ANNUAL REPORT 2014

RYMAN HEALTHCARE

CONTENTS

RYMAN
HEALTHCARE

2014 Highlights

Underlying profit up 18 per cent

Dividend raised 18 per cent to 11.8c per share

Big investment in care

Lifted landbank to 4208 units and beds

Signalled intention to lift New Zealand build rate target to 850 units and beds from 2017

Melbourne off to a great start

Record profit in 30th anniversary year


Dr David Kerr

I am delighted to report that Ryman Healthcare has celebrated its 30th year in business with another record profit, and has achieved a year of significant progress on all fronts.

We achieved our 12th year of growth in underlying profits and met our target of 15 per cent growth.

Underlying profit grew 18 per cent in the year to $118.2 million, a record return for Ryman. Unrealised valuation gains lifted the reported profit to $195 million.

Operating cashflows were $238 million, and we used this cash to fund our ongoing development programme.

The key forces driving this improvement were a combination of the buoyant housing market and increased demand for the new units and beds that we opened during the year.

In short, we are reaping the rewards of our continuous reinvestment in the business over many years.

We have invested more than $1 billion in the past decade in new villages, and demand remains strong.

This is reflected by the fact that, at year end, we had only 55 units in our portfolio available for resale of occupation rights, equivalent to one month's resale stock.

Year ended 31 March	2014 $m	2013 $m
Underlying Profit	**118.2**	**100.2**
Plus Unrealised revaluations of RV units	+85.1	+50.0
Less Deferred tax movement	-8.5	-13.5
Reported Net Profit	**194.8**	**136.7**

Underlying profit excludes deferred taxation and unrealised gains on investment properties, because these items are non-cash and do not reflect the trading performance of the company. Dividend decisions are based on the underlying profit.

In addition we ensured that the reinvestment in growth would continue by making significant additions to our landbank. We now have eight sites or more than four years' work in the pipeline.

As a result we have raised our build target to 850 units a year by 2017 in New Zealand so we can grow to meet the demand we know lies ahead.

We will accumulate sites as needed in the coming year.

We have a strong balance sheet – the strongest it has ever been – with low bank debt and the resources in place to ensure future growth.

Dividends grow by 18 per cent

We have kept to our policy of reinvesting half of our profits to fund this future growth, while at the same time shareholders have again benefited from an increased dividend. We matched the growth in underlying profit with an 18 per cent increase in the dividend, with a total annual dividend of 11.8c per share.

Increased investment in care

When Ryman Healthcare was founded 30 years ago the goal was to create a company that provided the very best for its residents. The status quo would not do. That remains our guiding principle.

Because the company has been a financial success for so long there is a danger that observers may feel that achieving the results we have been able to consistently achieve is easy in the sector in which we operate.

In fact it is not easy, as the board and Ryman's 3500 staff are well aware. We, as a board, take nothing for granted, and nor do they.

Evelyn Page village manager Lynn Charlton, Murray Bamfield and John Harwood with the new model.

Orewa blokes' production line steps up

The Blokes' Shed team at Evelyn Page Retirement Village in Orewa has been flat out on a new line of model toy - logging trucks for kids.

The intricate models take hours to build and paint but when the production line gets into full swing each Friday morning the time flies.

The team's creations have sold well, with the logging trucks the latest model off the production line. Letterboxes, wheelbarrows and dolls' cots have also been made.

This year the team has raised $2500 for the Cancer Society.

Murray Bamfield is a former cabinet maker who still loves making things out of wood.

When he wanted to come up with a better design for the truck's axles, he turned to retired engineer John Harwood. John is now a fixture in the shed alongside Murray and up to 12 blokes a week, all eager to lend a hand.

"It's great to feel you're doing something useful that benefits other people," John says.

Ryman Flashmob

They may have had a combined age of a little over 4800 years, but there was no stopping members of Christchurch's oldest Flashmob as they delighted hundreds of lunchtime shoppers with their funky moves at The Palms mall in Shirley, Christchurch.

The Flashmob included 61 residents from Diana Isaac, Anthony Wilding and Ngaio Marsh villages. The event was filmed by TVNZ and featured on One News. The story was also featured in The Press.

Bob Nurse, a 92-year-old from Ngaio Marsh village, had been practising for six weeks for the performance.

"It's easy when you really enjoy it, and I do. I love the classes, I never miss," he said.

Ryman's activities and lifestyle manager Nicki Brown says the Flashmob idea started as a joke but snowballed due to the enthusiasm of the residents.

"It really took off so we thought – why not? There's a serious point to this though – the fitter you are at any age or stage, the healthier and happier you will be."

We now have 7500 residents, and 1500 of them require specialised care.

This sort of care is complex to do well. It takes constant reinvestment in staff, resources and systems and an approach that is committed to continuous improvement in care.

The board's clinical governance committee has been busy overseeing progress, and I am pleased to report a good deal has been achieved in the year.

We have invested significantly again in our caregiver pay rates. These have been increased for two consecutive years at 5 per cent each year, a level well above the rest of the sector, with government subsidies increasing by approximately 1 per cent only.

We now clearly lead the sector in terms of caregiver pay rates and this is part of our commitment to these critical members of our staff.

We have increased staffing numbers in order that we can be confident the skills and resources available reflect the care needs of our residents.

Care is about much more than money and rosters alone, as we are aware of the satisfaction our staff get from undertaking additional training, and we continue to encourage and reward all staff who take the opportunity to acquire additional skills.

Other initiatives include being selected to take part in a Government pilot training scheme which we believe will ensure first class training opportunities are always available to our staff, and that the training truly reflects our residents' needs.

We have also invested by sending senior staff to Britain to learn about the latest design concepts for dementia care.

Our staff put thought into everything from wall textures and lighting to fabric shades to help make the living environment as comfortable as it can be.

Why invest in care?

You may wonder why we take up this challenge.

Fundamentally it is because we know our residents want us to look after them.

When someone moves in we do not say we can look after you – but only up to a certain point.

We are there for the long haul and we aim to provide whatever care is required.

We want our residents to have the opportunity to remain in the village close to their spouse, the community they know, and the staff with whom they are comfortable.

Our commitment is that this will continue, but of course it is not without significant complexity, particularly in the area of dementia care.

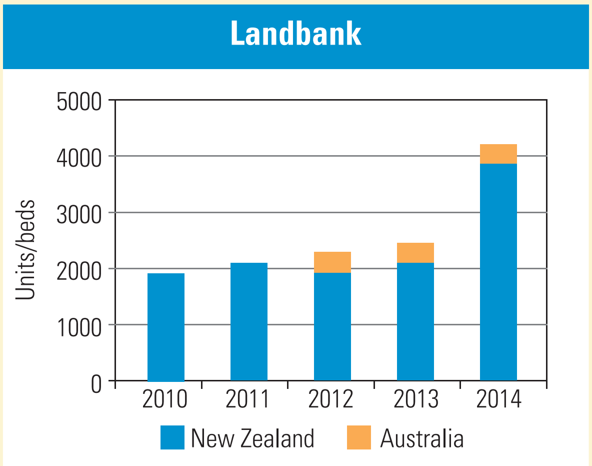
Dementia is of enormous concern internationally and we are seeing these concerns being expressed from as diverse organisations as the G8 Summit and the British Government.

Quite apart from this it is of enormous concern to our residents and their relatives.

Care of this group requires extra training, particular skills and empathy, and increased staffing. It is demanding but rewarding work, and the need for this sort of care is growing.

Progress in Australia

A highlight of the year was the progress made at our first village at Wheelers Hill in Melbourne, which – fittingly – welcomed its first residents on Anzac Day.



We are privileged to have been given permission to name the Wheelers Hill village in honour of Sir Edward 'Weary' Dunlop.

Weary Dunlop was an Australian hero who died in 1993.

He was a brilliant student and sportsman who first qualified as a pharmacist then trained to be a surgeon and also represented Australia as a rugby player.

He volunteered when war broke out and served initially in Europe and the Middle East and then was captured in 1942 by the Japanese on Java.

Weary spent three years as a prisoner of war on the notorious "death railway".

The care he provided, combined with the defiance of his captors in the face of brutality, starvation, and death made him a legend in his lifetime.

Demand in Melbourne outstripped our forecasts, giving us the confidence to buy a second site at Brandon Park.

It is a site we spotted when we first started looking in Melbourne four years ago, and we are pleased to have bought it from the Victorian Government.

The 5.5 hectare site was formerly a school, and it is well placed next to shops, a medical centre and in the heart of a well-established residential area.

Everything we have seen had given us confidence that those in our target audience in Australia have the same hopes and aspirations with respect to healthcare and security as our New Zealand residents. All the indications are they like our fair terms and our integrated care, and progress so far has been excellent. However, it is still early days.

Staff team and management encouraged to buy shares

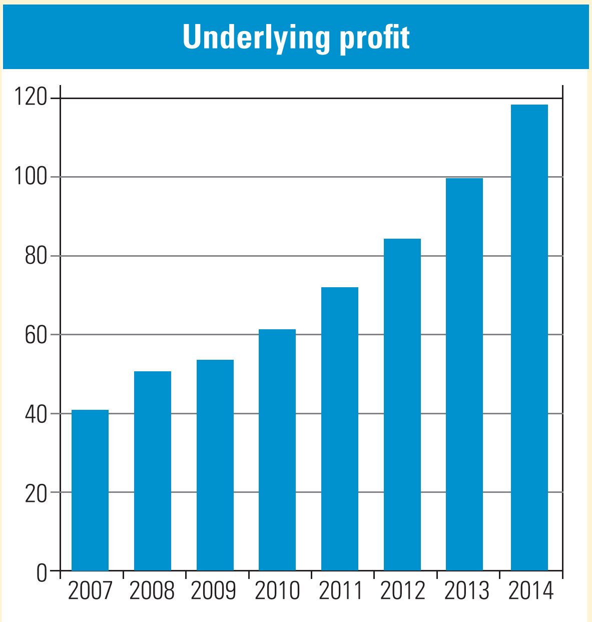
It has been the board's policy to encourage management and staff to participate in the long term success of Ryman, and to make sure their interests are aligned with those of shareholders. In accordance with section 79 of the Companies Act 1993, we have included with this annual report disclosure of details regarding financial assistance of up to $5 million that we intend to provide under the management and all staff schemes.

Corporate governance

The remuneration of the board has been reviewed and we are seeking shareholder approval for an increase in directors' fees from that approved in 2012.

The proposal to be considered at the annual meeting is for total directors' fees to increase from $670,000 per annum to $730,000 per annum.

We are proposing to allocate the directors' fees as follows: $190,000 for the board chairman,



$95,000 as the base directors' fees for non-executive directors, $15,000 additional directors' fees for the chairman of the audit and financial risk committee and the clinical governance committee. The Australian based director will be paid the same directors' fees in Australian dollars.

This increase in the fee pool is a reflection of the significant growth in profits and market capitalisation. Market capitalisation alone increased by $2.5 billion or 147 per cent to $4.2 billion between May 2012 and May 2014. The fee increase also reflects the extra responsibilities now facing directors as we expand into Australia.

Board election and annual meeting

Kevin Hickman and I will be retiring by rotation, and we are offering ourselves for re-election. Our profiles can be found later in this report.

We have recommended that Deloitte be reappointed as auditor for the 2015 financial year.

We engage Deloitte solely in an audit capacity to ensure its independence is not impaired.

A notice of meeting has been issued together with this report, and we warmly invite all investors to join us at our annual meeting of shareholders which will be held at the Charles Fleming Retirement Village in Waikanae at 2pm on Wednesday July 30 2014.

Birthday thanks

Finally, I'd like to pass on some votes of thanks on behalf of the board.

The first goes to staff. We have a great team at Ryman and the challenges of the past year have reinforced to me just how good the team is.

My second vote of thanks goes to shareholders. As well as turning 30 this year it is also the 15th anniversary of our NZX listing.

When we listed in 1999 we raised $25 million, and we had a market capitalisation of $128 million.

Since then we have paid out $349 million to investors in dividends.

We have never called on investors for more capital, but have invested $1.4 billion in growth while our market capitalisation has grown to over $4 billion.

We have had tremendous support from investors for the past 15 years.

We are 30 years young and I can assure you all there is a lot more to come.

Dr David Kerr,
Chairman

Simon Challies

This time a year ago I wrote to investors to say we were preparing Ryman Healthcare for something bigger as we faced growing demand for our services.

I'm pleased to report that one year on we're a substantially larger company which has grown considerably in many areas, but we have also emerged a much better company after a year that was not without its challenges.

As Dr Kerr has reported, our underlying profits grew 18 per cent to $118.2 million in another record year for the company. We're pleased with that success which is the result of a lot of hard work by the team.

The payoff from more than a decade of heavy investment in our portfolio is reflected in the results, and these results will continue to grow.

Challenging ourselves

What sets the past year apart from the rest is the number of challenges we faced.

Two in particular stand out. We were challenged around the way we delivered care and we also faced a big learning curve in Australia.

What I would say is that we've learned a lot this year and I have no doubt there are more lessons ahead.

After a recent management strategy meeting one of the team dubbed me Ryman's Chief Dissatisfaction Officer. I didn't take this as a negative.

I believe it is healthy to be constantly on the lookout for better ways of doing things.

We have a great responsibility to the people we look after.

We have to constantly question what we do; look for new ways of doing things, and to challenge the status quo.

A primary question for me is whether what we are doing is in the best interests of our residents. That must guide our decision making.

Our aim, as always, is for residents and their relatives to be genuinely delighted with their experience in a Ryman village.

Building the team

We've spent the past year expanding the breadth and depth of our team to not only keep pace with our growth, but also meet the aim of improving what we do.

Over the past five years we've tripled the number of people we provide hospital and dementia care for and we now have 1500 people with high level care needs.

We put in extra training resources, and we have appointed a dedicated internal audit team so that we can constantly check on how we're performing.

We have created more specialist roles – including hotel services manager, and an activities and lifestyle manager.

We've turned the way we tackle laundry on its head with the aim of never losing anything. This is a great example of challenging the status quo. It has been long been a given that laundry is regularly lost in aged care facilities.

We didn't think that was acceptable, and we've successfully trialled and rolled out a new system of tracking laundry.

The Government has recognised the effort we put into training by including us in a pilot scheme that encourages us to do even more.

This has a direct benefit for staff – new training opportunities have been opened up for housekeepers and caregivers.

As well as raising caregiver rates by 5 per cent for the past two years we've made sure that extra pay is linked to training and experience.

Project manager Matt Crawford and sales advisor Chrissie Baker at the Bruce McLaren Retirement Village site

We have a clear path for staff – the more training they do and experience they gain the better off they'll be.

We've also recognised that raising our game takes more staff, and our rosters reflect this.

And we are piloting a new electronic medication system – which we believe will dramatically reduce the risk of errors.

Our ambition is to usher in a new era of professionalism in aged care.

That's what our residents and relatives expect, that's what they deserve and that's what we want them to experience.

These changes aren't cheap – but we wanted to make this investment now – and set ourselves clearly apart from the competition.

We recognise that Government funding is insufficient to fund this level of service and our standard of rooms. That is unlikely to change no matter which team is in the Beehive, health budgets are always under pressure.

We anticipate that we will recover these additional costs by way of premium fees over the medium term.

That means there will be a small degree of short term pain, as we won't change the rules for our current residents, and it will take at least three years to fully recover these costs.

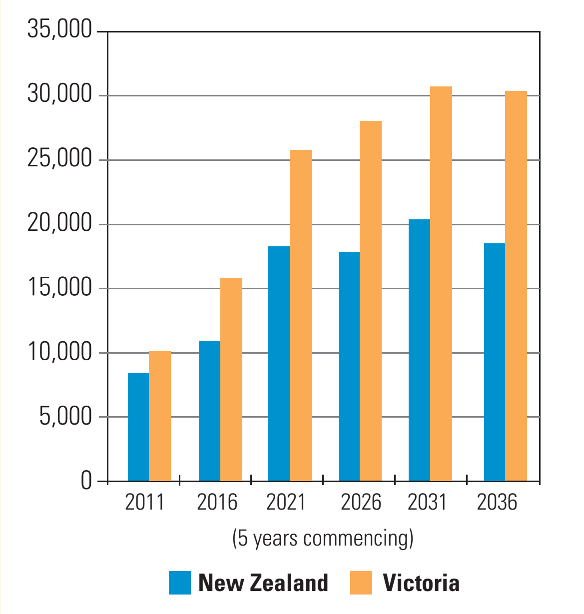
Measuring what we do

We've always been keen to know exactly how we're performing and we do this by regularly surveying residents and their families to ask whether they're happy.

Our latest survey showed that 95 per cent of our residents rate us as good or very good – so we're doing a good job.

But we don't want them to be just satisfied we want them to be delighted – and that's an emotional response.

Projected 75+ population growth (pa)



We've put in place a team of specialists to run the surveys and provide the feedback to our village managers and their teams.

We also want to make sure we are transparent about the results and we regularly update residents and relatives on the results which we publish on our website.

Expanding the land bank to accelerate growth

For a number of years we've been aware that a period of great demographic change is about to happen. That change is now here.

The majority of our residents are aged 75+. A person celebrating their 75th birthday this year was born in 1939.

The number in this age group has been static over the past decade because of the low birth rate during the Depression years and in the lead-up to World War 2.

We've entered the period of high growth now – and this is set to continue for the next 30 years as the Baby Boomers come through.

We've prepared for this by building a good proportion of the retirement village and aged care facilities developed in the country over the past decade. By our reckoning we've built the majority of the extra capacity over that time and we now represent 11 per cent of the market.

We set a target of expanding our land bank from three to four years' stock this year and we exceeded our target by 1000 beds and units. A number of sites we thought were just attractive prospects turned into purchases, and they're all fantastic properties.

Our development team is constantly identifying sites and assessing opportunities. We take a direct approach – very few sites are bought on the open market. If we see a site we think would work we approach the owners directly.

Our focus has been Auckland where we have been under-represented. During the year we bought four new sites in Auckland, including a 4.3 hectare block at Devonport with stunning views of Auckland Harbour and Rangitoto.

We will continue to accumulate sites as well as concentrating on the consenting work required to get development under way.

We also had another look at our build rate ambitions, and decided to raise our target to meet the growth in demand. We've lifted the target from 700 units and beds a year to 850 a year by 2017.

This is double what we were building five years ago. And, not surprisingly, I'm regularly asked whether we're worried about market saturation and a downturn in the housing market.

If we continue to build 850 units a year we would satisfy less than a third of the total growth in demand we're expecting, and if we kept building at that rate until 2041 we would still only represent 18 per cent of the overall market. There is no sign of saturation from what we can see.

In terms of the housing market, Ryman has consistently expanded through 30 years of housing cycles. Because moving into a retirement village is often a needs-based decision, housing market conditions are not a major influence.

Building work

Needless to say it has been a busy year for our construction team and a highlight was the opening of Charles Fleming Retirement Village in Waikanae.

We made substantial progress towards opening our Weary Dunlop Retirement Village in Melbourne, carried out a large rebuild at Beckenham and got work well under way at Bruce McLaren in Howick.

Andrew Mitchell (development manager) and Rob Hutchinson (chief executive, Whai Rawa) at the Devonport site.

UNICEF New Zealand Executive Director Dennis McKinlay, being presented with the $37,230 cheque from Ryman Healthcare at Malvina Major village

Ryman raises $37,230 for the Philippines

The devastating cyclone which struck the Philippines in November 2013 also struck a chord with Ryman residents as well as staff, who have family and friends in the worst-hit areas.

Ryman staff responded with a series of fundraisers that raised $18,615 for UNICEF NZ. Ryman Healthcare matched the staff effort dollar for dollar and a total of $37,230 was raised.

UNICEF NZ Executive Director Dennis McKinlay said the money went towards providing water and sanitation equipment and other much needed supplies and support in the Philippines disaster area.

After seven years Edmund Hillary's final stage was completed and the last townhouses at Diana Isaac in Christchurch were built. Both were landmark projects in Ryman's history, and it is great to see them complete.

We expect to start work on another two sites in the coming year.

The Bruce McLaren Retirement Village in Howick will be a big chunk of our build programme for the coming year and will be the powerhouse of new sales.

We've been amazed by the response in Howick. The village has set new records with over 100 presales four months before we open the first stage of apartments.

Melbourne expansion

This time last year I told you about the challenges we expected to face at the first Melbourne village.

We were unknown in the market, with no local reputation. Our terms were different to other retirement villages, we were offering multi-storey apartments and we were working in a different industrial relations environment.

We had no track record in construction in Melbourne and we had to find great local subcontractors instead of calling on our long established Ryman network at home.

One year down the track we have made significant progress. Demand has outstripped anything we expected. The pace of construction is different and the way things are done differ in many ways, but the fundamentals are the same. Melburnians like our terms, they like that we offer integrated care and they want to live in a Ryman village. It hasn't been easy but in short, we're very pleased with what we've found over there so far.

We've learned a lot already and there is still more to learn. The purchase of our second site at Brandon Park has confirmed our confidence in Victoria.

Giving back

This year our nominated charity was the Cancer Society and I'm pleased to say we raised over $250,000. One in three New Zealanders are affected by cancer and it is fair to say the fundraising struck a chord with residents and staff.

Each year we, as a company, match the fundraising that staff achieve dollar for dollar. I'm also pleased to announce that next year's charity will be the Neurological Foundation.

We're also finding other ways to give back to the community. We've signed significant sponsorship deals with Wellington Free Ambulance, including sponsoring a new ambulance. We've signed a long term deal with the University of Canterbury, giving a PhD student the chance to research aged care.

We also continue to be a long term patron of the arts in New Zealand through our sponsorship of the NZSO and the Dame Malvina Major Foundation.

In addition we contribute in dozens of different ways to the communities in which we operate through different sponsorship arrangements.

Looking ahead

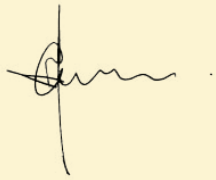
It has been a year of great growth in terms of developing staff and our resources to meet the demand we know is ahead.

By this time next year we will have aged care centres opened at Weary Dunlop in Melbourne and at Bruce McLaren village in Howick and we will be well on the way to completing a much-needed care centre in Petone for the people of the Hutt Valley.

Our development, design and construction teams have a busy year ahead, and will be exciting to see work under way at Petone. Our Birkenhead site is also terrific, and we are continuing to work through the planning consent process.

We believe the extra investment in care we've made this year will pay dividends in the form of even happier residents and their relatives. I look forward to sharing with you the impact of these changes next year.

In the meantime we will also be busy looking for other things to try and improve – the Chief Dissatisfaction Officer never rests.



Simon Challies
Managing Director

Weary Dunlop Retirement Village under construction, Melbourne

DR DAVID KERR
MB CHB, FRNZCGP
CHAIRMAN

Dr David Kerr is a general practitioner.

David joined the Ryman board in 1994 and has held the role of chairman since 1999.

He is a director of Pharmac Limited, chairman of Eco Central and a director of Forte Health.

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

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.

Jo joined the board in January 2009.

KEVIN HICKMAN
DIRECTOR

Kevin Hickman co-founded Ryman Healthcare in 1984. 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.

ANDREW CLEMENTS
B COM
DIRECTOR

Andrew (Clem) is an investor and professional director.

He is currently chairman of Orion Corporation Limited, New Zealand Assets Management and Amadeus Asset Administration. He is also a director of a number of NZX listed and private companies including Genesis Power Limited. Clem was previously managing director of Emerald Capital Limited, a Canadian owned investment company from 1998 until 2008, and is a member of the Institute of Directors.

He is chairman of The New Zealand Football Foundation and a trustee of The Mt Wellington Stadium Charitable Trust.

WARREN BELL
M COM, CA
DIRECTOR

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 joined the Ryman Board in 2011 and is chairman of the Audit & Financial Risk Committee.

SIMON CHALLIES
LLB, B COM, CA
MANAGING DIRECTOR

Simon joined the company in 1999 as chief financial officer, and was appointed chief executive in 2006 and then managing director in 2010.

Simon holds a Bachelor of Commerce and Law from the University of Canterbury and is a Fellow of the Institute of Chartered Accountants.

GEORGE SAVVIDES
BE (Hons), MBA, FAICD
DIRECTOR

George is managing director of Medibank, Australia's largest health insurer, and has 20 years' experience in the Australian healthcare industry.

He is chairman of World Vision Australia and Arrow Leadership Australia. He also represents Australia as the vice president on the Council of the International Federation of Health Plans and is a member of the Business Council of Australia.

George lives in Melbourne and is a Fellow of the Australian Institute of Directors. He joined the board in 2013.

Dr David Kerr - Chairman of the Year

Ryman Healthcare Chairman Dr David Kerr took New Zealand's top prize for governance earlier this year.

Dr Kerr was named Chairman of the Year in the 2013 Deloitte/Management magazine Top 200 Awards.

The judges noted that Dr Kerr had overseen a conservative but sustainable growth model that had served the company well.

"Dr Kerr can take considerable pride and credit in the results Ryman is consistently delivering," the judges said.

"As a practising health professional and member of other health industry boards, Dr Kerr is completely immersed and dedicated to the betterment of the healthcare sector."

His recognition follows Ryman's win as the Deloitte/Management magazine Company of the Year award in 2012, and Simon Challies was also a finalist in the Executive of the Year category in 2013.

Right: Terry Lawrence, chief financial officer at QBE Insurance presents Dr David Kerr with the Chairman of the Year award.

GORDON MACLEOD
DEPUTY CHIEF EXECUTIVE / CFO

Gordon joined Ryman in 2007. He was previously a Corporate Finance Partner with Pricewaterhouse Coopers and a Finance Director of a London listed hi-tech engineering company. Gordon holds a Bachelor of Commerce and is a Chartered Accountant.

BARBARA REYNEN-ROSE
OPERATIONS & CLINICAL SERVICES MANAGER

Barbara joined the company in 1992, was appointed Director of Nursing in 1997 and was promoted to Operations Manager in 2002. A Registered Nurse, Barbara holds an Advanced Diploma in Nursing, a Post Graduate Diploma in Management and a Masters in Health Sciences (endorsed in Gerontology).

DEBBIE MCCLURE
GROUP SALES MANAGER

Debbie joined Ryman in 1990 as a village administrator, following a 10 year career in the banking sector.

Debbie moved into sales in 1998, and was promoted to Group Sales Manager in 2002. She moved to Melbourne in 2013 to lead Ryman's sales expansion in Victoria.

TOM BROWNRIGG
CONSTRUCTION MANAGER

Tom joined Ryman in 2006. He 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 12 Ryman villages.

TAYLOR ALLISON
DESIGN MANAGER

Taylor joined the company in 2000 as head of design. He has over 30 years' design experience in the civil and structural design fields, and has overseen the design of 18 Ryman villages in New Zealand and Australia.

ANDREW MITCHELL
DEVELOPMENT MANAGER

Andrew joined Ryman in 2007 after several years as a Regional Development Manager for Sunrise Senior Living in the UK. Andrew holds a Bachelor of Commerce in Valuation and Property Management from Lincoln University.

PHILIP MEALINGS
PROPERTY / PURCHASING MANAGER

Philip joined Ryman in 2000 as Property/Purchasing Manager, after several years as purchasing manager with an associated company Ben Rumble Communications.

JENN POSKITT
MARKETING MANAGER

Jenn joined Ryman in 2009 as Marketing Co-ordinator and was promoted to her current role in 2011. Jenn holds a Bachelor of Science (Marketing and Management) from Oklahoma State University.

DAVID KING
CORPORATE AFFAIRS MANAGER

David joined Ryman in 2013 following a 21-year career in journalism in New Zealand and the United Kingdom, which included editing and senior management roles at Fairfax Media. He holds a Bachelor of Arts with Honours and a Certificate in Journalism.

FIVE YEAR SUMMARY

		2014	2013	2012	2011	2010
Financial						
Underlying Profit	$m	118.2	100.2	84.1	72.1	61.4
Net Operating Cash Flows	$m	238.4	222.2	169.2	133.1	149.4
Net Assets	$m	926.7	734.5	647.2	565.8	456.6
Interest bearing Debt to Equity ratio	%	30%	31%	33%	28%	31%
Reported Net Profit After Tax	$m	194.8	136.7	120.8	100.2	78.4
Dividend per Share	Cents	11.8	10.0	8.4	7.2	6.1
Villages						
Sales of Occupation Rights [1]	No.	977	985	780	699	631
New builds:						
Aged Care Beds [3]	No.	186	226	322	228	155
Retirement Village Units [3]	No.	421	517	388	343	279
Land bank (to be developed) [2]	No.	4,208	2,402	2,229	2,141	1,897
Portfolio:						
Aged Care Beds	No.	2,517	2,400	2,174	1,852	1,674
Retirement Village Units	No.	4,207	3,791	3,274	2,886	2,543

1 New and existing retirement village units.

2 Includes retirement village units and aged care beds.

3 607 units/beds built during 2014 offset by 74 units/beds which are being redeveloped.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Note	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Care fees		165,344	148,386	2,251	2,146
Management fees		36,550	31,986	136	150
Interest received		597	629	6,193	6,020
Other income	1	732	272	71,436	58,309
Total revenue		**203,223**	**181,273**	**80,016**	**66,625**
Fair value movement of investment properties	8	174,019	118,935	930	217
Total income		**377,242**	**300,208**	**80,946**	**66,842**
Operating expenses	2	(155,201)	(132,066)	(15,959)	(12,622)
Depreciation expense	3	(9,045)	(8,386)	(870)	(795)
Finance costs	4	(9,709)	(9,477)	(6,581)	(7,718)
Total expenses		**(173,955)**	**(149,929)**	**23,410**	**(21,135)**
Profit before income tax		**203,287**	**150,279**	**57,536**	**45,707**
Income tax expense	5	(8,482)	(13,549)	(77)	(39)
Profit for the period		**194,805**	**136,730**	**57,459**	**45,668**
Earnings per share:					
Basic and diluted (cents per share)	14	39.0	27.3		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014

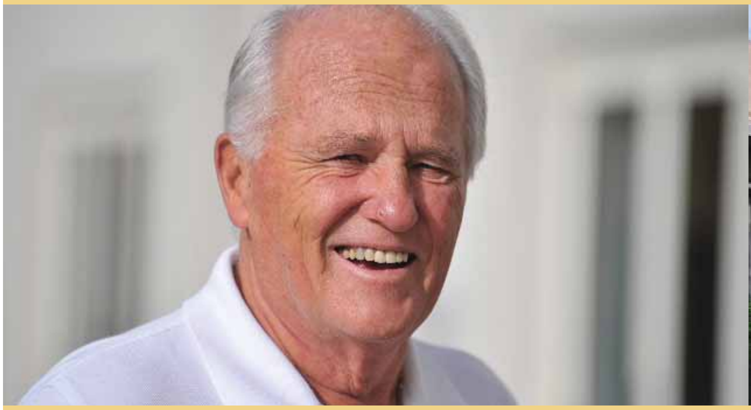
	Note	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Profit for the period		**194,805**	**136,730**	**57,459**	**45,668**
Items that may be reclassified subsequently to profit or loss:					
Fair value movement and reclassification of interest rate swaps	15	4,729	(169)	4,729	(169)
Movement in deferred tax related to interest rate swaps	15	(1,324)	47	(1,324)	47
Gain on hedge of foreign owned subsidiary net assets	15	293	180	-	-
Gains/(losses) on translation of foreign operations	15	(293)	(180)	-	-
		3,405	(122)	3,405	(122)
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of Property, plant and equipment (unrealised)	7, 15	51,232	(3,257)	251	-
Deferred tax impact on revaluation reserve	15	-	774	-	-
		51,232	(2,483)	251	-
Other comprehensive income		**54,637**	**(2,605)**	**3,656**	**(122)**
Total comprehensive income		**249,442**	**134,125**	**61,115**	**45,546**

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 2014

	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
GROUP							
Balance at 1 April 2012	**33,290**	**128,057**	**(4,555)**	**-**	**(5,350)**	**495,777**	**647,219**
Profit and total comprehensive income for the period	-	(2,483)	(122)	-	-	136,730	134,125
Treasury stock movement	-	-	-	-	(1,375)	-	(1,375)
Dividends paid to shareholders (Note 16)	-	-	-	-	-	(45,500)	(45,500)
Closing Balance at 31 March 2013	**33,290**	**125,574**	**(4,677)**	**-**	**(6,725)**	**587,007**	**734,469**
Balance at 1 April 2013	**33,290**	**125,574**	**(4,677)**	**-**	**(6,725)**	**587,007**	**734,469**
Profit and total comprehensive income for the period	-	51,232	3,405	-	-	194,805	249,442
Treasury stock movement	-	-	-	-	(2,165)	-	(2,165)
Dividends paid to shareholders (Note 16)	-	-	-	-	-	(55,000)	(55,000)
Closing Balance at 31 March 2014	**33,290**	**176,806**	**(1,272)**	**-**	**(8,890)**	**726,812**	**926,746**
PARENT							
Balance at 1 April 2012	**33,290**	**1,936**	**(4,555)**	**-**	**(5,350)**	**18,156**	**43,477**
Profit and total comprehensive income for the period	-	-	(122)	-	-	45,668	45,546
Treasury stock movement	-	-	-	-	(1,375)	-	(1,375)
Dividends paid to shareholders (Note 16)	-	-	-	-	-	(45,500)	(45,500)
Closing Balance at 31 March 2013	**33,290**	**1,936**	**(4,677)**	**-**	**(6,725)**	**18,324**	**42,148**
Balance at 1 April 2013	**33,290**	**1,936**	**(4,677)**	**-**	**(6,725)**	**18,324**	**42,148**
Profit and total comprehensive income for the period	-	251	3,405	-	-	57,459	61,115
Treasury stock movement	-	-	-	-	(2,165)	-	(2,165)
Dividends paid to shareholders (Note 16)	-	-	-	-	-	(55,000)	(55,000)
Closing Balance at 31 March 2014	**33,290**	**2,187**	**(1,272)**	**-**	**(8,890)**	**20,783**	**46,098**

The accompanying notes form part of these financial statements.



CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2014

		GROUP		PARENT	
	Notes	2014 $000	2013 $000	2014 $000	2013 $000
Assets					
Cash and cash equivalents		1,754	527	1,431	-
Trade and other receivables	6	105,949	103,478	2,046	188
Advances to subsidiaries	17	-	-	211,341	197,580
Advances to employees	25	2,828	3,387	2,828	3,387
Deferred tax asset (net)	5	-	-	-	850
Property, plant & equipment	7	583,934	411,062	98,573	14,896
Investment properties	8	2,034,549	1,684,183	7,558	6,598
Investments in subsidiaries	23	-	-	65,746	56,682
Total assets		**2,729,014**	**2,202,637**	**389,523**	**280,181**
Equity					
Issued capital	14	33,290	33,290	33,290	33,290
Asset revaluation reserve	15	176,806	125,574	2,187	1,936
Interest rate swap reserve	15	(1,272)	(4,677)	(1,272)	(4,677)
Foreign currency translation reserve	15	-	-	-	-
Treasury stock	15,25	(8,890)	(6,725)	(8,890)	(6,725)
Retained earnings	15	726,812	587,007	20,783	18,324
Total equity		**926,746**	**734,469**	**46,098**	**42,148**
Liabilities					
Bank overdraft	9	-	-	-	573
Trade and other payables	10	116,145	35,794	101,092	23,797
Employee entitlements	11	10,660	9,005	1,414	1,236
Revenue in advance		27,282	23,678	111	96
Interest rate swaps	19	1,767	6,496	1,767	6,496
Bank loans (secured)	12	277,178	225,987	232,946	201,233
Occupancy advances (non interest bearing)	13	1,306,701	1,114,479	5,544	4,602
Deferred tax liability (net)	5	62,535	52,729	551	-
Total liabilities		**1,802,268**	**1,468,168**	**343,425**	**238,033**
Total equity and liabilities		**2,729,014**	**2,202,637**	**389,523**	**280,181**
Net tangible assets per basic and diluted share (cents)	14	185.3	146.9		

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2014

		GROUP		PARENT	
	Note	2014 $000	2013 $000	2014 $000	2013 $000
Operating activities					
Receipts from residents	22	529,772	481,575	2,988	3,235
Interest received		629	543	4,228	6,016
Dividends received		-	-	61,500	50,000
Inter-company charges		-	-	9,834	8,228
Payments to suppliers and employees		(151,358)	(130,615)	(12,060)	(11,217)
Payments to residents		(130,482)	(119,808)	(442)	(578)
Interest paid		(10,176)	(9,477)	(7,048)	(7,718)
Net operating cash flows	22	**238,385**	**222,218**	**59,000**	**47,966**
Investing activities					
Repayment of advances from subsidiaries		-	-	82,847	45,879
Purchase of property, plant & equipment		(85,336)	(56,777)	(5,967)	(2,667)
Purchase of investment properties		(141,518)	(128,089)	(31)	(23)
Capitalised interest paid		(4,889)	(4,508)	143	(223)
Advances to employees		559	(966)	559	(966)
Investment in subsidiaries		-	-	(7,505)	(10,604)
Advances to subsidiaries		-	-	(101,590)	(41,677)
Net investing cash flows		**(231,184)**	**(190,340)**	**(31,544)**	**(10,281)**
Financing activities					
Drawdown of bank loans		51,191	12,753	31,713	8,424
Dividends paid		(55,000)	(45,500)	(55,000)	(45,500)
Purchase of treasury stock (net)		(2,165)	(1,375)	(2,165)	(1,375)
Net financing cash flows		**(5,974)**	**(34,122)**	**(25,452)**	**(38,451)**
Net increase/(decrease) in cash and cash equivalents		**1,227**	**(2,244)**	**2,004**	**(766)**
Cash and cash equivalents at the beginning of period		527	2,771	(573)	193
Cash and cash equivalents at the end of period		**1,754**	**527**	**1,431**	**(573)**

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 ("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 reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The 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 as appropriate for profit-oriented entities.

The 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 2014, and the comparative information presented in these financial statements for the year ended 31 March 2013.

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 7).
- investment property is measured at fair value (refer note 8).
- certain financial assets and liabilities are measured at fair value (refer note 19).

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 7.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Valuation of investment property – policy (d) and note 8.
- Management fees – policy (b).
- Expected manner of realisation of assets and liabilities and utilisation of tax losses – policy (l) and note 5.

Significant accounting policies

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

(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 23 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.

In the Company's financial statements, investments in subsidiaries are recognised at their cost, less any adjustment for impairment.

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

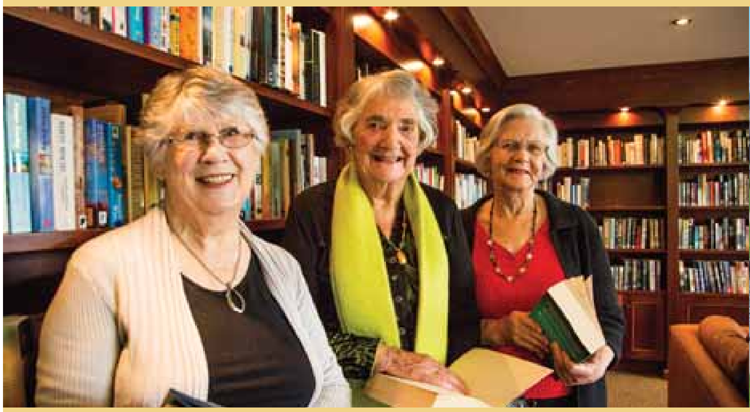
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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).

(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.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their 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 and 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 subsidiaries and 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 is repayable following both termination of the Occupation Agreement and settlement of a new occupancy advance for the same retirement village unit.

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 to 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 tax payable in respect of previous years. Current tax for

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 3 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 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 of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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) Changes in accounting policies

There have been no significant changes to accounting policies during the year.

(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.

Frances Hodgkins retirement village recently celebrated the success of two of its caregivers who graduated with a Bachelor of Nursing Degree. Katherine Prince worked at Frances Hodgkins for four years and Sarah Taylor worked at the village for two years.
From left to right: staff members Wilhelmina Bloem, Trudy Stark (both registered nurses), Katherine Prince, Sarah Taylor (new graduates), Joy Notman (village manager).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

	Note	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
1. Other Income					
Dividends received		-	-	61,500	50,000
Other income		732	272	9,936	8,309
Total other income		**732**	**272**	**71,436**	**58,309**
2. Operating Expenses					
Employee costs (see below)		98,039	83,526	10,359	8,448
Property related expenses		23,123	19,589	493	408
Other operating costs (see below)		34,039	28,951	5,107	3,766
Total		**155,201**	**132,066**	**15,959**	**12,622**
Employee costs and other operating costs include:					
Post employment benefits (Kiwisaver)		2,000	1,075	438	236
Auditor's remuneration to Deloitte comprises:					
- audit of financial statements		127	127	22	22
Directors Fees		642	524	616	503
Doubtful Debts		-	-	-	-
Donations^		355	234	57	22
Lease and rental payments		661	550	410	337

^ no donations have been made to any political party (2013: $Nil)

	Note	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
3. Depreciation					
Buildings		3,961	3,765	86	82
Plant and Equipment		1,914	1,645	619	541
Furniture and Fittings		2,804	2,729	132	130
Motor Vehicles		366	247	33	42
Total		**9,045**	**8,386**	**870**	**795**
4. Finance Costs					
Total interest paid on bank loans		12,374	11,313	10,586	9,643
Release of interest rate swap reserve		2,234	2,672	2,234	2,672
Amount of interest capitalised		(4,899)	(4,508)	-	(223)
Interest recharged to subsidiaries		-	-	(6,239)	(4,374)
Net interest expense on bank loans		**9,709**	**9,477**	**6,581**	**7,718**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
5. Income Tax				
(a) Income tax recognised in income statement				
Tax expense comprises:				
Current tax expense	-	-	-	-
Prior period adjustment	-	-	-	-
Deferred tax expense				
- Origination and reversal of temporary differences:				
Investment properties	5,316	785	7	11
Property, plant and equipment	55	8,498	117	67
Other	3,111	4,266	(47)	(39)
Total income tax expense	**8,482**	**13,549**	**77**	**39**
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:				
Profit before income tax expense	203,287	150,279	57,536	45,707
Income tax expense calculated at 28%	56,920	42,078	16,110	12,798
Tax effect of:				
Non-taxable dividends	-	-	(17,220)	(14,000)
Non-taxable income	(48,725)	(33,302)	(260)	(61)
Other	287	4,773	1,447	1,302
Total tax expense	**8,482**	**13,549**	**77**	**39**

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% (2013: 28%) payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

Total Group tax losses available amounted to $0.1 million (2013: $15.7 million) and Parent $0.1 million (2013: $Nil). Recognition of the deferred tax asset is based on utilisation of tax losses to date, combined with expected taxable earnings in future periods. There are no unrecognised tax losses in New Zealand (2013: $Nil). Australian tax losses have not been recognised in the current year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

5. Income Tax (continued)

GROUP

	2014		2013	
	%	**$000**	**%**	**$000**
Reconciliation of effective tax rate				
Profit before tax		203,287		150,279
Income tax using the corporate tax rate	28.0%	56,920	28.0%	42,078
Non-taxable income	(24.0)%	(48,725)	(22.2)%	(33,302)
Other	0.1%	287	3.2%	4,773
Total income tax expense	**4.1%**	**8,482**	**9.0%**	**13,549**

PARENT

	2014		2013	
	%	**$000**	**%**	**$000**
Reconciliation of effective tax rate				
Profit before tax		57,536		45,707
Income tax using the corporate tax rate	28.0%	16,110	28.0%	12,798
Non-taxable dividends	(29.9)%	(17,220)	(30.8)%	(14,000)
Non-taxable income	(0.5)%	(260)	(0.1)%	(61)
Other	2.5%	1,447	3.0%	1,302
Total income tax expense	**0.1%**	**77**	**0.1%**	**39**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

5. Income Tax (continued)

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

	Opening Balance $000	Recognised in income $000	Recognised in equity $000	Closing Balance $000
GROUP - 2014				
Property, plant & equipment	(43,945)	(55)	-	(44,000)
Investment properties	(23,388)	(5,316)	-	(28,704)
Deferred management fee revenue in advance	6,625	1,014	-	7,639
Interest rate swap	1,819	-	(1,324)	495
Other	1,766	259	-	2,025
Tax value of loss carry-forwards recognised	4,394	(4,384)	-	10
Total deferred taxation	**(52,729)**	**(8,482)**	**(1,324)**	**(62,535)**
GROUP - 2013				
Property, plant & equipment	(36,210)	(8,509)	774	(43,945)
Investment properties	(22,603)	(785)	-	(23,388)
Deferred management fee revenue in advance	5,765	950	-	6,625
Interest rate swap	1,772	-	47	1,819
Other	1,513	253	-	1,766
Tax value of loss carry-forwards recognised	9,852	(5,458)	-	4,394
Total deferred taxation	**(40,001)**	**(13,549)**	**821**	**(52,729)**
PARENT - 2014				
Property, plant & equipment	(1,087)	(117)	-	(1,204)
Investment properties	(151)	(7)	-	(158)
Deferred management fee revenue in advance	28	3	-	31
Interest rate swap	1,819	-	(1,324)	495
Other	241	34	-	275
Tax value of loss carry-forwards recognised	-	10	-	10
Total deferred taxation	**850**	**(77)**	**(1,324)**	**(551)**
PARENT - 2013				
Property, plant & equipment	(1,020)	(67)	-	(1,087)
Investment properties	(140)	(11)	-	(151)
Deferred management fee revenue in advance	30	(2)	-	28
Interest rate swap	1,772	-	47	1,819
Other	200	41	-	241
Tax value of loss carry-forwards recognised	-	-	-	-
Total deferred taxation	**842**	**(39)**	**47**	**850**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

5. Income Tax (continued)

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
(c) Imputation credit memorandum account				
Opening balance	22	18	-	-
Resident withholding tax paid/(refunded)	8	4	-	-
Closing balance	**30**	**22**	**-**	**-**
Imputation credits available directly and indirectly to shareholders of the parent company, through:				
Parent company	-	-	-	-
Subsidiaries	30	22	-	-
Closing balance	**30**	**22**	**-**	**-**

6. Trade and Other Receivables

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Trade debtors	103,022	102,628	1,121	188
Other receivables	2,927	850	925	-
Total receivables	**105,949**	**103,478**	**2,046**	**188**

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 either the Group or Parent (2013: $Nil Group and Parent).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

7. 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
GROUP - 2014	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount							
Balance at 1 April 2013	147,536	186,166	64,178	18,830	20,324	3,119	440,153
Additions	200	7,951	157,808	2,285	1,456	972	170,672
Net foreign currency exchange difference	-	-	(5,093)	-	-	-	(5,093)
Transfer from Property under development	2,814	13,122	(17,757)	683	1,138	-	-
Transfer from Property under development to Investment Property	-	-	(34,894)	-	-	-	(34,894)
Revaluation	51,232	(10,748)	-	-	-	-	40,484
Balance at 31 March 2014	**201,782**	**196,491**	**164,242**	**21,798**	**22,918**	**4,091**	**611,322**
Accumulated Depreciation							
Balance at 1 April 2013	-	(6,871)	-	(8,199)	(11,897)	(2,124)	(29,091)
Current year depreciation	-	(3,961)	-	(1,914)	(2,804)	(366)	(9,045)
Revaluation	-	10,748	-	-	-	-	10,748
Balance at 31 March 2014	**-**	**(84)**	**-**	**(10,113)**	**(14,701)**	**(2,490)**	**(27,388)**
Total Book Value	**201,782**	**196,407**	**164,242**	**11,685**	**8,217**	**1,601**	**583,934**
Gross carrying amount							
Balance at 1 April 2012	138,862	146,608	84,025	15,703	15,878	2,619	403,695
Additions	190	3,054	38,414	1,972	1,460	500	45,590
Transfer from Property under development	9,049	39,638	(53,346)	1,343	3,316	-	-
Transfer from Property under development to Investment Property	-	-	(4,915)	-	-	-	(4,915)
Revaluation	(490)	(2,767)	-	-	-	-	(3,257)
Disposals	(75)	(367)	-	(188)	(330)	-	(960)
Balance at 31 March 2013	**147,536**	**186,166**	**64,178**	**18,830**	**20,324**	**3,119**	**440,153**
Accumulated Depreciation							
Balance at 1 April 2012	-	(3,142)	-	(6,791)	(9,590)	(1,877)	(21,400)
Current year depreciation	-	(3,765)	-	(1,645)	(2,729)	(247)	(8,386)
Disposals	-	36	-	237	422	-	695
Balance at 31 March 2013	**-**	**(6,871)**	**-**	**(8,199)**	**(11,897)**	**(2,124)**	**(29,091)**
Total Book Value	**147,536**	**179,295**	**64,178**	**10,631**	**8,427**	**995**	**411,062**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

7. Property, Plant & Equipment (continued)

	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
PARENT - 2014	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount							
Balance at 1 April 2013	315	4,051	7,123	6,276	1,026	1,036	19,827
Additions	-	139	88,996	906	95	76	90,212
Transfers to subsidiary companies (at cost)	-	-	(5,916)	-	-	-	(5,916)
Revaluation	251	(197)	-	-	-	-	54
Balance at 31 March 2014	**566**	**3,993**	**90,203**	**7,182**	**1,121**	**1,112**	**104,177**
Accumulated Depreciation							
Balance at 1 April 2013	-	(156)	-	(3,302)	(509)	(964)	(4,931)
Current year depreciation	-	(86)	-	(619)	(132)	(33)	(870)
Revaluation	-	197	-	-	-	-	197
Balance at 31 March 2014	**-**	**(45)**	**-**	**(3,921)**	**(641)**	**(997)**	**(5,604)**
Total Book Value	**566**	**3,948**	**90,203**	**3,261**	**480**	**115**	**98,573**
PARENT - 2013							
Gross carrying amount							
Balance at 1 April 2012	315	3,779	17,294	5,385	726	1,031	28,530
Additions	-	272	6,071	891	300	5	7,539
Transfers to subsidiary companies (at cost)	-	-	(16,242)	-	-	-	(16,242)
Balance at 31 March 2013	**315**	**4,051**	**7,123**	**6,276**	**1,026**	**1,036**	**19,827**
Accumulated Depreciation							
Balance at 1 April 2012	-	(74)	-	(2,761)	(379)	(922)	(4,136)
Current year depreciation	-	(82)	-	(541)	(130)	(42)	(795)
Balance at 31 March 2013	**-**	**(156)**	**-**	**(3,302)**	**(509)**	**(964)**	**(4,931)**
Total Book Value	**315**	**3,895**	**7,123**	**2,974**	**517**	**72**	**14,896**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

7. 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, CB Richard Ellis Limited, as at 31 March 2014 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 16%), together with observed transactional evidence in respect of the market value per care bed (ranging from $75,000 to $145,000 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.

Beckenham Courts has been revalued downwards in the prior year to reflect earthquake damage. The insurance claim is currently in progress.

Property under development includes land held pending development of a retirement village amounted to $106.4 million (2013: $17.0 million) and Parent $89.4 million (2013: $6.6 million) and is valued at cost.

Interest for the Group of $4.9 million (2013: $4.5 million) and the Parent of $Nil (2013: $0.2m) have been capitalised during the period of construction in the current year. The weighted average capitalisation rate on funds borrowed is 5.90% per annum (2013: 5.90% per annum).

The assets shown at cost are head office assets, 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:

	GROUP			PARENT		
	Freehold Land $000	Buildings $000	Total $000	Freehold Land $000	Buildings $000	Total $000
Carrying amount (at cost)						
Carrying amount at 31 March 2014	41,870	180,363	**222,233**	237	2,270	**2,507**
Carrying amount (at cost)						
Carrying amount at 31 March 2013	38,856	163,251	**202,107**	237	2,217	**2,454**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

8. Investment Properties

	GROUP		PARENT	
	2014 $000	**2013 $000**	**2014 $000**	**2013 $000**
At fair value				
Balance at beginning of financial year	1,684,183	1,434,225	6,598	6,358
Additions	176,347	131,023	30	23
Fair value movement:				
Realised - New RV Units	50,324	41,332	-	-
- Existing RV Units	38,612	27,553	601	265
Realised fair value movement	88,936	68,885	601	265
Unrealised fair value movement	85,083	50,050	329	(48)
	174,019	**118,935**	**930**	**217**
Net movement for the year	350,366	249,958	960	240
Balance at end of financial year	**2,034,549**	**1,684,183**	**7,558**	**6,598**

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 CB Richard Ellis Limited, as at 31 March 2014. This report combines discounted future cash flows and occupancy advances received from residents in respect of practically complete retirement village units 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 13% to 16%). Principal assumptions are unchanged from the prior year. Investment property includes investment property work in progress of $64.9 million (2013: $30.1 million), which has been fair valued at cost by CB Richard Ellis Limited.

The significant unobservable inputs used in the fair value measurement of the group's investment property portfolio are the, discount rate, the long term nominal house price inflation rate 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.

Operating expenses

Direct operating expenses arising from investment property that generated income from management fees during the period amounted to $3.5 million (2013: $2.8 million). There was no investment property that did not generate income from management fees during the period for both Group and Parent.

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 pending availability of individual unit titles.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

9. 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 12). The interest rate on all overdraft facilities at 31 March 2014 was 10.40% (2013: 11.65%).

10. Trade & Other Payables

	GROUP		PARENT	
	2014 $000	**2013 $000**	**2014 $000**	**2013 $000**
Trade payables	24,369	25,860	18,866	20,931
Other payables	91,776	9,934	82,226	2,866
Total trade and other payables	**116,145**	**35,794**	**101,092**	**23,797**

Trade payables are typically paid within 30 days of invoice date or 20th of the month following invoice date. Other payables at 31 March 2014 for the Group includes $81.3 million (2013: $3.1 million) and Parent includes $81.3 million (2013: $3.1 million) in relation to the purchase of land. Included in trade and other payables is $7.0m due from subsidiaries (2013: $12.3m).

11. Employee Entitlements

Holiday pay accrual and other benefits	10,660	9,005	1,414	1,236

12. Borrowings

Bank loans (secured) – NZD	212,500	188,000	212,500	188,000
Bank loans (secured) – AUD in NZD	64,678	37,987	20,446	13,233
Total bank loans (secured)	**277,178**	**225,987**	**232,946**	**201,233**
Less than 1 year	18,500	26,000	18,500	26,000
Within 1-3 years	258,678	199,987	214,446	175,233
Average interest rates – NZD	4.87%	4.53%	4.87%	4.53%
Average interest rates – AUD	5.01%	6.22%	5.01%	6.22%

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 8).

The subsidiary companies listed at note 23 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 19.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

13. Occupancy Advances (non interest bearing)

	GROUP		PARENT	
	2014 $000	**2013 $000**	**2014 $000**	**2013 $000**
Gross occupancy advances (see below)	1,470,028	1,251,894	6,364	5,318
Less: management fees & resident loans	(163,327)	(137,415)	(820)	(716)
Closing balance	**1,306,701**	**1,114,479**	**5,544**	**4,602**
Movement in gross occupancy advances:				
Opening Balance	1,251,894	1,042,710	5,318	5,112
Plus: Increases in occupancy advances - New RV Units	173,964	178,493	-	-
- Existing RV Units	38,612	27,553	601	265
Increase/(decrease) in occupancy advance receivables	5,558	3,138	445	(59)
Closing Balance	**1,470,028**	**1,251,894**	**6,364**	**5,318**

Gross occupancy advances are non interest bearing.

14. Share Capital

Issued and paid up capital consists of 500,000,000 fully paid ordinary shares (2013: 500,000,000) less treasury stock of 2,145,171 shares (2013: 2,421,293 shares) (refer to note 25). All shares rank equally in all respects.

Basic and diluted earnings per share has been calculated on the basis of 500,000,000 ordinary shares (2013: 500,000,000 shares).

Shares purchased on market under the senior share scheme (see note 25) are treated as treasury stock until vesting to the employee.

15. Reserves

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Asset Revaluation Reserve				
Opening Balance	125,574	128,057	1,936	1,936
Revaluation	51,232	(3,257)	251	-
Deferred tax	-	774	-	-
Closing Balance	**176,806**	**125,574**	**2,187**	**1,936**
Interest Rate Swap Reserve				
Opening Balance	(4,677)	(4,555)	(4,677)	(4,555)
Valuation of interest rate swap	2,495	(2,841)	2,495	(2,841)
Released to income statement	2,234	2,672	2,234	2,672
Deferred tax movement on interest rate swap reserve	(1,324)	47	(1,324)	47
Closing Balance	**(1,272)**	**(4,677)**	**(1,272)**	**(4,677)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

15. Reserves (continued)

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Treasury Stock				
Opening Balance	(6,725)	(5,350)	(6,725)	(5,350)
Acquisitions	(3,936)	(2,925)	(3,936)	(2,925)
Vesting/forfeiture of shares	1,771	1,550	1,771	1,550
Closing Balance	**(8,890)**	**(6,725)**	**(8,890)**	**(6,725)**
Foreign Currency Translation Reserve				
Opening Balance	-	-	-	-
Gain on hedge of foreign owned subsidiary net assets	293	180	-	-
Loss on translation of net assets of foreign owned subsidiary	(293)	(180)	-	-
Closing Balance	**-**	**-**	**-**	**-**
Retained Earnings				
Opening Balance	587,007	495,777	18,324	18,156
Net profit attributable to shareholders	194,805	136,730	57,459	45,668
Dividend paid	(55,000)	(45,500)	(55,000)	(45,500)
Closing Balance	**726,812**	**587,007**	**20,783**	**18,324**

16. Dividends

	GROUP & PARENT			
	2014 Cents per share	2014 Total $000	2013 Cents per share	2013 Total $000
Recognised amounts				
Final dividend paid – prior year	5.40	27,000	4.50	22,500
Interim dividend paid – current year	5.60	28,000	4.60	23,000
		55,000		**45,500**
Unrecognised amounts				
Final dividend – current year	6.20	31,000	5.40	27,000
Full year dividend - current year	**11.80**	**59,000**	**10.0**	**50,000**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

17. 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 23 to the financial statements.

Salaries and consulting fees paid to directors
Payments to directors are disclosed in note 18.

	GROUP		PARENT	
	2014 $000	**2013 $000**	**2014 $000**	**2013 $000**
Transactions involving the parent entity				
Dividend revenue				
Dividends received from subsidiary companies	-	-	61,500	50,000
Intercompany charges by parent to subsidiary company				
Interest charge	-	-	6,239	4,374
Management fees	-	-	3,720	3,360
Balances owing by				
Subsidiary companies	-	-	211,341	197,580
Transactions with companies associated to directors				
Rental expense	525	316	525	316

Ryman Healthcare Limited has provided funding on an unsecured basis to subsidiary companies which is on-call and repayable on demand. Advances owing by subsidiary companies arise due to the parent company providing funding for the development of new villages. Interest was charged at rates of 0% - 6.4% (2013: 0% - 6.5%) at the discretion of Ryman Healthcare Limited. No related party debts have been written off or forgiven during the year.

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 are rental of $524,676 per annum (excluding GST) for eight years, with a two year right of renewal (2013: $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.

18. Key Management Personnel Compensation

	GROUP 2014	GROUP 2013	PARENT 2014	PARENT 2013
Compensation				
Short term employee benefits (senior management team)	2,387	2,107	2,387	2,107
Directors fees	642	524	616	503
Salaries to managing director	838	754	838	754
Total Key Management Personnel and Directors' Compensation	**3,867**	**3,385**	**3,841**	**3,364**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

18. Key Management Personnel Compensation (continued)

Key management personnel are the senior management team of the Group and include 9 senior management team members (2013: 8). 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. Salaries and Consulting fees to directors includes remuneration paid to the Managing Director.

Post employment benefits (Employer Kiwisaver) employer contributions included in Short term employee benefits (senior management team) above is $48,052 (2013: $22,850) and included in Salaries to managing director is $24,926 (2013: $14,621).

In addition, the Company provides certain senior employees (including the Managing Director) with limited recourse loans on an interest free basis to assist employee's participation in the Company share scheme. Refer note 25 for details.

19. Financial Instruments

The financial instruments consist of cash & cash equivalents, trade & other receivables, trade and other payables, occupancy advances, subsidiary advances, employee entitlements, employee advances, loans and interest rate swaps

Categories of financial instruments	**GROUP**		**PARENT**	
	2014 $000	**2013 $000**	**2014 $000**	**2013 $000**
Financial assets				
Loans and receivables (including cash equivalents)	110,531	107,392	217,646	201,155
	110,531	**107,392**	**217,646**	**201,155**
Financial liabilities				
Amortised cost	1,710,684	1,385,265	340,996	231,441
Derivative instruments in designated hedge accounting relationships (interest rate swaps)	1,767	6,496	1,767	6,496
	1,712,451	**1,391,761**	**342,763**	**237,937**

(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 concentrations of credit risk consist principally of cash, bank balances, trade and other receivables, advances to employees and interest rate swaps. The maximum credit risk at 31 March 2014 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 2014 was $110.5 million (2013: $107.4 million) and there were no material overdue debtors as at 31 March 2014 (2013: $Nil). Financial assets comprise:

Cash and cash equivalents	1,754	527	1,431	-
Trade and other receivables	105,949	103,478	2,046	188
Advances to subsidiaries	-	-	211,341	197,580
Advances to employees	2,828	3,387	2,828	3,387
	110,531	**107,392**	**217,646**	**201,155**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

19. 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 Company 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 2014 the Company had a number of interest rate swaps in place which are set out in the table below. The agreement effectively changes the Company's interest rate exposure on the principal of $85.0 million (2013: $97.0 million) from a floating rate to a fixed rate of 5.02% (2013: 4.95%). The fair value of the agreement at 31 March 2014 was a liability of $1.8 million (2013: liability of $6.5 million). The interest rate swap agreements cover notional debt amounts for a term of five years at a composite interest rate of 5.02% (2013: 4.95%).

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

Cash flow hedges	**GROUP & PARENT**			
Outstanding	**Average contracted fixed interest rate**		**Notional principal amount**	
	2014	**2013**	**2014**	**2013**
	%	**%**	**$000**	**$000**
Less than 1 year	5.02%	4.95%	85,000	97,000
1 to 2 years	5.02%	4.95%	100,000	81,000
2 to 3 years	5.02%	4.95%	80,000	100,000
3 to 4 years	5.02%	4.95%	60,000	80,000
4 to 5 years	5.20%	4.95%	50,000	60,000

(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 $222.4 million (2013: $184.9 million) of undrawn facilities at its disposal to further reduce liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

19. Financial Instruments (continued)

(c) Liquidity Risk (continued)

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							
	2014				2013			
	On Demand	Less than 1 Year	Greater than 1 Year	Total	On Demand	Less than 1 Year	Greater than 1 Year	Total
GROUP	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Financial liabilities:								
Trade & other payables	-	98,223	17,922	116,145	-	35,794	-	35,794
Employee entitlements	-	10,660	-	10,660	-	9,005	-	9,005
Interest rate swaps	-	1,767	-	1,767	-	6,496	-	6,496
Bank loans (secured)	-	20,514	261,222	281,736	-	27,454	199,987	227,441
Occupancy advances (non interest bearing)	-	130,077	1,176,624	1,306,701	-	121,481	992,998	1,114,479
Bank bonds	6,424	-	-	6,424	3,359	-	-	3,359
	6,424	**261,241**	**1,455,768**	**1,723,433**	**3,359**	**200,230**	**1,192,985**	**1,396,574**

Gross occupancy advances 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.

The Group maintains the following lines of credit:

- $2.8 million (2013:$2.8 million) overdraft facility that is secured. Interest would be payable at the 3 month BKBM rate plus a specified margin (note 9).
- A loan facility of $495.0 million (2013: $408.7 million) of which $35.0 million (2013: $35.0 million) is for 1 year and $460.0 million (2013: $373.7 million) is for 3 years.
- The loan facility of $495.0 million is provided by ANZ Bank New Zealand Ltd (2014: $280.8 million; 2013: $268.4 million) and Commonwealth Bank of Australia (2014: $214.2 million; 2013: $140.3 million) in accordance with the terms of a syndicated loan agreement.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

19. Financial Instruments (continued)

(c) Liquidity Risk (continued)

CONTRACTUAL MATURITY DATES

	2014				2013			
PARENT	**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	-	-	-	-	-	573	-	573
Trade & other payables	-	83,170	17,922	101,092	-	23,797	-	23,797
Employee entitlements	-	1,414	-	1,414	-	1,236	-	1,236
Interest rate swaps	-	1,767	-	1,767	-	6,496	-	6,496
Bank loans (secured)	-	20,280	214,446	234,726	-	27,328	175,233	202,561
Occupancy advances (non interest bearing)	-	838	4,706	5,544	-	613	3,989	4,602
Bank bonds	6,424	-	-	6,424	3,058	-	-	3,058
	6,424	**107,469**	**237,074**	**350,967**	**3,058**	**60,043**	**179,222**	**242,323**

(d) Fair Values

The carrying amounts of financial instruments in the Group and Parent'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 the amendment to NZ IFRS 13.

(e) Market Risk

The Group is primarily exposed to interest rate risk (note 19 (b)) and foreign currency risk (note 19 (f)).

Based on the Group's average net level of interest bearing debt, the Group and Parent's profit and total comprehensive income for the year ended 31 March 2014 would decrease/increase by $674,058 (2013: decrease/increase by $612,359) if there was a movement of plus/(minus) 50 basis points. This is mainly attributable to the Group and Parent's exposure to interest rates on its variable borrowings. A movement in the NZD / AUD rate would not affect the Parent or Group's total comprehensive income because all fluctuations are currently taken directly to other comprehensive income and a perfectly effective hedge is in place.

(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 subsidiary in Australia.

The risk to the Group is that the value of the overseas subsidiary's 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

(f) Foreign Currency Risk (continued)

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

At year end, the parent company had an Australian currency loan of AUD$19.1 million (2013: AUD$10.6 million), which was designated as a hedge of the net assets of the Australian subsidiary.

(g) Capital Management

TThe 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 2014 and 31 March 2013.

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.

20. Commitments

Capital Expenditure Commitments

The Group and Parent had commitments relating to construction contracts amounting to $27.5 million as at 31 March 2014 (2013: $22.2 million).

Operating Lease and Other Commitments

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

	GROUP		PARENT	
	2014 $000	**2013 $000**	**2014 $000**	**2013 $000**
Commitments within:				
Less than 1 year	551	551	551	551
Between 1 and 5 years	2,207	2,207	2,207	2,207
More than 5 years	779	1,331	779	1,331
	3,537	**4,089**	**3,537**	**4,089**

The Group has an ongoing commitment for maintaining the land and buildings of the integrated retirement villages, resthomes and hospitals. In addition, the Group and Parent have bond commitments in respect of developing villages which amount to $6.4 million (2013: $3.4 million).

21. Contingent Liabilities

The Group had no contingent liabilities as at 31 March 2014 (2013: $Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

22. Reconciliation of Net Profit after tax with Net Cashflow from Operating Activities

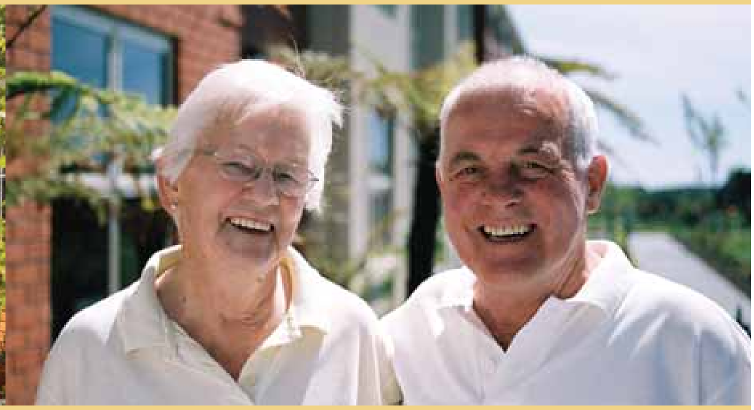
	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Net profit after tax	**194,805**	**136,730**	**57,459**	**45,668**
Adjusted for:				
Movements in balance sheet items:				
Occupancy advances	218,134	209,184	1,046	204
Accrued management fees	(23,537)	(20,862)	(77)	(40)
Revenue in advance	3,603	3,411	(13)	(8)
Trade and other payables	2,686	880	4,208	1,640
Trade and other receivables	(2,469)	(11,693)	(1,858)	(107)
Employee entitlements	1,655	1,568	178	172
Non-cash items:				
Depreciation	9,045	8,386	870	795
Deferred tax	8,482	13,549	77	39
Unrealised foreign exchange (gain)/loss	-	-	(1,960)	(180)
Adjusted for:				
Fair value movement of investment properties	(174,019)	(118,935)	(930)	(217)
Net operating cash flows	**238,385**	**222,218**	**59,000**	**47,966**

Net operating cash flows for the Group includes occupancy advance receipts from retirement village residents of $362.3 million (2013: $334.8 million) and Parent $0.7 million (2013: $1.0 million).

23. Subsidiary Companies

All trading subsidiaries operate in the aged care sector in New Zealand, are 100% owned, and have a balance date of 31 March. In addition, the Group acquired land in Melbourne, Australia, in November 2011 which is currently being developed into an integrated retirement village, ownership of which is held through Ryman Healthcare (Australia) Pty Limited, a company incorporated in Australia. The operating subsidiaries are:

Anthony Wilding Retirement Village Limited, Beckenham Courts Retirement Village Limited, Birkenhead Country Club (2012) Limited, Bob Owens Retirement Village Limited, Bruce McLaren Retirement Village Limited, Charles Fleming Retirement Village Limited, Diana Isaac Retirement Village Limited, Edmund Hillary Retirement Village Limited, Ernest Rutherford 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, Rita Angus Retirement Village Limited, Rowena Jackson Retirement Village Limited, Ryman Healthcare (Australia) Pty Limited, Ryman Napier Limited, Shona McFarlane Retirement Village Limited, Yvette Williams Retirement Village Limited.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

24. Segment Information

Products and Services from which Reportable Segments derive their Revenues

The Ryman Group operates in one industry, being the provision of integrated retirement villages for the elderly in New Zealand. 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. In addition, the Group acquired land in Melbourne, Australia, in November 2011 which is currently being developed into an integrated retirement village.

Segment Revenues and Results

The accounting policies of the reportable segments are 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 these segments 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 the tangible, intangible and financial assets attributable to the segments. All assets are allocated to the reportable segments.

All revenue and results of the Group and Parent relate to New Zealand except for a loss of $2.6m (2013: $2.0m loss) in Australia.

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 $75.9 million (2013: $67.4 million); Parent $1.2 million (2013: $1.0 million). There are no other significant customers.

Geographical Information

All non-current assets of the Group and Parent are held in New Zealand except for $65.4 million (2013: $36.2 million) in Australia which are held by the Group.

25. Employee Share Scheme

Senior Management Share Scheme

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

The Company provides the employees with limited recourse loans on an interest free basis to assist employees' participation in the scheme. 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 2,145,171 fully allocated shares, which represents 0.43% of the total shares on issue (2013: 2,421,293 fully allocated shares which represented 0.48% 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 Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

25. Employee Share Scheme (continued)

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

	2014 Number of Shares	2013 Number of Shares
Balance at beginning of the financial year	2,421,293	2,467,900
Purchased on market during the year	575,450	766,271
Forfeited during the financial year	(3,651)	-
Vested during the financial year	(847,921)	(812,878)
Balance at end of the financial year	**2,145,171**	**2,421,293**

Shares were purchased under the scheme in July 2013 at a price of $6.84 per share. Remaining shares held by the scheme were purchased in August 2012 ($3.82) and August 2011 ($2.54).

Shares vested in August 2013 were originally purchased at $2.06 per share in 2010 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 $1,337,700 (2013: $1,532,066) owing by the Managing Director and $1,241,463 (2013: $1,510,858) 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.

All Employee Share Scheme

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

Participants of this scheme have contributed a minimum of $1,000 (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 Company advanced an interest free loan equal to 50% of the employee's contribution towards the share purchase (the 'financial assistance').

The loan is repayable when the staff member leaves the Company. Shares purchased under the scheme are held in the employee's name.

The total financial assistance provided by the Company for staff share purchases under the scheme amounted to $420,025 at 31 March 2014 (2013:$302,000). The shares subject to the scheme were acquired on market. The financial assistance provided by the Company is recorded in Advances to employees.

26. Subsequent Events

The directors resolved to pay a final dividend of 6.2 cents per share or $31.0 million, with no imputation credits attached, to be paid on 20 June 2014.

On 9th May 2014 the group entered into an unconditional sale and purchase agreement in respect of a land acquisition in Melbourne for AUD$47.5 million.

27. Authorisation

The directors authorised the issue of these financial statements on 14 May 2014.

Warren Bell
Non Executive Director & Chair of Audit Committee

David Kerr
Chairman

Independent Auditor's Report to the Shareholders of Ryman Healthcare Limited

Deloitte.

Report on the Financial Statements

We have audited the financial statements of Ryman Healthcare Limited and group on pages 18 to 49, which comprise the consolidated and separate balance sheet of Ryman Healthcare Limited, as at 31 March 2014, the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

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

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

Opinion

In our opinion, the financial statements on pages 18 to 49:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Ryman Healthcare Limited and group as at 31 March 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2014:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Ryman Healthcare Limited as far as appears from our examination of those records.

Deloitte

Chartered Accountants
14 May 2014
Christchurch, New Zealand.

Statement of Corporate Governance

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

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

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

The Board of Directors

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

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

The Board entirely consists of non-executive directors, with the exception of the Managing Director. David Kerr, Jo Appleyard, Warren Bell, Andrew Clements 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, remuneration/nominations, treasury and independent directors committees. Each committee operates under specific terms of reference approved by the Board, and any recommendations they make are recommendations to the Board. The terms of reference for each committee are reviewed annually.

Audit and Financial Risk Committee

The Audit and 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 three non-executive directors, at least two of whom must be independent directors. The members are currently Warren Bell (Chair), David Kerr and Andrew Clements, who are all independent directors. Warren is a member of the New Zealand Institute of Chartered Accountants.

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

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

The committee generally invites the Managing Director, Chief Financial Officer and the external auditors to attend 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.

Clinical Governance Committee

The clinical governance committee was set up this year 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 three non-executive directors: George Savvides (chair), Dr David Kerr, and Jo Appleyard.

The committee has a number of responsibilities, including:

- Liaison with external auditors. External 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.
- To review changes in clinical practice in aged care.

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

Remuneration & Nominations Committee

The committee comprises David Kerr (Chair), Andrew Clements 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.

Treasury Committee

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

Independent Directors Committee

The Committee is convened as required and will comprise of those non-executive directors who are considered to be independent in regard to addressing significant conflicts of interest and any other matters referred by the Board.

Reporting & Disclosure

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

The 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

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	Little Wing Trading Company
Shareholder	Antipodes Wing Limited
Director	Russley Estates No.1 Limited
Director	Russley Estates No. 2 Limited
Trustee	Waiwetu Trust (part shareholder of Airport Business Park)

David Kerr

Chairman	Eco Central
Chairman	Centre Care Limited
Consultant	Pegasus Health
Advisor	Medical Protection Society Limited
Director	Pharmac Limited
Director	New Zealand Medical Association Services Ltd
Bare Trustee	Ryman Healthcare Share Scheme (jointly with Andrew Clements)
Director	Forte Hospital

Andrew Clements

Chairman	Orion Corporation Limited
Director	Antipodes Wing Limited
Principal -Director & Shareholder	Jacon Investments Limited
Director	RDGP Limited
Chairman	New Zealand Football Foundation
Principal - Director & Shareholder	Zeus Management Limited
Chairman	The Mt Wellington Stadium Charitable Trust
Bare Trustee	Ryman Healthcare Share Scheme (jointly with David Kerr)
Director	Genesis Power Limited

Jo Appleyard

Partner	Chapman Tripp
Member	NZX Disciplinary Committee
Council Member	University of Canterbury
Trustee	The Cathedral Grammar School Foundation

Simon Challies

Trustee	St Andrews College 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)

George Savvides

Managing Director	Medibank
Vice President	International Federation of Health Plans
Chairman	World Vision Australia
Member	Business Council of Australia
Chairman	Arrow Leadership Australia

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 25 to the financial statements for details of the scheme).

Shareholdings

Director	Relevant Interest 2014	2013
Jo Appleyard	78,700[1]	78,700[1]
Simon Challies	2,169,226[2]	2,149,729[2]
Andrew Clements	1,600,000[3]	1,600,000[3]
Kevin Hickman	35,834,955[4]	35,834,955[4]
David Kerr	281,000[5]	265,500[5]
Warren Bell	20,000[6]	25,000[6]
George Savvides	15,500[7]	

1 Held as trustee of The Appleyard and Larkin Family Trust
2 662,506 shares held by D Kerr and A Clements as custodians, 628,976 shares held by The Challies Family Trust
3 Held by Jacon Investments Ltd
4 Held as a trustee of The Hickman Family Trust
5 Shares held by DW & DJ Kerr and The DW Kerr Family Trust
6 Shares held by Warren James Bell
7 Shares held by Australian Executor Trustees Ltd

Directors Remuneration

Director	Directors Fees	Salaries, Bonuses & Consulting Fees
Jo Appleyard	85,000	-
Warren Bell	95,000	-
Simon Challies	-	838,249
Andrew Clements	85,000	-
Kevin Hickman	85,000	
David Kerr	170,000	-
George Savvides	96,947	
	616,947	**838,249**

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, Jeremy Dixon, George Savvides and Gordon MacLeod are directors of Ryman Healthcare (Australia) Pty Ltd and its subsidiaries. Jeremy Dixon was paid $26,726 as a director of Ryman Healthcare (Australia) Pty Limited.

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
530,000-540,000	1	190,000 - 200,000	3	140,000 -150,000	4
390,000-400,000	1	180,000 -190,000	1	130,000 -140,000	2
360,000-370,000	1	170,000 -180,000	3	120,000 -130,000	10
290,000-300,000	1	160,000 -170,000	3	110,000 -120,000	5
280,000-290,000	1	150,000 -160,000	3	100,000 -110,000	7

Share Dealing

Director	Nature of Interest	Shares Acquired /(Disposed)	Consideration	Date
David Kerr	Beneficial	15,500	99,445	31 May 2013
Simon Challies	Beneficial	19,497	135,000	16 July 2013
George Savvides	Beneficial	15,500	118,575	22 November 2013
Warren Bell	Beneficial	(5,000)	(39,000)	30 December 2013

David Kerr and Andrew Clements, as joint custodians of the Ryman Healthcare Employee Share Purchase Scheme, acquired 575,450 shares during the year, disposed of 851,572 shares during the year and held 2,145,171 shares in total at 31 March 2014 (also refer note 25).

Gender Composition of Directors and Officers

As at 31 March 2014, one of the directors of Ryman is female (2013: 1 female) and three of the nine senior management positions are held by women (2013: 3 females).

Top 20 Shareholders as at 22 May 2014

Rank	Investor Name	No. of Ordinary Shares Held	% of Ordinary Shares Held
1	HSBC Nominees (New Zealand) Limited[1]	51,963,375	10.39%
2	K J Hickman, J Hickman & J A Callaghan[2]	35,834,955	7.17%
3	HSBC Nominees (New Zealand) Limited[1]	32,457,002	6.49%
4	Ngai Tahu Capital Limited	27,936,006	5.59%
5	JPMORGAN Chase Bank[1]	26,969,111	5.39%
6	G A Cumming	26,049,900	5.21%
7	Citibank Nominees (NZ) Ltd[1]	21,970,031	4.39%
8	National Nominees New Zealand Limited[1]	15,361,983	3.07%
9	Custodial Services Limited	13,453,183	2.69%
10	Accident Compensation Corporation[1]	11,425,708	2.29%
11	Tea Custodians Limited[1]	11,223,941	2.24%
12	BNP Paribas Nominees NZ Limited	7,144,196	1.43%
13	Premier Nominees Limited[1]	7,088,561	1.42%
14	FNZ Custodians Limited	6,603,984	1.32%
15	Cogent Nominees Limited[1]	5,387,585	1.08%
16	New Zealand Superannuation Fund Nominees Limited[1]	4,747,569	0.95%
17	Forsyth Barr Custodians Limited	4,730,808	0.95%
18	MFL Mutual Fund Limited[1]	4,656,489	0.93%
19	Custodial Services Limited	4,627,405	0.93%
20	Walter Mick George Yovich & Jeanette Julia Yovich	4,020,000	0.80%

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 22 May 2014

Size of Shareholding	Number of Shareholders		Shares Held	
1-1,000	2,877	19.52%	1,878,590	0.38%
1,001-5,000	6,843	46.43%	19,661,117	3.93%
5,001-10,000	2,557	17.35%	19,774,695	3.95%
10,001-50,000	2,097	14.23%	43,833,471	8.77%
50,001-100,000	198	1.34%	14,405,383	2.88%
1,000,001 and over	167	1.13%	400,446,744	80.09%
Total	**14,739**	**100.00%**	**500,000,000**	**100.00%**

Substantial Security Holder Notices Received as at 22 May 2014

Shareholder	Relevant Interest	%	Date of Notice
G A Cumming	50,949,900	10.19%	15 January 2014
K J Hickman, J Hickman & J A Callaghan [1]	35,834,955	7.17%	21 November 2006
Ngai Tahu Capital Limited	30,000,000	6.00%	3 May 2012

1 Held as trustees of The Hickman Family Trust.

Head Office / Registered Office

Airport Business Park, 92 Russley Road, Christchurch
PO Box 771, Christchurch
Telephone: 0800 588 222
Website: www.rymanhealthcare.co.nz

Melbourne Office

Ryman Healthcare (Australia) Pty Limited
2 Brandon Park Drive, Wheelers Hill, Melbourne
PO Box 5391, Brandon Park, Victoria 3150
Phone: 1800 922 988
Website: www.rymanhealthcare.com.au

Share Registrar

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

Auckland Office

161D Marua Road, Ellerslie, Auckland 1051
Telephone: 0800 588 222

Villages

Anthony Wilding Retirement Village
5 Corbett Crescent, Aidanfield, Christchurch

Beckenham Courts Retirement Village
222 Colombo Street, Beckenham, Christchurch

Bob Owens Retirement Village
112 Carmichael Road, Bethlehem, Tauranga

Bruce McLaren Retirement Village
795 Chapel Road, Howick, Auckland

Charles Fleming Retirement Village
112 Parata Street, Waikanae

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

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 West, Whangarei

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

Jean Sandel Retirement Village
71 Barrett Road, Whalers Gate, 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

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

Petone
25 Graham Street, Petone, Lower Hutt

Birkenhead
2 Rangitira Road, Birkenhead, Auckland

Devonport
Wakakura Crescent, Devonport, Auckland

Brandon Park
6-30 Brandon Park Drive, Wheelers Hill, Melbourne

For more information on any of the Ryman Healthcare retirement villages please phone (NZ) 0800 588 222 or (AUS) 1800 922 988.

RYMAN HEALTHCARE

ANNUAL REPORT 2014

KIRI TE KANAWA RETIREMENT VILLAGE, GISBORNE