



# BE SUMMERSET SURE

INVESTMENT STATEMENT AND PROSPECTUS

INITIAL PUBLIC OFFERING OF ORDINARY SHARES  
IN SUMMERSET GROUP HOLDINGS LIMITED

27 SEPTEMBER 2011



JOINT BOOKRUNNERS, JOINT LEAD MANAGERS



JOINT LEAD MANAGER



## IMPORTANT INFORMATION

(The information in this section is required under the Securities Act 1978.)  
Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

### CHOOSING AN INVESTMENT

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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What sort of investment is this?	120
Who is involved in providing it for me?	120
How much do I pay?	121
What are the charges?	121
What returns will I get?	121-122
What are my risks?	122-125
Can the investment be altered?	125-126
How do I cash in my investment?	126
Who do I contact with inquiries about my investment?	126
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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.<sup>1</sup>

### THE FINANCIAL MARKETS AUTHORITY REGULATES CONDUCT IN FINANCIAL MARKETS

The Financial Markets Authority regulates conduct in New Zealand's financial markets.

The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient and transparent financial markets.

### IMPORTANT NOTICE

This Offer Document relates to the Offer of ordinary shares in Summerset Group Holdings Limited. A description of the Offer and the Offer Shares is set out in the *Details of the Offer* section of this Offer Document.

This Offer Document is a combined investment statement and prospectus for the purposes of the Securities Act and the Securities Regulations and is prepared as at, and dated, 27 September 2011. The purpose of this Offer Document is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to acquire Offer Shares. However, investors should note that other important information about the Offer Shares and the Offer is available for inspection at the registered office of Summerset.

You should read all of this Offer Document and the accompanying documentation before deciding whether or not to invest in Summerset.

No person is authorised to give any information or make any representation in connection with this Offer which is not contained in this Offer Document or in other communications from the directors of the Issuers. Any information or representation not so contained may not be relied upon as having been authorised by the Issuers.

Investors who are in any doubt as to any aspect of the Offer should consult their financial or legal adviser or an NZX Firm. Investors should seek their own taxation advice on the implications of an investment in the Offer Shares.

### NO GUARANTEE

No person guarantees the Offer Shares offered under this Offer Document.

### REGISTRATION

A copy of this Offer Document duly signed by or on behalf of the directors of the Issuers and every Promoter for the purposes of the Securities Act, and having endorsed thereon or attached thereto copies of the documents and other materials required by section 41 of the Securities Act, has been delivered to the Registrar of Financial Service Providers for registration in accordance with section 42 of the Securities Act. The documents required by section 41 of the Securities Act to be endorsed on or attached to the copy of this Offer Document delivered to the Registrar of Financial Service Providers are:

- the report of the Auditor in respect of certain financial information included in this Offer Document, as set out in this Offer Document;

- the signed consent of the Auditor to the audit report appearing in this Offer Document;
- the signed consent of Ernst & Young Transaction Advisory Services to the Investigating Accountant's Report appearing in this Offer Document;
- the signed consent of CBRE to the statements attributed to CBRE appearing in this Offer Document;
- copies of the material contracts referred to under the heading "Material Contracts" in the *Statutory Information* section of this Offer Document; and
- letters of authority authorising this Offer Document to be signed by an agent of any director of the Issuers and any Promoter (if and where required).

### SELLING RESTRICTIONS

The Retail Offer is being made to members of the public in New Zealand and the Institutional Offer is being made to selected Institutional Investors. No person may offer, sell, or deliver any Offer Shares or distribute any documents (including this Offer Document) to any person outside New Zealand, except in accordance with all of the legal requirements of the relevant jurisdiction. Unless otherwise agreed with the Issuers, any person or entity applying for Offer Shares under the Offer will, by virtue of such Application, be deemed to represent that he, she or it is not in a jurisdiction that does not permit the making of the Offer or an invitation of the kind contained in this Offer Document and is not acting for the account or benefit of a person within such a jurisdiction. Neither the Issuers, the Promoters, the Joint Lead Managers nor any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

### CONSIDERATION PERIOD

Pursuant to section 43D of the Securities Act, the Issuers are unable to allot any Offer Shares or accept any Applications or subscriptions in respect of the Offer during the Financial Markets Authority "Consideration Period". The Consideration Period commences on the date of registration of this Offer Document and ends at the close of five working days from the date of registration. The Financial Markets Authority may shorten this Consideration Period, or extend it by no more than five additional working days.

For more information about investing, go to <http://www.fma.govt.nz>

### FINANCIAL ADVISERS CAN HELP YOU MAKE INVESTMENT DECISIONS

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions. Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check—

- the type of adviser you are dealing with;
- the services the adviser can provide you with;
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at <http://www.fspr.govt.nz>

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

### LISTING

Application has been made to NZX for permission to list Summerset, and to quote the Shares on the NZSX and all requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document. NZX has authorised NZX Firms to act on the Offer. The NZSX is a registered market operated by NZX, which is a registered exchange, regulated under the Securities Markets Act. Initial quotation of the Shares on the NZSX is expected to occur on or about 1 November 2011 under the symbol 'SUM'.

### RISK AND SUITABILITY OF AN INVESTMENT IN SUMMERSET

This Offer Document does not take into account each investor's investment objectives, financial situation and particular needs. Investors should read this Offer Document in full before deciding whether to invest. In particular, investors should consider the risk factors that could affect Summerset's performance (including those set out under the heading "What are my risks?" in the *Answers to Important Questions* section of this Offer Document), particularly with regard to their personal circumstances. Investors who are in any doubt as to any aspect of the Offer should consult their financial or legal adviser or an NZX Firm.

### FORWARD LOOKING STATEMENTS

This Offer Document contains certain statements that relate to the future. Such statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Summerset and which may cause actual results, performance or achievements of Summerset to differ materially from those expressed or implied by such statements.

### DEFINITIONS

Capitalised terms used in this Offer Document have the specific meaning given to them in the *Glossary*.

All references to dates and time are to dates and time in New Zealand.

This Offer Document refers to various legislation in force in New Zealand from time to time. Copies of any such legislation may be viewed online at [www.legislation.govt.nz](http://www.legislation.govt.nz) free of charge.

1. This is the wording required by Schedule 13 to the Securities Regulations, which contemplates a separate investment statement and prospectus. This Offer Document comprises both an investment statement and a prospectus, and accordingly the prospectus available on request is identical to this document.





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# IMPORTANT DATES AND OFFER HIGHLIGHTS

## IMPORTANT DATES<sup>2</sup>

Bookbuild, Pricing and Allocation	6 to 7 October 2011
Opening Date	9.00am, 10 October 2011
Resident and Employee Pool Closing Date	5.00pm, 19 October 2011
Closing Date	5.00pm, 26 October 2011
Allotment Date	1 November 2011
Quotation and trading of Shares expected to commence on the NZSX	1 November 2011
Mailing of holding statements	No later than 8 November 2011

## KEY OFFER STATISTICS

Offer Shares	Ordinary Shares in Summerset Group Holdings Limited
Original allotter of Offer Shares	Summerset Group Holdings Limited
Offeror of Offer Shares	Summerset Group Limited
Indicative price per Offer Share <sup>3</sup>	\$1.40 to \$1.60
Expected number of Offer Shares <sup>4</sup>	85.0 million to 87.5 million
Total number of Shares held by the Quadrant Shareholders upon completion of the Offer	119.8 million
Total number of Shares on issue upon completion of the Offer <sup>5</sup>	210.1 million to 214.8 million
Total gross proceeds from the Offer <sup>6</sup>	\$122.5 million to \$136.0 million

- This timetable is indicative only. The Issuers reserve the right to vary or extend the dates of the Offer, withdraw the Offer at any time before the Allotment Date and accept late Applications (either generally or in individual cases).
- The Indicative Price Range is indicative only. The Final Price will be set on 7 October 2011 after the conclusion of the bookbuild process and may be within, above or below this range. The Indicative Price Range may be varied at any time by the Issuers.
- Based on the Indicative Price Range and the Selling Shareholders selling down their current shareholdings as set out in the *Details of the Offer* section of this Offer Document. The expected number of Offer Shares assumes the Selling Shareholders sell the minimum number of Shares at the low end of the Indicative Price Range, and the maximum number of Shares at the high end of the Indicative Price Range. The actual number of Offer Shares may be below, within or outside this range. The theoretical minimum and maximum number of Offer Shares is 83.0 million to 89.5 million. The lower number in this theoretical range assumes the Final Price is set at the high end of the Indicative Price Range and the Selling Shareholders sell the minimum number of their existing Shares (and the higher number in this theoretical range is calculated with the opposite assumptions).
- Based on Shares outstanding as at the date of this Offer Document of 177,283,645, plus \$50 million of new Shares to be issued under the Offer and \$2.55 million of new Shares to be issued to the Management Shareholders as set out in the *Details of the Offer* section of this Offer Document. Note that the higher the Final Price the less the number of Summerset Shares on issue upon completion of the Offer.
- Based on \$50 million of new Shares to be issued under the Offer and based on the Indicative Price Range and the Selling Shareholders selling down their current shareholdings as set out in the *Details of the Offer* section of this Offer Document.

## SELECTED FINANCIAL INFORMATION<sup>7</sup>

### Pro Forma Earnings and Cash Flow Information

YEARS ENDING 31 DECEMBER (NZ\$ MILLION)	HISTORICAL		PROSPECTIVE	
	FY 2009	FY 2010	FY 2011	FY 2012
Care and Village Service Fees	17.8	22.1	23.7	25.6
Deferred Management Fees	6.5	7.8	8.8	9.8
<b>Total Operating Revenue</b>	<b>24.5</b>	<b>30.2</b>	<b>32.5</b>	<b>35.3</b>
Fair Value Movement of Investment Property <sup>8</sup>	22.6	1.6	6.6	14.1
<b>Total Income</b>	<b>47.1</b>	<b>31.8</b>	<b>39.1</b>	<b>49.5</b>
Operating Expenses	(25.5)	(27.7)	(28.4)	(31.0)
Operating Profit before Financing Costs	20.6	2.9	9.6	17.3
Net Operating Cash Flow <sup>9</sup>	32.0	33.3	37.9	51.9
Underlying Profit <sup>10</sup>			5.7	9.7

Underlying Profit represents the Directors' adjustment to net profit after tax to replace the fair value adjustment in investment property values, with the Directors' estimate of realised components of movements in investment property value, and to eliminate deferred tax charges or credits.

### Reported Balance Sheet Information

(NZ\$ MILLION)	HISTORICAL		PROSPECTIVE	
	31 DEC 2010	30 JUN 2011	31 DEC 2011	31 DEC 2012
Investment Properties	495.8	501.9	552.3	632.6
Total Assets	537.2	546.7	595.7	676.7
Net Debt <sup>11</sup>	95.5	92.2	71.4	97.0
Net Tangible Assets (NTA) <sup>12</sup>	174.1	172.9	227.4	238.5

## INVESTMENT METRICS<sup>13</sup>

	INDICATIVE PRICE RANGE	
	\$1.40	\$1.60
<b>Capitalisation</b>		
Market Capitalisation <sup>14</sup>	\$300.7 million	\$336.2 million
Pro Forma Net Debt <sup>15</sup>	\$43.4 million	\$43.4 million
Implied Enterprise Value <sup>16</sup>	\$344.2 million	\$379.6 million
<b>Offer Multiples and Yield</b>		
Price/Pro forma NTA (x) <sup>17</sup>	1.33x	1.48x
Enterprise Value/Net Operating Cash Flow (x) <sup>18</sup>	6.63x	7.31x
FY 2012 Payout Ratio <sup>19</sup>	44%	44%
FY 2012 Cash Dividend Yield <sup>20</sup>	1.43%	1.28%

7. Summary pro forma and reported historical and forecast financials of Summerset. Refer to the *Financial Information* section of this Offer Document for further information, including details of adjustments to the statutory results. Figures in this table are derived from financial information prepared by Summerset, and set out under the headings "Pro Forma Financial Information" and "Prospective Financial Information" in the *Financial Information* section of this Offer Document.

8. Based on the assumptions set out in Note 7 to the prospective financial information on page 69.

## DIVIDEND POLICY

Summerset's dividend policy is to distribute between 30% and 50% of Underlying Profit.

Summerset intends to pay a first dividend of \$4.3 million in respect of FY 2012. No dividend will be paid in respect of FY 2011.

Despite the intentions set out above, no guarantee can be given about the level or payment of dividends, the level of imputation of such dividends or the payout ratios as these matters depend upon the future profits of Summerset and its financial and taxation position at that time.

## PURPOSE OF THE OFFER

The purpose of the Offer is to:

- raise new capital of \$50 million for Summerset to accelerate the expansion of its business;
- raise capital to fund the acquisition by the Offeror of Shares in Summerset from the Selling Shareholders in order to make those Shares available under the Offer; and
- list Summerset on the NZSX,<sup>21</sup> which will:
  - provide Summerset with additional financial flexibility to pursue further growth opportunities; and
  - provide a liquid market for Shares and an opportunity for Summerset to improve the breadth of its share register.

## USE OF PROCEEDS

The proceeds of the Offer will be applied by the Offeror to:

- subscribe for the additional new Offer Shares in Summerset which are being offered under this Offer; and
- satisfy the cash consideration payable to the Selling Shareholders for the acquisition of those Offer Shares currently held by the Selling Shareholders which are being offered under this Offer.

The subscription monies received by Summerset, net of costs, will be applied in the short term to repay (in part) existing debt in Summerset, providing Summerset with higher levels of available funding to continue its development plans.<sup>22</sup>

## STRUCTURE OF THE OFFER

The Offer comprises:

- The Retail Offer, consisting of:
  - the Broker Firm Offer which is available only to New Zealand resident clients of NZX Firms who have received an allocation from that NZX Firm; and
  - the Resident and Employee Pool which is available to any person resident in New Zealand who Summerset determines is an employee of, or a resident or intending resident in a Village of, Summerset as at the Opening Date, up to a maximum of \$2 million of Offer Shares.<sup>23</sup>

- The Institutional Offer, which consists of an invitation to bid for Offer Shares made to selected Institutional Investors in New Zealand, Australia and certain overseas jurisdictions.

There is no public pool under which you may subscribe for Offer Shares.

The allocation of Offer Shares between the Institutional Offer and the Retail Offer (and within the Retail Offer between the Broker Firm Offer and the Resident and Employee Pool) will be determined by the Issuers.

## DETERMINATION OF THE FINAL PRICE

An Indicative Price Range of \$1.40 to \$1.60 per Offer Share has been set by the Issuers. On 6 to 7 October 2011, the Joint Bookrunners will undertake a bookbuild process inviting NZX Firms and selected Institutional Investors in New Zealand, Australia and certain other overseas jurisdictions to lodge bids indicating the number of Offer Shares they wish to apply for at a range of prices. This bookbuild process will be used to assist the Issuers to determine the Final Price.

The Final Price will be set taking into account various factors, including the following:

- the overall demand for Offer Shares at various prices;
- pricing indications from Institutional Investors and NZX Firms in the bookbuild process;
- the desire of Summerset and the Selling Shareholders to have a successful and consistent aftermarket for the Shares; and
- any other factors that the Issuers consider relevant.

The Final Price is expected to be announced and posted on Summerset's website [www.summerset.co.nz](http://www.summerset.co.nz) and under Summerset's stockcode 'SUM' on [www.nzx.com](http://www.nzx.com) on or about 7 October 2011.

All successful Applicants will pay the Final Price for each Offer Share allocated to them under both the Retail Offer and the Institutional Offer. The Final Price will not necessarily be the highest price at which Offer Shares could be issued or transferred under the Offer and may be set above, within or below the Indicative Price Range. Accordingly, successful Applicants under the Offer may pay a Final Price which is above, within or below the Indicative Price Range.

All of the Offer Shares will be sold at the Final Price.

## INQUIRIES

This Offer Document, and other information about the Offer not contained in this Offer Document is available in electronic form at [www.summerset.co.nz](http://www.summerset.co.nz).

All inquiries in relation to this Offer Document should be directed to the Joint Lead Managers, whose contact details are set out in the *Directory*, or by contacting your usual NZX Firm.

If you are in any doubt as to any aspect of the Offer, you should consult your financial or legal adviser or an NZX Firm.

9. Operating cash flow means cash flow generated from operating activities, excluding financing activities and investment activities as detailed in the *Financial Information* section of this Offer Document.
10. Underlying profit is calculated as outlined in Note 13 to the prospective financial information on page 71, adjusted in 2011 for \$0.3m of additional listed entity costs as outlined in Note 9 to the pro forma financial information on page 72.
11. Calculated as interest-bearing loans and borrowings less cash and cash equivalents.
12. NTA is calculated as total assets, less total intangible assets and total liabilities.
13. The forecast investment metrics and dividend yield should be read in conjunction with the forecast assumptions set out under the heading "Prospective Financial Information" in the *Financial Information* section of this Offer Document, and also the risk factors set out under the heading "What are my risks?" in the *Answers to Important Questions* section of this Offer Document.
14. Calculated as the total number of Shares on issue upon completion of the Offer (see footnote 5), multiplied by the Indicative Price Range.
15. Calculated as net interest-bearing debt of Summerset as at 30 June 2011, adjusted to include the expected Offer proceeds to be retained by Summerset after payment of Offer costs and subscription monies to be paid by former management members of Summerset in order to fully pay up Shares issued to them. Pro forma net debt does not include any adjustment for the loans to be advanced by Summerset in connection with the new Shares to be issued to the Management Shareholders as set out in the *Details of the Offer* section of this Offer Document (\$2.55 million), or the loans (\$2.81 million) in respect of Shares already issued to current and former members of management under the terms of an existing employee share ownership plan (or the cash proceeds to be received upon the repayment of such loans).
16. Calculated as market capitalisation plus pro forma net debt.
17. Calculated as market capitalisation divided by pro forma NTA. Pro forma NTA is the NTA as at 30 June 2011 (\$172.9 million), adjusted to include the expected Offer proceeds to be retained by Summerset after payment of Offer costs and the repayment of loans to be advanced by Summerset in connection with the new Shares to be issued to the Management Shareholders as set out in the *Details of the Offer* section of this Offer Document (\$2.55 million), and the repayment of loans (\$2.81 million) and payment of subscription monies (\$0.25 million) in respect of the Shares already issued to the current and former members of management under the terms of an existing employee share ownership plan.
18. Calculated as the enterprise value, divided by pro forma forecast FY 2012 net operating cash flow of \$51.9 million.
19. Assuming a FY 2012 dividend of \$4.3 million, which equates to 44% of forecast FY 2012 Underlying Profit of \$9.7 million.
20. Calculated as FY 2012 assumed dividend of \$4.3 million divided by the market capitalisation implied by the Indicative Price Range. The dividend has not been annualised in dollar value or in terms of its yield.
21. Application has been made to NZX for permission to list Summerset, and to quote the Shares on the NZSX and all requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document. NZX has authorised NZX Firms to act on the Offer. The NZSX is a registered market operated by NZX, which is a registered exchange, regulated under the Securities Markets Act.
22. Summerset's development plans are outlined under the heading "Development" in the *Overview of Summerset* section of this Offer Document.
23. For the purposes of Listing Rule 7.1.8 this represents a maximum of 1.3 million to 1.4 million Offer Shares or 0.59% to 0.67% of the total Shares Summerset will have on issue following the Offer, based on the Indicative Price Range, which have been reserved for any person resident in New Zealand who Summerset determines is an employee of, or a resident or intending resident in a Village, of Summerset as at the Opening Date.



# SUMMERSET SNAPSHOT



Summerset builds, owns and operates retirement villages that provide quality retirement village living and aged care services to older New Zealanders.



“Best Retirement Village Operator” in New Zealand and Australia 2010.<sup>24</sup>

## KEY INVESTMENT THEMES

- A recognised industry leader
- Compelling sector fundamentals
- Significant increases in demand anticipated
- Summerset is the second largest developer of new retirement units in New Zealand
- Continuum of care model provides competitive advantage
- Strong development pipeline
- Significant cash flow and earnings growth potential

## KEY OPERATING POINTS

- Design, build, own, operate
- Independent and assisted living, rest home and hospital care
- Recognised brand backed by proven operational and development capability
- Continuum of care is a key part of offering to residents
- Aged care facilities integrated into the Villages

24. Australasian Over 50's Housing Awards 2010.





## CURRENT OPERATIONS

- 13 operating Villages
- 1,364 Retirement Units
- 323 Care Beds
- Over 1,700 residents
- Approximately 450 staff

Strong development pipeline with 121 Retirement Units expected to be delivered by 31 December 2011, 155 Retirement Units expected to be delivered in 2012 and a target of increasing delivery to 250 Retirement Units per annum within 5 years.

- 4 brownfield developments<sup>25</sup>
- 3 greenfield sites<sup>26</sup>
- Expect to continuously hold development sites sufficient to maintain approximately five years of development



25. A brownfield development is a site presently under development and with some form of existing infrastructure.

26. A greenfield site is a site on which no facilities or structures exist.

27. Embedded value is the quantum of contractually accrued deferred management fees and other unrealised gains that would be received in cash if all of Summerset's ORAs were terminated, resold and settled at that valuation date. In practice, this value will be received as cash in the future. This reference does not, therefore, reflect the present value of future cash flows from the termination of ORAs.

## CASH FLOWS

Summerset generates cash flows from five key sources:

- Sales of Occupation Right Agreements for new Retirement Units
- Deferred Management Fees
- Resident levies (weekly living and service fees)
- Aged care service fees
- Resales of Occupation Right Agreements for existing Retirement Units

Significant growth in Summerset's cash flows is expected as its Village portfolio matures

Embedded value of \$119 million at 30 June 2011<sup>27</sup>

## INTEGRATED NATIONAL BRAND OFFERING

- 14 year track record
- Increasing nationwide brand recognition
- Customer centric philosophy
- Respect for everyday New Zealanders

## INVESTMENT HIGHLIGHTS

PG 10-11

### **A RECOGNISED INDUSTRY LEADER**

PG 12-13

### **COMPELLING SECTOR FUNDAMENTALS**

PG 14-15

### **SIGNIFICANT INCREASES IN DEMAND ANTICIPATED**

PG 16-17

### **SUMMERSET IS THE SECOND LARGEST DEVELOPER OF NEW RETIREMENT UNITS**

PG 18-19

### **CONTINUUM OF CARE MODEL PROVIDES COMPETITIVE ADVANTAGE**

PG 20-21

### **STRONG DEVELOPMENT PIPELINE**

PG 22-23

### **SIGNIFICANT CASH FLOW AND EARNINGS GROWTH POTENTIAL**

## LETTER FROM THE CHAIRMAN

27 September 2011

### Dear Investor

Since its founding in 1994, the Summerset Group has grown consistently to become one of the country's largest and most respected operators in the retirement village and aged care sector.

Summerset provides a range of living options to more than 1,700 residents located in 13 operating Villages across New Zealand. Summerset develops and operates retirement villages that contain independent and assisted living units and also care facilities for those who need more support. It caters to everyday New Zealanders and aims to make residents' time at Summerset's Villages among the best years of their life.

Summerset is a leading nationwide retirement village operator with a focus on providing residents with a continuum of care. The integration of care facilities into Summerset's Villages provides residents with the knowledge that care is available for them should their needs change.

Summerset has a successful track record of developing and completing new Villages. Since 1 January 2006, Summerset has expanded its business by 569 Retirement Units to 1,364 Retirement Units.

The growth in Summerset's Village footprint has been reflected in its financial performance. Summerset's consolidated pro forma net operating cash flow has grown from \$18.3 million in 2006 to \$33.3 million in 2010 and the value of its investment properties has grown from \$241.1 million to \$495.8 million over the corresponding period.

Summerset has a strong development pipeline for future growth. Four Villages are currently under construction, including the recently acquired site in Nelson. Summerset also has three quality land sites in Karaka, Katikati and Dunedin and is continually evaluating new sites to support the development of further Villages.

This Offer will raise \$50 million of new capital and will position Summerset to accelerate the expansion of its footprint. Summerset expects to deliver 121 new Retirement Units in 2011, is expecting to deliver 155 new Retirement Units in 2012 and has a target of increasing delivery to 250 Retirement Units per annum within 5 years.

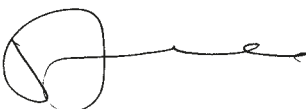
Summerset's highly experienced senior management team is led by CEO Norah Barlow who is also the elected President of the Retirement Villages Association of New Zealand, a position which she has held for five years. The Directors are confident that Summerset management has the sector knowledge and expertise to continue to deliver results for their Shareholders.

Summerset is approximately 97% owned by Quadrant Private Equity and associated funds, with the balance held by current and former members of the Board and senior management team. In addition to the issue of new Shares to raise funds for Summerset, the Quadrant Shareholders will sell down a portion of their current shareholding to enable public market investors to participate in the continued development and future success of Summerset. The Quadrant Shareholders will retain a majority shareholding following the Offer, reflecting their ongoing support for Summerset and desire to remain invested in Summerset alongside new investors.

I am personally excited about my involvement with Summerset and its future. Summerset has the sites, the funding and the management team to deliver earnings and cash flow growth. I encourage you to read this Offer Document in its entirety carefully before making your investment decision.

On behalf of the Board, I commend the Offer to you and look forward to welcoming you as a Shareholder.

Yours faithfully,



Rob Campbell

Chairman

**Summerset Group Holdings Limited**



# INVESTMENT HIGHLIGHTS





# A RECOGNISED INDUSTRY LEADER

## 14 YEAR TRACK RECORD OF ORGANICALLY GROWING ITS VILLAGE FOOTPRINT AND DELIVERING NEW RETIREMENT UNITS AND CARE BEDS...

- Second largest developer in the retirement village and aged care sectors over the last two years<sup>28</sup>
- Third largest operator in the retirement village sector<sup>29</sup>
- 1,364 Retirement Units and 323 Care Beds
- Consistent delivery of new Retirement Units

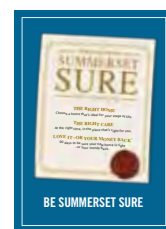
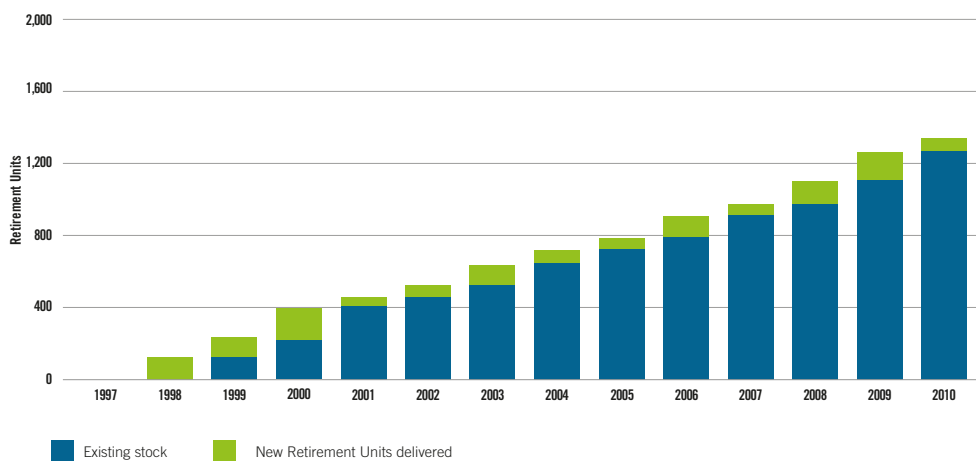
### ...AN INDUSTRY LEADER...

- Skilled and experienced management team
- Recognised as the 'Best Retirement Village Operator – 2010' at the Australasian Over 50's Housing Awards 2010
- Leading provider of the continuum of care model

### ...WITH A COMPELLING BRAND PROPOSITION

- Pioneer in developing a national brand
- 'Summerset Sure' – provides residents with confidence and certainty in service delivery
- Respect for everyday New Zealanders

NEW RETIREMENT UNIT DELIVERY (1997-2010)



28. By retirement units developed.  
29. By retirement unit numbers.





## COMPELLING SECTOR FUNDAMENTALS

### NEW ZEALAND'S OLDER POPULATION IS PROJECTED TO GROW RAPIDLY<sup>30</sup> ...

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

### ... AND MORE PEOPLE ARE CHOOSING TO LIVE IN RETIREMENT VILLAGES

- Nationwide penetration rates<sup>31</sup> are estimated to have increased from 3% in 1998 to 5% today for population aged 65 years and over, and from 5% to 9%<sup>32</sup> for population aged 75 years and over
- In Tauranga, where there is high availability of retirement villages, the penetration rates for population aged 65 years and over are estimated to have reached 11% (17% for population aged 75 years and over)
- The construction of new villages and increased demand from an ageing population is expected to contribute to penetration rates continuing to increase over time

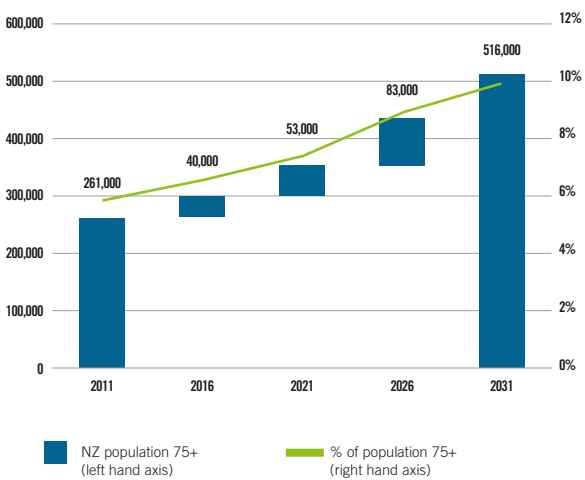
30. Statistics New Zealand, population projections (Series 5) (2009).

31. A "penetration rate" is a percentage calculated by dividing the number of people living in retirement units aged 75 years and over (or 65 years and over, as the case may be) by the number of the total population aged 75 years and over (or 65 years and over, as the case may be) in the relevant catchment area.

32. Assumes 80% of people in retirement units are aged 75 years and over.

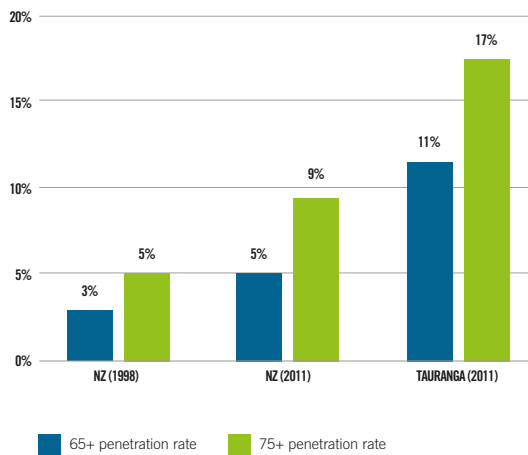


### POPULATION GROWTH 75 YEARS AND OVER



SOURCE: Statistics New Zealand.

### ESTIMATED PENETRATION RATES









# SIGNIFICANT INCREASES IN DEMAND ANTICIPATED

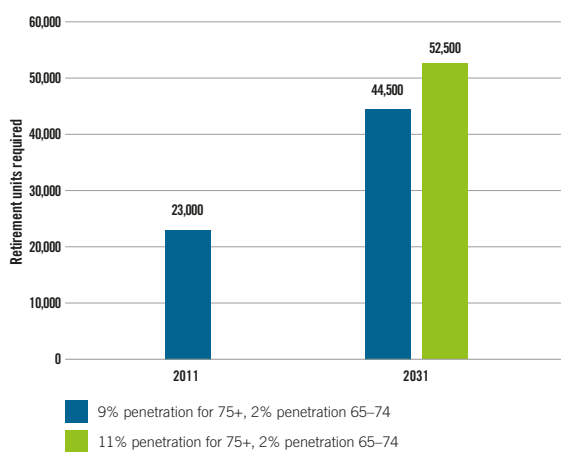
## DEMAND FOR NEW RETIREMENT UNITS IS PROJECTED TO INCREASE SUBSTANTIALLY...

- If penetration rates remain constant at current estimated levels, the number of retirement units required is estimated to increase from approximately 23,000 today to 44,500 in 2031<sup>33</sup>
- If penetration rates for those aged 75 years and over increase to 11%<sup>34</sup> the number of retirement units required is estimated to increase from approximately 23,000 today to 52,500 in 2031

## ... DEMAND FOR AGED CARE BEDS IS ALSO PROJECTED TO INCREASE SUBSTANTIALLY

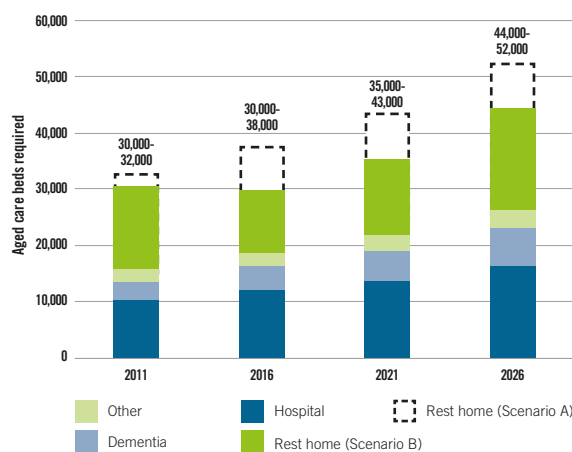
- The number of aged care beds required is estimated to increase from approximately 32,000 today to between 44,000 and 52,000 in 2026
- Demand increases in aged care are predominantly driven by the demand for hospital beds and dementia care
- Summerset has a higher concentration of hospital beds than the aged care sector average

ESTIMATED DEMAND FOR RETIREMENT UNITS



NOTE: Assumes 1.3 people : 1 retirement unit.

ESTIMATED DEMAND FOR AGED CARE BEDS



SOURCE: Grant Thornton, *Aged Residential Care Service Review*, September 2010, Scenario A and Scenario B.

33. Current penetration rates are estimated to be 9% for population aged 75 years and over and 2% for population aged 65 to 74 years.

34. 11% penetration rate for population aged 75 years and over and 2% for population aged 65 to 74 years.





## SUMMERSET IS THE SECOND LARGEST DEVELOPER OF NEW RETIREMENT UNITS

### PROVEN DEVELOPMENT TRACK RECORD AND STRONG DEVELOPMENT PIPELINE...

- Summerset has delivered 243 new Retirement Units over the last two years, second only to Ryman Healthcare
- Summerset expects to deliver 121 new Retirement Units in 2011, is expecting to deliver 155 new Retirement Units in 2012 and has a target of increasing delivery to 250 Retirement Units per annum within 5 years

### ... THE GLOBAL FINANCIAL CRISIS HAS COMPROMISED UNIT DELIVERY...

- CBRE have observed that the global financial crisis led to many retirement village construction projects being

either cancelled or placed on hold due to the heightened sell down risk for completed retirement unit products and construction completion risks caused by funding constraints

- As developers delay projects or exit the market, this creates an opportunity for core players such as Summerset, who have a long term commitment to the sector

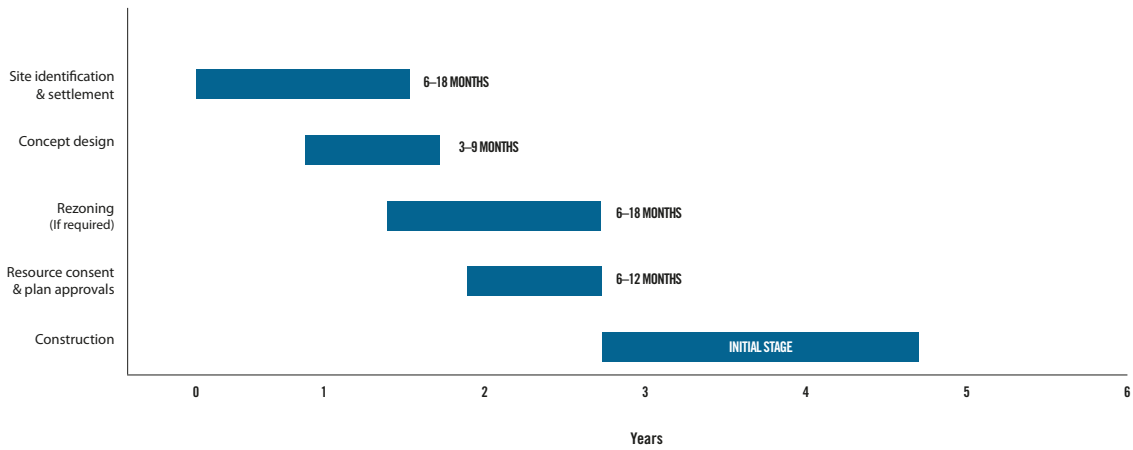
### ... CONSIDERABLE LEAD TIME TO PROVIDE NEW SUPPLY WHICH IMPACTS INDUSTRY SUPPLY SIDE RESPONSE

- It typically takes two to four years to complete the first stage of a new retirement village from initial site identification
- Summerset has a strong portfolio of well advanced development sites





### TYPICAL DEVELOPMENT TIMELINE





## CONTINUUM OF CARE MODEL PROVIDES COMPETITIVE ADVANTAGE

### SUMMERSET IS A LEADING NATIONWIDE RETIREMENT VILLAGE OPERATOR WITH A FOCUS ON PROVIDING RESIDENTS A CONTINUUM OF CARE...

- Integration of care facilities within villages is a key attraction for residents
- Summerset matches support and care services to meet each resident's individual needs
- Regulatory and operational complexity of aged care makes providing a continuum of care challenging for new entrants and competitors who do not currently provide this

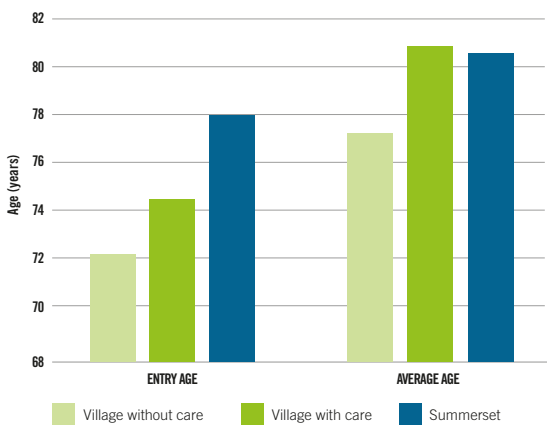
### ... PROVIDING A COMPETITIVE ADVANTAGE

- Integrated villages offering a continuum of care generally have higher entry ages and average ages
- Integrated villages are more likely to have waiting lists for entry for licence to occupy units
- More resilient demand for retirement units through economic cycles



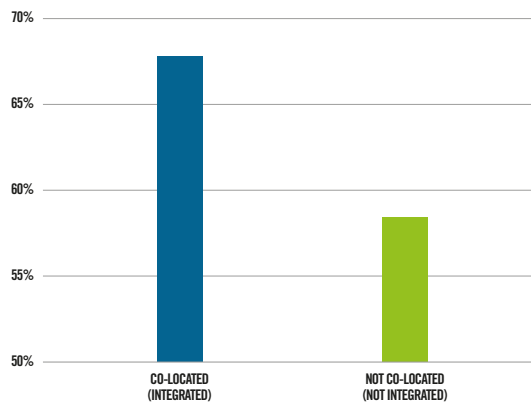


### INDUSTRY ENTRY AGE AND AVERAGE AGE (AUSTRALIA)



SOURCE: Grant Thornton/RVA Retirement Living Survey June 2011 (Australia).

### RETIREMENT VILLAGES WITH WAITING LISTS (AUSTRALIA)



SOURCE: Grant Thornton/RVA Retirement Living Survey June 2011 (Australia).





## STRONG DEVELOPMENT PIPELINE

### SUMMERSET HAS A STRONG DEVELOPMENT PIPELINE PROVIDED BY EXISTING VILLAGES UNDER CONSTRUCTION AND LANDBANK...

- Summerset has the sites, the management team and the funding in place to deliver the development pipeline

### MANAGEMENT TEAM

- Summerset's highly regarded management team has an excellent track record, having organically grown Summerset's business and completed numerous Village developments

### FUNDING

- The Summerset Group has bank approval to increase its existing facility by \$20 million to a \$150 million revolving facility. The revolving facility will have a maturity of 2015. This documentation is currently being finalised and will be executed prior to closing of the Offer. Summerset intends to use its financing headroom to fund future Village construction and additional landbank purchases
- In the medium term, much of the surplus cash flow generated by Summerset from the sale of Occupation Right Agreements will be reinvested in future developments





## THE SITES

**1,174** NEW RETIREMENT UNITS ("RUs") FROM EXISTING SITES

2011: 121 RUs, 2012: 155 RUs,  
250 RUs P.A. WITHIN 5 YEARS

### EXISTING VILLAGE IN-FILL

**Manukau** – 17 RUs to be completed in 2011

↑ 17

### BROWNFIELD DEVELOPMENT

**Warkworth** – 24 RUs in 2011, 93 further RUs to be built

**Hamilton** – 30 RUs in 2011, 210 further RUs to be built

**Hastings** – 25 RUs in 2011, 74 further RUs to be built

**Nelson** – 25 RUs in 2011, 240 further RUs to be built

↑ 721

### GREENFIELD SITES

**Karaka** – 155 RUs

**Katikati** – 157 RUs

**Dunedin** – 124 RUs

↑ 436

### FUTURE SITES

Funding in place to secure further sites and accelerate growth

Multiple sites being investigated

Strategy to continuously hold development sites sufficient to maintain approximately five years of development



# SIGNIFICANT CASH FLOW AND EARNINGS GROWTH POTENTIAL

## MATURING VILLAGE PORTFOLIO...

- An increasing proportion of Summerset's cash flow is expected to be generated from the resale of Occupation Right Agreements as its Village portfolio matures
- Increased resales from maturing Villages will provide greater cash flows from resale gains and Deferred Management Fees realised by Summerset
- Summerset's embedded value<sup>35</sup> is approximately \$119 million at 30 June 2011, underpinning future cash flow generation

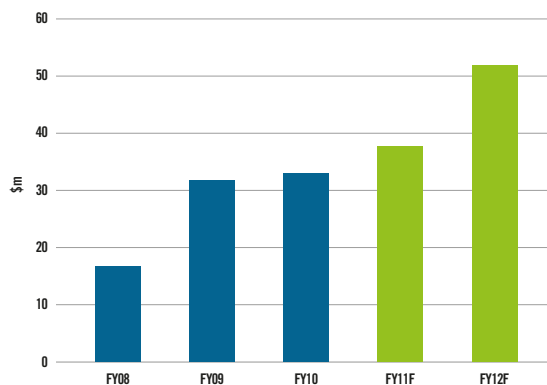
## ... WITH A GROWING AGED CARE CONTRIBUTION...

- Summerset intends that each new Village will be developed to include a care facility
- Aged care offering provides steady revenue streams
- Expansion of care offering through Village growth and certification of Care Apartments enhances returns on capital invested in care facilities

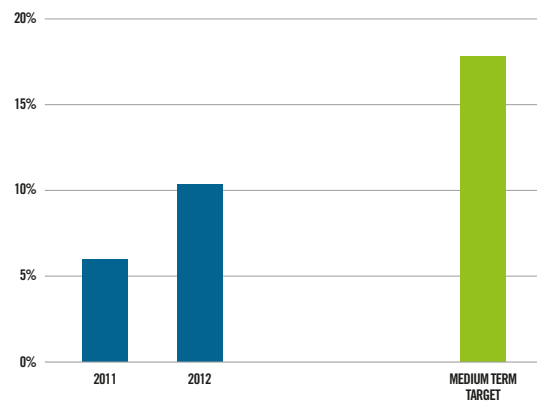
## ... STRONG DEVELOPMENT PIPELINE AND INCREASING DEVELOPMENT EFFICIENCIES

- Strong development pipeline expected to generate growing earnings streams
- Improving margins from the internalisation of development and project management capabilities

**PRO FORMA HISTORICAL AND FORECAST OPERATING CASH FLOWS<sup>36</sup>**



**DEVELOPMENT MARGIN<sup>37</sup>**



35. Embedded value is the quantum of contractually accrued deferred management fees and other unrealised gains that would be received in cash if all of Summerset's ORAs were terminated, resold and settled at that valuation date. In practice, this value will be received as cash in the future. This reference does not, therefore, reflect the present value of future cash flows from the termination of ORAs.

36. The forecast operating cash flows for FY 2011 and FY 2012 and the key assumptions on which those figures are based are set out under the heading "Prospective Financial Information" in the *Financial Information* section of this Offer Document.

37. A description of how the development margin is calculated is set out in Note 13 to the prospective financial information in the *Financial Information* section of this Offer Document.







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# NEW ZEALAND RETIREMENT VILLAGE AND AGED CARE INDUSTRY OVERVIEW

A photograph of a brick pillar in a garden. The pillar is made of reddish-brown bricks and has a dark wooden sign attached to it. The sign has the words "GRANDPA'S PLACE" written in white, uppercase letters. The background is a lush garden with various flowers, including purple and pink ones, and green foliage. The scene is brightly lit, suggesting a sunny day.

GRANDPA'S  
PLACE



# NEW ZEALAND RETIREMENT VILLAGE AND AGED CARE INDUSTRY OVERVIEW

## INDUSTRY SNAPSHOT

• 430 RETIREMENT VILLAGES

• 23,000 RETIREMENT UNITS

• 34,000 AGED CARE BEDS

• 700 CERTIFIED AGED CARE FACILITIES

## OVERVIEW OF INDUSTRY SECTORS

Summerset operates in the New Zealand retirement village and aged care industry, which comprises three related sectors: retirement villages, residential aged care and home based support. These three sectors provide accommodation and varying levels of support services to older New Zealanders.

- The retirement village sector involves the provision of independent or assisted living accommodation and services for New Zealanders generally aged 65 years and over.
- The aged care sector involves the provision of accommodation for older New Zealanders who have a greater need for healthcare services and support, including rest home and hospital care.
- The home based support sector broadly involves the provision of healthcare services to those "Ageing in Place" in their home.

The industry has grown significantly in recent years, underpinned by the steadily increasing number of older New Zealanders.

The industry was traditionally comprised of specialist village operators providing independent living accommodation options and separate aged care operators. It has progressively evolved towards integrated villages providing a continuum of care, through the integration of rest home and hospital level care within a retirement village.


The accommodation and care services provided within each sector of the retirement village and aged care industry, and an overview of how they are funded, is set out below.

### RETIREMENT VILLAGES

The retirement village sector in New Zealand is estimated to comprise approximately 430 retirement villages, together providing approximately 23,000 retirement units to over 29,000 residents. The majority of retirement villages consist of 60 or fewer retirement units. This reflects the large number of smaller, independent, single site retirement village operators in New Zealand.

Retirement villages in New Zealand typically comprise a range of retirement units, such as villas and apartments designed to provide independent living. Increasingly, new living units are in modern, purpose built facilities and are integrated with aged care facilities.

## OVERVIEW OF INDUSTRY SECTORS

INSTITUTION	AGED CARE		RETIREMENT VILLAGES		HOME BASED CARE
	HIGH CARE (hospital care, specialised rest homes)	LOW CARE (rest home care)	CARE APARTMENTS	RETIREMENT UNITS (Villas/Apartments)	HOUSE/APARTMENT
SUMMERSET'S OFFERING					NO
FUNDING	MIX OF GOVERNMENT AND PRIVATE PAYING: <ul style="list-style-type: none"> <li>• Government subsidies – Age Related Residential Care Contract</li> <li>• Resident fees</li> </ul>		ALL PRIVATE PAYING: <ul style="list-style-type: none"> <li>• Occupational Right Agreements</li> <li>• Deferred Management Fees</li> <li>• Resident Levies</li> </ul>		MIXED FUNDING: <ul style="list-style-type: none"> <li>• Individuals</li> <li>• Charities</li> <li>• Government</li> </ul>

Retirement villages are funded privately, through the payment by residents for their occupation right or ownership of their retirement unit, deferred management fee and other levies for additional services or the use of certain facilities.

## OCCUPATION RIGHT AGREEMENTS

The Retirement Villages Act requires every offer of a right to occupy or own a residential unit at a retirement village to be made in an Occupation Right Agreement (ORA). There are a variety of rights that can be offered by an ORA, such as a licence to occupy (LTO), unit title, lease and rental right.

LTOs are the most common form of right that is offered by retirement village operators. An LTO entitles the resident to live in a retirement unit and have access to the village facilities and services, but does not confer ownership of the retirement unit. Under the LTO model, a resident makes an initial lump sum payment to reflect the capital cost of the unit, and pays an ongoing resident levy to cover the operating costs of the village.

In New Zealand, residents are generally charged a management fee, known as a deferred management fee (DMF), payment of which is deferred until the expiry of their LTO. The DMF accrues during a resident's stay, but is generally capped at 20% to 30% of the initial lump sum payment for the occupation or ownership right to a retirement unit. On leaving the unit, the resident or their estate is repaid the initial cost of the LTO less an amount deducted for the accrued DMF. The retirement village operator generally retains gains realised on the resale of an LTO to a new resident.

## AGED CARE

The aged care sector is estimated to comprise approximately 700 certified aged residential care facilities providing aged care services to approximately 32,000 aged care residents.

Aged care services in New Zealand are provided through rest home beds (low care), hospital care beds (high care) and specialised care for dementia or psychogeriatric patients.

Rest home care is the base level of care and makes up over half of the beds in the sector. Hospital care involves a greater dependency on nursing services and care. Dementia and psychogeriatric level care require specialist services and account for only a small proportion of aged care beds.

A high proportion of New Zealand's aged care facilities are dated, with more than half of the total number of aged care beds over 20 years old. The expected useful life of most aged care facilities is 20 to 30 years, after which they become due for redevelopment or major refurbishment.

## FUNDING OF AGED CARE SERVICES

Aged care is funded publicly through Government subsidies and privately through individual contributions, or co-payments.

Government funding for aged care is managed regionally by 20 District Health Boards (DHBs), which in most cases contract locally with service providers under a nationwide contract (the Age Related Residential Care contract (ARRC Contract)). An ARRC Contract is intended to cover all contracted services including accommodation, meals, pharmaceuticals and medical supplies. Operators may charge the resident for any service not covered by an ARRC Contract.

To be eligible for a Government subsidy the individual must satisfy the Government's income and asset testing requirements. They must then choose a care provider that has a contract with the relevant DHB. Subsidies are paid directly to the provider to cover the cost of care.

Where a person does not meet the eligibility criteria for subsidised residential care, or wishes to receive care in a rest home or hospital that does not have a contract with a DHB, they are required to meet the cost of the care they require themselves.

Approximately 53% of Summerset's care revenue is Government subsidised.

## HOME BASED SUPPORT

The Government has been encouraging the provision of home based aged care services through its Ageing in Place strategy, which aims to encourage and assist older people to remain in their own homes and have care and support services delivered to them.

This strategy has played a role in containing the growth in rest home beds, despite an increasing older population. Lower level care is increasingly being provided within the home, which has led to an increase in the level of needs of those entering aged care facilities. Due to this, the proportion of hospital beds to total beds in the sector has grown.

Studies have shown that demand for beds in the aged care sector should increase significantly over the next 15 years as home based support will not be able to cope with the increasing numbers of older New Zealanders.

Home based support services are partially funded publicly through Government subsidies and privately through individual contributions.



## MARKET CHARACTERISTICS

### RESIDENT PROFILE

Retirement villages cater for a range of older New Zealanders with approximately 80% of residents aged 75 years and over.

Independent research has shown that the key factors people consider when choosing a retirement village are access to care, a maintenance free home, security, quality, affordability, companionship and the geographic location of the village (with proximity to family and friends being important). Residents often identify an event in their life which has prompted their decision to enter a village, such as a health issue, home maintenance becoming less manageable, death of a spouse, a neighbourhood change or a security event.

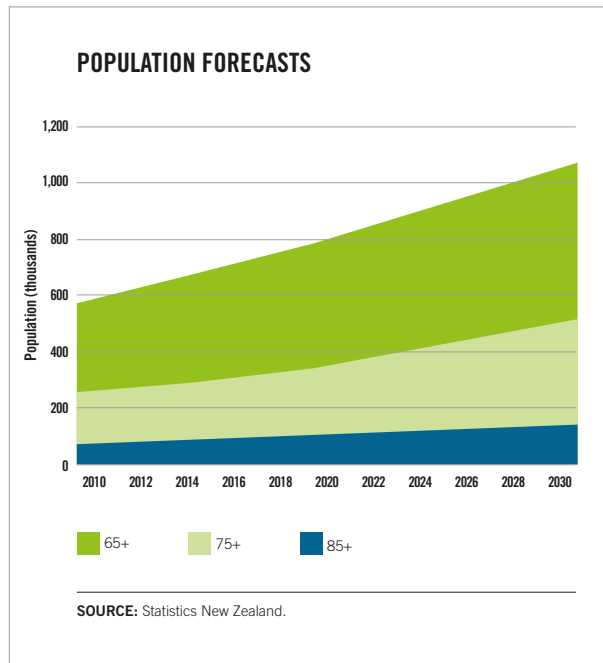
To meet these needs Summerset focuses on providing purpose built retirement villages designed for quality and functionality that are secure, warm and welcoming living environments. Summerset's philosophy is to create a strong sense of community with the communal and recreational facilities at the heart of each Village.

Providing on site care facilities enables residents to retain independence in a community environment whilst being able to receive various levels of care (up to hospital level care) within the Village should their needs change.

### MARKET DEMOGRAPHICS

New Zealand's retirement village and aged care sectors are expected to benefit from New Zealand's ageing population and the increased acceptance and popularity of the village lifestyle.

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



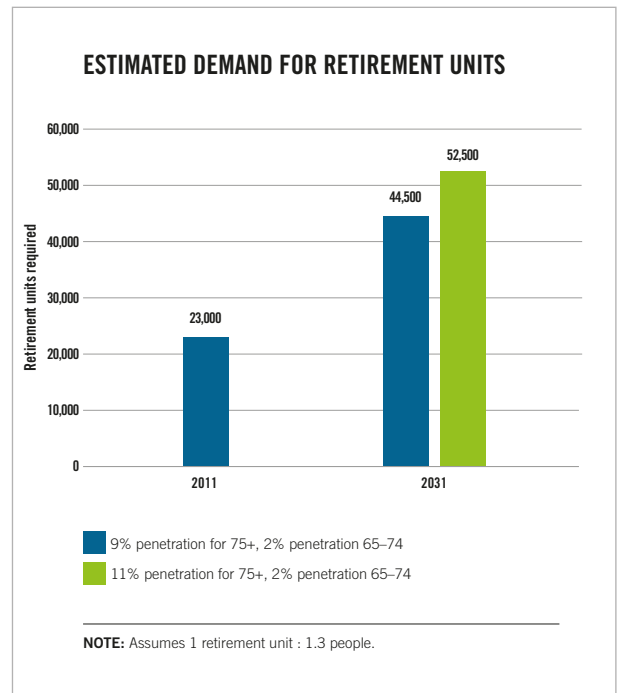
### PENETRATION RATES

Since 1998 the number of New Zealanders aged 65 years and over living in retirement villages has grown. Nationwide penetration rates are estimated to have increased from 3% in 1998 to 5% today for the population aged 65 years and over, and from 5% to 9%<sup>38</sup> for the population aged 75 years and over. The increase in penetration rates has been driven by a number of factors, including the increase of modern, purpose built facilities and greater acceptance by New Zealanders to live in these facilities as they age.

The penetration rate for New Zealanders aged 65 years and over living in retirement villages is estimated to have reached 11% in Tauranga (17% for those aged 75 years and over), where there is a proportionally high number of retirement villages.

Retirement villages tend to attract 80% of residents from within 5-10km of a village. There are large parts of the country where there is an undersupply of modern, purpose built retirement villages. Therefore, it is anticipated that over time penetration rates will continue to increase as such villages are built.

Penetration rate increases are also likely to be supported by the high rates of home ownership amongst those coming into retirement villages. Approximately 78%<sup>39</sup> of the population aged 75 years and over are estimated to own their own home, providing them with the ability to sell their property to purchase an ORA.



38. Assumes 80% of people in retirement units are aged 75 years and over.

39. New Zealand Treasury, *Housing in the Household Portfolio and Implications for Retirement Saving: Some Initial Findings from SOFIE*, 2007.

## RESIDENTIAL PROPERTY MARKET IN NEW ZEALAND

The strength and characteristics of local property markets are important determinants for retirement village providers when selecting village locations. In particular, many prospective residents will sell an existing residential property to fund the purchase of an ORA. The price of an ORA is also influenced by local residential property prices.

For the most part of the last decade, the strong performance of the New Zealand residential property market has benefited many operators.

More recently, median sales prices have plateaued or slightly declined in many parts of the country reflecting the challenging economic conditions. Summerset's sales volumes and pricing over this period have held steady. This stability reflects the quality of the Retirement Units and care facilities which Summerset builds, the range of affordable price points available to residents and the attraction of having care provided within the Village.

## REGULATORY ENVIRONMENT

The retirement village and aged care industry is highly regulated. There are a number of statutes and regulations which form a framework for operating in the industry. The two key statutes governing the industry are the Retirement Villages Act 2003 and the Health and Disability Services (Safety) Act 2001.

### RETIREMENT VILLAGES ACT 2003

The Retirement Villages Act, its regulations and the accompanying Code of Practice and Code of Residents' Rights set out the rights and obligations of retirement village operators and residents. This framework specifically aims to promote understanding of the financial and occupancy interests of residents and intending residents, and to provide an environment in which residents have security and their rights are protected.

The Retirement Villages Act codifies a range of mechanisms for the oversight of retirement villages and retirement village operators. It gives the Retirement Commissioner additional powers to oversee the operation of the Retirement Villages Act, its regulations, the Code of Practice and Code of Residents' Rights.

Retirement village operators must register their retirement villages with the Registrar of Retirement Villages and appoint a statutory supervisor for each retirement village. The statutory supervisor is responsible for protecting the financial interests of residents. All of Summerset's Villages are registered with the Registrar of Retirement Villages and Public Trust has been appointed as the statutory supervisor of each Village.

### HEALTH AND DISABILITY SERVICES (SAFETY) ACT 2001

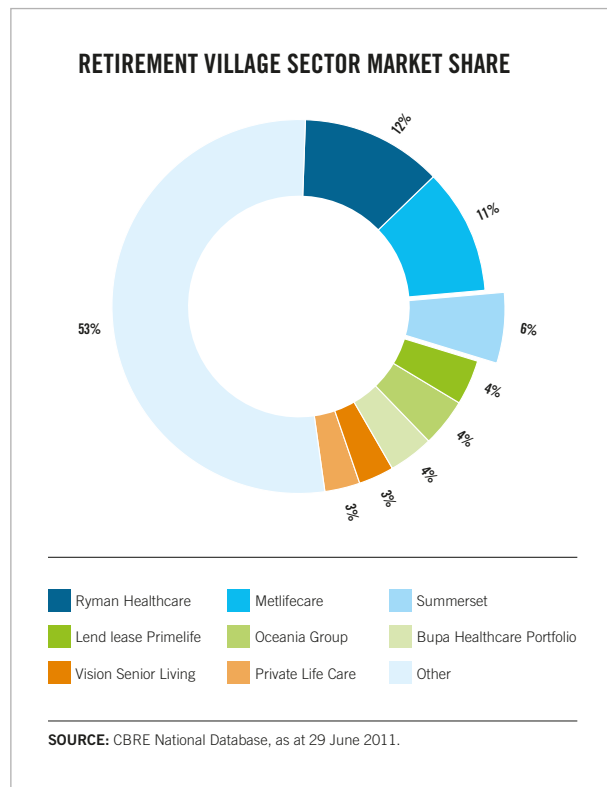
The Health and Disability Services (Safety) Act is designed to promote the safe provision of health and disability services to the public, establish consistent standards throughout the retirement village and aged care industry and encourage providers of health and disability services to continuously improve the quality of these services.

Under the Health and Disability Services (Safety) Act, all residential care facilities must be certified by the Ministry of Health before services can be provided in them. As at the date of this Offer Document, all of Summerset's care facilities and hospitals are certified.

## COMPETITIVE LANDSCAPE

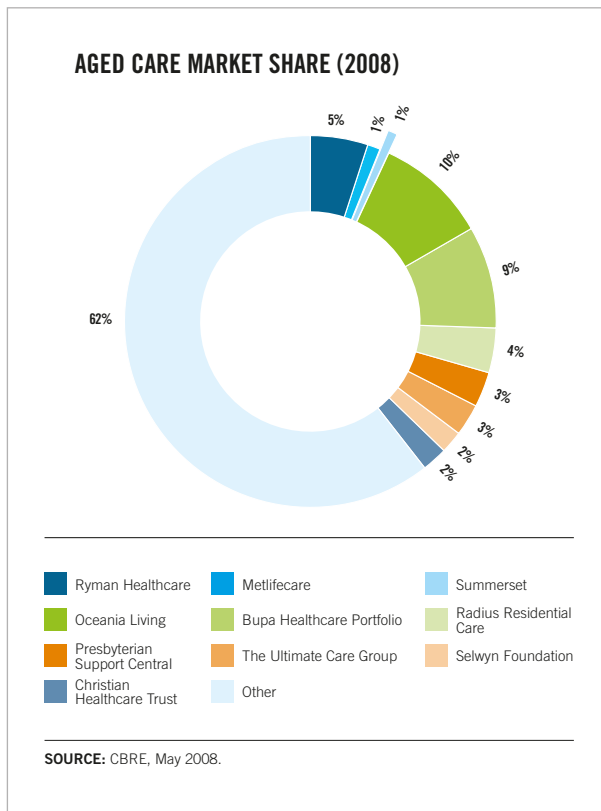
### MARKET SHARE

The retirement village and aged care industry is highly fragmented, with small privately owned operators providing a significant proportion of total retirement units and care beds in each sector. Currently, the top eight industry operators account for less than half of all retirement units in New Zealand. The majority of retirement villages consist of 60 or fewer retirement units. The relative market share of each participant in the retirement village sector by number of existing retirement units as at 29 June 2011 is shown below. Summerset is the third largest operator in New Zealand by retirement unit numbers, with an estimated 6% market share.





The relative market share of each participant in the aged care sector by number of care beds as at May 2008 is shown below. It is estimated that a third of the market is provided by not for profit operators.



### COMPETITIVE ADVANTAGES

The introduction of the Health and Disability Services (Safety) Act, the Retirement Villages Act and the Code of Practice has created an extensive regulatory environment. The complexities and cost of compliance associated with this regulatory environment has been a significant deterrent to new entrants into the retirement village and aged care industry. The compliance burden also offers larger participants advantages in terms of scale and core competency, thereby supporting Summerset’s competitive advantage.

In the retirement village sector the capital cost of building new facilities and the price and availability of suitable land mean larger established operators have a competitive advantage.

Summerset is one of the few large retirement village operators to provide a full continuum of care at its Villages. Retirement villages which have integrated aged care facilities on site hold a significant competitive advantage over those that do not. The provision of care within a village provides residents with the ability to both live independently and be able to access a range of levels of care and support without leaving the village should their needs change. Independent research has indicated that provision of care within a retirement village is a key attraction to residents.

*“In 2007 the New Zealand retirement village market was under threat of over supply as opportunistic, inexperienced and under capitalised operators sought to take advantage of favourable market conditions at the time. The difficult economic climate that followed the global financial crisis in 2008 resulted in many large scale construction projects being cancelled or placed on hold due to the heightened sell down risk for completed product and construction completion risk caused by funding constraints. In some cases, where retirement villages were proposed, developers either walked away or sought an alternative exit strategy. For leading industry players such as Summerset, with a long term commitment to the sector, this has created opportunity due to reduced intensity of competition and restricted resident choice. As market conditions continue to improve, core sector players such as Summerset and Ryman Healthcare, who have survived the economic downturn, who have secure funding and a development pipeline in place, are set to benefit most.”*

CBRE, Retirement Housing & Healthcare Division

# OVERVIEW OF SUMMERSET





# OVERVIEW OF SUMMERSET



## OVERVIEW OF SUMMERSET

Summerset is the third largest operator and the second largest developer of retirement villages and aged care facilities in New Zealand. Summerset is one of the few retirement village operators to provide a continuum of care at its villages.

## KEY SUMMERSET STATISTICS\*

Residents	Over 1,700
Staff	Approximately 450
Operating Villages	13
Villages under development <sup>40</sup>	4
Landbank sites for future development	3
Retirement Units	1,364**
Care Beds	323

\* As at the date of this Offer Document.

\*\* Excluding the 121 new Retirement Units currently under construction and expected to be completed by December 2011.

Summerset's philosophy is to build, own and operate retirement villages that provide quality, purpose built retirement village living and aged care services to older New Zealanders.

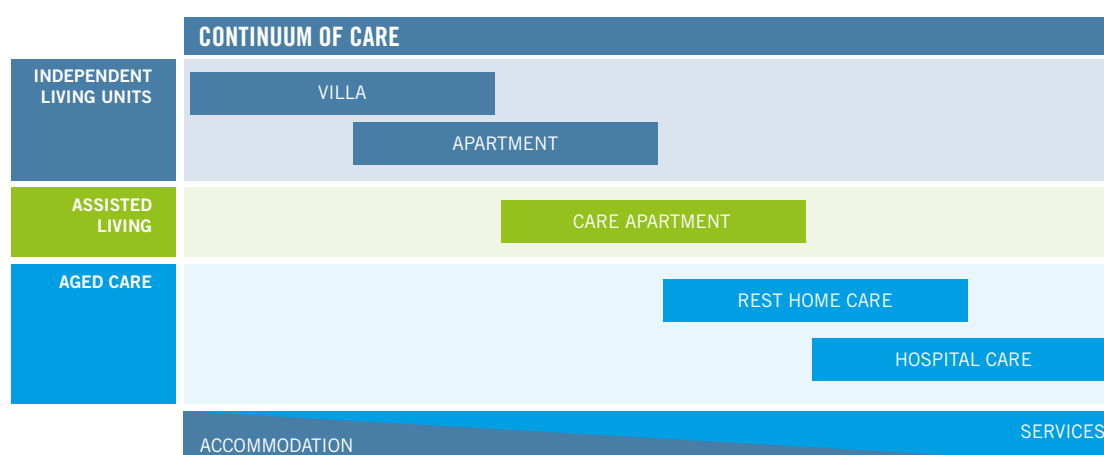
Summerset aims to create a strong sense of community with the communal and recreational facilities at the heart of each Village.

Summerset was founded on the belief that older New Zealanders have earned the right to a high standard of living in a safe, secure and enjoyable environment.

40. Three of the Villages under development are also operating Villages.



## CONTINUUM OF CARE



## HISTORY OF SUMMERSET

Summerset's business was founded by John O'Sullivan in 1994 in the Kapiti and Horowhenua regions. In 1997, the first 14 Retirement Units and an aged care hospital were built in Wanganui and the strategy of providing a full range of aged care services and living options for residents was first implemented. Since then, prudent management has enabled Summerset to steadily grow its Village footprint.

In 2006 AMP Capital Investors Limited (AMPCI) acquired Summerset. Funds controlled by Quadrant subsequently acquired 49% of the Summerset business in April 2009, and acquired the remaining AMPCI shareholding in April 2010 to take control of Summerset (with minority stakes being held by current and former members of the Board and senior management team). Following subsequent issues of Shares to the Quadrant Shareholders and the senior management team, the Quadrant Shareholders now have an approximately 97% stake in Summerset. Over the course of 2009 and 2010, the current Shareholders contributed approximately \$20 million of additional equity to fund the further expansion of the business.

Since Quadrant first invested, Summerset has pursued a number of key strategic initiatives, including:

- investing heavily in the expansion of existing Villages, development of new Villages and acquisition of new land sites;
- moving its development, project and cost management functions back within Summerset to provide the management team with greater control over costs and timeframes associated with development of its Villages;
- commencing internalisation of design and construction management;
- introducing a national brand identity and the "Summerset Sure" promises – a guarantee about the quality and reliability of Summerset's accommodation and service offering; and
- being a leader in seeking and receiving Ministry of Health certification for its Care Apartments (Summerset has 107 Care Apartments certified).



# SUMMERSET HISTORY



**1997**

Wanganui opens



**1998**

Paraparaumu opens



**1999**

Palmerston North  
opens



**2000**

Levin opens  
Havelock North opens  
Trentham opens



**2001**

Taupo opens



**2004**

Summerset  
acquires land  
in Karaka







**2005**

Napier opens



**2006**

Aotea (Wellington) opens

Manukau opens



**2007**

Summerset acquires land in Katikati



**2009**

Manukau main building and care facility opens

Warkworth and Hastings open

Summerset acquires land in Hamilton



**2010**

Construction completed at Aotea (Wellington) and Taupo

Summerset acquires land in Dunedin

Summerset delivers stage II of Hastings



**2011**

Summerset commences construction of Hamilton, Stage III of Hastings and Stage II of Warkworth

Summerset acquires Nelson with 12 existing Retirement Units

aset



# BE SUMMERSET SURE



[www.summerset.co.nz](http://www.summerset.co.nz)

**Summerset**

Welcome home

## BRAND ESSENCE

- Respect for the everyday New Zealander, the life he or she has led, and the value they bring to our Villages
- “Welcome Home” is the feeling we want people to get from their first contact with Summerset through to coming to live in one of our Villages
- Customers are at the core of our thinking

## RETIREMENT VILLAGES

### THE SUMMERSET VILLAGE OFFERING

Summerset provides homes for older New Zealanders enabling them to retain their independence in a community environment. Residents are able to access an increasing level of support and care within the Village should their needs change. This is fundamental to Summerset's continuum of care model which allows residents to buy an ORA to occupy a Villa or Apartment and then should the need arise, to move to a Care Apartment or Care Bed. This continuum of care provides Summerset with a competitive advantage as it allows residents to remain within the same Village should their needs change.

### SUMMERSET'S RESIDENTS

Summerset's offering is aimed at everyday older New Zealanders. Typically they are aged 75 years and over. Research has indicated that many residents are attracted by the ability to access care.

The average age of Summerset's residents in Retirement Units is 81 years. Of these residents, those aged 80 years and over account for 57% and those aged 85 years and over account for 30%.

Summerset's historical average entry age for new residents in Retirement Units is approximately 78 years across all of its Villages. Over the last 12 months, as its Villages have continued to mature, the average entry age has increased to 80 years. The average age of entry for new residents will differ depending on the demographics and product offering within a Village, but typically increases as Villages mature.

### THE SUMMERSET BRAND AND CUSTOMER OFFERING

At the core of Summerset's business is its brand: "Respect for the everyday New Zealander, the life he or she has led, and the value they bring to our Villages".

This is reflected in Summerset's core message of 'Welcome Home' – a feeling that Summerset wants its residents to genuinely experience from their first contact with Summerset and then throughout their life in the Village. Summerset's quality offering and positive resident experience was reflected in Summerset being recognised as the 'Best Retirement Village Operator – 2010 in New Zealand and Australia' at the Australasian Over 50's Housing Awards 2010.

Summerset is a pioneer with its national brand offering. The brand is consistently reflected in all aspects of the business, providing residents with clarity of service offering. For example, Summerset prides itself on providing certainty for its residents, detailing from the start all costs and the value provided, as well as what happens when residents leave.

In 2010 Summerset launched 'Summerset Sure', which represents three simple and clear promises:

- "THE RIGHT HOME: Choose a home that is ideal for your stage of life."
- "THE RIGHT CARE: At the right time, in the place that is right for you."
- "LOVE IT – OR YOUR MONEY BACK: 90 days to be sure your new home is right – or your money back."

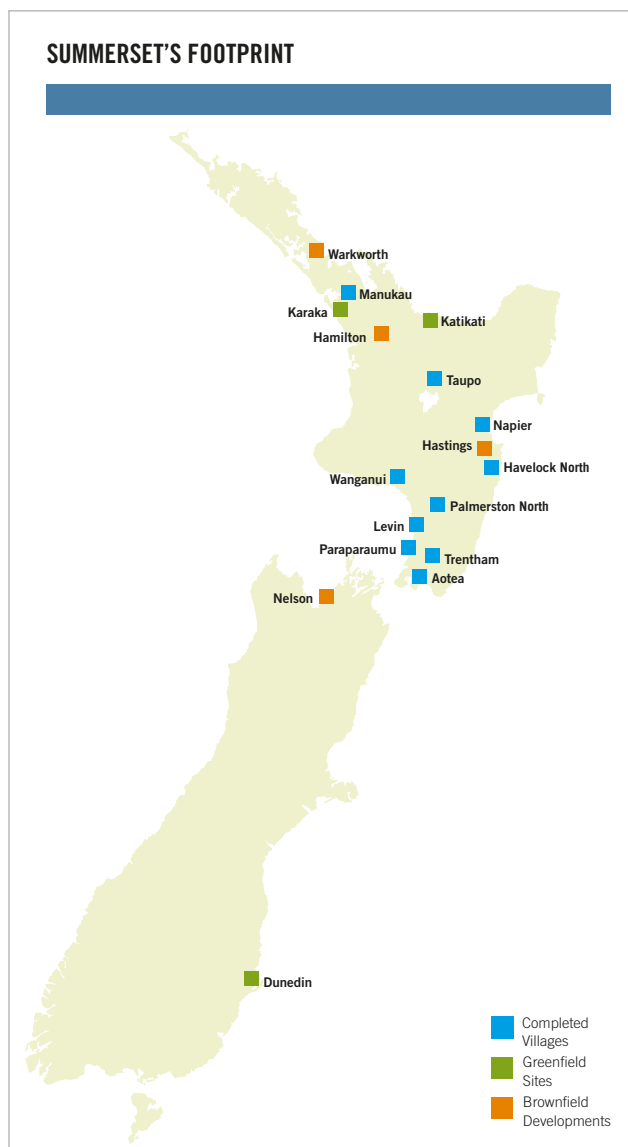
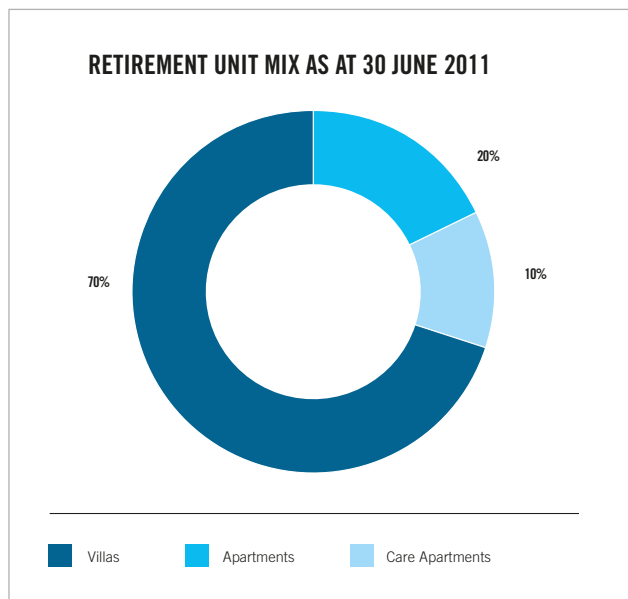
Following the Christchurch earthquake in 2010, Summerset's residents are looking for support, security, companionship and community. They are looking for a place with people like them, freedom from worry and above all else a sense of certainty about the years ahead.

In 2011, New Zealanders have experienced the highest level of uncertainty in decades. Summerset has listened and responded strongly to provide the certainty that people need. Summerset has implemented an industry leading Disaster Policy to provide residents with comfort that they will always have a home, even if their Village is destroyed by a natural disaster.

### ACCOMMODATION OPTIONS

Summerset provides a range of accommodation options for residents within each Village, including Villas, Apartments and Care Apartments. In addition, care facilities offer rest home and hospital level care.

All Villages are designed to provide a minimum of rest home level care, either supplied within a resident's Villa or Apartment, in resident funded Care Apartments, or in Village integrated care facilities.







## VILLAS

### Description

- Typically two or three bedrooms.
- All Villas have single or double internal access garages. They are arranged to maximise land usage whilst retaining the independent nature of the Villas. All Villas have a small private courtyard attached to the main living area, with some Villas having added conservatories.
- At approximately 95-120 square metres, Villas are larger and more spacious than Apartments or Care Apartments.
- The average age of Villa residents is currently 80 years.
- Average tenure for Villas within Mature Villages is approximately 8 years.

## APARTMENTS

### Description

- Apartments range from one to three bedrooms and include a fully self contained kitchen, laundry and bathroom. Apartments typically have a patio or balcony outside the living area.
- The average age of Apartment residents is currently 82 years.
- Average tenure across Apartments within Mature Villages is approximately 6-7 years.

## CARE APARTMENTS

### Description

- Care Apartments typically contain one bedroom and are fully self-contained with a kitchenette, laundry and bathroom.
- Care Apartments have been specifically designed to support residents rather than provide for independent living. Care Apartment residents have three options of care packages in conjunction with their ORA.
- Summerset has been certified to provide subsidised care into some of these apartments.
- The average age of Care Apartment residents is currently 85 years.
- Average tenure across Care Apartments within Mature Villages is approximately 5 years.

## VILLAGE FACILITIES

Summerset's Villages are designed to make residents feel at home and to create a community atmosphere. In order to do this, Summerset provides secure, spacious living and a wide range of recreational facilities. These are designed to complement the surrounding area from which residents come. Services and facilities can include:

- cafe, dining and resident bar facilities;
- beauty and hair salon, clinic facilities;
- lounges, libraries with internet facilities and entertainment areas;
- bowling greens, mini-putt courses, petanque pistes, snooker tables, children's playgrounds and barbeque areas; and
- gym, spa and swimming facilities.

To encourage a sense of community both within the Village and with the wider community, a range of activities are run through an active residents' committee, supported by a dedicated activities coordinator. These include residents' happy hour, entertainment, shows, exhibitions, craft fairs, group exercise classes and more. Village vans provide regular excursions such as shopping, winery tours and museum visits.

Summerset offers a range of additional services to its residents such as meals, housekeeping, transportation and lifestyle services. Villages have flexible policies to meet residents' individual requirements and include a pet friendly policy and private gardens. Offering a wide degree of choice differentiates Summerset and provides a competitive advantage over many other industry operators.

## CONTRACTUAL TERMS

Summerset enters into an ORA with each resident under which it grants the resident a licence to occupy (LTO) a Villa, Apartment or Care Apartment together with the right to use and enjoy common areas and facilities at the Village in return for a licence payment. An LTO does not grant the resident any proprietary right in the Retirement Unit to which the LTO relates nor any of the land and buildings comprising the Village.

Each resident agrees to make a lump sum interest free payment to the Village operator under the ORA, which is repaid on termination of the LTO as long as certain conditions are satisfied. In particular, Summerset requires a new ORA for the dwelling to be entered into by a new resident before it repays the previous resident.

Under the ORA, the resident also agrees to pay the Deferred Management Fee on termination. This fee is up to 25% of the amount paid by the resident for the LTO of a Villa or Apartment (accruing at 5% per annum, over five years) and up to 20% of the amount paid by the resident for the LTO of a Care Apartment (accruing at 10% per annum, over two years). The DMF is deducted from the refund of the licence payment on termination. The DMF accrues from the time that a resident enters a Village through to when that resident leaves the Village.

## AGED CARE

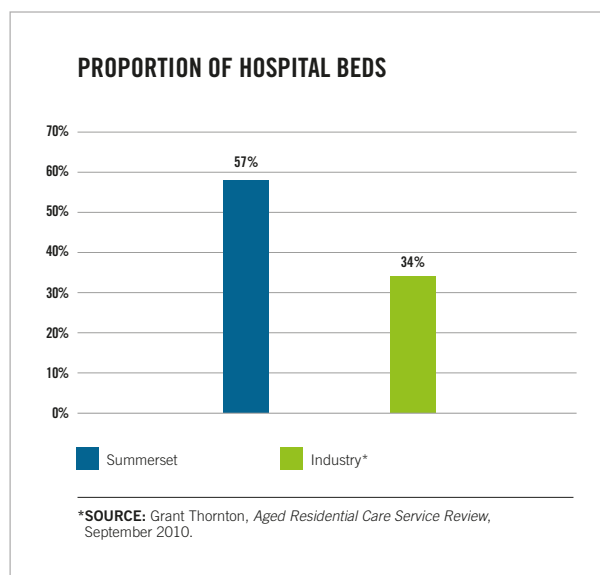
Aged care is an integral part of Summerset's continuum of care offering. Summerset currently provides both hospital level care and rest home care. Summerset's approach is to provide care facilities located within the Village grounds, enabling residents to move through the Village to receive the support they need as their care requirements change. Summerset's portfolio of care facilities is younger than other operators in the industry. Summerset's care facilities achieve high occupancy reflecting a high quality of care in its newer, well appointed and spacious facilities.

As part of its aged care strategy Summerset:

- operates 'swing' beds which allow it to alter its resident mix between rest home and hospital beds to accommodate demand, thereby maximising occupancy levels;
- has introduced charges for services outside of the ARRC Contract, such as charging for larger rooms, ensuites, and additional services that support ageing in place within its Villages. Such services include home cleaning and nursing services, with more specific support packages available in Care Apartments; and
- has attained Ministry of Health certification for 107 of its Care Apartments.

Summerset believes the proportion of certified Care Apartments in its portfolio will continue to increase. Summerset also believes that a growing percentage of residents in certified Care Apartments will receive either a supported living care package or full rest home level care over time.

Demand for aged care beds is projected to increase substantially, driven by the increasing need for aged care services and, in particular, hospital and dementia level care. In addition, demand is needs based, due to the more acute health needs of hospital residents. Summerset has a higher concentration of hospital beds than the industry average.



For commentary on the regulation of the aged care sector in New Zealand please refer to the *New Zealand Retirement Village and Aged Care Industry Overview* section of this Offer Document.



# SUMMERSET'S VILLAGES



## WANGANUI (1997)

*Summerset in the River City* is located in Wanganui, an easy stroll from the city's iconic river. The Village grounds are particularly beautiful and have been recognised by a civic garden award from the City Council. *Summerset in the River City* was the first Village established by Summerset and as a result is a well established and respected member of the Wanganui community.

### Address

40 Burton Avenue, Wanganui

### Living options

- 70 Villas
- 18 Apartments
- 12 Care Apartments
- 37 Care Beds

### Area

Approximately 4.5 hectares

## PARAPARAUMU (1998)

*Summerset on the Coast* is situated in the centre of a large residential area close to the centre of Paraparaumu. The Village features a beautiful central lake, which supports bird life and provides a quiet and peaceful garden environment for residents' enjoyment. Paraparaumu is a very popular retirement location which enjoys a warm climate.

### Address

104 Realm Drive, Paraparaumu

### Living options

- 92 Villas
- 12 Apartments
- 10 Care Apartments
- 40 Care Beds

### Area

Approximately 5.9 hectares

## PALMERSTON NORTH (1999)

*Summerset on Summerhill* is located north east of Palmerston North city. The Village is elevated, and overlooks a lush patchwork of superb Manawatu farmland. Backed by the Tararua Ranges it is built on a spacious level site and enjoys all day sun. The Village is an easy stroll to the Summerhill Gully Reserve which links into Palmerston North's walkway system.

### Address

180 Ruapehu Drive, Palmerston North

### Living options

- 90 Villas
- 12 Apartments
- 40 Care Beds

### Area

Approximately 5.9 hectares

*Note: All Retirement Units and Care Beds "to be built" in the above and following Village profiles are as anticipated as at the date of this Offer Document. No guarantee can be made that these will eventuate.*



### HAVELOCK NORTH (2000)

*Summerset in the Vines* is situated to the north east of Havelock North on the lower slopes of Te Mata Peak. The Village is positioned for maximum sunshine and enjoys views over orchards and vineyards to the east, and to the ranges in the west. *Summerset in the Vines* was the first Village established in Hawke's Bay and is joined by its sister Villages in Napier and Hastings.

#### Address

249 Te Mata Road, Havelock North

#### Living options

- 94 Villas
- 18 Apartments
- 10 Care Apartments
- 40 Care Beds

#### Area

Approximately 5.2 hectares



### TRENTHAM (2000)

*Summerset at the Course* is located in Upper Hutt, right next door to the Wellington Racing Club's Trentham Racecourse. The Village is at the end of a cul de sac ensuring peace and quiet with minimal traffic noise. Despite being half an hour from Wellington city and right in the heart of Upper Hutt, the Village is set in quiet pastoral surroundings on a level site looking out on farmland framed by the Tararua Ranges.

#### Address

Racecourse Road, Trentham

#### Living options

- 92 Villas
- 12 Apartments
- 20 Care Apartments
- 41 Care Beds

#### Area

Approximately 5.4 hectares



### LEVIN (2000)

*Summerset by the Ranges* is situated to the south east of Levin in the heart of the Manawatu. Framed by the beautiful Tararua Ranges, the Village sits on a flat, sunny, spacious site only a few minutes drive to the Levin town centre. Despite its central location, the Village maintains a semi rural feel, being situated in quiet, relaxing park-like grounds.

#### Address

102 Liverpool Street, Levin

#### Living options

- 64 Villas
- 12 Apartments
- 10 Care Apartments
- 28 Care Beds

#### Area

Approximately 5.0 hectares





### TAUPO (2001)

*Summerset by the Lake* is located across the road from the shores of the stunning Lake Taupo. The Village is not far from Rainbow Point, on the southern boundary of Taupo's town centre. To the south is the majestic view of Mt Ruapehu and Mt Ngauruhoe, to the north looms the mystical Mt Tauhara, sacred to the Tūwharetoa people who first lived in this area.

#### Address

2 Wharewaka Road, Taupo

#### Living options

- 94 Villas
- 34 Apartments
- 18 Care Apartments

#### Area

Approximately 6.0 hectares



### NAPIER (2005)

*Summerset in the Bay* is situated on a level, sunny site at the northern end of Church Road. Set among world renowned vineyards, the Village is built on former orchard land in the area known locally as Citrus Grove. The location provides a quiet and peaceful environment for residents to hone their lawn bowls and petanque skills or dine al fresco at Divine Café.

#### Address

79 Merlot Drive, Napier

#### Living options

- 94 Villas
- 26 Apartments
- 20 Care Apartments
- 45 Care Beds

#### Area

Approximately 5.5 hectares



### AOTEA (WELLINGTON) (2006)

*Summerset at Aotea* is located within the new Aotea residential development in Porirua, 20 minutes north of Wellington city. This modern Village is a short walk to the beautifully landscaped Aotea Lagoon, historic Gear Homestead and New Zealand Police College, and has a unique outlook across a nature reserve featuring typically Wellington hills. Plimmerton Beach and the Mana esplanade are just minutes away.

#### Address

15 Aotea Drive, Aotea

#### Living options

- 96 Villas
- 51 Apartments
- 20 Care Apartments

#### Area

Approximately 6.1 hectares



### MANUKAU (2006)

*Summerset by the Park* is situated on a pleasant, sunny site opposite the new Barry Curtis Park. The Village offers a quiet, relaxing environment supported by beautifully landscaped gardens. Summerset by the Park is a modern Village, a short drive into the thriving Manukau city centre or stroll to the Botany Downs shopping complex. The Village boasts modern facilities unrivalled by any retirement village in the area.

#### Address

7 Flat Bush School Road, Manukau City

#### Living options

- 72 Villas
- 71 Apartments
- 23 Care Apartments
- 52 Care Beds
- 17 Villas to be built

#### Area

Approximately 4.3 hectares



### HASTINGS (2009)

*Summerset in the Orchard* is located in a beautiful orchard area only a few minutes drive from Hastings township. With winding paths through beautifully tended gardens, Summerset in the Orchard provides everything needed for modern retirement living in a peaceful environment overlooking pastoral surroundings. This Village is currently under development.

#### Address

Ada Street, Hastings

#### Living options

- 53 Villas
- 94 Villas to be built
- 5 Care Apartments to be built

#### Area

Approximately 6.6 hectares



### WARKWORTH (2009)

*Summerset Falls* is situated alongside the tranquil Mahurangi River in the historic riverside village of Warkworth. Set in a beautiful rural environment sloping gently towards the river, the Village maximises the sun and provides a warm and peaceful environment for its residents. Summerset Falls is a short drive to the town centre and is currently under development.

#### Address

31 Mansel Drive, Warkworth

#### Living options

- 32 Villas
- 107 Villas to be built
- 2 Apartments to be built
- 8 Care Apartments to be built
- 40 Care Beds to be built

#### Area

Approximately 5.5 hectares





### NELSON (2011)

*Summerset in the Sun* is located just 10 minutes drive from both Nelson city and Richmond. Secluded and quiet, yet wonderfully interconnected and interwoven into a single vibrant community, adjoining the Village is a landscaped walkway providing access to both centres and a local shopping precinct, with the sea nearby and hills framing the backdrop to the Village. This Village is currently under development.

#### Address

16 Sargeson Street, Stoke, Nelson

#### Living options

- 12 Villas
- 210 Villas to be built
- 25 Apartments to be built
- 30 Care Apartments to be built
- 40 Care Beds to be built

#### Area

Approximately 8.0 hectares



### HAMILTON (2011)

*Summerset down the Lane* is situated at the south west corner of Hamilton with good access to the main roads. A country style Village in the city, *Summerset down the Lane* is fringed by rural land and is on the edge of a vibrant new residential suburb. Zoned as part of the city council's Peacocke development area, this Village is currently under development.

#### Address

Dixon Road, Hamilton

#### Living options

- 180 Villas to be built
- 50 Apartments to be built
- 10 Care Apartments to be built
- 40 Care Beds to be built

#### Area

Approximately 6.9 hectares

# SUMMERSET'S LAND SITES



## KARAKA

*Summerset Karaka* is located 35 minutes south west of the Auckland CBD. The proposed Village is included in a local comprehensive development plan that is seeing a significant area rezoned from rural to residential. A concept plan for *Summerset Karaka* has been completed and the resource consent application is currently being prepared.

### Address

Hingaia Road, Karaka

### Living options

- 60 Villas to be built
- 85 Apartments to be built
- 10 Care Apartments to be built
- 40 Care Beds to be built

### Area

Approximately 3.6 hectares



## KATIKATI

*Summerset Katikati* is situated on Park Road in Katikati. It is waterfront property and close to coastal reserves and the city of Tauranga. Plans for the site will involve blending the Village and facilities into the natural landscape, while the slope of the land will allow the site's spectacular sea views to be maximised. Resource consents for *Summerset Katikati* have been approved.

### Address

Park Road, Katikati

### Living options

- 111 Villas to be built
- 26 Apartments to be built
- 20 Care Apartments to be built
- 40 Care Beds to be built

### Area

Approximately 7.1 hectares



## DUNEDIN

*Summerset at Bishopscourt* is located on Shetland Street, close to the Roslyn village's shops, golf course and excellent public transport. The Village will only be a few minutes drive from the Dunedin city centre. A concept plan for *Summerset at Bishopscourt* has been completed, consisting of a mix of Villas, Apartments and a care centre. The resource consent application has been lodged.

### Address

44 Chapman Street, Dunedin

### Living options

- 31 Villas to be built
- 64 Apartments to be built
- 29 Care Apartments to be built
- 40 Care Beds to be built

### Area

Approximately 1.9 hectares

*Note: all Retirement Units and Care Beds "to be built" in the above land site profiles are as anticipated as at the date of this Offer Document. No guarantee can be made that these will eventuate.*



## SUMMERSET'S BUSINESS MODEL

**Summerset generates cash flows from five key sources:**

### SALES OF ORAS FOR NEW RETIREMENT UNITS

Summerset receives a lump sum payment for the sale of an ORA for a new Retirement Unit, which includes a development margin on the sale of the ORA. For more information on development margins, see the information under the heading "Development Margins" below.

### DEFERRED MANAGEMENT FEE

Typically 20% to 25% of the ORA price, the DMF is the primary source of income for established Villages. The DMF is accrued over a resident's tenure and realised on the resale of their ORA.

### RESIDENT LEVIES (WEEKLY LIVING AND SERVICE FEES)

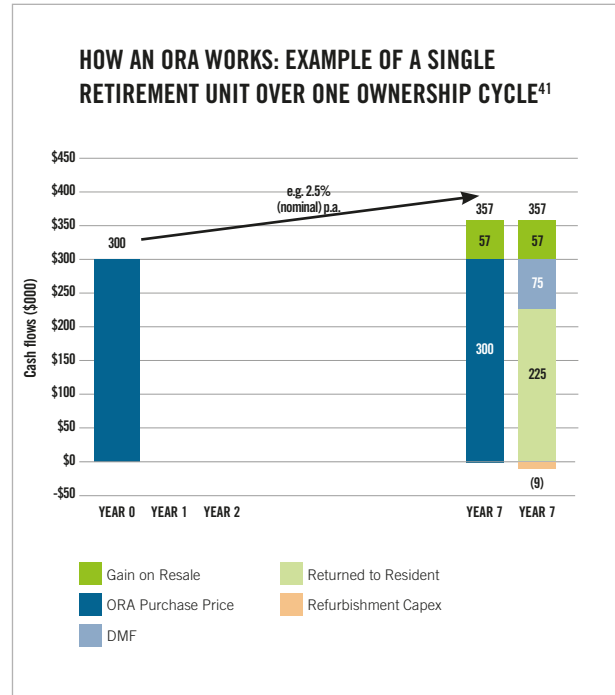
Summerset charges residents weekly living and service fees to cover the cost of operating its Villages. These fees provide Summerset with a stable cash flow source.

### AGED CARE SERVICE FEES

Summerset receives both Government funding for specified services under ARRC Contracts and fees from residents for unsubsidised services. These fees provide Summerset with a stable cash flow source. For more information on the funding of aged care, see the information under the heading "Aged Care" in the *New Zealand Retirement Village and Aged Care Industry Overview* section of this Offer Document.

## RESALE OF ORAS FOR EXISTING RETIREMENT UNITS

When Summerset sells an existing unit, it retains any gain on the resale of the ORA. Summerset's resales of ORAs have increased strongly as its Villages have matured. It is expected that resales will continue to increase as Summerset's Village portfolio continues to mature.

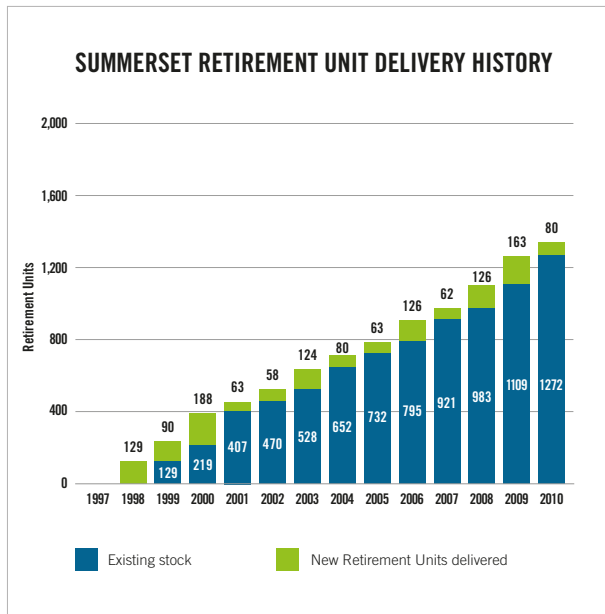


41. This is an illustrative example using a typical ORA for a new Retirement Unit. The capital appreciation assumes 2.5% nominal growth per annum and is shown for illustrative purposes only.

## DEVELOPMENT

### HISTORICAL DEVELOPMENT

The Summerset Group has a successful 14 year track record of developing Villages. Summerset's development history is set out below:



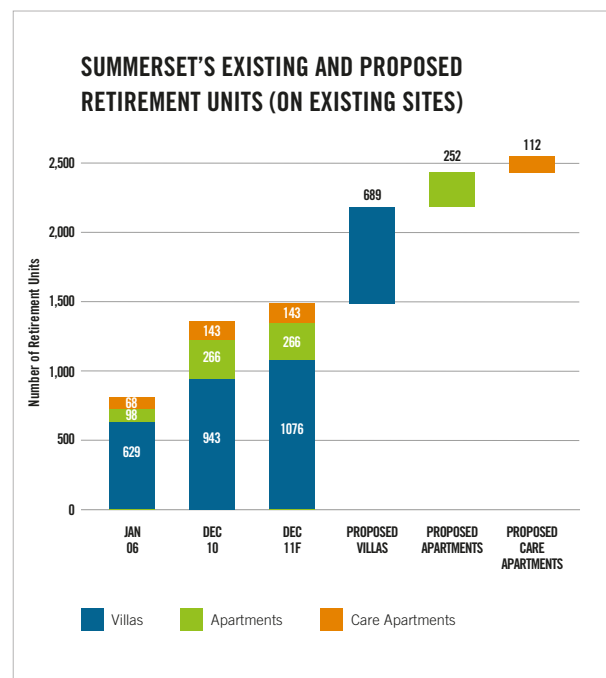
Over the last three years demand for ORAs in respect of Summerset's Retirement Units and Care Beds remained strong due to the continuum of care model being attractive to incoming residents. This is despite the slowdown in the property market over this time.

Summerset has maintained a consistent delivery of new Retirement Units. From 1 January 2006 to December 2010, Summerset increased its number of Retirement Units to 1,352 (557 additional units). Since 2006, Summerset has opened four new Villages and two new care facilities (at Napier and Manukau), and acquired three new strategic landbank sites at Katikati, Hamilton and Dunedin for future Village development. Summerset has also recently acquired a site in Nelson with 12 existing Retirement Units already developed. As at the date of this Offer Document Summerset has 1,364 completed Retirement Units in its portfolio.

## GROWTH STRATEGY

Summerset will continue to build fully integrated Villages, which encompass a range of options from independent living to aged care. It also aims to continuously hold development sites sufficient to maintain approximately five years of development.

As set out in the charts below, Summerset already holds a landbank in both greenfield sites and brownfield developments to deliver a further 1,174 Retirement Units and 240 Care Beds. By 31 December 2011, Summerset is projected to have 1,485 Retirement Units and 323 Care Beds. Summerset is expecting to deliver a further 155 Retirement Units in 2012 and has a target of increasing delivery to 250 Retirement Units per annum within 5 years. In addition, Summerset intends to build a care facility of at least 40 Care Beds in each new Village.





## CURRENT STATUS OF EXISTING DEVELOPMENTS

The table below outlines the status of Summerset's brownfield developments and Manukau which is substantially complete.

	COMPLETED					2011 DELIVERY	TO BE DEVELOPED					TOTAL		STATUS
	V	A	CA	TOTAL	CARE BEDS	V <sup>1</sup>	V	A	CA	TOTAL	CARE BEDS	RUs	CARE BEDS	
MANUKAU	72	71	23	166	52	17	-	-	-	-	-	183	52	"In-fill" underway
HASTINGS	53	-	-	53	-	25	69	-	5	99	-	152	-	Stage I & II completed Stage III under construction
WARKWORTH	32	-	-	32	-	24	83	2	8	117	40	149	40	Stage I completed Stage II under construction
NELSON	12	-	-	-	-	25	185	25	30	265	40	265	40	Stage II construction underway
HAMILTON	-	-	-	-	-	30	150	50	10	240	40	240	40	Stage I to be completed by December 2011

V = Villas, A = Apartments, CA = Care Apartments, RUs = Retirement Units.

Note 1: No Apartments, Care Apartments or Care Beds are anticipated to be delivered in 2011.

## LANDBANK

Summerset currently owns three sites which will be used for future development. These sites are located in areas possessing strong demographic characteristics in terms of population growth and composition, and have a range of attractive local and site specific attributes.

	LAND (HA)	RETIREMENT UNITS				CARE BEDS	STATUS
		V	A	CA	TOTAL RUs		
DUNEDIN	1.9	31	64	29	124	40	Concept Plan completed Resource Consent Application lodged Public Hearing held Planning & Consent completion FY 2011
KARAKA	3.6	60	85	10	155	40	Concept Plan completed Resource Consent Application being prepared Planning & Consent completion by FY 2011
KATIKATI	7.1	111	26	20	157	40	Concept Plan completed Resource Consent approved

V = Villas, A = Apartments, CA = Care Apartments, RUs = Retirement Units.

## FUTURE LAND ACQUISITIONS

Summerset intends to bring more land into the portfolio as annual delivery increases and is currently investigating a range of prospective land opportunities.

With less competition from residential developers and more attractive pricing levels than was the case three to four years ago, current market conditions are favourable for Summerset to purchase additional sites.

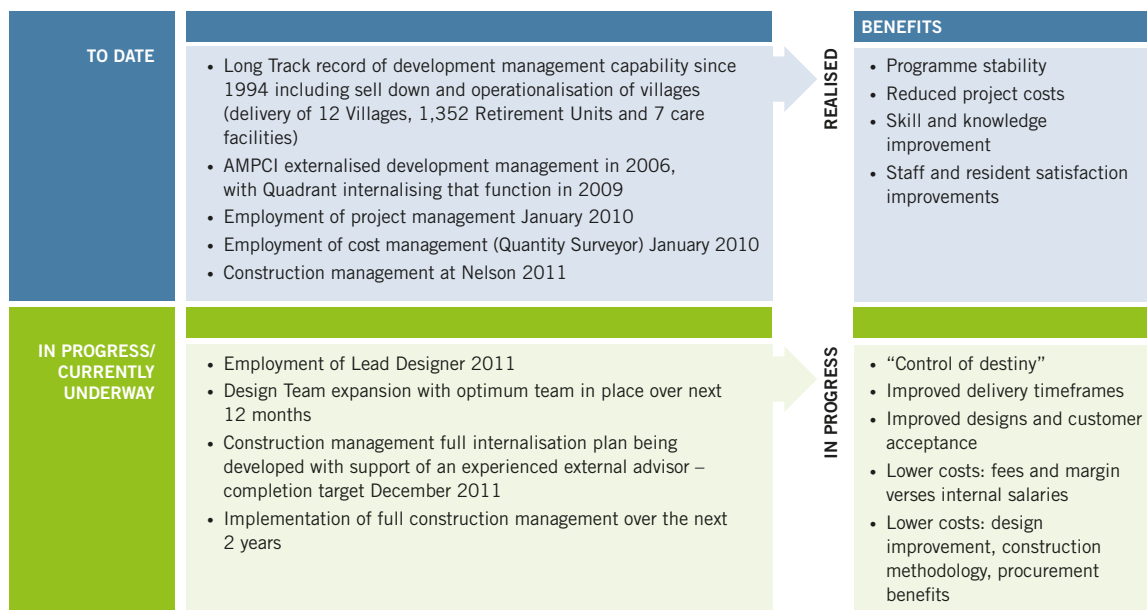
## INTERNALISATION OF DEVELOPMENT PROCESS

Summerset has successfully demonstrated its ability to take greenfield land sites through the construction and development process into fully completed Villages.

Prior to AMPCI becoming a Shareholder, all development activities were internally managed and were overseen by Summerset. Upon AMPCI becoming a shareholder, Summerset's development and project management capabilities were outsourced to AMPCI's own development management unit and external advisers, with Summerset remaining responsible for ultimate delivery.

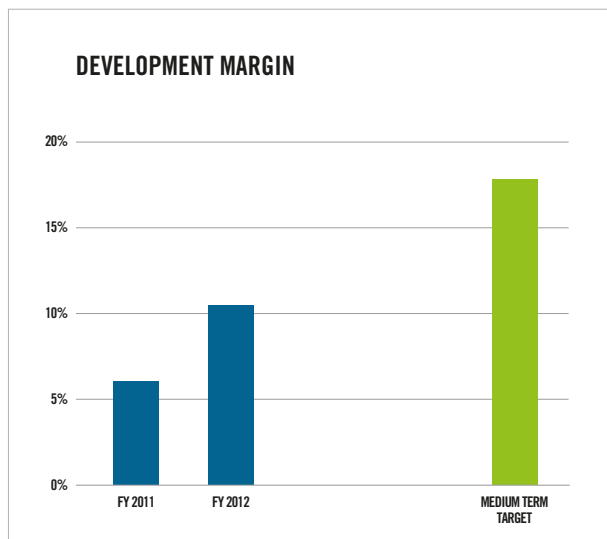
Summerset has internalised a number of these functions, leading to improvements to the efficiency and cost of the development process. Summerset continues to integrate its design and construction management. Summerset believes that this internalisation has the potential to provide Summerset with a price and quality advantage over its competitors.

## INTERNALISATION OF DEVELOPMENT PROCESS



## DEVELOPMENT MARGIN

As Villages typically include a main building and aged care facility, Summerset generates a development margin on the sale of ORAs. This is reinvested into the Village to fund the construction of the communal and recreational areas, and the Village care facility.



Development margins in FY 2011 and FY 2012 include development costs related to projects completed under the external AMPCI development model for the Apartments in the Manukau and Aotea Villages. With consistent increasing annual unit delivery supporting further internalisation of design and construction management functions, along with larger scale procurement, Summerset expects that development margins will increase over time.

## DEVELOPMENT FINANCING AND RISKS

The financial criteria for developing a new Village are broadly as follows:

- the margin on ORA sales is expected to be sufficient to cover the construction of the Village’s communal and recreational areas and aged care facilities;
- the Village is expected to be able to be developed such that it can recover the full project costs from the sale of ORAs; and
- the Village is expected to be able to be built over a five to six year period, and substantially settled over a six to seven year period.

Following the Offer, Summerset will have debt facilities totalling \$150 million which will be used to increase the size of Summerset’s landbank and fund its development pipeline. These are revolving facilities so that as outstanding debt is repaid from initial ORA sales, Summerset is able to redraw these amounts to fund further development.

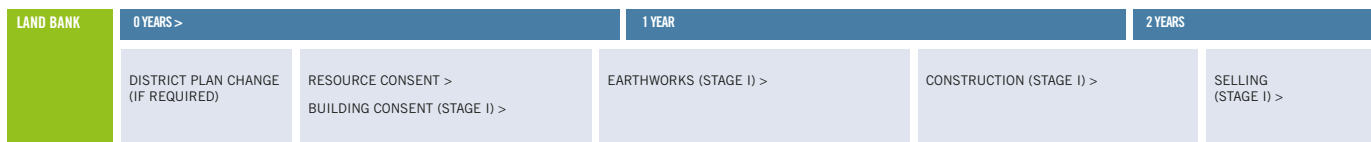
## PRICING STRATEGY

Summerset’s pricing strategy is aimed at its target market of everyday New Zealanders and is positioned to ensure new Retirement Units are sold quickly. Lead-in pricing in new Villages is generally below completed Village prices, with staged pricing increases as the Village is completed.

Summerset has developed different price points and products over its Village portfolio to provide alternative entry options for customers.



# DEVELOPMENT PROCESS



## GREENFIELD LAND ACQUISITION

Summerset has identified locations throughout New Zealand which support Village development and ongoing operations which it will consider for acquisition.

Summerset undertakes a comprehensive due diligence process when acquiring land.

## CONSENTING

District Plan changes and Resource Consent applications typically take six to 12 months to be approved.

Achieving a zoning change and gaining Resource Consent significantly increases the value of the land and represents a critical success milestone in the development process.

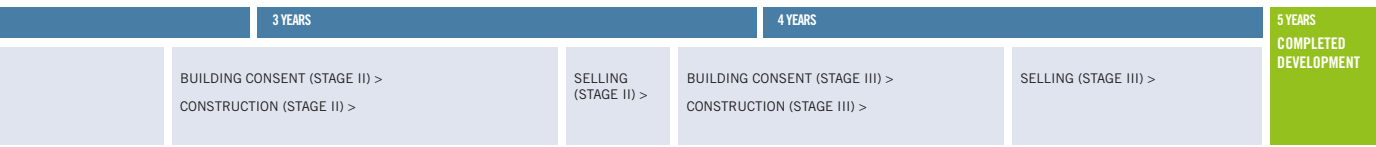
While awaiting consent, the project team continues to plan every aspect of the development, so that construction can begin immediately after the required consents have been obtained.

## DESIGN

Summerset focuses on providing affordable quality, while incorporating leading design aspects. Designs are age appropriate and take into account the physical, social and psychological dimensions of older living. Design features are used to encourage a sense of community in each Village.

Summerset's designs meet the needs of its residents as they age. This is reflected in Summerset being a foundation member of Lifetime Design, and the first retirement village operator to be granted the right to apply the Lifemark seal of approval to its Villages. A dwelling carrying the Lifemark seal of approval is one that has been specifically designed for ease of use in the present, whilst also ensuring it can be easily adapted in the future as the occupant's needs change.

Summerset incorporates in its designs a number of low maintenance aspects which ensure its Villages minimise maintenance costs over their life.



**CONSTRUCTION**

Typically construction will occur over a five year timeframe, with Stage I usually consisting of 25 to 40 Villas. Stage I construction generally commences within two years of land purchase, although this is dependent upon zoning at the time of purchase. Construction of subsequent stages is timed to ensure that stock is available to meet demand.

Management of the construction process is currently being internalised, while actual construction activity is undertaken by external contractors.

Regular communication between the development and operation teams ensures construction, delivery, handover and occupancy is achieved with minimal disturbance to the residents and staff, while ensuring all development projects meet quality and consistency standards.

**SELLING**

Summerset’s selling process is based on open, honest and ethical disclosure to all prospective residents, families and other key parties.

All sales managers are employed by Summerset and are fully trained in all aspects of Village operations.

Pre-sales typically commence approximately six months prior to the first Villa being completed, with typically over 25% of the units pre-sold by the time the Stage I units are ready to be occupied.

Proceeds from the sale of ORAs assist in minimising financial exposure during subsequent stages of development. Summerset matches its Village development profile to demand to minimise unoccupied Retirement Units.

**MAINTENANCE**

Summerset has a comprehensive long term programme that focuses on preventative maintenance of its Villages. As a result, all Villages are maintained to a high standard that preserves the quality and attractiveness of the Village.



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# DETAILS OF THE OFFER





# DETAILS OF THE OFFER

## THE OFFER

The Offer is an Offer of ordinary shares in Summerset, comprising both existing Shares and new Shares to be issued by Summerset. The Offer Shares will be offered to retail and Institutional Investors at the Final Price, to be determined by the Issuers following a bookbuild.

All Offer Shares will be issued at the Final Price and will be fully paid ordinary shares which rank equally with each other and all existing Shares.

The Offer is made on the terms, and is subject to the conditions, set out in this Offer Document.

## BOOKBUILD AND FIRM ALLOCATION PROCESS

The Offer will be conducted using a bookbuild managed by the Joint Bookrunners. The bookbuild will take place on 6 to 7 October 2011. Institutional Investors and NZX Firms may submit bids indicating the number of Offer Shares they wish to purchase or be allocated at a range of prices for the Offer Shares to the Joint Bookrunners. Following completion of the bookbuild process, allocations to NZX Firms and Institutional Investors will be finalised by the Issuers.

## PRICING OF THE OFFER

An Indicative Price Range of \$1.40 to \$1.60 per Offer Share has been established for the Offer and the Final Price will be set on or about 7 October 2011 following completion of the bookbuild. However, the Issuers reserve the right to set the Final Price within, higher or below the Indicative Price Range.

All of the Offer Shares will be sold at the Final Price.

More information on how the Final Price will be determined is set out under the heading "Determination of the Final Price" in this section of the Offer Document.

## SIZE OF THE OFFER

The Offer comprises an offer by the Offeror of approximately 85.0 million to 87.5 million Shares (based on the Indicative Price Range and the Selling Shareholders selling down their current shareholdings as set out below and on the assumptions described in footnote 4 in respect of the expected number of Offer Shares) to members of the public in New Zealand and to Institutional Investors in New Zealand, Australia and certain other jurisdictions. These Offer Shares comprise:

- \$50 million of new Shares (being 31.3 million to 35.7 million Shares based on the Indicative Price Range) which are to be issued by Summerset to the Offeror; and
- 51.8 million to 53.8 million existing Shares which are to be transferred by the Selling Shareholders to the Offeror.

Based on there being \$50 million of new Shares issued and the Selling Shareholders selling down the range of Shares set out above at the Indicative Price Range, the gross proceeds from the Offer will be \$122.5 million to \$136.0 million.

## STRUCTURE OF THE OFFER

The Offer comprises:

- The Retail Offer, consisting of:
  - the Broker Firm Offer which is available only to New Zealand resident clients of NZX Firms who have received an allocation from that NZX Firm; and
  - the Resident and Employee Pool which is available to any person resident in New Zealand who Summerset determines is an employee of, or a resident or intending resident in a Village of, Summerset as at the Opening Date, up to a maximum of \$2 million of Offer Shares.<sup>42</sup>
- The Institutional Offer, which consists of an invitation to bid for Offer Shares made to selected Institutional Investors in New Zealand, Australia and certain overseas jurisdictions.

There is no public pool under which you may subscribe for Offer Shares.

The allocation of Offer Shares between the Institutional Offer and the Retail Offer (and within the Retail Offer between the Broker Firm Offer and the Resident and Employee Pool) will be determined by the Issuers.

## PURPOSE OF THE OFFER

The purpose of the Offer is to:

- raise new capital of \$50 million for Summerset to accelerate the expansion of its business;
- raise capital to fund the acquisition by the Offeror of Shares in Summerset from the Selling Shareholders in order to make those shares available under the Offer; and
- list Summerset on the NZSX, which will:
  - provide Summerset with additional financial flexibility to pursue further growth opportunities; and
  - provide a liquid market for Shares and an opportunity for Summerset to improve the breadth of its share register.

## USE OF PROCEEDS

The proceeds of the Offer will be applied by the Offeror to:

- subscribe for the additional new Shares in Summerset which are being offered under this Offer; and
- satisfy the cash consideration payable to the Selling Shareholders for the acquisition of those Shares currently held by the Selling Shareholders which are being offered under this Offer.

The subscription monies received by Summerset, net of costs, will be applied in the short term to repay (in part) existing debt in Summerset, providing Summerset with higher levels of available funding to continue its development plans.

42. For the purposes of Listing Rule 7.1.8 this represents a maximum of 1.3 million to 1.4 million Offer Shares or 0.59% to 0.67% of the total Shares Summerset will have on issue following the Offer, based on the Indicative Price Range, which have been reserved for any person resident in New Zealand who Summerset determines is an employee of, or a resident or intending resident in a Village, of Summerset as at the Opening Date.

## SHAREHOLDING STRUCTURE

The Quadrant Shareholders currently own approximately 97% of Summerset. The Management Shareholders, together with other current Shareholders representing previous Board and senior management team members, hold the remaining 3%.

### QUADRANT SHAREHOLDERS

The Quadrant Shareholders have elected to sell down 30% of their current shareholding in Summerset. The Shares retained by the Quadrant Shareholders will be subject to escrow, as more fully described under the heading "Escrow Arrangements" in this section of the Offer Document.

### MANAGEMENT SHAREHOLDERS

The Management Shareholders may elect to sell some of their Shares under the Offer, but will collectively continue to hold at least 70% of their current shareholding following completion of the Offer. The Management Shareholders will determine the number of Shares they wish to sell when the Final Price is set on 7 October 2011, on the basis that Norah Barlow and Paul Morris (or their respective nominees) may sell between nil and approximately 30% of their existing Summerset shareholdings and Julian Cook, Richard Catto and Tristan Saunders (or their respective nominees) will each sell approximately 30% of their existing Summerset shareholdings.

The Management Shareholders will be issued \$2.55 million of additional fully paid Shares on completion of the Offer but prior to Listing pursuant to an employee share plan. The issued Shares will be held for Management Shareholders by a trustee and will be issued at the Final Price which Summerset will fund by way of limited recourse loans.

Under the rules of the employee share plan, the Shares will only vest to the Management Shareholders on the achievement of certain financial targets measured in the 2012 and 2013 financial years. Half of the Shares are eligible for vesting after the 2012 financial year and the remaining unvested Shares are eligible for vesting after the 2013 financial year. The date for vesting of those Shares will be the day after Summerset's results for the applicable financial year ending 31 December are announced to the market. All loans in respect of relevant vested Shares must be repaid on transfer of such shares to, or to the order of the relevant Management Shareholder.

All of the Management Shareholders will be subject to escrow in respect of any Shares they hold upon completion of the Offer (excluding any Shares issued pursuant to the employee share plan which will not vest to the Management Shareholders before the conclusion of the escrow period), as more fully described under the heading "Escrow Arrangements" in this section of the Offer Document.

### OTHER EXISTING SUMMERSET SHAREHOLDERS

The other existing Summerset Shareholders may elect to sell some, all or none of their Shares under the Offer. The other existing Summerset Shareholders will determine the number of Shares they wish to sell when the Final Price is set on 7 October 2011. None of these other Summerset Shareholders will be subject to escrow.

## INDICATIVE OWNERSHIP STRUCTURE

As a consequence of the above, the ownership structure of Summerset prior to the Offer, and the indicative ownership structure upon completion of the Offer (following allotment of the Offer Shares) is illustrated in the table below based on the Indicative Price Range and the range of Shares that the Selling Shareholders may elect to sell down and on the assumption described in footnote 4 in respect of the expected number of Offer Shares.

	PRIOR TO THE OFFER		FOLLOWING COMPLETION OF THE OFFER	
	SHARES (MILLION)	%	SHARES (MILLION)	%
Quadrant Shareholders	171.2	96.6	119.8	57.0 to 55.8
Management Shareholders	5.2	2.9	3.7 to 4.8	1.8 to 2.2
Shares to be issued to management under the employee share plan	N/A	N/A	1.6 to 1.8	0.8 to 0.9
Other Summerset Shareholders	0.9	0.5	0 to 0.9	0 to 0.4
New Shareholders pursuant to the Offer	N/A	N/A	85.0 to 87.5	40.5 to 40.7
<b>Total</b>	<b>177.3</b>	<b>100%</b>	<b>210.1 to 214.8</b>	<b>100%</b>

## DETERMINATION OF THE FINAL PRICE

An Indicative Price Range of \$1.40 to \$1.60 per Offer Share has been set by the Issuers. On 6 to 7 October 2011, the Joint Bookrunners will undertake a bookbuild process inviting NZX Firms and selected Institutional Investors in New Zealand, Australia and certain other overseas jurisdictions to lodge bids indicating the number of Offer Shares they wish to apply for at a range of prices. This bookbuild process will be used to assist the Issuers to determine the Final Price.

The Final Price will be set taking into account various factors, including the following:

- the overall demand for Offer Shares at various prices;
- pricing indications from Institutional Investors and NZX Firms in the bookbuild process;
- the desire of Summerset and the Selling Shareholders to have a successful and consistent aftermarket for the Shares; and
- any other factors that the Issuers consider relevant.

The Final Price is expected to be announced and posted on Summerset's website [www.summerset.co.nz](http://www.summerset.co.nz) and under Summerset's stockcode 'SUM' on [www.nzx.com](http://www.nzx.com) on or about 7 October 2011.

All successful Applicants will pay the Final Price for each Offer Share allocated to them under both the Retail Offer and the Institutional Offer. The Final Price will not necessarily be the highest price at which Offer Shares could be issued or transferred under the Offer and may be set above, within or below the Indicative Price Range. Accordingly, successful Applicants under the Offer may pay a Final Price which is above, within or below the Indicative Price Range.

All of the Offer Shares will be sold at the Final Price.



## RETAIL OFFER

	BROKER FIRM OFFER	RESIDENT AND EMPLOYEE POOL
Who may apply	The Broker Firm Offer is open to persons who have received an allocation from their broker and who have a registered address in New Zealand. If you have been offered an allocation by an NZX Firm, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your broker to determine whether they may allocate Offer Shares to you under the Broker Firm Offer.	The Resident and Employee Pool is open to any person resident in New Zealand who Summerset determines is an employee of Summerset, or a resident or intending resident in a Village, as at the Opening Date. All Applications made under the Resident and Employee Pool will be reviewed by Summerset prior to the Share Registrar accepting such Applications. Up to \$2 million of Offer Shares have been reserved for the Resident and Employee Pool.
How to apply	Complete the blue Broker Firm Offer Application Form at the back of this Offer Document. By making an Application, you declare that you were given a copy of the Offer Document, together with an Application Form. Please contact your broker if you require further instructions.	Complete the yellow Resident and Employee Pool Application Form at the back of this Offer Document. By making an Application, you declare that you were given a copy of the Offer Document, together with an Application Form.
Minimum and maximum Application amount	Amounts will be determined by your broker. However, the minimum Application amount will be 2,500 Offer Shares and in multiples of 500 Offer Shares thereafter.	The minimum Application amount will be 1,000 Offer Shares and in multiples of 500 Offer Shares thereafter. The maximum amount that can be applied for by each Summerset employee or Village resident applying under the Resident and Employee Pool is 25,000 Offer Shares.
How to pay	Broker Firm Offer Applicants should make payments in accordance with the directions of the NZX Firm from whom you received an allocation.	Application Monies should be paid by cheque drawn on a New Zealand bank. Cheques should be crossed "Not Transferable" and made out to "Summerset Share Offer". Alternatively, you may pay by direct debit by including your direct debit details on your Application Form.
Address for return of Application Forms and Application Monies	Broker Firm Offer Applicants should send their completed Application Form and Application Monies to their broker in time to enable forwarding to the Share Registrar by 5.00pm on the Closing Date. Alternatively, Applications can be lodged with Summerset, any NZX Firm, the Joint Lead Managers, or any other channel approved by NZX so as to be received in time to enable forwarding to the Share Registrar by 5.00pm on the Closing Date.	Resident and Employee Pool Applicants should send their completed Application Form and Application Monies to the Share Registrar by 5.00pm on the Resident and Employee Pool Closing Date. Alternatively, Applications can be lodged with Summerset, any NZX Firm, the Joint Lead Managers, or any other channel approved by NZX so as to be received in time to enable forwarding to the Share Registrar by 5.00pm on the Resident and Employee Pool Closing Date.
Closing Date for receipt of Applications	The Broker Firm Offer opens at 9.00am on 10 October 2011 and is expected to close at 5.00pm on 26 October 2011. The Issuers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Your broker may also impose an earlier closing date.	The Resident and Employee Pool opens at 9.00am on 10 October 2011 and is expected to close at 5.00pm on 19 October 2011. The Issuers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Applicants are encouraged to submit their Applications as early as possible in order to enable processing by the Closing Date.
How to obtain a copy of this Offer Document	Please contact your broker for instructions. You may also obtain a copy of the Offer Document and Broker Firm Offer Application Form as follows: <ul style="list-style-type: none"> <li>• you can download a copy at <a href="http://www.summerset.co.nz">www.summerset.co.nz</a>; or</li> <li>• request a copy from the Share Registrar, Link Market Services Limited by emailing <a href="mailto:Lmsenquiries@linkmarketservices.com">Lmsenquiries@linkmarketservices.com</a> or by calling 09 375 5998.</li> </ul> While you may obtain a copy of the Offer Document and Broker Firm Offer Application Form as set out above, your Application will not be accepted under the Broker Firm Offer if it is not lodged through your Broker.	To obtain a copy of the Offer Document and Resident and Employee Pool Application Form: <ul style="list-style-type: none"> <li>• you can download a copy at <a href="http://www.summerset.co.nz">www.summerset.co.nz</a>; or</li> <li>• request a copy from the Share Registrar, Link Market Services Limited by emailing <a href="mailto:Lmsenquiries@linkmarketservices.com">Lmsenquiries@linkmarketservices.com</a> or by calling 09 375 5998.</li> </ul>

## FURTHER TERMS OF THE RETAIL OFFER

### GENERAL

The Issuers may determine a person to be eligible to participate in any part of the Retail Offer, and may amend or waive the applicable Application procedures or requirements, in their discretion in compliance with applicable laws.

### AVAILABILITY OF FUNDS

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s), bank draft(s) or direct debit payment(s). If the amount of your cheque(s), bank draft(s) or direct debit payment(s) for Application Monies (or the amount for which those cheque(s), bank draft(s) or direct debit payment(s) clear in time for allocation) is less than the amount of Offer Shares applied for multiplied by the Final Price, you may be taken to have applied for such lesser number of Offer Shares for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

Application Monies received under the Retail Offer will be held in a special purpose account until Offer Shares are allocated to successful Applicants. Applicants under the Retail Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Offer Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, within 10 Business Days of the Closing Date. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will become an asset of the Offeror.

### ALLOCATION UNDER THE RETAIL OFFER

If the value of Applications received under the Resident and Employee Pool is greater than the value of Offer Shares available under the Resident and Employee Pool (as determined by the Issuers), Applications will be scaled back in such manner as the Issuers may determine.

Applicants whose Applications are accepted in full will receive the number of Offer Shares applied for. Surplus Application Monies resulting solely from rounding will not be returned to Applicants and will become an asset of the Offeror.

Offer Shares which have been allocated to NZX Firms for allocation to their New Zealand resident retail clients will be issued to the Applicants nominated by those NZX Firms. It will be a matter for the NZX Firms how they allocate firm stock among their retail clients, and they (and not the Issuers, the Promoters, the Selling Shareholders or the Joint Bookrunners) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Offer Shares.

### ACCEPTANCE OF APPLICATIONS

An Application in the Retail Offer is an offer by the Applicant to the Offeror to subscribe for all or any of the number of Offer Shares specified in the Application Form, at the Final Price on the terms and conditions set out in this Offer Document, including any supplementary or replacement Offer Document, and the Application Form. To the extent permitted by law, the offer by an Applicant is irrevocable. An Application may be accepted in respect of the full amount of Offer Shares specified in the Application Form or any of the amount, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

## INSTITUTIONAL OFFER

The Offeror, through the Joint Bookrunners, will invite selected Institutional Investors along with NZX Firms to bid for Offer Shares in the bookbuild process to be undertaken by the Joint Bookrunners on 6 to 7 October 2011.

The Institutional Offer consists of an invitation to selected Institutional Investors in New Zealand, Australia and a number of other eligible jurisdictions to apply for Offer Shares. The Joint Bookrunners will separately advise Institutional Investors of the Application procedures for the bookbuild process.

The number of Offer Shares to be offered under the Institutional Offer, and the allocation of Offer Shares among Applicants in the Institutional Offer, will be determined by the Issuers. The Issuers will have absolute discretion regarding the basis of allocation of Offer Shares among Institutional Investors, and there is no assurance that any Institutional Investor will be allocated any Offer Shares, or the number of Offer Shares for which it has bid. The allocation policy will be influenced by a number of factors, which may include:

- number of Offer Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- Summerset's desire for an informed and active trading market following listing on the NZSX;
- Summerset's desire to establish a wide spread of institutional Shareholders;
- overall level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular bidders;
- an assessment of whether particular bidders will be long term Shareholders; and
- any other factors that the Issuers consider appropriate.

## OFFER MANAGEMENT AGREEMENT

The Offer is not underwritten. The Issuers, Quadrant, and the Joint Bookrunners have entered into an Offer Management Agreement which sets out the obligations of the Joint Bookrunners in relation to the operation of the bookbuild process.

Under the Offer Management Agreement the Joint Bookrunners commit to conduct the bookbuild process in the manner described in this Offer Document. The Joint Bookrunners do not have any liability to the Issuers, Quadrant or any other person to the extent that successful participants in the bookbuild or the Retail Offer fail to comply with their settlement obligations.

The Offer Management Agreement also sets out a number of warranties and undertakings given by the Issuers to the Joint Bookrunners. In particular, the Issuers undertake not to make any allotments of Offer Shares or other equity securities for a period of 180 days following completion of the Offer, other than pursuant to the Offer, in certain limited exceptions or with the consent of the Joint Bookrunners.



## NZSX LISTING

Application has been made to NZX for permission to list Summerset and to quote the Shares on the NZSX and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document. NZX has authorised NZX Firms to act on the Offer. The NZSX is a registered market operated by NZX, which is a registered exchange, regulated under the Securities Markets Act.

Initial quotation of the Shares on the NZSX is expected to occur under the symbol 'SUM' on 1 November 2011.

**It is the responsibility of each Applicant to confirm its holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. Applicants will be able to confirm their holding by contacting their broker upon commencement of trading of the Shares on the NZSX.**

The Issuers, the Selling Shareholders and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by a broker or otherwise.

## ESCROW ARRANGEMENTS

Each of the Quadrant Shareholders and the Management Shareholders (together, the *Escrowed Shareholders*) have entered into an escrow arrangement with Summerset under which the Escrowed Shareholders have agreed not to sell or otherwise dispose of their existing Shares which are not sold as part of the Offer until the first day after Summerset's preliminary announcement has been released to the market in respect of its financial results for the year ending 31 December 2012, without the approval of the Directors who are not "interested" in the decision (as that term is defined in the Companies Act), Summerset and NZX.

These restrictions do not apply, and therefore no approval is needed, for an Escrowed Shareholder to grant a security interest in favour of a lender to that holder if the lender has agreed to be bound by the escrow terms, or where the Escrowed Shareholder is a trustee of a trust for the Escrowed Shareholder to transfer the shareholding to a new or replacement trustee who has agreed to be bound by the escrow terms.

In addition: (a) the Escrowed Shareholders may transfer their escrowed shareholding to an "associated person" (as that term is defined in the Listing Rules) of the relevant Escrowed Shareholder with the consent of the Directors who are not "interested" in the decision (as that term is defined in the Companies Act), provided that such "associated person" has agreed to be bound by the escrow terms; and (b) the Escrowed Shareholders may accept any full or partial takeover offer made in respect of Summerset Shares under the Takeovers Code or similar scheme or arrangement.

An "escrow" is a restriction on sale, disposal, or encumbering of, or certain other dealings in respect of, the securities concerned for the period of the escrow, subject to any exceptions in the escrow arrangement concerned.

## BROKERAGE

No brokerage or commission is payable by Applicants for Offer Shares under the Offer. See the information under the heading "What are the charges?" in the *Answers to Important Questions* section of this Offer Document for details of the brokerage payable by Summerset to brokers.

## DISCRETION REGARDING THE OFFER

The Issuers may withdraw the Offer, or any part of it, at any time before the allotment of Offer Shares to successful Applicants or bidders in the applicable part of the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). No interest will be paid on unsuccessful Applications.

The Issuers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Offer Shares than applied or bid for.

## SELLING RESTRICTIONS

The Retail Offer is being made to members of the public in New Zealand and the Institutional Offer is only being made to selected Institutional Investors. No person may offer, sell, or deliver any Offer Shares or distribute any documents (including this Offer Document) to any person outside New Zealand, except in accordance with all of the legal requirements of the relevant jurisdiction.

Unless otherwise agreed with the Issuers, any person or entity applying for Offer Shares under the Offer will, by virtue of such Application, be deemed to represent that he, she or it is not in a jurisdiction that does not permit the making of the Offer or an invitation of the kind contained in this Offer Document and is not acting for the account or benefit of a person within such a jurisdiction. Neither the Issuers, the Promoters, the Joint Lead Managers nor any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

## TAKEOVERS CODE

The Takeovers Code prohibits, amongst other things, any person (together with its "associates" (as defined in the Takeovers Code)) from becoming the holder or controller of 20% or more of the voting rights in Summerset other than in compliance with the requirements of the Takeovers Code. Investors are advised to seek legal advice in relation to any act, omission or circumstance which may result in that investor breaching any provision of the Takeovers Code.

## OVERSEAS INVESTMENT ACT

Any person who is an "overseas person" for the purposes of the Overseas Investment Act and who intends to acquire more than 25% of the Offer Shares (or make any other acquisition regulated by the Overseas Investment Act) will be required to obtain any necessary consents under the Overseas Investment Act.

# DIRECTORS AND SENIOR MANAGEMENT



# DIRECTORS AND SENIOR MANAGEMENT

Name	Position
Rob Campbell	Chairman, Independent Director
Norah Barlow	Managing Director and Chief Executive Officer
Marcus Darville	Director
Chris Hadley	Director
James Ogden	Independent Director

## DIRECTOR PROFILES

### ROB CAMPBELL (CHAIRMAN, INDEPENDENT)

Rob has over 25 years experience in governance and capital markets.

Rob is a director and investment committee chair of Accident Compensation Corporation. Rob is Chairman of Guinness Peat Plc and Turners & Growers Limited, and he is also a director of Aquasure Pty Limited, Ports of Auckland Limited and CallPlus Limited and a board or advisory board member of several private equity and hedge funds globally. He has previously directed the investments of a large family office, and held board appointments in numerous private and public sector organisations in New Zealand.

### NORAH BARLOW (MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER)

Norah has been the Chief Executive Officer leading Summerset since 2001, having joined Summerset in 1999. During this time the business has evolved from a relatively small operator primarily on the Kapiti Coast to now being a national provider, the third largest operator and second largest developer in the industry.

Norah is an accountant by profession and has an extensive background in business leadership and management, strategy, corporate finance, governance, tax and all aspects of the accounting function.

Norah's experience and intimate knowledge of the sector is reflected in her position as President of the RVA, a position she has held for the past five years. She was involved with the formation of the Retirement Villages Act and was instrumental in leading the sector's approach to the formation of the Code of Practice from 2004 to completion in 2008.

Norah has an exceptional reputation in the industry across Australasia.

### MARCUS DARVILLE (NON EXECUTIVE DIRECTOR)

Marcus is a "Director" at Quadrant, having joined them in March 2006 from AMP where he was joint Head of Private Equity.

Marcus has worked in the private equity industry for over 18 years. He commenced his career in private equity in the UK with NatWest Ventures before joining the AMP team in 1994 where he developed AMP's private equity activity, over a 12 year period. During this time Marcus worked on over 15 completed transactions.

In addition to Summerset, Marcus is a member of the Quadrant Investment Committee and is a director of current Quadrant investee companies Virtus Health, Ortho Group and Media Monitors.

### CHRIS HADLEY (NON EXECUTIVE DIRECTOR)

Chris is the "Managing Director" of Quadrant. He is one of the longest serving executives in the Australian private equity industry and was one of the founding council members of the Australian Private Equity and Venture Capital Association Limited.

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

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

### JAMES OGDEN (INDEPENDENT)

James has had a career as an investment banker for 11 years – six years as Country Manager for Macquarie Bank and five years as a director of Credit Suisse First Boston. James has also worked in the New Zealand dairy industry in chief executive and finance roles for eight years.

James was an independent director of Summerset during AMPCI's ownership. James is currently a director of The Warehouse Group Limited. Other former directorships include Powerco Limited, Capital Properties New Zealand Limited, Kiwibank Limited and New Zealand Post Limited.

He is a fellow of the New Zealand Institute of Chartered Accountants, fellow of the Institute of Directors, member of the Institute of Finance Professionals New Zealand Inc and a former New Zealand Stock Exchange broker.

### OTHER DIRECTORS

The Board of Summerset will give consideration to the appointment of one more Director following the completion of the Offer. Any Director appointed following the Offer would be required to seek re-election at the first annual general meeting of Shareholders following their appointment.



## SENIOR MANAGEMENT



### **1 NORAH BARLOW (MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER)**

See Board profiles.



### **2 JULIAN COOK (CHIEF FINANCIAL OFFICER)**

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

Julian has a sound understanding of the retirement village and aged care industry, having been involved in advising a number of clients on transactions in the retirement village sector whilst at Macquarie. He holds a Masters of Applied Finance as well as a number of other degrees from Victoria and Waikato Universities.

Julian's areas of responsibility at Summerset include finance, funding, legal, IT and strategy.



### **3 PAUL MORRIS (GENERAL MANAGER, DEVELOPMENT)**

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

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



**4 TRISTAN SAUNDERS (GENERAL MANAGER, MARKETING AND SALES)**

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

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

**5 RICHARD CATTO (GENERAL MANAGER, OPERATIONS)**

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

Richard came to Summerset from Wakefield Health where he was General Manager of Wakefield Hospital. He has a broad range of local and international experience in the health sector, having previously been Manager of Clinical Services for Southland DHB, and holding strategy and contracting roles within the public health sector advising agencies such as DHBs, the Ministry of Health, Australian hospitals and the World Health Organisation. He has also held the position of Chairman of Patient Safety New Zealand.

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



**6 CATHERINE FYFE (GENERAL MANAGER, HUMAN RESOURCES)**

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

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

**PETER NEVEN (SENIOR ADVISER)**

Peter provides strategic advice to Summerset around development and particularly the internalisation of construction management.

Peter has recently retired from the role of General Manager of the building operations department at Fletcher Construction Limited (*Fletcher*). Peter has over 40 years experience in the construction industry including 33 years at Fletcher, nine of which were as General Manager. Peter has provided executive oversight for many of Fletcher's most challenging projects and has been at the helm of a business that has increased turnover to over \$500 million per annum. Peter is also a member of the advisory board for the Department of Building and Housing, a member of the advisory board for the Construction Contracts Act 2002 and a past president of the New Zealand Institute of Building (*NZIOB*) (from 2001 to 2003). Peter is currently a member of the NZIOB and a member of the Institute of Directors.



# FINANCIAL INFORMATION



## FINANCIAL INFORMATION

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## PROSPECTIVE FINANCIAL INFORMATION

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This section sets out the prospective financial information for Summerset, as required by clause 11(1)(c) of Schedule 1 of the Securities Regulations.

### INTRODUCTION AND BASIS OF PREPARATION

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This section contains prospective financial information for the Summerset Group for the financial years ending, and as appropriate, as at, 31 December 2011 and 31 December 2012 which includes:

- prospective consolidated Statement of Comprehensive Income;
- prospective consolidated Statement of Movements in Equity;
- prospective consolidated Statement of Financial Position;
- prospective consolidated Statement of Cash Flows; and
- general and specific assumptions on which all of the prospective financial information is based.

The prospective financial information has been prepared in accordance with Financial Reporting Standard No. 42 "Prospective Financial Statements" issued by the New Zealand Institute of Chartered Accountants.

The prospective financial information for the year ending 31 December 2011 is based on six months actual results per the Summerset audited interim accounts and six months forecast results. The prospective financial information for the 12 month period ending 31 December 2012 is a forecast.

The Prospective Statement of Financial Position shown on page 66 assumes the offer proceeds, other than those being used to satisfy the Selling Shareholders, will be satisfied by the issue of new shares and will be accounted for, net of directly attributable offer costs, as an increase in contributed equity capital.

The Directors believe the prospective financial information, including the assumptions on which they are based, has been prepared with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing the Offer Document. However, actual results are likely to vary from the information presented as anticipated results may not occur as expected, and the variations may be material.

The prospective financial information is based on events and conditions existing at the date of this Offer Document and the accounting policies and assumptions stated below.

Forecasts by their nature involve risks and uncertainties, many of which are beyond the control of Summerset. These risks and uncertainties include, but are not limited to, those discussed under the heading "What are my risks?" in the *Answers to Important Questions* section of this Offer Document.

The principal accounting policies adopted in the preparation of the prospective financial information are set out on pages 68 to 71. These policies are in compliance with the recognition and measurement principles of New Zealand equivalents to International Financial Reporting Standards.

The Directors approved the prospective financial information on 26 September 2011.

The Prospective financial information has been prepared for the purpose of the Offer and may not be suitable for any other purpose.

Inclusion of the prospective financial information set out below is a statement of present belief of the Directors and management of Summerset and is not a representation by Summerset, the Directors, management of Summerset or any other person that the results set out below will be achieved.

There is no present intention to update the prospective financial information or to publish the prospective financial information in the future.

## PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

CURRENCY: NZ\$000	YEAR ENDING 31 DECEMBER 2011	YEAR ENDING 31 DECEMBER 2012
Care & village service fees	23,659	25,563
Deferred management fees	8,798	9,763
Interest received	73	62
<b>Total revenue</b>	<b>32,530</b>	<b>35,388</b>
Fair value movement of investment property	6,605	14,144
<b>Total income</b>	<b>39,135</b>	<b>49,532</b>
Operating expenses	(28,107)	(31,010)
Depreciation and amortisation expenses	(1,015)	(1,166)
<b>Total expenses</b>	<b>(29,122)</b>	<b>(32,176)</b>
<b>Operating profit before financing costs</b>	<b>10,013</b>	<b>17,356</b>
Finance costs	(5,749)	(5,137)
<b>Profit before income tax</b>	<b>4,264</b>	<b>12,219</b>
Income tax credit	730	1,040
<b>Profit after tax</b>	<b>4,994</b>	<b>13,259</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>4,994</b>	<b>13,259</b>

## UNDERLYING PROFIT

Underlying profit represents the Directors' adjustment to net profit after tax to replace the fair value adjustment in investment property values with the Directors' estimate of realised components of movement in investment property value, and to eliminate deferred tax charges or credits.

CURRENCY: NZ\$000	YEAR ENDING 31 DECEMBER 2011	YEAR ENDING 31 DECEMBER 2012
<b>Reported profit after tax</b>	<b>4,994</b>	<b>13,259</b>
Less: fair value movement of investment property	(6,605)	(14,144)
Add: realised gain on resales	6,128	6,283
Add: realised development margin	2,095	4,974
Less: deferred tax credit	(617)	(623)
<b>Underlying profit after tax</b>	<b>5,995</b>	<b>9,749</b>

## PROSPECTIVE STATEMENT OF MOVEMENTS IN EQUITY

CURRENCY: NZ\$000	SHARE CAPITAL	REVALUATION RESERVE	MAINTENANCE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Opening equity	182,232	3,374	1,217	(12,370)	174,453
Comprehensive income for the period	-	-	-	4,994	4,994
Shares issued	48,250	-	-	-	48,250
Transfer to/(from) maintenance reserve	-	-	(406)	406	-
<b>Balance at 31 December 2011</b>	<b>230,482</b>	<b>3,374</b>	<b>811</b>	<b>(6,970)</b>	<b>227,697</b>
Comprehensive income for the period	-	-	-	13,259	13,259
Shares issued	2,150	-	-	-	2,150
Transfer to/(from) maintenance reserve	-	-	(406)	406	-
Distributions	-	-	-	(4,300)	(4,300)
<b>Balance at 31 December 2012</b>	<b>232,632</b>	<b>3,374</b>	<b>405</b>	<b>2,395</b>	<b>238,806</b>

## PROSPECTIVE STATEMENT OF FINANCIAL POSITION

CURRENCY: NZ\$000	AS AT 31 DECEMBER 2011	AS AT 31 DECEMBER 2012
<b>Assets</b>		
Cash and cash equivalents	3,916	1,143
Trade and other receivables	5,649	6,124
Intangible assets	324	324
Property, plant and equipment	33,489	36,443
Investment properties	552,283	632,622
<b>Total assets</b>	<b>595,661</b>	<b>676,656</b>
<b>Equity</b>		
Share capital	230,482	232,632
Reserves	4,185	3,779
Accumulated deficit	(6,970)	2,395
<b>Total equity</b>	<b>227,697</b>	<b>238,806</b>
<b>Liabilities</b>		
Trade and other payables	4,765	4,949
Residents' loans	274,442	322,347
Interest bearing loans and borrowings	75,279	98,115
Deferred tax liability	13,478	12,439
<b>Total liabilities</b>	<b>367,964</b>	<b>437,850</b>
<b>Total equity and liabilities</b>	<b>595,661</b>	<b>676,656</b>



## PROSPECTIVE STATEMENT OF CASH FLOWS

CURRENCY: NZ\$000	YEAR ENDING 31 DECEMBER 2011	YEAR ENDING 31 DECEMBER 2012
Receipts from residents for care fees and village services	23,361	25,143
Interest received	73	62
Payments to suppliers and employees	(29,384)	(30,826)
Receipts for residents loans	66,122	81,523
Repayment of residents loans	(21,839)	(23,910)
<b>Net cash flow received from/(used in) operating activities</b>	<b>38,333</b>	<b>51,992</b>
Acquisition of investment property <sup>43</sup>	(53,591)	(64,408)
Acquisition of property, plant and equipment	(3,334)	(3,984)
Capitalised interest paid	(1,572)	(1,923)
<b>Net cash flow received from/(used in) investing activities</b>	<b>(58,497)</b>	<b>(70,315)</b>
Proceeds from/(repayment of) borrowings	(24,934)	22,836
Proceeds from issue of shares	50,000	2,150
Interest paid on borrowings	(5,749)	(5,137)
Dividend paid	-	(4,300)
<b>Net cash flow received from/(used in) financing activities</b>	<b>19,317</b>	<b>15,549</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(847)</b>	<b>(2,774)</b>

43. Relates to the acquisition of land and costs of developing Retirement Units.

## ACCOUNTING POLICIES

Accounting policies applied in the preparation of the prospective financial information are consistent with the audited financial statements of Summerset for the year ended 31 December 2010. The prospective financial information assumes no material change in accounting policies throughout the period for which the prospective financial information is provided.

## PRINCIPAL ASSUMPTIONS

The prospective financial information is based on various best estimate assumptions, including those set out below. These assumptions should be read in conjunction with the information under the heading "What are my risks?" in the *Answers to Important Questions* section of this Offer Document.

## GENERAL ASSUMPTIONS

The following general assumptions are relevant to the prospective financial information:

- There will be no material change in the general economic environments that Summerset operates in.
- The Official Cash Rate (as determined from time to time by the Reserve Bank of New Zealand) will not change materially from current levels.
- Inflation rates in New Zealand will be 4.0% for the year ending 31 December 2011 and 2.5% for the year ending 31 December 2012.
- There will be no material change in the competitive operating, legislative and regulatory environment nor any significant technological change or new entrants that will materially change the competitive environment.
- There will be no material business acquisitions or disposals outside the ordinary course of Summerset's business.
- There will be no change in accounting standards which would have a material effect on Summerset.
- There will be no material amendments to any material agreements.
- There will be no material change to the tax regime in New Zealand.
- Senior management and other key staff will continue in their roles.

## SPECIFIC ASSUMPTIONS

### 1. Revenue

#### Care fees

Aged care bed pricing is based on detailed bottom up budgets of fee revenue for each facility for 2011 and 2012, based on levels in 2010 and the first half of 2011.

Care bed occupancy rates have been estimated on a facility by facility basis, in line with historical occupancy trends, and are assumed to be between 90% and 99% across the Villages with an overall portfolio average of 95%. The table below summarises the average occupancy and daily rates for care fees:

	AVERAGE PORTFOLIO DAILY RATE	BED OCCUPANCY MIX
Hospital beds	\$198	54.0%
Rest home beds	\$114	41.0%
<b>Total</b>		<b>95.0%</b>

#### Village service fees

Village service fees are based on detailed bottom up budgets of fee revenue for each Village for 2011 and 2012, based on levels in 2010 and the first half of 2011.

#### Deferred Management Fees

DMF have been estimated based on spreading the assumed average fees realised at exit (based on assumed percentage DMF realised and actual and forecast entry prices of existing residents) over the estimated Mature Village average tenure period, based on historical trends. The assumed deferred management fees realised at exit and average tenure are as follows:

	CONTRACTUAL DMF RATE	CONTRACTUAL PERIOD	AVERAGE DMF REALISED AT EXIT	MATURE VILLAGE AVERAGE TENURE
Villas	25%	5 years	22%	8 years
Apartments	25%	5 years	20%	6-7 years
Care Apartments	20%	2 years	17.5%	5 years

## 2. Operating Expenses

Operating expenses can be analysed as follows:

CURRENCY: NZ\$000	2011	2012
Employee costs	16,637	17,871
Other	11,470	13,139
<b>Total operating expenses</b>	<b>28,107</b>	<b>31,010</b>

Operating expenses in the table above represent Village, care and corporate overhead expenses.

Village and care expenses in 2011 and 2012 have been forecast based on Village by Village budgets prepared by management, taking into account actual costs for 2010 and the six months to 30 June 2011, forecast growth in Retirement Unit numbers and new Village developments.

Corporate overhead costs consist of operating and administration costs not included in village and care expenses and for 2011 are based on detailed budgets prepared by management taking into account actual costs for the six months to 30 June 2011. 2012 corporate overhead costs have been forecast based on 2011 levels and an inflationary uplift.

Corporate overhead costs have been adjusted to include costs associated with being publicly listed.

## 3. Depreciation and Amortisation

Depreciation and amortisation rates are calculated consistent with the accounting policies as stated on page 81 and with the capital expenditure forecast. No revaluation gains or losses have been assumed in relation to property, plant and equipment.

## 4. Finance facilities and interest costs

It is assumed that there will be no material change in conditions relating to the availability of funding or banking arrangements. Assumed facilities and interest rates are based on bank agreements currently being finalised, which have an agreed term ending January 2015.

The assumed new share capital raised under the primary offer, net of associated offer costs, totalling \$48.2 million, is assumed to be applied against existing bank debt.

The interest rate charged on bank borrowings line fees on the undrawn portion of the revolving core facility and the development facility during the prospective period are forecast based on current interest rate swaps in place and margins from current banking arrangements. It has been assumed that the fair value of interest rate swaps in the prospective period is nil.

Interest is assumed to be capitalised as part of construction costs to the extent that it is estimated to relate to borrowings funding ongoing construction.

## 5. Taxation

Taxation is assumed at 28% for the purposes of calculating the income tax expense, the deferred tax liability and future income tax benefit. Brought forward tax losses are assumed to be forfeited at Listing due to the change in shareholdings. A future income tax benefit has been recognised in relation to tax losses generated post Listing, and offset against the deferred tax liability.

## 6. Dividends

It is assumed that no dividends are paid for the year ending 31 December 2011 and dividends totalling \$4.3 million are paid for the year ending 31 December 2012. It is assumed that 50% of these dividends will be reinvested via a dividend reinvestment plan, which may be underwritten. Reinvested dividends are shown as an increase in issued share capital.

## 7. Fair value adjustments to Investment Properties

Fair value adjustments in the prospective financial period are assumed to be \$6.6 million in 2011 and \$14.1 million in 2012. The 2011 adjustment is based on the actual fair value movement as presented in the interim financial statements for the six months ended 30 June 2011 and management's estimate of the adjustment for the remainder of 2011.

The estimated adjustments for the six months ending 31 December 2011 and the year ending 31 December 2012 use valuation data provided by CBRE at 30 June 2011 which considers the aggregate estimated cash flows expected from the property and a yield specific to the risks inherent in the cash flows. This valuation has been updated by Summerset management to reflect the estimated impact of assumed new Retirement Unit development and settlement as outlined in (8) below, and based on the same property price growth and discount rate assumptions applied by CBRE in the valuation undertaken at 30 June 2011. No increase in Retirement Unit prices over the forecast period has been assumed.

Summerset changed valuers (to CBRE) for the purposes of the valuation of its investment property as at 30 June 2011. Darroch New Zealand Limited and CBRE adopted different valuation approaches in their respective December 2010 and June 2011 valuations, with the former using a village level cash flow analysis and the latter a resident by resident cash flow analysis. The key assumptions on which the December 2010 valuation was based are set out in Note 4(a) of the audited financial statements for the 12 months ending 31 December 2010. The key assumptions on which the June 2011 valuation was based are set out in Note 3 of the audited interim financial statements for the 6 months ending 30 June 2011.

## 8. Residents' loans received and repaid

The table below shows the split of receipts from, and repayments of, residents' loans between new sales and resales.

CURRENCY: NZ\$000	YEAR ENDING 31 DECEMBER 2011	YEAR ENDING 31 DECEMBER 2012
Cash inflow from sale of new units	34,883	47,313
Net cash flow from resales	9,400	10,300
<b>Total residents' loan cash flows</b>	<b>44,283</b>	<b>57,613</b>
<i>Reported as:</i>		
Receipts for residents' loans	66,122	81,523
Repayment of residents' loans	(21,839)	(23,910)
<b>Total residents' loan cash flows</b>	<b>44,283</b>	<b>57,613</b>



### Residents' loans received in relation to new Retirement Unit sales

The number of new Retirement Unit sales in each year has been forecast by management on a Village by Village basis, based on the existing stock of new Retirement Units for sale and estimated new Retirement Unit construction and delivery timing for new developments, and taking into account time to sell based on historical experience, local market conditions and resale Retirement Units available in each location. The resulting new Retirement Unit sales forecasts are as follows:

NUMBER OF UNITS	YEAR ENDING 31 DECEMBER 2011	YEAR ENDING 31 DECEMBER 2012
Villas	46	97
Apartments	44	25
Care Apartments	12	12
<b>Total new sale units</b>	<b>102</b>	<b>134</b>

New Retirement Unit selling prices for the forecast period are based on the average of management's current list prices by location and Retirement Unit type, taking into account recent sales prices by location, with nil nominal growth in prices assumed in 2011 and 2012.

### Residents' loans received and repaid in relation to resales

The number of Retirement Unit resales settled per year have been based on actual opening stock of vacant Retirement Units for resale and exits based on management estimates of resale rates by Village and by Retirement Unit type. Resales are assumed to be as follows:

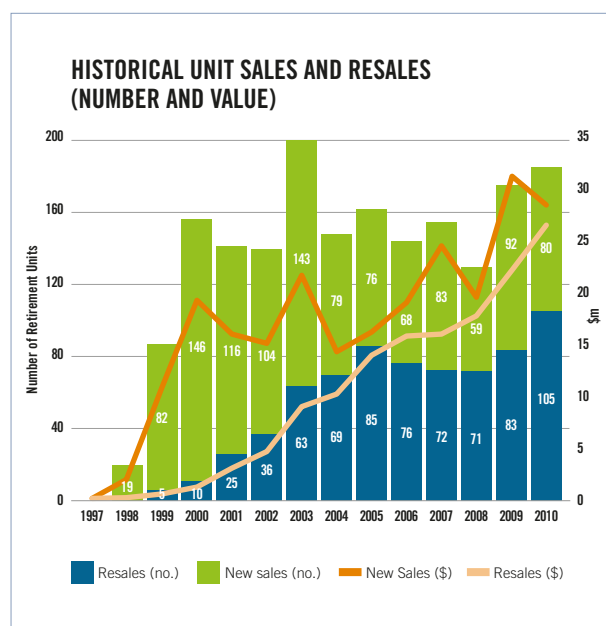
NUMBER OF UNITS	YEAR ENDING 31 DECEMBER 2011	YEAR ENDING 31 DECEMBER 2012
Villas	71	73
Apartments	19	23
Care Apartments	26	28
<b>Total resale units</b>	<b>116</b>	<b>124</b>

Resale Retirement Unit selling prices for the forecast period are based on management's current list prices by location and Retirement Unit type, taking into account recent sales prices by location, with nil nominal growth in prices assumed in 2011 and 2012.

The amount of residents' loans repayable has been forecast based on:

- the number of resales outlined above;
- forecast entry prices of the prior occupant for resale Retirement Units, based on actual average entry prices by Village and Retirement Unit type for current residents, updated for sales forecast to occur in the prospective period; and
- expected average DMF realised at exit (by Village and Retirement Unit type) estimated by management based on historical tenure trends.

For illustrative purposes the historical Retirement Unit sales and resales are shown in the below graph. The chart illustrates the timing differences between delivery and sell down. For example, the lesser number of sales in FY 2008 is representative of a lower delivery in FY 2007.



## 9. Capital Expenditure

Capital expenditure in relation to investment properties (excluding capitalised interest) is assumed to be incurred as follows:

CURRENCY: NZ\$000	YEAR ENDING 31 DECEMBER 2011	YEAR ENDING 31 DECEMBER 2012
Development capital expenditure	46,193	50,645
Purchase of land	7,265	12,000
Sale of land	(1,005)	-
Other Village capital expenditure	1,138	1,763
<b>Total investment property capital expenditure</b>	<b>53,591</b>	<b>64,408</b>

Development capital expenditure has been estimated based on feasibility studies undertaken by Summerset's internal development team, based on current estimated building costs.

Land purchases have been forecast at \$7.3 million in 2011 in relation to land acquired at Nelson and \$12.0 million in 2012 for as yet unidentified land. The purchase of land at Nelson also includes 12 existing Retirement Units.

Additional expenditure in relation to Retirement Unit refurbishment and general Village capital expenditure has been forecast based on detailed Village by Village budgets for 2011 and has been calculated on a per Retirement Unit basis for 2012 based on historical experience.

## 10. Working Capital

Working capital levels are assumed based on current terms for assets and liabilities.

## 11. Offer costs

Offer costs of approximately \$1.8 million relating to the primary raising are assumed to be met by Summerset from sales proceeds and netted from these proceeds within issued share capital. Offer costs relating to the sale of Shares by the Selling Shareholders are assumed to be met by the Selling Shareholders.

## 12. Employee Share Plan

Summerset has established an employee share plan under which certain executive employees are entitled to loans to acquire shares at a fixed price over a specified period, subject to certain performance criteria being met. The impact of the employee share plan in 2011 and 2012 has not been included as the Directors consider the potential impact to be immaterial. Details of the employee share plan are provided on page 55.

## 13. Underlying profit

Underlying profit represents the Directors' adjustment to net profit after tax to remove certain unrealised profit items. Reported net profit has been adjusted to replace the fair value adjustment with the Directors' estimate of realised elements of movements in investment property value, being:

- the realised gain on resales, calculated as the net cash flow on resale of Retirement Units (i.e. the gain from the increase in resale price over the entry price of the prior resident); and
- the estimated development margin on the sale of new Retirement Units, being the difference between the sale price of the licence and the development cost associated with the Retirement Unit.

The realised gain on resales is based on the assumptions as set out in Note (8) above.

The development margin on new sales has been estimated for new Retirement Units settled (as per the assumptions in Note (8) above), estimated selling prices for these Retirement Units and the actual costs to date and forecast costs to complete, sourced from quantity surveying data for the relevant development stage and Village, and spread pro rata across the number of Retirement Units being developed in that development stage.

Underlying profit also includes an adjustment to remove the deferred tax charge or credit for the period, such that only the element of the income tax expense or credit relating to the current tax charge or the future income tax benefit of tax losses is included within underlying profit.

### Sensitivity of significant assumptions

The prospective financial information is inherently subject to significant business, economic and competitive uncertainties and contingencies and accordingly actual results are likely to vary from the prospective financial information and variations may be material.

The sensitivity analysis provided in the following table demonstrates the potential impact of changes to key assumptions on the prospective EBITDA, and the prospective net cash flows. Care should be taken in interpreting this sensitivity analysis as changes in a specific assumption are analysed in isolation to potential changes in other specific assumptions, whereas in many cases changes to several assumptions may be interdependent having cumulative

or mitigating impacts. The sensitivity analysis does not take into account any potential mitigating actions that management may take. Proportional variation of the changes in specific assumptions presented may not result in proportional impacts on prospective EBITDA or prospective net cash flows.

The sensitivity analysis shows movements in the prospective EBITDA and prospective net cash flow before financing for the year ending 31 December 2012 when each assumption is increased or decreased as noted.

YEAR ENDING 31 DECEMBER 2012				
CURRENCY: NZ\$000	EBITDA IMPACT		NET CASH FLOW BEFORE FINANCING IMPACT	
	-5%	+5%	-5%	+5%
Resale rate (exits as a proportion of occupied units)	211	(219)	(1,674)	1,675
Average resale prices	-	-	(1,704)	1,704
Average prior resident entry prices for resales	-	-	1,390	(1,390)
DMF percentage realised at exit	-	-	(199)	199
New development capital expenditure	-	-	2,471	(2,471)
Number/Value of new units sold	(466)	466	(2,365)	2,365
Care revenue per bed	(868)	868	(679)	679
Care Bed occupancy levels	(858)	858	(672)	672
Staff costs	770	(770)	650	(650)
Weekly residents' levies	(310)	310	(244)	244

Note 1: Base EBITDA for the year ending 31 December 2012 is \$18.5 million.

Note 2: Net cash flow before financing represents the sum of net cash flow received from/(used in) operating activities and net cash flow received from/(used in) investing activities, as per the prospective statement of cash flows.

Resale rates have a greater impact on cash flow than EBITDA due to their effect on the number of resales and hence net resale cash flows. The EBITDA impact reflects only the effect of reduced occupancy for the period between exit and resale.

Similarly a change in new Retirement Unit sales has an EBITDA impact due to the effect on the number of occupied Retirement Units and hence Village fees and associated costs. The impact on cash flow before financing is more significant and reflects the proceeds from sale of licences on these new Retirement Units. These proceeds are used directly to pay down development debt drawn in relation to the development of the Retirement Units, and therefore the impact at a net cash flow level is nil.

A 5% change in assumed average resale prices would have a \$1.7 million impact on 2012 cash flow before financing. Whilst list prices for individual Retirement Units are fixed, the mix of specific Retirement Units sold could have a significant impact on average resale prices achieved due to the variability of list prices around the average.

Cash flow before financing is sensitive to a change in new development capital expenditure, however this is directly offset at a net cash flow level by development debt drawn down. At 31 December 2012 Summerset is forecast to have \$51.9 million of available undrawn development funding.

# PRO FORMA FINANCIAL INFORMATION

## Introduction and Basis of Preparation

This section contains summary unaudited pro forma financial information for Summerset which includes:

- Pro forma consolidated historical Income Statements for the years ended 31 December 2006, 2007, 2008, 2009 and 2010 and pro forma prospective Income Statements for the years ending 31 December 2011 and 31 December 2012; and
- Pro forma consolidated historical Statements of Cash Flow for the years ended 31 December 2006, 2007, 2008, 2009 and 2010 and pro forma prospective Statements of Cash Flow for the years ending 31 December 2011 and 31 December 2012.

The pro forma Income Statements have been presented before interest and income tax as the historical reported interest and tax charges are not readily comparable with the prospective financial information due to the different corporate and funding structure that will be in place after the Offer.

Similarly the pro forma Cash Flow Statements have been presented excluding interest received and capitalised interest paid within investing activities, and cash flows from financing activities, as historical interest and financing cash flows are not readily comparable with the prospective financial information due to the different corporate and funding structure that will be in place after the Offer.

The pro forma financial information has been presented as if Summerset had been a public company and the Summerset Group existed in its current form since 1 January 2006.

Summerset believes that this pro forma financial information provides investors with more meaningful information for the historical and prospective periods and will better enable investors to assess the prospective financial information for the Summerset Group for the years ending 31 December 2011 and 31 December 2012.

The pro forma financial information presented in this section is derived from the audited historical financial information on pages 75 to 101 and the prospective financial information on pages 64 to 71 and the pro forma adjustments detailed below.

The pro forma financial information presented in this section should be read in conjunction with the notes and discussion accompanying the financial information in this section and with the actual historical financial information for the Summerset Group set out on pages 79 to 101 and the actual prospective financial information on pages 68 to 71 of this Offer Document.

## Pro forma adjustments

### Structural adjustments

1. Summerset Holdings Limited (SHL) was acquired by Summerset (formerly AMP Capital Retirement Properties) in February 2006, therefore the financial statements of Summerset only include the results of SHL for the remainder of FY06. The FY06 pro forma financial information is adjusted to include SHL financial information for the 12 month period, rather than the 10 month actual ownership period. The acquisition of investment in subsidiary cash outflow of \$125.8 million has been removed from cash flow.
2. FY06 results have been adjusted to exclude a goodwill write-off relating to Summerset's acquisition of SHL in February 2006.

3. Two high dependency units at Waikanae and Levin were sold in June 2007 as management decided these facilities were no longer part of the Summerset Group's core business offerings. In particular, care fees (FY06: \$2.7 million and FY07: \$1.2 million), related operating expenses (FY06: \$2.8 million and FY07: \$1.2 million) and the related gain on disposal (FY07: \$0.1 million) have been excluded. The disposal proceeds of \$1.6 million have been removed from cash flow.

### One-off items

4. An accounting asset impairment charge (\$1.4 million) relating to the hospital at Summerset's Napier Village in FY07 has been removed from the pro forma summary historical financial information. This charge related to a downwards revaluation to this asset as part of the three yearly valuation of property, plant and equipment – as this had not been subject to previous revaluations, NZ IFRS required that the impairment be recognised in the Income Statement, whilst revaluation uplifts on other properties were recognised directly to reserves.
5. The contractual DMF structure applying to some residents was renegotiated in FY10, resulting in a one-off uplift in DMF revenue recognised of \$3.9 million. This has been removed from FY10 revenue, and hence EBIT.
6. An adjustment has been made to remove \$6.6 million of capital work in progress impairments charged to the Income Statement in FY09 in relation to two development projects undertaken under the previous development management arrangements. Management subsequently internalised the development team during FY10 enabling closer internal monitoring of development costs.
7. A foreign exchange loss arising from translation of an AUD denominated AMP loan amounted to \$5.2 million (FY08) and \$3.6 million (FY09). Summerset's capital structure no longer includes foreign denominated loan funding and therefore such losses would not have arisen under the existing capital structure. The foreign exchange losses have therefore been removed from FY08 and FY09 results.
8. A one-off impairment of land and buildings assets due to revaluation (based on a valuation prepared by Darroch New Zealand Limited) in FY09 amounting to \$2.4 million has been excluded from pro forma results, similarly to adjustment (4) above. The impairment related to the care facilities at Napier, Wanganui and Manukau.

### New cost structure as listed entity

9. An adjustment has been made in each historical financial year to include \$580,000 of public company compliance costs. These costs include Directors' fees which reflect the composition and costs of the proposed Board after the Offer.

### AMPCI fees

As part of the prior ownership structure, AMPCI provided development and management services which were recharged to Summerset. These services are now provided by in-house teams and the cost structure is therefore not comparable. The historical results have been adjusted to reflect the current cost structure.

10. Removal of AMP directors' fees (these have been replaced by the estimated costs of the proposed Board as part of item (9) above).



11. AMPCI provided retirement village specific development management services to Summerset under a Development Management Services Agreement dated 2008. Fees were equal to 3% of the overall capital value of a project. The services were provided in full for approximately one financial year (FY08) and then terminated due to the change of ownership that arose when funds controlled by Quadrant acquired a 49% stake in April 2009. These development management services are now provided in-house. The AMPCI fees have been removed from historical results and replaced with an estimated in-house cost throughout the historical period. This in-house cost is based on:
- The current team cost structure.
  - Management's view that this resource and cost structure could have delivered the historical period new Retirement Unit profile.
12. AMPCI provided administrative and management services to Summerset under a Management Services Agreement. This included AMPCI employing many of the SHL executives, including the CEO, CFO, General Manager, Property and General Manager, Marketing and Sales. Following the acquisition of Summerset by the Quadrant Shareholders, this Services Agreement was terminated and the staff re-employed by SHL. The historical expenses for FY08 to FY09 have been adjusted to replace management fees with the management salaries and other costs required to provide equivalent services.

## PRO FORMA SUMMARY INCOME STATEMENTS

YEAR ENDED/ENDING 31 DECEMBER CURRENCY: NZ\$000	PRO FORMA HISTORICAL					PRO FORMA FORECAST	
	2006	2007	2008	2009	2010	2011	2012
Care & village service fees	14,005	15,594	17,029	17,785	22,143	23,659	25,563
Deferred management fees	3,841	4,659	5,506	6,481	7,807	8,798	9,763
Other revenue	-	358	276	268	208	-	-
<b>Total revenue</b>	<b>17,846</b>	<b>20,611</b>	<b>22,811</b>	<b>24,534</b>	<b>30,158</b>	<b>32,457</b>	<b>35,326</b>
Fair value movement of investment property	28,161	33,257	32,741	22,563	1,628	6,605	14,144
<b>Total income</b>	<b>46,007</b>	<b>53,868</b>	<b>55,552</b>	<b>47,097</b>	<b>31,786</b>	<b>39,062</b>	<b>49,470</b>
Operating expenses	(17,305)	(22,221)	(22,578)	(25,511)	(27,686)	(28,435)	(31,010)
Depreciation and amortisation expense	(955)	(1,066)	(1,004)	(1,030)	(1,178)	(1,015)	(1,166)
Total expenses	(18,260)	(23,287)	(23,582)	(26,541)	(28,864)	(29,450)	(32,176)
<b>Operating profit before financing costs</b>	<b>27,747</b>	<b>30,581</b>	<b>31,970</b>	<b>20,556</b>	<b>2,922</b>	<b>9,612</b>	<b>17,294</b>

**Note:** The pro forma Income Statements have been presented before interest and income tax as the historical reported interest and tax charges are not readily comparable with the prospective financial information due to the different corporate and funding structure that will be in place after the Offer.

The growth in revenue and costs is largely driven by increased Retirement Unit numbers. The growth in care revenue in 2010 reflects the impact of the introduction of a new care facility in Manukau, including 52 new Care Beds.

## PRO FORMA SUMMARY CASH FLOW STATEMENTS

YEAR ENDED/ENDING 31 DECEMBER CURRENCY: NZ\$000	PRO FORMA HISTORICAL					PRO FORMA FORECAST	
	2006	2007	2008	2009	2010	2011	2012
Receipts from residents with respect to levies, care fees and other income	15,506	14,158	19,286	18,419	23,371	23,361	25,143
Payments to suppliers and employees	(21,158)	(20,705)	(25,494)	(26,819)	(26,873)	(29,712)	(30,826)
Receipts for residents' loans	26,881	40,424	30,586	53,702	53,695	66,122	81,523
Repayment of residents' loans	(2,914)	(9,498)	(7,499)	(13,321)	(16,941)	(21,839)	(23,910)
<b>Net cash flow received from/(used in) operating activities</b>	<b>18,315</b>	<b>24,379</b>	<b>16,879</b>	<b>31,981</b>	<b>33,252</b>	<b>37,932</b>	<b>51,930</b>
Acquisition of investment property	(26,754)	(30,027)	(56,686)	(38,330)	(26,537)	(53,591)	(64,408)
Acquisition of property, plant and equipment	(748)	(451)	(357)	(397)	(931)	(3,334)	(3,984)
Acquisition of intangibles	(49)	(117)	(73)	(40)	(335)	-	-
<b>Net cash flow received from/(used in) investing activities</b>	<b>(27,551)</b>	<b>(30,595)</b>	<b>(57,116)</b>	<b>(38,767)</b>	<b>(27,803)</b>	<b>(56,925)</b>	<b>(68,392)</b>
<b>Net cash flow before financing activities</b>	<b>(9,236)</b>	<b>(6,216)</b>	<b>(40,237)</b>	<b>(6,786)</b>	<b>5,449</b>	<b>(18,993)</b>	<b>(16,462)</b>

**Note:** The pro forma Cash Flow Statements have been presented excluding interest received and capitalised interest paid within investing activities, and cash flows from financing activities, as historical interest and financing cash flows are not readily comparable with the prospective financial information due to the different corporate and funding structure that will be in place after the Offer.

The differences in the profile of the receipts from residents shown in the cash flow table above relative to the equivalent income statement line item relate to fluctuations in debtor levels over the period.

Receipts from and repayment of resident loans can be analysed between new sale and resale cash flows as follows:

YEAR ENDED/ENDING 31 DECEMBER CURRENCY: NZ\$000	PRO FORMA HISTORICAL					PRO FORMA FORECAST	
	2006	2007	2008	2009	2010	2011	2012
Cash inflow from sale of new units	19,147	23,385	17,149	31,827	28,044	34,883	47,313
Net cash flow from resales	4,820	7,541	5,938	8,554	8,710	9,400	10,300
<b>Total residents' loan cash flows</b>	<b>23,967</b>	<b>30,926</b>	<b>23,087</b>	<b>40,381</b>	<b>36,754</b>	<b>44,283</b>	<b>57,613</b>
<i>Reported as:</i>							
Receipts for residents' loans	26,881	40,424	30,586	53,702	53,695	66,122	81,523
Repayment of residents' loans	(2,914)	(9,498)	(7,499)	(13,321)	(16,941)	(21,839)	(23,910)
<b>Total residents' loan cash flows</b>	<b>23,967</b>	<b>30,926</b>	<b>23,087</b>	<b>40,381</b>	<b>36,754</b>	<b>44,283</b>	<b>57,613</b>
<i>Cash inflow from new units per unit</i>	<i>282</i>	<i>282</i>	<i>291</i>	<i>346</i>	<i>364</i>	<i>342</i>	<i>353</i>
<i>Net resale cash flow per unit</i>	<i>71</i>	<i>92</i>	<i>106</i>	<i>103</i>	<i>106</i>	<i>82</i>	<i>84</i>

Growth in operating cash flows reflects the increase in receipts from residents and expenses with increased Retirement Unit numbers, together with the impact of variations in the number and value of new Retirement Unit settlements and resales in each period, as shown in the table above.

Acquisition of investment property reflects the costs incurred in relation to Village developments and new land purchases.

# AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010  
(in Thousands of New Zealand dollars)

	NOTE	GROUP		COMPANY	
		2010	2009	2010	2009
Revenue from rendering services	5	34,096	24,534	-	-
Other revenue	5	109	95	-	-
<b>Total revenue</b>		<b>34,205</b>	<b>24,629</b>	-	-
Other income	6	1,658	22,563	-	-
Employee expenses		15,576	14,461	-	-
Depreciation and amortisation expense		1,178	1,030	-	-
Repairs and maintenance		599	608	-	-
Other operating expenses	7	11,053	24,213	184	3,597
<b>Total expenses</b>		<b>28,406</b>	<b>40,312</b>	<b>184</b>	<b>3,597</b>
<b>Operating profit/(loss) before financing costs</b>		<b>7,457</b>	<b>6,880</b>	<b>(184)</b>	<b>(3,597)</b>
Finance costs	8	3,410	6,758	-	3,160
<b>Profit/(loss) before tax</b>		<b>4,047</b>	<b>122</b>	<b>(184)</b>	<b>(6,757)</b>
Income tax expense/(credit)	9	5,947	(264)	-	-
<b>(Loss)/profit for the period</b>		<b>(1,900)</b>	<b>386</b>	<b>(184)</b>	<b>(6,757)</b>
<b>Other comprehensive income</b>					
Fair value gain/(loss) on land and buildings	13	-	919	-	-
Income tax on items of other comprehensive income	9	62	(276)	-	-
<b>Other comprehensive income for the period, net of tax</b>		<b>62</b>	<b>643</b>	-	-
<b>Total comprehensive income for the period</b>		<b>(1,838)</b>	<b>1,029</b>	<b>(184)</b>	<b>(6,757)</b>

The accompanying notes form part of these financial statements.



## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010  
(in Thousands of New Zealand dollars)

GROUP	NOTE	SHARE CAPITAL	REVALUATION RESERVE	MAINTENANCE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
At 1 January 2009 (Restated)*		50,271	2,669	795	(10,434)	43,301
Net profit/(loss) for the period		-	-	-	386	386
Other comprehensive income for the period		-	643	-	-	643
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>643</b>	<b>-</b>	<b>386</b>	<b>1,029</b>
Transfer to/(from) maintenance reserve		-	-	827	(827)	-
Shares issued	16	114,712	-	-	-	114,712
<b>At 31 December 2009 (Restated)*</b>		<b>164,983</b>	<b>3,312</b>	<b>1,622</b>	<b>(10,875)</b>	<b>159,042</b>
At 1 January 2010		164,983	3,312	1,622	(10,875)	159,042
Net (loss)/profit for the period		-	-	-	(1,900)	(1,900)
Other comprehensive income for the period		-	62	-	-	62
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>62</b>	<b>-</b>	<b>(1,900)</b>	<b>(1,838)</b>
Transfer from maintenance reserve		-	-	(450)	450	-
Interest on maintenance reserve		-	-	45	(45)	-
Shares issued		17,249	-	-	-	17,249
<b>At 31 December 2010</b>		<b>182,232</b>	<b>3,374</b>	<b>1,217</b>	<b>(12,370)</b>	<b>174,453</b>

COMPANY	NOTE	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
At 1 January 2009		50,271	(29,410)	20,861
Net (loss)/profit for the period		-	(6,757)	(6,757)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>(6,757)</b>	<b>(6,757)</b>
Shares issued	16	114,712	-	114,712
<b>At 31 December 2009</b>		<b>164,983</b>	<b>(36,167)</b>	<b>128,816</b>
At 1 January 2010		164,983	(36,167)	128,816
Net (loss)/profit for the period		-	(184)	(184)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>(184)</b>	<b>(184)</b>
Shares issued		17,249	-	17,249
<b>At 31 December 2010</b>		<b>182,232</b>	<b>(36,351)</b>	<b>145,881</b>

\* Summerset Group Holdings Limited has corrected a prior period error as outlined in Note 2(f) and a change in accounting policy that has been applied retrospectively as outlined in Note 2(e). These have caused the restatement of Retained Earnings.

The accompanying notes form part of these financial statements.

## BALANCE SHEET

as at 31 December 2010  
(in Thousands of New Zealand dollars)

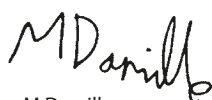
	NOTE	GROUP			COMPANY	
		2010	2009 RESTATED*	1 JANUARY 2009 RESTATED*	2010	2009
<b>ASSETS</b>						
Cash and cash equivalents	11	4,762	1,959	3,017	-	-
Trade and other receivables	12	5,083	6,239	5,115	20	-
Investment in subsidiary	28	-	-	-	126,570	126,571
Intercompany loan receivable	27	-	-	-	18,979	2,245
Loans to employees		230	-	-	230	-
Property, plant and equipment	13	31,061	31,233	82,556	-	-
Intangible assets	14	324	248	248	82	-
Investment property	15	495,766	460,841	361,894	-	-
<b>Total assets</b>		<b>537,226</b>	<b>500,520</b>	<b>452,830</b>	<b>145,881</b>	<b>128,816</b>
<b>EQUITY</b>						
Share capital	16	182,232	164,983	50,271	182,232	164,983
Reserves	16	4,591	4,934	3,464	-	-
Accumulated deficit	16	(12,370)	(10,875)	(10,434)	(36,351)	(36,167)
<b>Total equity</b>		<b>174,453</b>	<b>159,042</b>	<b>43,301</b>	<b>145,881</b>	<b>128,816</b>
<b>LIABILITIES</b>						
Trade and other payables	17	8,400	3,112	10,568	-	-
Employee benefits	18	1,032	854	775	-	-
Revenue received in advance		6,497	5,062	3,772	-	-
Unamortised deferred management fee liability	19	622	2,281	5,307	-	-
Interest-bearing loans and borrowings	21	100,213	115,372	211,110	-	-
Residents' loans	20	231,801	206,474	169,686	-	-
Deferred tax liability	22	14,208	8,323	8,311	-	-
<b>Total liabilities</b>		<b>362,773</b>	<b>341,478</b>	<b>409,529</b>	<b>-</b>	<b>-</b>
<b>Total equity and liabilities</b>		<b>537,226</b>	<b>500,520</b>	<b>452,830</b>	<b>145,881</b>	<b>128,816</b>

\* Summerset Group Holdings Limited has corrected a prior period error as outlined in Note 2(f) and a change in accounting policy that has been applied retrospectively as outlined in Note 2(e). These have caused the restatement of investment property, deferred tax liability and retained earnings. In accordance with NZIAS 1.39 a third consolidated statement of financial position has been presented.

For and on behalf of the Board, who authorised the issue of these financial statements on 27 April 2011.



N Barlow  
Director  
27 April 2011



M Darville  
Director  
27 April 2011

The accompanying notes form part of these financial statements.

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2010  
(in Thousands of New Zealand dollars)

	NOTE	GROUP		COMPANY	
		2010	2009	2010	2009
<b>Cash flows from operating activities</b>					
Receipts from residents with respect to levies, care fees and other income		23,371	18,419	-	-
Residents' loans		53,695	53,702	-	-
Repayment of residents' loans		(17,673)	(13,470)	-	-
Payments to suppliers and employees		(21,244)	(27,874)	-	-
Deferred management fee received/(refunded) on termination of licences		732	149	-	-
<b>Net cash flow received from/(used in) operating activities</b>	<b>23</b>	<b>38,881</b>	<b>30,926</b>	<b>-</b>	<b>-</b>
<b>Cash flows from investing activities</b>					
Interest received		109	95	-	-
Advance to subsidiary		-	-	(16,734)	(2,245)
Acquisition of investment property		(31,828)	(38,330)	-	-
Proceeds from sale of investment property		150	-	-	-
Acquisition of property, plant and equipment		(931)	(397)	-	-
Acquisition of intangibles		(335)	(40)	(266)	-
Capitalised interest		(1,619)	(1,950)	-	-
<b>Net cash flow (used in)/received from investing activities</b>		<b>(34,454)</b>	<b>(40,622)</b>	<b>(17,000)</b>	<b>(2,245)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		15,723	45,253	-	-
Repayment of borrowings		(30,937)	(35,537)	-	-
Share issue		17,000	2,700	17,000	2,700
Advances from subsidiary		-	-	-	(464)
Repayment of finance lease liabilities		-	(149)	-	-
Interest paid		(3,410)	(3,629)	-	-
<b>Net cash flow (used in)/received from financing activities</b>		<b>(1,624)</b>	<b>8,638</b>	<b>17,000</b>	<b>2,236</b>
Net increase/(decrease) in cash and cash equivalents		2,803	(1,058)	-	(9)
Cash and cash equivalents at beginning of period		1,959	3,017	-	9
<b>Cash and cash equivalents at end of period</b>	<b>11</b>	<b>4,762</b>	<b>1,959</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010  
(in Thousands of New Zealand dollars)

## 1. Reporting entity

Summerset Group Holdings Limited (the "Company") is a company incorporated and domiciled in New Zealand and is registered under the Companies Act 1993.

Financial statements for the Company (separate financial statements) and consolidated financial statements are presented.

The consolidated financial statements of Summerset Group Holdings Limited as at and for the year ended 31 December 2010 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group").

The Company is a profit-oriented entity and develops, owns and operates integrated retirement villages, rest homes and hospitals for the elderly within New Zealand. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and these financial statements comply with that Act.

## 2. Basis of preparation

### (a) Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Investment Property is measured at fair value.
- Land and Buildings are measured at fair value.

The methods used to measure the fair value of the non-financial assets and liabilities are discussed further in Note 4.

### (c) Functional and presentation currency

The financial statements are presented in New Zealand dollars (\$), which is the Group's functional currency.

All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Actual results may differ from these estimates.

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

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

- Note 15 – Valuation of Investment Property
- Note 13 – Valuation of Land and Buildings
- Note 20 – Valuation of Residents' Loans
- Note 3(g) – Revenue in Advance
- Note 3(f) – Deferred Management Fee
- Note 3(d) – Leases

Refer to Note 4 where these estimates and/or judgements with respect to valuations are discussed.

### (e) New accounting standards and interpretations

#### (i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follow:

The Group has elected to early adopt the following new and amended NZ IFRS:

#### Amendments to NZ IAS 12 Income Taxes (NZ IAS 12) – Deferred Tax: Recovery of Underlying Assets effective 1 January 2012

The amendments update NZ IAS 12 to include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in NZ IAS 40 *Investment Property* (NZ IAS 40) should be determined on the basis that its carrying amount will be recovered through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale; and
- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in NZ IAS 16 *Property, Plant & Equipment* (NZ IAS 16), should always be measured on a sale basis.

The amendments incorporate NZ SIC-21: *Income Taxes – Recovery of Revalued Non-Depreciable Assets* into NZ IAS 12 for non-depreciable assets measured using the revaluation model in NZ IAS 16.

The amendments have been made retrospectively in accordance with transitional provisions.

The deferred tax liabilities recognised on investment property have been recalculated under the assumption that investment properties are held for sale. The impact of the amendments has been summarised below:

LINE ITEMS IMPACTED BY AMENDMENTS (GROUP)	31 DECEMBER 2010	31 DECEMBER 2009	1 JANUARY 2009
Decrease in Deferred Tax Liability	27,475	8,578	6,167
Increase in Retained Earnings	-	8,578	6,167
		2010	2009
Income Tax Expense/(Benefit) for the year ended 31 December		33,422	2,147
Adjustment		(27,475)	(2,411)
Restated Income Tax Expense/(Benefit) for the year ended 31 December		5,947	(264)

As a result of the early adoption there has been no impact on the parent entity.

**(f) Prior period error**

During the preparation of the 2010 financial statements it has been identified that capital work in progress in relation to two development projects had been overstated in prior periods. The impact of this correction is summarised in the table below:

LINE ITEMS IMPACTED BY THE AMENDMENTS (GROUP)	31 DECEMBER 2009	1 JANUARY 2009
Decrease in opening equity	5,100	5,100
Impairment of work in progress expense	6,645	-
Decrease in investment property	11,745	5,100

There has been no impact on the parent entity as a result of the correction made.

### 3. Statement of Accounting Policies

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

**(a) Basis of consolidation**

*(i) Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period and use the same accounting policies.

*(ii) Transactions eliminated on consolidation*

Intra-Group balances, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

**(b) Investment Property**

Investment properties which are held to earn rental income and for capital appreciation comprise land and buildings intended to be held for the long term, relating to Retirement Units, Care Apartments and common facilities in the Village. Initial recognition of investment property is at cost and subsequently is measured at fair value with any change therein recognised in profit or loss.

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

Rental income from investment property, being the deferred management fee, is accounted for as described in accounting policy (l).

Depreciation is not charged on investment property.

### **(c) Property, plant and equipment**

#### *(i) Recognition and measurement*

Plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation since the assets were last revalued.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, and any other costs directly attributable to bringing the asset to its working condition for its intended use.

Where an item of plant and equipment is disposed of, the gain or loss recognised in comprehensive income is calculated as the difference between the net sales price and the carrying amount of the asset.

#### Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

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 as other comprehensive income unless it reverses a revaluation decrease of the same asset previously recognised in the profit or loss.

Any revaluation deficit (impairment) is recognised in the profit or loss unless it directly offsets a previous surplus in the same asset in the asset revaluation reserve.

In addition, any accumulated depreciation as 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.

#### *(ii) Capitalisation of borrowing costs*

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.

Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use.

#### *(iii) Depreciation*

Depreciation is charged to the profit and loss on a diminishing value basis over the estimated useful lives of each item of property, plant and equipment, with the exception of land, which is not depreciated and buildings which are depreciated on a straight line basis.

Major depreciation rates are as follows:



Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### **(d) Leased assets (lessee)**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet. Lease payments for operating leases are expensed on a straight line basis over the life of the lease.

### **(e) Intangible assets**

#### *(i) Recognition and measurement*

Intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

#### *(ii) Amortisation*

Amortisation is recognised in the profit or loss on a diminishing value basis over the estimated useful lives of intangible assets from the date that they are available for use, with the exception of licences, which are depreciated on a straight line basis.

Major amortisation rates are as follows:



### **(f) Financial Instruments**

#### *(i) Financial risk management objectives and policies*

The Group's principal financial instruments comprise loans and borrowings, resident loans, unamortised deferred management fee liability and cash and short term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks as summarised in Note 24.

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



#### *(ii) Non-derivative financial instruments*

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

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

##### Investment in subsidiary

The Investment in subsidiary is stated at cost less any impairment.

##### Trade and other receivables

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

##### Cash and cash equivalents

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

##### Intercompany loans

Intercompany loans are recorded at amortised cost. They are interest free and repayable on demand.

##### Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the comprehensive income over the period of the borrowings on an effective interest rate basis.

##### Residents' loans

Residents' loans are non interest bearing and are payable when both a terminating event has occurred (i.e. receipt by the manager of an acknowledgement of termination signed by the resident or the resident's attorney or the personal representatives of a deceased resident), and there has been a subsequent resale of the licence, and the settlement proceeds from the resale have been received by the Group.

In the majority of cases this occurs after more than 12 months – experience has shown that residents generally reside in the Village for between 3 – 10 years. The 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 against the resident's loan to be repaid.

The residents' loans in the balance sheet are therefore recognised net of the DMF receivable balance.

##### Unamortised deferred management fee liability

The DMF is payable by residents in consideration for the supply of accommodation and the right to share in the use of the community facilities.

The contractual period is dependent upon the licence to occupy which a resident has acquired. For licences issued prior to September 2006, the Group is contractually entitled to the DMF over a period of five/six years. If a resident terminates the occupation licence prior to five/six years, the Group is obliged to repay that portion of the DMF to which they are not entitled. After a period of five/six years, the Group becomes entitled to the full DMF.

The unamortised portion of the deferred management fee liability is non interest-bearing and is repayable if a terminating event has occurred (i.e. receipt by the manager of an acknowledgement of termination signed by the resident or the resident's attorney or the personal representatives of a deceased resident) prior to the end of the contractual period, and there has been a subsequent resale of the licence, and the settlement proceeds from the resale have been received by the Group. In the majority of cases this occurs after more than 12 months and experience has shown that residents generally reside in the Village for between 3 – 10 years.

Please refer to (l) with respect to the recognition of the DMF as revenue.

##### Deferred management fee receivable

For licences issued from September 2006, each new resident pays the DMF in arrears. The DMF is calculated:

- (a) in the case of Villas and Apartments, at the rate of 5% per year or part thereof of the licence payment paid by the resident. However, the DMF will not be calculated for a period exceeding 5 years and will not exceed an amount of 25% of the licence payment;
- (b) in the case of Care Apartments, at the rate of 10%/5% per year, or part thereof, of the licence payment paid by the resident. However, the DMF will not be calculated for a period exceeding 3/5 years and will not exceed an amount of 30%/25% of the licence payment.

The Group is contractually entitled to the DMF over a period of 3/5 years. If a resident terminates the occupation licence prior to 3/5 years, the Group is only entitled to that portion of the DMF which has accrued over the contractual period of tenure. After a period of 3/5 years, the Group becomes entitled to the full DMF.

The Group holds a contractual right to set-off the DMF receivable on termination against the resident's loan to be repaid. The residents' loans in the balance sheet are therefore recognised net of the DMF receivable balance.

Please refer to (l) with respect to the recognition of the DMF as revenue.

##### Trade and other payables

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

#### *(iii) Share Capital*

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

#### **(g) Revenue in advance**

Revenue in advance is those amounts by which the amortisation of the deferred management fee over the contractual period exceeds the amortisation of the deferred management fee based on estimated tenure. The Group recognises revenue in advance on the earlier of termination of a licence or the unwind of the revenue through tenure. If the average period of tenure changes significantly, this could require the Group to recognise revenue over a shorter period which would reduce revenue in advance (if the tenure reduced significantly), or over a longer period which would result in an increase in revenue in advance (if the tenure increased significantly).

#### **(h) Impairment**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

##### *(i) Trade receivables*

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

##### *(ii) Non-financial assets*

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

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Refer to note 2(c) for revalued non-financial asset impairment.

#### **(i) Maintenance reserve**

For residents under a licence to occupy, which was issued prior to September 2006, the maintenance reserve is credited quarterly with an amount from retained earnings based on a contribution of approximately 15% of the weekly fee paid by each resident.

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

#### **(j) Occupation Right Agreements**

An ORA confers a right of occupancy to a Villa, Apartment or Care Apartment. For licences issued prior to September 2006, consideration received on the grant of an ORA is split between the resident loan and deferred management fee according to the relevant ORA. The amount of the consideration allocated to the resident loan is 75%, 80% or 82% (depending on the terms of the ORA) and the remainder is allocated to the deferred management fee. From September 2006 the consideration received is allocated to the licence payment in full.

Refer to accounting policy (f)(ii) with respect to residents' loans and deferred management fee liability.

#### **(k) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **(l) Revenue**

##### *(i) Services*

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

##### Deferred management fee

The deferred management fee, which entitles residents to accommodation and the use of the community facilities within the village, is recognised over the period of service, being the greater of the expected period of tenure or the contractual right to revenue.

The expected periods of tenure, being based on historical industry averages are assumed to be as follows:

- 5.5 – 10 years for Villas
- 3 – 6 years for Apartments
- 3 – 4 years for Care Apartments

If the average expected period of tenure increases/decreases significantly, this would result in revenue being recognised over a longer/shorter period of time.

##### Residents' levies

Residents' levies are recognised on a monthly basis, being the period over which the service is rendered.

##### *(ii) Interest received*

Interest income is recognised in the profit or loss as it accrues, using the effective interest method.

#### **(m) Expenses**

##### *Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### *Interest expense*

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

#### **(n) Income tax**

Income tax on the statement of comprehensive income for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

##### *Current tax*

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

#### *Deferred tax*

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

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

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

#### **(o) GST**

All amounts are shown exclusive of goods and services tax (GST), other than trade debtors, trade creditors and the deferred management fee receivable, except where the amount of GST incurred is not recoverable from Inland Revenue. When this occurs the GST is recognised as part of the cost of the asset/expense.

Effective 1 October 2010, the GST rate has increased from 12.5% to 15%. This change has been fully implemented by the Group.

#### **(p) Operating lease commitments – Group as lessor**

The occupation licences are essentially leases under NZ IAS 17. The leases are cancellable by nature, as the resident can choose to terminate the licence by notice or the licence terminates on death. When a new occupation licence has been issued with respect to the vacated dwelling, or the manager has presented the outgoing resident with a notice to the effect that the manager does not wish to issue a new occupation licence at that time with respect to the vacated dwelling, the outgoing resident receives a refund of the resident loan and any balance owing in respect of the unamortised deferred management fee liability.

#### **(q) New standards and interpretations not yet adopted**

NZ IFRS Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual report period ending 31 December 2010, are outlined below:

##### *NZ IFRS 9: Financial Instruments (effective from 1 January 2013)*

This standard will replace NZ IAS 39 – Financial Instruments: Recognition and Measurement. This new standard will specify how an entity should classify and measure financial assets including some hybrid contracts. Whilst there may be some disclosure changes, the impact of this standard at present is not considered to be significant. Requirements for financial liabilities were added to IFRS in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

##### *NZ IAS 24: Related Party Disclosures (effective from 1 January 2011)*

This standard supersedes NZ IAS 24 (issued in 2004). This revised NZ IAS 24 amends the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The impact of this revised standard is not considered to be significant.

#### *Improvements to NZ Equivalents to IFRS (2010) (effective from 1 January 2011)*

In 2010 various amendments to NZ IFRS were issued as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the amendments will result in changes in accounting policies but are not expected to have any impact on the financial position or performance of the Group.

#### **4. Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the methods as described below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### **(a) Investment property**

Darroch New Zealand Limited, an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property on an annual basis. The fair values are 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.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from issuing occupation right agreements over the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Significant assumptions used by the valuer include annual growth in value (which ranges from 2.5% to 5%) and discount rate (14%).

Principal assumptions are unchanged from the prior year.

The Group has deemed it is unable to reliably determine the fair value of investment property work in progress at 31 December 2010 and therefore is carried at cost. This equates to \$16,816 of investment property.

##### **(b) Land and buildings**

Darroch New Zealand Limited, an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's land and buildings every three years.

The last valuation performed was at 31 December 2009.

The fair values are 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. Modern facilities are typically bought and sold on the basis of the cash flow they are capable of generating. Future cash flows have been discounted at 14% (2009: 14%).

##### **(c) Residents' loans and Deferred Management Fee (DMF)**

The fair value of residents' loans and DMF is based on the present value of projected cash flows. Future cash flows are based on the assumption that the average tenure periods are those disclosed above and have been discounted at 14% (2009: 14%).



## 5. Revenue

	GROUP		COMPANY	
	2010	2009	2010	2009
<b>Rendering of services</b>				
Deferred management fees	11,745	6,481	-	-
Village service fees	4,988	4,318	-	-
Care services	17,155	13,467	-	-
Commission	208	268	-	-
	<b>34,096</b>	<b>24,534</b>	-	-
<b>Other revenue</b>				
Interest received	109	95	-	-
	<b>109</b>	<b>95</b>	-	-

## 6. Other income

	GROUP		COMPANY	
	2010	2009	2010	2009
Change in fair value of investment property	1,628	22,563	-	-
Net gain on disposal of property, plant and equipment	30	-	-	-
	<b>1,658</b>	<b>22,563</b>	-	-

## 7. Other operating expenses

	GROUP		COMPANY	
	2010	2009	2010	2009
Auditor's remuneration to Ernst & Young comprises:				
- audit of financial statements	217	204	-	-
- other assurance services	13	6	-	-
- other services (taxation)	144	-	-	-
Rent and operating lease costs	341	388	-	-
Foreign exchange loss	-	3,597	-	3,597
Impairment of work in progress (held in investment property)	-	6,645	-	-
Impairment of assets due to revaluation	-	2,474	-	-
Impairment of goodwill	184	-	184	-

## 8. Finance costs

	GROUP		COMPANY	
	2010	2009	2010	2009
Interest on loans	3,371	6,746	-	3,160
Finance charges on finance leases	39	12	-	-
<b>Total finance costs</b>	<b>3,410</b>	<b>6,758</b>	-	<b>3,160</b>

## 9. Income tax expense

	GROUP		COMPANY	
	2010	RESTATED* 2009	2010	2009
Current tax expense	-	-	-	-
<b>Total current tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deferred tax expense				
Origination and reversal of temporary differences	5,947	(264)	-	-
<b>Total deferred tax expense/(credit)</b>	<b>5,947</b>	<b>(264)</b>	<b>-</b>	<b>-</b>
<b>Total income tax expense/(credit) reported in profit or loss</b>	<b>5,947</b>	<b>(264)</b>	<b>-</b>	<b>-</b>
Amounts charged or credited to other comprehensive income				
Net gain on revaluation of buildings	-	276	-	-
Change in company tax rate applicable to future periods from 30% to 28%	(62)	-	-	-
<b>Income tax expense reported in other comprehensive income</b>	<b>(62)</b>	<b>276</b>	<b>-</b>	<b>-</b>
RECONCILIATION OF EFFECTIVE TAX RATE	2010		2009 RESTATED*	
<b>Group</b>				
Profit/(loss) before tax		4,047		122
Income tax using the company tax rate	30.0%	1,214	30.0%	37
Other adjustments	7.5%	302	(519.7%)	(634)
Non-assessable capitalised interest	(12.4%)	(501)	(455.7%)	(556)
Change in company tax rate applicable to future periods from 30% to 28%	(25.5%)	(1,032)	0.0%	-
Change in deductibility of building depreciation	132.4%	5,358	0.0%	-
Other non-deductible expenses	1.4%	55	1634.4%	1,994
Tax exempt income – revaluation of land	0.0%	-	12.3%	15
Non-assessable investment property revaluations	(12.1%)	(489)	(5548.4%)	(6,769)
Current year losses for which no deferred tax asset was recognised	25.7%	1,040	4630.3%	5,649
<b>Total income tax expense/(credit)</b>	<b>146.9%</b>	<b>5,947</b>	<b>(216.4%)</b>	<b>(264)</b>
<b>Company</b>				
(Loss)/profit before tax		(184)		(6,757)
Income tax using the company tax rate	30.0%	(55)	30.0%	(2,027)
Other non-deductible expenses	1.4%	55	0.0%	-
Current year losses for which no deferred tax asset was recognised	0.0%	-	(30.0%)	2,027
<b>Total income tax expense in the statement of comprehensive income</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>

The Company has elected to early adopt the amendments to NZ IAS 12 Income Taxes (NZ IAS 12) – Deferred Tax: Recovery of Underlying Assets effective 1 January 2012. Refer to Note 2(e) for the effect of the amendment on current and prior financial periods.

At 31 December 2010, the Group had unrecognised tax losses of \$9,944 (2009: \$6,477) available to be carried forward.

At 31 December 2010, the Company had unrecognised tax losses of \$nil (2009: \$nil) available to be carried forward.

\* Summerset Group Holdings Limited has changed an accounting policy that was applied retrospectively as outlined in Note 2(e).

## 10. Imputation credits

There were no imputation credits received or paid during the year (2009: none).

## 11. Cash and cash equivalents

	GROUP		COMPANY	
	2010	2009	2010	2009
Bank balances	4,758	1,955	-	-
Petty cash	4	4	-	-
Cash and cash equivalents in the statement of cash flows	4,762	1,959	-	-

## 12. Trade and other receivables

	GROUP		COMPANY	
	2010	2009	2010	2009
Trade	978	902	-	-
Prepayments	392	836	-	-
Sundry	3,713	4,501	20	-
Total trade and other receivables	5,083	6,239	20	-



### 13. Property, plant and equipment

GROUP	LAND	BUILDINGS	PROPERTY UNDER DEVELOPMENT	MOTOR VEHICLES	PLANT AND EQUIPMENT	FURNITURE AND FITTINGS	TOTAL
<b>Cost</b>							
Balance at 1 January 2009	4,075	20,342	58,298	826	1,889	1,939	87,369
Acquisitions/Construction costs	-	8,377	23,779	228	150	23	32,557
Capitalisation of borrowing costs	-	-	1,950	-	-	-	1,950
Revaluations through income	(300)	(2,174)	-	-	-	-	(2,474)
Revaluations through equity	-	(1,504)	-	-	-	-	(1,504)
Disposals	-	-	-	(55)	(1)	-	(56)
Transfer from/(to) investment property	750	-	(84,027)	-	-	-	(83,277)
<b>Balance at 31 December 2009</b>	<b>4,525</b>	<b>25,041</b>	<b>-</b>	<b>999</b>	<b>2,038</b>	<b>1,962</b>	<b>34,565</b>
Balance at 1 January 2010	4,525	25,041	-	999	2,038	1,962	34,565
Acquisitions/Construction costs	-	35	-	186	272	438	931
<b>Balance at 31 December 2010</b>	<b>4,525</b>	<b>25,076</b>	<b>-</b>	<b>1,185</b>	<b>2,310</b>	<b>2,400</b>	<b>35,496</b>
<b>Depreciation and impairment losses</b>							
Balance at 1 January 2009	-	1,825	-	601	1,258	1,128	4,812
Depreciation charge for the year	-	598	-	70	179	143	990
Revaluations through equity	-	(2,423)	-	-	-	-	(2,423)
Disposals	-	-	-	(47)	-	-	(47)
<b>Balance at 31 December 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>624</b>	<b>1,437</b>	<b>1,271</b>	<b>3,332</b>
Balance at 1 January 2010	-	-	-	624	1,437	1,271	3,332
Depreciation charge for the year	-	621	-	152	189	141	1,103
<b>Balance at 31 December 2010</b>	<b>-</b>	<b>621</b>	<b>-</b>	<b>776</b>	<b>1,626</b>	<b>1,412</b>	<b>4,435</b>
<b>Carrying amounts</b>							
1 January 2009	4,075	18,517	58,298	225	631	811	82,557
31 December 2009	4,525	25,041	-	375	601	691	31,233
1 January 2010	4,525	25,041	-	375	601	691	31,233
31 December 2010	4,525	24,455	-	409	684	988	31,061

### 13. Property, plant and equipment (continued)

#### Revaluations

An independent valuation was obtained to determine fair value which was determined by reference to an open market, being 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 at the valuation date.

Land and buildings were valued on 31 December 2009 by Milton Bevin, an independent registered valuer, of the firm Darroch New Zealand Limited. Milton Bevin is a member of the New Zealand Institute of Valuers (Inc).

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

	GROUP	
	2010	2009
Cost	30,538	30,503
Accumulated depreciation and impairment losses	(4,066)	(3,445)
Net carrying amount	26,472	27,058

#### Leased motor vehicles

The Group leases motor vehicles under a number of finance lease agreements. The leased motor vehicles secure the lease obligation (refer note 21). At 31 December 2010 the net carrying amount of leased motor vehicles included in motor vehicles above, was \$297 (2009: \$263).

### 14. Intangible assets

GROUP	GOODWILL	SOFTWARE	LICENCES	TOTAL
<b>Cost/Fair Value</b>				
Balance at 1 January 2009	-	503	155	658
Acquisition	-	40	-	40
Balance at 31 December 2009	-	543	155	698
Balance at 1 January 2010	-	543	155	698
Acquisition	266	69	-	335
Balance at 31 December 2010	266	612	155	1,033
<b>Amortisation and impairment losses</b>				
Balance at 1 January 2009	-	353	57	410
Amortisation charge for the year	-	40	-	40
Balance at 31 December 2009	-	393	57	450
Balance at 1 January 2010	-	393	57	450
Amortisation charge for the year	-	75	-	75
Impairment loss	184	-	-	184
Balance at 31 December 2010	184	468	57	709
<b>Carrying amounts</b>				
1 January 2009	-	150	98	248
31 December 2009	-	150	98	248
1 January 2010	-	150	98	248
31 December 2010	82	144	98	324

#### 14. Intangible assets (continued)

COMPANY	GOODWILL	SOFTWARE	LICENCES	TOTAL
<b>Cost/Fair Value</b>				
Balance at 1 January 2010	-	-	-	-
Acquisition	266	-	-	266
<b>Balance at 31 December 2010</b>	<b>266</b>	<b>-</b>	<b>-</b>	<b>266</b>
<b>Amortisation and impairment losses</b>				
Balance at 1 January 2010	-	-	-	-
Impairment loss	184	-	-	184
<b>Balance at 31 December 2010</b>	<b>184</b>	<b>-</b>	<b>-</b>	<b>184</b>
<b>Carrying amounts</b>				
1 January 2010	-	-	-	-
<b>31 December 2010</b>	<b>82</b>	<b>-</b>	<b>-</b>	<b>82</b>

#### 15. Investment property

GROUP	2010	2009 RESTATED*
Balance at beginning of period	460,841	361,894
Transfer from property, plant and equipment	-	84,027
Additions	33,447	393
Disposals	(150)	-
Transfers out to property, plant and equipment	-	(750)
Transfers to other assets	-	(641)
Impairment of work in progress	-	(6,645)
Fair value adjustment	1,628	22,563
<b>Total investment property</b>	<b>495,766</b>	<b>460,841</b>

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser, Milton Bevin, an independent registered valuer of the firm Darroch New Zealand Limited, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

The valuation was conducted at 31 December 2010.

The Group has deemed it is unable to reliably determine the fair value of work in progress at 31 December 2010 and therefore is carried at cost. This equates to \$16,816 of investment property.



## 15. Investment property (continued)

### Capitalisation of borrowing costs

The Group used an average capitalisation rate of 4.26% (2009: 4.32%) in determining the amount of borrowing costs eligible for capitalisation. In the year ended 31 December 2010 the Company capitalised interest costs of \$1,619 (2009: \$1,854).

	2010	2009 RESTATED*
Valuation of manager's net interest	263,343	252,086
add: liability for residents' loans	231,801	206,474
add: liability for deferred management fees	622	2,281
Value of investment property	495,766	460,841

### Operating expenses

Direct operating expenses arising from investment property that generated rental income during the period amounted to \$9,359 (2009: \$4,849).

### Security

At 31 December 2010, properties with a value of \$495,766 (2009: \$460,841) were subject to a registered first mortgage in favour of the Statutory Supervisor to secure the Group's obligations to the occupation licence holders.

\* Summerset Group Holdings Limited has a correction of an error as outlined in Note 2(f).

## 16. Capital and reserves

COMPANY AND GROUP	2010	2009
Share Capital (in thousands of dollars)		
On issue at beginning of year	164,983	50,271
Shares issued during the year	17,249	114,712
On issue at end of year	182,232	164,983
Share Capital (in thousands of shares)		
On issue at beginning of year	154,200	50,550
Shares issued	22,634	153,250
Cancelled	(350)	(49,600)
On issue at end of year	176,484	154,200
Fully paid shares	174,484	152,700
Unpaid shares	2,000	1,500
On issue at end of year	176,484	154,200

All ordinary shares have no par value, have equal voting rights and share equally in dividends and surplus on winding up.

### Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

### Maintenance reserve

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

### Dividends

There were no dividends declared or paid by the Group for the period ended 31 December 2010 (2009: nil).

After 31 December 2010 there have been no dividends declared or paid by the Group.

## 17. Trade and other payables

	GROUP		COMPANY	
	2010	2009	2010	2009
Trade payables	469	780	-	-
Accrued expenses	7,273	2,105	-	-
Other payables	658	227	-	-
<b>Total trade and other payables</b>	<b>8,400</b>	<b>3,112</b>	<b>-</b>	<b>-</b>

## 18. Employee benefits

	GROUP		COMPANY	
	2010	2009	2010	2009
<b>Holiday Pay Accrual</b>				
Balance at beginning of period	854	775	-	-
Current year provision	1,364	1,071	-	-
Amount utilised	(1,186)	(992)	-	-
<b>Total employee benefits</b>	<b>1,032</b>	<b>854</b>	<b>-</b>	<b>-</b>

## 19. Unamortised deferred management fee liability

	GROUP		COMPANY	
	2010	2009	2010	2009
Balance at beginning of period	2,281	5,307	-	-
Amounts repaid on termination of licences	(120)	(257)	-	-
Amount recognised as revenue for the period	(1,539)	(2,754)	-	-
Amount transferred to revenue received in advance	-	(15)	-	-
<b>Total unamortised deferred management fee</b>	<b>622</b>	<b>2,281</b>	<b>-</b>	<b>-</b>

Experience has shown that the rate at which the Group's Village residents vacate their Retirement Units can be estimated on the basis of statistical tables. The Group's best estimate is that of the total unamortised deferred management fee liability of \$622 (2009: \$2,281), \$nil (2009: \$nil) is expected to be paid within the next 12 months and \$622 (2009: \$1,356) is expected to be recognised as revenue within the next 12 months.

## 20. Residents' loans

	GROUP		COMPANY	
	2010	2009	2010	2009
Balance at beginning of period	215,366	173,913	-	-
less: amounts repaid on termination	(17,673)	(13,470)	-	-
less: reduction due to change in DMF	(4,320)	-	-	-
add: amounts received on new licences issued	53,695	54,923	-	-
<b>Total residents' loans</b>	<b>247,068</b>	<b>215,366</b>	<b>-</b>	<b>-</b>
DMF receivable	(15,267)	(8,892)	-	-
<b>Net residents' loans</b>	<b>231,801</b>	<b>206,474</b>	<b>-</b>	<b>-</b>

Experience has shown that the rate at which the Group's Village residents vacate their Retirement Units can be estimated on the basis of statistical tables. The Group's best estimate is that of the net residents' loans of \$231,801 (2009: \$206,474), only \$17,480 (2009: \$15,160) is expected to be paid within the next 12 months. In addition, if this amount was repayable, it is estimated that incoming loans of more than \$72,197 (2009: more than \$69,309) would be received from new residents, prior to the anticipated outgoing payment.





## 21. Interest-bearing loans and borrowings (continued)

GROUP	WEIGHTED AVERAGE INTEREST RATE	NOMINAL INTEREST RATE	REPRICING DATE	MATURITY DATE	2009	
					FACE VALUE	CARRYING VALUE
Summerset Villages (Aotea) Limited	4.61%	4.05%	1/01/2010	31/03/2011	14,458	14,458
Summerset Villages (Manukau) Limited & Summerset Properties Limited joint venture	4.60%	4.05%	1/01/2010	31/03/2011	44,181	44,181
Summerset Villages (Napier) Limited & Summerset Properties Limited joint venture	4.63%	4.05%	1/01/2010	31/03/2011	2,586	2,586
Summerset Villages (Warkworth) Limited & Summerset Properties Limited joint venture	4.62%	4.05%	1/01/2010	31/03/2011	19,520	19,520
Summerset Villages (Hastings) Limited	4.62%	4.05%	1/01/2010	31/03/2011	9,383	9,383
Summerset Properties Limited	5.12%	4.84%	18/02/2010	31/03/2011	25,000	25,000
<b>Repayable after 12 months</b>					<b>115,128</b>	<b>115,128</b>
<b>Secured bank loans</b>					<b>115,128</b>	<b>115,128</b>

### Security

The bank loans are secured by mortgages and debentures over the Group's assets subject to a first priority to the Statutory Supervisor over the Village assets. Finance leases are secured over the assets to which they relate.

### Finance Lease Liabilities

Finance Lease Liabilities are payable as follows:

GROUP	2010			2009		
	MIN LEASE PAYMENTS	INTEREST	PRINCIPAL	MIN LEASE PAYMENTS	INTEREST	PRINCIPAL
Less than 1 year	96	34	62	91	28	63
Between 1 and 5 years	264	26	238	233	41	192
More than 5 years	-	-	-	-	-	-
<b>Total</b>	<b>360</b>	<b>60</b>	<b>300</b>	<b>324</b>	<b>69</b>	<b>255</b>

## 22. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
	2010	2009	2010	RESTATED* 2009	2010	RESTATED* 2009
Property, plant and equipment	-	-	5,951	1,016	5,951	1,016
Investment property	-	-	10,343	9,345	10,343	9,345
Revenue in advance	1,817	1,806	-	-	(1,817)	(1,806)
Other items	269	232	-	-	(269)	(232)
<b>Net tax (assets)/liabilities</b>	<b>2,086</b>	<b>2,038</b>	<b>16,294</b>	<b>10,361</b>	<b>14,208</b>	<b>8,323</b>

	BALANCE 1 JANUARY 2009 RESTATED*	CHARGED TO INCOME	CHARGED TO OCI+	BALANCE 31 DECEMBER 2009 RESTATED*
Property, plant and equipment	1,456	(716)	276	1,016
Investment property	7,940	1,405	-	9,345
Revenue in advance	(773)	(1,033)	-	(1,806)
Other items	(312)	80	-	(232)
<b>Total deferred tax (asset)/liability</b>	<b>8,311</b>	<b>(264)</b>	<b>276</b>	<b>8,323</b>

	BALANCE 1 JANUARY 2010	CHARGED TO INCOME	CHARGED TO OCI+	BALANCE 31 DECEMBER 2010
Property, plant and equipment	1,016	4,997	(62)	5,951
Investment property	9,345	998	-	10,343
Revenue in advance	(1,806)	(11)	-	(1,817)
Other items	(232)	(37)	-	(269)
<b>Total deferred tax (asset)/liability</b>	<b>8,323</b>	<b>5,947</b>	<b>(62)</b>	<b>14,208</b>

+ Other Comprehensive Income ("OCI").

\* Summerset Group Holdings Limited has changed an accounting policy that was applied retrospectively as outlined in Note 2(e).

The Company has elected to early adopt the amendments to NZ IAS 12 Income Taxes (NZ IAS 12) – Deferred Tax: Recovery of Underlying Assets effective 1 January 2012. Refer to Note 2(e) for the effect of the amendment on current and prior financial periods.

### 23. Reconciliation of operating results and operating cash flows

	GROUP		COMPANY	
	2010	2009	2010	2009
Net loss/(profit) for the period	(1,900)	386	(184)	(6,757)
<i>Adjustments for:</i>				
Depreciation, impairment and amortisation expense	1,362	3,504	184	-
Net loss on disposal of fixed assets	(30)	-	-	-
Foreign exchange loss	-	3,597	-	3,597
Impairment of work in progress	-	6,645	-	-
Fair value adjustment on investment property	(1,628)	(22,563)	-	-
Interest paid	3,410	6,758	-	3,160
Deferred tax	5,947	(264)	-	-
Deferred management fee amortisation	(11,745)	(6,481)	-	-
	(2,684)	(8,804)	184	6,757
<i>Add/(less) items classified as investing/financing activities</i>				
Interest received	(109)	(95)	-	-
	(109)	(95)	-	-
<i>Movements in Working Capital</i>				
Decrease/(Increase) in trade and other receivables	1,156	345	-	-
Increase/(Decrease) in employee entitlements	178	79	-	-
Increase/(Decrease) in trade and other payables	5,487	(1,164)	-	-
(Decrease)/Increase in deferred management fee net of non-cash amortisation	(120)	149	-	-
Increase/(Decrease) in residents' loans net of non-cash amortisation	36,873	40,030	-	-
	43,574	39,439	-	-
Net cash flows from operating activities	38,881	30,926	-	-

### 24. Financial instruments

Exposure to credit, interest rate, foreign currency and liquidity risk arises in the normal course of the Group's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

#### 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 principally to receivables from residents and bank balances.

The Group manages its exposure to credit risk. Receivables balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant. Funds are placed with the National Bank of New Zealand Limited. The Group continuously monitors the credit quality of the National Bank of New Zealand Limited and does not anticipate non-performance therefrom.

The Group does not require collateral from its debtors and in the opinion of the Directors, the Group's exposure to credit risk is minimal.

Other than the exposure to the National Bank of New Zealand Limited the Group has no significant concentrations of credit risk.



## 24. Financial instruments (continued)

### Quantitative disclosures – Group

The carrying amount of financial assets represents the Group's maximum credit exposure.

The status of trade receivables at 31 December is as follows:

	2010		2009	
	GROSS RECEIVABLE	IMPAIRMENT	GROSS RECEIVABLE	IMPAIRMENT
Not past due	235	-	329	-
Past due 31-60 days	224	-	367	-
Past due 61-90 days	96	-	103	-
Past due more than 90 days	513	90	204	101
<b>Total</b>	<b>1,068</b>	<b>90</b>	<b>1,003</b>	<b>101</b>

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

	2010	2009
Gross trade receivables	1,068	1,003
Individual impairment	(90)	(101)
Collective impairment	-	-
<b>Net trade receivables</b>	<b>978</b>	<b>902</b>

The provision for doubtful debts is \$90 (2009: \$101) at year end.

Individually impaired trade receivables relate to outstanding debts for which the Group has no collateral, and which management believe have a low probability of recoverability. In the case of insolvency the Group generally writes off the receivable in full unless there is clear evidence that a receipt is highly probable.

For the remaining balance of past due trade receivables (\$743) (2009: \$573), management consider there is a reasonable prospect of collection from the debtors.

### 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages the liquidity risk on residents' loans through the contractual requirements in the ORA, whereby a resident's loan is only repaid on receipt of the loan monies from the incoming resident.

The Group typically ensures that there is sufficient cash on demand to meet expected operational expenses for a period of 2 months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- \$500 overdraft facility that is unsecured. Interest would be payable at the 90 day BKBM rate + a specified margin.
- \$50 unsecured overdraft facility in each of the Villages currently under development. Interest would be payable at the 90 day BKBM rate + a specified margin.

## 24. Financial instruments (continued)

### Quantitative disclosures – Group

The following table sets out the contractual cash flows for all financial liabilities:

	2010			
	BALANCE SHEET	CONTRACTUAL CASH FLOWS	LESS THAN 1 YEAR	GREATER THAN 1 YEAR
<b>Loans and receivables:</b>				
Cash and cash equivalents	4,762	4,762	4,762	-
Trade and other receivables	5,083	5,083	5,083	-
<b>Financial liabilities:</b>				
Trade and other payables	(8,400)	(8,400)	(8,400)	-
Deferred management fee	(622)	(622)	(622)	-
Residents' loans	(231,801)	(231,801)	(17,480)	(214,321)
Finance lease liabilities	(300)	(360)	(96)	(264)
Secured bank loans	(99,913)	(101,501)	(90,488)	(11,013)
<b>Total</b>	<b>(331,191)</b>	<b>(332,839)</b>	<b>(107,241)</b>	<b>(225,598)</b>

	2009			
	BALANCE SHEET	CONTRACTUAL CASH FLOWS	LESS THAN 1 YEAR	GREATER THAN 1 YEAR
<b>Loans and receivables:</b>				
Cash and cash equivalents	1,959	1,959	1,959	-
Trade and other receivables	6,239	6,239	6,239	-
<b>Financial liabilities:</b>				
Trade and other payables	(3,112)	(3,112)	(3,112)	-
Deferred management fee	(2,281)	(2,281)	(2,281)	-
Residents' loans	(206,474)	(206,474)	(15,160)	(191,314)
Finance lease liabilities	(244)	(324)	(91)	(233)
Secured bank loans	(115,128)	(120,956)	(4,662)	(116,294)
<b>Total</b>	<b>(319,041)</b>	<b>(324,949)</b>	<b>(17,108)</b>	<b>(307,841)</b>

Residents' loans are non interest-bearing. Settlement can only occur when both a terminating event has occurred, and there has been a subsequent resale of the licence. For the majority of residents this will occur after more than 12 months. Experience has shown that the rate at which the Group's Village residents vacate their Retirement Units can be estimated on the basis of statistical tables. The Group's best estimate is that of the net residents' loans of \$231,801 (2009: \$206,474) only \$17,480 (2009: \$15,160) is expected to be paid within the next 12 months.

In addition, if this amount was repayable, it is estimated that incoming loans of more than \$72,197 (2009: more than \$69,309) would be received from new residents, prior to the anticipated outgoing payment. The Group's best estimate is that of the total unamortised deferred management fee liability of \$622 (2009: \$2,281), \$nil (2009: \$nil) is expected to be paid within the next 12 months, and \$622 (2009: \$1,356) is expected to be recognised as revenue within the next 12 months.

### Quantitative disclosures – Company

The following table sets out the contractual cash flows for all financial liabilities:

	2010			
	BALANCE SHEET	CONTRACTUAL CASH FLOWS	LESS THAN 1 YEAR	GREATER THAN 1 YEAR
<b>Loans and receivables:</b>				
Trade and other receivables	18,999	18,999	18,999	-
Loans to employees	230	230	230	-
<b>Total</b>	<b>19,229</b>	<b>19,229</b>	<b>19,229</b>	<b>-</b>

## 24. Financial instruments (continued)

### Quantitative disclosures – Company

The following table sets out the contractual cash flows for all financial liabilities:

	2009			
	BALANCE SHEET	CONTRACTUAL CASH FLOWS	LESS THAN 1 YEAR	GREATER THAN 1 YEAR
Loans and receivables:				
Trade and other receivables	2,245	2,245	2,245	-
Total	2,245	2,245	2,245	-

### Market risk

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

### Interest rate risk

The Group's exposure to interest rate risk is managed by using fixed and variable interest rates for various terms (up to 5 years).

Due to the extreme variability in the Villages, their borrowings are always on floating rates, but the borrowings on the care facilities are fixed, with the term being determined by the financial markets at the time.

At 31 December 2010 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately \$999 (2009: \$1,151). This will have the equal and opposite effect on equity.

### Foreign currency risk

The Group is no longer exposed to foreign currency risk.

### Other market price risk

The Group is not exposed to substantial other market price risk arising from financial instruments.

### Fair values

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

GROUP	2010		2009	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Residents' loans	(231,801)	(171,860)	(206,474)	(149,851)
Total	(231,801)	(171,860)	(206,474)	(149,851)

### Categories of Financial Instruments

All financial assets are classified as loans and receivables.

All financial liabilities are classified as liabilities at amortised cost.

## 25. Capital Management

The Group's capital includes share capital, reserves and retained earnings. The objective of the Group's capital management is to ensure a strong credit rating to support business growth and maximise shareholder value.

The Group's capital is managed at a Summerset Holdings Limited level. The Summerset Holdings Limited group is subject to capital requirements imposed by the bank through the Group Deed of Covenant. The Summerset Holdings Limited group has met all externally imposed capital requirements for the twelve months ended 31 December 2010 and 2009.

Summerset Holdings Limited's capital structure is managed and adjustments are made, with Board approval, to the structure in light of economic conditions at the time. There were no changes to objectives, policies or processes during the year.



## 26. Commitments and contingencies

### Group

#### Operating lease commitments – Group as lessee

Non-cancellable operating lease rentals are payable as follows:

COMPANY AND GROUP	2010	2009
Less than 1 year	491	243
Between 1 and 5 years	1,858	971
More than 5 years	1,965	425
<b>Total operating lease commitments</b>	<b>4,314</b>	<b>1,639</b>

During the year ended 31 December 2010 \$341 (2009: \$269) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

#### Operating lease commitments – Group as lessor

The occupation licences are essentially leases under NZ IAS 17. The leases are cancellable by nature, as the resident can choose to terminate the licence by notice or the licence terminates on death. When a new occupation licence has been issued with respect to the vacated dwelling, or the manager has presented the outgoing resident with a notice to the effect that the manager does not wish to issue a new occupation licence at that time with respect to the vacated dwelling, the outgoing resident receives a refund of the resident loan and any balance owing in respect of the unamortised deferred management fee liability.

#### Capital commitments

At 31 December 2010 construction contracts not provided for at balance date is \$nil (2009: \$8,116).

#### Contingent liabilities

There are no known material contingent liabilities at 31 December 2010 (2009: \$nil).

## 27. Related parties

### Transactions with shareholders

The Company incurred interest expense on loans from shareholders:

COMPANY AND GROUP	2010	2009
AMP Capital Investors Limited (trustee for AMP Life Pty Ltd)	-	1,580
AMP Investment Services Pty Limited (trustee for AMP Pty Ltd)	-	1,580
<b>Total</b>	<b>-</b>	<b>3,160</b>
Advances to Summerset Holdings Limited	16,734	2,245

#### Balance owing from/(to) subsidiary

COMPANY	2010	2009
Summerset Holdings Limited	18,979	2,245
<b>Total</b>	<b>18,979</b>	<b>2,245</b>

### Transactions with key management personnel – key management personnel compensation

COMPANY AND GROUP	2010	2009
Short-term employee benefits	1,000	1,731
<b>Total</b>	<b>1,000</b>	<b>1,731</b>

## 27. Related parties (continued)

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

GROUP	TRANSACTION VALUE		BALANCE OUTSTANDING	
	2010	2009	2010	2009
JBIT – computer related services (employee owned business)	25	28	-	-

Certain qualifying executives of Summerset Holdings Limited own 4,703,652 (2009: 3,700,000) shares in the Company.

1,203,652 shares were allotted to the executives during the year ended 31 December 2010. 230,000 of these shares were fully paid, the remainder were uncalled and unpaid at balance date.

## 28. Subsidiary companies

### Significant subsidiaries

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

The significant subsidiaries are:

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

## 29. Subsequent events

There have been no events subsequent to 31 December 2010 which materially impact on the results reported.

# INDEPENDENT AUDITOR'S REPORT



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## TO THE SHAREHOLDERS OF SUMMERSET GROUP HOLDINGS LIMITED

### Report on the Financial Statements

We have audited the financial statements of Summerset Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") on pages 75 to 101, which comprise the statement of financial position of Summerset Group Holdings Limited and the Group as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Company and Group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

Ernst & Young provides taxation advice to the Group. We have no other relationship, or interest in the Group.

### Opinion

In our opinion, the financial statements on pages 75 to 101:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Summerset Group Holdings Limited and the Group as at 31 December 2010 and the financial performance and cash flows of the Company and Group for the year then ended.

### Report on Other Legal and Regulatory Requirements

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

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

27 April 2011  
Wellington



## AUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

### CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2011  
(in Thousands of New Zealand dollars)

	NOTE	6 MONTHS JUN 2011 AUDITED	6 MONTHS JUN 2010 UNAUDITED	12 MONTHS DEC 2010 AUDITED
Care fees and village services		11,924	10,689	22,351
Deferred management fees	2	4,201	7,601	11,745
Interest received		59	27	109
Other income		-	30	30
<b>Total revenue</b>		<b>16,184</b>	<b>18,347</b>	<b>34,235</b>
Fair value movement of investment property	3	(284)	-	1,628
<b>Total income</b>		<b>15,900</b>	<b>18,347</b>	<b>35,863</b>
Operating expenses		13,637	13,444	27,228
Depreciation and amortisation expense		525	548	1,178
<b>Total expenses</b>		<b>14,162</b>	<b>13,992</b>	<b>28,406</b>
<b>Operating profit/(loss) before financing costs</b>		<b>1,738</b>	<b>4,355</b>	<b>7,457</b>
Finance costs		2,761	615	3,410
<b>(Loss)/profit before income tax</b>		<b>(1,023)</b>	<b>3,740</b>	<b>4,047</b>
Income tax expense/(credit)		139	5,358	5,947
<b>(Loss)/profit for the period</b>		<b>(1,162)</b>	<b>(1,618)</b>	<b>(1,900)</b>

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2011  
(in Thousands of New Zealand dollars)

	NOTE	6 MONTHS JUN 2011 AUDITED	6 MONTHS JUN 2010 UNAUDITED	12 MONTHS DEC 2010 AUDITED
<b>(Loss)/profit for the period</b>		<b>(1,162)</b>	<b>(1,618)</b>	<b>(1,900)</b>
Other comprehensive income				
Fair value (loss)/gain on interest rate swaps		(304)	-	-
Income tax on items of other comprehensive income		85	-	62
<b>Other comprehensive income for the period, net of tax</b>		<b>(219)</b>	<b>-</b>	<b>62</b>
<b>Total comprehensive income for the period</b>		<b>(1,381)</b>	<b>(1,618)</b>	<b>(1,838)</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2011  
(in Thousands of New Zealand dollars)

	SHARE CAPITAL	HEDGING RESERVE	REVALUATION RESERVE	MAINTENANCE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
At 1 January 2010	164,983	-	3,312	1,622	(10,875)	159,042
Net loss/(profit) for the period	-	-	-	-	(1,618)	(1,618)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(1,618)	(1,618)
Transfer to/(from) maintenance reserve	-	-	-	18	(18)	-
Shares issued	17,150	-	-	-	-	17,150
At 30 June 2010	182,133	-	3,312	1,640	(12,511)	174,574
Net (loss)/profit for the period	-	-	-	-	(282)	(282)
Other comprehensive income for the period	-	-	62	-	-	62
Total comprehensive income for the period	-	-	62	-	(282)	(220)
Transfer (from)/to maintenance reserve	-	-	-	(468)	468	-
Interest on maintenance reserve	-	-	-	45	(45)	-
Shares issued	99	-	-	-	-	99
At 31 December 2010	182,232	-	3,374	1,217	(12,370)	174,453
Net (loss)/profit for the period	-	-	-	-	(1,162)	(1,162)
Other comprehensive income for the period	-	(219)	-	-	-	(219)
Total comprehensive income for the period	-	(219)	-	-	(1,162)	(1,381)
Interest on maintenance reserve	-	-	-	18	(18)	-
At 30 June 2011	182,232	(219)	3,374	1,235	(13,550)	173,072

The accompanying notes form part of these financial statements.

## CONSOLIDATED BALANCE SHEET

as at 30 June 2011

(in Thousands of New Zealand dollars)

	NOTE	JUN 2011 AUDITED	JUN 2010 UNAUDITED	DEC 2010 AUDITED
<b>ASSETS</b>				
Cash and cash equivalents		5,399	7,691	4,762
Trade and other receivables		7,870	7,821	5,083
Loans to employees		308	82	312
Intangible assets		213	464	242
Property, plant and equipment		30,995	31,322	31,061
Investment property	3	501,936	474,327	495,766
<b>Total assets</b>		<b>546,721</b>	<b>521,707</b>	<b>537,226</b>
<b>EQUITY</b>				
Share capital		182,232	182,133	182,232
Reserves		4,390	4,952	4,591
Accumulated deficit		(13,550)	(12,511)	(12,370)
<b>Total equity</b>		<b>173,072</b>	<b>174,574</b>	<b>174,453</b>
<b>LIABILITIES</b>				
Trade and other payables		5,943	2,818	8,400
Employee benefits		1,399	1,016	1,032
Revenue received in advance		6,986	5,923	6,497
Unamortised deferred management fee liability		180	1,368	622
Residents' loans	4	246,952	218,204	231,801
Interest-bearing loans and borrowings	5	97,623	104,123	100,213
Interest rate swaps	6	304	-	-
Deferred tax liability		14,262	13,681	14,208
<b>Total liabilities</b>		<b>373,649</b>	<b>347,133</b>	<b>362,773</b>
<b>Total equity and liabilities</b>		<b>546,721</b>	<b>521,707</b>	<b>537,226</b>

For and on behalf of the Board, who authorised the issue of these financial statements on 19 August 2011.



N Barlow  
Director  
19 August 2011



M Darville  
Director  
19 August 2011

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2011  
(in Thousands of New Zealand dollars)

	NOTE	6 MONTHS JUN 2011 AUDITED	6 MONTHS JUN 2010 UNAUDITED	12 MONTHS DEC 2010 AUDITED
<b>Cash flows from operating activities</b>				
Receipts from residents for care fees and village services		9,331	10,136	23,371
Interest received		59	20	109
Payments to suppliers and employees		(14,740)	(14,788)	(26,385)
Receipts for residents' loans		33,061	30,147	53,695
Repayment of residents' loans		(13,662)	(11,130)	(16,941)
<b>Net cash flow received from/(used in) operating activities</b>	<b>7</b>	<b>14,049</b>	<b>14,385</b>	<b>33,849</b>
<b>Cash flows from investing activities</b>				
Acquisition of investment property		(8,977)	(10,480)	(26,537)
Acquisition of property, plant and equipment		(431)	(407)	(931)
Acquisition of intangibles		-	(335)	(335)
Capitalised interest paid		(644)	(1,670)	(1,619)
<b>Net cash flow (used in)/received from investing activities</b>		<b>(10,052)</b>	<b>(12,892)</b>	<b>(29,422)</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings		(1,667)	(12,193)	(15,214)
Proceeds from issue of shares		-	17,000	17,000
Interest paid on borrowings		(1,693)	(568)	(3,410)
<b>Net cash flow (used in)/received from financing activities</b>		<b>(3,360)</b>	<b>4,239</b>	<b>(1,624)</b>
Net increase/(decrease) in cash and cash equivalents		637	5,732	2,803
Cash and cash equivalents at beginning of period		4,762	1,959	1,959
<b>Cash and cash equivalents at end of period</b>		<b>5,399</b>	<b>7,691</b>	<b>4,762</b>

The accompanying notes form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011  
(in Thousands of New Zealand dollars)

## 1. Accounting policies

Summerset Group Holdings Limited and its subsidiaries (together, the "Group") is a company incorporated and domiciled in New Zealand and is registered under the Companies Act 1993.

The Group is a profit-oriented entity and develops, owns and operates integrated retirement villages, rest homes and hospitals for the elderly within New Zealand. The Group is a reporting entity for the purposes of the Financial Reporting Act 1993 and these interim financial statements comply with that Act.

The interim financial statements have been prepared in accordance with NZ IAS-34: Interim Financial Reporting, IAS-34: Interim Financial Reporting and generally accepted accounting practice in New Zealand (NZ GAAP) as it relates to interim financial statements.

Except as disclosed below, these interim financial statements have been prepared using the same accounting policies and should be read in conjunction with the financial statements and related notes included in the Group's financial statements for the year ended 31 December 2010. The financial statements for the six months ended 30 June 2011 are audited. The interim financial statements are presented in New Zealand dollars (\$), which is the Group's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

### Derivative financial instruments and hedging

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 remeasured to fair value at each reporting date. The fair values of interest rate swaps are determined based on cash flows discounted to present value using current market interest rates.

The interest rate swaps qualify as cash flow hedges and meet the criteria for hedge accounting. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income (reserves), while the ineffective portion is recognised in profit or loss. Amounts taken to reserves are transferred out of reserves and included in the measurement of the hedged transaction when the forecast transaction occurs.

### Change in presentation and comparative information

The Group has reviewed the presentation of its financial statements in accordance with NZ IAS-1: Presentation of Financial Statements, and determined to adjust the presentation of the statements where considered appropriate. The key adjustments made are:

- separate the Income Statement from the Statement of Comprehensive Income;
- move revenue information previously found in the notes to the accounts to the face of the Income Statement;
- reclassify employee expenses, repairs and maintenance and other operating expenses as operating expenses on the face of the Income Statement; and
- reclassify interest received from investing activities to operating activities in the Statement of Cash Flows.

In the 31 December 2010 Statement of Cash Flows there has been a reclassification of \$5,141 between payments to suppliers and employees and acquisition of investment property. This has no impact on net cash flow.

No revaluation of investment property was carried out for the six months ending 30 June 2010 and thus the unaudited comparative figures for this period do not include this item. In the view of the directors, the movement in this item would not have been material had it been included.

## 2. Deferred management fees

	6 MONTHS JUN 2011 AUDITED	6 MONTHS JUN 2010 UNAUDITED	12 MONTHS DEC 2010 AUDITED
Change in structure of deferred management fees	-	3,938	3,938
Deferred management fees	4,201	3,663	7,807
<b>Total deferred management fees</b>	<b>4,201</b>	<b>7,601</b>	<b>11,745</b>

Deferred management fees for the comparative periods ending 30 June 2010 and 31 December 2010 include a one-off amount due to a change in structure of this fee.

## 3. Investment property

	6 MONTHS JUN 2011 AUDITED	6 MONTHS JUN 2010 UNAUDITED	12 MONTHS DEC 2010 AUDITED
Balance at beginning of period	495,766	460,841	460,841
Additions	7,380	13,636	33,447
Disposals	(926)	(150)	(150)
Fair value adjustment	(284)	-	1,628
<b>Total investment property</b>	<b>501,936</b>	<b>474,327</b>	<b>495,766</b>

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser, Michael Gunn, of the firm CBRE, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued (Dec 2010: fair value of the property determined by Milton Bevin of the firm Darroch New Zealand Limited). The valuation was conducted as at 30 June 2011. Significant assumptions used by the valuer include discount rate of between 14% and 16.5% (Dec 2010: 14%) and long term house price inflation of between 0% and 3.5% nominal (Dec 2010: 2.5% to 5%). Other assumptions include average age of entry and occupancy periods.

The Group has deemed it is unable to reliably determine the fair value of work in progress at 30 June 2011 and therefore is carried at cost. This equates to \$23,854 (Jun 2010: \$28,274, Dec 2010: \$16,816) of investment property.

## 4. Residents' loans

	6 MONTHS JUN 2011 AUDITED	6 MONTHS JUN 2010 UNAUDITED	12 MONTHS DEC 2010 AUDITED
Balance at beginning of period	247,068	215,366	215,366
less: amounts repaid on termination	(14,444)	(11,055)	(17,673)
less: reduction due to change in DMF	-	(4,320)	(4,320)
add: amounts received on new licences issued	33,061	30,147	53,695
<b>Total residents' loans</b>	<b>265,685</b>	<b>230,138</b>	<b>247,068</b>
DMF receivable	(18,733)	(11,934)	(15,267)
<b>Net residents' loans</b>	<b>246,952</b>	<b>218,204</b>	<b>231,801</b>

## 5. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

	6 MONTHS JUN 2011 AUDITED	6 MONTHS JUN 2010 UNAUDITED	12 MONTHS DEC 2010 AUDITED
<b>Repayable within 12 months</b>			
Secured bank loans	2,000	103,893	89,024
Finance lease liabilities	65	46	62
<b>Total interest-bearing loans</b>	<b>2,065</b>	<b>103,939</b>	<b>89,086</b>
<b>Repayable after 12 months</b>			
Secured bank loans	95,349	-	10,889
Finance lease liabilities	209	184	238
<b>Total interest-bearing loans</b>	<b>95,558</b>	<b>184</b>	<b>11,127</b>
<b>Total loans and borrowings</b>	<b>97,623</b>	<b>104,123</b>	<b>100,213</b>

The weighted average interest rate at 30 June 2011 is 5.50% (Jun 2010: 5.07%, Dec 2010: 4.61%). This excludes the impact of interest rate swaps (see Note 6).

### Security

The bank loans are secured by mortgages and debentures over the Group's assets subject to a first priority to the Statutory Supervisor over the Village assets. Finance leases are secured over the assets to which they relate.

## 6. Derivative financial instruments

The Group has entered into interest rate swap agreements in order to protect against rising interest rates. Under these agreements, the Group has a right to receive interest at variable rates and to pay interest at fixed rates. At 30 June 2011, the Group has interest rate swap agreements in place with a total notional principal amount of \$85,000 (Jun 2010: nil, Dec 2010: nil). Swaps in place cover approximately 87% (Jun 2010: nil, Dec 2010: nil) of the principal outstanding and are timed to expire at the renewal dates of each loan. These agreements effectively change the Group's interest exposure on the principal from a floating rate to fixed rates, which range between 3.34% to 3.79% (Jun 2010: nil, Dec 2010: nil). The fair value of the agreements at 30 June 2011 is a liability of \$304 (Jun 2010: nil, Dec 2010: nil). The agreements cover notional debt amounts for a term of between two and three years.

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

	JUN 2011 AUDITED	JUN 2010 UNAUDITED	DEC 2010 AUDITED
1-2 years	35,000	-	-
2-3 years	50,000	-	-
	<b>85,000</b>	<b>-</b>	<b>-</b>

## 7. Reconciliation of operating results and operating cash flows

	6 MONTHS JUN 2011 AUDITED	6 MONTHS JUN 2010 UNAUDITED	12 MONTHS DEC 2010 AUDITED
Net (loss)/profit for the period	(1,162)	(1,618)	(1,900)
<i>Adjustments for:</i>			
Depreciation, impairment and amortisation expense	525	548	1,362
Net loss/(gain) on disposal of assets	-	(30)	(30)
Fair value adjustment on investment property	284	-	(1,628)
Interest paid	2,761	615	3,410
Deferred tax	139	5,358	5,947
Deferred management fee amortisation	(4,201)	(7,601)	(11,745)
	(492)	(1,110)	(2,684)
<b>Movements in Working Capital</b>			
(Increase)/Decrease in trade and other receivables	(2,787)	(67)	1,156
Increase/(Decrease) in employee entitlements	367	162	178
(Decrease)/Increase in trade and other payables	(491)	61	346
(Decrease)/Increase in deferred management fee net of non-cash amortisation	(3)	(913)	(120)
Increase/(Decrease) in residents' loans net of non-cash amortisation	18,617	17,870	36,873
	15,703	17,113	38,433
Net cash flows from operating activities	14,049	14,385	33,849

## 8. Subsequent events

There have been no events subsequent to 30 June 2011 which materially impact on the results reported (Jun 2010: nil, Dec 2010: nil).



# INDEPENDENT AUDITOR'S REPORT



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## TO THE SHAREHOLDERS OF SUMMERSET GROUP HOLDINGS LIMITED

### Report on the Financial Statements

We have audited the financial statements of Summerset Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") on pages 103 to 110, which comprise the statement of financial position of the Group as at 30 June 2011, and the statement of comprehensive income, income statement, statement of changes in equity and statement of cash flows for the six month period then ended of the Group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

Ernst & Young provides taxation advice to the Group. We have no other relationship, or interest in the Group.

### Opinion

In our opinion, the financial statements on pages 103 to 110:

- comply with generally accepted accounting practice in New Zealand as it relates to interim financial statements;
- comply with IAS 34 Interim Financial Reporting; and
- give a true and fair view of the matters to which they relate.

### Report on Other Legal and Regulatory Requirements

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

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

19 August 2011  
Wellington

# INVESTIGATING ACCOUNTANT'S REPORT

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27 September 2011

The Board of Directors  
Summerset Group Holdings Limited  
Level 12, State Insurance Tower  
1 Willis Street  
Wellington  
New Zealand

Dear Directors

## INVESTIGATING ACCOUNTANT'S REPORT ON PROSPECTIVE FINANCIAL INFORMATION

### 1. Introduction

We have prepared this Investigating Accountant's Report (the "Report") on the prospective financial information of Summerset Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for inclusion in the offer document ("Prospectus") to be dated on or about 27 September 2011, and to be issued by the Company and Summerset Group Limited, in respect of the Initial Public Offering of ordinary shares in the Company.

Expressions defined in the Prospectus have the same meaning in this Report.

### 2. Scope

Ernst & Young Transaction Advisory Services has been requested to prepare this Report to cover the prospective financial information.

The prospective financial information as set out on pages 64 to 71 of the Prospectus comprises:

- Consolidated forecast income statements of the Company for the years ending 31 December 2011 and 31 December 2012;
- Consolidated balance sheets of the Company as at 31 December 2011 and 31 December 2012;
- Consolidated forecast cash flow statements of the Company for the years ending 31 December 2011 and 31 December 2012; and
- Notes and assumptions to these consolidated forecast income statements, balance sheets and cash flow statements,

as set out on pages 64 to 71 of the Prospectus.

(Hereafter, the "Prospective Financial Information").

The Prospective Financial Information is based on the assumptions as outlined on pages 68 to 71 of the Prospectus.

We disclaim any assumption of responsibility for any reliance on this Report or on the Prospective Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared. This Report should be read in conjunction with the Prospectus.

### 3. Directors' Responsibility for the Prospective Financial information

The Directors of the Company have prepared and are responsible for the preparation and presentation of the Prospective Financial Information. The Directors are also responsible for the determination of the best estimate assumptions as set out on pages 68 to 71 of the Prospectus.

### 4. Our Responsibility

Our responsibility is to express a conclusion on the Prospective Financial Information based on our review.

We have conducted an independent review of the Prospective Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- a. The Directors' best estimate assumptions do not provide a reasonable basis for the preparation of the Prospective Financial Information;
- b. The Prospective Financial Information was not prepared on the basis of the best estimate assumptions;

- c. The Prospective Financial Information is not presented fairly in accordance with the recognition and measurement principles prescribed in New Zealand Accounting Standards and other mandatory professional reporting requirements in New Zealand, and the accounting policies adopted by the Group disclosed in the annual financial statements of the Group as at and for the 12 months ended 31 December 2010 on pages 75 to 101 of the Prospectus; and
- d. The Prospective Financial Information is unreasonable.

The Prospective Financial Information has been prepared by the Directors to provide investors with a guide to the Company's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Prospective Financial Information. Actual results may vary materially from this Prospective Financial Information and the variation may be materially positive or negative. Accordingly, investors should have regard to the information set out under the heading "What are my risks?" in the *Answers to Important Questions* section of the Prospectus.

Our review of the best estimate assumptions underlying the Prospective Financial Information was conducted in accordance with International Standard on Assurance Engagements (New Zealand) 3000, issued by the Council of the New Zealand Institute of Chartered Accountants, applicable to assurance engagements other than audits or reviews of historical financial information.

Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to form an opinion as to whether anything has come to our attention which causes us to believe that:

- a. The Directors' best estimate assumptions do not provide a reasonable basis for the preparation of the Prospective Financial Information;
- b. The Prospective Financial Information was not prepared on the basis of the best estimate assumptions;
- c. The Prospective Financial Information is not presented fairly in accordance with the recognition and measurement principles prescribed in New Zealand Accounting Standards and other mandatory professional reporting requirements in New Zealand, and the accounting policies adopted by the Group disclosed in the annual financial statements of the Company as at and for the 12 months ended 31 December 2010 on pages 75 to 101 of the Prospectus; and
- d. The Prospective Financial Information is unreasonable.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Prospective Financial Information.

## 5. Review conclusion on Prospective Financial Information

Based on our review of the Prospective Financial Information, which is not an audit, and based on an investigation of the reasonableness of the Directors' best estimate assumptions giving rise to the Prospective Financial Information, nothing has come to our attention which causes us to believe that:

- (a) The Directors' best estimate assumptions do not provide a reasonable basis for the preparation of the Prospective Financial Information;
- (b) The Prospective Financial Information was not prepared on the basis of the best estimate assumptions ;
- (c) The Prospective Financial Information is not presented fairly in accordance with the recognition and measurement principles prescribed in New Zealand Accounting Standards and other mandatory professional reporting requirements in New Zealand, and the accounting policies adopted by the Group disclosed in the annual financial statements of the Group as at and for the 12 months ended 31 December 2010 on pages 75 to 101 of the Prospectus; and
- (d) The Prospective Financial Information is unreasonable.

The best estimate assumptions, set out in pages 68 to 71 of the Prospectus, are subject to significant uncertainties and contingencies often outside the control of the Company and the Directors. If events do not occur as assumed, actual results achieved and distributions provided by the Company may vary significantly from the Prospective Financial Information. Accordingly, we do not confirm or guarantee the achievement of the Prospective Financial Information, as future events, by their very nature, are not capable of independent substantiation.

## 6. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services Limited does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Ernst & Young provides audit and other advisory services to the Company, and Ernst & Young Transaction Advisory Services will receive a professional fee for the preparation of this Report.

Yours faithfully

Ernst & Young Transaction Advisory Services Limited



Gareth Galloway  
Director and Representative

# STATUTORY AUDITOR'S REPORT

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27 September 2011

The Directors  
Summerset Group Holdings Limited and Summerset Group Limited  
PO Box 5187  
Lambton Quay  
Wellington 6145

Dear Directors

This report is issued in respect of the public offer by Summerset Group Limited (the "Offeror") of ordinary shares in Summerset Group Holdings Limited (the "Company") in terms of the prospectus dated 27 September 2011.

This report is made solely to the directors of the Offeror and the Company (the "directors"), in accordance with clause 28 of Schedule 1 to the Securities Regulations 2009 ("Schedule 1"). Our work has been undertaken so that we might state to the directors those matters we are required to state to them in a report from the auditor and for no other purpose. To the fullest extent permitted by law and subject to Section 61 of the Securities Act 1978, we do not accept or assume responsibility to anyone other than the directors for this report, or for the opinions we have formed.

## Directors' Responsibilities

The directors are responsible for the preparation and presentation of:

- (a) financial statements as required by clause 23 of Schedule 1. The financial statements provide information about the past financial performance and cash flows of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 and the Group's financial position as at that date;
- (b) interim financial statements as per clause 24 of Schedule 1 for the period ended 30 June 2011;
- (c) the summary of financial statements of the Group for the periods ended 31 December 2006, 2007, 2008, 2009, 2010 and 30 June 2011 as required by clause 9 of Schedule 1;
- (d) the prospective financial information of the Group for the years ending 31 December 2011 and 31 December 2012, including the assumptions on which the prospective financial information is based, as required by clause 11 of Schedule 1.

## Auditor's Responsibilities

We are responsible for:

- (a) expressing an independent opinion on the financial statements of the Group as at 31 December 2010 and for the year ended on that date, prepared and presented by the directors, and reporting our opinion in accordance with clause 28(1) of Schedule 1;
- (b) expressing an independent opinion on the interim financial statements of the Group as at 30 June 2011 and for the period ended on that date, prepared and presented by the directors;
- (c) reporting, in accordance with clause 28(1)(h) of Schedule 1, on the amounts included in the summary of financial statements; and
- (d) reporting, in accordance with clause 28(2) of Schedule 1, on the prospective financial information for the years ending 31 December 2011 and 31 December 2012.

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clause 28 of Schedule 1. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the financial statements, the summary of financial statements and the prospective financial information for any purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not mentioned in this report.

Ernst & Young and its related entities provide taxation and transaction advisory services to the Group.



## Basis of Opinion

Our audit of financial statements for the year ended 31 December 2010 and the interim financial statements for the period ended 30 June 2011 included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also included assessing:

- (a) the significant estimates and judgements made by the directors in the preparation of the financial statements and the interim financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We have conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and interim financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements and the interim financial statements.

We have also undertaken procedures to provide reasonable assurance that the amounts in the summary of financial statements, pursuant to clause 9 of Schedule 1, have been correctly taken from audited financial statements.

In addition, we have examined the prospective financial information to confirm that, so far as the accounting policies and calculations are concerned, they have been properly compiled on the footing of the assumptions made or adopted by the directors of the Group and are presented on a basis consistent with the accounting policies normally adopted by the Group. The assumptions relate to future events. However, we are not in a position to, and do not express an opinion on, these assumptions on a stand-alone basis.

## Unqualified Opinion

We have obtained all the information and explanations we have required.

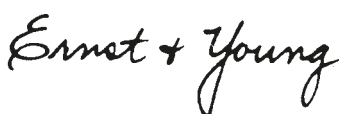
In our opinion:

- (a) proper accounting records have been kept by the Group as far as appears from our examination of those records;
- (b) the financial statements on pages 75 to 101 that are provided pursuant to clause 23 of Schedule 1, and that are required to be audited:
  - (i) subject to the Securities Regulations 2009, comply with generally accepted accounting practice in New Zealand; and
  - (ii) give a true and fair view of the matters to which they relate;
- (c) the interim financial statements on pages 103 to 110:
  - (i) comply with generally accepted accounting practice in New Zealand as it relates to interim financial statements; and
  - (ii) give a true and fair view of the matters to which they relate;
- (d) the amounts in the summary of financial statements, on pages 117 and 118, pursuant to clause 9 of Schedule 1, have been correctly taken from audited financial statements of the Group for the periods ended 31 December 2006, 2007, 2008, 2009, 2010 and 30 June 2011; and
- (e) the prospective financial information on pages 64 to 67, so far as the accounting policies and calculations are concerned, has been properly compiled on the footing of the assumptions made or adopted by the Directors of the Company set out on pages 68 to 71 of this prospectus and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Actual results are likely to be different from the prospective financial information since anticipated events frequently do not occur as expected and the variation could be material. Accordingly we express no opinion as to whether results consistent with the prospective financial information will be achieved.

We completed our work for the purposes of this report on 27 September 2011 and our unqualified opinion is expressed as at that date.

Yours faithfully

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Ernst & Young

## FIVE YEAR SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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Summary consolidated financial statements for Summerset and its subsidiaries, as required by clause 9 of Schedule 1 of the Securities Regulations 2009, are set out below.

The summary financial statements comply with FRS-43 Summary Financial Statements, subject to the exemptions in clause 9(4) of Schedule 1 of the Securities Regulations 2009, whereby the summary financial statements are not required to include:

- a comparison of, and explanations for major variances between, prospective and historical financial statements;
- events occurring after the balance date of a period; and
- comparative information for any period before the earliest period presented in the summary financial statements.

In all other respects, the summary financial statements comply with FRS-43.

The summary financial statements have been authorised for issue by a resolution of Directors dated 26 September 2011. The Directors have authorised the issue of full financial statements on the following dates:

Six months ended 30 June 2011 – 19 August 2011

Year ended 31 December 2010 – 27 April 2011

Year ended 31 December 2009 – 13 May 2010

Year ended 31 December 2008 – 27 March 2009

Year ended 31 December 2007 – 5 February 2008

Year ended 31 December 2006 – 31 May 2007

The amounts in the summary financial statements are taken from the financial statements for each period that complied with and were registered under the Financial Reporting Act 1993, except in the case of the financial statements for the six months ended 30 June 2011 which comply with the Financial Reporting Act 1993 but which are not required to be registered. The full financial statements for the period ended 31 December 2006 were issued in the name of AMP Capital NZ Retirement Properties Limited, the full financial statements for the period ended 31 December 2007 were issued in the name of AMP Capital Retirement Properties Limited, the full financial statements for the periods ended 31 December 2009, 31 December 2010 and 30 June 2011 were issued in the name of Summerset Group Holdings Limited, subsequent to name changes to AMP Capital Retirement Properties Limited on 17 January 2008, AMP Capital Retirement Limited on 1 April 2008 and Summerset Group Holdings Limited on 17 April 2009.

Summary financial statements cannot be expected to provide as complete an understanding as that provided by full financial statements. A copy of Summerset's full financial statements for the years ending 31 December 2006, 2007, 2008, 2009 and 2010 and related audit reports can be obtained from its file held at the Companies Office, [www.business.govt.nz/companies](http://www.business.govt.nz/companies). Summerset's financial statements and related audit report for the year ending 31 December 2010 and for the six months ended 30 June 2011 are set out on pages 75 to 111 of this Offer Document and can be obtained at [www.summerset.co.nz](http://www.summerset.co.nz).

The consolidated financial statements of Summerset for each period shown in the summary financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (as appropriate to a profit-oriented entity), which includes New Zealand equivalents to International Financial Reporting Standards. The Company has made explicit and unreserved statements of compliance with IFRS in the financial statements for each period shown in the summary financial statements.

The full financial statements have been audited and unqualified audit opinions received for each of the full financial statements.

The financial statements are prepared in New Zealand dollars and all values are rounded to the nearest thousand dollars unless otherwise stated.

## STATEMENT OF COMPREHENSIVE INCOME

CURRENCY: NZ\$000	YEAR ENDED 31 DECEMBER					6 MONTHS TO 30 JUNE 2011
	2006	2007	2008	2009	2010	
Revenue	17,195	22,280	23,314	24,629	34,205	16,184
Operating profit/(loss) before financing costs	(42,089)	30,269	26,248	6,880	7,457	1,738
Financing costs	(8,369)	(11,372)	(13,953)	(6,758)	(3,410)	(2,761)
Profit/(loss) before tax	(50,097)	18,897	12,295	122	4,047	(1,023)
Income tax expense	(6,516)	(6,656)	21,371	264	(5,947)	(139)
Profit/(loss) for the period	(56,613)	12,241	33,666	386	(1,900)	(1,162)
Other comprehensive income	-	-	-	919	-	(304)
Income tax on items of other comprehensive income	-	-	-	(276)	62	85
Total comprehensive income for the period	(56,613)	12,241	33,666	1,029	(1,838)	(1,381)

## STATEMENT OF FINANCIAL POSITION

CURRENCY: NZ\$000	AS AT 31 DECEMBER					AS AT 30 JUNE 2011
	2006	2007	2008	2009	2010	
<b>ASSETS</b>						
Cash and cash equivalents	5,949	5,865	3,017	1,959	4,762	5,399
Other assets	1,901	6,045	5,115	6,239	5,313	8,178
Property, plant and equipment	44,935	48,023	82,556	31,233	31,061	30,995
Intangible assets	229	245	248	248	324	213
Investment properties	241,075	302,727	366,994	460,841	495,766	501,936
<b>Total assets</b>	<b>294,089</b>	<b>362,905</b>	<b>457,930</b>	<b>500,520</b>	<b>537,226</b>	<b>546,721</b>
<b>LIABILITIES</b>						
Other liabilities	6,434	10,121	15,115	9,028	15,929	14,632
Unamortised deferred management fee liability	14,058	9,484	5,307	2,281	622	180
Interest-bearing loans and borrowings	134,353	150,271	211,110	115,372	100,213	97,623
Residents' loans	116,608	148,183	169,686	206,474	231,801	246,952
Deferred tax liability	28,549	35,849	14,478	8,323	14,208	14,262
<b>Total liabilities</b>	<b>300,002</b>	<b>353,908</b>	<b>415,696</b>	<b>341,478</b>	<b>362,773</b>	<b>373,649</b>
<b>Total equity</b>	<b>(5,913)</b>	<b>8,997</b>	<b>42,234</b>	<b>159,042</b>	<b>174,453</b>	<b>173,072</b>

## STATEMENT OF CHANGES IN EQUITY

CURRENCY: NZ\$000	YEAR ENDED 31 DECEMBER					6 MONTHS ENDED 30 JUNE 2011
	2006	2007	2008	2009	2010	
Opening equity	-	(5,913)	8,997	43,301	159,042	174,453
Comprehensive income for the period	(56,613)	14,910	33,666	1,029	(1,838)	(1,381)
Shares issued	50,700	-	-	114,712	17,249	-
Shares cancelled	-	-	(429)	-	-	-
<b>Total equity</b>	<b>(5,913)</b>	<b>8,997</b>	<b>42,234</b>	<b>159,042</b>	<b>174,453</b>	<b>173,072</b>
<b>Represented by:</b>						
Share capital	50,700	50,700	50,271	164,983	182,232	182,232
Interest rate swap reserve	-	-	-	-	-	(219)
Revaluation reserve	-	2,669	2,669	3,312	3,374	3,374
Maintenance reserve	312	763	795	1,622	1,217	1,235
Retained earnings	(56,925)	(45,135)	(11,501)	(10,875)	(12,370)	(13,550)
	(5,913)	8,997	42,234	159,042	174,453	173,072

## STATEMENT OF CASH FLOWS

CURRENCY: NZ\$000	YEAR ENDED 31 DECEMBER					6 MONTHS TO 30 JUNE 2011
	2006	2007	2008	2009	2010	
Net cash inflow from operating activities	15,894	24,886	15,865	30,926	38,881	14,049
Net cash outflow from investing activities	(141,776)	(29,572)	(59,907)	(40,622)	(34,454)	(10,052)
Net cash inflow from financing activities	131,831	4,546	41,250	8,638	(1,624)	(3,360)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,949</b>	<b>(140)</b>	<b>(2,792)</b>	<b>(1,058)</b>	<b>2,803</b>	<b>637</b>



# ANSWERS TO IMPORTANT QUESTIONS



# ANSWERS TO IMPORTANT QUESTIONS

## WHAT SORT OF INVESTMENT IS THIS?

### DESCRIPTION OF SECURITIES

Summerset Group Limited (the *Offeror*) is offering 83.0 million to 89.5 million ordinary Shares (based on the Indicative Price Range and the Selling Shareholders selling down their current shareholdings as set out in the *Details of the Offer* section of this Offer Document – this represents the theoretical minimum and maximum number of Offer Shares, see footnote 4 for further details) in Summerset Group Holdings Limited (*Summerset*) (being the Offer Shares) under this Offer Document. The Offer Shares comprise:

- 31.3 million to 35.7 million new ordinary shares (based on the Indicative Price Range) in Summerset to be issued to the Offeror by Summerset on or before the Allotment Date; and
- 51.8 million to 53.8 million ordinary shares in Summerset currently held by the Selling Shareholders which will be acquired by the Offeror.

123.5 million to 125.5 million existing Shares will be retained by the Selling Shareholders following completion of the Offer (based on the Indicative Price Range and the Selling Shareholders selling down their current shareholdings as set out in the *Details of the Offer* section of this Offer Document). The terms of the Offer Shares will be identical to the terms of the existing Shares and the Offer Shares will rank equally in all respects with the existing Shares.

Each Share (whether an Offer Share or an existing Share) gives the holder the right to:

- Attend and vote at a meeting of Shareholders, including the right to cast one vote per Share on a poll on any resolution, such as a resolution to:
  - appoint or remove a Director or auditor;
  - adopt, revoke or alter the Constitution;
  - approve a major transaction (as that term is defined in the Companies Act);
  - approve the amalgamation of Summerset under section 221 of the Companies Act; or
  - place Summerset in liquidation.
- Receive an equal share in any distribution, including dividends, if any, authorised by the Board and declared and paid by Summerset in respect of that Share.
- Receive an equal share with other Shareholders in the distribution of surplus assets in any liquidation of Summerset.
- Be sent certain information, including notices of meeting and company reports sent to Shareholders generally.
- Exercise the other rights conferred upon a Shareholder by the Companies Act and the Constitution.

Further information about the Offer is set out in the *Details of the Offer* section of this Offer Document.

### NZSX LISTING

Application has been made to NZX for permission to list Summerset and to quote the Shares on the NZSX, and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document. The NZSX is a registered market operated by NZX, which is a registered exchange, regulated under the Securities Markets Act.

Initial quotation of the Shares on the NZSX is anticipated to occur on or about 1 November 2011 under the symbol 'SUM'.

While Summerset is listed, its Constitution is deemed to incorporate all provisions of the Listing Rules required to be contained or incorporated in a listed company constitution. For so long as the Shares are quoted on the NZSX, Summerset must comply with the Listing Rules as amended from time to time.

## WHO IS INVOLVED IN PROVIDING IT FOR ME?

### ISSUERS

Summerset Group Holdings Limited is the issuer of the Offer Shares. Summerset can be contacted at its registered office as set out in the *Directory*.

Summerset Group Limited is the offeror of the Offer Shares. The Offeror can be contacted at its registered office as set out in the *Directory*.

The directors of both Summerset and the Offeror as at the date of this Offer Document are Norah Kathleen Barlow, Marcus Lopez Darville, Christopher Andrew Hadley, Robert James Campbell and James Harold Ogden.

### PROMOTERS

QPE Funds Management Pty Limited is a promoter of the Offer. It can be contacted at its registered office as set out in the *Directory*.

The directors of QPE Funds Management Pty Limited as at the date of this Offer Document are Christopher Andrew Hadley, George Emanuel Penklis and Andrew Alan Gilman. Each director of QPE Funds Management Pty Limited is also deemed to be a promoter of the Offer (except for Christopher Andrew Hadley, who is not a promoter because he is also a director of each of the Issuers).

The names of the directors of the Issuers and QPE Funds Management Pty Limited set out above, and the registered address of the Issuers and QPE Funds Management Pty Limited set out in the *Directory*, may change after the date of this Offer Document. The names of the current directors and registered address of the Issuers can be found at any time by searching the public register maintained by the Companies Office of the Ministry of Economic Development on its website [www.business.govt.nz/companies](http://www.business.govt.nz/companies) (no fee is payable to obtain this information). The names of the current directors and registered address of QPE Funds Management Pty Limited can be found at any time by searching the register of companies maintained by the Australian Securities and Investments Commission at [www.asic.gov.au](http://www.asic.gov.au) (a fee is payable to obtain this information).

### ACTIVITIES

The principal activity of Summerset is to act as a holding company for the Summerset Group since its incorporation. The principal activity of the Summerset Group is developing and operating retirement villages and aged care facilities in New Zealand. The Summerset Group has been carrying out these activities for approximately 14 years. Further information in respect of the business activities of the Summerset Group is contained in the *Overview of Summerset* section of this Offer Document.

## HOW MUCH DO I PAY?

Applications to subscribe for Offer Shares must be made on the Application Form in accordance with the instructions set out below and in the *Application Instructions* section of this Offer Document. Applications under the Broker Firm Offer must be made for a minimum amount of 2,500 Offer Shares, and thereafter in multiples of 500 Offer Shares. Applications under the Resident and Employee Pool must be made for a minimum amount of 1,000 Offer Shares, and thereafter in multiples of 500 Offer Shares. The maximum amount of Offer Shares that can be applied for by each Summerset employee or Village resident under the Resident and Employee Pool is 25,000 Offer Shares. There is no maximum amount that can be applied for under the Broker Firm Offer or the Institutional Offer.

The amount you will pay for your Offer Shares is the Final Price multiplied by the number of Offer Shares you have applied for. On 6 to 7 October 2011, the Joint Bookrunners will undertake a bookbuild process inviting NZX Firms and selected Institutional Investors in New Zealand, Australia and certain other overseas jurisdictions to lodge bids indicating the number of Offer Shares they wish to apply for at a range of prices. This bookbuild process will be used to assist the Issuers to determine the Final Price.

The Final Price is expected to be announced and posted on Summerset's website [www.summerset.co.nz](http://www.summerset.co.nz) and under Summerset's stockcode 'SUM' on [www.nzx.com](http://www.nzx.com) on or about 7 October 2011. Further information in respect of the determination of the Final Price is set out in the *Details of the Offer* section of this Offer Document.

Applications must be accompanied by payment in full for the total number of Offer Shares applied for at the Final Price. Cheques for New Zealand dollar payments must be drawn on a registered New Zealand bank, must be crossed "Not Transferable" and should be made payable to "Summerset Share Offer".

Applicants under the Resident and Employee Pool should send their Applications to the Share Registrar at the address set out in the *Directory* by 5.00pm on the Resident and Employee Pool Closing Date (19 October 2011, unless altered).

Applicants under the Broker Firm Offer should send their Applications to their broker in time to enable forwarding to the Share Registrar by 5.00pm on the Closing Date (26 October 2011, unless altered).

Applications may also be made to Summerset, any NZX Firm, the Joint Lead Managers or any other channel approved by NZX so as to be received in time to enable forwarding to the Share Registrar by 5.00pm on the Resident and Employee Pool Closing Date or the Closing Date (as applicable).

Further information on how to apply for Offer Shares is set out in the *Application Instructions* section of this Offer Document.

## WHAT ARE THE CHARGES?

Applicants are not required to pay any charges to the Issuers or the Promoters in relation to the Offer, other than the Final Price for each Offer Share allocated to them.

Shares purchased or sold on the NZSX are likely to attract normal brokerage fees and charges.

Summerset will pay approximately \$1.8 million of the costs associated with the Offer, with the balance being paid by Selling Shareholders.

Summerset will pay a brokerage fee of 1.75% for successful Applications received pursuant to firm allocations under the Broker Firm Offer.

## WHAT RETURNS WILL I GET?

### SHARES

Returns on Shares may be by way of capital appreciation (although the market price of the Shares may also decline) and any dividends paid and other distributions made in respect of the Shares.

The key factors that determine the returns are:

- the market price for Shares;
- the Board's decisions in relation to dividends and other distributions;
- the Summerset Group's financial performance;
- applicable taxes; and
- reserves and retentions.

No returns on Shares are quantifiable or enforceable by investors as at the date of this Offer Document. Nothing in this Offer Document should be construed as a promise of profitability, and neither the Issuers nor any other person gives any guarantee or promise as to the return of capital or the amount of any returns (including dividends and other distributions) in relation to the Shares. The amount of any returns will depend on a number of factors, including those set out under the heading "What are my risks?" below. The factors described under that heading could reduce or eliminate the distributions or other returns intended to be derived from holding Shares.

### DIVIDEND POLICY

Summerset's dividend policy is to distribute between 30% and 50% of Underlying Profit.

Summerset intends to pay a first dividend of \$4.3 million in respect of FY 2012. No dividend will be paid in respect of FY 2011.

Despite the intentions set out above, no guarantee can be given about the level or payment of dividends, the level of imputation of such dividends or the payout ratios as these matters depend upon the future profits of Summerset and its financial and taxation position at that time.

The dates on which, or the frequency with which, returns on Shares will be due and paid are unknown.

Summerset is the entity legally liable to pay any dividends or other distributions declared or made on the Shares.

### SALE OF SHARES

Shareholders may benefit from any increase in the market price of their Shares. The price of the Shares may rise or fall due to numerous factors, including:

- general economic conditions, including inflation rates and interest rates;
- variations in the local and global market for listed stocks, in general, or for stocks in the industry in which Summerset operates;
- changes to government policy, legislation or regulation;
- the inclusion or removal of the Shares from major market indices;
- the nature of the competition in the markets in which the Summerset Group operates; and
- the Summerset Group's general operational and business performance and profitability risks affecting the Summerset Group's business.

No assurances can be made that Summerset's market performance will not be adversely affected by any such market fluctuations or any of the above factors. Neither the Issuers, nor any of their directors, officers, employees, consultants, agents, partners or advisers guarantees the Shares or Summerset's market or financial performance.

There can be no guarantee that an active market in the Shares will develop or that the market price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on the NZSX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid for them.

If you sell any of your Shares, the purchaser of those Shares will be legally liable to pay you the sale price of those Shares.

### TAXATION IMPLICATIONS ON RETURNS

The following comments relate only to New Zealand tax implications for New Zealand tax resident investors and are of a general nature. They are based on tax legislation and interpretations current at the date of this Offer Document and are not intended to deal with all relevant considerations for individual investors, or future tax legislation, case law and interpretation changes.

Prospective investors must seek their own taxation advice in relation to their taxation position.

#### Sale or disposal of shares

Although New Zealand does not have a capital gains tax, there are instances where gains realised on the sale or disposal of shares will be taxable. Consequently, each New Zealand tax resident investor will be required to consider their individual circumstances to determine whether any gain on disposal will be taxable.

##### Capital account investors

An investor who holds shares on capital account should have no income tax liability on the sale or disposal of the shares.

##### Revenue account investors

Generally, an investor will be subject to tax on any profit arising from the disposal of shares where:

- The investor is in the business of dealing in shares; or
- The shares were purchased for the purpose of resale; or
- The shares were acquired as part of a profit making undertaking or scheme; or
- The shares are otherwise held on revenue account.

The taxable gain (or tax deductible loss) for an investor will be the difference between the cost of acquiring the shares and the market value of the consideration received for their disposal.

Portfolio Investment Entities that hold shares in Summerset will be an exception to the general rules. Any gains or losses realised by a Portfolio Investment Entity on New Zealand shares will not be subject to tax, subject to complying with the relevant requirements.

For completeness, as there is no stamp duty in New Zealand, neither the disposal nor acquisition of shares will attract stamp duty in New Zealand.

#### Dividends on shares

Dividends received by New Zealand tax resident investors will generally be included in their taxable income.

New Zealand operates a full imputation system of company taxation. Under the dividend imputation system, corporate income tax paid by Summerset gives rise to credits (known as imputation credits) which can be attached to dividends paid by Summerset. Imputation credits can be used by New Zealand tax resident investors to offset their income tax liabilities on those dividends.

Dividends paid to New Zealand tax resident investors will ordinarily be subject to resident withholding tax. Resident withholding tax at 33% will be reduced to the extent that dividends are imputed. The resident withholding tax deducted at source should be available as a credit against investors' income tax liabilities.

A deduction for resident withholding tax on dividends will not be made where the recipient of the payment holds and produces a current certificate of exemption or where one of the other exemptions specified in the Income Tax Act 2007 applies.

### WHAT ARE MY RISKS?

No investment is risk free and the Shares are no exception. Before investing, prospective investors should carefully consider the following risk factors and their ability to withstand loss on their investment.

The principal risk to investors is that they may not be able to recoup their original investment or they may not receive the returns they expect. This could happen for a number of reasons, including that:

- The price at which the investors are able to sell their Shares is less than the price paid for them.
- Investors are unable to sell their Shares at all – for instance, because the market for them does not develop, becomes illiquid or ceases to exist.
- Summerset does not pay dividends.
- The operational and financial performance of the Summerset Group is worse than expected.
- Summerset becomes insolvent and is placed in receivership or liquidation.

The Offer Shares will be fully paid ordinary shares and Shareholders will have no liability to make any further payments in respect of their Shares.

If the Summerset Group's operational and financial performance is worse than investors expect, the future market price of the Shares may be less than the price paid for them and returns on the Shares may be less than anticipated.

Investors should be aware that there is no guarantee that they will receive the returns described under the heading "What returns will I get?" above.

If Summerset is placed in liquidation, the residual value of Summerset's assets may not be sufficient for Shareholders to receive the full value of their original investment (or there may be no residual value at all).



Some of the principal risk factors which may affect the ability of investors to recoup their initial investment and Summerset's share price performance are detailed in this section. These risk factors are not the only ones faced by Summerset. There may be additional risk factors that Summerset is currently unaware of, or that Summerset currently deems immaterial but which may subsequently become key risk factors for Summerset. You should consider these risk factors in conjunction with the other information in this Offer Document.

The risk factors described below necessarily include forward looking statements. Actual events may be materially different to those described below and may therefore affect Summerset in a different and/or more material way.

## GENERAL INVESTMENT RISKS

### Economic risk

Like any other investment, returns from an investment in the Shares are influenced by the level of economic activity, for example, a contraction in the New Zealand or global economy may impact upon the performance of the Summerset Group by reducing or increasing resident interest in the Villages, and affecting costs and other underlying real estate fundamentals.

### Legal or regulatory risk

Investments may be adversely affected by legal and regulatory changes or requirements, and actions pursuant to such requirements, especially resource management, building, local government, and other planning related legislation and regulations. Potential changes to existing laws or the introduction of new laws could result in increased compliance costs and obligations.

Failure to comply with applicable legislation or regulation can also result in fines, injunctions, penalties, requirements for remedial works, total or partial suspension of regulatory approvals or other sanctions that may have an adverse effect on the particular investment.

There is also the possibility of future litigation that could adversely affect the Summerset Group's financial performance.

### Taxation risks

A change to the existing rate of company income tax will impact on Shareholder returns, as will a change to the tax on Shareholders. Any other changes to New Zealand tax law and practice which impact the Summerset Group or the retirement village and aged care industry could also have an effect on Shareholder returns.

### Catastrophic events

Insured or uninsured catastrophic events such as acts of God, fires, floods, earthquakes, widespread health emergencies, pandemics, epidemics, wars and strikes could affect the value of the Summerset Group's properties and the conduct of its business activities. Some events of this type are uninsurable. To the extent they do occur, there may be adverse effects on the Summerset Group's business and its financial performance.

### Forward looking statements

Certain statements in this Offer Document, including the prospective financial information set out in the *Financial Information* section of this Offer Document, constitute forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of Summerset to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward looking statements. In addition, under no circumstances should the inclusion of forward looking statements be regarded as a representation or warranty by the Issuers or any other person referred to in this Offer Document, with respect to the achievement of the results set out in any such statement, or that the underlying assumption used will in fact be the case. The Issuers disclaim any responsibility to update any such risk factors or publicly announce the result of any revisions to any of the forward looking statements contained in this Offer Document to reflect developments or events, other than where it is required to do so by the Securities Act, Securities Regulations or, in the case of Summerset, the Listing Rules.

## SUMMERSET SPECIFIC RISKS

### Fair value adjustments

The Summerset Group's future financial performance is impacted by the amount of the fair value adjustment attributed to its properties each year. A change in property market conditions or a change to the valuation methodology or valuation inputs that Summerset's property valuer uses to value Summerset's properties could result in a material reduction in the amount of the fair value adjustment each year which, in turn, would impact on the Summerset Group's future financial performance.

### Property market risk

The value of, and returns from, the Summerset Group's property assets may fluctuate depending on property market conditions, including property prices. The demand for property, including the Summerset Group's Retirement Units, changes over time and can be influenced by general economic factors such as interest rates and social factors such as population demographics.

As incoming retirement village residents typically move into a retirement village following the sale of their family home, there is a risk that a downturn in the property market may limit potential residents' ability to relocate into a Village. Specifically, such a downturn may affect the ability of potential incoming residents to sell their own homes or sell them at prices which allow them to purchase ORAs. The effect of this on the Summerset Group may be a reduction in the price at which sales and resales of ORAs are made and an increased timeframe to complete sales.

### Land acquisition and future growth

The Summerset Group has four Villages under development, three greenfield sites for future development, and intends to maintain a landbank sufficient to maintain five years of development. Future growth is, however, dependent on many factors outside the Summerset Group's control. In addition, the Summerset Group's ability to meet its growth targets is dependent on its ability to acquire attractive sites for the development of new Villages. The success of the Summerset Group will also be dependent on its ability to identify, select and, if necessary, dispose of properties at the appropriate time. There is no assurance that the Summerset Group will secure suitable developments and acquisitions to drive future growth.

### **Overseas Investment Act**

Summerset is an "overseas person" (as defined in the Overseas Investment Act) by virtue of the Quadrant Shareholders' current shareholding in Summerset. Following completion of the Offer, Summerset will remain an "overseas person" for so long as the Quadrant Shareholders and/or any other "overseas person" continue to hold 25% or more of the Shares. Accordingly, Summerset's acquisition of certain New Zealand assets (including in particular certain land deemed "sensitive" by the Overseas Investment Act) requires consent under the Overseas Investment Act. The criteria used to assess consent applications may change or Summerset may not be granted consent for future acquisitions. However, as at the date of this Offer Document, Summerset has not been declined consent for any application submitted under the Overseas Investment Act.

### **Construction and property development risk**

The Summerset Group faces construction and property development risks when developing new Villages, including:

- construction risk arising from unexpected cost increases, quality issues and delays in the completion of its developments (including due to inclement weather);
- default risk arising from participants in the development process, including construction contractors, defaulting in the performance of their respective obligations;
- marketing risk arising from changing market conditions or sentiment affecting property prices, investor interest in the Summerset Group's residential offerings and payment expectations for and in respect of ORAs;
- industrial relations risk affecting construction progress; and
- the internalisation of development capabilities may not result in the advantages that Summerset expects will be achieved.

All of these may impact on the Summerset Group's ability to meet its growth targets and its financial performance.

In addition, poor site selection may result in the Summerset Group developing a Village at a site that is not attractive to potential residents. Again, this could impact on the Summerset Group's financial performance.

### **Interest rate risk**

Adverse movements in interest rates may affect the Summerset Group's cost of funds for the development of new Villages and, therefore, its ability to complete such developments at an acceptable cost.

### **Key employee risk**

The loss of any of the key members of the Summerset Group's management team could adversely affect the ability of the Summerset Group to identify appropriate future developments, deliver current developments and manage and market its Villages. This could adversely impact on the Summerset Group's financial performance.

### **Labour market risk**

The Summerset Group's business is dependent on a specialised workforce. Any disputes with staff, including the possibility of prolonged industrial action amongst the Summerset Group's employees, may impact on the performance of the business including cash flows, customer service and business reputation. To date, the Summerset Group has not experienced labour disputes that have materially affected its performance.

In addition, the Summerset Group may be adversely affected by increases in employment costs which it is unable to pass on to residents or otherwise recover and/or difficulties in attracting or retaining appropriately skilled personnel to perform services at its Villages. In particular, the industry generally faces staff shortages in key areas such as nurses and other skilled staff. An inability to attract or retain skilled staff could also adversely impact on the Summerset Group's future performance.

### **Competition risks**

The industry in which the Summerset Group operates is relatively fragmented and is expected to remain competitive. Increased competition to levels not currently encountered or anticipated could result in, among other things, the Summerset Group experiencing lower occupancy rates than anticipated, price reductions, reduced operating margins and a loss of market share. Any of these occurrences could adversely affect the Summerset Group's financial performance. There is no assurance that the Summerset Group will be able to compete successfully in the future against current or future competitors.

There is also the possibility of a competitor introducing new technology or products into the market or of a competitor following an aggressive pricing strategy, thereby undermining the effectiveness and/or profitability of the Summerset Group.

### **Reputation risk**

The Summerset Group operates in a commercially sensitive market where its performance could be adversely impacted should it, or the industry in general, suffer from any adverse publicity (in particular, reports of inappropriate care of residents, health or safety issues affecting residents or poor maintenance of, or delivery of services at, the Summerset Group's Villages).

### **Fiscal Risk**

The Summerset Group receives substantial revenues from Government sources for the provision of health care services and most of its residents receive Superannuation payments from the Government. A change in eligibility criteria, funding policy or the annual increase in relevant Government subsidies or Superannuation being less than increases in costs could adversely impact on the Summerset Group's financial performance.

### **Sales and occupancy risk**

In the ordinary course of its business, Summerset faces the risk that sales and occupancy levels may remain static or fall below expectations. The Summerset Group's financial performance could be adversely affected as its borrowing and operational costs may increase while income from its residents will reduce if:

- the number of sales of ORAs for new Retirement Units and resales of existing Retirement Units is lower than expected;
- sale prices of ORAs are lower than expected;
- occupancy at Summerset's Villages is lower than expected impacting the amount of fixed costs recovered; and
- turnover (being the proportion of residents who leave a Village in any one financial year) is lower than anticipated.

### Financing risk

The Summerset Group may require additional funding or working capital in the future to pursue its growth plans. Given the nature of the Summerset Group's revenue profile and the potentially capital intensive nature of its business, there is no assurance that any such additional capital or funding will be available on favourable terms or at all. If adequate funds are not available, the Summerset Group may not be able to achieve its growth targets or respond to competitive pressures.

In addition, bad debts or delays in customers making payments may impact on the financial performance of Summerset.

### Insurance risk

Any material deterioration in the Summerset Group's safety performance or in insurance markets generally, could have a corresponding negative impact on the Summerset Group. In particular, the Summerset Group may be unable to secure insurance to cover satisfactorily all anticipated risk or the cost of insurance may increase above anticipated levels.

### Information technology risk

Any failure of information systems, fraud, business continuity planning and data integrity risk could affect the Summerset Group's operations.

### Registration

The Summerset Group is required by the Retirement Villages Act to maintain registration of each of its Villages with the Registrar of Retirement Villages. As at the date of this Offer Document, each Village is registered with the Registrar of Retirement Villages. In order to maintain registration, the Summerset Group must comply with certain disclosure standards and minimum requirements for retirement villages in New Zealand. Suspension or cancellation of registration of a Village by the Registrar of Retirement Villages would result in the Summerset Group no longer being able to offer retirement village facilities at that Village, which would have a material impact on the Summerset Group's financial performance.

### Certification

The Summerset Group must continue to meet the requirements of the Health and Disability Services (Safety) Act and be certified under it in order to provide health care services at its Villages. As at the date of this Offer Document, all of the Villages at which such services are provided are currently certified. Summerset must also be party to an ARRC Contract with the relevant DHB for each of its Villages that provides care services. Loss of certification, or termination of an ARRC Contract, would result in the Summerset Group no longer being able to provide residential aged care services to residents at the relevant Village. Accordingly, loss of certification or termination of an ARRC Contract would have a material impact on the Summerset Group's financial performance.

### Regulatory changes

The New Zealand retirement village and aged care industry is highly regulated. Future regulatory change for the industry may have an adverse impact on the Summerset Group and the way it promotes, manages and operates its Villages. In addition, other participants in the industry may, through their actions and business practices, cause future regulatory changes to be made which have an adverse impact on the Summerset Group's financial performance.

### Treaty of Waitangi

The titles to some of the properties on which Summerset's Taupo and Wanganui Villages are located are subject to memorials under section 27B of the State-Owned Enterprises Act 1986. These memorials allow for the Crown to resume ownership of the properties to meet a claim over the land under the Treaty of Waitangi Act 1975. If this occurred, the Crown would be required to pay full compensation to the Summerset Group. To date, the Crown has principally met Treaty claims by paying money and transferring Crown owned land and other Crown assets to claimants rather than resuming ownership of privately owned land and transferring that land to claimants.

## GENERAL MARKET RISKS

Prior to this Offer, there has been no public market for the Shares. There can be no assurance that an active trading market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the NZSX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares.

Factors such as changes in the New Zealand or international regulatory environment (including for accounting), New Zealand and international equity markets, New Zealand dollar and foreign currency movements and the New Zealand and global economy, could cause the market price of the Shares to fluctuate. These fluctuations may adversely affect the market price of the Shares after the Offer.

The market prices of stocks are, historically, particularly volatile, including in response to changes in stock markets, or the economy, generally.

## CONSEQUENCES OF INSOLVENCY

Shareholders will not be liable to pay any money to any person as a result of the insolvency of Summerset. All creditors (secured and unsecured) of Summerset will rank ahead of Shareholder claims if Summerset is liquidated. After all such creditors have been paid, any remaining assets will be available for distribution between all holders of Shares who will rank equally amongst themselves. There may not be sufficient surplus assets to enable Shareholders to recover all or any of their investment.

## CAN THE INVESTMENT BE ALTERED?

The full terms of the Offer, including the amounts payable on Application, are set out in the *Details of the Offer* section of this Offer Document.

Those terms may be altered by the Issuers by filing an amendment to the Offer Document with the Registrar of Financial Service Providers. However, those terms cannot be altered without an Applicant's consent after an Application has been accepted and Offer Shares allotted to the Applicant.

As at the date of this Offer Document, the Final Price has not yet been set. The Final Price will be set by the Issuers. Once set, the Final Price cannot be altered. Further information about how the Final Price will be determined is set out in the *Details of the Offer* section of this Offer Document.

The rights attaching to Shares are governed by the Constitution, the Companies Act and the Listing Rules. The Constitution may only be altered by a special resolution of Shareholders, subject to the rights of interest groups under the Companies Act, or in certain circumstances by Court order.

Section 117 of the Companies Act and Listing Rule 8.3.1 restrict Summerset from taking any action which affects the rights attached to the Shares, unless that action has been approved by a special resolution of Shareholders whose rights are affected by the action. A special resolution must be approved by at least 75% of Shareholders entitled to vote and voting on that resolution. Under certain circumstances, a Shareholder whose rights are affected under an action approved by a special resolution may require Summerset to purchase its Shares.

## HOW DO I CASH IN MY INVESTMENT?

Under certain provisions in the Companies Act, the Shares could be cancelled by Summerset by a reduction of capital, share buyback or other form of capital reconstruction. Subject to this, neither the Shareholders, Summerset, nor any other person has any right to terminate, cancel, surrender, or otherwise make or obtain payment from the Shares, other than in accordance with their terms and as referred to in this Offer Document under the heading "What returns will I get?".

Shares will be tradable subject only to compliance with the Constitution, the Listing Rules, applicable laws (including the Takeovers Code, Securities Act and the Overseas Investment Act) and the existence of an active trading market. As at the date of this Offer Document, there is no established market for the Shares. However, in the Issuers' opinion, a market for the Shares is likely to develop on completion of the Offer. No charges are payable to Summerset in respect of any sale of Shares. Any sale of Shares on the NZSX will likely attract normal brokerage fees.

Application has been made to NZX for permission to list Summerset and to quote the Shares on the NZSX, and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document. The NZSX is a registered market operated by NZX, which is a registered exchange, regulated under the Securities Markets Act.

Initial quotation of the Shares on the NZSX is anticipated to occur on or about 1 November 2011 under the symbol 'SUM'.

## WHO DO I CONTACT WITH INQUIRIES ABOUT MY INVESTMENT?

Any inquiries about Shares should be directed to the Share Registrar, Link Market Services Limited. The contact details of the Share Registrar are set out in the *Directory*.

## IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

Complaints about the Shares can be directed to the Share Registrar or Summerset at the address set out in the *Directory*. There is no ombudsman to whom complaints can be made about this investment.

There is no approved dispute resolution scheme under which complaints can be made about this investment.

## WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT? OFFER DOCUMENT AND FINANCIAL STATEMENTS

Other information about the Offer Shares and the Summerset Group is contained or referred to elsewhere in this Offer Document (including in the financial statements of Summerset set out in this Offer Document).

This Offer Document and Summerset's most recent financial statements may be obtained, free of charge at [www.summerset.co.nz](http://www.summerset.co.nz).

Those documents and other documents of, or relating to, Summerset (including the Constitution) are also filed on a public register maintained by the Companies Office of the Ministry of Economic Development and are available for public inspection, including on the Companies Office website at [www.business.govt.nz/companies](http://www.business.govt.nz/companies).

### ANNUAL INFORMATION

Shareholders of Summerset at the relevant record date will be entitled to receive certain information relating to the ongoing performance of Summerset in accordance with the Companies Act, the Financial Reporting Act 1993 and the Listing Rules. Shareholders will either receive this information automatically, or will receive notification of their right to request this information.

Summerset is also required to make half-yearly and annual announcements to NZX, and such other announcements as are required by the Listing Rules from time to time.

### ON REQUEST INFORMATION

Shareholders are also entitled to request copies of the following documents under section 54B of the Securities Act:

- the most recent financial statements of Summerset required to be registered under the Financial Reporting Act 1993, together with a copy of the auditor's report on those statements;
- Summerset's most recent annual report;
- this Offer Document (which is an investment statement and prospectus); and
- any other information that may be requested under regulation 44 of the Securities Regulations.

This information will be made available to Shareholders, free of charge, upon a request in writing being made to Summerset at its registered office as set out in the *Directory*.



# STATUTORY INFORMATION



# STATUTORY INFORMATION

This section contains the information required by Schedule 1 to the Securities Regulations.

## 1. MAIN TERMS OF OFFER

The issuer of the Offer Shares is Summerset Group Holdings Limited. Its registered office is set out in the *Directory*.

The securities being offered under this Offer are fully paid ordinary shares in Summerset. The Offer Shares are described in more detail under the heading "What sort of investment is this?" in the *Answers to Important Questions* section of this Offer Document.

The maximum number of Offer Shares being offered under the Offer is 89.5 million (based on the Indicative Price Range and the Selling Shareholders selling down their current shareholdings as set out in the *Details of the Offer* section of this Offer Document).

The consideration to be paid for each Offer Share is the Final Price.

An Indicative Price Range of \$1.40 to \$1.60 per Offer Share has been set by the Issuers, however the Issuers may set the Final Price within, above or below this range.

Following a bookbuild process in respect of the Institutional Offer and the Broker Firm Offer, the Issuers will set the Final Price taking into account various factors, including:

- the overall demand for Offer Shares at various prices;
- pricing indications from Institutional Investors and NZX Firms in the bookbuild process;
- the desire of Summerset and the Selling Shareholders to have an orderly and successful aftermarket for the Shares; and
- any other factors that the Issuers consider relevant.

The Final Price is expected to be announced and posted on the website [www.summerset.co.nz](http://www.summerset.co.nz) on or about 7 October 2011.

## 2. NAME AND ADDRESS OF OFFEROR

The offeror of the Offer Shares is Summerset Group Limited. Its registered office is set out in the *Directory*.

The net amount of consideration received by Summerset in respect of the original allotment of the total ordinary Shares of Summerset as at the date of this Offer Document was \$182,232,593.

The aggregate amount of consideration that will be received by Summerset for the Offer Shares is \$50 million.

## 3. DETAILS OF INCORPORATION OF SUMMERSET

Summerset was incorporated in New Zealand on 6 October 2004 under the Companies Act. Summerset's registration number is 1564271. The public file relating to Summerset is available for inspection on the Companies Office website at [www.business.govt.nz/companies](http://www.business.govt.nz/companies).

## 4. PRINCIPAL SUBSIDIARIES OF SUMMERSET

As at the date of this Offer Document, the principal subsidiaries of Summerset, each of which are 100% owned by Summerset or another member of the Summerset Group, are:

- Summerset Management Company Limited;
- Summerset Holdings Limited;
- Summerset Management Group Limited;
- Welhom Developments Limited;
- Summerset Properties Limited;
- Summerset Care Limited; and
- each of the Village Companies.

## 5. NAMES, ADDRESSES AND OTHER INFORMATION

### Directorate

The Directors of Summerset and their principal residence as at the date of this Offer Document are Norah Kathleen Barlow (Lower Hutt), Marcus Lopez Darville (Sydney, Australia), Christopher Andrew Hadley (Sydney, Australia), Robert James Campbell (Auckland) and James Harold Ogden (Wellington).

The Directors can be contacted at the registered office of Summerset as set out in the *Directory*.

Norah Barlow is the Chief Executive Officer of Summerset. In addition, Chris Hadley is the "Managing Director" and Marcus Darville is a "Director" of Quadrant.

### Promoter

QPE Funds Management Pty Limited is a Promoter of the Offer. Its registered office is set out in the *Directory*.

The directors of QPE Funds Management Pty Limited as at the date of this Offer Document are (who, except in the case of Christopher Andrew Hadley, are also each a Promoter) Christopher Andrew Hadley (Sydney, Australia), George Emanuel Penklis (Sydney, Australia) and Andrew Alan Gilman (Sydney, Australia).

### Share Registrar

The share registrar of Summerset is Link Market Services Limited. The contact address of the Share Registrar is set out in the *Directory*.

### Auditor

The auditor of Summerset is Ernst & Young. The contact address of the Auditor is set out in the *Directory*.

### Advisers

The names and addresses of the financial advisers to Summerset, the solicitors and other professional advisers who have been involved in the preparation of this Offer Document, are set out in the *Directory*.

## Experts

Ernst & Young Transaction Advisory Services, Chartered Accountants, have given their consent and have not withdrawn their consent before delivery of this Offer Document for registration under section 41 of the Securities Act to the distribution of this Offer Document with the inclusion of the Investigating Accountant's Report in this Offer Document in the form and context in which it is included.

The registered address of Ernst & Young Transaction Advisory Services is set out in the *Directory*.

CBRE have given their consent and have not withdrawn their consent before delivery of this Offer Document for registration under section 41 of the Securities Act to the distribution of this Offer Document with the inclusion of the statements attributed to CBRE in this Offer Document in the form and context in which they are included. The registered address of CBRE is Level 14, 21 Queen Street, Auckland.

CBRE is part of the global commercial real estate services group CB Richard Ellis Group, Inc. CBRE provides services in various commercial real estate sectors in New Zealand, including the retirement village and aged care sector.

Neither Ernst & Young Transaction Advisory Services nor CBRE, nor any director, officer or employee of either of them, is or is intended to be, a director, officer or employee of the Issuers. However, both Ernst & Young Transaction Advisory Services and CBRE have provided, and may in the future provide, professional advisory services to Summerset.

## 6. RESTRICTIONS ON DIRECTORS' POWERS

The Constitution incorporates by reference the requirements of the Listing Rules and the Constitution requires Summerset to comply with the Listing Rules once it is listed. The principal restrictions on the powers of the Board imposed by the Constitution (including the requirements of the Listing Rules incorporated into the Constitution) and the Listing Rules (which will apply once Summerset is listed) are as follows:

- (a) the Board may not issue or acquire any equity securities except in accordance with the provisions of the Companies Act, Constitution and the Listing Rules;
- (b) the Board may not give financial assistance for the purpose of, or in connection with, the acquisition of equity securities issued or to be issued by Summerset, except in limited circumstances and in accordance with the provisions of the Companies Act, Constitution and the Listing Rules;
- (c) the Board may not cause Summerset to enter into any transaction or series of linked or related transactions to acquire, sell, lease, exchange or otherwise dispose of (otherwise than by way of charge) assets of Summerset which would change the essential nature of the business of Summerset, or in respect of which the gross value is in excess of 50% of the average market capitalisation of Summerset, without the prior approval of Shareholders in accordance with the Constitution and the Listing Rules; and
- (d) the Board may not allow Summerset to enter into certain material transactions with related parties if that related party is, or is likely to be become, a direct or indirect party to the material transaction without the prior approval of Shareholders in accordance with the Constitution and the Listing Rules.

In addition, a Director may not vote on any matter in which he or she is interested unless permitted by the Companies Act and the Listing Rules where he or she has complied with the relevant provisions and signed a certificate in respect of the matter.

The Companies Act contains a number of other provisions that could have the effect, in certain circumstances, of imposing restrictions on the powers of the Board. For example, Directors cannot allow Summerset to enter into any major transaction (as that term is defined in the Companies Act) without the prior approval of a special resolution of Shareholders. These provisions apply to any company registered under the Companies Act.

## 7. SUBSTANTIAL EQUITY SECURITY HOLDERS OF SUMMERSET

The following table sets out the 10 largest registered holdings of equity securities of Summerset as at 23 September 2011:

SHAREHOLDER	NUMBER OF SHARES	%
Perpetual Trustee Company Limited (as custodian for Quadrant Private Equity Services No. 2 Pty Limited)	61,595,517	34.81
Perpetual Trustee Company Limited (as custodian for Quadrant Private Equity Management No. 2 Pty Limited)	61,595,517	34.81
QPE Co-Investment Pty Limited (as trustee for The Macquarie Summerset Co-Investment Trust)	23,897,231	13.51
QPE Co-Investment Pty Limited (as trustee for The Quay Summerset Co-Investment Trust)	16,132,066	9.12
QPE Co-Investment Pty Limited (as trustee for The WPMA2 Summerset Co-Investment Trust)	7,959,662	4.50
Norah Barlow and Robert Barlow	1,763,413	1.00
Paul Morris and Clive Morris	1,690,239	0.96
Julian Cook	1,050,000	0.59
Tristan Saunders	350,000	0.20
Medical Technologies Corporate Trustees Limited	350,000	0.20

None of the persons named above guarantees, or undertakes any liability in respect of the Offer Shares.

For the purposes of Listing Rule 7.1.15 (which requires a statement of the identity of any substantial security holders (as defined in the Securities Markets Act 1988, being a person with a "relevant interest" in listed voting securities that comprise 5% or more of a class of listed voting securities of a "public issuer") disclosed to the issuer (if necessary following a request by the issuer), the nature of the relevant interests held by each of them, and the consideration and other terms and conditions of any transaction under which the beneficial owner acquired and holds those securities as disclosed to the issuer), the following information is disclosed as at the date of this Offer Document: (a) QPE Funds Management Pty Limited is the manager of the various Quadrant funds and associated interests that hold shares in Summerset and accordingly has the power to exercise, or to control the exercise of, the rights to vote attached to such shares and the power to acquire or dispose of, or control the acquisition or disposition of, such shares; (b) Perpetual Trustee Company Limited is the registered holder of 123,191,034 Shares; (c) Perpetual Trustee Company Limited holds 61,595,517 of those Shares as custodian for Quadrant Private Equity Services No. 2 Pty Limited in its capacity as trustee of Quadrant Private Equity No.2A.



These Shares were acquired over a period of time since 2009 through share issues and purchases for a net aggregate consideration of \$56,392,880; (d) Perpetual Trustee Company Limited holds the remaining 61,595,517 of those Shares as custodian for Quadrant Private Equity Management No. 2 Pty Limited in its capacity as trustee of Quadrant Private Equity No.2B. These Shares were acquired over a period of time since 2009 through share issues and purchases for a net aggregate consideration of \$56,392,880; (e) QPE Co-Investment Pty Limited is the registered holder of 47,988,959 Shares; (f) QPE Co-Investment Pty Limited holds 23,897,231 of those Shares as trustee for The Macquarie Summerset Co-Investment Trust. These Shares were acquired over a period of time since 2010 through share issues and purchases for a net aggregate consideration of \$19,054,394; (g) QPE Co-Investment Pty Limited holds 16,132,066 of those Shares as trustee for The Quay Summerset Co-Investment Trust. These Shares were acquired over a period of time since 2010 through share issues and purchases for a net aggregate consideration of \$12,719,812; and (h) The above holders are parties to shareholder arrangements in respect of Summerset, however, these arrangements will terminate upon the listing of Summerset on the NZSX.

None of the persons named above guarantees, or undertakes any liability in respect of the Offer Shares.

## 8. DESCRIPTION OF ACTIVITIES OF SUMMERSSET GROUP

Since incorporation, Summerset has acted as a holding company for the Summerset Group. The principal activity of the Summerset Group is developing and operating retirement villages and aged care facilities in New Zealand.

The principal assets of the Summerset Group are the Villages, each of which is owned by a Village Company and is used by the Summerset Group in the provision of retirement and aged care services.

The assets of the Summerset Group are subject to obligations in favour of other persons (including the statutory supervisor appointed in respect of each Village and the Summerset Group's financiers) that modify or restrict Summerset's ability to deal with those assets.

Further details of the activities and assets of the Summerset Group can be found in the *Overview of Summerset* section of this Offer Document.

## 9. SUMMARY FINANCIAL STATEMENTS

Summary financial statements for each of the five consecutive financial years preceding 31 December 2010 and for the interim period ending 30 June 2011 are set out in the *Financial Information* section of this Offer Document.

## 10. PROSPECTS AND FORECASTS

Trading prospects of the Summerset Group, together with any material information relevant to those prospects are described generally in the *Overview of Summerset* section of this Offer Document and more particularly in the "Prospective Statement of Cash Flows" in the *Financial Information* section of this Offer Document.

Any special trade factors and risks which could materially affect the prospects of Summerset and which are not likely to be known or anticipated by the general public are set out under the heading "What are my risks?" in the *Answers to Important Questions* section of this Offer Document.

## 11. PROVISIONS RELATING TO INITIAL FLOTATIONS AND MINIMUM SUBSCRIPTION

The plans of the Directors in respect of the Summerset Group during the 12 month period commencing on the date of this Offer Document are to continue to develop Summerset's portfolio of retirement villages and aged care facilities as described under the heading "Development" in the *Overview of Summerset* section of this Offer Document.

The sources of finance required for these plans will be a portion of the proceeds of the Offer and bank debt facilities.

Notwithstanding the plans of the Directors, the proceeds of the Offer may be applied towards any other purpose.

A prospective statement of financial position, a prospective statement of financial performance and a prospective statement of cash flows for the accounting periods ending 31 December 2011 and 31 December 2012 are set out in the *Financial Information* section of this Offer Document.

For the purposes of section 37(2) of the Securities Act, the minimum amount that, in the opinion of the Directors, must be raised by the issue of the Offer Shares in order to provide the sums required to be provided in respect of:

- the purchase price of any property to be purchased that is to be met in whole or in part out of the proceeds of the Offer;
- any preliminary expenses or commission payable by Summerset;
- working capital; and
- the repayment of any money borrowed by Summerset in respect of any of the foregoing matters,

is \$50 million.

## 12. ACQUISITION OF BUSINESS OR SUBSIDIARY

Not Applicable.

## 13. SECURITIES PAID UP OTHERWISE THAN IN CASH

Not Applicable.

## 14. OPTIONS TO SUBSCRIBE FOR SECURITIES OF THE SUMMERSSET GROUP

Not Applicable.

## 15. APPOINTMENT AND REMOVAL OF DIRECTORS

Summerset is a party to a listing agreement with NZX (a registered market) and the method by which Directors of Summerset may be appointed to or removed from, or otherwise vacate, office is the same as that contained in the Listing Rules. No person (other than the Shareholders of Summerset in a general meeting, any Shareholder holding more than 10% of the Shares (as permitted by Listing Rule 3.3.8, provided that if any such Shareholder exercises its right to appoint a Director it may not vote on the election of any other Director) or the Directors acting as a Board to fill a casual vacancy) has the right to appoint any Director.

Each Director has the power to appoint any person as an alternate Director, who may be any person not disqualified under the Companies Act from holding the position of a director of a company and who is approved by a majority of the other Directors.

The Board of Summerset will give consideration to the appointment of one more Director prior to completion of the Offer. Any Director appointed following the Offer would be required to seek re-election at the first annual general meeting of Shareholders following their appointment.



## 16. INTERESTED PERSONS

For the purposes of the information set out under this heading, “specified person” means:

- (a) a director or proposed director of Summerset, a Promoter or an associated person of any of them; and
- (b) the Offeror, the Selling Shareholders and an associated person of any of them.

Except as described below, no specified person will be entitled to any remuneration from the Summerset Group other than by way of directors’ fees, reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as a director. There is no dollar limit on the expenses that the Directors are entitled to recover from Summerset.

Norah Barlow is the Chief Executive Officer of Summerset and receives remuneration for services performed in that role. The remuneration she receives from Summerset for these services is limited to such amount as may be agreed by the Board.

The table below sets out details of any shareholdings in Summerset that specified persons have, or have had, at any time during the 5 years preceding the date of this Offer Document.

SPECIFIED PERSON	NUMBER OF SHARES HELD
Perpetual Trustee Company Limited (as custodian for Quadrant Private Equity Services No. 2 Pty Limited and Quadrant Private Equity Management No. 2 Pty Limited)	123,191,034
QPE Co-Investment Pty Limited	47,988,959
Norah Barlow	1,763,413
Paul Morris	1,690,239
Julian Cook	1,050,000
Richard Catto	350,000
Tristan Saunders	350,000
Marshall Maine	250,000
Philip Royal	250,000
James Ogden	200,000
Murray Gribben	100,000
Neville Young	50,000
Graham Law	50,000

QPE Funds Management Pty Limited, is the manager of the Quadrant Shareholders, and accordingly is interested in the Shares held by the Quadrant Shareholders. Similarly, each of Christopher Hadley, Marcus Darville, Andrew Gilman and George Penklis is either an employee, director or otherwise associated with Quadrant, and accordingly is interested in the Shares held by the Quadrant Shareholders.

Except as set out above, no specified person has, or has had at any time during the 5 years preceding the date of this Offer Document, any direct or indirect material interest in the Summerset Group, or in any contract or arrangement entered into on behalf or in respect of the Summerset Group, that is material to either or both of the person who has the interest and the Summerset Group.

## 17. MATERIAL CONTRACTS

The Summerset Group has entered into the following material contracts in the previous two years:

### Escrow Deed

Summerset, the Quadrant Shareholders and the Management Shareholders have entered into an Escrow Deed dated 26 September 2011, under which the Quadrant Shareholders and the Management Shareholders have agreed to continue to hold all of their existing Shares which they do not sell as part of the Offer until Summerset’s preliminary announcement of its results for the financial year ending 31 December 2012 has been released. Further details in respect of this agreement are set out under the heading “Escrow Arrangements” in the *Details of the Offer* section of this Offer Document.

### Agreement for sale and purchase of and subscription for shares in Summerset

The Issuers and the current Shareholders have entered into an Agreement for sale and purchase of, and subscription for shares in, Summerset dated 26 September 2011, under which the Offeror agrees to purchase certain Shares from the Selling Shareholders and the Offeror agrees to subscribe for additional Shares in Summerset. The purchase and subscription will take place on or about the Allotment Date, at the Final Price, and are being undertaken for the purpose of offering these Shares under the Offer. It is a condition of this agreement that QPE Funds Management Pty Limited gives its approval of the Final Price.

## 18. PENDING PROCEEDINGS

Not Applicable.

## 19. PRELIMINARY AND ISSUE EXPENSES

Issue expenses (including brokerage and commission fees, management fees, share registry expenses, legal fees, accounting fees, advertising costs, printing costs and postage and courier costs) relating to the Offer are estimated to amount to an aggregate of approximately \$7.0 million. This assumes that the Offer is fully subscribed.

Summerset will pay approximately \$1.8 million of the Offer costs and the balance will be paid by the Selling Shareholders.

Summerset will pay a brokerage fee of 1.75% for successful Applications received pursuant to firm allocations under the Broker Firm Offer.

## 20. RESTRICTIONS ON SUMMERSET GROUP

The Summerset Group's current bank facility agreement prohibits Summerset Holdings Limited (a wholly owned subsidiary of Summerset) and its subsidiaries making distributions, other than certain permitted intra-group distributions without the consent of the facility agent, ANZ National Bank Limited. This facility agreement also restricts Summerset Holdings Limited or any of its subsidiaries from incurring further indebtedness (other than certain permitted financial indebtedness) without the consent of the facility agent, ANZ National Bank Limited. Summerset Holdings Limited will enter into a new facility agreement before the Offer is completed, which is expected to contain similar restrictions on the ability of Summerset Holdings Limited and its subsidiaries to incur further indebtedness. The new facility agreement to be entered into will, however, permit distributions from free cash flows.

Each of the Village Companies has entered into a Deed of Supervision with Public Trust, which restricts the Village Companies from borrowing without the consent of Public Trust. Pursuant to the Deed of Supervision, each Village Company is also restricted from making distributions if, at the time of any such distribution, the relevant Village Company is (or will be immediately after making any such distribution) insolvent or in breach of its obligations under the Deed of Supervision, the terms of any security granted to Public Trust, the disclosure statement or an ORA for the relevant Village. These restrictions are considered to be consistent with the standard applied across the retirement village and aged care industry.

None of the above restrictions are projected to materially affect the normal business and operations of the Summerset Group.

Other than these restrictions, there are no restrictions on the Summerset Group making a distribution, or borrowing, being restrictions that result from any undertaking given, or contract or deed entered into, by a member of the Summerset Group.

## 21. OTHER TERMS OF OFFER AND SECURITIES

All of the terms of the Offer, and all the terms of the Offer Shares, are set out in this Offer Document, other than any terms implied by law or any terms set out in a document that has been registered with a public official, is available for public inspection and is referred to in this Offer Document.

## 22-23. FINANCIAL STATEMENTS

Financial statements for the 12 month accounting period to 31 December 2010 are set out in the *Financial Information* section of this Offer Document.

## 24. ADDITIONAL INTERIM FINANCIAL STATEMENTS

Financial statements for the six month interim accounting period to 30 June 2011 are set out in the *Financial Information* section of this Offer Document.

## 25. PLACES OF INSPECTION OF DOCUMENTS

The Constitution of Summerset, copies of the material contracts referred to above under the heading "Material Contracts" and copies of the financial statements referred to under the headings "Financial Statements" and "Additional Interim Financial Statements" above, may be inspected (without charge) during the period of the Offer during normal business hours at the registered office of Summerset as set out in the *Directory*. Copies of those documents (except the financial statements referred to under the heading "Additional Interim Financial Statements") are also available for public inspection on the Companies Office website at [www.business.govt.nz/companies](http://www.business.govt.nz/companies).

Copies of the financial statements referred to under the headings "Financial Statements" and "Additional Interim Financial Statements" can also be obtained free of charge at [www.summerset.co.nz](http://www.summerset.co.nz).

## 26. OTHER MATERIAL MATTERS

The Summerset Group has bank approval to increase its existing facility by \$20 million to a \$150 million revolving facility, until 2015. This documentation is currently being finalised and will be executed prior to closing of the Offer.

It is envisaged that the funding will contain a normal range of financial covenants such as loan to value ratios, free cash flow interest coverage ratios and other equivalent prudential ratios. On the basis of modelling undertaken, the Summerset Group is comfortable that compliance with applicable restrictions will not materially restrict the activities of the Summerset Group, or otherwise negatively impact on its future plans, as described elsewhere in this Offer Document.

There are no other material matters relating to the Offer, other than those set out in this Offer Document, the financial statements or in contracts entered into in the ordinary course of business of a member of the Summerset Group.

## 27. DIRECTORS' STATEMENT

The Directors of Summerset, after due inquiry by them, are of the opinion that none of the following have materially and adversely changed during the period between 30 June 2011 and the date of registration of this Offer Document:

- the trading or profitability of the Summerset Group;
- the value of the Summerset Group's assets; or
- the ability of the Summerset Group to pay its liabilities due within the next 12 months.

## 28. AUDITOR'S REPORT

The Auditor's report required by clause 28 of Schedule 1 to the Securities Regulations is set out in the *Financial Information* section of this Offer Document.

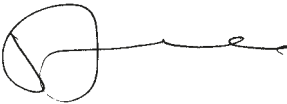
**29. SIGNATURES REQUIRED UNDER THE SECURITIES ACT**

A copy of this Offer Document has been signed by each Director of Summerset (or his or her agent authorised in writing) as issuer, by each director of the Offeror (or his or her agent authorised in writing) as issuer and by each Promoter, being QPE Funds Management Pty Limited and each director of QPE Funds Management Pty Limited other than those directors of QPE Funds Management Pty Limited who are also directors of either Issuer.

**Directors of Summerset Group Holdings Limited:**



Norah Kathleen Barlow



Robert James Campbell



Marcus Lopez Darville



Christopher Andrew Hadley

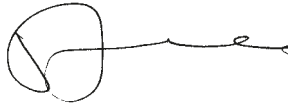


James Harold Ogden

**Directors of Summerset Group Limited:**



Norah Kathleen Barlow



Robert James Campbell



Marcus Lopez Darville



Christopher Andrew Hadley



James Harold Ogden

**Signed on behalf of QPE Funds Management Pty Limited by:**



Director

**Directors of QPE Funds Management Pty Limited (who are not also directors of Summerset):**



Andrew Alan Gilman



George Emanuel Penklis

## GLOSSARY

<b>\$, NZD or NZ\$</b>	New Zealand dollars
<b>ALLOTMENT DATE</b>	1 November 2011, unless brought forward or extended by the Issuers
<b>AMPCI</b>	AMP Capital Investors Limited
<b>APARTMENT</b>	A fully self contained apartment designed for independent living and provided at a Village
<b>APPLICANT</b>	A person who submits an Application Form
<b>APPLICATION</b>	An application to subscribe for Offer Shares offered under this Offer Document
<b>APPLICATION FORM</b>	An application form attached to or accompanying this Offer Document to subscribe for Offer Shares
<b>APPLICATION MONIES</b>	The amount payable on Application
<b>AUDITOR</b>	Ernst & Young
<b>BOARD or BOARD OF DIRECTORS</b>	The board of directors of Summerset
<b>BROKER FIRM OFFER</b>	The offer of Offer Shares under this Offer Document to New Zealand resident retail clients of brokers who have received an allocation from their broker
<b>BUSINESS DAY</b>	A day on which the NZSX is open for trading
<b>CBRE</b>	CB Richard Ellis Limited
<b>CARE APARTMENT</b>	A fully self contained apartment designed for supported living and provided at a Village
<b>CARE BED</b>	A rest home bed or a hospital bed provided at a Village
<b>CLOSING DATE</b>	The last day on which Applications will be accepted under the Broker Firm Offer and the Institutional Offer, being 26 October 2011, unless brought forward or extended by the Issuers
<b>CODE OF PRACTICE</b>	The Retirement Villages Code of Practice 2008, as amended from time to time
<b>COMPANIES ACT</b>	The Companies Act 1993, as amended from time to time
<b>CONSTITUTION</b>	The constitution of Summerset, as amended from time to time
<b>CRAIGS INVESTMENT PARTNERS</b>	Craigs Investment Partners Limited
<b>CSN</b>	Common Shareholder Number
<b>DEFERRED MANAGEMENT FEE or DMF</b>	A fee charged under an ORA which accrues annually and payment of which is made by deduction from the lump sum repaid to the resident upon resale of the ORA
<b>DEUTSCHE BANK</b>	Deutsche Bank AG, New Zealand branch
<b>DIRECTOR</b>	A director of Summerset
<b>DIRECTORY</b>	The directory set out in this Offer Document
<b>EBIT</b>	Earnings before interest and tax
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>ERNST &amp; YOUNG TRANSACTION ADVISORY SERVICES</b>	Ernst & Young Transaction Advisory Services Limited
<b>FINAL PRICE</b>	The price per share at which the Offer Shares will be issued, to be determined on or about 7 October 2011
<b>FIRST NZ CAPITAL</b>	First NZ Capital Securities Limited
<b>FORSYTH BARR</b>	Forsyth Barr Limited
<b>FY</b>	Financial year
<b>GLOSSARY</b>	This glossary of key terms
<b>HEALTH AND DISABILITY SERVICES (SAFETY) ACT</b>	Health and Disability Services (Safety) Act 2001, as amended from time to time
<b>INDICATIVE PRICE RANGE</b>	\$1.40 to \$1.60 per Offer Share
<b>INSTITUTIONAL INVESTOR</b>	An investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Issuers are willing to comply with), including in New Zealand persons to whom offers or invitations can be made without the need for a registered prospectus under the Securities Act
<b>INSTITUTIONAL OFFER</b>	The invitation to Institutional Investors under this Offer Document, as described in the <i>Details of the Offer</i> section of this Offer Document
<b>ISSUERS</b>	Summerset and the Offeror
<b>JOINT BOOKRUNNERS</b>	Craigs Investment Partners and Deutsche Bank, and First NZ Capital
<b>JOINT LEAD MANAGERS</b>	Craigs Investment Partners and Deutsche Bank, First NZ Capital and Forsyth Barr
<b>LISTING DATE and LISTING</b>	The date on which Summerset is listed, and the Shares quoted, on the NZSX (which is expected to be 1 November 2011)



<b>LISTING RULES</b>	Listing Rules of the NZX in relation to the NZSX (or any market in substitution for that market) in force from time to time
<b>MANAGEMENT SHAREHOLDERS</b>	Norah Barlow, Paul Morris, Tristan Saunders, Julian Cook and Richard Catto, who are current members of the management team (or their nominee that holds Shares in Summerset)
<b>MATURE VILLAGES</b>	Villages located at Wanganui, Paraparaumu, Trentham, Levin, Havelock North and Palmerston North
<b>NTA</b>	Net tangible assets
<b>NZ IFRS</b>	New Zealand equivalent to International Financial Reporting Standards
<b>NZSX</b>	The main board equity security market, operated by NZX
<b>NZX</b>	NZX Limited
<b>NZX FIRM</b>	Any company, firm, organisation, corporation or individual designated as a Primary Market Participant (as defined in the Listing Rules) from time to time by NZX
<b>OCCUPATION RIGHT AGREEMENT or ORA</b>	A written agreement or other document that confers a right to occupy a residential unit within a retirement village on the terms and conditions set out or referred to in that agreement or other document
<b>OFFER</b>	The offer of the Offer Shares under this Offer Document
<b>OFFER DOCUMENT</b>	This combined investment statement and prospectus dated 27 September 2011
<b>OFFER SHARE</b>	A Share in Summerset Group Holdings Limited being offered under the Offer
<b>OFFEROR</b>	Summerset Group Limited
<b>OPENING DATE</b>	10 October 2011
<b>OVERSEAS INVESTMENT ACT</b>	The Overseas Investment Act 2005, as amended from time to time
<b>PROMOTERS</b>	QPE Funds Management Pty Limited and each of its directors other than any director who is also a director of an Issuer
<b>QUADRANT</b>	Quadrant Private Equity
<b>QUADRANT SHAREHOLDERS</b>	Perpetual Trustee Company Limited (as custodian for Quadrant Private Equity Services No. 2 Pty Limited and Quadrant Private Equity Management No. 2 Pty Limited) and QPE Co-Investment Pty Limited
<b>RESIDENT AND EMPLOYEE POOL</b>	The offer of Offer Shares under this Offer Document to persons resident in New Zealand who Summerset determines are an employee of Summerset, or a resident or intending resident in a Village, as at the Opening Date
<b>RESIDENT AND EMPLOYEE POOL CLOSING DATE</b>	The last day on which Applications will be accepted under the Resident and Employee Pool, being 19 October 2011, unless brought forward or extended by the Issuers
<b>RETAIL OFFER</b>	The Broker Firm Offer and the Resident and Employee Pool
<b>RETIREMENT UNIT</b>	A Villa, Apartment or Care Apartment
<b>RETIREMENT VILLAGES ACT</b>	The Retirement Villages Act 2003, as amended from time to time
<b>RVA</b>	The Retirement Villages Association of New Zealand
<b>SECURITIES ACT</b>	The Securities Act 1978, as amended from time to time
<b>SECURITIES MARKETS ACT</b>	The Securities Markets Act 1988, as amended from time to time
<b>SECURITIES REGULATIONS</b>	The Securities Regulations 2009, as amended from time to time
<b>SELLING SHAREHOLDERS</b>	The Quadrant Shareholders, the Management Shareholders and any other existing holder of Shares that elects to sell some or all of their Shares under the Offer
<b>SHARE</b>	An ordinary share in Summerset
<b>SHARE REGISTRAR</b>	Link Market Services Limited
<b>SHAREHOLDER</b>	A holder of one or more Shares
<b>SUMMERSET or COMPANY</b>	Summerset Group Holdings Limited, a company incorporated in New Zealand
<b>SUMMERSET GROUP</b>	Summerset and its subsidiaries
<b>TAKEOVERS CODE</b>	The Takeovers Code Approval Order 2000 (SR 2000/210), as amended from time to time
<b>UNDERLYING PROFIT</b>	Profit after tax less fair value adjustment, plus realised gain on resales and realised development margin, less deferred tax credit
<b>VILLA</b>	A self contained Retirement Unit designed for independent living and provided at a Village
<b>VILLAGES</b>	Any retirement village and aged care facility operated, or to be operated, by the Summerset Group, including those outlined in the <i>Overview of Summerset</i> section of this Offer Document
<b>VILLAGE COMPANIES</b>	Summerset Villages (Aotea) Limited, Summerset Villages (Dunedin) Limited, Summerset Villages (Hamilton) Limited, Summerset Villages (Hastings) Limited, Summerset Villages (Havelock North) Limited, Summerset Villages (Karakā) Limited, Summerset Villages (Katikati) Limited, Summerset Villages (Levin) Limited, Summerset Villages (Manukau) Limited, Summerset Villages (Napier) Limited, Summerset Villages (Nelson) Limited, Summerset Villages (Palmerston North) Limited, Summerset Villages (Paraparaumu) Limited, Summerset Villages (Taupo) Limited, Summerset Villages (Trentham) Limited, Summerset Villages (Waimauku) Limited, Summerset Villages (Wanganui) Limited and Summerset Villages (Warkworth) Limited

## APPLICATION INSTRUCTIONS

You should read this Offer Document carefully before completing any of the Application Forms included with and forming part of this Offer Document.

### GENERAL

Applications for Shares may be lodged from the Opening Date. The Broker Firm Offer will remain open until 5.00pm on the Closing Date, being 26 October 2011 or such other date as the Issuers may determine in their sole discretion. The Resident and Employee Pool will remain open until 5.00pm on the Resident and Employee Pool Closing Date, being 19 October 2011 or such other date as the Issuers may determine in their sole discretion.

**There is no public pool.** Any Application not made under the Broker Firm Offer (i.e. without a broker stamp) or the Employee and Resident Pool, will not be accepted.

Applications under the Broker Firm Offer must be for a minimum amount of 2,500 Offer Shares and in multiples of 500 Offer Shares thereafter. Applications under the Resident and Employee Pool must be for a minimum amount of 1,000 Offer Shares and in multiples of 500 Offer Shares thereafter. Each Summerset employee or Village resident applying under the Resident and Employee Pool may apply for a maximum amount of 25,000 Offer Shares. An Application must be completed in full and may be rejected if any details are not entered or it is otherwise incorrectly completed. The Issuers reserve the right to treat any Application as valid or to decline any Application, in whole or in part, in its sole discretion and without giving any reasons. The Issuers' decision as to whether to reject the Application, or to treat it as valid (and then how to construe, amend or complete the Application Form) will be final.

An Application constitutes an irrevocable offer by the Applicant to subscribe for and acquire the number of Offer Shares specified on the Application Form on the terms and conditions set out in this Offer Document and on the Application Form. An Application cannot be withdrawn or revoked.

By submitting an Application Form, Applicants agree to be bound by these terms and conditions and the Constitution of Summerset. No person accepts any liability or responsibility should any person attempt to sell or otherwise deal with the Offer Shares before the statements confirming allotments are received by the Applicants for the Offer Shares.

### TREATMENT OF APPLICATION

The return of an Application Form with your cheque for the Application Monies or completed direct debit details will constitute your offer to purchase or subscribe for Offer Shares. If your Application Form is not completed correctly, or if the accompanying payment is the wrong amount, it may still be treated as valid.

The decision of the Issuers as to whether to treat your Application Form as valid, and how to construe, amend or complete it, shall be final. The decision on the number of Offer Shares to be allocated to you shall also be final. You will not, however, be treated as having agreed to purchase a greater number of Offer Shares than that for which payment has been made.

Investors applying whose Applications are not accepted, or are accepted in respect of a lesser amount of Offer Shares than the amount for which they applied, will receive a refund of all or part of their Application Monies without interest, as applicable, within 10 Business Days after the close of the Offer. Allocations, if rounded, will be rounded down to the nearest whole number of Offer Shares. Refunds will not be paid for any difference arising solely due to rounding.

#### Personal Information Rights

Personal information provided by you will be held by Summerset and the Share Registrar at their respective addresses shown in the *Directory* or at such other place as is notified upon request. This information will be used for the purpose of managing your investment. You have a right to access and correct any personal information about you under the Privacy Act 1993. You can also access your information on the Link Market Services Limited website: [www.linkmarketservices.com](http://www.linkmarketservices.com) (you will be required to enter your holder number and FIN).

## BROKER FIRM OFFER APPLICATION FORM INSTRUCTIONS

The Broker Firm Offer is open to persons who have received an allocation from their broker and who have a registered address in New Zealand. If you have been offered an allocation by an NZX Firm, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should ensure that your Application Form is stamped by your broker so that you receive your correct allocation.

### A = Investor Details

Insert your full name(s), address and telephone numbers. Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per Application. Use the table below to see how to write your name correctly.

If you are applying under the Broker Firm Offer you should complete the blue Application Form at the back of this Offer Document.

TYPE OF INVESTOR:	CORRECT WAY TO WRITE NAME:	INCORRECT WAY TO WRITE NAME:
Individual person	JOHN SMITH	J SMITH
More than one person	JOHN SMITH MICHELLE SMITH	J & M SMITH
Company	ABC LIMITED	ABC
Trusts	JOHN SMITH (JOHN SMITH FAMILY A/C)	SMITH FAMILY TRUST
Partnerships	JOHN SMITH MICHAEL SMITH (JOHN SMITH AND SONS A/C)	JOHN SMITH & SONS
Clubs and unincorporated associations	JANE SMITH (SMITH INVESTMENT CLUB A/C)	SMITH INVESTMENT CLUB
Superannuation funds	JOHN SMITH LIMITED (SUPERANNUATION FUND A/C)	JOHN SMITH SUPERANNUATION FUND

By supplying your mobile number you will enable the Share Registrar to advise you by TXT Alerts (post allotment) of any changes on your holding balance, or if your bank account details or address on register change, or if a new/replacement FIN has been requested. This feature provides additional security to you as an investor.

### B = Application Payment Details

The Broker Firm Offer Application Form allows you to select payment by direct debit, bank draft or cheque, or "other".

**If you are applying under the Broker Firm Offer, payment must be made in accordance with the directions of the NZX Firm from whom you received an allocation.**

Complete the box for the "Number of Offer Shares" you wish to apply for, and then multiply this by the "Final Price" and insert the total amount in the "Total Consideration" box. You can obtain the Final Price once set on 7 October 2011 from your broker or from [www.summerset.co.nz](http://www.summerset.co.nz) or [www.nzx.com](http://www.nzx.com). **You should not complete the Total Consideration box unless you are sure you have obtained the correct Final Price (being the price you will be required to pay per Offer Share).**

Note the **minimum amount and multiples** that are stated in the Application Form. Please advise payment method and bank account details for future dividend payments.

### Option 1:

If you choose the direct debit option you must tick the box authorising the Share Registrar to direct debit the bank account nominated on the Application Form, on the day the Application Form is received by the Share Registrar, for the amount applied for on the Application Form. The bank account must be with a New Zealand registered bank. You cannot specify a direct debit date and you must ensure that:

- the bank account details supplied are correct;
- the Application Monies in the bank account for direct debit are available on the day the Share Registrar receives the Application Form;
- the person(s) giving the direct debit instruction has/have the authority to operate the account solely/jointly; and
- the bank account you nominated is a transactional account eligible for direct debit transactions. If you are uncertain you should contact your bank.

### Should your direct debit fail, your Application will be rejected.

If requested, a direct debit authority form may be provided to you by the Share Registrar. Refer to the contact details on the Application Form.

**Option 2:**

By bank draft in New Zealand dollars or a cheque drawn from a New Zealand registered bank and must be made in New Zealand dollars. Cheques must be made payable to "Summerset Share Offer", crossed "Not Transferable" and must not be post-dated as cheques will be banked on day of receipt. If an Applicant's cheque is dishonoured, Summerset may cancel that Applicant's allotment of Shares and pursue any other remedies available to it at law.

**Option 3:**

If the NZX Firm from whom you received an allocation has given directions as to another method of payment, other than payment by cheque or direct debit, select this option. You should carefully follow these directions or your Application may be rejected.

**C = Holder Number Details**

If you have other investments registered under a Common Shareholder Number (CSN) you must supply your CSN in the space provided. The name and address details on your Application Form must correspond with the registration details under that CSN. If you do not provide a CSN it will be deemed that you do not have a current CSN and a base registry number and FIN will be allocated to you at allotment of the Offer Shares.

**D = Provide your IRD Number**

Resident withholding tax (RWT) will be deducted from any dividends paid to you (unless you provide a valid RWT exemption certificate). If you are exempt from RWT, please tick the exempt box and attach a photocopy of your RWT exemption certificate. Only one IRD number is required per holding.

**E = Electronic Investor Correspondence**

By supplying your email address Summerset will be able to deliver your investor correspondence to you electronically where possible. This is a much more environmentally friendly, cost effective and timely option than paper based investor mail outs.

**F = Signing and Dating**

Read the Offer Document and Application Form carefully and sign and date the Application Form. If the Broker Firm Offer Application Form is stamped by a broker, you are confirming that the Applicant has received an allocation from an NZX Firm.

The Application Form must be signed by the Applicant(s) personally, or by two directors of a company (or one director if there is only one director, whose signature must be witnessed), or in either case by a duly authorised attorney or agent.

**H =** If the Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney on the reverse of the Application Form.

**I =** If the Application Form is signed by an agent, the agent must complete the certificate of non-revocation of agent on the reverse of the Application Form.

Joint Applicants must each sign the Application Form.

**G = Closing Date and Delivery**

The Broker Firm Offer will close at **5.00pm on 26 October 2011** (being the Closing Date). Applicants should remember that these dates may be changed at the sole discretion of the Issuers. Changes will be advised by NZX announcement. The Issuers reserve the right to refuse to accept Applications received by the Registrar after the Closing Date. Your Application Form should be delivered in accordance with the instructions contained in the Application Form.

Alternatively, Applications can be lodged with Summerset, any NZX Firm, the Joint Lead Managers or any other channel approved by NZX so as to be received in time to enable forwarding to the Share Registrar by 5.00pm on the Closing Date.



## RESIDENT AND EMPLOYEE POOL APPLICATION FORM INSTRUCTIONS

The Resident and Employee Pool is open to any person resident in New Zealand who Summerset determines is an employee of Summerset, or a resident or intending resident in a Village as at the Opening Date.

You should tick the appropriate box at the top of the Resident and Employee Pool Application Form to indicate whether you are an employee of Summerset OR a resident in a Village.

All Applications under the Resident and Employee Pool will be reviewed by Summerset prior to the Share Registrar accepting such Applications.

If you are applying under the Resident and Employee Pool you should complete the yellow Application Form at the back of this Offer Document.

### A = Investor Details

Insert your full name, address and telephone numbers. You may choose to have your Offer Shares allotted to someone other than an employee of Summerset or resident at a Village (for instance in the names of the trustees of your trust), such as another natural person, a company or other legal entity, up to a maximum of three names per Application. If you are not applying in your own name, the person(s) in whose name you are applying must have a New Zealand registered address. Use the table below to see how to write names correctly.

TYPE OF INVESTOR:	CORRECT WAY TO WRITE NAME:	INCORRECT WAY TO WRITE NAME:
Individual person	JOHN SMITH	J SMITH
More than one person	JOHN SMITH MICHELLE SMITH	J & M SMITH
Company	ABC LIMITED	ABC
Trusts	JOHN SMITH (JOHN SMITH FAMILY A/C)	SMITH FAMILY TRUST
Partnerships	JOHN SMITH MICHAEL SMITH (JOHN SMITH AND SONS A/C)	JOHN SMITH & SONS
Clubs and unincorporated associations	JANE SMITH (SMITH INVESTMENT CLUB A/C)	SMITH INVESTMENT CLUB
Superannuation funds	JOHN SMITH LIMITED (SUPERANNUATION FUND A/C)	JOHN SMITH SUPERANNUATION FUND

By supplying your mobile number you will enable the Share Registrar to advise you by TXT Alerts (post allotment) of any changes on your holding balance, or if your bank account details or address on register change, or if a new/replacement FIN has been requested. This feature provides additional security to you as an investor.

### B = Application Payment Details

Payment must be made in New Zealand dollars for immediate value by bank draft in New Zealand dollars or a cheque drawn on a New Zealand bank account OR you may elect to pay by direct debit.

Complete the box for the "Number of Offer Shares" you wish to apply for, and then multiply this by the "Final Price" and insert the total amount in the "Total Consideration" box. You can obtain the Final Price once set on 7 October 2011 from [www.summerset.co.nz](http://www.summerset.co.nz) or [www.nzx.com](http://www.nzx.com). **You should not complete the Total Consideration box unless you are sure you have obtained the correct Final Price (being the price you will be required to pay per Offer Share).**

Note the **minimum amount and multiples** that are stated in the Application Form. Please advise payment method and bank account details for future dividend payments.

Each Summerset employee or Village resident may apply for a maximum amount of 25,000 Offer Shares.

### Option 1:

If you choose the direct debit option you must tick the box authorising the Share Registrar to direct debit the bank account nominated on the Application Form, on the day the Application Form is received by the Share Registrar, for the amount applied for on the Application Form. The bank account must be with a New Zealand registered bank. You cannot specify a direct debit date and you must ensure that:

- the bank account details supplied are correct;
- the Application Monies in the bank account for direct debit are available on the day the Share Registrar receives the Application Form;
- the person(s) giving the direct debit instruction has/have the authority to operate the account solely/jointly; and
- the bank account you nominated is a transactional account eligible for direct debit transactions. If you are uncertain you should contact your bank.

### Should your direct debit fail, your Application will be rejected.

If requested, a direct debit authority form may be provided to you by the Share Registrar. Refer to the contact details on the Application Form.

**Option 2:**

By bank draft in New Zealand dollars or a cheque drawn from a New Zealand registered bank and must be made in New Zealand dollars. Cheques must be made payable to "Summerset Share Offer", crossed "Not Transferable" and **must not be post-dated as cheques will be banked on day of receipt**. If an Applicant's cheque is dishonoured, Summerset may cancel that Applicant's allotment of Offer Shares and pursue any other remedies available to it at law.

**C = Holder Number Details**

If you, or the person(s) in whose name you are applying, have other investments registered under a Common Shareholder Number (CSN) you must supply your, or the person(s) in whose name you are applying, CSN in the space provided. The name and address details on your Application Form must correspond with the registration details under that CSN. If you do not provide a CSN it will be deemed that you, or the person(s) in whose name you are applying, do not have a current CSN and a base registry number and FIN will be allocated to you or the person(s) in whose name you are applying at allotment of the Offer Shares.

**D = Provide your IRD Number**

Resident withholding tax (RWT) will be deducted from any dividends paid to you or the person(s) in whose name you are applying (unless you provide a valid RWT exemption certificate). If you are exempt from RWT, please tick the exempt box and attach a photocopy of your RWT exemption certificate or the RWT exemption certificate for the person(s) in whose name you are applying. Only one IRD number is required per holding.

**E = Electronic Investor Correspondence**

By supplying your email address Summerset will be able to deliver your investor correspondence to you electronically where possible. This is a much more environmentally friendly, cost effective and timely option than paper based investor mail outs.

**F = Signing and Dating**

Read the Offer Document and Application Form carefully and sign and date the Application Form.

The Application Form must be signed by the Applicant(s) personally or in either case by a duly authorised attorney or agent.

**H =** If the Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney on the reverse of the Application Form.

**I =** If the Application Form is signed by an agent, the agent must complete the certificate of non-revocation of agent on the reverse of the Application Form.

Joint Applicants must each sign the Application Form.

**G = Closing Date and Delivery**

The Resident and Employee Pool will close at **5.00pm** on **19 October 2011** (being the Resident and Employee Pool Closing Date). Applicants should remember that the Resident and Employee Pool Closing Date may be changed at the sole discretion of the Issuers. Changes will be advised by NZX announcement. The Issuers reserve the right to refuse to accept Applications received by the Share Registrar after the Resident and Employee Pool Closing Date. Your Application Form should be delivered in accordance with the instructions contained in the Application Form.

Alternatively, Applications can be lodged with Summerset, any NZX Firm, the Joint Lead Managers or any other channel approved by NZX so as to be received in time to enable forwarding to the Share Registrar by 5.00pm on the Resident and Employee Pool Closing Date.

# DIRECTORY

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## JOINT LEAD MANAGER

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— THREE PROMISES —  
**SUMMERSET**  
**SURE**  
— FOR YOUR FUTURE —

**THE RIGHT HOME**

Choose a home that's ideal for your stage of life.

**THE RIGHT CARE**

At the right time, in the place that's right for you.

**LOVE IT - OR YOUR MONEY BACK\***

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

