RYMAN HEALTHCARE ANNUAL REPORT 2006

RYMAN
HEALTHCARE LTD


contents

2006 financial year

Highlights

- Net Surplus up 49% to $35.1 million
- Dividends lifted from 11.5 cents to 17.0 cents per share
- Opened Jane Winstone Retirement Village in Wanganui
- Acquired four new sites
- Total land bank increased to over 1600 new units and beds
- Awarded “Best Retirement Village in New Zealand”

RYMAN
HEALTHCARE LTD

chairman's report

Dr David Kerr

The Directors are delighted to present the 2006 Annual Report of Ryman Healthcare Limited.

The company has enjoyed an exceptional year, substantially surpassing our own target of 15% earnings growth and securing four new sites for new villages.

Financial Reports

The Group posted a record net surplus after taxation of $35.1 million for the year ended 31 March 2006, up 49% on the previous year.

Turnover was up 18% to $143 million and the Group generated operating cash flows of $55 million during the year.

Shareholders funds lifted from $186 million to $244 million, on the back of a substantial revaluation of our investment property portfolio at year end. The investment property valuations increased by $37 million, with this increase taken directly to reserves.

The strong performance this year underlines the continuing growth potential of the Company, having already witnessed growth from $6 million to $35 million profit over the past seven years.

Dividends

A final dividend of 9.0 cents per share has been declared, and will be paid on the 23 June 2006. The record date for entitlements is 9 June 2006.

The final dividend lifts the total payout for the year to 17.0 cents per share, which represents a 48% increase on the previous year. The directors remain committed to providing a growing dividend stream to shareholders.

New Villages

The Company's expansion plans were given another boost this year with the acquisition of four new sites in New Plymouth, Palmerston North, Nelson and Dunedin. The level of building activity also lifted, with seven sites under construction at year end.

In Wanganui, the Jane Winstone Retirement Village was successfully opened at year end, and has been extremely well received by the local community.

Next year we are looking forward to opening new villages in Christchurch and Auckland.

Corporate Governance

A full and separate statement of corporate governance has been provided this year later in this report.

We can report that our Charter was reviewed again this year, to ensure that it is kept relevant for the increasing scale of the company and to reflect recent developments in the field of corporate governance.

We also reviewed our Constitution to ensure that it remains appropriate for the company. As a result of this review we are recommending that the Constitution be amended at this year's Annual Meeting of Shareholders to remove the right for a major shareholder to make their own appointment to the Board of Directors.

Shona McFarlane Retirement Village

chairman's report

This provision is optional under the NZX Listing Rules, but is not common for a larger listed company with a wider shareholder base. The Company's market capitalisation and spread of shareholders has changed markedly since listing in 1999, when 80% of the shares were held by four cornerstone shareholders and the company had a market capitalisation of $135 million. Today the company has a market capitalisation of over $700 million and there are no single holdings greater than 16% of the total shares on issue.

There has been no change to the membership of the Board during the year. Sidney Ashton and myself retire by rotation at this year's Annual Meeting, and we have both offered ourselves for re-election.

We are recommending that Deloitte be reappointed as auditor for the 2007 financial year. Deloitte are engaged in an audit capacity only to ensure that their independence is not impaired.

A notice of meeting has been issued with this report. We warmly welcome all shareholders to join us at the Annual Meeting of Shareholders to be held in Christchurch on 4 August.

International Financial Reporting Standards

Our planning for the adoption of New Zealand Equivalents to International Financial Reporting Standards continues. The new accounting standards must be adopted no later than the 2008 financial year, and on adoption the Company's reported profit is expected to increase.

Disclosure of the significant effects of adoption is provided again this year in Note 20 to the Financial Statements.

Strategy

We remain committed to our model of organic growth, using our in-house team to identify sites, purchase land, design, construct and operate our own villages.

The Company has developed considerable expertise in rolling out our model of integrated retirement villages, which provide a full spectrum of services from independent townhouse living to hospital level care. The model continues to be refined in response to changing technologies and the demands of our customers.

Our aspirations for the development of new villages have increased, the landbank and level of construction activity has lifted accordingly.

We are committed to a sector which has considerable growth potential. The Government's projections are for more than 3% growth per annum in the number of New Zealanders over 65 years of age, compared to 0.6% for the general population.

The Outlook

The past financial year has produced exceptional results.

Looking ahead we believe we are well positioned to achieve our medium term target of 15% earnings growth per annum.

The Board are very proud of the efforts of all the staff. They appreciate the commitment displayed by the whole team to improving the quality of life of our residents.

We believe we have kept faith with our loyal and supportive shareholders again this year. I can assure you that the Board will continue to strive for excellence on your behalf.

Dr David Kerr, Chairman

managing director's report

Kevin Hickman

I am pleased to inform you that the company has continued its rapid growth throughout the year to 31 March 2006. The annual net profit after tax of $35.1 million is a 49% increase on last year and marks the arrival of the company at a new level of maturity.

New development is still necessary to maintain accelerated growth, however, the other three revenue streams of Resales, Management fees and Care fees are now also providing intrinsic growth. This is what we call our 'tail', which provides a 'growth on growth' effect going forward. Existing retirement village units are now reselling at a higher level, providing both a lift in resale gains and higher management fees. Occupancy in our hospitals and rest homes increased throughout the year and all of our completed villages are contributing to earnings.

Development

The year has been devoted to improving efficiency throughout the Group along with growing the management team, in particular, the development team. Ray Versey, our Development Manager, has strengthened his team markedly during the year to allow us to increase our target for growth up to 300 retirement units and 100 care beds per annum. It is with great sadness that I inform you of the retirement during the year of our Construction Manager, Steven Cromwell, on medical grounds. Although with us only a relatively short time, Steve impressed us with his strong management skills, work ethic and his ability to relate to the various regulatory bodies around the country. We offer our best wishes to Steve and his family. Ray has been fortunate to attract a very skilled replacement for Steve, in the hugely important Construction Manager role, in Tom Brownrigg.

The year has seen the completion of development at the Grace Joel village in Auckland, the Hilda Ross village in Hamilton, and the Rita Angus village in Wellington.

Development of our Princess Alexandra village in Napier is almost complete, with the last few independent townhouses currently being completed and the rebuild of the resthome due for completion in September. This large, fully integrated village will contribute strongly to core earnings going forward.

The Jane Winstone Retirement Village in Wanganui has recently opened. The initial stages comprise a 33 bed resthome, 50 serviced apartments, together with a village centre, and building is continuing on the 54 independent townhouses. The village was named after Jane Winstone, a former pupil of Sacred Heart College, the site of the village. Jane was a pioneering young aviator who was tragically killed in England during the 2nd World War when a Spitfire she was ferrying crashed in poor weather.

Construction is almost complete on the last stage of 62 additional independent townhouses at the Shona McFarlane village



managing director's report

in Lower Hutt, and the townhouses are fully sold.

A block of independent apartments with a village centre and underground car parking is currently under construction at Malvina Major Retirement Village in Wellington. Completion of this new extension is expected in 2007.

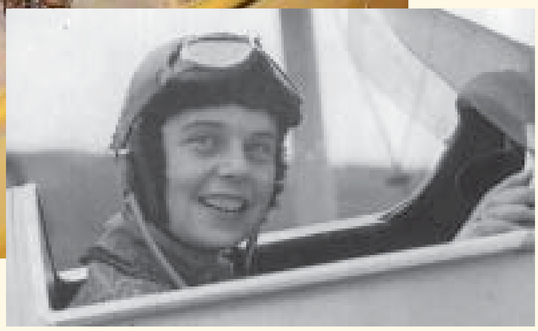
At Rowena Jackson Retirement Village in Invercargill new townhouses are being built according to demand. We have been fortunate to purchase a further 7100 square metres of land adjacent to the village with frontage to Main North Road which will give us the ability to extend the village in the future.

New Villages

Building is now under way at the Aidanfield village in Christchurch, with the resthome/hospital to be opened initially to meet the demand for beds, followed by 50 serviced apartments, a village centre and the first of 82 independent townhouses.

In Auckland, our largest village ever on Abbotts Way is under construction. The first building of 60 serviced apartments has the roof on, and the huge main building including reception, an 84 bed resthome, 48 bed hospital, large village centre and 38 apartments is now under way. These first stages are due for completion in 2007. On completion, this

Jane Winstone Retirement Village Atrium



Jane Winstone - Pioneering aviator

managing director's report

village will be the largest in New Zealand and will house over 560 residents.

Resource consents are being applied for at our Palmerston North village and our new Dunedin village, with planning continuing for our Nelson and New Plymouth sites.

Our development and construction teams have been strengthened to cope with an almost doubling of our construction effort to 300 apartments and 100 care beds per year, however this increase in production will not become apparent in the form of increased earnings until the 2008 year.

As at 31 March we have 2,488 units and beds, comprising 1,378 retirement village units and 1,110 care beds. Our construction team is building 674 retirement village units and 244 care beds, at seven villages throughout New Zealand. We also have an additional land bank for a further 544 retirement village units and 302 care beds which are yet to be commenced.

In aggregate, there are 1,764 units and beds either under construction or on the drawing board, compared to our existing stock of 2,488.

Ryman Healthcare Management Team

Back Row: Kevin Hickman, Managing Director; Taylor Allison, Design Manager; Simon Challies, General Manager/CFO; Tom Brownrigg, Construction Manager; Philip Mealings, Property/Purchasing Manager. *Front Row:* Barbara Reynen, Operations Manager; Rebecca Tapley, Marketing Manager; Debbie Jarratt, Group Sales Manager; Ray Versey, Development Manager; Absent: Tracy van Beek, Finance Manager

managing director's report

Strategy

Ryman intends to adhere to its core competency - in essence, the manufacturing and operating of its own stock. We believe our experienced and stable management team, together with our in-house development and operations teams, allows us to roll out high value, cost effective villages which are well received by the market. We are confident our in-house institutional knowledge gives us a unique advantage in the market. We are ideally placed to continue our goal of doubling the size of the company every five years.

Charity

Our hardworking staff and residents again raised money for our annual charity, holding events such as fetes, book sales, garage sales and galas in support of their nominated charity. The funds raised were matched dollar for dollar by your company, allowing us to donate $100,000 to Diabetes New Zealand to assist them in their vital public education programme.

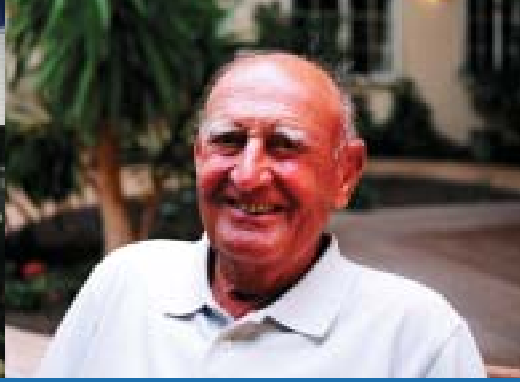
Diabetes affects over 250,000 New Zealanders, with many more at huge risk due to lifestyle factors, so we were delighted to be able to support such a worthy cause.

$100,000 Raised for Diabetes New Zealand

Left to Right: Christine Flaus, Beckenham Courts Retirement Village, Murray Dear, Diabetes New Zealand and Kevin Hickman, Ryman Healthcare.

On behalf of the shareholders, I would like to extend our gratitude to the hard working management and all the staff at Ryman Healthcare for their great contribution to another very satisfying year.

Kevin Hickman,
Managing Director


directors' profiles

Dr David Kerr,
MB ChB, FRNZGP
Chairman

David is a general practitioner who operates a private practice in Christchurch. He was the founding Chairman of Pegasus Medical Group from 1992 to 1998, representing 225 General Medical Practitioners in Christchurch, and has also had experience in the public health sector in an advisory capacity to the Minister of Health and to Canterbury District Health Board. David is a Trustee of Health Ed Trust NZ Inc, the leading education provider in the aged care sector.

David joined the Ryman board in 1994 and has held the role of chairman since 1999. David is a Fellow of the New Zealand Medical Association and has recently been awarded a Fellowship with distinction of the Royal New Zealand College of Practitioners.

Kevin Hickman
Managing Director

Kevin co-founded Ryman Healthcare in 1982, together with his business partner, John Ryder. Kevin has considerable experience as a director and manager of a diverse range of businesses in the private sector, including the retail, telecommunications and manufacturing sectors.

Kevin has held the role of Managing Director in a joint capacity since 1982 and in his sole capacity since 2002.

Sidney Ashton,
ONZM, FCA, FNZIM
Director

Sid Ashton is a Fellow of the Institute of Chartered Accountants, a Fellow of the New Zealand Institute of Management and is an Officer of the New Zealand Order of Merit.

Sid was a senior and founding partner of the Christchurch accountancy practice, Ashton Whelans and Hegan, and more recently has held executive roles as Secretary and Chief Executive of Te Runanga o Ngai Tahu. He is currently Chairman of the Charities Commission and is a Member of the Nominating Committee for the Guardians of NZ Superannuation.

Sid joined the Ryman board in 1994 and is Chairman of the Audit committee.



directors' profiles

Michael Cashin,
ACA, CPA, FCIS,
Dip Bus Admin
Director

Michael Cashin is a very experienced company director, having previously been Chairman of Housing New Zealand Ltd and At Work Insurance Ltd, and a Director of Allied Farmers Ltd, Capital Properties Ltd and Centreport Ltd. Michael is currently Chairman of Mooring Systems Ltd.

Michael has considerable experience in the public health sector as a Crown representative on the boards of Capital Coast Health Ltd, South Auckland Healthcare Ltd and Good Health Wanganui Ltd.

Michael joined the board of Ryman in 1999, at the time the company was listed on the stock exchange.

Andrew Clements,
B Com
Director

Andrew Clements is Managing Director of Emerald Capital Ltd, and in that capacity is a director of a number of private and public companies in which Emerald is an investor, including New Zealand Experience Ltd, Orion Corporation Ltd and Goldpine Group Ltd, as well as an alternate director of the New Zealand Refining Company Ltd.

Andrew has diverse treasury and operational experience having held management roles in Ceramco and Goodman Fielder Watties in New Zealand and Asia.

Andrew was appointed to the Board of Ryman in 2000.

Professor Donald Trow,
B Com FCA
Director

Don has been a Professor of Accountancy with Victoria University since 1971, and has a long standing involvement with the accountancy profession. He has been a member of the Accounting Research and Standards Board, of the Institute of Chartered Accountants of New Zealand, and a standard setting team of the International Accounting Standards Committee (London).

Don's previous directorships include the New Zealand Stock Exchange and Northland Co-operative Dairy Co Ltd. He is currently Chairman of NZX Discipline and Smartshares Ltd.

Don has been a director of Ryman since 1999.



statement of corporate governance

The Board's primary role is to effectively represent and promote the interests of Shareholders with a view to adding long-term value to the Company's shares.

The Directors are responsible for the corporate governance practices of the company. The practices adopted by the Board are prescribed in a Charter which sets out the protocols for operation of the Board, and in the Code of Ethics which sets out the manner in which directors and the senior management team should conduct themselves.

The Charter is consistent with the NZX Corporate Governance Best Practice Code and is reviewed annually.

The Board of Directors

The Board currently carries out its responsibilities according to the following mandate:

- The Board should comprise a majority of non-executive directors;
- At least a third of the directors should be independent - in the sense of being independent of management and free from any business or other relationship or circumstance that could materially interfere with the exercise of a director's independent judgement;
- The chairman of the board should be a non-executive director;
- Directors should possess a broad range of skills, qualifications and experience, and remain current on how to best perform their duties as directors;
- Information of sufficient content, quality and timeliness as the Board considers necessary shall be provided by management to allow the Board to effectively discharge its duties;
- The effectiveness and performance of the Board and its individual members should be re-evaluated on an annual basis.

The board consists of five non-executive directors, being Sid Ashton, Michael Cashin, Andrew Clements, David Kerr and Don Trow, plus the Managing Director, Kevin Hickman. More information on the directors, including their interests, qualifications and share-holdings, is provided in the Directors Disclosures section of this report.

The primary responsibilities of the Board include:

- ensuring that the Company's goals are clearly established and that strategies are in place for achieving them;
- establishing policies for strengthening the performance of the Company including ensuring that Management is proactively seeking to build the Business;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract;
- deciding on whatever steps are necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that the Company's financial statements are true and fair and otherwise conform with law;
- ensuring that the Company adheres to high standards of ethics and corporate behaviour; and
- ensuring that the Company has appropriate risk management/regulatory compliance policies in place.


statement of corporate governance

Independent Professional Advice

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertakings to assist in fulfilling their duties and responsibilities as directors.

Board Committees

The Board has four standing committees, being the audit, remuneration/nominations, treasury and independent directors committees. Each committee operates under specific terms of reference approved by the Board, and any recommendations they make are recommendations to the Board. The terms of reference for each committee are reviewed annually.

Audit Committee:

The audit committee consists of three non-executive directors, at least two of whom must be independent directors. The members are currently Sidney Ashton (Chair), Don Trow and Michael Cashin, who are all members of the Institute of Chartered Accountants, and are all independent directors.

The committee provides a forum for the effective communication between the board and external auditors. The committee has a number of specific responsibilities, including:

- reviewing the appointment of the external auditor, the annual audit plan, and addressing any recommendations arising out of the audit;
- reviewing all financial information to be issued to the public, and any dividend proposals;
- ensuring that appropriate financial systems and internal controls are in place.

The committee generally invites the Managing Director, Chief Financial Officer and the external auditors to attend audit committee meetings. The committee also meets and receives regular reports from the external auditors without management present, concerning any matters which arise in connection with the performance of their role.

Remuneration & Nominations Committee

The committee comprises David Kerr (Chair) and Michael Cashin, who are both independent directors.

The Remuneration & Nominations Committee objectives are to:

- Assist the Board in the establishment of remuneration policies and practices for the company;
- Assist in discharging the board's responsibilities relative to reviewing the CEO and directors remuneration;
- Advise and assist the CEO in remuneration setting for the senior management team; and
- Regularly review, and recommend changes to the composition of the Board, and identify and recommend individuals for nomination as members of the Board and its committees.

Particulars of the directors' and senior management's remuneration are set out in the Directors Disclosures' section of this report.



statement of corporate governance

Treasury Committee

The Treasury Committee is responsible for overseeing our treasury policies and monitoring our debt and equity position. The members are Michael Cashin and Andrew Clements.

Independent Directors Committee

The Committee is convened as required and will comprise of those directors who are independent as defined by the NZX Listing Rule. The Committee is responsible for addressing significant conflicts of interest and any other matters referred by the Board.

Reporting & Disclosure

The Board focuses on providing accurate, adequate and timely information both to existing shareholders and to the market generally. This enables all investors to make good quality decisions about the Company. All significant announcements made to the NZX and reports issued are posted on the Company's website for ease of reference.

The audit committee's role is to make recommendations to the Board on the appointment of external auditors, to ensure that they are independent and to also ensure that the company provides for five yearly rotation of the lead audit partner.

The directors' shareholdings and all trading of shares during the year is disclosed in the section headed Directors Disclosures. The NZX is advised immediately if a director or officer trades in the Company's shares.

Directors, senior employees, their families and related parties must seek Board approval to trade in the company's shares, and trading is limited to two "window" periods. They are between the full year announcement date and 31 August, and between the half year announcement date and 31 January each year.

Risk Management

The Board is responsible for the company's system of internal controls to manage the key risks identified.

The group operates an extensive internal accreditation programme, which addresses such wide ranging issues as service delivery, health & safety, and administration. Internal audits are undertaken on a regular basis. The results of these audits and critical indicators are reported to the Board on a regular basis.

Through the audit committee, the Board considers the recommendations and advice of external auditors, and ensures that those recommendations are investigated, and where considered necessary, appropriate action is taken.

Code of Ethics

As part of the Board's commitment to the highest standards of behaviour and accountability, the company has adopted a code of ethics to guide directors and senior management, in carrying out their duties and responsibilities. The code addresses such matters as:

- relations with residents (and their families), suppliers and employees
- acceptance of gifts or other benefits
- conflicts of interest
- protection of company assets
- compliance with laws and policies
- confidentiality
- reporting breaches

five year summary

		2006	2005	2004	2003	2002
Financial						
Revenue	$m	142.8	121.2	109.6	94.4	61.9
EBIT	$m	35.7	24.8	19.7	16.9	12.4
Net Profit after Tax	$m	35.1	23.5	18.4	15.3	11.1
Net Assets	$m	243.7	185.8	147.0	124.0	112.4
Debt to Asset Ratio	%	25%	24%	25%	32%	35%
Net Operating Cash Flows	$m	55.4	53.5	52.6	39.8	36.1
Earnings per Share	cents	35.1	23.5	18.4	15.3	11.1
Dividend per Share	cents	17.0	11.5	9.0	7.5	5.6
Sales of Occupation Rights						
New	no.	159	137	158	175	115
Resales	no.	196	179	168	170	96
Facilities						
Hospital Beds	no.	375	375	351	319	205
Resthome Beds	no.	735	702	622	566	618
Retirement Village Units	no.	1,378	1,203	1,058	932	830

financial statements

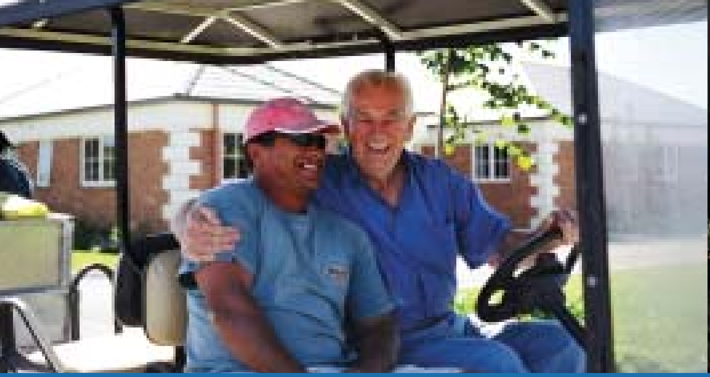
Statement of Financial Performance for the year ended 31 March 2006

	Note	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Operating Revenue	1	**142,784**	**121,218**	**16,413**	**22,795**
Earnings before Interest, Tax & Depreciation		38,256	27,341	7,728	13,292
Depreciation	2	(2,509)	(2,563)	(406)	(330)
Net Interest	1,2	(684)	(1,253)	777	76
Operating Surplus before Taxation	2	**35,063**	**23,525**	**8,099**	**13,038**
Taxation	3	-	-	-	-
Net Surplus for the Year		**35,063**	**23,525**	**8,099**	**13,038**
Earnings per share (cents)		**35.1**	**23.5**		

Statement of Movements in Equity for the year ended 31 March 2006

	Note	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Equity at Beginning of Year		**185,756**	**146,987**	**84,962**	**81,772**
Net Surplus for the Year		35,063	23,525	8,099	13,038
Revaluation of Investment Properties	9	37,406	18,583	522	(146)
Revaluation of Property, Plant & Equipment	9	-	6,661	-	298
Total Recognised Revenues and Expenses		**72,469**	**48,769**	**8,621**	**13,190**
Dividends Paid		(14,500)	(10,000)	(14,500)	(10,000)
Equity at End of Year		**243,725**	**185,756**	**79,083**	**84,962**

The statement of accounting policies and notes to the financial statements on pages 20-31 form part of these financial statements.



financial statements

Statement of Financial Position as at 31 March 2006

	Notes	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Equity					
Share Capital	8	33,290	33,290	33,290	33,290
Asset Revaluation Reserve	9	114,977	77,571	40,236	39,714
Retained Earnings		95,458	74,895	5,557	11,958
		243,725	**185,756**	**79,083**	**84,962**
Non-Current Liabilities					
Bank Loans (Secured)	7	**40,000**	**34,800**	**40,000**	**34,800**
Current Liabilities					
Bank Overdraft (Secured)	6	-	365	-	104
Creditors and Accruals		9,480	5,085	7,586	3,843
Employee Entitlements		2,352	2,135	629	536
Bank Loans (Secured)	7	28,745	15,000	28,745	15,000
		40,577	**22,585**	**36,960**	**19,483**
Total Funds Employed		**324,302**	**243,141**	**156,043**	**139,245**
Non-Current Assets					
Net Investment Properties	5	188,547	112,289	1,612	1,108
Property, Plant & Equipment	4	109,214	115,565	5,089	4,585
Investments in Subsidiaries	16	-	-	51,185	49,185
Advances to Employees	18	1,700	143	1,700	143
		299,461	**227,997**	**59,586**	**55,021**
Current Assets					
Bank		383	-	78	-
Debtors and Prepayments		23,387	14,667	356	293
Inventory		961	350	151	238
Advances to Employees	18	110	127	110	127
Advances to Subsidiary Companies	12	-	-	95,762	83,566
		24,841	**15,144**	**96,457**	**84,224**
Total Assets		**324,302**	**243,141**	**156,043**	**139,245**

The statement of accounting policies and notes to the financial statements on pages 20-31 form part of these financial statements.



financial statements

Statement of Cash Flows for the year ended 31 March 2006

		GROUP		PARENT	
		2006 $000	2005 $000	2006 $000	2005 $000
Operating Activities					
Receipts from Residents		125,482	120,717	6,421	8,013
Interest Received		234	324	1,892	1,740
Dividends Received		-	-	8,000	13,000
		125,716	**121,041**	**16,313**	**22,753**
Payments to Suppliers and Employees		(40,427)	(40,132)	(5,290)	(6,606)
Payments to Residents		(28,841)	(25,770)	(511)	(512)
Interest Paid		(1,069)	(1,636)	(1,048)	(1,611)
		(70,337)	**(67,538)**	**(6,849)**	**(8,729)**
Net Operating Cash Flows	15	**55,379**	**53,503**	**9,464**	**14,024**
Investing Activities					
Repayment of Advances from Subsidiaries		**-**	**-**	**28,312**	**14,230**
Purchase of Property, Plant & Equipment		(14,280)	(16,326)	(903)	(419)
Purchase of Investment Properties		(39,746)	(34,416)	-	(11)
Capitalised Interest Paid		(3,373)	(1,775)	-	-
Advances to Employees		(1,677)	(45)	(1,677)	(45)
Investment in Subsidiaries		-	-	(2,000)	(400)
Advances to Subsidiaries		-	-	(37,459)	(25,533)
		(59,076)	**(52,562)**	**(42,039)**	**(26,408)**
Net Investing Cash Flows		**(59,076)**	**(52,562)**	**(13,727)**	**(12,178)**
Financing Activities					
Drawdown of Bank Loans		**18,945**	**8,300**	**18,945**	**8,300**
Dividends Paid		**(14,500)**	**(10,000)**	**(14,500)**	**(10,000)**
Net Financing Cash Flows		**4,445**	**(1,700)**	**4,445**	**(1,700)**
Net Increase (Decrease) in Cash Held		**748**	**(759)**	**182**	**146**
Cash at Beginning of Year		(365)	394	(104)	(250)
Cash at End of Year		**383**	**(365)**	**78**	**(104)**

The statement of accounting policies and notes to the financial statements on pages 20-31 form part of these financial statements.



accounting policies

Statement of Accounting Policies for the year ended 31 March 2006

1. Reporting Entity

The Group consists of Ryman Healthcare Limited and its subsidiaries, which develops, owns and operates retirement villages, resthomes, and hospitals for the elderly within New Zealand. Ryman Healthcare Limited is listed on the New Zealand Exchange (NZX) and is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

2. General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of financial performance and financial position under the historical cost method are followed by the Group, except where modified by the revaluation of property, plant & equipment, and investment properties.

3. Particular Accounting Policies

The following is a summary of the significant accounting policies adopted by the Group in the preparation of the consolidated financial statements.

(a) Basis of Consolidation

The Group's financial statements include the financial statements of the parent and its subsidiaries, which have been consolidated using the purchase method. All significant transactions within the Group are eliminated on consolidation.

(b) Revenue Recognition

Care Fees

Resthome, hospital and retirement village service fees are recognised on an accruals basis.

Sales of Occupation Rights to Retirement Village Units

Revenues from initial sales of Occupation Rights to retirement village units are recognised when the Group has an unconditional sale contract and practical completion of the unit has been achieved. Surpluses and deficits from the sale of Occupation Rights are recognised as the difference between the Occupation Right revenue and the average cost of developing the new units including the cost of land, construction, capitalised interest and other sundry items.

Resales of Occupation Rights to Retirement Village Units

Revenues from resales of Occupation Rights for existing retirement village units are recognised when the Group has an unconditional sale contract. Surpluses and deficits from the resale of Occupation Rights are recognised as the difference between the Occupation Right revenue and the cost of repurchasing the Occupation Right, less selling and refurbishment costs.

Management Fees

Management fees are fees accrued during the tenancy of the resident which are offset against the occupancy advance, and settled on repayment of the advance.

(c) Investment Properties

Investment properties include freehold land and buildings, equipment and furnishings, relating to retirement village units and community facilities that are intended to be held for the long term.

Investment properties are initially recorded at cost. Completed and occupied retirement village units and community facilities are subsequently revalued on an annual basis and restated to net

accounting policies

Statement of Accounting Policies for the year ended 31 March 2006

current values as determined by an independent registered valuer. Any surplus or deficit determined by the annual revaluation is taken directly to reserves.

Costs relating to the construction of retirement village units and community facilities are separately identified and capitalised in the Statement of Financial Position. Typically these costs include the cost of land, materials, wages and interest incurred during the period that is required to complete and prepare the investment property for its intended use.

(d) Occupation Agreements

Occupation Agreements confer the right of occupancy of the retirement village unit, until the resident's occupancy terminates and the Occupation Rights are repurchased by the Group.

Amounts payable under Occupation Agreement repurchase arrangements ("Occupancy Advances") are deducted from the Investment Properties balance in the Statement of Financial Position.

(e) Inventory

The cost of Occupation Rights to retirement village units repurchased and awaiting resale are excluded from Investment Properties and are classified as inventory.

(f) Property, Plant & Equipment

Property, plant & equipment comprises resthomes, hospitals and properties held pending development of a new retirement village. All property, plant & equipment is initially recorded at cost. Typically these costs include the cost of land, materials, wages and interest incurred during the period that is required to complete and prepare the asset for its intended use.

Fully constructed and operational freehold land and buildings (including plant and equipment and fixtures and fittings contained within), included within the definition of property, plant & equipment, are subsequently revalued every three years and restated at net current values determined by an independent registered valuer. Revaluation surpluses are taken directly to the reserve. Decreases in value are debited directly to the revaluation reserve to the extent that they reverse previous surpluses within the class of asset concerned and are otherwise recognised as expenses in the Statement of Financial Performance.

(g) Depreciation

Depreciation is provided on all tangible property, plant & equipment, other than freehold land, at rates calculated to allocate the assets' cost or valuation, less estimated residual value, over their estimated useful lives, commencing from the time the assets are held ready for use, as follows:

Freehold Buildings	2%SL
Plant and Equipment	10-20%SL
Furniture and Fittings	20%SL
Motor Vehicles	20%SL

Surpluses and deficits on disposal of property, plant & equipment are taken into account in determining the operating result for the year.

No depreciation is provided in respect of investment properties.

accounting policies

Statement of Accounting Policies for the year ended 31 March 2006

(h) Operating Leases
Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to the Statement of Financial Performance over the periods of expected benefit.

(i) Trade Debtors
Trade Debtors are valued at expected realisable value after writing off any debt considered uncollectable and providing for any debts considered doubtful.

(j) Investments in Subsidiaries
Investments in Subsidiaries are valued at the net asset value of the subsidiary in the parent company's financial statements at 31 March 2000, plus additional investments since that date at cost, or at recoverable amount if this is less.

(k) Statement of Cash Flows
The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Performance. Cash includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes all call borrowing such as bank overdrafts used by the company and the Group as part of their day-to-day cash management.

Operating activities include all transactions and other events that are not investing or financing activities. Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets. Financing activities are those activities relating to changes in the equity and debt capital structure of the company and Group and those activities relating to the cost of servicing the company's and the Group's equity capital.

(l) Taxation
The taxation expense shown in the Statement of Financial Performance includes both current and deferred taxation, and is calculated after deducting all available allowances.

Deferred taxation, calculated using the liability method on a partial basis, is provided to cover future taxation benefits and liabilities arising from the reversal of timing differences between deductions under the Group's accounting policies and those allowed under the income tax legislation. Debit balances in the deferred taxation account are recognised only to the extent that there is virtual certainty of their recovery in future periods.

(m) Consumables
Purchases of supplies by the villages are expensed in the period they are incurred.

(n) Maintenance Costs
Maintenance costs are accounted for in the period they are incurred.

(o) Financial Instruments
The Group is party to financial instruments with off balance sheet risk due to fluctuating interest rates in the meeting of its financing needs. These financial instruments consist of bank overdraft facilities and bank loans. The Group has entered into various interest rate swap agreements to hedge its interest rate exposure. The Group has no foreign exchange contracts or other exchange rate exposure.

4. Comparative Figures
Comparative information has been reclassified, where necessary, to achieve consistency in disclosure with the current year.

5. Changes in Accounting Policies
There have been no material changes in accounting policies. All policies have been applied on bases consistent with those used in previous financial statements.



notes to the financial statements

Notes to the Financial Statements for the year ended 31 March 2006

1. Operating Revenue

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Care Fees	48,749	42,294	1,648	3,568
Sales of Occupation Rights	43,394	36,483	-	-
Resales of Occupation Rights	41,914	32,925	814	742
Management Fees	8,189	6,595	87	89
Interest	460	445	1,900	1,749
Dividends	-	-	8,000	13,000
Other	78	2,476	3,964	3,647
Total Operating Revenue	**142,784**	**121,218**	**16,413**	**22,795**

2. Expenses

	GROUP 2006	GROUP 2005	PARENT 2006	PARENT 2005
Operating surplus before taxation is stated after charging:				
Audit Fees	86	57	65	53
Other Services Provided by Auditors	-	-	-	-
Depreciation				
- Buildings	1,260	1,331	53	54
- Plant and Equipment	549	518	252	235
- Furniture and Fittings	537	622	26	29
- Motor Vehicles	163	92	75	12
Directors Fees	220	180	220	180
Donations	69	64	51	56
Interest	1,144	1,698	1,123	1,673
Rent	394	245	195	248

3. Taxation

	GROUP 2006	GROUP 2005	PARENT 2006	PARENT 2005
(a) Current Taxation				
Net Surplus before taxation	35,063	23,525	8,099	13,038
Prima facie taxation at 33%	11,570	7,763	2,673	4,302
Tax effect of permanent differences:				
Gain on sale of occupancy rights	(7,539)	(5,346)	(62)	(54)
Non taxable dividends	-	-	(2,640)	(4,290)
Development costs	(377)	(298)	(377)	(298)
Depreciation	(2 ,180)	(1,645)	(10)	34
Interest	(1,113)	(586)	(1,113)	(586)
Other expenses	66	313	17	(13)
Tax losses incurred (utilised)	(427)	(201)	1,512	905
Tax Expense	**-**	**-**	**-**	**-**

Notes to the Financial Statements for the year ended 31 March 2006

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
3. Taxation (continued)				
(b) Deferred Taxation				
Deferred Tax Liability (not recognised)	19,356	16,513	515	683
Tax Losses Available	14,899	15,719	6,791	9,377
Future Tax Benefit of Tax Losses (not recognised)	4,916	5,187	2,241	3,095
(c) Imputation Credit Account				
Opening Balance	104	104	98	98
Income Tax Refunds	(2)	-	-	-
Closing Balance	**102**	**104**	**98**	**98**
4. Property, Plant & Equipment				
Land (at cost)	15,901	15,048	11	-
Land (at valuation)	17,498	17,498	485	485
	33,399	**32,546**	**496**	**485**
Buildings (at cost)	7,844	14,578	63	30
Buildings (at valuation)	61,419	61,419	2,597	2,597
Accumulated Depreciation	(1,262)	(1)	(54)	(1)
	68,001	**75,996**	**2,606**	**2,626**
Plant and Equipment (at cost)	2,883	2,032	2,209	1,741
Plant and Equipment (at valuation)	2,712	2,712	91	91
Accumulated Depreciation	(1,090)	(563)	(783)	(531)
	4,505	**4,181**	**1,517**	**1,301**
Furniture and Fittings (at cost)	1,083	424	156	142
Furniture and Fittings (at valuation)	2,142	2,142	39	39
Accumulated Depreciation	(622)	(86)	(85)	(59)
	2,603	**2,480**	**110**	**122**
Motor Vehicles (at cost)	1,096	590	457	74
Accumulated Depreciation	(390)	(228)	(97)	(23)
	706	**362**	**360**	**51**
Total Property, Plant & Equipment	**109,214**	**115,565**	**5,089**	**4,585**

All completed resthomes and hospitals included within the definition of property, plant & equipment were revalued to net current value based on an independent valuation report prepared by registered valuers, DTZ New Zealand Limited, as at 31 March 2005. These revaluations are undertaken every three years.

notes to the financial statements

Notes to the Financial Statements for the year ended 31 March 2006

4. Property, Plant & Equipment (continued)

The properties held pending development of a retirement village amounted to $10.1 million (2005: $24.4 million) and are valued at cost. A proportion of this balance will be transferred to investment properties once development commences.

Interest of $0.701 million (2005: $1.433 million) has been capitalised during the period of construction.

The assets shown at cost include head office assets, village assets under development, and resthome and hospital additions since 31 March 2005.

5. Investment Properties

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Gross Investment Properties	**445,142**	**321,271**	**4,537**	**3,829**
Less:				
Gross Occupancy Advances	283,740	229,983	3,400	3,173
Less Accrued Management Fees and Resident Loans	(27,145)	(21,001)	(475)	(452)
Net Occupancy Advances	**256,595**	**208,982**	**2,925**	**2,721**
Net Investment Properties	**188,547**	**112,289**	**1,612**	**1,108**

Completed and occupied investment properties were revalued to net current value based on an independent valuation report prepared by CB Richard Ellis as at 31 March 2006. Investment properties stated at cost, and included in total investment properties as at 31 March 2006, amounted to $50.0 million (2005: $19.3 million).

Interest of $2.672 million (2005: $0.342 million) has been capitalised during the period of construction.

Residents make interest free advances ("Occupancy Advances") to the retirement villages in exchange for the right of occupancy to retirement village units. Under the terms of the Occupancy Agreement, the resident receives a unit title for life and a first mortgage over the residual interest for security purposes, or a first mortgage is held over the individual title by the statutory supervisor pending availability of individual unit titles.

6. Bank Overdraft

The bank overdraft facilities are secured by a general security agreement and mortgages over the freehold Land and Buildings of the Group in the same manner as the bank loans (see note 7). The interest rate on all overdraft facilities at 31 March 2006 was 12.15% (2005: 10.85%).

notes to the financial statements

Notes to the Financial Statements for the year ended 31 March 2006

7. Non-Current Liabilities

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Bank Loans (secured)	68,745	49,800	68,745	49,800
Less Current Portion	(28,745)	(15,000)	(28,745)	(15,000)
Non Current Portion	**40,000**	**34,800**	**40,000**	**34,800**
Within 1–2 years	40,000	34,800	40,000	34,800
Average interest rates	8.49%	7.79%	8.49%	7.79%

The bank loans are secured by a general security agreement over the parent and subsidiary companies and supported by first mortgages over the freehold Land and Buildings (excluding retirement village unit titles provided as security to residents - refer note 5).

The subsidiary companies listed at note 16 have all provided guarantees in respect of the Group's secured loans as parties to the general security agreement.

8. Share Capital

Issued and paid up capital consists of 100,000,000 fully paid ordinary shares. All shares rank equally in all respects.

9. Asset Revaluation Reserve

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Opening Balance	77,571	52,327	39,714	39,562
Revaluation of Investment Properties	37,406	18,583	522	(146)
Revaluation of Property, Plant & Equipment	-	6,661	-	298
Closing Balance	**114,977**	**77,571**	**40,236**	**39,714**
Balance as at 31 March 2006 consists of:				
Revaluation of Investment Properties	84,315	46,909	545	23
Revaluation of Property, Plant & Equipment	30,662	30,662	1,720	1,720
Revaluation of Investment in Subsidiaries	-	-	37,971	37,971
Closing Balance	**114,977**	**77,571**	**40,236**	**39,714**

notes to the financial statements

Notes to the Financial Statements for the year ended 31 March 2006

10. Commitments

At balance date there were commitments relating to land purchases and construction contracts amounting to $10.732 million (2005: $1.768 million). Conditional contracts relating to land purchases as at 31 March 2006 amounted to $3.0 million (2005: $NIL).

11. Contingent Liabilities

The Group had no contingent liabilities as at 31 March 2006 (2005 : $Nil).

12. Related Party Transactions

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Amounts owing by Subsidiary companies	-	-	95,762	83,566
Dividend Revenue	-	-	8,000	13,000
Salaries (Shareholders / Directors)	570	486	570	486

Advances owing by subsidiary companies arise due to the parent company providing funding for the development of new villages.

No related party debts have been written off or forgiven during the year.

A management agreement relating to use of land has been entered into by Ryman Napier Limited and the Ryman Healthcare Charitable Trust during 2005. Ryman Healthcare Limited was the settlor of the Ryman Healthcare Charitable Trust.


Notes to the Financial Statements for the year ended 31 March 2006

13. Financial Instruments

The financial instruments consist of bank balances, receivables, payables, subsidiary advances and loans and employee advances.

(a) Credit Risk:

Financial instruments, which potentially subject the Group to credit risk, principally consist of bank balances and receivables. The company does not require collateral from its debtors, and the directors consider the Group's exposure to any concentration of credit risk to be minimal. The total credit risk to the Group as at 31 March 2006 was $25.6 million (2005: $15.2 million) and is represented by the following:

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Bank Balance	383	-	78	-
Debtors and prepayments	23,387	14,667	356	293
Advances to employees	1,810	270	1,810	270
Fair value of interest rate swaps	-	237	-	237

(b) Interest Rate Risk:

The interest rate applicable to the bank overdraft is variable. The interest rates applicable to the bank loans are reviewed at each rollover. The Group seeks to obtain the most competitive rate of interest at all times.

Ryman Healthcare Limited has entered into interest rate swap agreements in order to reduce the impact of changes in interest rates on its floating rate long term debt. At 31 March 2006 the Group had interest rate swap agreements in place with a total notional principal amount of $35.0 million (2005: $30.0 million). The agreements effectively change Ryman Healthcare's interest rate exposure on the floating rate to a fixed rate of 6.74% (2005: 6.71%). The interest rate swap agreements are for terms of between one and five years.

(c) Fair Values:

The fair value of interest rate swaps as at 31 March 2006 was -$0.54 million (2005: $0.237 million). The directors consider that the cost of making a reasonably reliable estimate of fair value of advances to employees is excessive in relation to the perceived benefit to users. The directors consider that the carrying amount is the fair value for all other classes of financial instruments.



notes to the financial statements

Notes to the Financial Statements for the year ended 31 March 2006

14. Operating Leases

	GROUP		PARENT	
	2006	2005	2006	2005
	$000	$000	$000	$000
Commitments within:				
One year	264	389	224	210
One to Two years	224	251	224	210
Three to Five years	448	-	448	-

15. Cash Flows

Reconciliation of Net Surplus for the Year and Net Operating Cash Flows

	GROUP		PARENT	
	2006	2005	2006	2005
	$000	$000	$000	$000
Net Surplus for the year	**35,063**	**23,525**	**8,099**	**13,038**
Cost of Sales of Occupation Rights	30,578	26,488	30	(50)
Non Cash Items:				
Management Fees	(5,387)	(4,451)	(11)	(20)
Depreciation	2,509	2,563	406	330
Other	(200)	(269)	220	149
Items classified as Investing Activities:				
Movement in Fixed Assets	-	(301)	-	(301)
Movements in Working Capital:				
Creditors and Accruals	1,318	101	691	172
Debtors and Prepayments	(8,720)	4,736	(64)	575
Properties Intended for Sale	-	680	-	-
Employee Entitlements	218	431	93	131
Net Operating Cash Flows	**55,379**	**53,503**	**9,464**	**14,024**



notes to the financial statements

Notes to the Financial Statements for the year ended 31 March 2006

16. Subsidiary Companies

All subsidiaries operate in the aged care sector in New Zealand, are 100% owned, and have a balance date of 31 March. The operating subsidiaries are:

- Beckenham Courts Retirement Village Limited
- Frances Hodgkins Retirement Village Limited
- Glamis Private Hospital Limited
- Grace Joel Retirement Village Limited
- Hilda Ross Retirement Village Limited
- Jane Winstone Retirement Village Limited
- Malvina Major Retirement Village Limited
- Margaret Stoddart Retirement Village Limited
- Ngaio Marsh Retirement Village Limited
- Rita Angus Retirement Village Limited
- Rowena Jackson Retirement Village Limited
- Ryman Abbotts Way Limited
- Ryman Christchurch Limited
- Ryman Manawatu Limited
- Ryman Napier Limited
- Ryman Nelson Limited
- Shona McFarlane Retirement Village Limited

17. Segment Information

The Group operates in one industry, the provision of care and accommodation to the elderly. All operations are carried out in New Zealand.

18. Advances to Employees

The company operates an employee share scheme for certain senior employees, other than Directors, to purchase ordinary shares in the company.

The company provides the employees with limited recourse loans on an interest free basis to assist employees' participation in the scheme. The balance of the limited recourse loans as at 31 March 2006 was $1.810 million, of which $0.11 million related to a previous scheme (2005: $0.270 million).

The loans are applied to the purchase of shares on-market, so the number of shares and the consideration for each share is determined by the market price at that time. The scheme holds 310,650 fully allocated shares, which represents 0.31% of the total shares on issue.

Shares purchased under the scheme are held by two directors as custodians and the shares carry the same rights as all other ordinary shares. Dividends received are applied to repayment of the loan, and the loan is repayable in the event that the employee is no longer employed by the company.

19. Subsequent Event

The directors resolved to pay a final dividend of 9.0 cents per share or $9.0 million, with no imputation credits attached, to be paid on 23 June 2006.

20. International Financial Reporting Standards

All listed companies are required to adopt the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) no later than the 2008 financial year. However, if appropriate, we have the option to adopt them in an earlier financial year.

The Company is working to complete the adoption of NZ IFRS within the required time frame. The most significant differences in accounting policies that are expected to have an impact on the financial statements following the adoption of NZ IFRS are as follows:

Revaluation of Investment Properties:
Our Investment Properties are valued by an independent registered valuer at each balance date (refer to note 3(c) of the Statement of Accounting Policies). Any surplus or deficit determined by the



Notes to the Financial Statements for the year ended 31 March 2006

20. International Financial Reporting Standards (continued)

annual revaluation is taken directly to Reserves. Under NZ IFRS any surplus or deficit arising from the revaluation is to be taken to the income statement.

Liability for deferred taxation:
There will no longer be permanent or timing differences as all differences between the carrying amount and the asset or liability tax base will be called temporary differences. The tax base will depend on the expected method of asset realisation or liability settlement. All temporary differences will need to be provided for. Therefore we will be required to recognise the deferred tax liability, which is the amount that has been disclosed by the company as an unrecognised deferred tax liability (refer to note 3(b) of the Notes to the Financial Statements). The opening balance will be recorded as a liability and charged against Reserves. The increase, or decrease in the amount of the liability each year thereafter will result in a decrease or increase in the Net Surplus after Tax.

Future benefit of tax losses:
The company will be required to set up an asset to recognise the future benefit from tax losses if it is probable that future taxable profit will be available against which unused tax credits can be utilised. The amount of this unrecognised asset has been disclosed by the company as a future tax benefit (refer to note 3(b) of the Notes to the Financial Statements). The opening balance will be recorded as an asset and credited to Reserves. The increase, or decrease in the amount of the asset each year thereafter will result in an increase or decrease in the Net Surplus after Tax.

Overall impact on changes on Surplus and Cash flows:
The total effect of these changes is likely to be an increase in the Net Surplus after Tax. The changes, however, will have no impact on the Net Operating Cash Flows reported.

Note: The actual impact of adopting NZ IFRS's may vary from the information presented, and that the variation may be material.

21. Authorisation

The directors authorised the issue of these financial statements on 22 May 2006.

S.B. Ashton

Sidney Ashton

Kevin Hickman

auditors report

Deloitte.

We have audited the financial statements on pages 17 to 31. The financial statements provide information about the past financial performance and financial position of Ryman Healthcare Limited and group as at 31 March 2006. This information is stated in accordance with the accounting policies set out on pages 20 to 22.

Board of Directors Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Ryman Healthcare Limited and group as at 31 March 2006 and of the results of operations and cash flows for the year ended on that date.

Auditors Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing;

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company and group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. 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 obtain reasonable assurance that the 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 information in the financial statements.

Other than in our capacity as auditor we have no relationship with or interests in Ryman Healthcare Limited or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by Ryman Healthcare Limited as far as appears from our examination of those records; and
- the financial statements on pages 17 to 31:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the financial position of Ryman Healthcare Limited and Group as at 31 March 2006 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 22 May 2006 and our unqualified opinion is expressed as at that date.

Deloitte

Chartered Accountants
Christchurch, New Zealand.



directors disclosures

General Disclosures

David Kerr

Chairman: Centre Care Limited
Advisor: Canterbury District Health Board
Consultant: Pegasus Health
Trustee: Health Ed Trust NZ Inc
Advisor: Medical Protection Society Limited

Kevin Hickman

Director/Shareholder: Opus Developments Limited
Trustee: The Hickman Family Trust
Director: James Lloyd Developments Limited
Director: Valachi Downs Limited
Director/Shareholder: Rita May Limited
Director: Russley Estates Limited

Michael Cashin

Chairman: Mooring Systems Limited
Chairman: Burleigh Evatt Group Limited*
Director: Cashin Corporate Services Limited
Director: Capital Properties of New Zealand Limited*
Director: Wellington Waterfront Limited
Trustee: The J Campbell Barrett Wellington Anaesthesia Trust

Donald Trow

Chairman: Smartshares Limited
Chairman: Advisory Committee to Statutory Managers of Equiticorp Group
Professor of Accountancy: Victoria University of Wellington*
Chairman: NZX Discipline

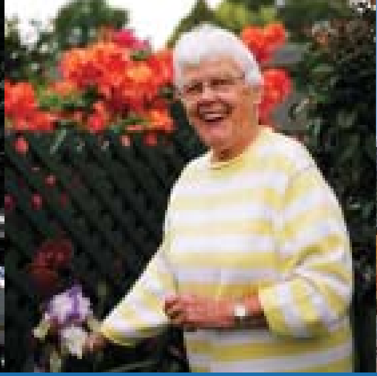
Andrew Clements

Managing Director: Emerald Capital Limited & Subsidiaries
Director: New Zealand Experience Limited & Subsidiaries
Director: Airwork Holdings Limited & Subsidiaries
Director: Orion Corporation Limited
Chairman: TVD Holdings Limited
Alternate Director: The New Zealand Refining Company Limited
Director: Zeus Capital Limited & Subsidiaries
Director: Zeus Management Limited
Director: Goldpine Group Limited
Director: Goldpine Properties Limited
Director: Open Holdings Limited
Chairman: Fusion Electronics Limited
Trustee: Foundation for Youth Development
Director: Revera Limited

Sidney Ashton

Chairman: Charities Commission
Chairman: Te Runanga o Ngai Tahu Audit & Risk Committee
Trustee: Diabetes Training & Research Trust
Member: Nominating Committee for the Guardians of NZ Superannuation
Director: Lamb and Hayward Limited

* Denotes positions no longer held.


directors disclosures

Specific Disclosures

The Company have received a notice under section 145 (2) of the Companies Act 1993 to the effect that information received by Andrew Clements in his capacity as a director would be disclosed to the directors of Emerald Capital Holdings Limited.

In accordance with the company's constitution and the Companies Act 1993 the company has provided insurance for, and indemnities to, directors of the company.

Shareholdings

Director	Relevant Interest 2006	2005
Kevin Hickman	10,166,991[1]	15,166,991[1]
David Kerr	18,518	18,518
Donald Trow	37,037	37,037
Michael Cashin	37,037	37,037
Sidney Ashton	210,000[2]	190,000[2]
Andrew Clements	2,000,000[3]	2,000,000[3]

1 Held as a trustee of The Hickman Family Trust
2 Shares held jointly by S B and J E Ashton
3 Held by Zeus Delta Ltd

Directors Remuneration

Directors remuneration paid during the financial year:

Director	Directors Fees	Salaries & Bonuses
Kevin Hickman	-	570,000
David Kerr	73,333	-
Donald Trow	36,667	-
Michael Cashin	36,667	-
Sidney Ashton	36,667	-
Andrew Clements	36,667	-

Employees Remuneration

The number of employees or former employees of the Company, not being directors, who received remuneration and other benefits valued at or exceeding $100,000 during the financial year under review were:

Remuneration	No of Employees
$290,000 - $300,000	1
$250,000 - $260,000	1
$210,000 - $220,000	1
$180,000 - $190,000	1
$140,000 - $150,000	4
$120,000 - $130,000	1
$110,000 - $120,000	1
$100,000 - $110,000	2

Share Dealing

Director	Nature of Interest	Shares Acquired (Disposed)	Consideration	Date
Kevin Hickman	Beneficial	(5,000,000)	$5.00	20 December 2005
Sidney Ashton	Beneficial	20,000	$4.10	5 August 2005

David Kerr and Michael Cashin, as custodians of the Ryman Healthcare Employee Share Purchase Scheme, acquired 310,650 shares during the year.

shareholder information

Top 20 Shareholders as at 15 May 2006

Rank	Registered Shareholder	No of Ordinary Shares Held	% of Ordinary Shares
1	Emerald Capital Holdings Limited	16,000,000	16.00%
2	Ngai Tahu Equities Limited	12,500,000	12.50%
3	K J Hickman, J Hickman, J W D Ryder & J A Callaghan[1]	10,166,991	10.17%
4	Tea Custodians Limited[2]	6,436,324	6.44%
5	833763 Alberta Incorporated	4,990,000	4.99%
6	NZ Superannuation Fund Nominees Limited[2]	4,978,676	4.98%
7	MFL Mutual Fund Limited[2]	2,549,347	2.55%
8	G A Cumming	2,000,000	2.00%
9	Zeus Delta Limited	2,000,000	2.00%
10	P H Masfen & J A Masfen	1,450,000	1.45%
11	Premier Nominees Ltd[2]	1,369,098	1.37%
12	Citibank Nominees (New Zealand) Limited[2]	1,238,383	1.24%
13	Custody and Investment Nominees Limited[2]	1,234,517	1.23%
14	National Nominees New Zealand Limited[2]	1,215,315	1.22%
15	A Ross	1,200,000	1.20%
16	Custodial Services Limited	973,036	0.97%
17	W M G Yovich & J J Yovich	934,101	0.93%
18	Hubbard Churcher Trust Management Limited	839,529	0.84%
19	N Webb	600,000	0.60%
20	Direct Capital Private Equity Limited	547,038	0.55%
		73,222,355	**73.22%**

1 Held as trustees of The Hickman Family Trust

2 Held by New Zealand Central Securities Depository Ltd as custodian

Distribution of Shareholders as at 15 May 2006

Size of Shareholding	Number of Shareholders		Shares Held	
1 – 999	526	14.20%	286,330	0.29%
1,000 - 4,999	2,073	55.96%	4,663,192	4.66%
5,000 - 9,999	567	15.30%	3,614,609	3.61%
10,000 - 99,999	487	13.14%	10,437,410	10.44%
Over 100,000	52	1.40%	80,998,459	81.00%
	3,705	**100.00%**	**100,000,000**	**100.00%**

Substantial Security Holder Notices Received as at 15 May 2006

Shareholder	Relevant Interest	%	Date of Notice
Emerald Capital Holdings Limited	16,000,000	16.00	19 June 2003
Ngai Tahu Equities Limited	12,500,000	12.50	18 July 2005
Fisher Funds Management Limited	10,855,517	10.86	21 June 2005
K J Hickman, J Hickman, J A Callaghan & J W D Ryder[1]	10,166,991	10.17	21 December 2005

1 Held as trustees of The Hickman Family Trust



directory

Head Office / Registered Office

Level 11, Clarendon Tower
Cnr Worcester Boulevard & Oxford Terrace
PO Box 771, Christchurch
Telephone: 64 3 366 4069
Facsimile: 64 3 366 4861
Email: ryman@rymanhealthcare.co.nz
Website: www.rymanhealthcare.co.nz

Auditor

Deloitte

Banker

ANZ Bank

Share Registrar

Computershare
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1020
Telephone: 64 9 488 8777
Facsimile: 64 9 488 8787
Email: enquiry@computershare.co.nz

Non Executive Directors

Sidney Ashton
Michael Cashin
Andrew Clements
David Kerr (Chairman)
Donald Trow

Managing Director

Kevin Hickman

Company Secretary

Simon Challies

village directory

Villages

Beckenham Courts Retirement Village
222 Colombo Street, Beckenham, Christchurch.
Ph: (03) 337 2702

Frances Hodgkins Retirement Village
40 Fenton Crescent, St Clair, Dunedin.
Ph: (03) 455 0277

Glamis Hospital
28 Montpellier Street, Mornington, Dunedin.
Ph: (03) 477 6966

Grace Joel Retirement Village
184 St Heliers Bay Road, St Heliers, Auckland.
Ph: (09) 575 1572

Hilda Ross Retirement Village
30 Ruakura Road, Hamilton.
Ph: (07) 855 9542

Jane Winstone Retirement Village
49 Oakland Avenue, St Johns Hill, Wanganui
Ph: (06) 345 6783

Malvina Major Retirement Village
134 Burma Road, Khandallah, Wellington.
Ph: (04) 478 3754

Margaret Stoddart Retirement Village
23 Bartlett Street, Riccarton, Christchurch.
Ph: (03) 348 4955

Ngaio Marsh Retirement Village
95 Grants Road, Papanui, Christchurch.
Ph: (03) 352 5140

Princess Alexandra Retirement Village
145 Battery Road, Napier.
Ph: (06) 835 9085

Rita Angus Retirement Village
66 Coutts Street, Kilbirnie, Wellington.
Ph: (04) 387 7626

Rowena Jackson Retirement Village
40 O'Byrne Street North, Waikiwi, Invercargill.
Ph: (03) 215 9988

Shona McFarlane Retirement Village
66 Mabey Road, Lower Hutt.
Ph: (04) 577 1090

Woodcote Retirement Village
29 Woodcote Avenue, Hornby, Christchurch.
Ph: (03) 349 8788

RYMAN
HEALTHCARE LTD

RYMAN HEALTHCARE ANNUAL REPORT 2006

RYMAN
HEALTHCARE LTD