | | | |
| Village | Villas | Apartments | Serviced apartments | Memory care apartments | Care suites | Care beds | Total units and care beds |
| Aotea | 96 | 33 | 38 | - | - | - | 167 |
| Kenepuru | 112 | 48 | 86 | 20 | 17 | 26 | 309 |
| Lower Hutt | 9 | 20 | - | - | - | - | 29 |
| Paraparaumu | 92 | 22 | - | - | - | 44 | 158 |
| Trentham | 231 | 12 | 40 | - | - | 44 | 327 |
| Waikanae | 27 | - | - | - | - | - | 27 |
| **Wellington-Kāpiti** | **567** | **135** | **164** | **20** | **17** | **114** | **1,017** |
| Blenheim | 15 | - | - | - | - | - | 15 |
| Nelson | 214 | - | 55 | - | - | 59 | 328 |
| Richmond | 214 | - | 56 | 20 | 17 | 26 | 333 |
| **Nelson-Tasman** | **443** | **-** | **111** | **20** | **17** | **85** | **676** |
| Avonhead | 165 | - | 79 | 20 | 17 | 26 | 307 |
| Casebrook | 264 | - | 56 | 20 | - | 43 | 383 |
| Prebbleton | 78 | - | - | - | - | - | 78 |
| Wigram | 159 | - | 53 | - | - | 49 | 261 |
| **Canterbury** | **666** | **-** | **188** | **40** | **17** | **118** | **1,029** |
| Dunedin | 61 | 20 | 20 | - | - | 42 | 143 |
| **Otago** | **61** | **20** | **20** | **-** | **-** | **42** | **143** |
| **Total NZ** | **4,357** | **660** | **1,060** | **150** | **92** | **1,042** | **7,361** |
| | | | | | | | |
| Cranbourne North | 10 | - | - | - | - | - | 10 |
| **Total Australia** | **10** | **-** | **-** | **-** | **-** | **-** | **10** |
| | | | | | | | |
| **Total NZ and Australia** | **4,367** | **660** | **1,060** | **150** | **92** | **1,042** | **7,371** |

# Future development

## Largest New Zealand land bank for a retirement village operator of 4,741 units and beds

| Landbank – as at 31 December 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Retirement units | | | Care units | | | |
| Village | Villas | Apartments | Serviced apartments | Memory care apartments | Care suites | Care beds | Total units and care beds |
| Whangārei | 99 | - | 60 | 20 | 27 | 9 | **215** |
| **Northland** | **99** | **-** | **60** | **20** | **27** | **9** | **215** |
| Half Moon Bay | - | 218 | 33 | 20 | 49 | - | **320** |
| Milldale | 111 | 34 | 60 | 20 | 27 | 9 | **261** |
| St Johns | 11 | 225 | 55 | 19 | 30 | - | **340** |
| **Auckland** | **122** | **477** | **148** | **59** | **106** | **9** | **921** |
| Cambridge | 215 | - | 60 | 20 | 27 | 9 | **331** |
| **Waikato** | **215** | **-** | **60** | **20** | **27** | **9** | **331** |
| Rāpāmoa Beach | 59 | - | 60 | 20 | 15 | 21 | **175** |
| Rotorua | 260 | - | 20 | 20 | 10 | 20 | **330** |
| **Bay of Plenty** | **319** | **-** | **80** | **40** | **25** | **41** | **505** |
| Te Awa | 60 | - | - | - | - | - | **60** |
| **Hawke's Bay** | **60** | **-** | **-** | **-** | **-** | **-** | **60** |
| Bell Block | 78 | - | - | - | - | - | **78** |
| **Taranaki** | **78** | **-** | **-** | **-** | **-** | **-** | **78** |
| Kelvin Grove | 183 | - | 20 | 20 | 10 | 20 | **253** |
| **Manawatū-Whanganui** | **183** | **-** | **20** | **20** | **10** | **20** | **253** |
| Lower Hutt | 41 | 89 | 56 | 10 | 30 | - | **226** |
| Masterton | 236 | - | 20 | 20 | 10 | 20 | **306** |
| Waikanae | 190 | - | 60 | 20 | 27 | 9 | **306** |
| **Wellington-Kapiti-Wairarapa** | **467** | **89** | **136** | **50** | **67** | **29** | **838** |
| Richmond | 52 | - | - | - | - | - | **52** |
| **Nelson-Tasman** | **52** | **-** | **-** | **-** | **-** | **-** | **52** |

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# Future development

## Largest New Zealand land bank for a retirement village operator of 4,741 units and beds

| Landbank – as at 31 December 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Retirement units | | | Care units | | | |
| Village | Villas | Apartments | Serviced apartments | Memory care apartments | Care suites | Care beds | Total units and care beds |
| Blenheim | 125 | - | 30 | 20 | 10 | 10 | 195 |
| **Marlborough** | **125** | **-** | **30** | **20** | **10** | **10** | **195** |
| Casebrook | 6 | - | - | - | - | - | 6 |
| Prebbleton | 143 | - | 60 | 20 | 27 | 9 | 259 |
| Rangiora | 260 | - | 60 | 20 | 27 | 9 | 376 |
| Rolleston | 267 | - | 20 | 20 | 10 | 20 | 337 |
| **Canterbury** | **676** | **-** | **140** | **60** | **64** | **38** | **978** |
| Mosgiel | 245 | - | 20 | 20 | 10 | 20 | 315 |
| **Otago** | **245** | **-** | **20** | **20** | **10** | **20** | **315** |
| **Total NZ** | **2,641** | **566** | **694** | **309** | **346** | **185** | 4,741 |
| | | | | | | | |
| Chirnside Park | 185 | - | 28 | - | - | 72 | 285 |
| Craigieburn | 267 | - | 20 | - | - | 72 | 359 |
| Cranbourne North | 151 | - | 34 | - | - | 72 | 257 |
| Drysdale | 300 | - | 20 | - | - | 72 | 392 |
| Mernda | 284 | - | 20 | - | - | 72 | 376 |
| Oakleigh South | 50 | 44 | - | - | - | 66 | 160 |
| Torquay | 209 | 30 | 28 | - | - | 72 | 339 |
| **Total Australia** | **1,446** | **74** | **150** | **-** | **-** | **498** | 2,168 |
| | | | | | | | |
| **Total NZ and Australia** | **4,087** | **640** | **844** | **309** | **346** | **683** | 6,909 |

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# FY23 underlying profit reconciliation

## Reconciliation of underlying profit to reported net profit after tax

Financial (NZ$m)

| | FY23 | FY22 | Variance | FY21 |
|---|---|---|---|---|
| Net profit before tax (IFRS) | 422.5 | 265.1 | 59% | 543.6 |
| **Net profit after tax (IFRS)** | **436.3** | **269.1** | **62%** | **543.7** |
| Less reversal of impairment on land & buildings | 0.0 | 0.0 | 0% | (3.4) |
| Less fair value movement of investment property | (441.6) | (268.8) | 64% | (537.5) |
| Add realised gain on resales | 88.1 | 70.2 | 26% | 59.9 |
| Add realised development margin | 121.2 | 104.9 | 16% | 78.5 |
| Add/(less) deferred tax expense/credit | (13.8) | (4.0) | 250% | (0.0) |
| **Underlying profit*** | **190.3** | **171.4** | **11%** | **141.1** |

** 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 and has been audited by Ernst & Young. Underlying profit is a measure which the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend pay out to shareholders.*

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# Historical trends

## Underlying profit 12 year CAGR of 30% since listing

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| | Full Year Results | 12 Year CAGR* | FY23 | FY22 | FY21 | FY20 | FY19 | FY11 NZX listed |
|---|---|---|---|---|---|---|---|---|
| Operational | New sales of occupation rights | 15% | 560 | 537 | 540 | 404 | 329 | 108 |
| | Resales of occupation rights | 13% | 543 | 470 | 438 | 381 | 323 | 123 |
| | **Total sales** | **14%** | **1,103** | **1007** | **978** | **785** | **652** | **231** |
| | New units delivered** | 16% | 692 | 651 | 671 | 413 | 354 | 122 |
| | Retirement units in portfolio*** | 12% | 6,087 | 5,518 | 4,930 | 4,442 | 4,086 | 1,486 |
| | Care units in portfolio**** | 12% | 1,284 | 1,161 | 1,098 | 972 | 868 | 327 |
| Financial (NZ$m) | Total revenue ($m) | 19% | 272.2 | 238.7 | 205.3 | 172.4 | 153.9 | 33.7 |
| | **Net profit after tax ($m)** | **47%** | **436.3** | **269.1** | **543.7** | **230.8** | **175.3** | **4.3** |
| | **Underlying profit***** ($m)** | **30%** | **190.3** | **171.4** | **141.1** | **98.3** | **106.2** | **8.1** |
| | Net operating cash flow ($m) | 20% | 398.2 | 369.2 | 383.4 | 266.8 | 237.9 | 43.7 |
| | Total assets ($m) | 22% | 6,942 | 5,840 | 4,924 | 3,893 | 3,338 | 616.9 |
| | Total equity ($m) | 22% | 2,605 | 2,193 | 1,925 | 1,355 | 1,132 | 233.4 |
| | Interest bearing loans and borrowings ($m) | 28% | 1,394 | 1,060 | 747.0 | 687.1 | 597.1 | 69.1 |
| | Cash and cash equivalents ($m) | - | 12.6 | 25.3 | 8.4 | 15.8 | 21.5 | 9.0 |
| | Gearing ratio (Net D/ Net D+E) | - | 34.7% | 32.4% | 27.8% | 32.6% | 33.3% | 20.5% |
| | EPS (cents) (IFRS profit) | 44% | 187.4 | 116.7 | 238.2 | 102.3 | 78.6 | 2.4 |
| | NTA (cents) | 21% | 1,110 | 943.9 | 835.9 | 594.1 | 502.0 | 109.3 |
| | Development margin (%) | - | 32% | 30% | 23% | 20% | 28% | 6% |

** Compound annual growth rate*

*** New units delivered includes all retirement units and care units*

**** Retirement units include villas, apartments and serviced apartments*

***** Care units include memory care apartments, care suites and care beds*

****** Underlying profit differs from NZ IFRS reported profit after tax. The measure has been reviewed by Ernst & Young. Refer to slide 64 for a reconciliation between the two measures, and 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 | 176.8 | 8.9 | 13.50% | 1.00% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset by the Lake | Taupō | 100.7 | 11.0 | 14.50% | 1.00% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset in the Bay | Napier | 102.3 | 5.8 | 13.75% | 1.00% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset in the Orchard | Hastings | 111.6 | 5.7 | 14.50% | 1.00% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset in the Vines | Havelock North | 90.9 | 3.2 | 14.25% | 1.00% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset in the River City | Whanganui | 48.3 | 3.7 | 14.88% | 1.00% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset on Summerhill | Palmerston North | 69.3 | 5.4 | 14.50% | 1.00% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset by the Ranges | Levin | 42.9 | 1.9 | 14.75% | 1.00% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset on the Coast | Paraparaumu | 87.4 | 4.0 | 14.25% | 1.00% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset at Aotea | Aotea | 135.5 | 4.7 | 14.00% | 1.00% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset in the Sun | Nelson | 187.7 | 0.2 | 13.50% | 1.00% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset at Bishopscourt | Dunedin | 68.3 | 3.9 | 14.25% | 1.25% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset down the Lane | Hamilton | 160.3 | 3.3 | 14.00% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| Summerset Mountain View | New Plymouth | 96.6 | 5.4 | 14.50% | 1.25% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset Falls | Warkworth | 233.6 | 6.3 | 14.00% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| Summerset at Heritage Park | Ellerslie | 374.3 | 6.3 | 14.50% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| Summerset at Karaka | Karaka | 223.3 | 12.4 | 13.75% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| Summerset at Wigram | Wigram | 151.0 | 10.5 | 13.75% | 1.00% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset at the Course | Trentham | 216.6 | 6.9 | 14.00% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| Summerset by the Sea | Katikati | 138.2 | 2.4 | 14.50% | 1.25% | 1.50% | 2.50% | 3.00% | 3.50% |
| Summerset Rototuna | Rototuna | 205.2 | 11.1 | 14.00% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| Summerset at Avonhead | Avonhead | 203.4 | 9.9 | 14.00% | 1.00% | 1.50% | 2.00% | 3.00% | 3.50% |
| Summerset at Monterey Park | Hobsonville | 364.4 | 33.6 | 13.50% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| Summerset on the Landing | Kenepuru | 240.9 | 41.9 | 14.00% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| **Total for completed villages** | | **3,830** | **208.2** | | | | | | |

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

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# 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 on Cavendish | Casebrook | 255.5 | 29.8 | 14.00% | 1.00% | 1.50% | 2.00% | 3.00% | 3.50% |
| Summerset Richmond Ranges | Richmond | 220.8 | 19.8 | 14.50% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| Summerset Palms | Te Awa | 200.3 | 17.1 | 14.50% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| Summerset by the Dunes | Pāpāmoa Beach | 145.8 | 17.7 | 15.00% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| Summerset Pohutukawa Place | Bell Block | 161.9 | 32.3 | 14.50% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| Summerset Mount Denby | Whangārei | 112.2 | 11.8 | 15.00% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| Summerset Cambridge | Cambridge | 62.7 | 17.9 | 16.50% | 1.00% | 1.50% | 2.00% | 3.00% | 3.50% |
| Summerset Prebbleton | Prebbleton | 74.2 | 11.3 | 16.50% | 1.00% | 1.50% | 2.00% | 3.00% | 3.50% |
| Summerset Blenheim | Blenheim | 18.7 | 2.9 | 16.50% | 1.00% | 1.50% | 2.00% | 3.00% | 3.50% |
| Summerset Milldale | Milldale | 49.0 | 4.1 | 16.50% | 1.00% | 1.50% | 2.00% | 3.00% | 3.50% |
| Summerset Boulcott | Lower Hutt | 56.7 | 8.6 | 16.00% | 1.00% | 1.50% | 2.00% | 3.00% | 3.50% |
| Summerset Waikanae | Waikanae | 38.8 | 7.4 | 16.50% | 1.00% | 1.50% | 2.00% | 2.50% | 3.50% |
| Summerset Rangiora | Rangiora | 11.2 | (0.3) | n/a | n/a | n/a | n/a | n/a | n/a |
| Summerset St Johns | St Johns | 239.9 | 73.7 | n/a | n/a | n/a | n/a | n/a | n/a |
| Summerset Cranbourne North | Melbourne - Cranbourne North | 20.8 | (1.1) | n/a | n/a | n/a | n/a | n/a | n/a |
| **Total for villages in development** | | **1,669** | **253.1** | | | | | | |
| **Total for proposed villages** | | **427.8** | **(19.7)** | | | | | | |
| **Total for all villages** | | **5,926** | **441.6** | | | | | | |

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

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# Care centre valuation

## Care centre valuation – key assumptions

| Value of care facilities | | Total care beds (non ORA) | Total care units (ORA) | Value of care facility | Assumed capitalisation rate | Assumed value per equivalent bed** |
|---|---|---|---|---|---|---|
| Village | Location | No. | | NZ$m | % | NZ$'000 |
| Summerset by the Park | Manukau | 54 | 0 | 10.1 | 12.75% | 172.4 |
| Summerset in the Bay | Napier | 48 | 0 | 6.7 | 13.50% | 121.9 |
| Summerset in the Vines | Havelock North | 45 | 0 | 3.1 | 14.00% | 72.1 |
| Summerset in the River City | Whanganui | 37 | 0 | 2.7 | 15.75% | 68.8 |
| Summerset on Summerhill | Palmerston North | 44 | 0 | 4.3 | 15.00% | 97.5 |
| Summerset by the Ranges | Levin | 41 | 10 | 9.0 | 14.50% | 99.0 |
| Summerset on the Coast | Paraparaumu | 44 | 0 | 4.1 | 14.50% | 93.2 |
| Summerset in the Sun | Nelson | 59 | 0 | 9.7 | 13.25% | 117.4 |
| Summerset at Bishopscourt | Dunedin | 42 | 0 | 5.9 | 13.50% | 126.1 |
| Summerset down the Lane | Hamilton | 49 | 0 | 7.1 | 12.75% | 119.4 |
| Summerset Mountain View | New Plymouth | 52 | 0 | 7.4 | 13.50% | 120.3 |
| Summerset Falls | Warkworth | 41 | 0 | 6.5 | 13.50% | 130.3 |
| Summerset at Karaka | Karaka | 50 | 0 | 10.0 | 12.75% | 164.5 |
| Summerset at Wigram | Wigram | 49 | 0 | 8.4 | 13.00% | 134.4 |
| Summerset at the Course | Trentham | 44 | 0 | 5.4 | 14.00% | 99.3 |
| Summerset by the Sea | Katikati | 27 | 0 | 4.1 | 14.25% | 120.3 |
| Summerset at Heritage Park | Ellerslie | 58 | 0 | 11.6 | 13.00% | 173.5 |
| Summerset at Monterey Park | Hobsonville | 52 | 0 | 9.9 | 12.50% | 160.7 |
| Summerset Rototuna | Rototuna | 36 | 27 | 24.9 | 12.75% | 115.1 |
| Summerset on Cavendish | Casebrook | 43 | 20 | 21.1 | 12.75% | 125.0 |
| Summerset Richmond Ranges | Richmond | 26 | 37 | 27.1 | 12.75% | 111.8 |
| Summerset at Avonhead | Avonhead | 26 | 37 | 25.1 | 12.75% | 109.4 |
| **Total for existing care facilities** | | **967** | **131** | **224.2** | | |
| Summerset Palms | Te Awa | 28 | 35 | 27.4 | 13.00% | 105.8 |
| Summerset Pohutukawa Place | Bell Block | 21 | 39 | 31.7 | 13.00% | 108.1 |
| Summerset on the Landing | Kenepuru | 26 | 37 | 31.9 | 12.75% | 106.8 |
| **Total for new care facilities*** | | **75** | **111** | **91.0** | | |
| **Total for all villages** | | **1,042** | **242** | **315.2** | | |

** Built subsequent to the last care centre valuation as at 31 December 2022*

*** Value for assumed beds includes the non-ORA profits from care beds and serviced and memory care apartments only*

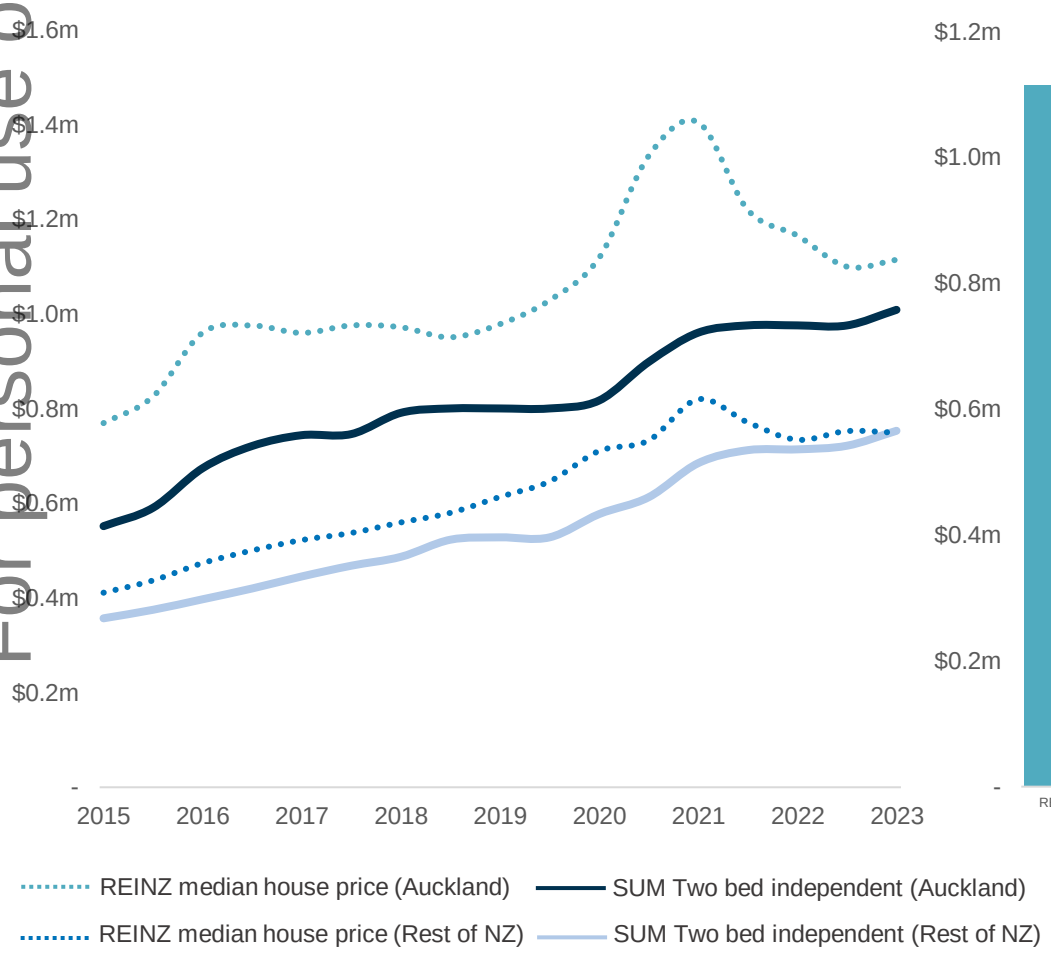
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# Sales price relativity

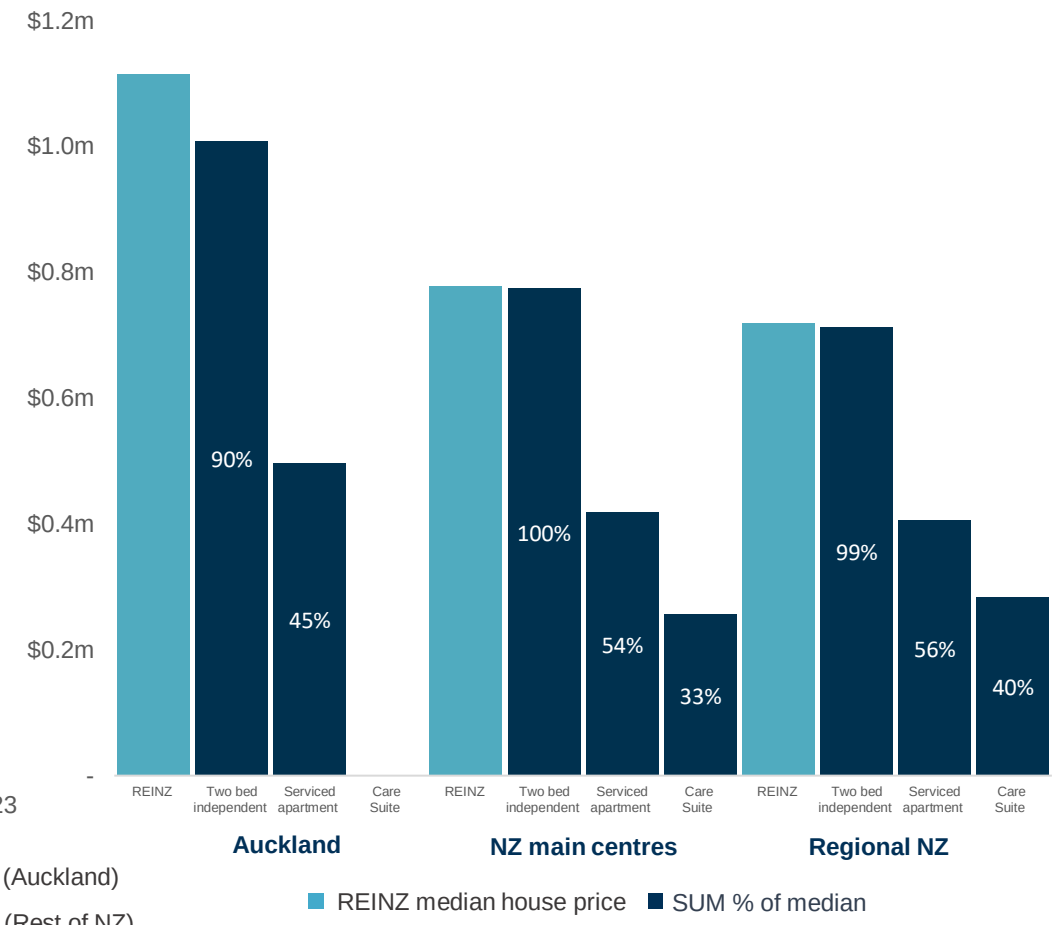
## Continue to watch the residential market closely, unit pricing remains well placed

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### Long term sales price relativity




### Sales price relativity vs median house price



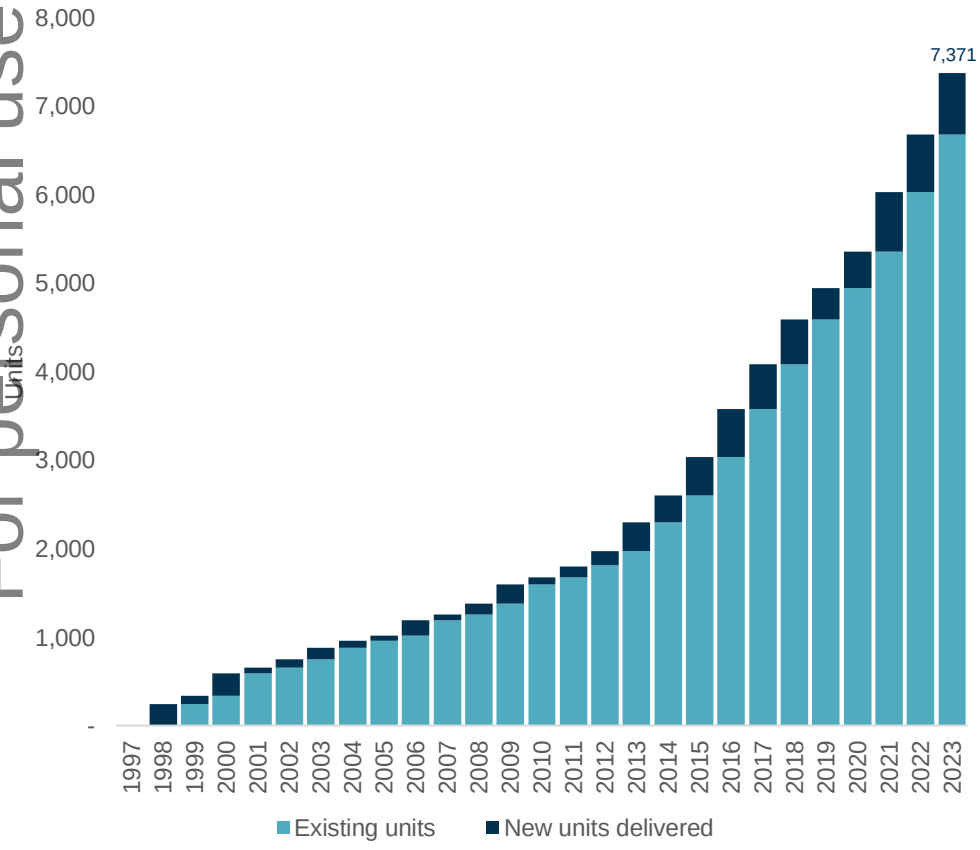

*Source: REINZ, December 2023, based on Summerset catchments*

# Summerset growth and key demographics

## 25 years of consistent delivery and growth

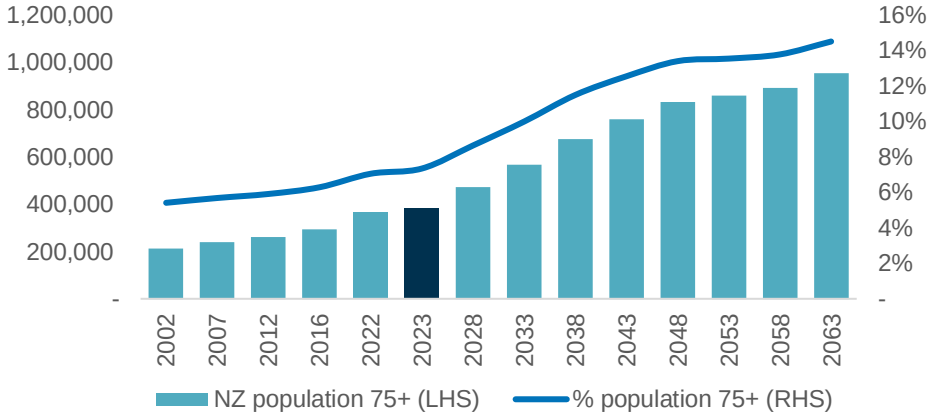
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### Summerset build rate

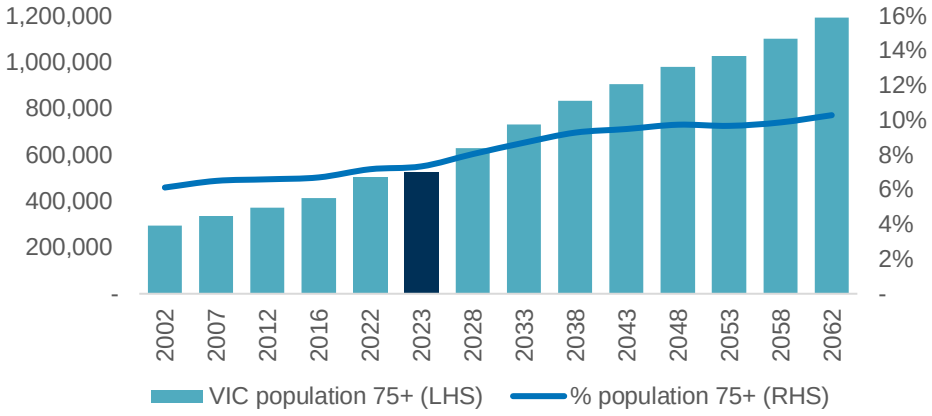



*New units delivered includes retirement units, memory care apartments, care suites and care beds*

### New Zealand population growth 75 years and over




### Victoria population growth 75 years and over



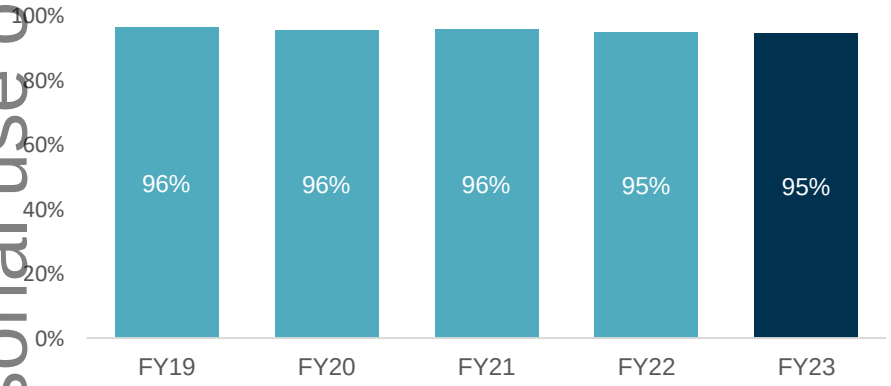

*Source: Australian Bureau of Statistics and Statistics New Zealand*

# Customer profile & occupancy

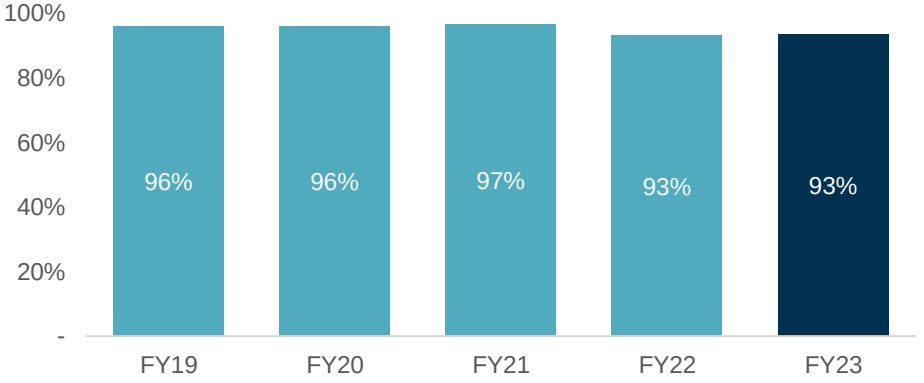
## Occupancy, tenure and resident demographic statistics

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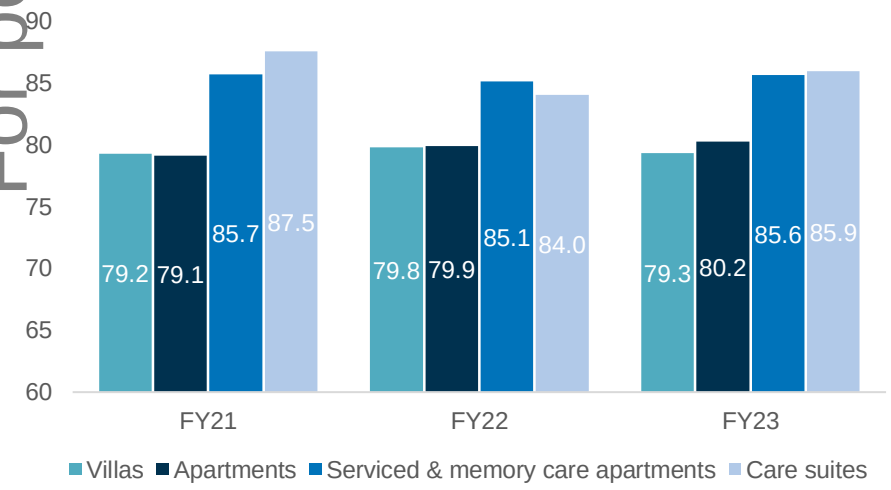
### Occupancy – retirement villages



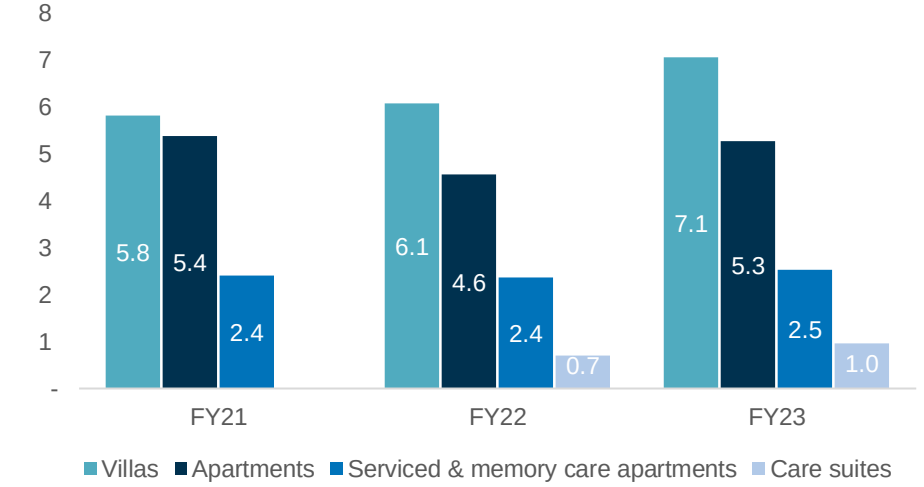

### Occupancy – established care centres




### Average entry age of residents (years)




### Average tenure (years)



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# Ngā mihi

**For more information:**

Will Wright
Chief Financial Officer
will.wright@summerset.co.nz
021 490 251

# Results announcement

**(for Equity Security issuer/Equity and Debt Security issuer)**

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| Results for announcement to the market | | |
|---|---|---|
| Name of issuer | Summerset Group Holdings Limited | |
| Reporting Period | 12 months to 31 December 2023 | |
| Previous Reporting Period | 12 months to 31 December 2022 | |
| Currency | NZD | |
| | **Amount (000s)** | **Percentage change** |
| Revenue from continuing operations | $272,203 | 14.0% |
| Total Revenue | $272,203 | 14.0% |
| Net profit/(loss) from continuing operations | $436,319 | 62.2% |
| Total net profit/(loss) after tax | $436,319 | 62.2% |
| Underlying profit* | $190,289 | 11.0% |
| **Interim/Final Dividend** | | |
| Amount per Quoted Equity Security | $0.132 per Ordinary Share | |
| Imputed amount per Quoted Equity Security | Not imputed | |
| Record Date | 11 March 2024 | |
| Dividend Payment Date | 22 March 2024 | |
| | **Current period** | **Prior comparable period** |
| Net tangible assets per Quoted Equity Security | $11.10 | $9.44 |
| A brief explanation of any of the figures above necessary to enable the figures to be understood | See also other attached documents (annual report, media release, results presentation and distribution notice).<br>* 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 which the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend pay-out to shareholders. | |

| Authority for this announcement | |
|---|---|
| Name of person authorised to make this announcement | Robyn Heyman |
| Contact person for this announcement | Robyn Heyman |
| Contact phone number | 027 506 5562 |
| Contact email address | Robyn.heyman@summerset.co.nz |
| Date of release through MAP | 26 February 2024 |

Audited financial statements accompany this announcement.

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# Distribution Notice

**Please note: all cash amounts in this form should be provided to 8 decimal places**

| **Section 1: Issuer information** | | | | |
|---|---|---|---|---|
| Name of issuer | Summerset Group Holdings Limited | | | |
| Financial product name/description | Ordinary Shares | | | |
| NZX ticker code | SUM | | | |
| ISIN (If unknown, check on NZX website) | NZSUME0001S0 | | | |
| Type of distribution<br>(Please mark with an X in the relevant box/es) | Full Year | X | Quarterly | |
| | Half Year | | Special | |
| | DRP applies | X | | |
| Record date | 11/03/2024 | | | |
| Ex-Date (one business day before the Record Date) | 08/03/2024 | | | |
| Payment date (and allotment date for DRP) | 22/03/2024 | | | |
| Total monies associated with the distribution[1] | $30,925,142.42400000 | | | |
| Source of distribution (for example, retained earnings) | Retained earnings | | | |
| Currency | NZD | | | |
| **Section 2: Distribution amounts per financial product** | | | | |
| Gross distribution[2] | $0.13200000 | | | |
| Total cash distribution[3] | $0.13200000 | | | |
| Excluded amount (applicable to listed PIEs) | $0.00000000 | | | |
| Supplementary distribution amount | $0.00000000 | | | |
| **Section 3: Imputation credits and Resident Withholding Tax[4]** | | | | |
| Is the distribution imputed | No imputation | | | |
| If fully or partially imputed, please state imputation rate as % applied | N/A | | | |
| Imputation tax credits per financial product | N/A | | | |
| Resident Withholding Tax per financial product | $0.04356000 | | | |

[1] Continuous issuers should indicate that this is based on the number of units on issue at the date of the form

[2] "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (**RWT**).

[3] "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should *include* any excluded amounts, where applicable to listed PIEs.

[4] The imputation credits plus the RWT amount is 33% of the gross distribution for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross distribution with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.

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| Section 4: Distribution re-investment plan (if applicable) | | |
|---|---|---|
| DRP % discount (if any) | 2% | |
| Start date and end date for determining market price for DRP | 12/03/2024 | 18/03/2024 |
| Date strike price to be announced (if not available at this time) | 19/03/2024 | |
| Specify source of financial products to be issued under DRP programme (new issue or to be bought on market) | New issue | |
| DRP strike price per financial product | TBA | |
| Last date to submit a participation notice for this distribution in accordance with DRP participation terms | 12/03/2024 | |
| **Section 5: Authority for this announcement** | | |
| Name of person authorised to make this announcement | Robyn Heyman | |
| Contact person for this announcement | Robyn Heyman | |
| Contact phone number | +64 27 506 5562 | |
| Contact email address | robyn.heyman@summerset.co.nz | |
| Date of release through MAP | 26/02/2024 | |