



MEDIA RELEASE May 20, 2022

Ryman reports audited full year underlying profit of \$255.0 million

Key points:

- Audited underlying profit \$255.0 million, up 13.6%
- Audited reported (IFRS) profit increased 63.8% to \$692.9 million.
- Final dividend of 13.6 cents per share, taking the full year dividend to 22.4 cents, or 43.9% of underlying profit
- Total cash receipts of \$1.40 billion, up 18.7%
- Total assets of \$10.97 billion, up from \$9.17 billion last year.
- Continued strong demand for aged care in New Zealand and Victoria, only 1.4% of resale units unsold at the end of March
- Four new sites purchased, and additional land purchased at two existing villages

Ryman Healthcare has reported a record full year audited underlying profit of \$255.0 million, helped by a resilient performance through COVID and a strong recovery in Victoria.

Audited reported (IFRS) profit, which includes unrealised fair value gains on investment property, increased 63.8% to \$692.9 million in the year to March 31.

Shareholders will receive a final dividend of 13.6 cents per share, taking the total dividend for the year to 22.4 cents per share (43.9% of underlying profit). The record date for entitlements is June 3, and the dividend will be paid on June 17, 2022.

Group Chief Executive Richard Umbers said it was a strong result which proved that Ryman had the capability to deliver in challenging times.

“We’ve got a resilient business model and a fantastic team. We have been able to keep our residents and team safe and have set new benchmarks for clinical care.

“We are also very committed to improving the financial performance as we execute our plans, and continue to acquire land, build new villages, refurbish existing ones, and sell both new and refurbished units.

“We are transitioning from managing through COVID to living with COVID.”



Mr Umbers said the second half was impacted by the arrival of Omicron, but Ryman's operations in Victoria led the recovery with record fourth quarter sales.

"There's no doubt that the Omicron wave had an impact, but we've been pleased to see strong sales in Victoria in February and March. We anticipate a similar recovery in New Zealand later in the year."

Total group sales - which includes both new and resale units topped 1,500 for the first time. Only 1.4% of Ryman's portfolio was available for resale at March 31.

Mr Umbers said Ryman won a COVIDSafe innovation award from the Victorian Chamber of Commerce for how it supported and cared for residents through COVID and was named the Most Trusted Brand in its sector by Readers Digest for the eighth time in New Zealand.

"Both these awards recognise what a superb job our team has done in protecting residents from COVID. The pandemic has emphasised the advantages of living in a supportive and caring community. Our reputation is stronger than ever which is reflected in the continued strong demand for our villages."

Growth ambitions remain on track, and capital expenditure continues to be closely managed. Construction momentum was maintained despite the challenges of COVID, and Ryman currently has 16 sites under construction in New Zealand and Victoria.

Ryman purchased four new sites during the year and added additional land at another two existing villages. The new sites are at Kealba, Coburg North and Mulgrave in Victoria and Rolleston in New Zealand. Additional land was purchased to extend Ryman's Essendon and Ocean Grove villages in Victoria.

Ryman's total assets grew to nearly \$11 billion during the year driven by our build programme, investment in higher value sites and fair value gains.

At 31 March, Ryman had approximately \$750 million of debt headroom and in April 2022 issued a further \$290 million through a second USPP. Ryman has now diversified \$1.13 billion of debt away from bank debt.

Once constructed, Ryman's development pipeline of 29 new villages will provide homes for an additional 9,000 residents, and anticipated capital proceeds of over \$6.80 billion.



Sixteen new villages currently under construction:

New Zealand

Lynfield, Auckland (Murray Halberg)
Devonport, Auckland (William Sanders)
River Rd, Hamilton (Linda Jones)
Lincoln Rd, Auckland (Miriam Corban)
Havelock North, Hawkes Bay (James Wattie)
Hobsonville, Auckland (Keith Park)
Riccarton Park, Christchurch (Kevin Hickman)
Northwood, Christchurch
Takapuna, Auckland

Australia

Brandon Park, Melbourne (Nellie Melba)
Burwood East, Melbourne (John Flynn)
Highton, Victoria (Charles Brownlow)
Ocean Grove, Victoria (Deborah Cheetham)
Aberfeldie, Melbourne (Raelene Boyle)
Highett, Melbourne
Ringwood East, Melbourne



Sites in the land bank:

New Zealand

Kohimarama, Auckland
Park Terrace, Christchurch
Karori, Wellington
Newtown, Wellington
Karaka, Auckland
Cambridge, Waikato
Rolleston, Canterbury

Australia

Mt Eliza, Victoria
Mt Martha, Victoria
Essendon, Melbourne
Coburg North, Melbourne
Kealba, Melbourne
Mulgrave, Melbourne

About Ryman:

Ryman Healthcare was founded in Christchurch in 1984 and owns and operates 45 retirement villages in New Zealand and Australia. Ryman villages are home to 13,200 residents, and the company employs 6,700 staff.

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RYMAN HEALTHCARE LIMITED KEY STATISTICS

		Mar 22 Full Year Audited	Mar 21 Full Year Audited
Underlying profit (non-GAAP)ⁱ	\$m	255.0	224.4
Unrealised fair-value movement on retirement-village units	\$m	467.1	201.2
Deferred tax movement	\$m	(29.2)	12.6
Impairment – loss on disposal	\$m	-	(15.1)
Reported net profit after tax	\$m	692.9	423.1
Net operating cash flows	\$m	586.0	413.1
Earnings per share - basic and diluted	cents	138.6	84.6
Dividend per share	cents	22.4	22.4
Net tangible assets - basic and diluted	cents	676.6	557.4
Sales of Occupation Right Agreements			
New sales of occupation rights	no.	560	503
Resales of occupation rights	no.	983	925
Total sales of occupation rights	no.	1,543	1,428
New sales of occupation rights	\$m	455.9	395.1
Resales of occupation rights	\$m	623.9	498.0
Total sales of occupation rights	\$m	1,079.8	893.1
Portfolio:			
Aged-care beds	no.	4,239	4,087
Retirement-village units	no.	8,538	7,983
Total units and beds	no.	12,777	12,070
Land bank (to be developed)²			
Aged-care beds	no.	1,635	1,592
Retirement-village units	no.	4,671	4,554
Total units and beds	no.	6,306	6,146

¹ Underlying profit is a non-GAAP* measure and differs from NZ IFRS profit for the year. Underlying profit does not have a standardised meaning prescribed by GAAP and so may not be comparable to similar financial information presented by other entities.

The Group uses underlying profit, with other measures, to measure performance. Underlying profit is a measure that the Group uses consistently across reporting periods.

Underlying profit includes realised movement on investment property for units in which a right-to-occupy has been sold during the period and for which a legally binding contract is in place at the reporting date. The occupancy advance for these units may have been received or be included within the trade receivables balance at reporting date.

Underlying profit excludes deferred taxation, taxation expense, unrealised movement on investment properties, and impairment losses on non-trading assets because these items do not reflect the trading performance of the Company. Underlying profit determines the dividend payout to shareholders.

² The land bank is subject to resource and building consent and various regulatory approvals.

*Generally Accepted Accounting Principles

RYMAN HEALTHCARE LIMITED

Consolidated income statement
For the year ended 31 March 2022

	Notes	2022 \$000	2021 \$000
Care fees		398,206	359,241
Management fees		105,552	93,170
Interest received		41	103
Other income		4,998	3,280
Total revenue		508,797	455,794
Fair-value movement of investment properties	7	745,885	416,847
Total income		1,254,682	872,641
Operating expenses	1	(466,238)	(395,306)
Depreciation and amortisation expense	2	(35,698)	(32,368)
Finance costs	3	(30,664)	(19,365)
Loss on disposal	6	-	(15,102)
Total expenses		(532,600)	(462,141)
Profit before income tax		722,082	410,500
Income tax (expense)/credit	4	(29,209)	12,561
Profit for the year		692,873	423,061
Earnings per share			
Basic and diluted (cents per share)	15	138.6	84.6

The accompanying notes form part of these financial statements.



RYMAN HEALTHCARE LIMITED
 Consolidated statement of comprehensive income
 For the year ended 31 March 2022

	Notes	2022 \$000	2021 \$000
Profit for the year		692,873	423,061
<i>Items that will not be later reclassified to profit or loss</i>			
Revaluation of property, plant and equipment (unrealised)	6, 16a	-	195,793
		-	195,793
<i>Items that may be later reclassified to profit or loss</i>			
Fair-value movement and reclassification of cash-flow hedge reserve	16b	38,410	7,057
Deferred tax movement recognised in cash-flow hedge reserve	16b	(10,857)	(1,976)
Movement in cost of hedging reserve	16c	1,319	3,753
Deferred tax movement in cost of hedging reserve	16c	(369)	(1,051)
Gain/(Loss) on hedge of foreign-owned subsidiary net assets	16d	690	(4,414)
(Loss)/Gain on translation of foreign operations	16d	(1,977)	16,546
		27,216	19,915
Other comprehensive income		27,216	215,708
Total comprehensive income		720,089	638,769

All profit and total comprehensive income is attributable to parent company shareholders and is derived from continuing operations.

The accompanying notes form part of these financial statements.



RYMAN HEALTHCARE LIMITED
Consolidated statement of changes in equity
For the year ended 31 March 2022

	Notes	Issued capital \$000	Asset revaluation reserve \$000	Cash-flow hedge reserve \$000	Cost of hedging reserve \$000	Foreign-currency translation reserve \$000	Treasury stock \$000	Retained earnings \$000	Total equity \$000
Balance at 1 April 2020		33,290	257,775	(17,143)	-	(10,345)	(32,359)	2,069,759	2,300,977
Profit for the year	16	-	-	-	-	-	-	423,061	423,061
Other comprehensive income for the year	16	-	195,793	5,081	2,702	12,132	-	-	215,708
Total comprehensive income for the year	16	-	195,793	5,081	2,702	12,132	-	423,061	638,769
Treasury stock movement	16	-	-	-	-	-	(3,030)	-	(3,030)
Dividends paid to shareholders	17	-	-	-	-	-	-	(107,500)	(107,500)
Balance at 31 March 2021		33,290	453,568	(12,062)	2,702	1,787	(35,389)	2,385,320	2,829,216
Balance at 1 April 2021		33,290	453,568	(12,062)	2,702	1,787	(35,389)	2,385,320	2,829,216
Profit for the year	16	-	-	-	-	-	-	692,873	692,873
Other comprehensive income for the year	16	-	-	27,553	950	(1,287)	-	-	27,216
Total comprehensive income for the year	16	-	-	27,553	950	(1,287)	-	692,873	720,089
Treasury stock movement	16	-	-	-	-	-	(2,785)	-	(2,785)
Dividends paid to shareholders	17	-	-	-	-	-	-	(112,000)	(112,000)
Balance at 31 March 2022		33,290	453,568	15,491	3,652	500	(38,174)	2,966,193	3,434,520

The accompanying notes form part of these financial statements.



RYMAN HEALTHCARE LIMITED

Consolidated balance sheet

At 31 March 2022

	Notes	2022 \$000	2021 \$000
Assets			
Cash and cash equivalents	9	28,309	20,171
Trade and other receivables	5	671,463	542,798
Inventory		26,312	26,738
Advances to employees	26	15,415	11,141
Property, plant and equipment	6	2,091,001	1,658,583
Investment properties	7	8,027,267	6,837,278
Intangible assets	8	51,684	42,444
Derivative financial instruments	20	19,574	-
Deferred tax asset	4	35,057	32,456
Total assets		10,966,082	9,171,609
Equity			
Issued capital	15	33,290	33,290
Reserves	16	435,037	410,606
Retained earnings	16f	2,966,193	2,385,320
Total equity		3,434,520	2,829,216
Liabilities			
Trade and other payables	10	264,254	106,072
Employee entitlements	11	39,812	32,034
Revenue in advance		81,251	71,817
Derivative financial instruments	20	27,291	28,611
Refundable accommodation deposits		199,783	113,666
Interest-bearing loans and borrowings	12	2,576,737	2,274,093
Occupancy advances (non-interest bearing)	14	4,286,459	3,702,215
Lease liabilities	13	13,494	13,885
Deferred tax liability	4	42,481	-
Total liabilities		7,531,562	6,342,393
Total equity and liabilities		10,966,082	9,171,609
Net tangible assets			
Basic and diluted (cents per share)	15	676.6	557.4

The accompanying notes form part of these financial statements.



RYMAN HEALTHCARE LIMITED

Consolidated statement of cash flows

For the year ended 31 March 2022

	Notes	2022 \$000	2021 \$000
Operating activities			
Receipts from residents	23	1,396,155	1,176,401
Interest received		266	229
Payments to suppliers and employees		(435,170)	(421,135)
Payments to residents		(346,030)	(323,810)
Interest paid		(29,243)	(18,566)
Net operating cash flows	23	585,978	413,119
Investing activities			
Purchase of property, plant and equipment		(284,288)	(219,416)
Purchase of intangible assets		(14,346)	(9,462)
Purchase of investment properties		(434,395)	(577,504)
Capitalised interest paid		(50,006)	(37,179)
Advances to employees		(4,275)	(917)
Net investing cash flows		(787,310)	(844,478)
Financing activities			
Drawdown/(repayment) of bank loans (net)		57,674	(36,712)
Proceeds from the Institutional Term Loan		269,243	-
Proceeds from the issue of retail bonds		-	150,000
Proceeds from US Private Placement notes		-	416,874
Dividends paid		(112,000)	(107,500)
Purchase of treasury stock (net)		(2,785)	(3,030)
Repayment of lease liabilities		(2,662)	(2,476)
Net financing cash flows		209,470	417,156
Net increase/(decrease) in cash and cash equivalents		8,138	(14,203)
Cash and cash equivalents at the beginning of the year		20,171	34,374
Cash and cash equivalents at the end of the year		28,309	20,171

The accompanying notes form part of these financial statements.



RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements
For the year ended 31 March 2022

The notes to the financial statements include information which is considered relevant and material to assist the reader in understanding changes in the Group's financial position and performance. Information is considered relevant and material if:

- the amount is significant because of its size or nature
- it is important for understanding the results of the Group
- it helps explain changes in the Group's business
- it relates to an aspect of the Group's operations that is important to future performance.

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 that develops, owns, and operates integrated retirement villages, resthomes, and hospitals for the elderly within New Zealand and Australia.

Ryman Healthcare Limited is a Financial Markets Conduct reporting entity under the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. Its financial statements comply with these Acts.

The consolidated financial statements have been prepared in line with Generally Accepted Accounting Principles in New Zealand (NZ GAAP). The statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards.

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

Basis of preparation

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

The accounting policies set out below have been consistently applied in preparing the financial statements for the year ended 31 March 2022. These policies have also been applied to the comparative information presented for the year ended 31 March 2021.

The information is presented in thousands of New Zealand dollars (NZD).

All reference to AUD refers to Australian dollars.

All reference to USD refers to US dollars.

Measurement base

The Group follows the accounting principles recognised as appropriate for measuring and reporting financial performance and financial position on a historical-cost basis, except when:

- certain property, plant and equipment is subject to revaluation (note 6)
- investment property is measured at fair value (note 7)
- certain financial assets and liabilities are measured at fair value (note 20).

Critical judgements in applying accounting policies

In applying the Group's accounting policies, management must 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 reasonable under the circumstances. The results form the basis of making the judgements. Actual results may differ from these estimates.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

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. Revisions to accounting estimates are recognised in the period of the revision and future periods, if the revision affects both current and future periods.

The following accounting policies and notes contain 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.

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

Adopting new and amended standards and interpretations

In the current year, the Group adopted all mandatory new and amended standards and interpretations.

Standards and Interpretations on issue but not yet adopted

We are not aware of any NZ IFRS Standards or Interpretations that have recently been issued or amended that have not yet been adopted by the Group that would materially impact the Group for the annual report period ending 31 March 2022.

COVID-19

The outbreak of COVID-19, declared by the World Health Organization as a global pandemic on 11 March 2020, resulted in some uncertainty in both global and local markets in the years following. New Zealand and Australia responded to the virus with strong public health measures and a range of economic stimulus packages. Increased vaccination rates and a move from an elimination to a minimisation strategy with the Omicron variant continues to reduce the severity of the impact of the pandemic.

The Group continues to adapt its policies and procedures to operate in the conditions created by COVID-19. Operating within the COVID-19 environment is now considered part of our business-as-usual environment. The Group has assessed the impact of COVID-19 on the financial statements. Key accounting judgements in respect of property, plant, and equipment and investment property no longer have material uncertainties in respect of COVID.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

Summary of significant accounting policies

The following significant accounting policies have been adopted to prepare and present the financial statements of the Group.

(a) Basis of consolidation – acquisition 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 24 to the financial statements.

Consistent accounting policies are used to prepare and present the consolidated financial statements. All significant inter-company transactions and balances are eliminated in full on consolidation.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Income and expenses for each subsidiary whose functional currency is not New Zealand dollars are translated at exchange rates that approximate the rates at the actual dates of the transactions. Assets and liabilities of such subsidiaries are translated at exchange rates 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

The Group recognises revenue and income from the following major sources.

- Care fees
- Management fees
- Interest received.

Revenue and income are recognised as follows.

Care fees

Care facility and retirement-village service fees are linked to providing service on a specific day (service date). Revenue from care and retirement-village service fees are recognised on completion of the service date.

Management fees

Residents of the Group's independent-living units and serviced apartments pay a management fee for the right to share in the use of the village centre and other common facilities. The management fee is calculated as a percentage of the occupation-right agreement amount. The fee accrues monthly, for a set period, based on the terms of individual contracts.

Management fees are recognised on a straight-line basis over the period of service.

The period is determined as being the greater of the expected period of tenure, or the contractual right to management fees.

The expected periods of tenure, based on historical experience across our villages, are estimated to be 7 years for independent units and 3 to 4 years for serviced units. The estimated expected periods of tenure are unchanged from last year.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

The timing of when management fees are recognised is an accounting estimate. Historical experience across all villages is used in determining periods of tenure.

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 (assets that take a substantial period of time to get ready for their intended use) are added to the cost of those assets until 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) Property, plant and equipment

Property, plant and equipment comprises completed care facilities, corporate assets and land (including long-term leases of land), and care facilities under development.

All property, plant and equipment is initially recorded at cost. Typically, these costs include the cost of land, materials, wages, and interest incurred during the period required to complete and prepare the asset for its intended use.

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

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

Any revaluation surplus is recorded in other comprehensive income and 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 this 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 which case the revaluation deficit is recorded in other comprehensive income.

In addition, any accumulated depreciation at the 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.

On 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 on 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.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

(e) Depreciation

Depreciation is provided on all property, plant and equipment, other than freehold land, at straight-line (SL) rates calculated to allocate the asset's cost or valuation, less estimated residual value, over their estimated useful lives, starting from the time the assets are ready for use, as follows.

- | | |
|--------------------------|-----------|
| • Buildings | 2% SL |
| • Plant and equipment | 10–20% SL |
| • Furniture and fittings | 20% SL |
| • Motor vehicles | 20% SL |

The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

No depreciation is provided for investment properties.

Right-of-use assets relating to leases are depreciated on a straight-line basis over the term of the lease.

(f) Investment properties

Investment properties include land and buildings (including long-term leases of land), 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 the Directors having taken into consideration the valuation report produced by the independent registered valuer and the requirement of NZ IFRS 13 - *Fair Value Measurement* to assume that market participants act in their economic best interest. Any change in fair value is taken to the income statement. The fair value is determined using discounted cash-flow methodology.

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

(g) Intangible assets

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

An internally generated intangible software asset arising from development (or from the development phase of an internal project) is only recognised if all the following criteria have been demonstrated.

- It is technically feasible to complete the intangible asset so that it is available for use or sale.
- The Group intends to complete the intangible asset and use or sell it.
- The intangible asset can be used or sold.
- Probable future economic benefits of the intangible asset can be generated.
- Adequate technical, financial, and other resources are available to complete the development and use or sell the intangible asset.
- The expenditure attributable to the intangible asset can be measured during its development.

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

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

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

Internally generated intangible assets are amortised using the straight-line method at a rate of 10 percent from the point at which the asset is ready for use. Amortisation is recognised in profit or loss.

(h) Impairment of assets

At each interim and annual balance-sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss.

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. The Group uses 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 immediately recognised as an expense, unless the asset is carried at fair value. In this 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. However, this is 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 immediately recognised as income, unless the asset is carried at fair value. In this case, the reversal of the impairment loss is treated as a revaluation increase.

(i) Leases

Group as a lessee

Apart from short-term or low-value assets, leases are included on the balance sheet through the recognition of right-of-use assets and associated lease liabilities. Right-of-use assets related to buildings and plant and equipment are presented within property, plant and equipment. Long-term leases of land are recognised within property, plant and equipment and investment property.

At inception of the lease a lease liability is calculated based on the present value of the remaining cash flows, discounted using the Group's incremental borrowing rate. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications. The right-of-use asset is initially measured at the value of the initial lease liability, and subsequently measured at cost less accumulated depreciation, adjusted for any remeasurement of the lease liability.

Where a lease contract contains both lease and non-lease components (for example, tower cranes), the Group does not separate non-lease components from lease components, and instead accounts for the whole contract as a lease.

The Group calculates its incremental borrowing rate with reference to the external borrowing facilities available to the Group. The incremental borrowing rate is used to measure lease liabilities.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

Depreciation and finance costs associated with right-of-use assets and lease liabilities associated with equipment used in the construction of assets are capitalised as a cost of constructing the asset.

The lease payment for short-term leases and leases of low-value assets is recognised in the profit and loss over the lease term.

Group as a lessor

The Group acts as a lessor under occupation right agreements with village residents. The assets leased by the Group as a lessor are classified as investment properties and are accounted for in line with accounting policy (f). Lease income on occupation right agreements is generated in the form of deferred management fees and is accounted for in line with accounting policy (b).

(j) 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.

(k) 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 readily convertible to a known amount of cash and 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.

Financial assets at amortised costs

Trade receivables are held to collect contractual cash flows. The cash flows are the payment of principal and interest.

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.

The allowance recognised is the lifetime expected credit losses based on an assessment of each individual debtor. It is estimated based on the Group's historical credit loss experience and general economic conditions. Expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of the debtor.

Trade receivables are written off when there is no realistic chance of recovery.

Occupancy advances

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

Amounts payable under occupation agreements (occupancy advances) are non-interest bearing and recorded as a liability in the balance sheet, net of management fees and resident loans receivable. The resident-occupancy advance is initially recognised at fair value and later at amortised cost.

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As the resident may terminate their occupancy with limited notice, and the occupancy advance is non-interest bearing, the occupancy advance has demand features and so is carried at face value, which is the original advance received.

The advance, net of management fee, is repayable following both the termination of the occupation agreement and the settlement of a new occupancy advance for the same retirement-village unit.

Refundable accommodation deposits

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

Amounts payable under refundable accommodation deposits are non-interest bearing and recorded as a liability in the balance sheet.

As the resident may terminate their occupancy with limited notice, and the refundable accommodation deposit is non-interest bearing, the refundable accommodation deposit has demand features and so is carried at face value, which is the original deposit received.

The deposit is repayable following the termination of the right to occupy.

Trade and other payables

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

Interest-bearing loans and borrowings

Bank loans and borrowings are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, loans and borrowings are measured at amortised cost. Any differences between the initial amount recognised and the redemption value is recognised in profit and loss using the effective interest-rate method.

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 is assumed to approximate their fair values.

Hedge accounting

The Group designates certain derivatives as hedging instruments. At the start of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item. Risk management objectives and strategies for undertaking hedge transactions are documented. The Group also documents at the start and on an ongoing basis whether the hedging instrument is expected to be effective. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting.

Derivative financial instruments

The Group uses derivative financial instruments to manage cash flow, interest rate and foreign currency risk.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

Interest-rate swaps and cross-currency interest-rate swaps (CCIRS) are initially recognised at fair value on the date a contract is entered into and remeasured to their fair value at each reporting date.

When Group's swap arrangements meet the requirements of cash flow hedge accounting, changes in the fair value of the 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.

When Group's swap arrangements meet the requirements of fair value hedge accounting, changes in the fair value of the swaps are taken directly to the income statement for the year, to offset the change in fair value of the hedged item also recorded in the income statement.

Changes in the fair value of the cost to convert foreign currency to New Zealand dollars (NZD) of cross-currency interest-rate swaps are separately accounted for as a cost of hedging and recognised within a new reserve within equity (cost of hedging reserve).

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 in two ways. Gains or losses relating to the effective portion of the hedge are recognised in other comprehensive income. Any gains or losses relating to the ineffective portion of the hedge are recognised in profit or loss.

(l) Employee entitlements

A liability for benefits accruing to employees for wages and salaries, annual leave, and long-service leave is accrued and recognised in the balance sheet when it is probable that settlement will be required, and the liabilities 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.

(m) 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 when it relates to items recognised in other comprehensive income or directly in equity. In this 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 for previous years. Current tax for current and prior periods is recognised as a liability (or asset) if it is unpaid (or refundable).

Deferred tax

Deferred tax is provided using the comprehensive balance-sheet liability method. This method provides for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation. Deferred tax is not provided for on:

- non-depreciating assets (land) included within property, plant and equipment, and investment properties; and
- temporary differences arising from the initial recognition of assets or liabilities that affects neither accounting profit nor taxable profit, and does not give rise to equal taxable and deductible temporary differences.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

The amount of deferred tax provided is based on the way the carrying amount of assets and liabilities are expected to be realised and settled. The tax rates used are those expected to apply in the period of settlement, based on tax rates enacted or substantively enacted.

A deferred tax asset is recognised only when it is probable that future taxable profits will be available, and against which the asset can be used. Deferred tax assets are reduced if 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.

(n) Treasury stock

Shares purchased on market under the leadership 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 later at amortised cost.

Any loss on disposal by the Company (for example, when the employee elects not to take full responsibility for the loan or leaves before the end of the 3-year restrictive period) accrues to the Company and is taken directly against equity.

(o) GST

Revenues, expenses, assets, and liabilities are recognised net of the amount of Goods and Services Tax (GST) except when:

- the GST incurred on a purchase of goods and services is not recoverable from the taxation authority
- receivables and payables are stated with the amount of GST included.

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

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

(p) Statement of cash flows

The statement of cash flows is prepared exclusive of GST. This is consistent with the method used in the income statement.

Cash and cash equivalents comprise:

- cash on hand and demand deposits
- other short-term, highly liquid investments.

Short-term, highly liquid investments are investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These investments include all call borrowing such as bank overdrafts used by the Group as part of its 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.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

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) 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 relating to the following two items are recognised in other comprehensive income and accumulated in reserves.

- The effective portion of a hedge of a net investment in foreign operations
- Differences arising on translation of a foreign operation.

Non-monetary items that are measured at 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 at the date when the fair value was determined.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

I. Operating expenses

	2022	2021
	\$000	\$000
Employee costs (see below)	305,759	264,400
Property-related expenses	64,044	54,911
Other operating costs (see below)	96,435	75,995
Total operating expenses	466,238	395,306
Employee costs and other operating costs include:		
Post-employment benefits (KiwiSaver/Superannuation)	10,333	8,842
Auditor's remuneration to Deloitte Limited comprises:		
• Audit of financial statements	452	358
• Australia aged-care reporting	8	7
Directors' fees (note 19)	1,365	1,094
Donations [^]	517	433

[^] No donations have been made to any political party (2021: \$Nil).

RYMAN HEALTHCARE LIMITED

Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

2. Depreciation and amortisation expense

	2022	2021
	\$000	\$000
Depreciation (note 6)		
• Buildings	9,166	8,353
• Plant and equipment	12,849	10,598
• Furniture and fittings	4,475	4,391
• Motor vehicles	1,440	1,413
• Right-of-use assets	2,662	2,476
	30,592	27,231
Amortisation (note 8)		
• Software	5,106	5,137
	5,106	5,137
Total	35,698	32,368

3. Finance costs

	2022	2021
	\$000	\$000
Total interest paid on loans and borrowings (including related fees)	59,945	50,816
Release of cash-flow hedge reserve (note 16)	20,523	5,354
Amount of interest capitalised (note 6 and note 8)	(50,006)	(37,179)
Net interest expense on borrowings	30,462	18,991
Interest on lease liabilities (note 13)	202	374
Total finance costs	30,664	19,365

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

4. Income tax

(a) Income tax recognised in income statement

	2022 \$000	2021 \$000
Tax expense comprises:		
Current tax expense	-	-
Deferred tax expense/(credit)	29,209	(12,561)
Total income tax expense/(credit)	29,209	(12,561)

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

	2022 \$000	2022 %	2021 \$000	2021 %
Profit before income tax expense	722,082		410,500	
Income tax expense calculated at 28%	202,183	28.0%	114,940	28.0%
Tax effect of:				
Non-taxable income	(208,894)	(28.9)%	(116,717)	(28.4)%
Property temporary differences	69,597	9.3%	15,502	3.8%
Tax losses recognised	(59,636)	(8.0)%	(45,122)	(11.0)%
Other	25,959	3.5%	18,836	4.6%
Total tax expense/(credit)	29,209	3.9%	(12,561)	(3.0)%

The tax rate used in the above reconciliation is the corporate tax rate of 28 percent (2021: 28 percent) payable by New Zealand corporate entities on taxable profits under New Zealand tax law. The corporate tax rate in Australia is 30 percent (2021: 30 percent).

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

During the period, the Group revised its approach for calculating deferred tax on investment properties and its estimate of the useful life of buildings included within investment properties and property, plant and equipment. As a result of this change in accounting estimate, the Group recognised an additional deferred tax expense and deferred tax liability of \$45.3 million.

Total Group tax losses available in New Zealand and Australia amounted to \$567.6 million (2021: \$410.7 million) and AUD\$156.0 million (2021: AUD\$105.8 million), respectively. Recognition of the deferred tax asset is based on expected taxable earnings in future periods. There are no unrecognised tax losses in New Zealand (2021: \$Nil) and Australia (2021: AUD\$Nil).

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

4. Income tax (continued)

(b) Deferred tax asset/liability

	Opening balance \$000	Recognised in income \$000	Recognised in equity \$000	Closing balance \$000
2022				
Property, plant and equipment	(43,226)	(16,706)	(26)	(59,958)
Investment properties	(15,563)	(52,891)	455	(67,999)
Deferred management fee	(68,892)	(20,619)	(30)	(89,541)
Derivative financial instruments	3,640	-	(11,315)	(7,675)
Other	6,952	1,371	-	8,323
Tax loss carry-forwards recognised	149,545	59,636	245	209,426
Total deferred tax asset/(liability)	32,456	(29,209)	(10,671)	(7,424)
	Opening balance \$000	Recognised in income \$000	Recognised in equity \$000	Closing balance \$000
2021				
Property, plant and equipment	(34,894)	(8,292)	(40)	(43,226)
Investment properties	(7,845)	(7,210)	(508)	(15,563)
Deferred management fee	(49,623)	(18,868)	(401)	(68,892)
Derivative financial instruments	6,667	-	(3,027)	3,640
Other	5,132	1,809	11	6,952
Tax loss carry-forwards recognised	103,018	45,122	1,405	149,545
Total deferred tax asset/(liability)	22,455	12,561	(2,560)	32,456

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.

The net deferred tax liability of \$7.4 million as at 31 March 2022 is reflected in the statement of financial position as deferred tax asset of \$35.1 million and deferred tax liability of \$42.5 million. The deferred tax asset relates to the Australian subsidiaries and the deferred tax liability relates to the New Zealand group companies.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

4. Income tax (continued)

(c) Imputation credit memorandum account

	2022	2021
	\$000	\$000
Closing balance	874	94
Imputation credits available directly and indirectly to shareholders of the parent company, through:		
• parent company	870	-
• subsidiaries	4	94
Closing balance	874	94

5. Trade and other receivables

	2022	2021
	\$000	\$000
Trade debtors	654,769	498,695
Other receivables	16,694	44,103
Total trade and other receivables	671,463	542,798

Debtors are non-interest bearing, although the Group has the right to charge interest on overdue settlements of occupancy advances or overdue care fees. Debtors principally comprise amounts due for occupancy advances and care fees.

Occupancy advances are payable by residents on occupation of a retirement-village unit. The receivable for the occupancy advance is recognised when a legally binding contract with the resident is in place. At the same time as recognising the occupancy advance receivable the Group recognises the corresponding occupancy advance liability.

Care fees are received from residents (payable 4-weekly in advance) and various government agencies. Government-agency payment terms vary but are typically paid fortnightly in arrears for care services provided to residents.

There is no significant concentration of credit risk as trade debtors are either individual residents or government agencies. No changes have been made in the techniques or significant assumptions used in determining expected credit losses during the reporting period.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

6. Property, plant and equipment

	Freehold land at valuation \$000	Buildings at valuation \$000	Property under development at cost \$000	Plant and equipment at cost \$000	Furniture and fittings at cost \$000	Motor vehicles at cost \$000	Right-of- use assets \$000	Total \$000
2022								
Gross carrying amount								
Balance at 1 April 2021	540,259	415,577	599,746	126,581	56,345	14,954	28,284	1,781,746
Additions	1,047	6,251	435,349	13,582	1,752	1,861	8,193	468,035
Net foreign-currency exchange difference	(938)	(390)	(2,445)	(56)	(45)	(15)	(50)	(3,939)
Transfer from property under development	24,950	81,472	(115,117)	4,353	4,342	-	-	-
Transfer (to)/from investment property	-	-	4,816	-	-	-	-	4,816
Disposals	-	-	-	-	-	-	-	-
Balance at 31 March 2022	565,318	502,910	922,349	144,460	62,394	16,800	36,427	2,250,658
Accumulated depreciation								
Balance at 1 April 2021	-	(1,079)	-	(50,080)	(47,626)	(9,714)	(14,664)	(123,163)
Depreciation	-	(9,166)	-	(12,849)	(4,475)	(1,440)	(2,662)	(30,592)
Depreciation capitalised to property under development	-	-	-	-	-	-	(5,902)	(5,902)
Balance at 31 March 2022	-	(10,245)	-	(62,929)	(52,101)	(11,154)	(23,228)	(159,657)
Total book value	565,318	492,665	922,349	81,531	10,293	5,646	13,199	2,091,001
	Freehold land at valuation \$000	Buildings at valuation \$000	Property under development at cost \$000	Plant and equipment at cost \$000	Furniture and fittings at cost \$000	Motor vehicles at cost \$000	Right-of- use assets \$000	Total \$000
2021								
Gross carrying amount								
Balance at 1 April 2020	328,972	391,336	584,810	100,852	52,038	13,849	20,601	1,492,458
Additions	149	7,906	117,091	22,961	1,232	1,058	7,411	157,808
Net foreign-currency exchange difference	2,611	2,275	16,705	190	146	47	272	22,246
Transfer from property under development	12,734	31,118	(49,359)	2,578	2,929	-	-	-
Transfer (to)/from investment property	-	-	(31,429)	-	-	-	-	(31,429)
Disposals	-	-	(38,072)	-	-	-	-	(38,072)
Revaluation	195,793	(17,058)	-	-	-	-	-	178,735
Balance at 31 March 2021	540,259	415,577	599,746	126,581	56,345	14,954	28,284	1,781,746
Accumulated depreciation								
Balance at 1 April 2020	-	(9,784)	-	(39,482)	(43,235)	(8,301)	(5,584)	(106,386)
Depreciation	-	(8,353)	-	(10,598)	(4,391)	(1,413)	(2,476)	(27,231)
Depreciation capitalised to property under development	-	-	-	-	-	-	(6,604)	(6,604)
Revaluation	-	17,058	-	-	-	-	-	17,058
Balance at 31 March 2021	-	(1,079)	-	(50,080)	(47,626)	(9,714)	(14,664)	(123,163)
Total book value	540,259	414,498	599,746	76,501	8,719	5,240	13,620	1,658,583

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

6. Property, plant and equipment (continued)

All completed resthomes and hospitals included within the definition of freehold land and buildings were revalued to fair value based on an independent valuation report prepared by registered valuers, CBRE Limited, at 31 March 2021, in line with NZ IFRS 13 – *Fair Value Measurement*. These revaluations are undertaken every 2 years, unless there is sustained market evidence of a significant change in fair value.

The valuers used multiple valuation techniques to estimate and determine fair value. The valuer made key assumptions that include capitalisation of earnings (using capitalisation rates ranging from 11.0 percent to 15.0 percent), together with observed transactional evidence of the market value per care bed (ranging from \$70,000 to \$230,000 per care bed).

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 line with NZ IFRS 13 – *Fair Value Measurement*.

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.

As the valuer uses several valuation techniques, a significant decrease in the capitalisation rate could but may not necessarily result in a significantly higher fair-value measurement. Conversely, a significant increase in the capitalisation rate could but may not necessarily result in a significantly lower fair-value measurement.

A significant increase in the market value per care bed could but may not necessarily result in a significantly higher fair-value measurement. Conversely, a significant decrease in the market value per care bed could but may not necessarily result in a significantly lower fair-value measurement.

Property under development includes land held pending the development of a retirement village amounting to \$636.4 million (2021: \$343.4 million) and is valued at cost.

Interest for the Group of \$49.0 million (2021: \$36.4 million) has been capitalised during the period of construction in the current year. The weighted-average capitalisation rate on funds borrowed is 3.45 percent per annum (2021: 2.72 percent per annum).

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

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

	Freehold land \$000	Buildings \$000	Total \$000
Carrying amount (at cost)			
Carrying amount at 31 March 2022	128,789	491,357	620,146
Carrying amount (at cost)			
Carrying amount at 31 March 2021	103,730	414,268	517,998

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

6. Property, plant and equipment (continued)

The completed resthomes and hospitals were last valued at 31 March 2021. The Group has considered the fair value of these assets and determined that there is no indication that the carrying value of the assets is materially different from fair value at 31 March 2022. In reaching this conclusion, the Group has considered capitalisation rates, market evidence of comparable sales, market demand, occupancy and earnings per bed.

Right-of-use assets

Included within property, plant and equipment are the right-of-use assets relating to leases.

	Buildings \$000	Plant and equipment \$000	Total \$000
Balance at 1 April 2021	10,521	3,099	13,620
Additions	658	7,535	8,193
Net foreign-currency exchange difference	(50)	-	(50)
Depreciation	(2,662)	-	(2,662)
Depreciation capitalised to property under development	(158)	(5,744)	(5,902)
Balance at 31 March 2022	8,309	4,890	13,199

Disposal of land

No land was disposed of in 2022. During 2021, the Group sold the land in Coburg, Melbourne. The sale led to a loss on disposal of \$15.1 million, which was recognised in the income statement.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

7. Investment properties

	2022 \$000	2021 \$000
At fair value		
Balance at beginning of financial year	6,837,278	5,760,060
Additions	452,068	624,926
Fair-value movement:		
<i>Realised fair-value movement:</i>		
• new retirement-village units	110,681	108,377
• existing retirement-village units	168,071	107,317
	278,752	215,694
<i>Unrealised fair-value movement</i>	467,133	201,153
	745,885	416,847
Net foreign-currency exchange differences	(7,964)	35,445
Net movement for the year	1,189,989	1,077,218
Balance at end of financial year	8,027,267	6,837,278

The realised fair-value movement arises from the sale and resale of rights to occupy 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 line with NZ IFRS 13 – *Fair Value Measurement*. NZ IFRS 13 requires that the inputs are consistent with the characteristics of the asset that a market participant would take into account in a transaction for the asset.

The carrying value of completed investment property is the fair value as determined by the Directors having taken into consideration the valuation report produced by the independent registered valuer, CBRE Limited, at 31 March 2022. This report combines discounted future cash flows and occupancy advances received from residents for retirement-village units that are complete, or nearing completion, for which there is an agreement to occupy. From time-to-time the Directors obtain additional independent valuations for consideration in their determination of investment property carrying value.

Key assumptions used in determining the fair value and the sensitivity of the valuation to these assumptions are detailed below.

The carrying amount of completed investment properties as determined by the Directors is based on the independent valuers report and also includes occupancy advances received from residents, adjusted for accrued deferred management fees and revenue in advance.

Total investment property carrying value included in the balance sheet also includes, at cost, investment property work in progress and retirement-village units that are complete or nearing completion for which there is no agreement to occupy in place.

7. Investment properties (continued)

Key assumptions

The valuer used significant assumptions that include growth rate (ranging from 0.50 percent to 4.24 percent nominal) (2021: 0.50 percent to 4.20 percent) and discount rate (ranging from 12.00 percent to 16.00 percent) (2021: 12.00 percent to 16.50 percent).

Sensitivity

A 0.5 percent decrease in the 5-year plus growth rate would result in a \$194.7 million lower fair-value measurement. Conversely, a 0.5 percent increase in the 5-year plus growth rate would result in a \$214.9 million higher fair-value measurement.

A 0.5 percent decrease in the discount rate would result in a \$125.7 million higher fair-value measurement. Conversely, a 0.5 percent increase in the discount rate would result in a \$115.8 million lower fair-value measurement.

Other inputs used in the fair-value measurement of the Group's investment property portfolio include the average age of residents and the occupancy period. A significant increase in the average age of entry of residents or a decrease in the occupancy period would result in a significantly higher fair-value measurement. Conversely, a significant decrease in the average age of entry of residents or increase in the occupancy period would result in a significantly lower fair-value measurement.

Work in progress

Investment property includes investment property work in progress of \$494.7 million (2021: \$653.0 million), which has been valued at cost. The Directors have determined that for work in progress cost represents fair value. No independent valuation of investment property work in progress is obtained.

Operating expenses

Direct operating expenses arising from investment property that generated income from management fees during the period amounted to \$13.1 million (2021: \$7.9 million). All investment property generated income from management fees during the period for the Group, except for investment property work in progress.

Security

Residents make interest-free advances (occupancy advances) to the retirement villages in exchange for the right to occupy 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.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

8. Intangible assets

	2022	2021
	\$000	\$000
Gross carrying amount		
Opening balance	55,318	45,856
Additions	14,346	9,462
Closing balance	69,664	55,318
Accumulated amortisation		
Opening balance	(12,874)	(7,737)
Amortisation (note 2)	(5,106)	(5,137)
Closing balance	(17,980)	(12,874)
Total book value	51,684	42,444

All intangible assets relate solely to internally generated software.

Interest for the Group of \$1.0 million (2021: \$0.8 million) has been capitalised to intangible assets during the current year. The weighted-average capitalisation rate on funds borrowed is 3.45 percent per annum (2021: 2.72 percent per annum).

9. Cash and cash equivalents

The Group has an arrangement with ANZ that on a nightly basis a sweep is performed across all transactional bank accounts. This consolidates all transactional bank accounts into a single account.

There is a right to offset cash balances against bank debt documented in the Group's facility agreement.

The Group has access to an overdraft facility. 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 (note 12). Interest would be payable at the 3-month BKBM rate, plus a specified margin. The interest rate on all overdraft facilities at 31 March 2022 was 9.65 percent (2021: 8.90 percent).

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

10. Trade and other payables

	2022	2021
	\$000	\$000
Trade payables	78,946	72,366
Other payables	185,308	33,706
Total trade and other payables	264,254	106,072

Trade payables are typically paid within 30 days of the invoice date or on the 20th of the month following the invoice date. Other payables at 31 March 2022 includes \$174.4 million for the purchase of land (2021: \$26.0 million).

11. Employee entitlements

	2022	2021
	\$000	\$000
Holiday-pay accrual and other benefits	39,812	32,034

12. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings include secured bank loans, institutional term loan, unsubordinated fixed-rate retail bonds and USPP notes.

		2022	2021
		\$000	\$000
Bank loans	12a	1,780,619	1,728,018
Institutional term loan (ITL)	12b	269,658	-
Retail bonds – RYM010	12c	150,000	150,000
USPP notes - using contracted fixed USD FX rate	12d	416,557	416,874
		2,616,834	2,294,892
FX movement of USD USPP notes	12d	14,615	11,862
Total loans and borrowings at face value		2,631,449	2,306,754
Issue costs for the ITL capitalised	12b	(876)	-
Issue costs for the retail bond capitalised	12c	(2,605)	(3,139)
Issue costs for the USPP capitalised	12d	(2,170)	(2,049)
Total loans and borrowings at amortised cost		2,625,798	2,301,566
Revaluation of ITL debt in fair-value hedge relationship	12b	(5,690)	-
Revaluation of USPP debt in fair-value hedge relationship	12d	(43,371)	(27,473)
Total loans and borrowings		2,576,737	2,274,093

RYMAN HEALTHCARE LIMITED

Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

12. Interest-bearing loans and borrowings (continued)

(a) Bank loans (secured)

	2022	2021
	\$000	\$000
Bank loans (secured) – NZD	1,274,740	1,162,000
Bank loans (secured) – AUD in NZD	505,879	566,018
Total bank loans (secured)	1,780,619	1,728,018
Less cash and cash equivalents (note 9)	(28,309)	(20,171)
Net bank loans	1,752,310	1,707,847
Less than 1 year	-	25,000
Within 1–5 years	1,780,619	1,703,018
Total bank loans (secured)	1,780,619	1,728,018
Average interest rates for bank loans – NZD	3.94%	2.71%
Average interest rates for bank loans – AUD	2.37%	1.86%

The bank loan facilities have varying maturity dates through to May 2027 (2021: April 2025). The average interest rates disclosed above exclude the impact of interest-rate swap agreements described in note 20.

(b) Institutional Term Loan (secured)

	2022	2021
	\$000	\$000
Institutional Term Loan	269,658	-
Total ITL at face value	269,658	-
Issue costs for the ITL capitalised		
Opening balance	-	-
Capitalised during the year	(1,000)	-
Amortised during the year	124	-
	(876)	-
Total ITL at amortised cost	268,782	-
Revaluation of debt in fair-value hedge relationship	(5,690)	-
Total Institutional Term Loan	263,092	-

During the year, the Group entered into an AUD\$250.0 million 7-year institutional term loan which matures in May 2028. The average interest rate for the loan is 3.84 percent.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

12. Interest-bearing loans and borrowings (continued)

(c) Retail bonds (secured)

	2022 \$000	2021 \$000
Retail bond – RYM010	150,000	150,000
Total retail bonds at face value	150,000	150,000
Issue costs for the retail bond capitalised		
Opening balance	(3,139)	-
Capitalised during the year	(22)	(3,297)
Amortised during the year	556	158
	(2,605)	(3,139)
Total retail bonds at amortised cost	147,395	146,861

The Group issued a retail bond for \$150.0 million in December 2020. The retail bond has a maturity date of 18 December 2026 and is listed on the NZX Debt Market (NZDX) with the ID RYM010.

The coupon rate for the retail bond is 2.55 percent.

Retail bond issue expenses, fees and other costs incurred in arranging retail bond finance are capitalised and amortised over the term of the relevant debt instrument.

(d) USPP notes

	2022 \$000	2021 \$000
USPP notes	416,557	416,874
FX movement of USD USPP notes	14,615	11,862
Total USPP notes at face value	431,172	428,736
Issue costs for the USPP notes capitalised		
Opening balance	(2,049)	-
Capitalised during the year	(300)	(2,070)
Amortised during the year	179	21
	(2,170)	(2,049)
Total USPP notes at amortised cost	429,002	426,687
Revaluation of debt in fair-value hedge relationship	(43,371)	(27,473)
Total USPP notes	385,631	399,214

On 17 February 2021 the Group completed a United States Private Placement (USPP) note issuance, securing USD\$300 million of long-term debt. In conjunction with the USPP issuance, the Group entered into cross-currency interest-rate swaps to formally hedge the exposure to foreign-currency risk over the term of the notes. The USPP amount received in AUD (equivalent of USD\$25 million) is not hedged, the remaining USD\$275m is hedged with a contracted USD FX rate of 0.7202.

This debt is carried at amortised cost and translated to New Zealand dollars using foreign exchange rates at balance date.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

12. Interest-bearing loans and borrowings (continued)

USPP note expenses, fees and other costs incurred in arranging USPP finance are capitalised and amortised over the term of the relevant debt instrument.

Security

The bank loans, institutional term loan, retail bonds and USPP notes 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 – note 7).

The subsidiary companies listed at note 24 have all provided guarantees for the Group's secured loans as parties to the general security agreement.

Contractual cash outflows are disclosed in note 20.

13. Lease liabilities

(a) Group as a lessee

The Group leases office buildings, sales offices, office equipment (such as photocopiers), and plant and equipment used in the construction of retirement-village units and aged-care beds.

The right-of-use assets relating to these leases are included within property, plant and equipment (note 6).

Amounts recognised in profit and loss

	2022 \$000	2021 \$000
Depreciation of right-of-use assets (note 6)	2,662	2,476
Interest expense on lease liabilities (note 3)	202	374
Expenses relating to short-term or low-value leases	925	1,212

Maturity profile for lease liabilities

The maturity profile for lease liabilities and how the Group manages liquidity risk is included in note 20 – financial instruments.

The Group has lease contracts that include extension options. These options, which have been included to provide operational flexibility, are exercisable only by the Group and not the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group estimates that the potential future lease payments, should it exercise all the extension options, would result in an increase in lease liability of \$12.0 million (2021: \$8.9 million).

At 31 March 2022 the Group is committed to \$8.0 million for short-term leases (including short-term construction equipment leases) (2021: \$5.7 million).

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

13. Lease liabilities (continued)

(b) Group as a lessor

The Group acts as a lessor under occupation right agreements with village residents. The assets leased by the Group as a lessor are disclosed as investment property and lease income on occupation right agreements is generated in the form of deferred management fees. The lease term is determined to be the greater of the expected period of tenure or the contractual right to management fees. The Group uses the portfolio approach to account for leases of units to village residents and allocates individual leases to different portfolios depending on the type of unit. The Group does not have any sub-leases.

14. Occupancy advances (non-interest bearing)

	2022	2021
	\$000	\$000
Gross occupancy advances (see below)	4,864,713	4,205,105
Less management fees and resident loans	(578,254)	(502,890)
Closing balance	4,286,459	3,702,215

Movement in gross occupancy advances

	2022	2021
	\$000	\$000
Opening balance	4,205,105	3,686,813
Plus net increases in occupancy advances:		
• new retirement-village units	455,855	395,094
• existing retirement-village units.	168,072	107,317
Net foreign-currency exchange differences	(4,640)	21,807
Increase/(decrease) in occupancy advance balances	40,321	(5,926)
Closing balance	4,864,713	4,205,105

Gross occupancy advances are non-interest bearing and occupancy advances are not discounted. The fair value of net occupancy advances is \$2,667 million using the relevant discount rate for each village.

The change in occupancy advance balances shows the net movement in occupancy advance that has resulted from:

- units that have been re-sold but the previous resident has yet to be repaid; and
- units that have been repaid but the unit remains unsold at balance date.

15. Share capital

Issued and paid-up capital consists of 500,000,000 fully paid ordinary shares (2021: 500,000,000) less treasury stock of 2,741,246 shares (2021: 2,655,017 shares) (note 26). All shares rank equally in all respects.

Basic and diluted earnings and net tangible assets per share have been calculated on the basis of 500,000,000 ordinary shares (2021: 500,000,000 shares).

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

15. Share capital (continued)

Shares purchased on market under the leadership share scheme (note 26) are treated as treasury stock (note 16) until vesting to the employee.

Basic and diluted earnings per share (EPS)

	<u>2022</u>	<u>2021</u>
Profit for the year (\$'000)	692,873	423,061
Weighted average number of shares (in '000)	500,000	500,000
Basic and diluted EPS (cents per share)	138.6	84.6

Net tangible asset (NTA) per share

	<u>2022</u>	<u>2021</u>
NTA (\$'000)	3,382,836	2,786,772
Ordinary shares at the end of period ('000)	500,000	500,000
Basic and diluted NTA per share (cents per share)	676.6	557.4

NTA is calculated as total assets less intangible assets and less total liabilities.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

16. Reserves

		2022 \$000	2021 \$000
Reserves			
Asset revaluation reserve	16a	453,568	453,568
Cash-flow hedge reserve	16b	15,491	(12,062)
Cost of hedging reserve	16c	3,652	2,702
Foreign-currency translation reserve	16d	500	1,787
Treasury stock	16e, 26	(38,174)	(35,389)
		435,037	410,606
(a) Asset revaluation reserve			
Opening balance		453,568	257,775
Revaluation		-	195,793
Closing balance		453,568	453,568
(b) Cash-flow hedge reserve			
Opening balance		(12,062)	(17,143)
Valuation of interest-rate swap		31,894	1,116
Valuation of cross-currency interest-rate swap		(14,007)	587
Released to income statement		20,523	5,354
Deferred tax movement on cash-flow hedge reserve		(10,857)	(1,976)
Closing balance		15,491	(12,062)
(c) Cost of hedging reserve			
Opening balance		2,702	-
Valuation of cross-currency interest-rate swap		1,319	3,753
Released to income statement		-	-
Deferred tax movement on cost of hedging reserve		(369)	(1,051)
Closing balance		3,652	2,702
(d) Foreign-currency translation reserve			
Opening balance		1,787	(10,345)
Gain/(Loss) on hedge of foreign-owned subsidiary net assets		690	(4,414)
(Loss)/Gain on translation of foreign operations		(1,977)	16,546
Closing balance		500	1,787
(e) Treasury stock (note 26)			
Opening balance		(35,389)	(32,359)
Acquisitions		(15,625)	(13,425)
Vesting/forfeiture of shares		12,840	10,395
Closing balance		(38,174)	(35,389)
(f) Retained earnings			
Opening balance		2,385,320	2,069,759
Net profit attributable to shareholders		692,873	423,061
Dividends paid		(112,000)	(107,500)
Closing balance		2,966,193	2,385,320

The cost of hedging reserve captures changes in the fair value of the cost to convert foreign currency to NZD of the cross-currency interest-rate swaps on USPP debt.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

17. Dividends

	2022 Cents per share	2022 Total \$000	2021 Cents per share	2021 Total \$000
Recognised amounts				
Final dividend paid – prior year	13.60	68,000	12.70	63,500
Interim dividend paid – current year	8.80	44,000	8.80	44,000
		<u>112,000</u>		<u>107,500</u>
Unrecognised amounts				
Final dividend – current year	13.60	68,000	13.60	68,000
Full-year dividend – current year	22.40	112,000	22.40	112,000

18. 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 24.

Transactions with companies associated with directors

	2022 \$000	2021 \$000
Rental costs	1,721	1,654
Sub-contractor labour and equipment hire	19	690

Since August 2012 Ryman Healthcare Limited has leased office accommodation from the Airport Business Park Christchurch Limited (the Airport Business Park).

On 1 December 2019 Warren Bell became an independent director or trustee of the Airport Business Park's shareholders. He does not have any personal ownership interest.

The lease of the office accommodation is recognised as a right-of-use asset and associated lease liability. Rental costs detailed in the table above are the total cash payments made in the current financial year in respect of the lease agreement.

Anthony Leighs is Managing Director of Leighs Construction Limited, which has supplied sub-contractor labour and equipment hire to Ryman Healthcare Limited since December 2019. This arrangement ceased during 2021.

Jo Appleyard is a Partner at Chapman Tripp who provide the Group with legal services. George Savvides is a Director of Insurance Australia Group Limited (IAG) who provide, through their New Zealand subsidiary NZI, the Group with insurance coverage. Neither Director is involved in the quoting or provision of services to the Group.

Any transactions undertaken with these entities have been entered into on an arm's-length basis and in the ordinary course of business.

RYMAN HEALTHCARE LIMITED

Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

19. Key management personnel compensation

	2022 \$000	2021 \$000
Compensation		
Short-term employee benefits (senior executive team)	7,470	3,971
Directors' fees	1,365	1,094
Total key management personnel and directors' compensation	8,835	5,065

Key management personnel are the senior executive team of the Group and include the group chief executive and eight senior executive team members at 31 March 2022 (2021: group chief executive and six senior executive team members). The composition and number of senior executive team members fluctuated throughout the year.

Short-term employee benefits included in the 2022 financial year include payments to our former CEO who resigned in May 2021 after 15 years of services. This payment relates to both short term and medium terms incentives and his willingness to continue in the role until October 2021 while the board conducted a global search for the new CEO.

In addition, NZ IAS 24 - *Related Party Disclosures* requires directors' fees to be included within key management personnel compensation. All directors are non-executive and are not involved in the day-to-day operations of the Group (2021: all directors).

Directors' fees relate to the fees paid to nine directors that were in place for the full financial year (2021: eight directors).

Post-employment benefits (KiwiSaver/Superannuation) employer contributions included in short-term employee benefits (senior executive team) above are \$237,259 (2021: \$111,769 senior executive team).

In addition, the Company provides certain senior employees with limited recourse loans on an interest-free basis to support employees' participation in the leadership share scheme (note 26).

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

20. Financial instruments

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

Categories of financial instruments

	2022 \$000	2021 \$000
Financial assets		
Cash and cash equivalents (note 9)	28,309	20,171
Financial assets at amortised cost (loans and receivables)	686,878	553,939
Derivative instruments in designated hedge accounting relationships (interest rate swaps)	19,574	-
	734,761	574,110
Financial liabilities		
Amortised cost	7,327,233	6,196,046
Derivative instruments in designated hedge accounting relationships (interest rate swaps)	5,431	17,339
Derivative instruments in designated hedge accounting relationships (cross-currency interest rate swaps (CCIRS))	21,860	11,272
Lease liabilities	13,494	13,885
	7,368,018	6,238,542

(a) Credit risk management

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

Financial assets, which potentially subject the Group to credit risk, consist principally of cash and cash equivalents, trade and other receivables, advances to employees, and derivative financial instruments. The maximum credit risk at 31 March 2022 is the fair value of these assets.

Credit risk relating to cash and cash equivalents and derivative financial instruments is managed by restricting the amount of cash and marketable securities that can be placed with any one institution. The Group minimises its credit risk by spreading such exposures across a range of institutions with reference to the credit ratings of these institutions. 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 from trade and other receivables and advances to employees 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 4-weekly in advance when due from residents
- care fees not due from residents are paid by government agencies
- advances to employees are subject to the terms of the employee share schemes (note 26).

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

20. Financial instruments (continued)

The total credit risk to the Group from trade and other receivables and advances to employees at 31 March 2022 was \$686.9 million (2021: \$553.9 million) and there were no material overdue debtors at 31 March 2022 (2021: \$Nil). The composition of financial assets is shown in the table below.

	2022 \$000	2021 \$000
Trade and other receivables (note 5)	671,463	542,798
Advances to employees (note 26)	15,415	11,141
	686,878	553,939

(b) Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates impact the Group's financial performance, future cash flows or the fair value of its financial instruments.

The Group's interest rate risk arises from loans and borrowings. Loans and borrowings issued at variable interest rates expose the Group to changes in interest rates. Loans and borrowings issued at fixed rates expose the Group to changes in the fair value of the borrowings.

The Group's policy is to manage its interest rate exposure using a mix of fixed and variable rate debt and interest rate derivatives that are accounted for as cash flow hedges or fair value hedges.

The interest rate applicable to the bank overdraft is variable. The interest rates applicable to the bank loans are reviewed at each 3-monthly rollover. The Group always seeks to obtain the most competitive interest rate.

Cash flow and fair value hedges

Each hedge relationship is formalised in hedge documentation at inception. The Group uses Bancorp Treasury Services Limited (BTSL), as an independent valuer, to determine the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of respective cash flows, interest rates, tenors, repricing dates, maturities and notional amounts. BTSL then assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting the changes in cash flows of the hedged item.

RYMAN HEALTHCARE LIMITED

Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

20. Financial instruments (continued)

The details of the Group's hedging instruments are as follows. All hedging instruments are recorded under Derivative Financial Instrument in the statement of financial position.

2022	Currency	Interest rates	Maturity (years)	Notional amount of hedging instrument	Fair value or carrying amount of the hedging instrument: Asset / (Liability) NZD\$000	Change in value used for calculating hedge effectiveness NZD\$000
Cash flow hedges						
Interest rate swaps	NZD	2.066% - 2.825%	3-6	NZD\$402 million	14,730	14,730
Interest rate swaps	AUD	1.463% - 1.785%	2-5	AUD\$130 million	4,844	4,844
Fair value hedge						
Interest rate swaps	AUD	Floating	6	AUD\$54 million	(5,431)	(5,431)
Fair value and cash flow hedges						
Cross-currency interest rate swaps (CCIRS)	USD:NZD	Floating	9-14	USD\$275 million	(21,860)	(21,860)
					(7,717)	(7,717)
2021	Currency	Interest rates	Maturity (years)	Notional amount of hedging instrument	Fair value or carrying amount of the hedging instrument: Asset / (Liability) NZD\$000	Change in value used for calculating hedge effectiveness NZD\$000
Cash flow hedges						
Interest rate swaps	NZD	2.750% - 2.825%	5	NZD\$250 million	(17,339)	(17,339)
Fair value and cash flow hedges						
Cross-currency interest rate swaps (CCIRS)	USD:NZD	Floating	10-15	USD\$275 million	(11,272)	(11,272)
					(28,611)	(28,611)

The fair value of interest rate swaps is determined by discounting the future cash flows using the yield curves at the end of the reporting period and the credit risk inherent in the contract. The fair value of the CCIRS has been calculated using the discounted cash flow method, estimated using forward interest and foreign exchange rates (from observable yield curves and forward exchange rates).

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

20. Financial instruments (continued)

Interest rate swaps as cash flow hedges

The Group has entered into various interest rate swaps to provide an effective cash flow hedge against floating interest rate variability on a defined portion of core debt.

These interest rate swaps qualify for cash flow hedge accounting. Interest rate swaps are initially recognised at fair value on the date a contract is entered into and remeasured to their fair value at each reporting date. The effective portion of the change in the fair value of the swaps is recognised in other comprehensive income and accumulated as a separate component of equity. The ineffective portion is recognised in the income statement. 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.

The hedge ratio is 1:1. The face value of the interest rate swaps is the same value as the face value of the bank loans. As the critical terms of the interest rate swap contracts and the hedged item are the same, significant hedge ineffectiveness is not expected.

At 31 March 2022, the Group had several interest rate swaps in place with total notional principal amount of approximately NZD\$542 million, which is made up of NZD\$402 million and AUD\$130 million (2021: NZD\$250 million). These swaps cover terms of up to 7 years (2021: 5 years) and are effective for various periods. Some of these swaps will become effective at a future date.

	2022	2021
	\$000	\$000
Current	321,640	250,000
Forward starting	220,222	-
	541,862	250,000

These interest rate swaps effectively change the Group's interest rate exposure on the principal covered from a floating rate to an average fixed rate ranging between 2.094 percent and 2.335 percent (2021: 2.757 percent). The notional principal amounts covered by these swaps and the average contracted fixed interest rate for their remaining maturities are shown below.

	Average contracted fixed interest rate		Notional principal amount covered	
	2022	2021	2022	2021
	%	%	\$000	\$000
Within 1 year	2.228%	2.757%	461,862	250,000
1 - 2 years	2.231%	2.757%	481,862	250,000
2 - 3 years	2.231%	2.757%	481,862	200,000
3 - 4 years	2.335%	2.757%	450,504	150,000
4 - 5 years	2.094%	2.757%	275,504	150,000
5 - 6 years	2.200%	-	180,000	-

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

20. Financial instruments (continued)

Interest rate swap as a fair value hedge

During the year, the Group entered into an interest rate swap to mitigate its exposure to fair value changes arising from the fixed rate portion of the institutional term loan. The swap, which has a total notional principal amount of AUD\$53.85 million and a term of 7 years, effectively changes the Group's interest rate exposure on the principal covered from a fixed to floating rate. The Group has designated AUD\$53.85 million of its institutional term loan in a fair value hedge relationship.

Under a fair value hedge, the change in the fair value of the hedged risk is attributed to the carrying value of the underlying institutional term loan. This debt revaluation is recognised in the income statement to offset the mark-to-market revaluation of the hedging derivative.

Cross-currency interest rate swaps (CCIRS) as fair value and cash flow hedges

The Group manages its interest rate risk on USPP notes using CCIRS. The CCIRS transform a series of known fixed interest rate USD cash flows to floating rate NZD cash flows, mitigating exposure to fair value changes in USPP notes. The USPP amount received in AUD (equivalent of USD\$25 million) is not hedged.

The details of the CCIRS are as follows:

Swap participants	USD\$000	Currency	Maturity	Note coupon	2022	2021
					Fair value Asset / (Liability) \$000	Fair value Asset / (Liability) \$000
Bank of New Zealand	55,000	USD:NZD	18/02/2031	4.06%	(3,564)	(932)
MUFG	45,000	USD:NZD	18/02/2031	4.06%	(4,077)	(2,001)
Bank of New Zealand	60,000	USD:NZD	16/02/2033	4.16%	(4,447)	(2,152)
ANZ Bank New Zealand Ltd	40,000	USD:NZD	16/02/2033	4.16%	(3,309)	(1,877)
ANZ Bank New Zealand Ltd	75,000	USD:NZD	16/02/2036	4.26%	(6,463)	(4,310)
	275,000				(21,860)	(11,272)

For hedge accounting purposes, the CCIRS are aggregated and designated as both fair value hedges and cash flow hedges.

The hedge ratio is 1:1. The face value of the CCIRS is the same value as the face value of the USPP notes. The maturity of the USPP notes and associated CCIRS is matched. As the critical terms of the CCIRS contracts and the hedged item are the same, significant hedge ineffectiveness is not expected.

The hedge accounting treatment is as described for interest rate swaps above.

The cross-currency basis elements of the CCIRS are excluded from the designation and are separately recognised in other comprehensive income in a cost of hedging reserve (note 16).

RYMAN HEALTHCARE LIMITED

Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

20. Financial instruments (continued)

Interest rate sensitivity

The following table demonstrates the Group's sensitivity to a change in floating interest rates of plus/(minus) 50 basis points, with all other variables held constant, of the Group's profit and equity.

	2022 \$000	2021 \$000
Increase in interest rates of 50 basis points		
Effect on profit after taxation – increase/(decrease)	(2,503)	(2,671)
Effect on equity after taxation – increase/(decrease)	(9,337)	(13,526)
 Decrease in interest rates of 50 basis points		
Effect on profit after taxation – increase/(decrease)	2,449	2,543
Effect on equity after taxation – increase/(decrease)	9,861	14,202

Managing interest rate benchmark reform

In the prior year, the Group adopted Phase 1 of the International Accounting Standards Board's amendments for the benchmark reform. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for the affected hedges.

In the current year, the Group adopted Phase 2 of the amendments which became mandatory for adoption for reporting periods beginning on or after 1 January 2021.

The Group does not have any financial instruments which are directly affected by the interbank offered rates ("IBOR") reform.

However, the Group has an indirect exposure to USD LIBOR as the designation of the Group's CCIRS as fair value hedges and cash flow hedges for the Group's USPP notes reference the USD LIBOR. The total notional principal amount of the CCIRS is USD \$275 million.

As at 31 March 2022, the Group's hedge designation and documentation has not yet been updated to reference an alternative benchmark rate on the basis that market practice has yet to be established determining the calculation of the alternate benchmark rate. The Group continues to work with its external adviser to monitor the relevant market developments and to assess any impact that the transition may have. The Group expects to amend its hedging documentation to reference the US Secured Overnight Financing Rate when widespread market practice is established.

20. Financial instruments (continued)

(c) 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 exposed to currency risk in Australian (AUD) and US dollars (USD).

Exposure to the Australian dollar arises primarily as a result of its subsidiaries in Australia as well as the USPP borrowings received in AUD. The risk to the Group is that the value of the overseas Australian subsidiaries' financial position and financial performance will fluctuate in economic terms and, as recorded in the consolidated accounts, due to changes in the overseas exchange rates.

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

Exposure to the US dollar arises from the USPP borrowings. This exposure has been fully hedged by way of cross-currency interest rate swaps (CCIRS) hedging both principal and interest. The CCIRS correspond in amount and maturity to the relevant US dollar borrowings with no residual foreign currency risk exposure. The CCIRS consist of a fair value hedge component and a cash flow hedge component. The effective movements of the fair value hedge component are taken to the income statements along with all movements of the hedged risk on the USPP notes (USD only). The effective movements of the cash flow hedge components are all taken to the cash flow hedge reserve.

Foreign exchange sensitivity

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the reporting date. At 31 March 2022, had the New Zealand dollar moved either up or down by 10 percent, with all other variables held constant, profit and equity would have been affected as follows.

	2022 \$000	2021 \$000
Increase in value of NZ dollar of 10%		
Impact on profit after taxation – increase/(decrease)	(9,384)	(2,939)
Impact on equity after taxation – increase/(decrease)	(39,952)	(32,397)
Decrease in value of NZ dollar of 10%		
Impact on profit after taxation – increase/(decrease)	11,470	3,592
Impact on equity after taxation – increase/(decrease)	48,830	39,596

The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next 12 months from balance date.

20. Financial instruments (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due without incurring unacceptable losses or risking reputational damage.

The Group manages liquidity to ensure that it has sufficient liquidity to meet its liabilities when due. This includes under both normal and stressed conditions. Ultimate responsibility for liquidity risk management rests with the 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.

Occupancy advances and refundable occupation deposits

The Group manages the liquidity risk on occupancy advances through the contractual requirements in the occupation agreement.

Following termination of the agreement, in New Zealand the occupancy advance is repaid at the earlier of:

- receipt of the new occupancy advance from the incoming resident
- at the end of 3 years.

Following termination of the agreement, in Australia the occupancy advance is repaid at the earlier of:

- 14 days after a new resident takes up residence
- receipt of the new occupancy advance from the incoming resident
- at the end of 6 months.

The repayment obligation for refundable occupation deposits in New Zealand is within 30 working days of the resident vacating their care room.

The repayment obligation for refundable occupation deposits in Australia is within 14 days of the resident vacating their care room.

Lines of credit and undrawn facilities

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.

The Group maintains the following lines of credit.

- Secured overdraft facility of \$2.8 million (2021: \$2.8 million) (note 9);
- Syndicated NZD and AUD bank loan facilities totalling NZD\$1.9 billion (2021: NZD\$1.9 billion) and AUD\$529.5 million (2021: AUD\$471.0 million), respectively (note 12(a));
- Institutional term loan of AUD\$250 million (note 12(b));
- Retail bonds of \$150.0 million (note 12(c));
- USPP notes of USD\$300 million (note 12(d)).

At balance date, the Group had NZD\$592.1 million (2021: NZD\$647.3 million) and AUD\$136.5 million (2021: AUD\$36.0 million) of undrawn facilities at its disposal to further reduce liquidity risk.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

20. Financial instruments (continued)

Lease liabilities

The Group does not face a significant liquidity risk with regard to lease liabilities (note 13).

Maturity profile

The following table details the Group's exposure to liquidity risk (including contractual interest obligations for interest-bearing loans and borrowings).

	Contractual maturity dates									
	2022					2021				
	On demand \$000	Less than 1 year \$000	1-5 years \$000	Greater than 5 years \$000	Total \$000	On demand \$000	Less than 1 year \$000	1-5 years \$000	Greater than 5 years \$000	Total \$000
Financial liabilities:										
Trade and other payables	-	264,254	-	-	264,254	-	106,072	-	-	106,072
Interest rate swaps	-	(125)	4,828	1,477	6,180	-	17,339	-	-	17,339
CCIRS	-	5,822	39,078	(33,226)	11,674	-	11,272	-	-	11,272
Refundable accommodation deposits (non-interest bearing)	199,783	-	-	-	199,783	113,666	-	-	-	113,666
Bank loans (secured)	-	-	1,072,855	712,956	1,785,811	-	26,035	1,703,018	-	1,729,053
Institutional term loan (secured)	-	6,789	28,436	278,514	313,739	-	-	-	-	-
Retail bond (secured)	-	3,687	164,344	-	168,031	-	3,687	15,300	152,869	171,856
USPP notes	-	15,635	53,345	538,005	606,985	-	16,441	58,755	518,302	593,498
Occupancy advances (non-interest bearing) ¹	-	526,845	3,759,614	-	4,286,459	-	438,926	3,263,289	-	3,702,215
Lease liabilities	-	7,603	6,817	-	14,420	-	6,255	8,230	-	14,485
	199,783	830,510	5,129,317	1,497,726	7,657,336	113,666	626,027	5,048,592	671,171	6,459,456

¹The 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.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

20. Financial instruments (continued)

Changes in liabilities arising from financing activities

	Opening balance \$000	Financing cash flow \$000	Foreign exchange movement \$000	Net changes in fair values \$000	Other \$000	Closing balance \$000
2022						
Derivatives (net)	28,611	-	-	(20,894)	-	7,717
Interest-bearing loans and borrowings	2,274,093	326,917	(2,222)	(21,588)	(463)	2,576,737
Lease liabilities	13,885	(2,662)	-	-	2,271	13,494
Liabilities arising from financing activities	2,316,589	324,255	(2,222)	(42,482)	1,808	2,597,948
	Opening balance \$000	Financing cash flow \$000	Foreign exchange movement \$000	Net changes in fair values \$000	Other \$000	Closing balance \$000
2021						
Derivatives (net)	23,809	-	-	4,802	-	28,611
Interest-bearing loans and borrowings	1,741,613	530,161	34,980	(27,473)	(5,188)	2,274,093
Lease liabilities	15,145	(2,476)	-	-	1,216	13,885
Liabilities arising from financing activities	1,780,567	527,685	34,980	(22,671)	(3,972)	2,316,589

(e) Fair values

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

	2022 Carrying amount \$000	2022 Fair value \$000	2021 Carrying amount \$000	2021 Fair value (Restated) \$000
Institutional term loan	263,092	272,035	-	-
Retail bond	147,395	137,775	146,861	149,880
USPP notes	385,631	442,017	399,214	482,696

The fair value of the fixed rate portion of the institutional term loan has been determined at balance date on a discounted cash flow basis and applying discount factors to the future AUD interest payment and principal payment cash flows. The fair value of the floating rate portion is assumed to be the same as its carrying amount. The fair value of the institutional term loan is categorised as Level 2 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

The fair value of the retail bond is based on the price traded at on the NZX market at 31 March 2022. The fair value of the retail bond is categorised as Level 1 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

20. Financial instruments (continued)

The fair value of the USPP notes has been determined at balance date on a discounted cash flow basis and applying discount factors to the future USD interest payment and principal payment cash flows. The fair value of the USPP is categorised as Level 2 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

The fair value of interest rate swaps and CCIRS are derived using inputs supplied by third parties that are observable, either directly (prices) or indirectly (derived from prices). The fair value of these derivatives is categorised as Level 2 under the fair value hierarchy contained within NZ IFRS 13 – *Fair Value Measurement*.

(f) Market risk

The Group is primarily exposed to interest rate risk (note 20 (b)) and foreign currency risk (note 20 (c)).

(g) Capital management

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

The Group's capital is managed at the parent company level. The Group is subject to capital requirements imposed by its bank and the lenders included in the banking syndicate through covenants agreed as part of the lending facility arrangements, bond holders through covenants in the Master Trust Deed and USPP note holders through covenants in the Note Purchase Agreement.

The Group has met all externally imposed capital requirements for the 12 months ended 31 March 2022 and 31 March 2021.

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

21. Commitments

Capital expenditure commitments

The Group had commitments relating to construction contracts amounting to \$361.5 million at 31 March 2022 (2021: \$180.6 million).

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

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

22. Contingent liabilities

The Group had no contingent liabilities at 31 March 2022 (2021: \$Nil).

23. Reconciliation of net profit after tax with net cash flow from operating activities

	2022 \$000	2021 \$000
Net profit after tax	692,873	423,061
Adjusted for:		
Movements in balance-sheet items		
Occupancy advances	659,608	518,292
Accrued management fees	(73,827)	(59,116)
Refundable accommodation deposits	86,474	32,470
Revenue in advance	9,435	7,515
Trade and other payables	9,172	4,845
Trade and other receivables	(129,017)	(92,565)
Inventory	390	(26,738)
Employee entitlements	7,778	6,356
Non-cash items:		
Depreciation and amortisation	33,026	29,892
Depreciation of right-of-use assets	2,672	2,476
Loss on disposal	-	15,102
Deferred tax	29,209	(12,561)
Unrealised foreign-exchange (gain)/loss	4,070	(19,063)
Adjusted for:		
Fair-value movement of investment properties	(745,885)	(416,847)
Net operating cash flows	585,978	413,119

Net operating cash flows includes net occupancy advance receipts from retirement-village residents of \$908.1 million (2021: \$787.7 million).

Also included in operating cash flows are net receipts from refundable accommodation deposits of \$87.4 million (2021: \$27.9 million).

Net operating cash flows also include management fees collected of \$50.2 million (2021: \$48.0 million).

24. Subsidiary companies

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

- Anthony Wilding Retirement Village Limited
- Bert Sutcliffe Retirement Village Limited
- Bob Owens Retirement Village Limited
- Bob Scott Retirement Village Limited
- Bruce McLaren Retirement Village Limited
- Café Ryman Russley Road Limited
- Charles Brownlow Retirement Village Pty Ltd
- Charles Fleming Retirement Village Limited
- Charles Upham Retirement Village Limited
- Deborah Cheetham Retirement Village Pty Ltd
- Diana Isaac Retirement Village Limited
- Edmund Hillary Retirement Village Limited
- Ernest Rutherford Retirement Village Limited
- Essie Summers Retirement Village Limited
- Evelyn Page Retirement Village Limited
- Frances Hodgkins Retirement Village Limited
- Grace Joel Retirement Village Limited
- Hilda Ross Retirement Village Limited
- James Wattie Retirement Village Limited
- Jane Mander Retirement Village Limited
- Jane Winstone Retirement Village Limited
- Jean Sandel Retirement Village Limited
- John Flynn Retirement Village Pty Ltd
- Julia Wallace Retirement Village Limited
- Keith Park Retirement Village Limited
- Kevin Hickman Retirement Village Limited
- Kiri Te Kanawa Retirement Village Limited
- Linda Jones Retirement Village Limited
- Logan Campbell Retirement Village Limited
- Malvina Major Retirement Village Limited
- Margaret Stoddart Retirement Village Limited
- Miriam Corban Retirement Village Limited
- Murray Halberg Retirement Village Limited
- Nellie Melba Retirement Village Pty Ltd
- Ngaio Marsh Retirement Village Limited
- Possum Bourne Retirement Village Limited
- Raelene Boyle Retirement Village Pty Ltd
- Rita Angus Retirement Village Limited
- Rowena Jackson Retirement Village Limited
- Ryman Aged Care (Australia) Pty Ltd
- Ryman Construction Pty Ltd
- Ryman Healthcare (Australia) Pty Ltd
- Ryman Napier Limited
- Shona McFarlane Retirement Village Limited
- Weary Dunlop Retirement Village Pty Ltd
- William Sanders Retirement Village Limited
- Yvette Williams Retirement Village Limited

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

25. Segment information

Products and services from which reportable segments derive their revenue

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

Segment revenues and results

The accounting policies of the reportable segment 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' fees, interest revenue, finance costs, and income-tax expense.

The board makes resource allocation decisions to the segment, based on the expected cash flows and results of Group operations as a whole. No operations were discontinued during the year. To monitor segment performance and allocate resources to the segment, the board monitors assets attributable to the segment. All assets are allocated to the reportable segment.

Information about major customers

Included in total revenue are revenues that arose from sales to the Group's largest customers.

The Group derives care-fee revenue for eligible government-subsidised, aged-care residents who receive resthome, hospital, or dementia-level care. The government aged-care subsidies received from the New Zealand Ministry of Health included in Group care fees amounted to \$133.7 million (2021: \$122.5 million). There are no other significant customers.

Geographical information

The Group operates in New Zealand and Australia.

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

	New Zealand \$000	Australia \$000	Group \$000
Year ended 31 March 2022			
Revenue	435,337	73,460	508,797
Underlying profit (non-GAAP)	203,763	51,186	254,949
Deferred tax credit (note 4)	(50,923)	21,714	(29,209)
Unrealised fair-value movement (note 7)	436,804	30,329	467,133
Profit for the year	589,644	103,229	692,873
Non-current assets	8,322,236	1,902,347	10,224,583

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

25. Segment information (continued)

	New Zealand \$000	Australia \$000	Group \$000
Year ended 31 March 2021			
Revenue	405,396	50,398	455,794
Underlying profit (non-GAAP)	192,286	32,163	224,449
Deferred tax credit (note 4)	5,861	6,700	12,561
Unrealised fair-value movement (note 7)	192,582	8,571	201,153
Impairment – loss on disposal (note 6)	-	(15,102)	(15,102)
Profit for the year	390,729	32,332	423,061
Non-current assets	7,230,298	1,340,463	8,570,761

Underlying profit is a non-GAAP (Generally Accepted Accounting Principles) measure and differs from NZ IFRS profit for the year. Underlying profit does not have a standardised meaning prescribed by GAAP and so may not be comparable to similar financial information presented by other entities. The Group uses underlying profit, with other measures, to measure performance. Underlying profit is a measure that the Group uses consistently across reporting periods.

Underlying profit includes realised movement on investment property for units in which a right-to-occupy has been sold during the period and for which a legally binding contract is in place at the reporting date. The occupancy advance for these units may have been received or be included within the trade receivables balance at reporting date (see note 5).

Underlying profit excludes deferred taxation, taxation expense, unrealised movement on investment properties, and impairment losses on non-trading assets because these items do not reflect the trading performance of the Company. Underlying profit determines the dividend payout to shareholders.

26. Employee share schemes

Leadership share scheme

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

The Group provides the employees with limited recourse loans on an interest-free basis to support 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 are determined by the market price at that time. The scheme holds 2,741,246 fully allocated shares, which represents 0.55 percent of the total shares on issue (2021: 2,655,017 fully allocated shares, which represented 0.53 percent of the total shares on issue). All net dividends received in respect of the shares must be applied to repayment of the loans.

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 at the discretion of the employee but is repayable when the employee leaves the Group. Shares subject to this scheme vest 3 years from the date of purchase.

RYMAN HEALTHCARE LIMITED
Notes to the consolidated financial statements (continued)
For the year ended 31 March 2022

26. Employee share schemes (continued)

Due to the features of the scheme, it is accounted for as a share option plan under NZ IFRS 2 *Share-based Payment*.

The following table reconciles the shares purchased on market under the scheme at the beginning and end of the financial year. The weighted average exercise price is calculated based on the share price on purchase date less any net dividends received since purchase date.

	2022	2022	2021	2021
	Number of	Weighted	Number of	Weighted
	shares	average	shares	average
		exercise		exercise
		price		price
Balance at beginning of the financial year	2,655,017	13.12	2,711,244	11.75
Purchased on market during the year	1,065,259	14.67	994,860	13.49
Forfeited during the financial year	(241,716)	13.19	(236,003)	9.19
Vested during the financial year	(737,314)	12.54	(815,084)	8.88
Balance at end of the financial year	2,741,246	13.72	2,655,017	13.12
Represented by:				
Shares granted in August 2018	-	-	753,068	12.64
Shares granted in August 2019	804,143	12.03	915,983	13.19
Shares granted in August 2020	871,844	13.28	985,966	13.43
Shares granted in August 2021	1,065,259	14.61	-	-
Balance at end of the financial year	2,741,246	13.72	2,655,017	13.12

Shares vested in August 2021 were originally purchased at \$12.98 per share in 2018 and are now held directly by employees. The amounts owed by employees in these vested shares are included within advances to employees. This balance includes \$464,130 owing by the senior executive team (as defined in note 19) in the share scheme (2021: \$277,083).

Under NZ IFRS 2, the Group measures the fair value of the services received by reference to the fair value of the share options granted.

The directors estimate the fair value of the share options granted using the Black-Scholes pricing model. 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.

All employee share scheme

In addition, the Group operates a share scheme that is available for all employees.

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

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

RYMAN HEALTHCARE LIMITED

Notes to the consolidated financial statements (continued)

For the year ended 31 March 2022

27. Subsequent events

The directors resolved to pay a final dividend of 13.6 cents per share or \$68 million, with no imputation credits attached, to be paid on 17 June 2022.

United States Private Placement (USPP) note issuance

Subsequent to 31 March 2022, the Group completed a United States Private Placement (USPP) notes issuance, securing USD\$200m of long-term debt. The USPP issuance is made up of three tranches with maturity dates of 10, 12 and 15 years. In conjunction with the issuance, the Group entered into cross-currency-interest-rate swaps to formally hedge the exposure to foreign-currency risk over the term of the notes. The proceeds from the issuance were used to repay bank loans.

28. Authorisation

The directors authorised the issue of these financial statements on 19 May 2022.



Claire Higgins
Non-Executive Director and
Chair of Audit, Finance and Risk Committee



Greg Campbell
Chair



Independent Auditor's Report

To the Shareholders of Ryman Healthcare Limited

Opinion

We have audited the consolidated financial statements of Ryman Healthcare Limited and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 March 2022, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 1 to 53, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2022, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

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

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

Our firm carries out other assurance assignments for the Group relating to Australian aged care. These services have not impaired our independence as auditor of the Company and Group.

In addition to this, partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

Audit materiality

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

We determined materiality for the Group financial statements as a whole to be \$22.5m.

Key audit matters

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

Key audit matter

How our audit addressed the key audit matter

Valuation of Investment Property

As explained in policy (f) and note 7 in the consolidated financial statements, investment properties are carried at fair value on the consolidated balance sheet. The fair value of these properties is determined based on a Directors valuation at 31 March 2022, which is supported by an independent external valuation. The valuation is subject to a number of complex estimates and assumptions.

The valuation model is a discounted cash flow model. The Directors adjust the value for occupancy advances received from residents, deferred management fees and revenue in advance. The valuation relies on various estimates and underlying assumptions, including current unit pricing, discount rates, future long term house price growth rates and the occupancy periods of residents. A small percentage difference in certain input assumptions could result in a material change to the valuation.

These properties were valued at \$8,027m (2021: \$6,837m). The revaluation gain recognised in the consolidated income statement was \$746m (2021: \$417m).

We included the valuation of investment properties as a key audit matter for two reasons:

1. The significance to the financial statements:

The investment properties account for 73% of the total assets (2021: 75%), making it the most significant balance on the balance sheet.

2. The complexity of the valuation model that supports the Directors valuation.

Our procedures focused on:

- The appropriateness of the valuation methodology, including the appropriateness of assessments made by the Directors in determining the carrying value of investment property;
- The reasonableness of underlying assumptions in the valuation model.

Our procedures included, amongst others:

- Evaluating the Group's processes for determining the Directors valuation of the investment properties, including their consideration of the valuations obtained from the independent valuer;
- Reading the valuation reports for properties within the group and reviewing the valuation methodology and the reasonableness of the significant underlying assumptions;
- Discussing with management the nature of key assumptions;
- Assessing the reasonableness of adjustments made by the Directors;
- Assessing the competence, objectivity, and integrity of the independent registered valuers. We assessed their professional qualifications and experience. We also obtained representation from them about their independence and the scope of their work and considered restrictions imposed on the valuation process (if any);
- Meeting with the valuers to understand the valuation process adopted. The purpose of the meeting was to identify and challenge the critical judgment areas in the valuation model and to confirm the valuation approach was in accordance with NZ IFRS 13 *Fair Value Measurement*. We critically challenged the changes made to key assumptions and their reasonableness relative to the 31 March 2021 valuation;
- Using our in-house valuation specialists to assess the appropriateness of the valuation methodology;
- Agreeing a sample of sales and resales to contracts, calculating actual growth rates on resales for the sample to compare to growth rates applied by the valuer, and calculating the average tenure of residents based on a sample of contracts to compare to assumed occupancy periods applied by the valuer;
- Comparing a sample of current unit market values determined by the valuer to actual prices received at comparable units within the village;
- Assessing the discount rates for reasonableness by comparing the rates to those adopted in the previous year and the rates adopted by comparable entities; and
- Considering the appropriateness of the disclosures in note 7.

Key audit matter

How our audit addressed the key audit matter

Valuation of care-facility land and buildings

As explained in policy (d) and note 6 in the financial statements, care facility land and buildings are carried at their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

The net book value of care facility land and buildings as reflected in note 6 is \$1,058m (2021: \$955m).

The Group obtains independent valuations at least every 2 years and performs internal assessments in the intervening years to determine whether there are any indications that the carrying amount differs materially from fair value at the balance sheet date.

The last independent valuation was completed as at 31 March 2021. A revaluation gain of \$196m was recognised in other comprehensive income in 2021. The valuer used a combination of capitalised earnings data and comparable market evidence to derive fair value.

In the current year, the Group has determined that there are no indications that the fair value of care facility land and buildings differs materially from their carrying value. In reaching this assessment the Group has considered capitalisation rates, market evidence of comparable sales, market demand, occupancy, and earnings.

We included the valuation of care facility land and buildings as a key audit matter in the current year due to the significant judgement exercised by the Group in determining that there are no indications that the carrying value differs materially to the fair value at 31 March 2022.

Our procedures included, amongst others:

- Critically assessing the documentation prepared by the Group supporting their assessment of whether there have been any significant changes to the inputs and assumptions used in the 2021 valuation that would lead to the carrying value of care facility land and buildings being materially different to fair value at 31 March 2022;
- Challenging the Group's analysis of the following inputs and assumptions used in the Group's assessment:
 - occupancy rates;
 - capitalisation rates; and
 - market comparative sales;
- Analysing care centre earnings data for the current period compared to prior period;
- Critically assessing the documentation prepared by the Group supporting their assessment that there were no indicators that the fair value of developing villages not subject to revaluation in 2021 were materially different to their carrying amount at 31 March 2022;
- Agreeing material additions to supporting documentation; and
- Considering the appropriateness of the disclosures in note 6.

Other information

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

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

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

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

Directors' responsibilities for the consolidated financial statements

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

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



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

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

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

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1>

This description forms part of our auditor's report.

Restriction on use

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

Deloitte Limited

Mike Hoshek, Partner
for Deloitte Limited
Christchurch, New Zealand
19 May 2022