ANNUAL REPORT 2017

RYMAN HEALTHCARE

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Front cover: Bob Owens resident Julie Howell together with manager Brian Bark, clinical manager Tracey Dunn and the team

Ngaio Marsh residents Shirley Butterfield, Valerie Dent, and Alisoun Butt at the 10 year anniversary of Triple A exercise classes

2017 Highlights

Underlying profit up 13% to $178 million

Reported profit up 17% to $357 million

Full year dividend 17.8 cents per share – up 13%

Record investment of $525 million

Year of good progress

Dr David Kerr

I am pleased to be able to report on another year of good progress at Ryman Healthcare.

It has been a period of innovation and unprecedented investment in the company. We are also reaping the rewards of many years of reinvestment in Ryman, and are on the cusp of a great period of growth as the population ages.

Once again we have seen strong demand for our villages. We ended the year with just 32 of more than 6,000 retirement village units available for resale in our portfolio, and 97% occupancy in our established village care centres.

That level of demand, and the investment we have made in our portfolio, means we are well placed for the year ahead.

Ryman Healthcare's underlying profit rose 13% to $178 million during the year, while valuation gains lifted audited reported profit after tax by 17% to $357 million. Total assets grew 24% to $4.9 billion.

Year ended 31 March	2017 $m	2016 $m
Underlying Profit	**178.3**	**157.7**
Plus unrealised revaluations of RV units	+184.7	+151.6
Less deferred tax movement	-6.3	-3.9
Reported Net Profit	**356.7**	**305.4**

Underlying profit excludes deferred taxation, taxation expense and unrealised gains on investment properties, because these items do not reflect the trading performance of the company. Underlying profit determines the dividend payout to shareholders.

Strong gains from the resale of occupancy rights have driven the result, and we invested a record $525 million to meet the demands of a growing older population.

We've made good progress thanks to growing resident demand for our unique Ryman-style villages and a strong real estate market.

Shareholders' dividend lifts 13%

Ryman's shareholders will receive a final dividend of 9.3 cents per share, which will be paid on June 23, with the record date for entitlements on June 9. This takes the total dividend for the year to 17.8 cents, up 13% in line with our growth in underlying profit.

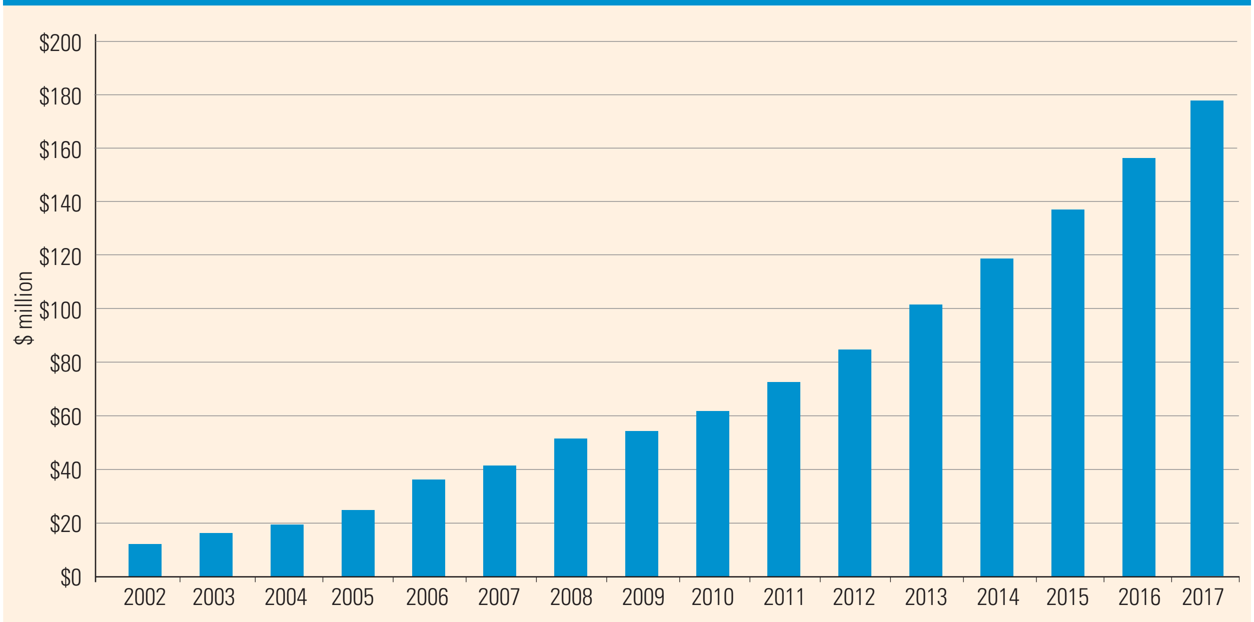
It was a solid result given the additional costs associated with the establishment of four new villages, and there was no development contribution from Melbourne this year.

Investing in the future

We made the most significant investment in our history in the 2017 financial year, reinvesting $525 million in the business.

This included $350 million spent on new villages and $97 million invested in land as we built up our landbank in Melbourne.

15 years of underlying profit growth



Resident Rita Stephenson at the Long Lunch

Simply *delicious...*

More than 5,000 Ryman Healthcare residents sat down to a deliciously long lunch in February to signal the start of the Delicious food revolution across the company.

The lunch was the culmination of months of hard work by Ryman's chefs to produce new menus and a new way of thinking about food.

Residents from across our villages enjoyed their new Ryman Delicious menus which are packed with new choices along with old favourites.

The lunch menu entrees included salmon cakes with aioli, blue cheese, apricot and walnut filo, and salt and pepper hoki.

The mains choices were beef cheeks, apricot chicken or an Asian slaw with chickpeas and edamame beans. There were pancakes for dessert and residents were given a choice of wines to match the food.

Ryman Delicious is a recognition that food is a huge focus for residents.

Our surveys tell us that mealtimes are the most important part of the day for residents. By giving residents more choice and new options we hope that they will look forward to mealtimes even more. Developing menus with more choice introduces more complexity for our chefs, and Ryman has invested in redesigning its kitchens and putting in extra resources to make it work.

As part of the change, responsibility for plating up the meals has been given back to our chefs, so the people who create the food have the final say in how it looks.

New Zealand Prime Minister Bill English and Professor Henry Brodaty

Dementia researcher takes the 2016 Ryman Prize

Our 2016 Ryman Prize went to Professor Henry Brodaty for his three decades of tireless work into ways to combat dementia.

The Ryman Prize is a $250,000 international prize which rewards the best work in the world that has enhanced quality of life for older people. It is the world's richest prize of its type and was established in 2015 to create the equivalent of a Nobel Prize for people working in the field of the health of older people.

Sydney-based Professor Brodaty was selected by the Ryman Prize's international jury. He was "absolutely thrilled" to win.

"Older people are the fastest growing sector of our population and mental health is the largest contribution to disease burden as we age," he said. "The Ryman Prize highlights the importance of enhancing the profile of research to improve the quality of life for older people."

Professor Brodaty is a psychogeriatrician who has spent his career working on ways to enhance the quality of life of older people with dementia, and their families.

The Ryman Prize jury includes Professor Sarah Harper, Director of the Oxford Institute of Population Ageing; and Dr Erwin Neher, Nobel Laureate and Professor at the University of Göttingen, Germany.

We opened four new villages – Bert Sutcliffe (Birkenhead), Possum Bourne (Pukekohe), Bob Scott (Petone) and Charles Upham (Rangiora) and demand for these exceeded our expectations.

The Board was pleased to see a big reinvestment in projects which will improve the resident experience and make Ryman Healthcare's villages even better places to live and work in the future.

The projects included the rollout of myRyman Roster application and substantial progress on myRyman Care, which will improve the resident experience and free up staff time.

Permanent stand-by emergency generators have been installed at our villages to ensure that residents are safe and warm if the power goes out. This has been a $10 million investment, but our experience tells us we cannot rely on grid power and the safety of our residents is always paramount.

We also rolled out Ryman Never Alone, an additional safeguard for our independent residents which will detect if they need help.

Investing in care

In the past 12 months, we have opened 480 care beds, and invested heavily in care systems and training for our care and nursing staff.

The quality of our care provision is improving all the time, as shown by external audits and survey results.

Care is a big investment, and I thought it would be useful to remind shareholders why we think it is important.

We are expecting the 75+ population to nearly triple over the next 30 years, and we are expecting a good proportion will want to live in a Ryman village.

Not only are we expecting increasing numbers of residents, but they are also living longer and their health needs are becoming more complex.

I read recently that for every six years of additional life expectancy, we are carrying a significant disability for three of those years.

In New Zealand, there are currently 62,000 people with dementia, which will grow to 102,000 by 2030, and to more than 170,000 by 2050, according to Alzheimer's New Zealand. In Australia, there are more than 413,000 people living with dementia, which is projected to reach more than 1 million by 2050.

These extraordinary numbers reinforce to us that we need to invest in more capacity to accommodate the growing need in the community, and to make sure that we can look after our retirement village residents if, and when, they require care.

That is the beauty of our integrated village model. Ryman villages not only provide great independent living options in beautiful surroundings, but we can also offer residents rest home, hospital and dementia care – along with assisted living.

Pay increases

Pay rates were increased for all staff during the year. In addition, more than 2,000 Ryman caregivers will receive a substantial lift from July 1 2017 following the Government's settlement of the aged care equal pay case. The Government has signalled the increase will be fully funded by a lift in aged care fees, so the financial impact on Ryman is neutral.

The settlement is great news because it recognises the important role caregivers play in the lives of older people. We have consistently raised rates for caregivers, and we applaud the Government for recognising them in this way. It is also likely to make the sector a much more attractive career option.

Staff share scheme

We want to encourage as many staff as possible to take part in the staff share scheme so they feel they have a share in the success of the company. Experience shows it gives them a sense of ownership in the company and a strong interest in its long term success.

In accordance with section 79 of the Companies Act 1993, we have included with this annual report disclosure of details regarding financial assistance of up to $13 million which we intend to provide as part of staff share schemes.

All shares under the scheme are purchased on the open market.

This assistance is in the form of interest-free loans. Further details are set out in note 24 to the financial statements.

Annual meeting

This year's annual meeting will be held at Charles Upham Retirement Village in Rangiora, North Canterbury on July 27 at 10am.

We've been pleased with the success of the village and we hope that our many loyal Christchurch and Canterbury shareholders will be able to attend the meeting and see it for themselves. A notice of meeting has been issued together with this report and we warmly welcome all shareholders to our annual meeting.

Succession

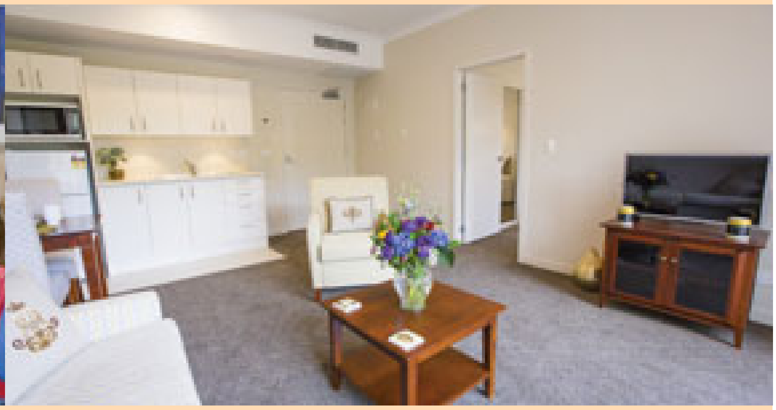
On May 19 2017, subsequent to year end, Simon Challies announced he would be standing down as Managing Director for health reasons. He will be succeeded by Gordon MacLeod, Deputy Chief Executive/CFO.

This company owes a huge debt of gratitude to Simon. Since Simon took over as Chief Executive from co-founder Kevin Hickman in 2006, Ryman has grown and flourished.

Simon was diagnosed with Parkinson's Disease six years ago, and the Board has been proud to support him since then.

Over his 18 years at Ryman, Simon has been professional, hard-working, creative, passionate and highly energised. Most of all he has been a great colleague whose leadership has inspired the team.

He has been deeply interested in what this company does, the people it cares for, and the people it employs.



We wish Simon and his family the best for the future.

Gordon will take over from Simon as Chief Executive on July 1, and Simon will remain as an advisor to the Board until December 2018. This means that the Board can have access to his institutional knowledge.

Gordon has been with Ryman for 10 years as Chief Financial Officer and has been Deputy Chief Executive since 2014. He has a deep understanding and appreciation of the business.

He has a great balance of both the right cultural fit for the role and the right skill set to lead this growing company and I know the Board look forward to working with him in the future.

Thanks

Once again I would like to thank our staff for all their hard work over the past year, our residents for their support and faith in our model, and you, our shareholders, for your support.

We are confident demand for our villages will continue to grow. They meet a real and growing need in the community, and remain affordable for residents to move in and free up capital.

Ryman has delivered 15 consecutive years of underlying profit and dividend growth. Our medium-term target remains to grow underlying profits and dividends by 15% a year, which means the company doubles profits and dividends every five years.

Meeting these targets will give us the successful base we need to continue to expand to meet the enormous demand for our unique Ryman villages we see ahead.

Dr David Kerr
Chairman

Resident Pat Flaherty and Construction Site Manager Jason Browne at Malvina Major

Message from CEO Designate


Gordon MacLeod

It is an absolute pleasure for me to take over where Simon has left off, leading what I regard as New Zealand's finest company.

My association with Ryman Healthcare began 22 years ago when my grandmother was a resident at Ryman's Margaret Stoddart village in Christchurch.

At the time, I was impressed with the beautiful sunny unit in which she lived, and the incredible care and attention she received from the staff at the village when she needed it. I knew what this care meant to our family, and how much trust we put in the staff to look after her. We were delighted with our family experience at Margaret Stoddart.

My dad told me when I got back from a seven year stint in the UK to keep an eye out for Ryman because the company was really going places. He was right.

A few years later, I was working as a partner at PwC when Simon called me to tell me the CFO role was going at Ryman Healthcare. I think I took my colleagues a little by surprise when I decided to leave that career path, but I have never regretted that decision.

The past 10 years have flown by.

I've travelled to every part of the Ryman domain, and been a part of the team that has opened 18 villages over that period. I have also travelled the world presenting the Ryman story to our overseas investors, and I know how well regarded we are internationally.

Working as CFO as well as Deputy Chief Executive has given me great insight into how the company works commercially, but also into all the special qualities that make Ryman so successful.

To me these are fundamentally the kindness of our staff and the quality of our living and care experience for residents. The village model we inherited from the company's founders is immensely strong, and our terms are fair and easy to understand for residents. Our co-founder Kevin Hickman's motto that our care 'has to be good enough for mum' is always at the forefront of what we do. This is the Ryman way.

I am also proud to say we have made Ryman a great place to work, where staff feel safe and valued for what they do and the difference they make.

We offer residents beautiful retirement living options but, most importantly, the security and peace of mind of knowing there is great care available when needed.

Our model has been tried and tested over 32 years and will continue to evolve as we innovate.

And, as David has outlined, we are on the cusp of a huge amount of growth. We are in great shape to meet the challenge.

I have the reassurance of knowing I will take on this challenge backed by an immensely steady senior management team with experience and talent across the group.

It is a bittersweet moment for me. Simon has contributed a huge amount to Ryman and I wish him all the best as he faces his challenges in the years ahead.

I'm determined to honour and build on the legacy left by Ryman's founders and Simon. For you, our shareholders, the next phase of growth will be unprecedented in the company's history and I believe your support will be rewarded.

Gordon MacLeod
Chief Executive Designate

Ready for the next wave

Simon Challies

Ryman Healthcare ended the year in great shape, and with a fantastic platform for the growth we see ahead.

I recently re-read our prospectus from when we listed 18 years ago. Back then, we were gearing up for the wave of growth in the ageing population, and we were committed to building the company to meet that challenge.

You could say that we have spent the past 18 years since we listed warming up for the main event – and it is about to begin.

I'd like to explain why. The clear majority of our residents were born in the 1920s and 1930s, in a period when the birth rate was declining post World War I and into the depression.

We are entering a period where the birth rate starts to gradually climb before almost tripling at the height of the baby boom.

That's why we're starting to see an increase in demand for independent units, and we expect to see that demand starting to flow through to our serviced units and our care centres over the next two to three years. Our established care centres are already running at 97% occupancy, and we are going to need all the resources we can muster to cope with the demand ahead.

That's why the District Health Board projections show that the demand for aged care will reach full capacity in many communities around New Zealand in the next two to three years.

So, we are now entering a new phase for the company, and we're up for what lies ahead.

We ended the year on a high with receipt of consent to build our second village at Brandon Park in Melbourne. Brandon Park is a 5.6-hectare site and the village will be as big as anything we have ever built before. We had more than 360 people on the waiting list before we even started on site, so we know there is strong demand ahead.

In addition, we are about to start work on large new villages at Devonport and Tropicana in Auckland. Of course, we regard every site we buy as a gem, but I think these three in particular are stunning in terms of size, locations and the quality of amenities we have planned.

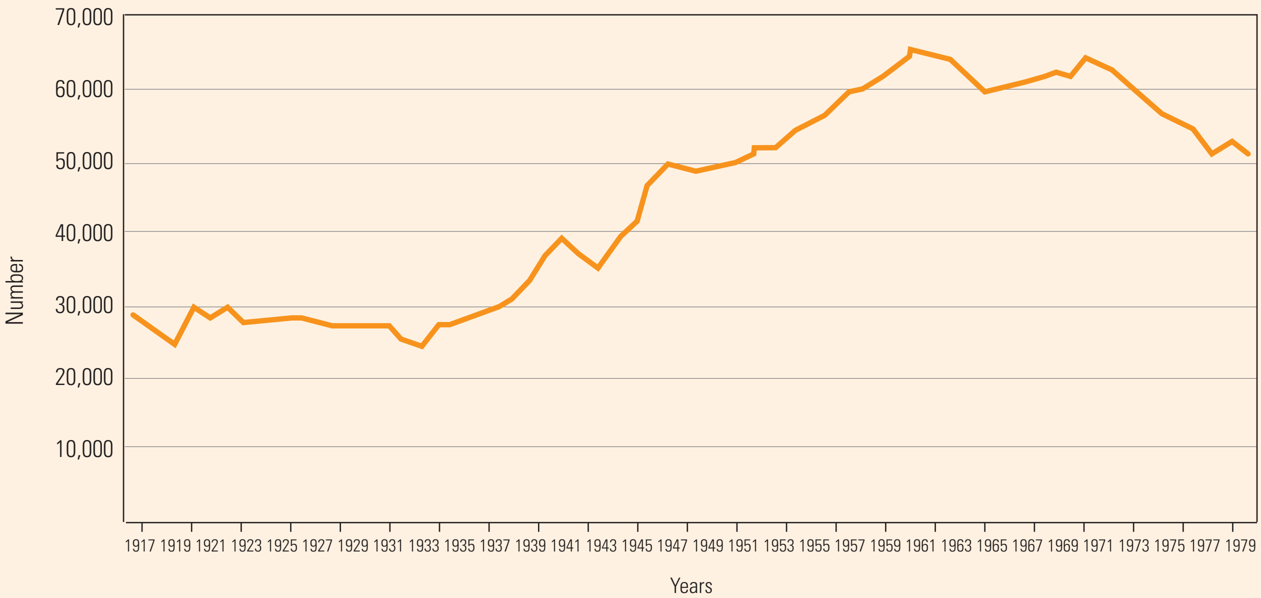
Together, these three villages will be home to close to 2,000 residents with an asset value of more than $1 billion.

Landbank grows

We acquired five new sites during the year. These included sites at Hobsonville in Auckland, Coburg in Melbourne, and Mt Eliza and Geelong in Victoria. Together these added 32% to our landbank during the year, taking it to 5,500 retirement village units and care beds.

We are delighted with our investments in Victoria, where we see great potential. Mt Eliza is a spectacular site with views across Port Phillip Bay and 240 metres of beachfront. Coburg is just 10km from Melbourne's CBD in a bustling part of the city, while Geelong secures us a footprint

New Zealand Birth Statistics



Three new villages consented in Melbourne and Auckland

Brandon Park

Brandon Park Retirement Village is being built on a 5.6 hectare site next to a large shopping centre in a vibrant part of Melbourne. The village is as large as any Ryman has ever built before, and will build on the momentum created by our Weary Dunlop Village.

Tropicana

Our Tropicana village will be built on a large site in Lynfield Auckland. With natural bush on its boundaries and views across Manukau Harbour, Tropicana will eventually rival our Edmund Hillary village in size.

Devonport

Our Devonport village is on a prime waterfront site overlooking Auckland Harbour. There is a shortage of retirement living options in Devonport, which is one of Auckland's prime waterfront suburbs.

in a vibrant community outside of Melbourne. We are looking forward to working closely with the communities in each area as we develop our plans.

Innovation continues

We have been busy innovating to ensure that we are getting better at what we do.

Following hard on the heels of the new uniforms, which we rolled out during the year, came Ryman Delicious – which took Ryman food service to a new level and is already receiving rave reviews.

We celebrated the launch of Ryman Delicious with a long lunch with 5,000 residents enjoying a degustation menu.

We were hard at work on the technology front as well. Following the successful implementation of our myRyman Roster application, I am delighted to report that myRyman Care has been successfully piloted and is now entering the rollout phase.

These applications are set to revolutionise the way we operate our villages and care for our residents, and our nurses and caregivers can't wait to get their hands on them.

Developing our leaders

We have also put a lot of energy into developing our future leaders.

We know we have a very experienced and capable leadership team but we're not getting any younger. If we want to achieve our growth aspirations as a company we are going to need a lot more leaders on both sides of the Tasman.

Last year we launched Ryman Leaders, and the programme is now well established. The programme is aimed at building the skills of our more than 300 leaders, deepening their understanding of our company culture as well as providing practical training to develop them in their roles.

Ryman Leaders will change up a gear in this coming year as we widen the range of training and work more closely with them individually, to encourage them, and help them advance.

The programme also allows us to identify our future leaders. We are always keen to promote from within – as it is very important to us that the company is led by people who understand our culture, our values and the Ryman way.

Handing over the reins

I am excited about the prospects for the company, and I'd love to be part of that success. However, as I signalled at our results announcement in May, the time has come for me to hand over the reins.

The company has been preparing for this handover for several years now – we have been consciously building up the leadership team across the whole group.

We have a bigger bench, more depth and more capability – which means we are stronger at every level throughout the company, from the senior management team to the team leaders, the unit co-ordinators and the foremen on the construction sites.

myRyman enters next phase

Outdated paper rosters became a thing of the past this year as myRyman Roster successfully rolled out across all of Ryman's villages.

The roster application is the first stage of myRyman – our homegrown tablet-based application – and it means that staff know exactly what shift they're on, who their residents are, and what tasks lie ahead.

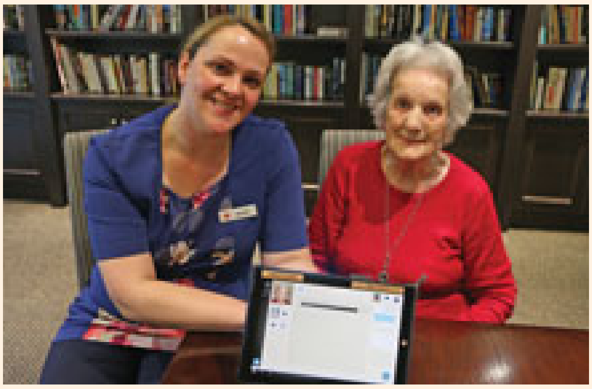
For managers rostering has never been easier – they simply hit an icon to place a staff member onto a shift and it updates automatically – much easier than wrestling with complicated paper rosters. It also allows staff to more carefully manage and allocate resources.

myRyman Roster was the entrée and the team is moving to the main course - myRyman Care.

The Care application means that all nursing notes are available on a tablet, allowing staff to update notes quickly as well as see at a glance what needs to be done for residents.

It will eliminate complicated paper files and allow staff more time with residents.

The Care application has been successfully piloted in 2017 and will roll out in the coming year.



Sandra Hendriks and Gwen Mooar with the myRyman Care app

Bert Sutcliffe Retirement Village

Peeping out above the landscape just off Verrans Corner in Birkenhead, Bert Sutcliffe Retirement Village is unlike anything the Ryman team had tackled before.

The sloping site forms a natural amphitheatre full of bush and birdsong, making it a secluded and quiet haven in a bustling Auckland suburb.

The village centre was built first at the front of the site, and construction of the apartment accommodation was scheduled at the end of building programme. This is the reverse of the usual process, but the design allowed the team to make the absolute best of the site.

The village spreads up the slope and is built across nine different levels to take best advantage of the elevations and the spectacular views.

Its seclusion made it a well-kept secret in the early days, but word in the Birkenhead community spreads fast and the village is living up to its potential.

The village was named in honour of New Zealand cricketing legend Bert Sutcliffe, a North Shore local.

In 2011, on the eve of our annual meeting that year, I was diagnosed with Parkinson's Disease. I'd had the symptoms a lot longer – the entire time I have been CEO of Ryman in fact – but it took some time to work out what was wrong.

Parkinson's is a neurodegenerative disease which progressively gets worse, but the rate of progression is unclear – it affects everyone differently.

The symptoms for me have been gradual and I have fought it every step of the way. Leading Ryman Healthcare is a demanding role, and I decided that keeping up with the demands of work was taking too great a toll on my health and my family.

Parkinson's hasn't prevented me from performing my role, in fact it has assisted in many ways. It has given me a powerful insight into the challenges that many of our residents live with.

So, I have handed over to Gordon MacLeod, who joined Ryman 10 years ago as CFO.

Gordon has been part of our succession plan for a long time and is steeped in everything that is Ryman. Since he was promoted to Deputy Chief Executive in 2014, I've deliberately been handing over more responsibility to him for the public aspects of the job, allowing me to work away on strengthening the company in other areas.

I'd like to acknowledge the work of Gordon and my immediate senior team who have supported me over the 11 years since I took over from Kevin Hickman.

We've grown more than four-fold in the past 10 years – together we have successfully navigated the Global Financial Crisis, the Christchurch and Kaikoura earthquakes, and the challenge of expanding into Australia.

They are extraordinarily capable individuals but together they are a force to be reckoned with.

It's also exciting to see some exceptionally talented people coming through the ranks and I am confident they will lead the company to even greater heights.

I have no doubt I am leaving the company in capable hands – and they are ready to shift up a gear as they start writing a new chapter in the remarkable success story that is Ryman.

I've loved all the support and friendship of the many residents and families I have met and spent time with over the years. It has been a tough decision to stand down and I have been overwhelmed by the response from the whole Ryman family to my news.

I feel like I have worked with some of the kindest, most caring and genuine people in the world. I have made some great friendships.

Finally, thanks to all our shareholders for your loyalty, your trust and support.

It has been a great privilege to lead this extraordinary company. I will remain a very interested and supportive shareholder!

Simon Challies
Managing Director

Big hearted fundraisers raise $337,000

Residents and staff at Ryman Healthcare's retirement villages raised a record $337,000 during the year which will be used to fund a ground-breaking heart health research project.

Over the past 12 months the Ryman family was busy with fundraising events ranging from knitting and art shows through to head shaves to raise as much as possible for the Heart Foundation.

Residents and staff in New Zealand raised $165,000 which Ryman Healthcare matches, taking the total to $330,000. Ryman's Melbourne village has raised another $7,400, which will go to the Heart Foundation in Australia.

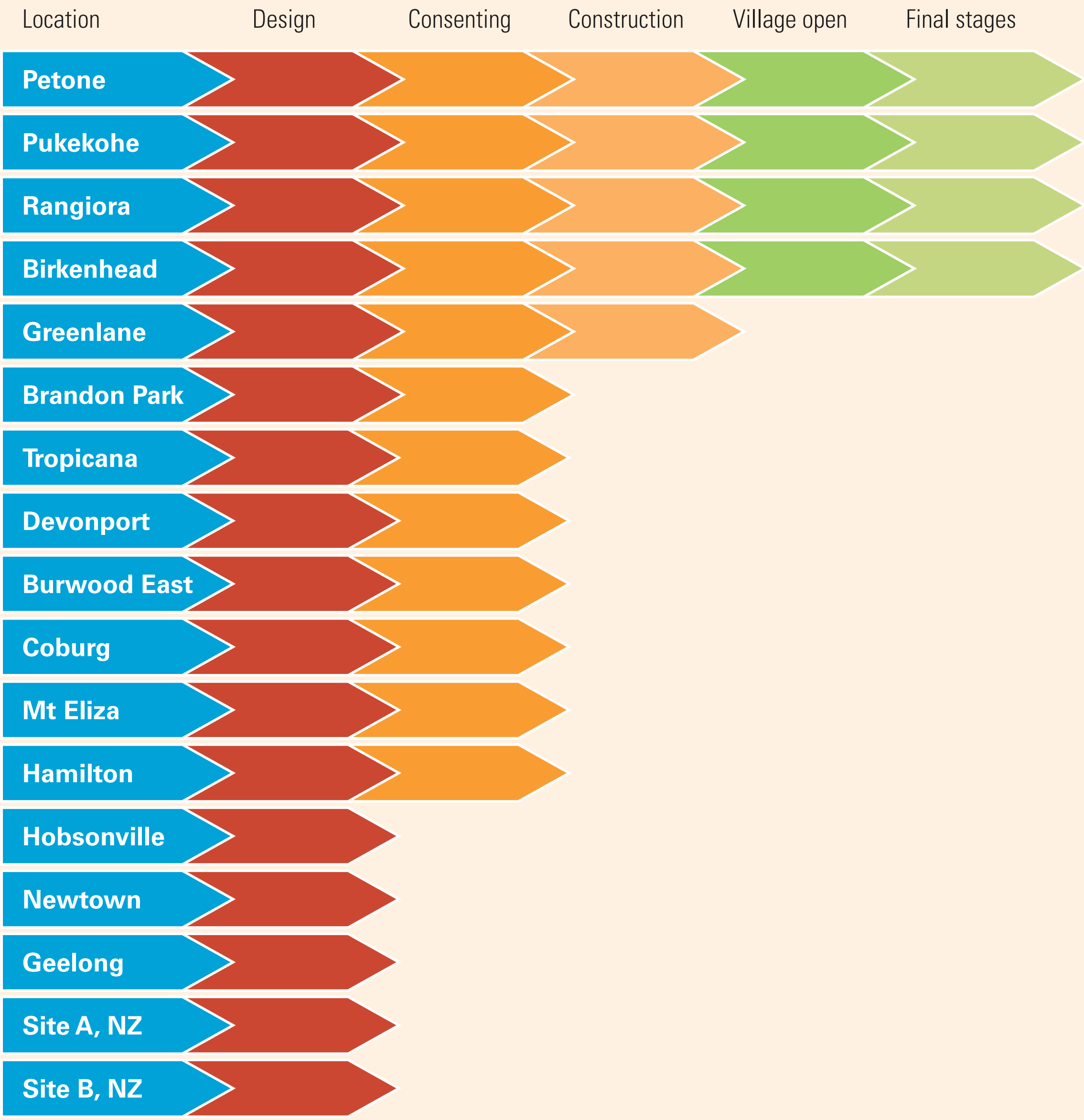
The money raised in New Zealand will fund the Heart Foundation Clinical Fellowship, a three-year study into cardiovascular disease run by the Christchurch Heart Institute, which is part of the University of Otago.

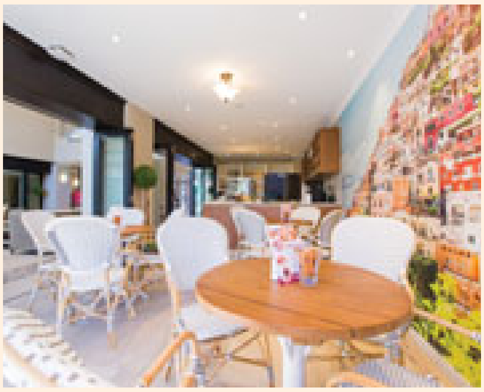
Associate Professor, Chris Pemberton, of the Christchurch Heart Institute, said the study would provide a clearer picture about the cardiovascular disease (CVD) risk in New Zealand's retirement healthcare sector.

Ryman Healthcare matches every cent raised by residents and staff each year. Ryman has contributed more than $2.4 million to charity through its charity partner programme.

Gordon MacLeod, Tony Duncan and Chris Pemberton

Villages under construction and in the pipeline





Bob Scott Retirement Village

On November 14, 2016 Bob Scott Retirement Village got its first seismic test – which it passed with flying colours.

Ground conditions at the site in Petone meant the village needed to be built using the latest in earthquake protection.

The village is built on base isolators – which mean the apartment blocks and village centre 'float' on their foundations and will move in an earthquake.

The first test of the system came sooner than expected. When a magnitude 7.8 earthquake struck Kaikoura just after midnight on November 14, the village shook, rattled and rolled as expected.

Unfortunately the quake, which caused widespread damage in Wellington, undermined the Figaro apartment block at Malvina Major and residents from 40 apartments were evacuated as soon as engineers confirmed there was a risk to safety.

The Figaro residents were moved to Bob Scott, where they received a warm welcome and are staying until their replacement apartments are built.

A provision has been made in the accounts to allow for Figaro, which has been demolished and will be rebuilt.

The Ryman way for investors

Ryman Healthcare's aim is for residents (and their families) to be delighted with their decision to live in one of our villages, and to be delighted with the care they receive.

We offer residents aged over 70 a choice of independent living or comprehensive care options with very fair and simple-to-understand terms, which are affordable for the vast majority of older people.

Our aim is to provide residents with a choice of homes in beautiful surroundings, with the peace of mind of knowing there is care available if they need it. Their families in turn benefit from knowing their loved ones are enjoying their time in a place they love with care at hand.

Ryman is continuously challenging the status quo and identifying innovations to improve the resident experience.

We trial and introduce these innovations when they are proven to add value to the resident. We listen to resident and relative feedback on what is frustrating them, and search for solutions.

Positive staff engagement is crucial to delivering a great resident (and relative) experience. We are committed to improving the staff experience, so they feel proud of and connected to their workplace. We support a safety first working environment, and make it our number one priority for staff to feel safe at work.

Ryman has always grown its own leaders who are steeped in the company's culture and will enable the company to grow. We have developed a home-grown leadership programme to support and grow all our leaders, ensuring we have the staff we need for the growth ahead.

Ryman's aim is to double in size every five years by recycling capital from our growing portfolio of villages.

We grow organically by establishing new villages on greenfield sites offering resort-style facilities and a continuum of care through serviced apartments, resthome, hospital and dementia care.

We manage every aspect of the development from land acquisition, design, construction, and selling through to operating the villages. This allows us to manage the rollout more closely, develop at a lower cost than our competitors and offer better pricing to our residents.

Ryman Healthcare raised $25 million when it listed on the NZX in 1999.

Since then we have built more than 7,000 retirement village units and aged care beds, investing $2.6 billion – all of which has been funded out of operating cash flows, while profits and dividends have grown 21-fold.

As a result we have reinvested heavily in the business, so the capital base just keeps getting stronger, and have also paid out $585 million to shareholders in dividends since 1999.

We are at the start of a great demographic change, and Ryman is well placed to make the most of this change.

Our target markets in New Zealand and Australia are now entering the early stages of an exceptional demographic growth period for our target market, which continues for more than 30 years.

Dr David Kerr
MB CHB, FRNZCGP
Chairman

Joined 1994

Dr David Kerr is a general practitioner.

David has held the role of chairman of Ryman Healthcare since 1999.

He is chairman of Eco Central, and a director of Forte Health and Ngai Tahu Property.

David is a Fellow and Past President of the New Zealand Medical Association and has been awarded a Fellowship with Distinction by the Royal New Zealand College of General Practitioners.

Jo Appleyard
LLB (Hons)
Director

Joined 2009

Jo Appleyard is a partner with Chapman Tripp, and is a skilled advocate and litigator specialising in commercial, employment and resource management law.

Prior to her appointment as a director, Jo had acted for Ryman Healthcare for a number of years on employment and resource management matters, both of which are pivotal to the success of the company.

Kevin Hickman
ONZM, Director

Co-founder 1984

Kevin Hickman co-founded Ryman Healthcare. He held the role of managing director in a joint capacity from 1984 and in a sole capacity from 2002 to 2006.

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's family trust remains a significant shareholder in Ryman Healthcare.

In 2016 Kevin was made an Officer of the New Zealand Order of Merit for his services to sport and aged care.

Doug McKay
BA, AMP (Harvard),
ONZM, Director

Joined 2014

Doug McKay is an experienced board director with current appointments at IAG NZ Insurance, BNZ (chair), Genesis Energy, Eden Park Trust Board (chair) and National Australia Bank. He was previously chair of Griffins Foods, Independent Liquor, and Board member of Chartered Accountants Australia New Zealand.

Doug's executive career included CEO and MD roles at corporates including Procter and Gamble, Lion Nathan, Carter Holt Harvey, Goodman Fielder, Sealord and Auckland Council. In 2015 Doug was made an Officer of the New Zealand Order of Merit for services to business and local government.

Warren Bell
M COM, FCA
Director

Joined 2011

Warren Bell is an experienced public and private company director, and was previously an audit partner with Deloitte. He is currently chairman of Hallenstein Glasson and St George's Hospital, and is a director of a number of private companies.

Warren is chairman of the Audit & Financial Risk Committee.

Claire Higgins
B COM, FCPA, FAICD
Director

Joined 2014

Claire Higgins is a professional director and consultant with extensive board experience in Australia and New Zealand.

Based in Melbourne, Claire is chair of REI Superannuation Pty Ltd, and a director of several organisations in the property, health and philanthropic sectors.

Claire had a long executive career at BHP and OneSteel Limited before becoming a professional director.

George Savvides
BE (Hons), MBA, FAICD
Director

Joined 2013

George lives in Melbourne and he has 20 years' experience in the Australian healthcare industry. Last year he retired after 14 years as managing director of Medibank, Australia's largest health insurer.

He is chairman of World Vision Australia, Kings Group, Macquarie University Hospital, and deputy chairmain of SBS.

George is a Fellow of the Australian Institute of Directors.

Simon Challies
LLB, B COM, FCA
Managing Director

Joined 1999,
retiring June 30 2017

Simon joined the company as Chief Financial Officer, and was appointed Chief Executive in 2006 and then Managing Director in 2010.

In 2013 Simon won the INFINZ Industry Leadership Award, and in 2014 was named the Deloitte Top 200 Executive of the Year.

Taylor Allison
Design Manager

Joined 2000

Taylor has over 30 years' design experience in the civil and structural design fields, and has overseen the design of 24 Ryman villages in New Zealand and Australia.

Nicole Forster
Group Shared Services Manager

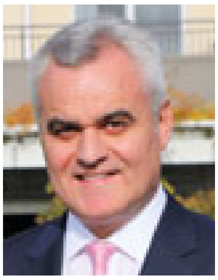
Joined 2011

Nicole joined Ryman as Senior Human Resources Advisor. She was appointed to HR Manager in 2012, and was promoted to her current role in 2016.

Gordon MacLeod
Incoming Chief Executive

Joined 2007

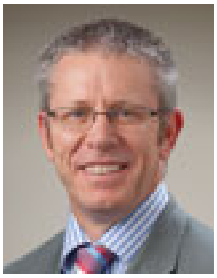
Gordon was previously a Corporate Finance Partner with PwC and Finance Director of a London listed hi-tech engineering company. Gordon holds a Bachelor of Commerce and is a Chartered Accountant. He is a board member of the NZ Aged Care Association and the Retirement Villages Association.



Philip Mealings
Property / Purchasing Manager

Joined 2000

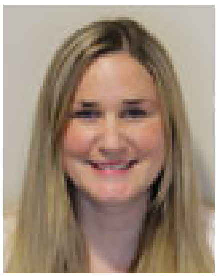
Philip joined Ryman after several years as purchasing manager with Ben Rumble Communications.



Jenn Poskitt
Marketing Manager

Joined 2009

Jenn joined Ryman as Marketing Co-ordinator and was promoted to her current role in 2011. She holds a Bachelor of Science (Marketing and Management) from Oklahoma State University.



Tom Brownrigg
Construction Manager

Joined 2006

Tom has over 20 years' experience in the construction industry in New Zealand and the United Kingdom, in roles ranging from carpentry to project management. He's overseen the construction of 19 Ryman villages.

David King
Corporate Affairs Manager

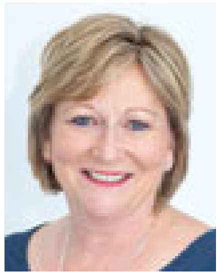
Joined 2013

David joined Ryman following a 21-year career in journalism in New Zealand and the UK, which included editing and senior management roles. He holds a Bachelor of Arts (Hons) and a Journalism Certificate.

Debbie McClure
Group Sales and Community Relations Manager

Joined 1990

Debbie joined Ryman as a village administrator, and moved into sales in 1998. She was promoted to Group Sales Manager in 2002. She moved to Melbourne in 2013 to lead Ryman's sales expansion in Victoria. Debbie is chair of the Property Council of Australia's Retirement Living Committee in Victoria.



Andrew Mitchell
Development Manager

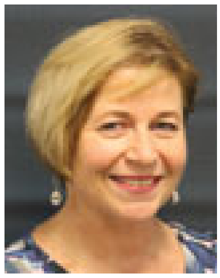
Joined 2007

Andrew joined Ryman after working as a Regional Development Manager for Sunrise Senior Living in the UK. He holds a Bachelor of Commerce in Valuation and Property Management.

Barbara Reynen-Rose
Operations & Clinical Services Manager

Joined 1992

Barbara began as a nurse manager, was appointed Director of Nursing in 1997 and was promoted to Operations Manager in 2002. She holds an Advanced Diploma in Nursing, a Post Graduate Diploma in Management and a Masters in Health Sciences (Gerontology).



Five year summary

For the year ended 31 March 2017		2017	2016	2015	2014	2013
Financial						
Underlying Profit	$m	178.3	157.7	136.3	118.2	100.2
Reported Net Profit After Tax	$m	356.7	305.4	241.9	194.8	136.7
Net Operating Cash Flows	$m	322.8	312.5	234.0	238.4	222.2
Net Assets	$m	1,652.1	1,327.5	1,101.3	926.7	734.5
Interest bearing Debt to Debt plus Equity ratio	%	34%	29%	27%	23%	23%
Dividend per Share	Cents	17.8	15.8	13.6	11.8	10.0
Villages						
Sales of Occupation Rights [1]	No.	1,318	1,208	1,175	977	985
Land bank (to be developed) [2]	No.	5,554	4,211	4,228	4,208	2,402
Portfolio:						
Aged Care Beds	No.	3,281	3,121	2,807	2,517	2,400
Retirement Village Units	No.	5,968	5,347	4,792	4,207	3,791
Total Units and Beds	No.	9,249	8,468	7,599	6,724	6,191

1 New and existing retirement village units.
2 Includes retirement village units and aged care beds.

Consolidated income statement

For the year ended 31 March 2017

	Note	2017 $000	2016 $000
Care fees		227,391	209,431
Management fees		60,988	50,632
Interest received		456	711
Other income		355	296
Total revenue		**289,190**	**261,070**
Fair value movement of investment properties	7	324,966	274,627
Total income		**614,156**	**535,697**
Operating expenses	1	(225,573)	(204,175)
Depreciation and amortisation expense	2	(14,934)	(12,658)
Finance costs	3	(10,660)	(9,533)
Total expenses		**(251,167)**	**(226,366)**
Profit before income tax		**362,989**	**309,331**
Income tax expense	4	(6,295)	(3,908)
Profit for the period		**356,694**	**305,423**
Earnings per share:			
Basic and diluted (cents per share)	13	71.3	61.1

Consolidated statement of comprehensive income

For the year ended 31 March 2017

	Note	2017	2016
Profit for the period		**356,694**	**305,423**
Items that may be reclassified subsequently to profit or loss:			
Fair value movement and reclassification of interest rate swaps	14	1,790	(4,647)
Movement in deferred tax related to interest rate swaps	14	(501)	1,301
Gains/(losses) on hedge of foreign owned subsidiary net assets	14	1,102	(4,539)
(Losses)/gain on translation of foreign operations	14	(1,392)	6,211
		999	(1,674)
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment (unrealised)	6,14	56,513	-
Deferred tax impact on revaluation reserve	14	-	-
		56,513	-
Other comprehensive income		**57,512**	**(1,674)**
Total comprehensive income		**414,206**	**303,749**

Note: all profit and total comprehensive income is attributable to Parent Company shareholders and is from continuing operations.
The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2017

	Issued Capital	Asset Revaluation Reserve	Interest Rate Swap Reserve	Foreign Currency Translation Reserve	Treasury Stock	Retained Earnings	Total Equity
	$000	$000	$000	$000	$000	$000	$000
Balance at 1 April 2015	**33,290**	**176,806**	**(3,334)**	**(316)**	**(11,355)**	**906,230**	**1,101,321**
Profit and total comprehensive income for the period	-	-	(3,346)	1,672	-	305,423	303,749
Treasury stock movement (Note 14)	-	-	-	-	(4,545)	-	(4,545)
Dividends paid to shareholders (Note 15)	-	-	-	-	-	(73,000)	(73,000)
Closing Balance at 31 March 2016	**33,290**	**176,806**	**(6,680)**	**1,356**	**(15,900)**	**1,138,653**	**1,327,525**
Balance at 1 April 2016	**33,290**	**176,806**	**(6,680)**	**1,356**	**(15,900)**	**1,138,653**	**1,327,525**
Profit and total comprehensive income for the period	-	56,513	1,289	(290)	-	356,694	414,206
Treasury stock movement (Note 14)	-	-	-	-	(4,640)	-	(4,640)
Dividends paid to shareholders (Note 15)	-	-	-	-	-	(85,000)	(85,000)
Closing Balance at 31 March 2017	**33,290**	**233,319**	**(5,391)**	**1,066**	**(20,540)**	**1,410,347**	**1,652,091**

The accompanying notes form part of these financial statements.

Consolidated balance sheet

As at 31 March 2017

	Note	2017 $000	2016 $000
Assets			
Cash and cash equivalents		-	-
Trade and other receivables	5	256,614	219,228
Advances to employees	24	4,884	3,407
Property, plant & equipment	6	1,013,547	754,530
Investment properties	7	3,661,445	2,996,305
Intangible assets		8,329	-
Total assets		**4,944,819**	**3,973,470**
Equity			
Issued capital	13	33,290	33,290
Asset revaluation reserve	14	233,319	176,806
Interest rate swap reserve	14	(5,391)	(6,680)
Foreign currency translation reserve	14	1,066	1,356
Treasury stock	14,24	(20,540)	(15,900)
Retained earnings	14	1,410,347	1,138,653
Total equity		**1,652,091**	**1,327,525**
Liabilities			
Bank overdraft (secured)	8	-	961
Trade and other payables	9	149,855	92,342
Employee entitlements	10	16,167	14,428
Revenue in advance		44,702	37,032
Interest rate swaps	18	7,488	9,278
Refundable accommodation deposits		28,473	28,302
Bank loans (secured)	11	837,520	544,917
Occupancy advances (non interest bearing)	12	2,137,274	1,854,232
Deferred tax liability (net)	4	71,249	64,453
Total liabilities		**3,292,728**	**2,645,945**
Total equity and liabilities		**4,944,819**	**3,973,470**
Net tangible assets per basic and diluted share (cents)	13	330.4	265.5

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2017

	Note	2017 $000	2016 $000
Operating activities			
Receipts from residents	21	759,829	698,617
Interest received		476	748
Payments to suppliers and employees		(214,028)	(209,190)
Payments to residents		(212,548)	(167,319)
Interest paid		(10,930)	(10,393)
Net operating cash flows	21	**322,799**	**312,463**
Investing activities			
Purchase of property, plant & equipment and intangible assets		(192,364)	(129,574)
Purchase of investment properties		(314,920)	(224,654)
Capitalised interest paid		(16,991)	(15,353)
Advances to employees		(1,477)	142
Net investing cash flows		**(525,752)**	**(369,439)**
Financing activities			
Drawdown of bank loans (net)		293,554	133,044
Dividends paid		(85,000)	(73,000)
Purchase of treasury stock (net)		(4,640)	(4,545)
Net financing cash flows		**203,914**	**55,499**
Net increase/(decrease) in cash and cash equivalents		**961**	**(1,477)**
Cash and cash equivalents at the beginning of period		(961)	409
Translation of foreign cash balances		-	107
Cash and cash equivalents at the end of period		**-**	**(961)**

The accompanying notes form part of these financial statements.

Summary of significant accounting policies

Statement of compliance

The financial statements presented are those of Ryman Healthcare Limited ("the Company"), and its subsidiaries (collectively, "the Group"). Ryman Healthcare Limited is a profit-oriented entity incorporated in New Zealand and develops, owns and operates integrated retirement villages, resthomes and hospitals for the elderly within New Zealand and Australia. Ryman Healthcare Limited is a Financial Markets Conduct reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013, and its financial statements comply with these Acts.

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards.

The consolidated financial statements also comply with International Financial Reporting Standards ("IFRS").

Basis of preparation

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 March 2017, and the comparative information presented in these financial statements for the year ended 31 March 2016.

The information is presented in thousands of New Zealand dollars.

All reference to AUD refers to Australian dollars.

Measurement base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the Group, with the exceptions that:

- certain property, plant and equipment are subject to revaluation (refer note 6).
- investment property is measured at fair value (refer note 7).
- certain financial assets and liabilities are measured at fair value (refer note 18).

Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from direct sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Valuation of property, plant and equipment – policy (e) and note 6.
- Valuation of investment property – policy (d) and note 7.

Summary of significant accounting policies

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements of the Group.

(a) Basis of consolidation - purchase method

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Company (the parent entity) and its subsidiaries as defined in NZ IFRS-10 'Consolidated Financial Statements'. A list of subsidiaries appears in note 22 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

All significant inter-company transactions and balances are eliminated in full on consolidation.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Income and expenses for each subsidiary whose functional currency is not New Zealand dollars are translated at exchange rates which approximate the rates at the actual dates of the transactions. Assets and liabilities of such subsidiaries are translated at exchange rates prevailing at balance date. All resulting exchange differences are recognised in the foreign currency translation reserve which is a separate component of equity.

(b) Revenue recognition

Care fees
Care facility and retirement village service fees are recognised on an accruals basis.

Management fees
Management fees in respect of retirement village units are recognised on a straight line basis over the period of service, being the greater of the expected period of tenure, or the contractual right to revenue. The expected periods of tenure, based on historical experience across our villages, are estimated to be seven years for independent units and three to four years for serviced units.

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

(c) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for use.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

(d) Investment properties

Investment properties include land and buildings, equipment and furnishings relating to retirement village units and community facilities, including units and facilities under development. They are intended to be held for the long term to earn rental income and for capital appreciation.

Retirement village units and community facilities are revalued on a semi-annual basis and restated to fair value as determined by an independent registered valuer. Any change in fair value is taken to the income statement. The fair value is determined using discounted cash flow methodology.

Rental income from investment properties, being the management fee and retirement village service fees, is accounted for in accordance with accounting policy (b).

Summary of significant accounting policies

(e) Property, plant & equipment

Property, plant & equipment comprises completed care facilities, corporate assets and land and care facilities under development. 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.

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

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement in which case the increase is credited to the income statement to the extent of the decrease previously charged.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant & equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(f) Depreciation

Depreciation is provided on all property, plant & equipment, other than freehold land, at straight line ("SL") 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

No depreciation is provided in respect of investment properties.

(g) Impairment of assets

At each interim and annual balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Summary of significant accounting policies

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately unless the asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately unless the asset is carried at fair value in which case the reversal of the impairment loss is treated as a revaluation increase.

(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 income statement on a straight line basis over the periods of expected benefit.

(i) Revenue in advance

Revenue in advance represents those amounts by which the management fees over the contractual period exceed recognition of the management fee based on expected tenure.

(j) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, cash in banks and on demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. This includes all call borrowing such as bank overdrafts used by the Group as part of its day-to-day cash management.

Trade and other receivables
Trade receivables are measured at amortised cost less any impairment. This is equivalent to fair value being the receivable face (or nominal) value, less appropriate allowances for estimated irrecoverable amounts (which are recognised in the Income Statement when there is objective evidence that the receivable is impaired). The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Advances to employees are on the same basis.

Occupancy advances
Occupation Agreements confer to residents the right of occupancy of the retirement village unit for life, or until the resident terminates the agreement.

Amounts payable under Occupation Agreements ("occupancy advances") are non-interest bearing and recorded as a liability in the balance sheet, net of management fees receivable. The resident occupancy advance is initially recognised at fair value and subsequently at amortised cost. As the resident may terminate their occupancy with limited notice, and the occupancy advance is not interest bearing, it has demand features and is therefore carried at face value, which is the original advance received. The advance, net of management fee, is repayable following both termination of the Occupation Agreement and settlement of a new occupancy advance for the same retirement village unit.

Summary of significant accounting policies

Refundable accommodation deposits
Refundable accommodation deposits relate to deposits held on behalf of residents who reside in rooms in the care centre in Australia. Refundable accommodation deposits confer to residents the right of occupancy of the room for life, or until the resident terminates the agreement.

Amounts payable under refundable accommodation deposits are non-interest bearing and recorded as a liability in the balance sheet. As the resident may terminate their occupancy with limited notice, and the refundable accommodation deposit is non-interest bearing, it has demand features and is therefore carried at face value, which is the original deposit received.

Trade and other payables
Trade and other payables are measured at amortised cost. This is equivalent to the face (or nominal) value of payables which is assumed to approximate their fair value.

Interest bearing loans and borrowings
Loans and borrowings are initially recorded at fair value, less directly attributable transaction costs. Subsequent to initial recognition, loans and borrowings are measured at amortised cost, with any differences from the initial amount recognised and the redemption value being recognised in profit and loss using the effective interest rate method. In practice this means that Group interest bearing borrowings are recognised at face (or nominal) value due to the repayment and cost of borrowing terms associated with them.

Interest rate swaps
The Group enters into interest rate swaps to manage cash flow interest rate risk.

Interest rate swaps are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured to their fair value at each reporting date. When Group swap arrangements meet the requirements of cash flow hedge accounting, changes in the fair value of interest rate swaps are recognised in other comprehensive income and accumulated as a separate component of equity.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit.

Fair value estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The face (or nominal) value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

Hedges of a net investment
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for by including the gains or losses on the hedging instrument relating to the effective portion of the hedge in other comprehensive income while any gains or losses relating to the ineffective portion of the hedge are recognised in profit or loss.

(k) Employee entitlements

A liability for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave is accrued and recognised in the balance sheet when it is probable that settlement will be required and they are capable of being measured reliably. The liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date.

(l) Taxation

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

Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to

Summary of significant accounting policies

tax payable in respect of previous years. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is provided using the comprehensive balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided for in respect of non depreciating assets included within property, plant and equipment and investment properties.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates expected to apply in the period of settlement, based on tax rates enacted or substantively enacted.

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

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

(m) Treasury stock

Shares purchased on market under the senior management share scheme are treated as treasury stock on acquisition at cost. On vesting to the employee, treasury stock shares are credited to equity and an employee advance is recorded initially at fair value and subsequently at amortised cost. Any loss on disposal by the Company (e.g. when the employee does not elect to take full responsibility for the loan, or when the employee leaves prior to the end of the three year restrictive period) accrues to the Company and is taken directly against equity. The Directors estimate the fair value of these employee advances when purchasing the shares on market, which is then spread over the employee's three year vesting period and taken to the income statement.

(n) Consumables

Purchases of supplies by the villages are expensed in the period they are incurred.

(o) Maintenance costs

Maintenance costs are accounted for in the period they are incurred.

(p) Statement of cash flows

The statement of cash flows is prepared exclusive of Goods and Services Tax ("GST"), which is consistent with the method used in the Income Statement. Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and includes all call borrowing such as bank overdrafts used by the Group as part of their day-to-day cash management.

Operating activities represent all transactions and other events that are not investing or financing activities, and includes receipts and repayments of occupancy advances. Investing activities are those activities relating to the acquisition and disposal of investments and any other property, plant and equipment or investment properties. Financing activities are those activities relating to changes in the equity and debt capital structure of the Group and those activities relating to the cost of servicing the Company's equity capital.

(q) GST

Revenues, expenses and assets and liabilities are recognised net of the amount of GST except that:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, the GST is recognised as part of the cost of acquisition

Summary of significant accounting policies

of the asset or as part of the expense item as applicable; and

- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the balance sheet.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Foreign currency translation

Functional and Presentation Currency

Both the functional and presentation currency of Ryman Healthcare Limited and its New Zealand subsidiaries is New Zealand dollars ($). The functional currency for its Australian subsidiaries is Australian dollars (AUD$).

Transactions and Balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences on foreign currency borrowings relating to the effective portion of a hedge of a net investment in foreign operations and differences arising on translation of a foreign operation are recognised in other comprehensive income and accumulated in reserves.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

(s) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

After initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(t) Adoption of new and revised standards and interpretations

In the current year, the Group adopted all mandatory new and amended standards and interpretations. None of the new and amended standards and interpretations had a material impact on the amounts recognised in these financial statements.

We are not aware of any standards in issue but not yet effective which would materially impact the amounts recognised or disclosed in the financial statements. They will be adopted when they become mandatory.

Notes to the consolidated financial statements

For the year ended 31 March 2017

	2017 $000	2016 $000
1. Operating Expenses		
Employee costs (see below)	148,294	133,329
Property related expenses	28,951	26,329
Other operating costs (see below)	48,328	44,517
Total operating expenses	**225,573**	**204,175**
Employee costs and other operating costs include:		
Post employment benefits (Kiwisaver/Super)	3,853	3,407
Auditor's remuneration to Deloitte comprises:		
- audit of financial statements	185	154
- Australia aged care reporting	6	5
- IT and cyber security assurance	-	33
Directors fees	867	820
Donations^	132	335
Lease and rental payments	1,196	1,102

^ no donations have been made to any political party (2016: $Nil)

	2017 $000	2016 $000
2. Depreciation and Amortisation		
Depreciation		
- Buildings	5,309	4,963
- Plant and Equipment	3,870	2,834
- Furniture and Fittings	4,584	4,251
- Motor Vehicles	957	610
	14,720	12,658
Amortisation		
- Software	214	-
	214	-
Total	**14,934**	**12,658**

	2017 $000	2016 $000
3. Finance Costs		
Total interest paid on bank loans	25,571	23,172
Release of interest rate swap reserve	2,080	1,714
Amount of interest capitalised	(16,991)	(15,353)
Net interest expense on bank loans	**10,660**	**9,533**

Notes to the consolidated financial statements

4. Income Tax

(a) Income tax recognised in income statement

	2017 $000	2016 $000
Tax expense comprises:		
Current tax expense	-	-
Prior period adjustment	-	-
Deferred tax expense	6,295	3,908
Total income tax expense	**6,295**	**3,908**

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

	2017 $000	2016 $000
Profit before income tax expense	362,989	309,331
Income tax expense calculated at 28%	101,637	86,613
Tax effect of:		
Non-taxable income	(90,990)	(76,896)
Other	(4,352)	(5,809)
Total tax expense	**6,295**	**3,908**

Non-taxable income principally arises in respect of the fair value movement of investment property.

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2016: 28%) payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

Total Group tax losses available in New Zealand amounted to $46.8 million (2016: $17.9 million). Recognition of the deferred tax asset is based on expected taxable earnings in future periods. There are no unrecognised tax losses in New Zealand (2016: $Nil). Australian tax losses have not been recognised in the current year. Total tax losses available in Australia amounted to $26.6 million (2016: $19.8 million).

Notes to the consolidated financial statements

4. Income Tax (continued)

Reconciliation of effective tax rate	2017 %	2017 $000	2016 %	2016 $000
Profit before tax		362,989		309,331
Income tax using the corporate tax rate	28.0%	101,637	28.0%	86,613
Non-taxable income	(25.1)%	(90,990)	(24.8)%	(76,896)
Other	(1.2)%	(4,352)	(1.9)%	(5,809)
Total income tax expense	**1.7%**	**6,295**	**1.3%**	**3,908**

(b) Taxable and deductible temporary differences arise from the following:

	Opening Balance $000	Recognised in income $000	Recognised in equity $000	Closing Balance $000
2017				
Property, plant & equipment	(45,998)	(960)	-	(46,958)
Investment properties	(34,339)	(6,401)	-	(40,740)
Deferred management fee revenue in advance	5,439	(7,272)	-	(1,833)
Interest rate swap	2,598	-	(501)	2,097
Other	2,827	256	-	3,083
Tax value of loss carry-forwards recognised	5,020	8,082	-	13,102
Total deferred taxation	**(64,453)**	**(6,295)**	**(501)**	**(71,249)**
2016				
Property, plant & equipment	(44,336)	(1,662)	-	(45,998)
Investment properties	(30,615)	(3,724)	-	(34,339)
Deferred management fee revenue in advance	8,763	(3,324)	-	5,439
Interest rate swap	1,297	-	1,301	2,598
Other	2,333	494	-	2,827
Tax value of loss carry-forwards recognised	712	4,308	-	5,020
Total deferred taxation	**(61,846)**	**(3,908)**	**1,301**	**(64,453)**

Notes to the consolidated financial statements

4. Income Tax (continued)

	2017 $000	2016 $000
(c) Imputation credit memorandum account		
Closing balance	**96**	**87**
Imputation credits available directly and indirectly to shareholders of the parent company, through:		
Parent company	-	-
Subsidiaries	96	87
Closing balance	**96**	**87**

5. Trade and Other Receivables

	2017 $000	2016 $000
Trade debtors	251,722	216,537
Other receivables	4,892	2,691
Total receivables	**256,614**	**219,228**

Debtors are non-interest bearing, although the Group has the right to charge interest in respect of overdue settlements of occupancy advances or overdue care fees. Debtors principally comprise amounts due in respect of occupancy advances and care fees. Occupancy advances are payable by residents on occupation of a retirement village unit. Care fees are received from residents (payable four weekly in advance) and various government agencies. Government agency payment terms vary, but are typically paid fortnightly in arrears in respect of care services provided to residents. There is no significant concentration of credit risk as trade debtors are either individual residents or government agencies. No allowance has been made for doubtful debts in the current period (2016: $Nil).

Notes to the consolidated financial statements

6. Property, Plant & Equipment

	Freehold land at valuation	Buildings at valuation	Property under development at cost	Plant & equipment at cost	Furniture & fittings at cost	Motor vehicles at cost	Total
2017	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount							
Balance at 1 April 2016	212,164	253,655	262,861	33,967	32,828	8,117	803,592
Additions	240	13,764	214,977	16,330	2,318	1,099	248,728
Net foreign currency exchange difference	(80)	(162)	(1,249)	(16)	(15)	(2)	(1,524)
Transfer from property under development	-	-	-	-	-	-	-
Transfer from property under development to investment property	-	(1,080)	(28,900)	-	-	-	(29,980)
Revaluation	56,513	(14,401)	-	-	-	-	42,112
Balance at 31 March 2017	**268,837**	**251,776**	**447,689**	**50,281**	**35,131**	**9,214**	**1,062,928**
Accumulated Depreciation							
Balance at 1 April 2016	-	(9,247)	-	(14,125)	(21,790)	(3,900)	(49,062)
Current year depreciation	-	(5,309)	-	(3,870)	(4,584)	(957)	(14,720)
Revaluation	-	14,401	-	-	-	-	14,401
Balance at 31 March 2017	**-**	**(155)**	**-**	**(17,995)**	**(26,374)**	**(4,857)**	**(49,381)**
Total Book Value	**268,837**	**251,621**	**447,689**	**32,286**	**8,757**	**4,357**	**1,013,547**
2016	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount							
Balance at 1 April 2015	208,188	227,162	216,902	26,152	27,583	7,123	713,110
Additions	228	11,569	103,293	6,480	3,562	973	126,105
Net foreign currency exchange difference	441	897	4,149	92	102	21	5,702
Transfer from property under development	3,307	14,027	(20,158)	1,243	1,581	-	-
Transfer from property under development to investment property	-	-	(41,325)	-	-	-	(41,325)
Balance at 31 March 2016	**212,164**	**253,655**	**262,861**	**33,967**	**32,828**	**8,117**	**803,592**
Accumulated Depreciation							
Balance at 1 April 2015	-	(4,284)	-	(11,291)	(17,539)	(3,290)	(36,404)
Current year depreciation	-	(4,963)	-	(2,834)	(4,251)	(610)	(12,658)
Disposal	-	-	-	-	-	-	-
Balance at 31 March 2016	**-**	**(9,247)**	**-**	**(14,125)**	**(21,790)**	**(3,900)**	**(49,062)**
Total Book Value	**212,164**	**244,408**	**262,861**	**19,842**	**11,038**	**4,217**	**754,530**


Notes to the consolidated financial statements

6. Property, Plant & Equipment (continued)

All completed resthomes and hospitals included within the definition of freehold land and buildings were revalued to fair value based on an independent valuation report prepared by registered valuers, CBRE Limited, as at 31 March 2017 in accordance with NZ IFRS 13. These revaluations are undertaken every three years, unless there is sustained market evidence of a significant change in fair value. Significant assumptions used by the valuer include capitalisation of earnings (utilising capitalisation rates ranging from 11% to 15%), together with observed transactional evidence in respect of the market value per care bed (ranging from $75,000 to $140,000 per care bed) in estimating and determining fair value.

As the fair value of land and buildings is determined using inputs that are unobservable the Group has categorised property, plant and equipment as Level 3 under the fair value hierarchy in accordance with *NZ IFRS 13 – Fair Value Measurements.*

The significant unobservable inputs used in the fair value measurement of the Group's freehold land and buildings are the capitalisation rate and the market value per care bed. A significant decrease (increase) in the capitalisation rate would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the market value per care bed would result in a significantly higher (lower) fair value measurement.

Property under development includes land held pending development of a retirement village amounting to $337.1 million (2016: $150.4 million) and is valued at cost.

Interest for the Group of $17.0 million (2016: $15.4 million) has been capitalised during the period of construction in the current year. The weighted average capitalisation rate on funds borrowed is 3.81% per annum (2016: 4.55% per annum).

The assets shown at cost are care facility assets under development, plant and equipment, furniture and fittings and motor vehicles plus additions since the last valuation.

The carrying amount at which each revalued class of property, plant and equipment would have been carried had the assets been measured under historical cost is as follows:

	Freehold Land $000	Buildings $000	Total $000
Carrying amount (at cost)			
Carrying amount at 31 March 2017	52,557	235,355	287,912
Carrying amount (at cost)			
Carrying amount at 31 March 2016	52,252	228,364	280,616

Notes to the consolidated financial statements

7. Investment Properties

	2017 $000	2016 $000
At fair value		
Balance at beginning of financial year	2,996,305	2,434,631
Additions	342,869	277,455
Net foreign currency exchange differences	(2,695)	9,592
Fair value movement:		
Realised fair value movement: - New retirement village units	62,959	62,396
- Existing retirement village units	77,286	60,613
	140,245	123,009
Unrealised fair value movement	184,721	151,618
	324,966	274,627
Net movement for the year	665,140	561,674
Balance at end of financial year	**3,661,445**	**2,996,305**

The realised fair value movement arises from the sale and resale of occupancy advances to residents. Investment properties are not depreciated and are fair valued. As the fair value of investment property is determined using inputs that are unobservable the Group has categorised investment property as Level 3 under the fair value hierarchy in accordance with *NZ IFRS 13 – Fair Value Measurements.*

The carrying value of completed investment property is the fair value as determined by an independent valuation report prepared by registered valuers CBRE Limited, as at 31 March 2017. This report combines discounted future cash flows and occupancy advances received from residents in respect of retirement village units which are complete or nearing completion, for which there is an unconditional occupation agreement. Significant assumptions used by the valuer include long term house price inflation (which ranges from 1% to 3% nominal) and discount rate (which ranges from 12% to 16%) (2016: 13% to 16%). Other unobservable inputs used in the fair value measurement of the Group's investment property portfolio include the average age of residents and the occupancy period.

A significant decrease (increase) in the discount rate or the unit occupancy period would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the average age of entry of residents or the long-term nominal house price inflation rate would result in a significantly higher (lower) fair value measurement.

Investment property includes investment property work in progress of $186.5 million (2016: $114.2 million), which has been fair valued at cost.

The CBRE valuation also includes within its forecast cash flows the Group's expected costs relating to rebuild works at Malvina Major. The estimate of the gross cash outflows included for remediation works is $17.5m over an 18 month period. The estimates are based on currently available information.

Operating expenses
Direct operating expenses arising from investment property that generated income from management fees during the period amounted to $4.2 million (2016: $5.3 million). There was no investment property that did not generate income from management fees during the period for the Group except for investment property work in progress.

Security
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.


Notes to the consolidated financial statements

8. 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 11). The interest rate on all overdraft facilities at 31 March 2017 was 10.05% (2016: 10.05%).

9. Trade & Other Payables

	2017 $000	2016 $000
Trade payables	45,467	41,766
Other payables	104,388	50,576
Total trade and other payables	**149,855**	**92,342**

Trade payables are typically paid within 30 days of invoice date or 20th of the month following invoice date. Other payables at 31 March 2017 includes $95.6 million (2016: $48.0 million) in relation to the purchase of land.

10. Employee Entitlements

Holiday pay accrual and other benefits	16,167	14,428

11. Borrowings

Bank loans (secured) – NZD	744,614	478,000
Bank loans (secured) – AUD in NZD	92,906	66,917
Total bank loans (secured)	**837,520**	**544,917**
Less than 1 year	17,614	6,500
Within 1-3 years	819,906	538,417
Average interest rates – NZD	3.40%	4.31%
Average interest rates – AUD	3.35%	3.57%

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 7).

The subsidiary companies listed at note 22 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 18.

Notes to the consolidated financial statements

12. Occupancy Advances (non interest bearing)

	2017 $000	2016 $000
Gross occupancy advances (see below)	2,407,644	2,081,386
Less: management fees & resident loans	(270,370)	(227,154)
Closing balance	**2,137,274**	**1,854,232**
Movement in gross occupancy advances:		
Opening balance	2,081,386	1,771,851
Net foreign currency exchange differences	(2,189)	7,709
Plus: Net increases in occupancy advances:		
- New retirement village units	263,282	226,214
- Existing retirement village units	77,286	60,613
(Decrease)/increase in occupancy advance receivables	(12,121)	14,999
Closing balance	**2,407,644**	**2,081,386**

Gross occupancy advances are non-interest bearing.

13. Share Capital

Issued and paid up capital consists of 500,000,000 fully paid ordinary shares (2016: 500,000,000) less treasury stock of 2,320,851 shares (2016: 2,000,372 shares) (refer to note 24). All shares rank equally in all respects.

Basic and diluted earnings and net tangible assets per share has been calculated on the basis of 500,000,000 ordinary shares (2016: 500,000,000 shares). Net tangible assets is represented by net equity.

Shares purchased on market under the senior share scheme (see note 24) are treated as treasury stock until vesting to the employee.

Notes to the consolidated financial statements

14. Reserves

	2017 $000	2016 $000
Asset revaluation reserve		
Opening balance	176,806	176,806
Revaluation	56,513	-
Deferred tax	-	-
Closing balance	**233,319**	**176,806**
Interest rate swap reserve		
Opening balance	(6,680)	(3,334)
Valuation of interest rate swap	(290)	(6,361)
Released to income statement	2,080	1,714
Deferred tax movement on interest rate swap reserve	(501)	1,301
Closing balance	**(5,391)**	**(6,680)**
Treasury stock		
Opening balance	(15,900)	(11,355)
Acquisitions	(9,421)	(7,740)
Vesting/forfeiture of shares	4,781	3,195
Closing balance	**(20,540)**	**(15,900)**
Foreign currency translation reserve		
Opening balance	1,356	(316)
Gain/(loss) on hedge of foreign owned subsidiary net assets	1,102	(4,539)
(Loss)/gain on translation of net assets of foreign owned subsidiary	(1,392)	6,211
Closing balance	**1,066**	**1,356**
Retained earnings		
Opening balance	1,138,653	906,230
Net profit attributable to shareholders	356,694	305,423
Dividend paid	(85,000)	(73,000)
Closing balance	**1,410,347**	**1,138,653**

15. Dividends

	2017 Cents per share	2017 Total $000	2016 Cents per share	2016 Total $000
Recognised amounts				
Final dividend paid – prior year	8.50	42,500	7.30	36,500
Interim dividend paid – current year	8.50	42,500	7.30	36,500
		85,000		73,000
Unrecognised amounts				
Final dividend – current year	9.30	46,500	8.50	42,500
Full year dividend – current year	**17.80**	**89,000**	**15.80**	**79,000**

Notes to the consolidated financial statements

16. Related Party Transactions

Parent company
The parent entity in the Group is Ryman Healthcare Limited.

Equity interests in related parties
Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 22.

Salaries and consulting fees paid to Directors
Payments to Directors are disclosed in note 17.

Transactions with companies associated to Directors	**2017 $000**	**2016 $000**
Rental expense	875	525

In August 2012 Ryman Healthcare Limited entered into a new office lease agreement with Airport Business Park Christchurch Limited ('the Airport Business Park'). Kevin Hickman has a significant financial interest in this agreement through a trust which is a shareholder of the Airport Business Park. Mr Hickman is also a Director of the Airport Business Park. Key terms of the agreement have been amended effective from 1 August 2016 with rental of $985,730 per annum (excluding GST) for the remainder of the eight year term ending July 2020, with a two year right of renewal (2016: $524,676 for 8 years, with a two year right of renewal). Warren Bell is a trustee of certain Airport Business Park shareholders, but has no personal financial interest.

17. Key Management Personnel Compensation

Compensation	**2017 $000**	**2016 $000**
Short-term employee benefits (senior management team)	3,895	3,309
Directors fees	867	820
Salaries to Managing Director	1,116	1,041
Total Key Management Personnel and Directors' Compensation	**5,878**	**5,170**

Key management personnel are the senior management team of the Group and include 10 senior management team members (2016: 9). In addition, NZ IAS 24 requires Directors fees to be included within key management personnel compensation. It should be noted that all Directors (except for the Managing Director) are non-executive and are not involved in the day to day operations of the Group. Fees to Directors above excludes remuneration paid to the Managing Director.

Post employment benefits (Kiwisaver/Superannuation) employer contributions included in short term employee benefits (senior management team) above is $94,521 (2016: $84,941) and included in salary to Managing Director is $32,513 (2016: $30,308).

In addition, the Company provides certain senior employees (including the Managing Director) with limited recourse loans on an interest free basis to assist employees' participation in the Company share scheme. Refer note 24 for details.

Notes to the consolidated financial statements

18. Financial Instruments

The financial instruments consist of cash & cash equivalents, trade & other receivables, trade and other payables, occupancy advances, refundable accommodation deposits, employee advances, loans, overdrafts and interest rate swaps.

Categories of financial instruments

	2017 $000	2016 $000
Financial assets		
Loans and receivables (including cash and cash equivalents)	261,498	222,635
	261,498	**222,635**
Financial liabilities		
Amortised cost	3,153,122	2,520,754
Derivative instruments in designated hedge accounting relationships (interest rate swaps)	7,488	9,278
	3,160,610	**2,530,032**

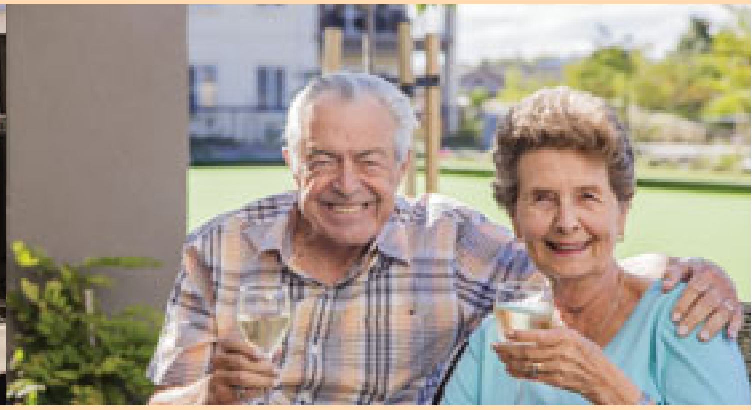
(a) Credit Risk Management

Credit risk is the risk of the failure of a debtor or counterparty to honour its contractual obligation resulting in financial loss to the Group.

Financial assets, which potentially subject the Group to credit risk consist principally of cash and cash equivalents, trade and other receivables and advances to employees. The maximum credit risk at 31 March 2017 is the fair value of these assets. The Group's cash equivalents are placed with high credit quality financial institutions. The Group does not require collateral from its debtors. The Directors consider the Group's exposure to any concentration of credit risk to be minimal, given that (typically) the occupation of a retirement village unit does not take place until an occupation advance has been received; care fees are payable four weekly in advance when due from residents; and care fees not due from residents are paid by Government agencies.

The total credit risk to the Group as at 31 March 2017 was $261.5 million (2016: $222.6 million) and there were no material overdue debtors as at 31 March 2017 (2016: $Nil). Financial assets comprise:

Trade and other receivables	256,614	219,228
Advances to employees	4,884	3,407
	261,498	**222,635**



Notes to the consolidated financial statements

18. Financial Instruments (continued)

(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 three monthly rollover. The Group seeks to obtain the most competitive rate of interest at all times.

The Group 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 2017 the Group had a number of interest rate swaps in place which are set out in the table below. The agreement effectively changes the Group's interest rate exposure on the principal of $120.0 million (2016: $90.0 million) from a floating rate to a fixed rate of 4.32% (2016: 4.68%). The fair value of the swaps at 31 March 2017 was a liability of $7.5 million (2016: liability of $9.3 million). The interest rate swaps cover notional debt amounts for a term of five years at a composite interest rate of 4.32% (2016: 4.68%).

No interest rate swaps have been taken out in respect of the Australian dollar borrowings.

The balance of the interest rate swap reserve is expected to be released to the Income Statement over the maturity profile of the underlying debt as detailed in the table below. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

The notional amortising principal amounts and remaining terms of interest rate swap contracts outstanding at 31 March are as follows:

Cash flow hedges

	Average contracted fixed interest rate		Notional principal amount	
Outstanding	2017 %	2016 %	2017 $000	2016 $000
Less than 1 year	4.32%	4.68%	120,000	90,000
1 to 2 years	4.32%	4.68%	117,500	90,000
2 to 3 years	4.32%	4.68%	110,000	90,000
3 to 4 years	4.32%	4.68%	105,000	90,000
4 to 5 years	4.32%	4.68%	90,000	90,000

Notes to the consolidated financial statements

18. Financial Instruments (continued)

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages the liquidity risk on occupancy advances through the contractual requirements in the occupation agreement, whereby the occupancy advance is not required to be repaid following termination of the agreement until receipt of the new occupancy advance from the incoming resident, or at the end of three years following termination, whichever is earlier.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and by regularly monitoring forecast and actual cash flows and the maturity profiles of financial assets and liabilities. At balance date the Group had $165.3 million (2016: $306.9 million) of undrawn facilities at its disposal to further reduce liquidity risk.

Maturity profile

The following table details the Group's exposure to liquidity risk (including contractual interest obligations in respect of bank loans):

	Contractual maturity dates							
	2017				2016			
	On Demand $000	Less than 1 year $000	Greater than 1 year $000	Total $000	On Demand $000	Less than 1 year $000	Greater than 1 year $000	Total $000
Financial liabilities:								
Bank overdraft (secured)	-	-	-	-	961	-	-	961
Trade & other payables	-	149,855	-	149,855	-	87,009	5,333	92,342
Interest rate swaps	-	7,488	-	7,488	-	9,278	-	9,278
Refundable accommodation deposits	28,473	-	-	28,473	28,302	-	-	28,302
Bank loans (secured)	-	22,510	820,356	842,866	-	8,610	538,417	547,027
Occupancy advances (non interest bearing)	-	259,927	1,877,347	2,137,274	-	224,681	1,629,551	1,854,232
	28,473	**439,780**	**2,697,703**	**3,165,956**	**29,263**	**329,578**	**2,173,301**	**2,532,142**

Gross occupancy advances and refundable accommodation deposits are non interest bearing. An occupancy advance is not required to be repaid following termination of the occupation agreement until receipt of the new occupancy advance from the incoming resident, or at the end of three years following termination, whichever is earlier. The above figures have been calculated on the anticipated level of occupancy advance repayments based on historical experience. To date, new occupancy advances received have always exceeded repaid occupancy advances (net of management fees), and represent a positive net operating cash flow to the Group.

Notes to the consolidated financial statements

18. Financial Instruments (continued)

The Group maintains the following lines of credit:

- $2.8 million (2016:$2.8 million) overdraft facility that is secured. Interest would be payable at the 3 month BKBM rate plus a specified margin (note 8).
- A loan facility of $1.0 billion (2016: $850.0 million) of which $35 million (2016: $35.0 million) is for 1 year and $965.0 million (2016: $815.0 million) is for 3 years
- The loan facility of $1.0 billion (2016: $850.0 million) is provided by ANZ Bank New Zealand Ltd (2017: $280.0 million; 2016: $250.0 million), Commonwealth Bank of Australia (2017: $280.0 million; 2016: $250.0 million), Bank of New Zealand / National Australia Bank (2017: $245.0 million; 2016: $175.0 million) and Westpac (2017: $195.0 million; 2016: $175.0 million) in accordance with the terms of a syndicated loan agreement. The facility allows for the funds to be drawn down in either AUD or NZD, up to the $1.0 billion NZ limit.

The Group renews its facilities on an annual basis to ensure an appropriate portion matures on a rolling three year basis.

(d) Fair Values

The carrying amounts of financial instruments in the Group's balance sheet are the same as their fair value in all material aspects due to the demand features of these instruments and/or their interest rate profiles.

The fair value of interest rate swaps is derived using inputs supplied by third parties that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices). Therefore the Group has categorised these liabilities as Level 2 under the fair value hierarchy contained within NZ IFRS 13.

(e) Market Risk

The Group is primarily exposed to interest rate risk (note 18 (b)) and foreign currency risk (note 18 (f)).

Based on the Group's average net level of interest bearing debt, the Group's profit and total comprehensive income for the year ended 31 March 2017 would not decrease/increase materially if there was a movement of plus/(minus) 50 basis points.

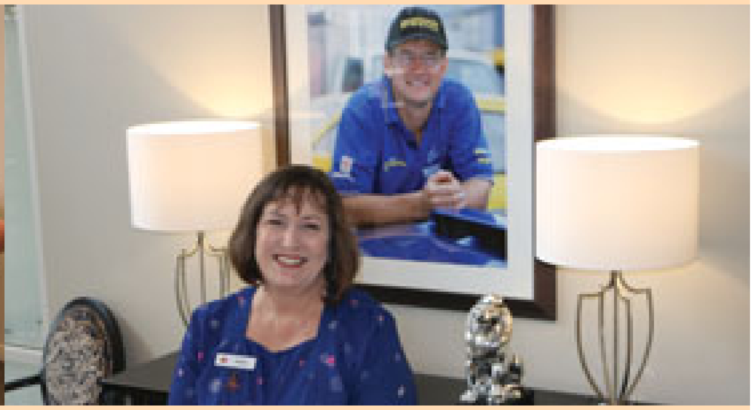
(f) Foreign Currency Risk

Foreign currency risk is the risk that the value of the Group's assets, liabilities and financial performance will fluctuate due to changes in foreign currency rates.

The Group is primarily exposed to currency risk as a result of its subsidiaries in Australia.

The risk to the Group is that the value of the overseas subsidiaries' financial position and financial performance will fluctuate in economic terms and as recorded in the consolidated accounts due to changes in the overseas exchange rates. The Group's profit and total comprehensive income for the year ended 31 March 2017 would not decrease/increase materially by a movement of plus/(minus) 1 cent in AUD/NZD.

The Group hedges the currency risk relating to its Australian subsidiaries by holding a portion of its bank borrowings in Australian dollars. Any foreign currency movement in the net assets of the Australian subsidiary is partially offset by an opposite movement in the Australian dollar debt.



Notes to the consolidated financial statements

18. Financial Instruments (continued)

(g) Capital Management

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

The Group's capital is managed at Parent Company level. The Group is subject to capital requirements imposed by its bank through covenants agreed as part of the lending facility arrangements. The Group has met all externally imposed capital requirements for the twelve months ended 31 March 2017 and 31 March 2016.

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

19. Commitments

Capital Expenditure Commitments

The Group had commitments relating to construction contracts amounting to $68.6 million as at 31 March 2017 (2016: $88.3 million).

Operating Lease and Other Commitments

Operating Lease expenditure committed to but not recognised in the financial statements relating to property rental.

	2017 $000	2016 $000
Commitments within:		
Less than 1 year	1,041	628
Between 1 and 5 years	2,333	1,964
More than 5 years	-	-
	3,374	**2,592**

The Group has an ongoing commitment for maintaining the land and buildings of the integrated retirement villages, resthomes and hospitals.

Notes to the consolidated financial statements

20. Contingent Liabilities

The Group had no contingent liabilities as at 31 March 2017 (2016: $Nil).

21. Reconciliation of Net Profit After Tax with Net Cashflow from Operating Activities

	2017 $000	2016 $000
Net profit after tax	**356,694**	**305,423**
Adjusted for:		
Movements in balance sheet items:		
Occupancy advances	326,259	309,535
Refundable accommodation deposits	171	16,456
Accrued management fees	(44,966)	(33,653)
Revenue in advance	7,670	4,951
Trade and other payables	13,100	(7,160)
Trade and other receivables	(36,798)	(22,375)
Employee entitlements	1,739	2,338
Non-cash items:		
Depreciation	14,934	12,658
Deferred tax	6,295	3,908
Unrealised foreign exchange loss/(gain)	2,667	(4,991)
Adjusted for:		
Fair value movement of investment properties	(324,966)	(274,627)
Net operating cash flows	**322,799**	**312,463**

Net operating cash flows includes occupancy advance receipts from retirement village residents of $531.6 million (2016: $476.8 million).

Also, included in operating cash flows are net receipts from refundable accommodation deposits of $0.6 million (2016: $15.5 million).

Net operating cash flows also include management fees collected of $28.7 million (2016: $24.0 million).

Notes to the consolidated financial statements

22. Subsidiary Companies

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

Anthony Wilding Retirement Village Limited, Bert Sutcliffe Retirement Village Limited, Bob Owens Retirement Village Limited, Bob Scott Retirement Village Limited, Bruce McLaren Retirement Village Limited, Charles Fleming Retirement Village Limited, Charles Upham Retirement Village Limited, Diana Isaac Retirement Village Limited, Edmund Hillary Retirement Village Limited, Ernest Rutherford Retirement Village Limited, Essie Summers Retirement Village Limited, Evelyn Page Retirement Village Limited, Frances Hodgkins Retirement Village Limited, Grace Joel Retirement Village Limited, Hilda Ross Retirement Village Limited, Jane Mander Retirement Village Limited, Jane Winstone Retirement Village Limited, Jean Sandel Retirement Village Limited, Julia Wallace Retirement Village Limited, Kiri Te Kanawa Retirement Village Limited, Logan Park Limited, Malvina Major Retirement Village Limited, Margaret Stoddart Retirement Village Limited, Ngaio Marsh Retirement Village Limited, Possum Bourne Retirement Village Limited, Rita Angus Retirement Village Limited, Rowena Jackson Retirement Village Limited, Ryman Aged Care (Australia) Pty Limited, Ryman Healthcare (Australia) Pty Limited, Ryman Napier Limited, Shona McFarlane Retirement Village Limited, Wheelers Hill Properties Pty Limited, Yvette Williams Retirement Village Limited.

On 14 February 2017, Ryman Healthcare Limited entered into an unconditional agreement for the acquisition of 100% ownership of Ravenstonedale Developments Limited for $14.0 million, which represented the fair value of land acquired for the new village development in Pukekohe. $4.67 million of this acquisition price was paid on 14 February 2017; the balance of $9.33 million is payable in two equal instalments in November 2017 and August 2018 and is included in creditors and accruals at year end.

23. Segment Information

Products and services from which reportable segment derives revenue

The Ryman Group operates in one industry, being the provision of integrated retirement villages for the elderly in New Zealand and Australia. The service provision process for each of the villages is similar, the class of customer and methods of distribution and regulatory environment is consistent across all the villages.

Segment revenues and results

The accounting policies of the reportable segment is the same as the Group's accounting policies. The segment profit represents profit earned for the segment after all costs including all administration costs, Directors' salaries, interest revenue, finance costs and income tax expense. The Board makes resource allocation decisions to the segment based on the expected cash flows and results of Group operations as a whole. No operations were discontinued during the year. For the purposes of monitoring segment performance and allocating resources to the segment, the Board monitors assets attributable to the segment. All assets are allocated to the reportable segment.

Information about major customers

Included in total revenue are revenues which arose from sales to the Group's largest customers as follows:

The Group derives care fee revenue in respect of eligible Government subsidised aged care residents who receive resthome, hospital or dementia level care. The Government aged care subsidies received from the Ministry of Health included in Group care fees amounted to $86.6 million (2016: $83.0 million). There are no other significant customers.

Notes to the consolidated financial statements

23. Segment Information (continued)

Geographical Information

The Group operates predominantly in New Zealand with some operations now within Australia.

In presenting information on the basis of geographical areas, net profit, underlying profit and revenue are based on the geographical location of operations. Assets are based on the geographical location of the assets.

	New Zealand $000	Australia $000	Group $000
Year ended 31 March 2017			
Revenue	275,493	13,697	289,190
Underlying profit	172,830	5,438	178,268
Less: Current tax expense	-	-	-
Plus: Unrealised fair value movement (note 7)	173,817	10,904	184,721
Less: Deferred tax expense (note 4)	(6,295)	-	(6,295)
Profit for the period	340,352	16,342	356,694
Non-current assets	4,269,071	414,250	4,683,321
Year ended 31 March 2016			
Revenue	248,703	12,367	261,070
Underlying profit	136,245	21,468	157,713
Less: Current tax expense	-	-	-
Plus: Unrealised fair value movement (note 7)	131,796	19,822	151,618
Less: Deferred tax expense (note 4)	(3,908)	-	(3,908)
Profit for the period	264,133	41,290	305,423
Non-current assets	3,453,830	297,005	3,750,835

Notes to the consolidated financial statements

24. Employee Share Scheme

Senior Management Share Scheme

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

The Group provides the employees with limited recourse loans on an interest free basis to assist employees' participation in the scheme. These shares are treated as treasury stock when purchased on market due to the features of the scheme.

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 2,320,851 fully allocated shares, which represents 0.46% of the total shares on issue (2016: 2,000,372 fully allocated shares which represented 0.40% 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. The loan is repayable in the event that the employee is no longer employed by the Group.

The following reconciles the shares purchased on market under the scheme at the beginning and end of the financial year:

	2017 No. of shares	2016 No. of shares
Balance at beginning of the financial year	2,000,372	1,863,408
Purchased on market during the year	986,491	932,427
Forfeited during the financial year	(124,883)	(61,939)
Vested during the financial year	(541,129)	(733,524)
Balance at end of the financial year	**2,320,851**	**2,000,372**

Shares were purchased under the scheme in July 2016 at a price of $9.55 per share. Remaining shares held by the scheme were purchased in July 2015 ($8.29), and July 2014 ($8.44).

Shares vested in August 2016 were originally purchased at $6.84 per share in 2013 and are now held directly by employees. The amounts owed by employees in respect of these vested shares are included within Advances to Employees; this balance includes $856,228 (2016: $634,722) owing by the Managing Director and $2,916,548 (2016: $2,364,998) owing by other key management personnel in respect of the share scheme.

The Directors estimate the fair value of each employee advance granted at the time of the purchase of shares on market on behalf of the selected employee. Due to the on market purchase and sale features of the scheme, and the scheme agreement arrangements, the Directors consider any such value to be immaterial. Shares subject to this scheme vest three years from the date of purchase.

Notes to the consolidated financial statements

24. Employee Share Scheme (continued)

All Employee Share Scheme

In addition, the Group operates a share scheme which is available for all staff.

Participants of this scheme have contributed a minimum of $500 (and up to a maximum amount of $10,000) towards the on market purchase of Ryman Healthcare Limited shares. To assist the staff member purchase more shares, the Group advanced an interest free loan equal to the employee's contribution towards the share purchase (the 'financial assistance').

The loan is repayable when the staff member leaves the Group. Shares purchased under the scheme are held in the employee's name. The financial assistance provided by the Group is recorded in advances to employees.

25. Subsequent Events

The Directors resolved to pay a final dividend of 9.3 cents per share or $46.5 million, with no imputation credits attached, to be paid on 23 June 2017.

26. Authorisation

The Directors authorised the issue of these financial statements on 18 May 2017.

Warren Bell	David Kerr
Non Executive Director & Chair of Audit Committee	Chairman

Deloitte.

Independent Auditor's Report

To the Shareholders of Ryman Healthcare Limited

Opinion

We have audited the consolidated financial statements of Ryman Healthcare Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 March 2017, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 20 to 51, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2017, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

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

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

Our firm carries out other assignments for the Group in the area of Australian aged care assurance services. These services have not impaired our independence as auditor of the Company and Group. In addition to this, partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be $15m.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter and results
Valuation of Investment Properties - (policy (d) & Note 7) Investment properties are carried at fair value on the Balance Sheet. As at 31 March 2017 these properties were valued at $3,661m with a revaluation gain recorded in the Income Statement of $325m. The valuation model combines discounted future cash flows and occupancy advances received from residents. It uses significant unobservable inputs, in particular in respect of long term house price inflation and discount rates. The valuation model also uses assumptions in respect of the average age of residents and occupancy period. We included the valuation of investment properties as a key audit matter due to the significance of the valuation to the financial statements and the reliance on the estimates and underlying assumptions in the valuation model.	Our procedures focus on the appropriateness of the valuation methodology, the accuracy of the model data and the reasonableness of underlying assumptions in the model. Our procedures included, amongst others: • Evaluating Ryman's processes in respect of the independent valuation of the investment properties including the review of the valuation methodology and the reasonableness of the significant valuation assumptions. • Assessing the competence, objectivity and integrity of the independent registered valuer. This included assessing their professional qualifications, experience and obtaining representation from them regarding their independence and the scope of their work. It also included meeting with their valuer to understand the valuation process adopted, to identify and challenge the critical judgement areas in the valuation and to confirm the valuation approach was in accordance with NZ IFRS *13 Fair Value Measurement* (NZ IFRS 13). • We utilised our in-house valuation specialists in assessing the appropriateness of the valuation methodology, and in challenging the reasonableness of the underlying assumptions. Of particular interest were the assumptions in respect of long term house price inflation and discount rates applied. • Our testing included agreeing a sample of sales and resales to contracts, recalculating actual growth rates on resales, and challenging the assumptions in respect of the average age of residents and occupancy period. • The discount rates were assessed for reasonableness by comparing the rates to those adopted in the prior year adjusted for expected changes and the rates adopted by comparable entities where available.
Valuation of Property, Plant and Equipment - (policy (e) & Note 6) Land and buildings classified as property, plant and equipment (rest homes and hospitals) are carried at fair value. These assets are revalued at least every 3 years with a valuation being undertaken as at 31 March 2017. Land has a book value of $269m and buildings have a book value of $251m. A revaluation gain of $56.5m relating to the increase in the value of these assets is recorded in other comprehensive income. The significant assumptions adopted in the valuation of these assets are the capitalisation of earnings rate adopted and the assessment of the market value per care bed.	Our procedures focus on the appropriateness of the valuation methodology, the accuracy of the model data and the reasonableness of underlying assumptions in the model. Our procedures included, amongst others: • Evaluating Ryman's processes in respect of the independent valuation, including the selected valuation methodology, the reasonableness of the significant valuation assumptions, the accuracy of the data provided to the valuer, and the reconciliation of the valuations to the asset register. • Assessing the competence, objectivity and integrity of the independent registered valuer. This included assessing their professional qualifications,

Revaluations are carried out by independent valuers. Estimating the fair values of land and buildings requires judgement and the models used in the calculations include both observable and non-observable inputs. We consider the valuation of land & buildings to be a key audit matter due to the materiality of their revaluation gains and carrying amounts to the financial statements and the judgment involved in determining their fair values.	experience and obtaining representation from them regarding their independence and the scope of their work. It also included meeting with their valuer to understand the valuation process adopted, to identify and challenge the critical judgement areas in the valuation and to confirm the valuation approach was in accordance with NZ IFRS 13. • We utilised our in-house valuation specialists in assessing the appropriateness of the valuation methodology, and in challenging the reasonableness of the underlying assumptions. Of particular interest were the assumptions in respect of earnings capitalisation rates and the market value per care bed. We performed testing on the valuation reports. Our procedures included: • Agreeing on a sample basis the earnings capitalised to the underlying accounting records. • Assessing the reasonableness of the capitalization rates and market value per care bed adopted by comparing these to the rates adopted in the prior year adjusted for expected changes and the rates adopted by comparable entities where available.

Other information

The directors are responsible for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

Our responsibility is to read the other information identified above when it becomes available and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and consider further appropriate actions.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Michael Wilkes, Partner
for Deloitte Limited
Christchurch, New Zealand
18th May 2017

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; and
- 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, with the exception of the Managing Director. Dr David Kerr, Jo Appleyard, Warren Bell, Claire Higgins, Doug McKay and George Savvides 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 Managing Director, setting the terms of the Managing Director'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.

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 five standing committees, being the audit and financial risk, clinical governance, health and safety, remuneration/nominations 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 & Financial Risk Committee

The Audit & Financial Risk Committee (AFRC) makes 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 AFRC consists of four non-executive directors, at least two of whom must be independent directors. The members are currently Warren Bell (Chair), Dr David Kerr, Claire Higgins, and Jo Appleyard, who are all independent directors. Warren is a member of Chartered Accountants Australia New Zealand.

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; and
- ensuring that appropriate financial systems and internal controls are in place.

The committee generally invites the Chief Financial Officer and the external auditors to attend AFRC 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.

The AFRC reviews the auditor's performance annually using an External Auditors Assessment Tool which is internationally recognised and is endorsed by the Independent Directors Council.

Health & Safety Committee

The Health & Safety Committee was established last year to fulfil responsibilities from a health and safety perspective and ensure we continue to provide a safe working environment for staff, contractors, residents and visitors to Ryman.

The committee recognises the critical role health and safety forms as part of its day to day operations and wants to ensure a safety first culture across all business operations. The members of the committee are Claire Higgins (Chair), Doug McKay and Jo Appleyard.

The committee has a number of responsibilities which include:

- Considering and approving health and safety strategies, policies and procedures;
- Setting health and safety indicators in consultation with management;
- Ensuring the board and directors are properly and regularly informed on matters relating to health and safety governance, performance and compliance; and
- Conduct regular assessments/audits of the risk profile and control processes.

Clinical Governance Committee

The clinical governance committee was set up to support and enhance the quality of the company's clinical performance as well as care and service provision. It replaces the clinical advisory committee and is a full subcommittee of the board.

The committee assists the board to discharge its responsibilities relative to clinical reporting and clinical compliance, and is focused on new innovation in healthcare and ensuring alignment with current emerging best clinical practice.

The committee consists of four non-executive directors: George Savvides (Chair), Dr David Kerr, Doug McKay and Jo Appleyard.

The committee has a number of responsibilities, including:

- Liaison with external clinical auditors. External clinical auditors are invited to attend a meeting each year and report to the committee, including presenting a review of the internal audit function;
- Liaison with internal clinical auditors;
- Review of internal and external clinical audit findings;
- Review of significant changes to clinical policies;
- To review significant complaints and investigations relating to care of residents;
- To ensure appropriate clinical information systems and external controls are in place; and
- To review changes in clinical practice in aged care.

The committee maintains direct lines of communication with the external clinical auditors, the managing director, the operations manager and the clinical auditor.

Remuneration & Nominations Committee

The committee comprises Dr David Kerr (Chair), George Savvides and Kevin Hickman.

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 Managing Director's and directors' remuneration;
- advise and assist the Managing Director 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.

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 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 AFRC, 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

General Disclosures

Jo Appleyard

Partner	Chapman Tripp^
Member	NZX Disciplinary Committee
Trustee	The Cathedral Grammar School Foundation

Warren Bell

Chairman	Hallenstein Glasson Holdings Ltd Group
Chairman	St Georges Hospital Inc
Director	Alpine Energy Group
Director	Meadow Mushrooms Group of Companies
Director	Cyprus Enterprises Ltd
Director	Maling & Company Ltd
Director	Sabina Ltd
Director	Palms Services Ltd
Director	Golflinks Ltd
Director	Bilderford Holdings Ltd
Director	Warren Bell Ltd
Director	Christchurch Properties Limited
Trustee	Emerald Trust (part shareholder of Airport Business Park)
Trustee	Waiwetu Trust (part shareholder of Airport Business Park)
Bare Trustee	Ryman Healthcare Share Scheme (jointly with David Kerr)
Director/Shareholder	Poraka Limited

Simon Challies

Trustee	St Andrews College Foundation

Kevin Hickman

Trustee	The Hickman Family Trust
Director	James Lloyd Developments Limited
Director	Valachi Downs Limited
Director/Shareholder	Rita May Limited
Director	Airport Business Park Christchurch Limited
Director	Russley Estates No.1 Limited
Director	Russley Estates No. 2 Limited
Trustee	Waiwetu Trust (part shareholder of Airport Business Park)
Director/Shareholder	Fab Consortium
Director	Little Wing Trading Company*

Claire Higgins

Chair	REI Superannuation Fund Pty Ltd
Director	Vital Healthcare Management Limited
Director	Pancare Foundation Inc
Director	RT Health Fund Ltd
Director	Transport Health Pty Ltd
Trustee	Helen Macpherson Smith Trust

David Kerr

Chairman	Eco Central
Chairman	Centre Care Limited
Advisor	Canterbury District Health Board
Consultant	Pegasus Health
Bare Trustee	Ryman Healthcare Share Scheme (jointly with Warren Bell)
Director	Forte Hospital
Director	Health Workforce New Zealand
Director	Ngai Tahu Property
Advisor	Medical Protection Society Limited*
Director	New Zealand Medical Association Services Ltd*

Doug McKay

Chair	Bank of New Zealand and subsidiaries
Director	IAG NZ Holdings Ltd
Director	IAG NZ Ltd
Director	Genesis Energy Ltd
Director	Tourism Transport Ltd
Chair	Eden Park Trust Board
Board member	National Australia Bank
Director	Wymac Consulting Ltd*
Board member	NZ Institute of Chartered Accountants Regulatory Board*
Board member	Chartered Accountants Australia New Zealand*

George Savvides

Chairman	World Vision Australia
Chairman	Kings Group Pty Ltd
Chairman	Macquarie University Hospital
Deputy Chairman	SBS
Partner	Sodia Consulting

* Resigned during the year

^ Jo has been a director since 2009 and since that time has performed no professional services for the company in her capacity as a partner at Chapman Tripp.

Specific Disclosures

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.

The Company was granted a waiver by NZX on 15 June 2010 from NZSX Listing Rule 7.6.4(b)(iii) in relation to the provision of financial assistance to the Managing Director in accordance with the Company's employee share scheme (see note 24 to the financial statements for details of the scheme).

Shareholdings as at 31 March 2017

Director	Relevant Interest
Jo Appleyard	78,700[1]
Warren Bell	22,000[2]
Simon Challies	1,912,274[3]
Kevin Hickman	35,834,955[4]
Claire Higgins	12,650[5]
David Kerr	333,000[6]
Doug McKay	36,800[7]
George Savvides	35,030[8]

1 Held as trustees of The Appleyard and Larkin Family Trust
2 2,000 shares held by Poraka Limited
3 319,342 shares held by D Kerr and W Bell as custodians and 1,425,706 shares held by the Challies Family Trust
4 Held as trustee of The Hickman Family Trust
5 Held as trustees of Adam Higgins Superannuation Fund Pty Ltd
6 Shares held by DW & DJ Kerr and The DW Kerr Family Trust
7 Shares held by McKay Family Trust Partnership
8 Shares held by Australian Executor Trustees Ltd

Directors' Remuneration for the year

Director	Directors' Fees	Salaries & Bonuses
Jo Appleyard	100,333	-
Warren Bell	116,333	-
Simon Challies	-	1,116,295
Kevin Hickman	100,333	-
Claire Higgins	124,058	-
David Kerr	201,333	-
Doug McKay	100,333	-
George Savvides	124,058	-
	866,781	**1,116,295**

Directors of Subsidiary Companies

David Kerr, Kevin Hickman, Simon Challies and Gordon MacLeod are directors of all the Company's New Zealand subsidiaries. Simon Challies, Claire Higgins, George Savvides and Gordon MacLeod are directors of Ryman Healthcare (Australia) Pty Ltd and its subsidiaries.

Employees' Remuneration

The number of employees or former employees of the Company and the Group, 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	Remuneration	No. of Employees	Remuneration	No. of Employees
740,000 - 750,000	1	230,000 - 240,000	1	160,000 - 170,000	3
650,000 - 660,000	1	220,000 - 230,000	2	150,000 - 160,000	9
470,000 - 480,000	1	210,000 - 220,000	2	140,000 - 150,000	10
460,000 - 470,000	1	200,000 - 210,000	4	130,000 - 140,000	4
440,000 - 450,000	1	190,000 - 200,000	4	120,000 - 130,000	16
270,000 - 280,000	1	180,000 - 190,000	2	110,000 - 120,000	17
250,000 - 260,000	2	170,000 - 180,000	3	100,000 - 110,000	35

Share Transactions During the Year

Director	Nature of Interest	Shares Acquired /(Disposed)	Consideration	Date
Warren Bell	Beneficial	2,000	$17,420	28/06/2016
Simon Challies	Beneficial	104,494	$1,000,000	29/07/2016
Simon Challies	Beneficial	(200,000)	($1,910,000)	29/07/2016
Doug McKay	Beneficial	6,000	$49,860	14/12/2016
Doug McKay	Beneficial	6,000	$48,660	28/12/2016

David Kerr and Warren Bell, as joint custodians of the Ryman Healthcare Employee Share Purchase Scheme, acquired 986,491 shares during the year, disposed of 666,012 shares during the year and held 2,320,851 shares in total at 31 March 2017 (also refer note 24).

Gender Composition of Directors and Officers

As at 31 March 2017, two of the directors of Ryman are female (2016: two females) and four of the ten senior management positions are held by women (2016: three females).

Top 20 Shareholders as at 23 May 2017

Rank	Investor Name	No. of Shares	% Issued Capital
1	HSBC Nominees (New Zealand) Limited[1]	83,127,950	16.63%
2	Joanna Hickman & John Anthony Callaghan & Kevin James Hickman[2]	35,834,955	7.17%
3	HSBC Nominees (New Zealand) Limited[1]	30,721,368	6.14%
4	JPMORGAN Chase Bank[1]	30,636,585	6.13%
5	Citibank Nominees (NZ) Ltd[1]	27,658,736	5.53%
6	G A Cumming	25,725,000	5.15%
7	Ngai Tahu Capital Limited	14,911,389	2.98%
8	Tea Custodians Limited[1]	12,666,063	2.53%
9	Forsyth Barr Custodians Ltd	12,132,642	2.43%
10	Accident Compensation Corporation[1]	11,996,349	2.40%
11	Custodial Services Limited	10,963,267	2.19%
12	New Zealand Superannuation Fund Nominees Limited[1]	8,227,067	1.65%
13	Premier Nominees Limited[1]	7,188,965	1.44%
14	National Nominees New Zealand Limited[1]	6,313,545	1.26%
15	FNZ Custodians Limited	5,341,472	1.07%
16	BNP Paribas Nominees NZ Limited[1]	4,921,927	0.98%
17	Custodial Services Limited	4,359,076	0.87%
18	MFL Mutual Fund Limited[1]	4,231,565	0.85%
19	Private Nominees Limited[1]	3,872,988	0.77%
20	Custodial Services Limited	3,707,250	0.74%

1 Held by New Zealand Central Securities Depository Ltd as custodian
2 Held as trustees of the Hickman Family Trust

Distribution of Shareholders as at 23 May 2017

Size of Shareholding	Number of Shareholders		Shares Held	
1-1,000	4,308	28.63%	2,498,821	0.50%
1,001-5,000	6,817	45.31%	18,138,970	3.63%
5,001-10,000	2,023	13.45%	15,424,346	3.08%
10,001-50,000	1,603	10.65%	33,123,430	6.62%
50,001-100,000	156	1.04%	11,081,468	2.22%
Greater than 100,000	139	0.92%	419,732,965	83.95%
Total	**15,046**	**100%**	**500,000,000**	**100.00%**

Substantial Security Holder Notices Received as at 31 March 2017

Shareholder	Relevant Interest	%	Date of Notice
G A Cumming	50,949,900	10.2%	15 January 2014
K J Hickman, J Hickman & J A Callaghan [1]	35,834,955	7.2%	21 November 2006

1 Held as trustees of The Hickman Family Trust.

For more information on any of the Ryman Healthcare retirement villages please phone (NZ) 0800 588 222, www.rymanhealthcare.co.nz or (AUS) 1800 922 988, www.rymanhealthcare.com.au

Registered Office
Airport Business Park, 92 Russley Road, Christchurch
PO Box 771, Christchurch, 8042

Melbourne Office
Level 1, Suite 11 & 12, 2 Brandon Park Drive,
Wheelers Hill, Melbourne
PO Box 5391, Brandon Park, Victoria 3150

Auckland Office
93 Ascot Avenue, Remuera, Auckland 1051

Share Registrar
Link Market Services, PO Box 91976, Auckland 1142
Phone: +64 9 375 5998
Email: enquiries@linkmarketservices.com

Anthony Wilding Retirement Village
5 Corbett Crescent, Aidanfield, Christchurch

Bert Sutcliffe Retirement Village
2 Rangatira Road, Birkenhead, Auckland

Bob Owens Retirement Village
112 Carmichael Road, Bethlehem, Tauranga

Bob Scott Retirement Village
25 Graham Street, Petone, Lower Hutt

Bruce McLaren Retirement Village
795 Chapel Road, Howick, Auckland

Charles Fleming Retirement Village
112 Parata Street, Waikanae

Charles Upham Retirement Village
24 Charles Upham Drive, Rangiora

Diana Isaac Retirement Village
1 Lady Isaac Way, Mairehau, Christchurch

Edmund Hillary Retirement Village
221 Abbotts Way, Remuera, Auckland

Ernest Rutherford Retirement Village
49 Covent Drive, Stoke, Nelson

Essie Summers Retirement Village
222 Colombo Street, Beckenham, Christchurch

Evelyn Page Retirement Village
30 Ambassador Glade, Orewa, Auckland

Frances Hodgkins Retirement Village
40 Fenton Crescent, St Clair, Dunedin

Grace Joel Retirement Village
184 St Heliers Bay Road, St Heliers, Auckland

Hilda Ross Retirement Village
30 Ruakura Road, Hamilton

Jane Mander Retirement Village
262 Fairway Drive, Kamo, Whangarei

Jane Winstone Retirement Village
49 Oakland Avenue, St Johns Hill, Whanganui

Jean Sandel Retirement Village
71 Barrett Road, New Plymouth

Julia Wallace Retirement Village
28 Dogwood Way, Clearview Park, Palmerston North

Kiri Te Kanawa Retirement Village
12 Gwyneth Place, Lytton West, Gisborne

Malvina Major Retirement Village
134 Burma Road, Khandallah, Wellington

Margaret Stoddart Retirement Village
23 Bartlett Street, Riccarton, Christchurch

Ngaio Marsh Retirement Village
95 Grants Road, Papanui, Christchurch

Possum Bourne Retirement Village
Lisle Farm Drive, Pukekohe

Princess Alexandra Retirement Village
145 Battery Road, Napier

Rita Angus Retirement Village
66 Coutts Street, Kilbirnie, Wellington

Rowena Jackson Retirement Village
40 O'Byrne Street North, Waikiwi, Invercargill

Shona McFarlane Retirement Village
66 Mabey Road, Lower Hutt

Weary Dunlop Retirement Village
242 Jells Road, Wheelers Hill, Melbourne

Woodcote Retirement Village
29 Woodcote Avenue, Hornby, Christchurch

Yvette Williams Retirement Village
383 Highgate, Roslyn, Dunedin

New villages in the pipeline

Brandon Park - 6 Brandon Park Drive, Melbourne

Burwood East - 3 Burwood Highway, Melbourne

Coburg - 81a Bell Street, Melbourne

Devonport - Wakakura Crescent, Auckland

Geelong - 157 South Valley Road, Highton, Melbourne

Greenlane - 187 Campbell Road, Greenlane, Auckland

Hamilton - River Road, Hamilton

Hobsonville - Scott Road, Hobsonville

Mt Eliza - 70 Kunyung Road, Melbourne

Newtown - 208 Adelaide Road, Wellington

Tropicana - 20-23 Tropicana Drive, Auckland

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RYMAN HEALTHCARE