RYMAN HEALTHCARE ANNUAL REPORT 2007

RYMAN
HEALTHCARE LTD

contents

2007 highlights

- Net Surplus up 18% to $41.6 million
- Dividends lifted from 3.4 cents to 4.0 cents per share*
- Constructed 300 retirement village units and 131 resthome/hospital beds
- Land bank increased to over 1700 new units and beds
- Launched Ryman "Triple A Programme"
- Awarded "Best Retirement Village in New Zealand"

RYMAN HEALTHCARE LTD

** adjusted for 5:1 share split in January 2007*

chairman's report

Dr David Kerr

The Directors are delighted to present the 2007 Annual Report of Ryman Healthcare Limited.

We are very pleased to have exceeded our target of 15 percent annual earnings growth for the fifth consecutive year and to be well positioned for future growth.

Financial Reports

The Group posted another record net surplus after taxation of $41.6 million for the year ended 31 March 2007, up 18% on the previous year.

Turnover was up 33% to $190 million and the Group generated operating cash flows of $73 million during the year.

Shareholders funds lifted from $244 million to $289 million, including an increase in investment property valuations of $21 million, which was taken directly to reserves.

The continued strong performance this year underlines the ongoing growth potential of the Company, having already witnessed growth from $6 million to $41.6 million profit over an eight year period since 1999.

Dividends

A final dividend of 2.2 cents per share has been declared, and will be paid on 22 June 2007. The record date for entitlements was 8 June 2007.

The final dividend lifts the total payout for the year to 4.0 cents per share, which represents an 18% increase on the previous year, consistent with our growth in earnings.

Our plans have always been to grow the dividends in line with the underlying earnings and cash-flow growth, and that will continue to be our policy going forward.

New Villages

The 2007 year has been a significant building year for the Company, with three new villages under construction in Auckland, Palmerston North and Christchurch. In addition there are five more villages in the planning phase - Nelson, Orewa, New Plymouth, Gisborne and Dunedin.

The Company is therefore well positioned to maintain its new rate of growth and has a landbank sufficient to build over 1700 new beds or retirement village units.

Our development manager, Mr Ray Versey, is stepping down from full-time responsibilities, however he will continue to be engaged by the Company on a number of projects. We are well placed to achieve our growth aspirations and I would like to acknowledge Ray's efforts in this regard. He has established a very capable team who are now delivering on the Company's increased building programme.

Corporate Governance

A full and separate statement of corporate governance has been provided later in the annual report.

chairman's report

We can report that our Charter was reviewed again this year, to ensure that it remains current.

There has been no change to the membership of the Board during the year. Michael Cashin and Don Trow retire by rotation at this year's Annual Meeting, and have offered themselves for re-election. Kevin Hickman became a non-executive director of the Company during the year, following his retirement as Managing Director in August 2006, and offers himself for election.

The remuneration of the Board has been reviewed and we are seeking shareholder approval for an increase in directors' fees from the level approved in 2005. The proposal to be considered at the Annual Meeting is for total directors' fees to increase from $280,000 to $380,000 per annum. We believe the proposal is reasonable, given the increased scale of the Company and the larger demands placed on the Directors.

We are recommending that Deloitte be reappointed as auditor for the 2008 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, and we warmly welcome all shareholders to join us at the Annual Meeting of Shareholders to be held in Christchurch on 3 August.

International Financial Reporting Standards

We will adopt New Zealand equivalents to International Financial Reporting Standards (IFRS) during our 2008 financial year. Our September interim results this year will therefore be our first prepared under IFRS.

The adoption of IFRS will bring significant changes to the financial statements of the Group. We have estimated that our reported Net Surplus after Tax would have increased by $16 million to $58 million, had our 2007 financial statements been prepared under IFRS.

The Directors note, however, that none of the changes under IFRS have an impact on the cash flows of the Group in any way. The Directors emphasise that the business prospects, future cash flows, the scope for paying dividends and the actual liability for taxation remain totally unchanged.

To assist shareholders with understanding the change to IFRS, we intend to provide a supplementary income statement during the IFRS transition period, which will disclose the results on the same basis as that reported in prior years.

Disclosure of the significant effects of adoption of IFRS is provided in Note 20 to the Financial Statements.

Employee Share Schemes

The Board wishes to continue to encourage the participation of senior staff in the long term success of the Company, and to align their interests with those of the shareholders. In accordance with section 79 of the Companies Act 1993, we disclose for the benefit of all shareholders the following proposal to provide financial assistance to senior staff.

chairman's report

Under the current employee share purchase schemes the Board has resolved to provide financial assistance, by way of interest free loans of up to $1.8 million over the next year, to selected senior staff to enable them to acquire ordinary shares on-market. The terms of the financial assistance are set out more fully in Note 18 to the Financial Statements.

The Board has also resolved that they consider the giving of this financial assistance is on terms and conditions that are fair and reasonable, and is for the benefit of all shareholders.

Strategy

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

Grace Joel Retirement Village

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.

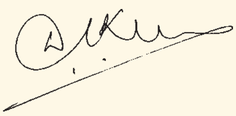
We have increased our rate of development of new villages, and the landbank and level of construction activity has lifted accordingly. This year we built a record 300 retirement village units, together with 131 resthome/hospital beds, and plan to maintain this momentum by rolling out two new villages per annum.

The Outlook

We believe we are on target to achieve earnings growth of 20 percent in the year ahead. This growth reflects both the increasing scale of our village portfolio and our shift to a new level of development.

The Directors are very proud of the efforts of all the staff, and 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, and I can assure you that the Board will continue to strive for excellence on your behalf.



Dr David Kerr, Chairman

chief executive's report

Simon Challies

It is a pleasure to be able to report to you on another very successful year of growth for the Company.

We achieved profit growth of 18 percent, but even more significantly we achieved our target of building at least 300 retirement village units and 100 resthome/hospital beds per annum.

This was a great effort from the team, and reflects a combined commitment to "lift the bar" and to achieve at a higher level each year.

The increased building programme will place us in good stead to grow profits in future years.

Earnings

It is worth acknowledging that the Company's reported profit in any one year is not necessarily a reflection of the Company's performance in that year alone. When we establish a new village, some of the earnings streams only become apparent four to five years after opening. This is what we call the "tail" effect, which became evident this year as we started to reap the rewards of our expansion between 1999 and 2002.

We experienced strong growth in all four revenue streams this year – reflecting both the growth in the portfolio and high levels of occupancy.

The resthome/hospital part of the business remains challenging due to the Government controls on fees, the tight labour market and the increasing acuity of the residents referred to us. However, we view the resthome/hospital services, as a core component of our villages and we are committed to continuing to provide this service at a high level.

Build Programme

We indicated to you some time ago that we intended to double the rate of our build programme, and we have delivered on that promise this year as planned – with 300 retirement village units and 131 care beds completed during the year.

This increase in build rate has been several years in the planning, as the lead time for a new village is at least 18 months, and in the case of Edmund Hillary Retirement Village seven years in the making.

To achieve our new rate of growth, we have taken a number of steps so that we are well positioned to deliver on this programme on a continuing basis.

Firstly, we have increased our landbank to over 1,700 retirement units or care beds, which is sufficient to maintain our build programme for the next three to four years. The landbank includes the new sites such as Nelson, Orewa, New Plymouth, Gisborne and Dunedin, as well as the land available for development at existing villages in Auckland, Hamilton, Wanganui, Palmerston North, Christchurch and Invercargill.

chief executive's report

Secondly, our development team has expanded to deal with the new level of growth. We undertake the acquisition, design, project management and construction of our new villages in-house, and it is this in-house team, based in Christchurch, which has expanded with the appointment of a second construction manager, two new draughtsmen and an additional quantity surveyor. This team is dedicated to the development of new Ryman villages, and is a specialist in the design and roll-out of integrated retirement villages.

Thirdly, we have strengthened our sales and marketing, operations and finance teams to reflect the increased scale of the village portfolio and the increased rate of build programme.

New Villages

During the year, we completed two new retirement villages – Princess Alexandra in Napier, Jane Winstone in Wanganui - and undertook extensions to three existing villages - Shona McFarlane in Lower Hutt, Malvina

Ryman Healthcare Management Team

Back Row: **Gordon MacLeod,** CFO & Company Secretary; **Tracy van Beek,** Finance Manager; **James Johnstone,** Construction Manager; **Rebecca Tapley,** Marketing Manager; **Ray Versey,** Development Manager; **Susan Bowness,** Regional Manager; **Taylor Allison,** Design Manager;
Front Row: **Tom Brownrigg,** Construction Manager; **Debbie Jarratt,** Group Sales Manager; **Simon Challies,** Chief Executive; **Barbara Reynen,** Operations Manager; **Philip Mealings,** Property/Purchasing Manager.

chief executive's report

Major Retirement Village in Wellington and Rowena Jackson in Invercargill.

The Princess Alexandra Retirement Village in Napier is relatively unique as it now provides the full continuum of care - independent townhouse living, assisted living in the serviced apartments, resthome care, hospital care and a purpose built special care unit for people with Alzheimers. We are very grateful to the Hawkes Bay District Health Board for their support of our plans to provide a full range of services. The village is home to 250 residents and provides a substantial amenity to the city of Napier.

We completed the new Jane Winstone Retirement Village in St John's Hill, Wanganui during the year. The village now comprises a 33 bed resthome, 50 serviced apartments, a village centre, and 54 independent townhouses.

The Anthony Wilding Retirement Village in Christchurch opened its doors in December with a new 53-bed resthome and hospital which is now fully occupied, and the first townhouse residents have moved into their new homes.

In Palmerston North we are nearing completion of our new Julia Wallace Retirement Village, which has been very well received by the community to date, with the first stage of townhouses all pre-sold.

We were very pleased during the year to secure an outstanding site in Orewa, north of Auckland, which is located in one of New Zealand's fastest growing regions.

In the year ahead, we will be building in Auckland, Palmerston North, Nelson and Invercargill and, subject to receipt of planning approval, we also plan to be building in Orewa.

Edmund Hillary Retirement Village

Chrissie Baker and Angus McPhee, Sales Advisors for Edmund Hillary Retirement Village, welcome the Village's very first residents, Fraser and Dolena Hawkins into their new home.

chief executive's report

$120,000 Raised for Malagan Institute for Medical Research

Left to Right: **Simon Challies,** Ryman Healthcare; **Margaret Smith,** Malvina Major Retirement Village Resident; **Terry Ryan,** Malvina Major Retirement Village Staff Member; **Professor Graham Le Gros,** Malaghan Institute.

Edmund Hillary Retirement Village

Our most significant construction effort during the year was at the landmark Edmund Hillary Retirement Village in Remuera, Auckland. This village has been seven years in the making and represents a major accomplishment for the Company. We have recently welcomed our first residents into their new homes.

We consider ourselves very privileged to be able to name the village after Sir Edmund and are very grateful to Sir Edmund and Lady Hillary for their support. We are honoured to pay tribute to Sir Edmund's achievements and contribution to society in the naming of our new village. He is one of New Zealand's most respected citizens and his achievements are an inspiration to us all.

The village will be home to over 500 residents on completion, and will provide a range of services and resort style facilities, which are unprecedented in New Zealand.

Operations

One of the key strengths of our business is the emphasis we place on our care and our service delivery at the villages. All of our villages offer a continuum of care, which means that we offer independent living, assisted living and resthome care. Where possible, we also offer hospital care and special care for residents suffering from Alzheimers.

chief executive's report

We consider that this emphasis on service delivery sets us apart from our competitors and is a key reason for people choosing to live in a Ryman village.

This year we launched a new initiative to improve the health and well-being of our residents called the "Ryman Triple A Programme". Triple A stands for Ageless, Active and Aware and features a new group fitness programme developed especially for our residents to improve their strength, fitness and flexibility. The new programme was launched with the assistance of All Black captain, Richie McCaw, at the Ngaio Marsh Retirement Village, and has been extremely well received by the residents throughout New Zealand.

Charity

We were delighted to be able to make a donation of $120,000 to the Malaghan Institute of Medical Research this year. The Malaghan Institute is New Zealand's leading independent medical researcher, and was a very worthy recipient of our fundraising efforts during the year.

The residents and staff at the villages deserve acclamation for staging concerts, fetes, book sales and charity auctions, all in an effort to raise $60,000 for charity, which was matched dollar for dollar by the Company.

Demand

We are anticipating that demand for our services will continue to grow. Statistics NZ projections indicate that over the next 25 years the number of New Zealanders over the age

of 85 years is expected to grow from 60,000 today to 156,000 in 2031.

Our style of retirement village is designed to meet the needs of an older audience, and there is potential for us to establish integrated villages in any number of cities and suburbs around New Zealand.

We are well positioned to cater for this growing demand and we are very excited about our prospects. We will continue to "lift the bar" so that our residents enjoy the benefits of living in a Ryman retirement village.

I would like to thank the whole team at Ryman for their contribution to another very successful year.

Simon Challies, Chief Executive

directors' profiles

Dr David Kerr,
MB ChB,
FRNZCGP
Chairman

David Kerr 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 the 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 been awarded a Fellowship with Distinction by the Royal New Zealand College of Practitioners.

Kevin Hickman,
Director

Kevin Hickman 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 held the role of Managing Director in a joint capacity from 1982 and in his sole capacity from 2002, until he stepped back from executive responsibilities in August 2006.

Sidney Ashton,
ONZM, FCA, FNZIM
Director

Sid Ashton is a Fellow of the Institute of Chartered Accountants 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,
CA, 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 a director of Cavotec MSL Holdings Limited and Wellington Waterfront Limited.

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 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 Wattie in New Zealand and Asia.

Andrew was appointed to the Board of Ryman in 2000.

Professor Donald Trow,
B Com FCA
Director

Don Trow holds the position of Emeritus Professor of Accountancy at Victoria University, having been a professor since 1971. Don has a long standing involvement with the accountancy profession and has the rare distinction of being a Life Member of the Institute of Chartered Accountants as well as recently being elected a Distinguished Fellow of the Institute of Directors.

Don's previous directorships include the New Zealand Stock Exchange and the Northland Co-Operative Dairy Company Limited. He is currently chairman of NZX Discipline and Smartshares Limited, and a director of Opus International Consultants Limited.

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 entirely consists of non-executive directors. David Kerr, Don Trow, Sidney Ashton and Michael Cashin are all independent directors as defined by the NZX Listing Rules. More information on the directors, including their interests, qualifications and shareholdings, 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 Chief Executive, 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 non-executive directors who are considered to be independent in regard to 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 informed 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 and 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

		2007	2006	2005	2004	2003
Financial						
Revenue	$m	190.3	142.8	121.2	109.6	94.4
EBIT	$m	42.0	35.7	24.8	19.7	16.9
Net Profit after Tax	$m	41.6	35.1	23.5	18.4	15.3
Net Assets	$m	288.8	243.7	185.8	147.0	124.0
Interest Bearing Debt to Asset Ratio	%	27%	21%	20%	21%	28%
Net Operating Cash Flows	$m	73.3	55.4	53.5	52.6	39.8
Earnings per Share*	cents	8.3	7.0	4.7	3.7	3.1
Dividend per Share*	cents	4.0	3.4	2.3	1.8	1.5
Sales of Occupation Rights						
New	no.	256	159	137	158	175
Resales	no.	224	196	179	168	170
Facilities						
Hospital Beds	no.	455	375	375	351	319
Resthome Beds	no.	786	735	702	622	566
Retirement Village Units	no.	1,678	1,378	1,203	1,058	932

* Adjusted for 5:1 share split in January 2007

financial statements

Statement of Financial Performance for the year ended 31 March 2007

		GROUP		PARENT	
	Note	2007 $000	2006 $000	2007 $000	2006 $000
Operating Revenue	1	**190,253**	**142,784**	**26,821**	**16,413**
Earnings before Interest, Tax & Depreciation		45,039	38,256	17,877	7,728
Depreciation	2	(3,007)	(2,509)	(505)	(406)
Net Interest	1,2	(461)	(684)	162	777
Operating Surplus before Taxation	2	**41,571**	**35,063**	**17,534**	**8,099**
Taxation	3	-	-	-	-
Net Surplus for the Year		**41,571**	**35,063**	**17,534**	**8,099**
Earnings per share (cents)	8	**8.3**	**7.0**		

Statement of Movements in Equity for the year ended 31 March 2007

		GROUP		PARENT	
		2007 $000	2006 $000	2007 $000	2006 $000
Equity at Beginning of Year		**243,725**	**185,756**	**79,083**	**84,962**
Net Surplus for the Year		41,571	35,063	17,534	8,099
Revaluation of Investment Properties	9	21,461	37,406	67	522
Total Recognised Revenues and Expenses		**63,032**	**72,469**	**17,601**	**8,621**
Dividends Paid		(18,000)	(14,500)	(18,000)	(14,500)
Equity at End of Year		**288,757**	**243,725**	**78,684**	**79,083**

The statement of accounting policies and notes to the financial statements on pages 21-35 form part of these financial statements.


financial statements

Statement of Financial Position as at 31 March 2007

	Notes	GROUP 2007 $000	GROUP 2006 $000	PARENT 2007 $000	PARENT 2006 $000
Equity					
Share Capital	8	33,290	33,290	33,290	33,290
Asset Revaluation Reserve	9	136,438	114,977	40,303	40,236
Retained Earnings		119,029	95,458	5,091	5,557
		288,757	**243,725**	**78,684**	**79,083**
Non-Current Liabilities					
Bank Loans (Secured)	7	**97,000**	**40,000**	**97,000**	**40,000**
Current Liabilities					
Creditors and Accruals		28,509	9,480	26,779	7,586
Employee Entitlements		2,612	2,352	631	629
Bank Loans (Secured)	7	20,000	28,745	20,000	28,745
		51,121	**40,577**	**47,410**	**36,960**
Total Funds Employed		**436,878**	**324,302**	**223,094**	**156,043**
Non-Current Assets					
Net Investment Properties	5	228,882	188,547	1,710	1,612
Property, Plant & Equipment	4	151,750	109,214	6,720	5,089
Investments in Subsidiaries	16	-	-	77,080	51,185
Advances to Employees	18	3,057	1,700	3,057	1,700
		383,689	**299,461**	**88,567**	**59,586**
Current Assets					
Bank		1,424	383	167	78
Debtors and Prepayments		49,972	23,387	849	356
Inventory		1,767	961	633	151
Advances to Employees	18	26	110	26	110
Advances to Subsidiary Companies	12	-	-	132,852	95,762
		53,189	**24,841**	**134,527**	**96,457**
Total Assets		**436,878**	**324,302**	**223,094**	**156,043**

The statement of accounting policies and notes to the financial statements on pages 21-35 form part of these financial statements.

financial statements

Statement of Cash Flows for the year ended 31 March 2007

	Notes	GROUP 2007 $000	GROUP 2006 $000	PARENT 2007 $000	PARENT 2006 $000
Operating Activities					
Receipts from Residents		153,174	122,681	2,382	2,381
Interest Received		605	234	1,354	1,892
Dividends Received		-	-	18,000	8,000
Intercompany Charges		-	-	4,821	3,964
		153,779	**122,915**	**26,557**	**16,237**
Payments to Suppliers and Employees		(44,993)	(40,427)	(7,168)	(5,290)
Payments to Residents		(34,388)	(26,040)	(574)	(435)
Interest Paid		(1,067)	(1,069)	(1,054)	(1,048)
		(80,448)	**(67,536)**	**(8,796)**	**(6,773)**
Net Operating Cash Flows	15	**73,331**	**55,379**	**17,761**	**9,464**
Investing Activities					
Repayment of Advances from Subsidiaries		**-**	**-**	**29,617**	**28,312**
Purchase of Property, Plant & Equipment		(29,099)	(14,280)	(2,074)	(903)
Purchase of Investment Properties		(66,333)	(39,746)	-	-
Capitalised Interest Paid		(5,839)	(3,373)	-	-
Advances to Employees		(1,274)	(1,677)	(1,274)	(1,677)
Investment in Subsidiaries		-	-	(10,894)	(2,000)
Advances to Subsidiaries		-	-	(63,302)	(37,459)
		(102,545)	**(59,076)**	**(77,544)**	**(42,039)**
Net Investing Cash Flows		**(102,545)**	**(59,076)**	**(47,927)**	**(13,727)**
Financing Activities					
Drawdown of Bank Loans		**48,255**	**18,945**	**48,255**	**18,945**
Dividends Paid		**(18,000)**	**(14,500)**	**(18,000)**	**(14,500)**
Net Financing Cash Flows		**30,255**	**4,445**	**30,255**	**4,445**
Net Increase in Cash Held		**1,041**	**748**	**89**	**182**
Cash at Beginning of Year		383	(365)	78	(104)
Cash at End of Year		**1,424**	**383**	**167**	**78**

The statement of accounting policies and notes to the financial statements on pages 21-35 form part of these financial statements.

accounting policies

Statement of Accounting Policies for the year ended 31 March 2007

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.

accounting policies

Statement of Accounting Policies for the year ended 31 March 2007

(c) Investment Properties

Investment properties include 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. Retirement village units (where we have recognised the sale of occupation rights) and community facilities are revalued on an annual basis and restated to current market values as determined by an independent registered valuer. Any surplus determined by the annual revaluation is taken directly to reserves while deficits are taken to reserves to the extent that there is a net credit balance, and are otherwise recognised as expenses in the Statement of Financial Performance.

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. Inventory also includes any significant construction materials on hand pending allocation to specific developments.

(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 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 fair value as 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.


accounting policies

Statement of Accounting Policies for the year ended 31 March 2007

(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:

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.

(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.

accounting policies

Statement of Accounting Policies for the year ended 31 March 2007

(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 meeting its financing needs. 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.

The Group's on balance sheet financial instruments consist of bank, debtors, advances, creditors, occupancy advances and bank loans. These financial instruments are valued at their estimated net realisable value in accordance with individual accounting policies.

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 2007

	GROUP		PARENT	
	2007	2006	2007	2006
1. Operating Revenue	$000	$000	$000	$000
Care Fees	52,456	48,749	1,558	1,648
Sales of Occupation Rights	73,400	43,394	-	-
Resales of Occupation Rights	53,594	41,914	986	814
Management Fees	9,981	8,189	91	87
Interest	755	460	1,365	1,900
Dividends	-	-	18,000	8,000
Other	67	78	4,821	3,964
Total Operating Revenue	**190,253**	**142,784**	**26,821**	**16,413**
2. Expenses				
Operating surplus before taxation is stated after charging:				
Audit Fees	130	86	95	65
Other Services Provided by Auditors	17	-	17	-
Depreciation				
- Buildings	1,405	1,260	54	53
- Plant and Equipment	617	549	273	252
- Furniture and Fittings	730	537	35	26
- Motor Vehicles	255	163	143	75
Directors Fees	267	220	267	220
Donations	69	69	48	51
Interest	1,216	1,144	1,203	1,123
Rent	408	394	232	195
3. Taxation				
(a) Current Taxation				
Net Surplus before taxation	41,571	35,063	17,534	8,099
Prima facie taxation at 33%	13,718	11,570	5,786	2,673
Tax effect of permanent differences:				
Gain on sale of occupancy rights	(9,548)	(7,539)	(102)	(62)
Non taxable dividends	-	-	(5,940)	(2,640)
Development costs	(513)	(377)	(513)	(377)
Depreciation	(2,933)	(2,180)	(23)	(10)
Interest	(1,927)	(1,113)	(1,927)	(1,113)
Prior period adjustment	-	-	177	-
Other expenses	72	66	33	17
Tax losses incurred (utilised)	1,131	(427)	2,509	1,512
Tax Expense	**-**	**-**	**-**	**-**

notes to the financial statements

Notes to the Financial Statements for the year ended 31 March 2007

	GROUP		PARENT	
	2007 $000	2006 $000	2007 $000	2006 $000
3. Taxation (continued)				
(b) Deferred Taxation				
Deferred Tax Liability (not recognised)	23,706	19,356	618	515
Tax Losses Available	18,332	14,899	6,777	6,791
Future Tax Benefit of Tax Losses (not recognised)	6,050	4,916	2,236	2,241
(c) Imputation Credit Account				
Opening Balance	102	104	98	98
Income Tax Refunds	2	(2)	-	-
Imputations Forgone	(90)	-	(98)	-
Closing Balance	**14**	**102**	**-**	**98**
4. Property, Plant & Equipment				
Land (at cost)	37,056	15,901	258	11
Land (at valuation)	20,989	17,498	485	485
	58,045	**33,399**	**743**	**496**
Buildings (at cost)	26,168	7,848	1,191	63
Buildings (at valuation)	61,415	61,415	2,597	2,597
Accumulated Depreciation	(2,668)	(1,262)	(109)	(54)
	84,915	**68,001**	**3,679**	**2,606**
Plant and Equipment (at cost)	3,792	2,883	2,492	2,209
Plant and Equipment (at valuation)	2,712	2,712	91	91
Accumulated Depreciation	(1,702)	(1,090)	(1,051)	(783)
	4,802	**4,505**	**1,532**	**1,517**
Furniture and Fittings (at cost)	2,327	1,083	261	156
Furniture and Fittings (at valuation)	2,142	2,142	39	39
Accumulated Depreciation	(1,353)	(622)	(120)	(85)
	3,116	**2,603**	**180**	**110**
Motor Vehicles (at cost)	1,517	1,096	825	457
Accumulated Depreciation	(645)	(390)	(239)	(97)
	872	**706**	**586**	**360**
Total Property, Plant & Equipment	**151,750**	**109,214**	**6,720**	**5,089**

All completed resthomes and hospitals included within the definition of property, plant & equipment were revalued to fair 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 2007

4. Property, Plant & Equipment (continued)

The properties held pending development of a retirement village amounted to $29.3 million (2006: $10.1 million) and are valued at cost. A proportion of this balance will be transferred to investment properties once development commences.

Interest of $1.646 million (2006: $0.701 million) has been capitalised during the period of construction in the current year.

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	
	2007 $000	2006 $000	2007 $000	2006 $000
Gross Investment Properties	**567,617**	**445,142**	**4,916**	**4,537**
Less:				
Gross Occupancy Advances	372,862	283,740	3,753	3,400
Less Accrued Management Fees and Resident Loans	(34,127)	(27,145)	(547)	(475)
Net Occupancy Advances	**338,735**	**256,595**	**3,206**	**2,925**
Net Investment Properties	**228,882**	**188,547**	**1,710**	**1,612**

Retirement village units (where we have recognised the sale of occupation rights) and community facilities were revalued to current market value based on an independent valuation report prepared by registered valuers CB Richard Ellis Limited, as at 31 March 2007. Investment properties stated at cost, and included in total investment properties as at 31 March 2007, amounted to $52.3 million (2006: $50.0 million).

Interest of $4.193 million (2006: $2.672 million) has been capitalised during the period of construction in the current year.

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.

Notes to the Financial Statements for the year ended 31 March 2007

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 2007 was 12.15% (2006: 12.15%).

7. Non-Current Liabilities

	GROUP		PARENT	
	2007 $000	2006 $000	2007 $000	2006 $000
Bank Loans (secured)	117,000	68,745	117,000	68,745
Less Current Portion	(20,000)	(28,745)	(20,000)	(28,745)
Non Current Portion	**97,000**	**40,000**	**97,000**	**40,000**
Within 1-2 years	97,000	40,000	97,000	40,000
Average interest rates	8.51%	8.49%	8.51%	8.49%

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.

The average interest rates disclosed above exclude the impact of interest rate swap agreements as described in Note 13.

8. Share Capital

Issued and paid up capital consists of 500,000,000 fully paid ordinary shares (2006: 100,000,000). All shares rank equally in all respects. The number of fully paid ordinary shares increased during the year following a 5:1 share split, which took effect from 26 January 2007.

Earnings per share for 2007 and 2006 is calculated based on the increased number of shares after the share split.

notes to the financial statements

Notes to the Financial Statements for the year ended 31 March 2007

9. Asset Revaluation Reserve

	GROUP		PARENT	
	2007 $000	2006 $000	2007 $000	2006 $000
Opening Balance	114,977	77,571	40,236	39,714
Revaluation of Investment Properties	21,461	37,406	67	522
Closing Balance	**136,438**	**114,977**	**40,303**	**40,236**
Balance as at 31 March consists of:				
Revaluation of Investment Properties	105,776	84,315	612	545
Revaluation of Property, Plant & Equipment	30,662	30,662	1,720	1,720
Revaluation of Investment in Subsidiaries	-	-	37,971	37,971
Closing Balance	**136,438**	**114,977**	**40,303**	**40,236**

10. Commitments

At balance date there were commitments relating to land purchases and construction contracts amounting to $17.0 million (2006: $10.7 million). Conditional contracts relating to land purchases as at 31 March 2007 amounted to $2.3 million (2006: $3.0 million).

11. Contingent Liabilities

The Group had no contingent liabilities as at 31 March 2007 (2006: $Nil).

12. Related Party Transactions

	GROUP		PARENT	
	2007 $000	2006 $000	2007 $000	2006 $000
Amounts owing by Subsidiary companies	-	-	132,852	95,762
Dividend Revenue	-	-	18,000	8,000
Salaries and Consulting Fees (Shareholders / Directors)	413	570	413	570
Intercompany charges by Parent to Subsidiary companies	-	-	4,821	3,964

Ryman Healthcare Limited has provided funding on an unsecured basis to subsidiary companies which was on-call and repayable on demand. Advances owing by subsidiary companies arise due to the parent company providing funding for the development of new villages. Interest was charged at rates of 0% - 8.5% at the discretion of Ryman Healthcare Limited.

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

notes to the financial statements

Notes to the Financial Statements for the year ended 31 March 2007

13. Financial Instruments

The financial instruments consist of bank, debtors, creditors, occupancy advances, subsidiary advances, employee advances, loans and unrecognised swaps.

(a) Credit Risk:

Financial instruments, which potentially subject the Group to credit risk, principally consist of bank balances and debtors. 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 2007 was $55.2 million (2006: $25.6 million) and is represented by the following:

	GROUP		PARENT	
	2007 $000	2006 $000	2007 $000	2006 $000
Bank Balance	1,424	383	167	78
Debtors and prepayments	49,972	23,387	849	356
Advances to employees	3,083	1,810	3,083	1,810
Fair value of interest rate swaps	751	-	751	-

(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 an interest rate swap agreement in order to provide an effective cash flow hedge against floating interest rate variability on a defined portion of core group debt. At 31 March 2007 the Group had an interest rate swap agreement in place with a total notional principal amount of $45.0 million (2006: $35.0 million). The agreement effectively changes Ryman Healthcare's interest rate exposure on the principal of $45.0 million from a floating rate to a fixed rate of 7.14% (2006: 6.74%). The interest rate swap agreement is for a term of five years.

(c) Fair Values:

The fair value of interest rate swaps as at 31 March 2007 was $0.75 million (2006: -$0.05 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 2007

14. Operating Leases

	GROUP		PARENT	
	2007 $000	2006 $000	2007 $000	2006 $000
Commitments within:				
One year	236	264	224	224
One to Two years	224	224	224	224
Three to Five years	224	448	224	448

15. Cash Flows

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

	GROUP		PARENT	
	2007 $000	2006 $000	2007 $000	2006 $000
Net Surplus for the year	**41,571**	**35,063**	**17,534**	**8,099**
Non Cash Items:				
Management Fees	(6,668)	(5,387)	(32)	(11)
Depreciation	3,007	2,509	505	406
Other	(482)	(200)	(482)	220
Cost of Sales of Occupation Rights	59,874	30,578	3	30
Movements in Working Capital:				
Creditors and Accruals	2,354	1,318	724	691
Debtors and Prepayments	(26,585)	(8,720)	(493)	(64)
Employee Entitlements	260	218	2	93
Net Operating Cash Flows	**73,331**	**55,379**	**17,761**	**9,464**

notes to the financial statements

Notes to the Financial Statements for the year ended 31 March 2007

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:

- Anthony Wilding Retirement Village Limited
- Beckenham Courts Retirement Village Limited
- Edmund Hillary 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
- Julia Wallace 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 Napier Limited
- Ryman Nelson Limited
- Ryman Taranaki Limited
- Shona McFarlane Retirement Village Limited

On 12 April 2006, Ryman Healthcare Limited acquired 100% ownership of Olive Developments Limited for $3.0 million, which represented the fair value of land acquired for the new village development in New Plymouth. This company was subsequently renamed Ryman Taranaki Limited.

On 29 November 2006, Ryman Healthcare Limited entered into an unconditional agreement for the acquisition of 100% ownership of St Emilion Limited for $20.0 million, which represented the fair value of land acquired for the new village development in Orewa. $5.0 million of this acquisition price was paid on 29 November 2006; the balance of $15.0 million is payable upon settlement on 30 June 2007 and is included in creditors and accruals at year end.

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 2007 was $3.083 million, of which $0.05 million related to a previous scheme (2006: $1.810 million, of which $0.11 million related to a previous scheme) and a further $0.15 million related to funds advanced that do not form part of either share scheme (2006: Nil).

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 2,263,475 fully allocated shares, which represents 0.45% of the total shares on issue. (2006: 1,553,250 fully allocated shares which represented 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.

notes to the financial statements

Notes to the Financial Statements for the year ended 31 March 2007

19. Subsequent Events

The Directors resolved to pay a final dividend of 2.2 cents per share or $11.0 million, with no imputation credits attached, to be paid on 22 June 2007.

On Thursday 17 May 2007 the Minister of Finance announced in the Budget that the company tax rate will reduce from 33% to 30% with effect from 1 April 2008. The change has not been incorporated in the calculation of deferred tax disclosed in Notes 3 and 20 and will impact these balances in future financial statements.

20. International Financial Reporting Standards

Ryman Healthcare Limited (the Group) will report its first New Zealand Equivalents to International Financial Reporting Standards (IFRS) compliant financial statements for the half year ending 30 September 2007 and for the full year ending 31 March 2008.

In complying with IFRS for the first time the Group will restate amounts previously reported under current New Zealand Generally Accepted Accounting Practice (GAAP).

Transition management

A project team is in the process of finalising the impacts of the transition of the Group to IFRS, together with the resultant change in systems and internal management reports. Impacts identified to date have been reported to both the Audit Committee and the Board.

Overview

Accounting for retirement villages under IFRS has been the subject of much discussion and debate over the past two years, both in New Zealand and Australia.

Over recent months, a common treatment for retirement village accounting under IFRS has developed within the industry. The Board has accepted this approach for adoption of IFRS by the Group.

The adoption of IFRS will bring significant changes to the financial statements of the Group. The Directors note, however, that none of the adjustments outlined in further detail below will have an impact on the cash flows of the Group in any way. The Directors emphasise that the business prospects, future cash flows, the scope for paying dividends and the actual liability for taxation remain totally unchanged.

The more significant items affected by our transition to IFRS are outlined below:

Investment properties and occupancy advances

Fair value movements in investment properties to income statement

Under existing GAAP any surplus determined by the annual retirement village revaluation is currently taken directly to the asset revaluation reserve.

Under IFRS, changes in the value of investment properties are recorded in the income statement. The estimated impact of this change would be to increase current year Net Surplus by $21.5 million. This change also means that gains on the sale and resale of occupation rights will no longer be recorded as separate items in the income statement, as such gains will be reflected in the movement on the revaluation of investment property.

notes to the financial statements

Notes to the Financial Statements for the year ended 31 March 2007

Reclassification of occupancy advances as a liability

Currently under GAAP, occupancy advances are deducted from gross investment properties, along with accrued management fees and resident loans, to record net investment properties on the balance sheet. Under IFRS, we are required to separately record occupancy advances from residents as liabilities, net of accrued management fees and resident loans. The effect on the Group as at 31 March 2007 would be to increase investment properties by $338.7 million, and increase liabilities by the same amount.

Revised balance sheet format

Under IFRS, the Directors will adopt a 'Liquidity' presentation of the Group balance sheet, which entails all assets and liabilities being ranked in expected order of liquidity. As a result, we will no longer distinguish between current and non current assets and liabilities under IFRS on the face of the balance sheet.

Construction work in progress and inventory reclassification

Under GAAP, retirement village construction work in progress is recorded within investment properties at cost. Under IFRS, these amounts will be reclassified as property, plant and equipment. As at 31 March 2007, this would result in a transfer from investment properties to property, plant and equipment of $52 million. This reclassification would have no effect on the income statement.

Currently under GAAP, retirement village units which have been repurchased from residents but not onsold at balance date, are recorded as inventory on the balance sheet. Under IFRS, these amounts will be classified as investment properties.

Revenue recognition

New sales and resales of occupation rights

Currently under GAAP, new sales and resales of occupation rights are recognised as revenue.

Under IFRS, sales and resales revenue will no longer meet the definition of revenue, as our transactions with residents will be treated as operating leases. Currently reported gains (or losses) on the sale and resale of occupation rights, will therefore be shown as part of the fair value increase (or decrease) arising from the revaluation of our retirement villages in the income statement.

Management fees

Currently under GAAP, management fees are recognised in accordance with our contractual rights - typically 4% per annum (over a maximum of five years) of the occupation advance paid to us by residents to secure their occupation rights.

Under IFRS, management fees will be recognised over the average period of occupancy of the resident. Our estimates are that the typical period of occupancy for an independent unit is 7 years, with 4 years being the average for serviced units.

The estimated impact of this change on our current year results would be to decrease management fee revenue by $1.6 million, decrease deferred management fees receivable by $5.4 million (net of deferred revenue liability and including opening balance sheet adjustments) and decrease opening retained earnings by $3.8 million.

notes to the financial statements

Notes to the Financial Statements for the year ended 31 March 2007

Income taxes

Under GAAP, timing differences between accounting and tax charges are not recognised, if these differences are not expected to crystallise in the future. The tax asset associated with Group losses is also not recognised.

Under IFRS, all taxable temporary differences must be provided for, meaning the Group will record a deferred tax liability. The opening balance will be recorded as a liability and charged against retained earnings. The liability will be at least the amount that has been disclosed by the Group (refer note 3) as an unrecognised deferred tax liability.

In addition, the Group will be required to establish a deferred tax asset, reflecting the group losses incurred from a tax perspective. The opening balance will be recorded as an asset and credited to retained earnings. 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. The amount of this unrecognised asset has been disclosed as a future tax benefit in note 3 to these financial statements.

As at 31 March 2007, the Group estimates that the net deferred tax liability under IFRS would be approximately $22.5 million, with a current year reduction in Net Surplus of $3.3 million.

Interest rate swaps

The Company enters into interest rate swap agreements to provide an effective cash flow hedge against future changes in variable interest rates for a defined portion of core debt.

Under IFRS, all derivative contracts, whether used as hedging instruments or otherwise, will be recognised at fair value in the balance sheet. As we will be adopting hedge accounting, the effective portion of the hedge will be recorded in equity and released to the income statement when the hedge transaction occurs, resulting in no change to the income statement.

Overall impact of changes

Had IFRS been adopted for the year ending 31 March 2007, the significant changes outlined above would have increased reported Net Surplus after Tax by $16.6 million. Shareholders equity at this year end would have decreased by $27.1 million, primarily due to the opening balance sheet adjustments relating to the change of accounting treatment under IFRS for recording management fees and deferred taxation. In the Statement of Cash Flows, the changes will have no impact on the reported amount for Net Cash Flows from Operations.

To assist shareholders with understanding the change from GAAP to IFRS, the Group intends preparing a summary income statement during the IFRS transition period to disclose the results on the basis of GAAP (as in past years) alongside the results that are prepared in accordance with IFRS.

The areas identified above should not be taken as an exhaustive list of all the differences between previous GAAP and IFRS. The impacts discussed are based on the project team's current interpretation of the standards that have been released to date. The actual impact of adopting IFRS may vary from the information presented and that variation may be material.

21. Authorisation

The directors authorised the issue of these financial statements on 21 May 2007.

Sidney Ashton   David Kerr

auditor's report

Deloitte.

We have audited the financial statements on pages 18 to 35. The financial statements provide information about the past financial performance and financial position of Ryman Healthcare Limited and Group as at 31 March 2007. This information is stated in accordance with the accounting policies set out on pages 21 to 24.

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 2007 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 18 to 35:
  - 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 2007 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 21 May 2007 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

Director: Cavotec MSL Holdings Limited (previously Mooring Systems Limited prior to merger with Cavotec Group Holdings NV)
Director: Cavotec Group Holdings NV
Director: Cashin Corporate Services Limited
Director: Wellington Waterfront Limited
Trustee: The J Campbell Barrett Wellington Anaesthesia Trust

Donald Trow

Emeritus Professor of Accountancy: Victoria University of Wellington
Chairman: Smartshares Limited
Chairman: Advisory Committee to Statutory Managers of Equiticorp Group
Chairman: NZX Discipline
Director: Opus International Consultants Limited

Andrew Clements

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

Sidney Ashton

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

* Denotes positions no longer held

directors' disclosures

Specific Disclosures

The Company has 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 2007	2006
Kevin Hickman	35,834,955 [1]	50,834,955 [1]
David Kerr	92,590	92,590
Donald Trow	185,185 [2]	185,185 [2]
Michael Cashin	200,020 [3]	185,185 [3]
Sidney Ashton	1,000,000 [4]	1,050,000 [4]
Andrew Clements	10,000,000 [5]	10,000,000 [5]

1 Held as a trustee of The Hickman Family Trust
2 Held as a trustee of The Don Trow Family Trust
3 Held by Animato Enterprises Limited
4 Shares held by S B Ashton and J E Ashton
5 Held by Zeus Delta Ltd

Directors Remuneration

Directors remuneration paid during the financial year:

Director	Directors Fees	Salaries, Bonuses & Consulting Fees
Kevin Hickman	26,667	412,564
David Kerr	80,000	-
Donald Trow	40,000	-
Michael Cashin	40,000	-
Sidney Ashton	40,000	-
Andrew Clements	40,000	-

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
$390,000 - $400,000	1
$270,000 - $280,000	1
$240,000 - $250,000	1
$200,000 - $210,000	1
$180,000 - $190,000	1
$150,000 - $160,000	1
$140,000 - $150,000	1
$130,000 - $140,000	2
$120,000 - $130,000	1
$110,000 - $120,000	5
$100,000 - $110,000	3

Share Dealing

Director	Nature of Interest	Shares Acquired (Disposed)	Consideration	Date
Kevin Hickman	Beneficial	(15,000,000) [1]	$1.88 [1]	21 November 2006
Michael Cashin	Beneficial	14,835 [1]	$2.04 [1]	14 December 2006
Sidney Ashton	Beneficial	(25,000)	$2.30	29 January 2007
Sidney Ashton	Beneficial	(25,000)	$2.25	31 January 2007

1 Adjusted for the 5:1 share split in January 2007

David Kerr and Michael Cashin, as custodians of the Ryman Healthcare Employee Share Purchase Scheme, acquired 710,225 shares during the year and held 2,263,475 shares in total at 31 March 2007.

shareholder information

Top 20 Shareholders as at 29 May 2007

Rank	Registered Shareholder	No. of Ordinary Shares Held	% of Ordinary Shares
1	Emerald Capital Holdings Limited	69,117,275	13.82%
2	K J Hickman, J Hickman, J W D Ryder & J A Callaghan[1]	35,834,955	7.17%
3	Ngai Tahu Equities Limited	32,500,000	6.50%
4	Tea Custodians Limited[2]	32,341,425	6.47%
5	ANZ Nominees Ltd [2]	31,202,804	6.24%
6	833763 Alberta Incorporated	24,950,000	4.99%
7	NZ Superannuation Fund Nominees Limited[2]	22,827,560	4.57%
8	Citibank Nominees (New Zealand) Limited[2]	17,111,718	3.42%
9	MFL Mutual Fund Limited[2]	13,152,670	2.63%
10	G A Cumming	10,000,000	2.00%
11	Zeus Delta Limited	10,000,000	2.00%
12	National Nominees New Zealand Limited[2]	7,496,137	1.50%
13	Custodial Services Limited	6,772,332	1.35%
14	P H Masfen & J A Masfen	5,750,000	1.15%
15	Premier Nominees Ltd[2]	5,734,898	1.15%
16	W M G Yovich & J J Yovich	5,004,545	1.00%
17	A Ross	5,000,000	1.00%
18	Tea Custodians Ltd Number 2 Account[2]	4,875,826	0.98%
19	Hubbard Churcher Trust Management Limited	4,864,395	0.97%
20	Premier Nominees Ltd - ING Wholesale Equity Selection Fund[2]	4,414,513	0.88%
		348,951,053	**69.79%**

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 29 May 2007

Size of Shareholding	Number of Shareholders		Shares Held	
1 - 1,000	504	8.92%	382,417	0.08%
1,001 - 5,000	1,953	34.57%	6,529,152	1.31%
5,001 - 10,000	1,125	19.92%	9,154,587	1.83%
10,001 - 50,000	1,698	30.06%	39,622,767	7.92%
50,001 - 100,000	211	3.73%	15,547,464	3.11%
100,001 and Over	158	2.80%	428,763,613	85.75%
	5,649	**100.00%**	**500,000,000**	**100.00%**

Substantial Security Holder Notices Received as at 29 May 2007

Shareholder	Relevant Interests [5]	%	Date of Notice
Emerald Capital Holdings Limited	69,117,275	13.82	23 August 2006
Ngai Tahu Equities Limited [1]	62,500,000	12.50	22 February 2007
Babcock & Brown Australia CPI Pty Limited [1]	62,500,000	12.50	22 February 2007
Fisher Funds Management Limited [2]	54,277,585	10.86	21 June 2005
K J Hickman, J Hickman, J A Callaghan & J W D Ryder [3]	35,834,955	7.17	21 November 2006
ING (NZ) Limited	28,347,235	5.67	21 November 2006
NZ Superannuation Fund Nominees Limited [4]	24,064,715	4.81	27 November 2006

1 Relevant interest pursuant to a letter dated 22 February 2007 between Ngai Tahu and Babcock & Brown
2 Includes funds managed on behalf of the Guardians of New Zealand Superannuation
3 Held as trustees of The Hickman Family Trust
4 Is a nominee holder for Guardians of New Zealand Superannuation
5 Adjusted for the 5:1 share split in January 2007

directory

Head Office / Registered Office

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

Auditor

Deloitte

Banker

ANZ National Bank

Share Registrar

Link Market Services
PO Box 91976
Auckland 1142
Telephone: 64 9 375 5998
Fax: 64 9 375 5990
Email: lmsenquiries@linkmarketservices.com

Directors

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

Chief Executive

Simon Challies

CFO & Company Secretary

Gordon MacLeod

New village sites shown in blue

village directory

Villages

Anthony Wilding Retirement Village
5 Corbett Crescent, Aidanfield,
Christchurch
Ph: (03) 338 5820

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

Edmund Hillary Retirement Village
221 Abbotts Way, Remuera,
Auckland
Ph: (09) 580 2152

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

Julia Wallace Retirement Village
28 Dogwood Way, Clearview Park,
Palmerston North
Ph: (06) 354 9262

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, 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

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