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Post your completed form to: Registrar of Retirement Villages, Private Bag 92061, Victoria Street West, Auckland 1142

Annual return and certificate of registered documents

Sections 13(2) and 16, Retirement Villages Act 2003

Name of village

Registration number

Part 1 — Retirement village details

1. Street address of village

2. Address of registered office of village

This address must be a physical address in New Zealand and must not be a post office box or private bag address.

3. Address for service of village

This address must be a physical address in New Zealand and must not be a post office box or private bag address.

4. Postal address of village

5. Email address for village

6. Telephone number for village

7. Fax number for village (*optional*)

Name of village**Registration number**

Part 2 — Operator details

1. Name of operator

Where there is more than one operator continue on a separate sheet and attach all pages to this annual return.

2. Company or other registration number (if any)**3. New Zealand Business Number (if any)****4. Nature of operator**

For example — company, natural person

5. Address of registered office of operator

This address must be a physical address in New Zealand and must not be a post office box or private bag address.

6. Address for service of operator

This address must be a physical address in New Zealand and must not be a post office box or private bag address.

7. Postal address of operator to which communications from the Registrar may be sent**8. Email address of operator****9. Telephone number of operator:****10. Fax number of operator (optional)**

Name of village

Registration number

Part 3 — Certificate of registered documents

I,

(Insert name of operator)

certify that

for:

(Insert name of the retirement village)

Each registered document is correct, current, and not likely to mislead or deceive any resident, intending resident, or the public.

Documents to update the registered information are attached to the annual return form.
(Form RV3 — Change of circumstances must be completed for material changes).

Signed:



Name of signatory

Dated

Part 4 — Checklist

To speed up registration, use this checklist to ensure you have included all of the information required.

Have you completed?

Parts 1, 2 and 3 and have you signed the form *(attach extra pages if applicable)*

Have you attached?

A copy of the audited financial statements that comply with section 35B of the Retirement Villages Act 2003 (the Act) or, as referred to in section 35F of the Act, the audited financial statements that comply with subpart 3 of Part 7 of the Financial Markets Conduct Act 2013 or section 55 of the Financial Reporting Act 2013; **and**

A copy of the audited financial statements which comply with section 35C of the Retirement Villages Act 2003 *(where applicable)*; **and**

The documents supporting any information on the register that has changed; **and**

A copy of the statutory supervisor's certification addressed to the Registrar *(where applicable)*.

Contact details of person completing this form

Name:

Address:

Email address:

Telephone number:

Fax number (optional):

30 June 2023

The Registrar of Retirement Villages
c/- Companies Office
Private Bag 92061
Victoria Street West
Auckland 1142

Report of the Statutory Supervisor in Respect of Summerset Villages (Napier) Limited - Summerset in the Bay ("Village")

Public Trust acts as Statutory Supervisor of the Village pursuant to the Retirement Villages Act 2003 ("**Act**") and in accordance with a deed of amendment and restatement relating to a deed of supervision originally dated 30 April 2007, dated 19 May 2017 ("**Deed of Supervision**") between us and, amongst others, Summerset Villages (Napier) Limited ("**Operator**").

This report accompanies the Operator's annual return ("**Annual Return**") for the year ended 31 December 2022 and has been prepared by us in accordance with sections 13(3)(c) and 42(c) of the Act, for the period the subject of the Annual Return.

Pursuant to section 13(3)(c) of the Act, we certify that:

- The Operator has supplied to us a copy of the Village's audited financial statements for the year ended 31 December 2022 being statements that, in our opinion, comply with the Financial Reporting Act 2013.
- The information contained in the Annual Return is, to the best of our knowledge and belief, accurate.

Pursuant to section 42(c) of the Act, we report that:

- In the performance of our duties as Statutory Supervisor of the Village, we have:
 - provided a stakeholder facility for intending residents and residents of the Village who pay deposits or progress payments in respect of occupation right agreements or incomplete residential units or facilities at the Village (if any);
 - monitored the financial position of the Village;
 - reported to the residents of the Village on the performance of our duties and the exercise of our powers; and
 - performed any other duties imposed on us by the Act, the regulations made under the Act and Deed of Supervision.
- We have not found it necessary to exercise any of the powers conferred on us as Statutory Supervisor of the Village pursuant to section 43(1) of the Act.
- We have not issued any directions prohibiting the publication or distribution of any advertisement.

This certification and report has been provided on the basis that, subject to the duties imposed on us as Statutory Supervisor of the Village by the Act, the regulations made under the Act and the Deed of Supervision, in performing our duties we have relied on the information, explanations and confirmations supplied to us by the Operator and the auditor of the Village and we have not carried out independent checks of the same.

Yours faithfully,



Garry Hughes
Head of Client Services (Wellington)
Public Trust – Corporate Trustee Services
Statutory Supervisor of Summerset Retirement Villages



Summerset Villages (Napier) Limited

Financial Statements

FOR THE YEAR ENDED
31 DECEMBER 2022

Directors' Statement

The Directors are pleased to present to shareholders the financial statements of Summerset Villages (Napier) Limited (the 'Company') for the year ended 31 December 2022.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Company as at 31 December 2022 and the results of the Company's operations and cash flows for the year ended 31 December 2022.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The Directors confirm that the shareholders have exercised their right under section 211(3) of the Companies Act 1993 and have unanimously agreed that this annual report need not comply with paragraphs (a) and (e) to (j) of section 211(1).

The financial statements were authorised for issue for and on behalf of the Board on 29 March 2023 by:



William Wright
Director

Sarah Theodore
Director

Directory

Summerset Villages (Napier) Limited

Nature of Business	Operation of Retirement Village
Registered Office	Level 27, Majestic Centre 100 Willis Street, Wellington
Directors	Scott Scoullar Aaron Smail Robyn Heyman William Wright Sarah Theodore (appointed 17 February 2023) Tania Smith (resigned 23 March 2022)
Auditors	Ernst & Young Wellington
Bankers	ANZ Bank New Zealand Limited Australia and New Zealand Banking Group Limited Bank of New Zealand Commonwealth Bank of Australia National Australia Bank Limited Westpac New Zealand Limited Westpac Banking Corporation Industrial and Commercial Bank of China Limited Bank of China Limited
Statutory Supervisor	Public Trust Wellington
Business Location	Napier

Financial Statements

Income Statement

Summerset Villages (Napier) Limited

For the year ended 31 December 2022

	NOTE	2022 \$000	2021 \$000
Care fees and village services	2	1,176	1,080
Deferred management fees	2	1,307	1,190
Interest received	2	1	1
Total revenue		2,484	2,271
Fair value movement of investment property	7	2,229	9,024
Total income		4,713	11,295
Operating expenses	3	(1,728)	(1,279)
Depreciation	6	(142)	(150)
Total expenses		(1,870)	(1,429)
Profit before income tax		2,843	9,866
Income tax expense	4	(208)	(369)
Profit for the period		2,635	9,497

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

Summerset Villages (Napier) Limited

For the year ended 31 December 2022

	NOTE	2022 \$000	2021 \$000
Profit for the period		2,635	9,497
Revaluation of property, plant and equipment	6	(201)	(414)
Tax on items of other comprehensive income	4	56	116
Other comprehensive loss which will not be reclassified subsequently to profit or loss for the period net of tax		(145)	(298)
Total comprehensive income for the period		2,490	9,199

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

Summerset Villages (Napier) Limited

For the year ended 31 December 2022

	SHARE CAPITAL \$000	REVALUATION RESERVE \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
As at 1 January 2021	-	2,998	58,024	61,022
Profit for the period	-	-	9,497	9,497
Other comprehensive income for the period	-	(298)	-	(298)
Total comprehensive income for the period	-	(298)	9,497	9,199
As at 31 December 2021	-	2,700	67,521	70,221
As at 1 January 2022	-	2,700	67,521	70,221
Profit for the period	-	-	2,635	2,635
Other comprehensive loss for the period	-	(145)	-	(145)
Total comprehensive income for the period	-	(145)	2,635	2,490
As at 31 December 2022	-	2,555	70,156	72,711

The accompanying notes form part of these financial statements.

Statement of Financial Position

Summerset Villages (Napier) Limited

As at 31 December 2022

	NOTE	2022 \$000	2021 \$000
Assets			
Trade and other receivables	5	10	12
Intercompany loan receivable	10	19,170	14,980
Property, plant and equipment	6	6,741	7,030
Investment property	7	95,775	92,744
Total assets		121,696	114,766
Liabilities			
Trade and other payables	8	369	231
Employee benefits	9	87	48
Revenue received in advance	2	2,293	2,017
Residents' loans	11	43,810	39,975
Deferred tax liability	4	2,426	2,274
Total liabilities		48,985	44,545
Net assets		72,711	70,221
Equity			
Reserves	13	2,555	2,700
Retained earnings		70,156	67,521
Total equity attributable to shareholders		72,711	70,221

The accompanying notes form part of these financial statements.

Statement of Cash Flows

Summerset Villages (Napier) Limited

For the year ended 31 December 2022

	2022 \$000	2021 \$000
Cash flows from operating activities		
Receipts from residents for care fees and village services	1,176	1,080
Interest received	1	1
Payments to suppliers and employees	(1,672)	(1,197)
Net receipts for resident's loans - resales of occupation right agreements	5,435	2,118
Net cash flow from operating activities	4,940	2,002
Cash flows to investing activities		
Payments for investment property	(696)	(323)
Payments for property, plant and equipment	(56)	-
Net cash flow to investing activities	(752)	(323)
Cash flows from financing activities		
Intercompany repayments	(4,188)	(1,679)
Net cash flow from financing activities	(4,188)	(1,679)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	-	-

Reconciliation of operating results and operating cash flows

	2022 \$000	2021 \$000
Profit for the period	2,635	9,497
Adjustments for:		
Depreciation	142	150
Fair value movement of investment property	(2,229)	(9,024)
Income tax expense	208	369
Deferred management fee amortisation	(1,307)	(1,190)
	(3,186)	(9,695)
Movements in working capital		
Decrease/(increase) in trade and other receivables	1	(58)
Increase in employee benefits	38	-
Increase in trade and other payables	16	80
Increase in residents' loans net of non-cash amortisation	5,436	2,178
	5,491	2,200
Net cash flow from operating activities	4,940	2,002

Notes to the Financial Statements

1. Summary of accounting policies

Reporting entity

Summerset Villages (Napier) Limited (the 'Company') is a for-profit company incorporated and domiciled in New Zealand and is registered under the Companies Act 1993.

The financial statements presented for the year ended 31 December 2022 are those of Summerset Villages (Napier) Limited. The Company operates a retirement village based in Napier.

The parent company is Summerset Holdings Limited (the 'Parent') and the ultimate parent company is Summerset Group Holdings Limited. Summerset Group Holdings Limited and its subsidiaries are collectively referred to as the 'Group'.

Basis of preparation

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the Retirement Villages Act 2003. They comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime as appropriate for profit-oriented entities in Tier 2 (NZ IFRS RDR). The Company qualifies as a Tier 2 entity as it is not publicly accountable.

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

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

- Property, plant and equipment	Note 6
- Investment property	Note 7

Accounting policies

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

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

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

Critical accounting estimates and judgements

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

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

- Deferred management fee	Note 2
- Revenue in advance	Note 2
- Deferred taxation	Note 4
- Valuation of property, plant and equipment	Note 6
- Valuation of investment property	Note 7

Comparative information

No comparative information has been restated in the current year.

2. Revenue

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

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

Interest income is recognised in the income statement as it accrues, using the effective interest method.

3. Operating expenses

	2022 \$000	2021 \$000
Employee expenses	746	563
Property-related expenses	421	353
Repairs and maintenance expenses	163	190
Other operating expenses	398	173
Total operating expenses	1,728	1,279

Audit fees incurred in 2022 and 2021 have been paid by Summerset Management Group Limited.

Operating expenses do not include costs and other services provided by Summerset Care Limited and Summerset Management Group Limited.

4. Income tax

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

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

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

Notes to the Financial Statements (continued)

a) Income tax recognised in income statement

	2022 \$000	2021 \$000
Deferred tax relating to the origination and reversal of temporary differences	208	369
Total tax expense reported in income statement	208	369

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2022 \$000	%	2021 \$000	%
Profit before income tax	2,843		9,866	
Income tax using the corporate tax rate	796	28.0%	2,762	28.0%
Non-assessable investment property revaluations	(624)	(21.9%)	(2,527)	(25.6%)
Other	36	1.3%	134	1.4%
Total income tax expense	208	7.3%	369	3.7%

b) Income tax charged or credited to other comprehensive income

	2022 \$000	2021 \$000
Net (loss)/gain on revaluation of buildings	(56)	(116)
Total tax (credit)/expense reported in statement of comprehensive income	(56)	(116)

c) Deferred tax

Movement in the deferred tax balance comprises:

	BALANCE 1 JAN 2022 \$000	RECOGNISED IN INCOME \$000	RECOGNISED IN OCI* \$000	BALANCE 31 DEC 2022 \$000
Property, plant and equipment	564	(11)	(56)	497
Investment property	969	33	-	1,002
Revenue in advance	890	211	-	1,101
Income tax losses not yet utilised	(136)	(15)	-	(151)
Other items	(13)	(10)	-	(23)
Net deferred tax liability	2,274	208	(56)	2,426

	BALANCE 1 JAN 2021 \$000	RECOGNISED IN INCOME \$000	RECOGNISED IN OCI* \$000	BALANCE 31 DEC 2021 \$000
Property, plant and equipment	564	116	(116)	564
Investment property	931	38	-	969
Revenue in advance	673	217	-	890
Income tax losses not yet utilised	(134)	(2)	-	(136)
Other items	(13)	-	-	(13)
Net deferred tax liability	2,021	369	(116)	2,274

* Other comprehensive income

d) Imputation credit account

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

5. Trade and other receivables

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

	2022 \$000	2021 \$000
Accrued income	10	12
Total trade and other receivables	10	12

6. Property, plant and equipment

Property, plant and equipment includes care centres, both complete and under development.

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

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

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

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

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

Major depreciation rates are as follows:

- Buildings (2% to 14% SL)

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

Notes to the Financial Statements (continued)

	BUILDINGS \$000
Cost	
Balance at 1 January 2021	7,594
Revaluations through other comprehensive income	(564)
Balance at 31 December 2021	7,030
Additions	54
Revaluations through other comprehensive income	(343)
Balance at 31 December 2022	6,741
Accumulated depreciation	
Balance at 1 January 2021	-
Depreciation charge for the year	150
Revaluations through other comprehensive income	(150)
Balance at 31 December 2021	-
Depreciation charge for the year	142
Revaluations through other comprehensive income	(142)
Balance at 31 December 2022	-
Carrying amounts	
As at 31 December 2021	7,030
As at 31 December 2022	6,741

Classification between investment property and property, plant and equipment

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

Revaluations

An independent valuation to determine the fair value of all completed care centres which are classified as land and buildings was last carried out as at 31 December 2022 by CBRE Limited ("CBRE"), an independent registered valuer. Valuations are carried out annually. CBRE determine the fair value of care centres using an earnings-based multiple approach and the amount apportioned to goodwill of \$0.9 million is not recognised (2021: \$1.4 million). Significant assumptions used in the most recent valuation include market value per care bed of \$142,000 (2021: \$151,000) and individual unit earning capitalisation rate of 12.25% (2021: 12.25%).

Security

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

7. Investment property

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

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

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

Rental income from investment property, being deferred management fees, is accounted for as described in Note 2.

Depreciation is not charged on investment property.

	2022 \$000	2021 \$000
Balance at beginning of period	92,744	83,397
Additions	802	323
Fair value movement	2,229	9,024
Total investment property	95,775	92,744

	2022 \$000	2021 \$000
Retirement villages measured at fair value	95,775	92,744
Total investment property	95,775	92,744

	2022 \$000	2021 \$000
Manager's net interest	49,672	50,752
Plus: revenue received in advance relating to investment property	2,293	2,017
Plus: liability for residents' loans relating to investment property	43,810	39,975
Total investment property	95,775	92,744

The fair value of investment property as at 31 December 2022 was determined by Jones Lang LaSalle ("JLL"), an independent registered valuer. The fair value of the Company's investment property is determined on a semi-annual basis, based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. To assess the fair value of the Company's interest in the village, JLL has undertaken a cash flow analysis to derive a net present value. There has been no change in valuation technique since the previous period.

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

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

Significant assumptions used by the valuer include a discount rate of 13.75% (2021: 13.75%) and a long-term nominal house price inflation rate (growth rate) of between 0.5% and 3.5% (2021: 2.0% to 3.5%). Other assumptions used by the valuer include the average entry age of residents of between 75 years and 86 years (2021: 75 years and 86 years) and the stabilised departing occupancy period of retirement units of between 4.0 years and 8.0 years (2021: 4.0 years and 8.3 years).

There are no non-land retirement villages under development at 31 December 2022 (2021: nil).

Security

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

Notes to the Financial Statements (continued)

8. Trade and other payables

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

	2022 \$000	2021 \$000
Accruals - other	369	231
Total trade and other payables	369	231

9. Employee benefits

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

	2022 \$000	2021 \$000
Leave liabilities	74	37
Other employee benefits	13	11
Total employee benefits	87	48

10. Intercompany balances

Intercompany balances are recorded at amortised cost, as they have an interest rate of 0% and are repayable on demand. Due to their short-term nature they are not discounted.

	2022 \$000	2021 \$000
Intercompany loan receivable from associates of the Company	19,170	14,980
Intercompany loan receivable	19,170	14,980

Identity of related parties with whom transactions have occurred

Related parties are other entities in the Group.

Related party transactions with associates

The Company does not have an operating bank account. All payments to third parties are therefore paid through Summerset Management Group Limited and all receipts from third parties are received through Summerset Care Limited. This results in an intercompany payable owing to Summerset Management Group Limited and an intercompany receivable owing from Summerset Care Limited.

Management and other services were provided by Summerset Care Limited and Summerset Management Group Limited for no charge in 2022 (2021: nil).

Related party borrowing and security

There is third party lending in the Group in the form of secured bank loans and unsubordinated fixed rate retail bonds. The secured bank loans are held by Summerset Holdings Limited, while the retail bonds are held by the ultimate parent company, Summerset Group Holdings Limited. Funding is passed onto subsidiary entities for development in the form of intercompany loans with the interest expensed and capitalised in the entity that the funding has been applied to.

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

- a first ranking registered mortgage over all land and permanent buildings owned (or leased under a registered lease) by each New Zealand-incorporated guaranteeing Group member that is not a registered retirement village under the Retirement Villages Act 2003;
- a second ranking registered mortgage over the land and permanent buildings owned (or leased under a registered lease) by each New Zealand-incorporated guaranteeing Group member that is a registered retirement village under the Retirement Villages Act 2003 (behind a first ranking registered mortgage in favour of the Statutory Supervisor);

- a first ranking registered mortgage over all land and permanent buildings owned (or leased under a registered lease) by each Australian-incorporated guaranteeing Group member;
- a General Security Deed, which secures all assets of the New Zealand- incorporated guaranteeing Group members, but in respect of which the Statutory Supervisor has first rights to the proceeds of security enforcement against all assets of the registered retirement villages to which the security trustee is entitled;
- a General Security Deed, which secures all assets of the Australian-incorporated guaranteeing Group members; and
- a Specific Security Deed in respect of each marketable security of Summerset Holdings (Australia) Pty Limited, held by Summerset Holdings Limited.

11. Residents' loans

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

The Company holds a contractual right to set-off the deferred management fee receivable on termination of an agreement against the resident's loan to be repaid. Residents' loans are therefore recognised net of the deferred management fee receivable on the balance sheet. Deferred management fees are payable by residents in consideration for the supply of accommodation and the right to share in the use of community facilities. Deferred management fees are paid in arrears with the amount payable calculated as a percentage of the resident's loan amount as per the resident's occupation right agreement. Deferred management fee receivable is calculated and recorded based on the current tenure of the resident and the contractual right to deferred management fee earned at balance date. Refer to Note 2 for further detail on recognition of deferred management fee revenue.

	2022 \$000	2021 \$000
Balance at beginning of period	51,004	49,703
Net receipts for residents' loans - resales of occupation right agreements	3,996	1,301
Total gross residents' loans	55,000	51,004
Deferred management fees and other receivables	(11,190)	(11,029)
Total residents' loans	43,810	39,975

12. Financial instruments

Exposure to credit, market and liquidity risk arises in the normal course of the Company's business. The Board reviews and agrees on policies for managing each of these risks as summarised below. The Company has no exposure to foreign currency or any other substantial market price risk.

Categories of financial instruments

All financial assets of the Company are classified at amortised cost. All financial liabilities are classified as liabilities at amortised cost.

Credit Risk

Credit risk is the risk of financial loss to the Company if a resident or counterparty to a financial instrument fails to meet their contractual obligations. The Company's exposure to credit risk relates to receivables from residents and bank balances. Exposure to credit risk is managed centrally by the ultimate parent company, Summerset Group Holdings Limited. Refer to the consolidated Group financial statements for further details of the Group's activities to manage exposure to credit risk.

Market Risk

Market risk is the risk that changes in market prices such as interest rates will affect the Company'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.

Notes to the Financial Statements (continued)

Interest Rate Risk

Exposure to interest rate risk is managed by seeking to obtain the most competitive rate of interest at all times. The ultimate parent company, Summerset Group Holdings Limited has entered into interest rate swap agreements in order to provide an effective cash flow hedge against the variability in floating interest rates. Refer to the consolidated Group financial statements for further details of the Group's management of interest rate risk.

Liquidity Risk

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

Capital management

The capital structure is managed centrally by Summerset Group Holdings Limited. Refer to the consolidated Group financial statements for further details.

13. Share capital and reserves

All ordinary shares are fully paid and have no par value. All shares carry one vote per share and carry the right to dividends.

	2022	2021
Share capital (in thousands of shares)		
On issue at beginning of year	10	10
On issue at end of year	10	10

Dividends

There were no dividends declared or paid by the Company for the period ended 31 December 2022 (2021: nil).

Revaluation reserve

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

14. Commitments and contingencies

Capital commitments

As at 31 December 2022, the Company had capital commitments in relation to construction contracts of nil (2021: nil).

Contingent liabilities

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

The disclosure of the security interest in Note 10 has been considered and does not meet the recognition criteria for a contingent liability for financial reporting purposes as the likelihood that the guarantee would be called upon is remote as the Group continues to meet its obligations under the funding agreements.

15. Subsequent events

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



Independent Auditor's Report to the Shareholder of Summerset Villages (Napier) Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Summerset Villages (Napier) Limited ("Company"), which comprise the statement of financial position of the Company as at 31 December 2022, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Company, and the notes to the financial statements including a summary of significant accounting policies.

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

This report is made solely to the Company's shareholder. 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 shareholder, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

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

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

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

Other than in our capacity as auditor we have no relationship with, or interest in, the Company. Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company.

Information other than the financial statements and auditor's report

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



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

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

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

Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>. This description forms part of our auditor's report.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Chartered Accountants
Wellington
29 March 2023