Ryman Healthcare

HALF YEAR REPORT SEPTEMBER 2022

RYMAN HEALTHCARE

Pictured on the front cover is Annie and Dementia Care Coordinator Pooja Karan at our Murray Halberg Village in Auckland. We recently launched our inaugural Sustainability Strategy, with a priority project to deliver future-focused dementia design.

At a glance

45 operational villages

15
sites under construction

12,966
total retirement-village units and aged-care beds

6,710
retirement-village units and aged-care beds in the landbank

94%
aged-care occupancy for mature villages
▼ -3%[1] vs last year

772
booked sales of occupation rights
▲ 9.8% vs last year

24.1%
gross new sales margin
▲ 3.5%[1] vs last year

32.1%
gross resales margin
▲ 7.0%[1] vs last year

1.7% available retirement-village unit resale stock

▲ 0.3%[1] vs March 2022

$194.0m reported (IFRS) profit

▼ -31.1% vs last year

$138.8m
underlying profit[2]
▲ 44.8% vs last year

$12.03bn
total assets
▲ 9.7% vs March 2022

$3.63bn
net assets
▲ 5.6% vs March 2022

8.8c
interim dividend per share
unchanged from the prior year and eligible for the dividend reinvestment plan

1 Percentage points

2 Refer to page 29 for a definition of underlying profit.

Key statistics

FOR THE PERIOD ENDED 30 SEPTEMBER 2022

		30 Sept 2022 6 months	30 Sept 2021 6 months	31 March 2022 12 months
Financial				
Underlying profit (non-GAAP)	$m	138.8	95.9	255.0
Reported net profit after tax	$m	194.0	281.5	692.9
Net operating cash flows	$m	243.7	301.1	586.0
Net assets	$m	3,628.1	3,033.7	3,434.5
Total assets	$m	12,033.3	9,849.2	10,966.1
Interest-bearing debt to interest-bearing debt plus equity ratio	%	45%	45%	43%
Dividend per share	cents	8.8	8.8	22.4
Villages				
New sales of occupation rights	no.	216	189	560
Resales of occupation rights	no.	556	514	983
Total sales of occupation rights	no.	772	703	1,543
Land bank (to be developed)[1,2]	no.	6,710	6,130	6,306
Portfolio:				
Aged-care beds	no.	4,299	4,165	4,239
Retirement-village units	no.	8,667	8,195	8,538
Total units and beds	no.	12,966	12,360	12,777

1 Includes retirement-village units and aged-care beds.

2 Of the 6,710 units and beds in the land bank, 3,114 are subject to resource consent.

Key statistics

FOR THE PERIOD ENDED 30 SEPTEMBER 2022

		30 Sept 2022 6 months	30 Sept 2021 6 months	31 March 2022 12 months
Underlying profit (non-GAAP)	$m	138.8	95.9	255.0
Unrealised fair-value movement on retirement-village units	$m	89.3	178.7	467.1
Deferred tax movement	$m	(23.3)	6.9	(29.2)
Impairment loss	$m	(10.8)	-	-
Reported net profit after tax	$m	194.0	281.5	692.9

Underlying profit is a non-GAAP* measure and differs from NZ IFRS profit for the period. 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.

*Generally Accepted Accounting Principles.

Interim Chair and Group Chief Executive report

Kia ora koutou

We have had an encouraging start to the current financial year. These results reflect the continuing demand for the Ryman way of living, manifested in a strong sales performance.

We are pleased with this result, but it is important to remember that the previous corresponding period was marked by the COVID lockdowns, particularly in Auckland and Victoria, and that the coming six months will likely bring fresh challenges.

We are currently in a rapidly changing and uncertain macro-economic environment. We are mindful of the impact this is having on our business, but also recognise the opportunities that lie ahead of us.

We know that continuing to grow and develop the range of services we provide will enhance both the experience for our residents and the returns we can generate.

Strong trans-Tasman sales delivers pleasing result

A reduction in unrealised fair-value gains on investment property compared to the same period last year saw our reported profit decrease by 31.1 percent to $194.0 million. Despite the softening housing market, we were still able to achieve price increases, posting unrealised gains of $89.3 million for the half.

Our underlying profit of $138.8 million was up 44.8 percent on last year. Consistent with last year, we will again provide shareholders with an interim dividend of 8.8cps.

Operating revenue, which includes care fees and village fees, was up 10.6 percent to $274 million.

Our embedded value, which consists of our resales bank and accrued deferred management fees, has grown to $2.57 billion.

The resales bank, which sits at $1.95 billion, is the resales earnings we would expect to realise over the coming years without any further price increases.

A change during the half to our deferred management fee (DMF) on independent living units has resulted in it now accruing over four years, rather than five, but it remains capped at 20 percent. Market research has reaffirmed the value of our 20 percent DMF as a powerful sales driver.

Gross resales margins were up seven percentage points to 32.1 percent and demand remained steady, with 1.7 percent of our retirement-village portfolio available for resale at the end of the half.

New sales margins also increased compared to the prior period: up 3.5 percentage points to 24.1 percent, which demonstrates our ability to keep a tight rein on costs.

Our average new sale price has increased to $870,000. Within that, the average new sale price for independent living units is now over $1 million.

Our strategy of developing villages in higher-value locations will over time also improve our resale pricing, which has now lifted to $710,000.

The quality and scale of our developments continues to increase; we are creating assets that we believe will be very sought after for many years to come.

During the past 12 months, Australia has contributed around one quarter of total sales across the group, a significant lift.

Ryman is now an established trans-Tasman business, with a compelling retirement village and aged-care proposition in both markets.

Sector trends and issues

While cash receipts from residents were up five percent on the same period last year at $714.7 million, receipts from residents have been impacted by construction supply chain challenges and longer settlement times due to the wider housing market slowdown.

This was a key driver of lower operating cash flows, which fell 19.1 percent on the same period last year to $243.7 million.

While demand for our villages remains strong, these trends in the wider housing market, particularly the increase in the median number of days to sell a residential property, are affecting the time it takes for our residents to move in.

We also continue to face headwinds in the construction space, including the availability of materials and subcontractors.

As a result, the value of our contracts not settled has increased by around $100 million to over $500 million at September.

Maintaining our momentum

The wealthiest generation in history, the baby boomers, is now approaching retirement, and our market is set to grow dramatically over the next 30 years.

At the same time, aged-care beds are closing in New Zealand faster than they are being built, with 1,100 lost this year so far, and operators are under pressure due to reduced government funding in real terms.

Ryman is in the right place at the right time: able to charge a premium for an increasingly scarce – and increasingly sought after – quality care offering.

In Victoria, we recently completed our Raelene Boyle and Charles Brownlow villages, and have now received planning permission to build on our site at Mulgrave.

In New Zealand, we have begun construction at our Cambridge site in the Waikato and have also applied for resource consents for our proposed villages at Karaka, south of Auckland, and Rolleston in Canterbury.

In both Australia and New Zealand, we are continuing to deliver projects that reflect our strategy of placing our villages in higher-value locations, and we continue to shape our offering to capitalise on the market's changing needs.

Capital management and the Dividend Reinvestment Plan

Our debt is a function of the investments that we've been making, including $540.2 million in the past six months, of which $115.3 million related to land payments. This has resulted in debt lifting to $3 billion. Our gearing ratio is now 45.2 percent.

Our total assets are over $12 billion – up from just under $11 billion six months ago. Our debt to total assets ratio is now 24.9 percent.

Last year we adjusted our dividend payout from 50 percent of underlying profit to a range of 30 percent to 50 percent.

This year, shareholders will for the first time have the opportunity to reinvest dividends payable on existing shares by taking up new shares. Our Dividend Reinvestment Plan gives shareholders a convenient way to increase their investment in Ryman without any brokerage fees and at a discount to market price at the time entitlements are determined.

It also gives us another tool to strengthen our balance sheet and to fund our future growth opportunities.

Further details on the dividend reinvestment plan, including how to participate, can be found in the Investors section on our website.

Capital management is a primary focus of the board, and the leadership team is committed to delivering improved capital deployment and efficiency, without compromising our commitment to care and our strong culture.

Our sustainability strategy

Our recently released sustainability strategy is an important investment in our future, and something our stakeholders – from shareholders to residents, to our financial partners and our team – increasingly expect of us as a leader in our sector.

In this first 12 months we will focus particularly on three priorities: in relation to climate change, developing a science-based target that will set out how much and how quickly we need to act to reduce our emissions; building on the amazing and award-winning work we already have under way in dementia care; and improving our engagement with indigenous communities on both sides of the Tasman.

Ryman Chair Greg Campbell standing down for health reasons

Ryman Healthcare's board has received the resignation of Chair Greg Campbell who has made the difficult decision to step down from the board due to ongoing health issues.

Mr Campbell is disappointed he has been unable to continue to lead this important company.

Claire Higgins, a long-serving board member of the Company has been appointed as interim Chair, and Anthony Leighs as Deputy Chair, pending a formal process to nominate a successor.

The board and team at Ryman would like to thank Greg for his contribution and wish him all the best for the future.

"We want to thank every member of the Ryman family for what you have done and continue to do."

Richard Umbers,
Group Chief Executive

Thank you

We would also like to note George Savvides' decision to retire from the board at the next Annual Meeting, after a decade of service to Ryman. We mentioned earlier the growing contribution our Australian business was making to the Group's results: as our first Australian-based director, George has greatly helped to support that growth.

Finally, we would like to acknowledge the extraordinary commitment that our team members bring to their work, and the strong bonds they form with our residents.

While COVID has not dominated our daily life in the way it did a year ago, it remains something we have had to work with and around. Yet again, our teams haven't missed a beat.

Our team members' dedication creates the sense of community that sets Ryman apart, and realises our philosophy that the measure of a full life is one that gets richer with age.

We want to thank every member of the Ryman family for what you have done and continue to do to help create and maintain our unique culture.

Claire Higgins

INTERIM CHAIR,
RYMAN HEALTHCARE

Richard Umbers

GROUP CHIEF EXECUTIVE,
RYMAN HEALTHCARE

Consolidated income statement

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Notes	Six months ended 30 Sept 2022 unaudited	Six months ended 30 Sept 2021 unaudited	Year ended 31 March 2022 audited
		$000	$000	$000
Care fees		210,187	194,603	398,206
Management fees		59,746	50,959	105,552
Interest received		364	42	41
Other income		3,942	2,260	4,998
Total revenue		**274,239**	**247,864**	**508,797**
Fair-value movement of investment properties	3	261,346	285,143	745,885
Total income		**535,585**	**533,007**	**1,254,682**
Operating expenses		(265,148)	(225,380)	(466,238)
Depreciation and amortisation expenses		(22,996)	(17,854)	(35,698)
Finance costs		(19,355)	(15,250)	(30,664)
Impairment loss	2	(10,784)	-	-
Total expenses		**(318,283)**	**(258,484)**	**(532,600)**
Profit before income tax		**217,302**	**274,523**	**722,082**
Income tax (expense) / credit		(23,316)	6,944	(29,209)
Profit for the period		**193,986**	**281,467**	**692,873**
Earnings per share				
Basic and diluted (cents per share)		38.8	56.3	138.6

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 consolidated interim financial statements.

Consolidated statement of comprehensive income

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Six months ended 30 Sept 2022 unaudited	Six months ended 30 Sept 2021 unaudited	Year ended 31 March 2022 audited
	$000	$000	$000
Profit for the period	**193,986**	**281,467**	**692,873**
Items that may be later reclassified to profit or loss			
Fair-value movement and reclassification of cash-flow hedge reserve	59,818	9,711	38,410
Deferred tax movement recognised in cash-flow hedge reserve	(16,849)	(2,719)	(10,857)
Movement in cost of hedging reserve	(234)	(1,222)	1,319
Deferred tax movement in cost of hedging reserve	66	342	(369)
(Loss) / Gain on hedge of foreign-owned subsidiary net assets	(4,213)	2,888	690
Gain / (Loss) on translation of foreign operations	25,530	(12,754)	(1,977)
	64,118	(3,754)	27,216
Other comprehensive income	**64,118**	**(3,754)**	**27,216**
Total comprehensive income	**258,104**	**277,713**	**720,089**

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 consolidated interim financial statements.

Consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Issued capital	Asset revaluation reserve	Cash-flow hedge reserve	Cost of hedging reserve	Foreign-currency translation reserve	Treasury stock	Retained earnings	Total equity
	$000	$000	$000	$000	$000	$000	$000	$000
Six months ended 30 Sept 2021 unaudited								
Opening balance	**33,290**	**453,568**	**(12,062)**	**2,702**	**1,787**	**(35,389)**	**2,385,320**	**2,829,216**
Profit for the period	-	-	-	-	-	-	281,467	281,467
Other comprehensive income for the period	-	-	6,992	(880)	(9,866)	-	-	(3,754)
Total comprehensive income for the period	-	-	6,992	(880)	(9,866)	-	281,467	277,713
Treasury stock movement	-	-	-	-	-	(5,185)	-	(5,185)
Dividends paid to shareholders	-	-	-	-	-	-	(68,000)	(68,000)
Balance at 30 Sept 2021	**33,290**	**453,568**	**(5,070)**	**1,822**	**(8,079)**	**(40,574)**	**2,598,787**	**3,033,744**
Year ended 31 March 2022 audited								
Opening balance	**33,290**	**453,568**	**(12,062)**	**2,702**	**1,787**	**(35,389)**	**2,385,320**	**2,829,216**
Profit for the period	-	-	-	-	-	-	692,873	692,873
Other comprehensive income for the period	-	-	27,553	950	(1,287)	-	-	27,216
Total comprehensive income for the period	-	-	27,553	950	(1,287)	-	692,873	720,089
Treasury stock movement	-	-	-	-	-	(2,785)	-	(2,785)
Dividends paid to shareholders	-	-	-	-	-	-	(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**
Six months ended 30 Sept 2022 unaudited								
Opening balance	**33,290**	**453,568**	**15,491**	**3,652**	**500**	**(38,174)**	**2,966,193**	**3,434,520**
Profit for the period	-	-	-	-	-	-	193,986	193,986
Other comprehensive income for the period	-	-	42,969	(168)	21,317	-	-	64,118
Total comprehensive income for the period	-	-	42,969	(168)	21,317	-	193,986	258,104
Treasury stock movement	-	-	-	-	-	3,445	-	3,445
Dividends paid to shareholders	-	-	-	-	-	-	(68,000)	(68,000)
Balance at 30 Sept 2022	**33,290**	**453,568**	**58,460**	**3,484**	**21,817**	**(34,729)**	**3,092,179**	**3,628,069**

The accompanying notes form part of these consolidated interim financial statements.

Consolidated balance sheet

AT 30 SEPTEMBER 2022

	Notes	30 Sept 2022 unaudited	30 Sept 2021 unaudited	31 March 2022 audited
		$000	$000	$000
Assets				
Cash and cash equivalents		25,874	15,239	28,309
Trade and other receivables		791,864	509,418	671,463
Inventory		23,123	24,572	26,312
Advances to employees		15,152	16,251	15,415
Derivative financial instruments	7	105,371	7,857	19,574
Property, plant and equipment	2	2,229,664	1,846,792	2,091,001
Investment properties	3	8,737,012	7,338,904	8,027,267
Intangible assets		60,363	53,885	51,684
Deferred tax asset		44,916	36,301	35,057
Total assets		**12,033,339**	**9,849,219**	**10,966,082**
Equity				
Issued capital	4	33,290	33,290	33,290
Reserves		502,600	401,667	435,037
Retained earnings		3,092,179	2,598,787	2,966,193
Total equity		**3,628,069**	**3,033,744**	**3,434,520**
Liabilities				
Trade and other payables	5	248,473	181,000	264,254
Employee entitlements		43,591	36,735	39,812
Revenue in advance		88,689	76,172	81,251
Refundable accommodation deposits		251,998	146,883	199,783
Derivative financial instruments	7	8,524	8,677	27,291
Interest-bearing loans and borrowings	6	3,025,951	2,450,015	2,576,737
Occupancy advances (non-interest bearing)	8	4,631,550	3,902,149	4,286,459
Lease liabilities		16,662	13,844	13,494
Deferred tax liability		89,832	-	42,481
Total liabilities		**8,405,270**	**6,815,475**	**7,531,562**
Total equity and liabilities		**12,033,339**	**9,849,219**	**10,966,082**
Net tangible assets				
Basic and diluted (cents per share)		713.5	596.0	676.6

The accompanying notes form part of these consolidated interim financial statements.

Consolidated statement of cash flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Six months ended 30 Sept 2022 unaudited	Six months ended 30 Sept 2021 unaudited	Year ended 31 March 2022 audited
	$000	$000	$000
Operating activities			
Receipts from residents	714,728	680,471	1,396,155
Interest received	380	225	266
Payments to suppliers and employees	(252,421)	(203,059)	(435,170)
Payments to residents	(201,629)	(161,941)	(346,030)
Interest paid	(17,377)	(14,608)	(29,243)
Net operating cash flows	**243,681**	**301,088**	**585,978**
Investing activities			
Purchase of property, plant and equipment	(191,913)	(123,055)	(284,288)
Purchase of intangible assets	(12,287)	-	(14,346)
Purchase of investment properties	(295,024)	(260,930)	(434,395)
Capitalised interest paid	(41,581)	(22,416)	(50,006)
Advances to employees	263	(5,111)	(4,275)
Net investing cash flows	**(540,542)**	**(411,512)**	**(787,310)**
Financing activities			
Drawdown / (repayment) of bank loans (net)	70,443	(81,802)	57,674
Proceeds from institutional term loan	-	261,808	269,243
Proceeds from US Private Placements notes	290,149	-	-
Dividends paid	(68,000)	(68,000)	(112,000)
Sale / (purchase) of treasury stock (net)	3,445	(5,185)	(2,785)
Repayment of lease liabilities	(1,611)	(1,329)	(2,662)
Net financing cash flows	**294,426**	**105,492**	**209,470**
Net (decrease) / increase in cash and cash equivalents	**(2,435)**	**(4,932)**	**8,138**
Cash and cash equivalents at the beginning of the period	28,309	20,171	20,171
Cash and cash equivalents at the end of the period	**25,874**	**15,239**	**28,309**

The accompanying notes form part of these consolidated interim financial statements.

Consolidated statement of cash flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

RECONCILIATION OF NET PROFIT AFTER TAX WITH NET OPERATING CASH FLOWS

	Six months ended 30 Sept 2022 unaudited	Six months ended 30 Sept 2021 unaudited	Year ended 31 March 2022 audited
	$000	$000	$000
Net profit after tax	**193,986**	**281,467**	**692,873**
Adjusted for:			
Movements in balance sheet items			
Occupancy advances	376,455	234,123	659,608
Accrued management fees	(40,979)	(34,573)	(73,827)
Refundable accommodation deposits	45,040	29,938	86,474
Revenue in advance	7,438	4,355	9,435
Trade and other payables	1,512	3,561	9,172
Trade and other receivables	(120,725)	36,099	(129,017)
Inventory	3,579	2,012	390
Employee entitlements	3,779	4,701	7,778
Non-cash items:			
Depreciation and amortisation	21,385	16,525	33,026
Depreciation of right-of-use assets	1,611	1,329	2,672
Impairment loss	10,784	-	-
Deferred tax	23,316	(6,944)	29,209
Unrealised foreign-exchange (gain) / loss	(22,154)	13,638	4,070
Adjusted for:			
Fair-value movement of investment properties	(261,346)	(285,143)	(745,885)
Net operating cash flows	**243,681**	**301,088**	**585,978**

Net operating cash flows includes the following:

- Net occupancy advance receipts from retirement-village residents of $456.4 million (six months ended 30 September 2021: $452.4 million and year ended 31 March 2022: $908.1 million)
- Net receipts from refundable accommodation deposits of $45.0 million (six months ended 30 September 2021: net receipts of $33.9 million and year ended 31 March 2022: net receipts of $87.4 million)
- Management fees collected of $29.0 million (six months ended 30 September 2021: $23.1 million and year ended 31 March 2022: $50.2 million).

The accompanying notes form part of these consolidated interim financial statements.

Notes to the consolidated interim financial statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

1. GENERAL INFORMATION

The consolidated interim 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. The Group develops, owns, and operates integrated retirement villages, resthomes, and hospitals for the elderly within New Zealand and Australia.

Statement of compliance

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

The unaudited condensed consolidated interim 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 Accounting Standard 34 (NZ IAS 34) *Interim Financial Reporting* and International Accounting Standard 34 (IAS 34) *Interim Financial Reporting.*

Basis of preparation

The consolidated interim financial statements for the six months ended 30 September 2022 and the comparative six months ended 30 September 2021 are unaudited.

Except as otherwise stated below, these consolidated interim financial statements have been prepared under the same accounting policies and methods as the Group's Annual Report at 31 March 2022. These consolidated interim financial statements should be read in conjunction with the financial statements and related notes included in the Group's Annual Report for the year ended 31 March 2022.

These consolidated interim financial statements were approved by the Board of Directors on 17 November 2022.

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.

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

1. GENERAL INFORMATION (CONTINUED)

Adoption of new and revised standards and interpretations

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

Implementation of International Financial Reporting Interpretations Committee's (IFRIC's) April 2021 agenda decision in relation to software-as-a-service (SaaS) arrangements

The Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these arrangements. Costs incurred to configure or customise, and the ongoing fees to obtain access to the SaaS provider's application software, are recognised as operating expenses when the services are received. However, where costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing software assets and meets the definition of and recognition criteria for an intangible asset, those costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

The impact of this change is not material and the Group has applied the revised accounting policy from 1 April 2022.

Standards and Interpretations on issue but not yet adopted

We are not aware of any New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) 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 current period ending 30 September 2022.

2. ASSET HELD FOR SALE

Following a review of the Group's land portfolio, the land at Mt Martha in Victoria is being actively marketed for sale. An impairment loss of $10.8 million writing down the carrying value of this land to its fair value less costs to sell has been included in the income statement. Due to the commercial sensitivity associated with this valuation while negotiations continue, this has not been separately disclosed as held for sale on the balance sheet. A sale is expected to take place within 12 months.

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

3. INVESTMENT PROPERTIES

	Six months ended 30 Sept 2022 unaudited	Six months ended 30 Sept 2021 unaudited	Year ended 31 March 2022 audited
	$000	$000	$000
At fair value			
Balance at beginning of financial period	8,027,267	6,837,278	6,837,278
Additions	386,645	183,162	452,068
Fair-value movement:			
Realised fair-value movement:			
• New retirement-village units	45,389	28,493	110,681
• Existing retirement-village units	126,677	77,989	168,071
	172,066	106,482	278,752
Unrealised fair-value movement	89,280	178,661	467,133
	261,346	**285,143**	**745,885**
Net foreign-currency exchange differences	61,754	33,321	(7,964)
Net movement for period	709,745	501,626	1,189,989
Balance at end of financial period	**8,737,012**	**7,338,904**	**8,027,267**

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.

Valuation reports are produced by independent registered valuers, CBRE Limited, CBRE Valuations Pty Limited and Jones Lang LaSalle Limited, at the reporting date. These reports combine discounted future cash flows and occupancy advances received from residents for retirement-village units for which the Directors have determined that the fair value is able to be reliably measured. From time-to-time, the Directors may obtain additional independent valuations for consideration in their determination of investment property carrying value.

The carrying value of completed investment property and investment property under development where fair value is able to be reliably measured as determined by the Directors is based on the independent valuers' reports and also includes occupancy advances received from residents, adjusted for accrued deferred management fees and revenue in advance.

A key judgement in determining the fair value of investment property is which units to include in the valuation.

Determining whether fair value can be reliably measured

The table below details the considerations made in assessing whether the fair value of a unit can be reliably measured at reporting date and whether the unit should therefore be included in the valuation.

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

3. INVESTMENT PROPERTIES (CONTINUED)

Considerations made in determining if fair value can be reliably measured

	Units that are or can be occupied at reporting date	Units that are under development at reporting date
Agreement to occupy in place	The Directors have deemed that fair value can only be reliably measured if there is an agreement to occupy in place. The unit will not be subjected to valuation unless there is an agreement to occupy in place for the unit. Units without an agreement to occupy are carried at cost.	The Directors have deemed that fair value can only be reliably measured if there is an agreement to occupy in place. The unit will not be subjected to valuation unless there is an agreement to occupy in place for the unit. Units without an agreement to occupy are carried at cost.
Development progress		The stage and site costs incurred to date are considered with reference to the forecast total costs of the stage and site under development to determine the progress of the development. The proportion of units from the site included in the valuation is compared to the costs incurred to date as a proportion of total costs. The number of units included in the valuation should not exceed the proportion of costs incurred to date. Units that are under development that cannot be reliably measured are carried at cost.
Resident move-in date		The date when the resident will be able to take possession of their unit is considered relative to the development timetable.

Units that are under development at reporting date and, after the considerations detailed above, the Directors determine that fair value cannot be reliably measured are carried at cost.

Management and the Directors undertake regular physical inspections of villages under development to verify progress, particularly around reporting period end, to help inform their judgements.

At 30 September 2022 8,426 units were included in the valuation (30 September 2021: 7,821 units and 31 March 2022: 8,190 units).

	Six months ended 30 Sept 2022 unaudited	Six months ended 30 Sept 2021 unaudited	Year ended 31 March 2022 audited
	No. of units	No. of units	No. of units
Units included in the valuation			
Able to be occupied at reporting date and fair value is judged as being able to be reliably measured	8,222	7,752	7,968
Under development at reporting date and fair value is judged as being able to be reliably measured	204	69	222
Total units included in the valuation	**8,426**	**7,821**	**8,190**

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

3. INVESTMENT PROPERTIES (CONTINUED)

Independent valuers key assumptions

The valuers used significant assumptions that include growth rate (ranging from 0.00 percent to 4.33 percent nominal) (30 September 2021: 0.50 percent to 4.00 percent and 31 March 2022: 0.50 percent to 4.24 percent) and discount rate (ranging from 11.75 percent to 16.00 percent) (30 September 2021: 12.00 percent to 16.50 percent and 31 March 2022: 12.00 percent to 16.00 percent).

Sensitivity

A 0.5 percent decrease in the 5-year plus growth rate would result in a $194 million lower fair-value measurement. Conversely, a 0.5 percent increase in the 5-year plus growth rate would result in a $209 million higher fair-value measurement.

A 0.5 percent decrease in the discount rate would result in a $94 million higher fair-value measurement. Conversely, a 0.5 percent increase in the discount rate would result in a $88 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 $702.4 million (six months ended 30 September 2021: $633.4 million and year ended 31 March 2022: $494.7 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 $6.8 million (30 September 2021: $6.2 million and year ended 31 March 2022: $13.1 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.

Acquisition of Essendon Terrace

During the period, the Group has settled the acquisition of the Essendon Terrace Retirement Village in Victoria. The Essendon Terrace site neighbours another site owned by the Group, where it plans to build a new retirement village. The transaction has been accounted for as an asset acquisition. The consideration paid has been allocated to the investment properties acquired and liabilities assumed based on their relative fair values at the acquisition date.

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

4. SHARE CAPITAL

Issued and paid-up capital consists of 500,000,000 fully paid ordinary shares (30 September 2021: 500,000,000 and 31 March 2022: 500,000,000). 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 (30 September 2021: 500,000,000 and 31 March 2022: 500,000,000).

Shares purchased on market under the leadership share scheme are treated as treasury stock until they are vested to the employees.

5. TRADE AND OTHER PAYABLES

Trade payables are typically paid within 30 days of invoice date or the 20th of the month following the invoice date.

Other payables at 30 September 2022 includes $127.8 million for the purchase of land (30 September 2021: $112.4 million and 31 March 2022: $174.4 million).

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

6. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings include secured bank loans, institutional term loan (ITL), unsubordinated fixed-rate retail bonds and United States Private Placement (USPP) notes.

	Six months ended 30 Sept 2022 unaudited	Six months ended 30 Sept 2021 unaudited	Year ended 31 March 2022 audited
	$000	$000	$000
Bank loans	1,878,880	1,625,014	1,780,619
Institutional term loan (ITL)	284,706	261,808	269,658
Retail bonds – RYM010	150,000	150,000	150,000
USPP notes – using contracted fixed USD FX rate	708,644	415,255	416,557
	3,022,230	**2,452,077**	**2,616,834**
FX movement of USD USPP notes	162,062	16,770	14,615
Total loans and borrowings at face value	**3,184,292**	**2,468,847**	**2,631,449**
Issue costs for the ITL capitalised	(849)	(922)	(876)
Issue costs for the retail bond capitalised	(2,380)	(2,873)	(2,605)
Issue costs for the USPP capitalised	(3,298)	(1,956)	(2,170)
Total loans and borrowing at amortised cost	**3,177,765**	**2,463,096**	**2,625,798**
Revaluation of ITL debt in fair-value hedge relationship	(8,966)	-	(5,690)
Revaluation of USPP debt in fair-value hedge relationship	(142,848)	(13,081)	(43,371)
Total loans and borrowings	**3,025,951**	**2,450,015**	**2,576,737**

USPP notes

In April 2022, the Group completed its second USPP notes issuance, securing US$200 million of long-term debt. These USPP notes have maturity dates of between 10 and 15 years and coupon interest rates between 5.24 percent and 5.54 percent. The proceeds from the issuance were used to repay bank loans.

In conjunction with the issuance, the Group entered into cross-currency interest rate swaps to hedge the foreign currency risk and interest rate risk in relation to the USPP notes. Refer note 7 for further details.

Security

The bank loans, ITL, 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 3).

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

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

6. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Fair value

Below is a comparison of the carrying amounts and fair values of the interest-bearing loans and borrowings. The carrying amount of bank loans are the same as their fair value in all material aspects due to their interest rate profiles.

	Six months ended 30 Sept 2022 unaudited		Six months ended 30 Sept 2021 unaudited		Year ended 31 March 2022 audited	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	$000	$000	$000	$000	$000	$000
Institutional term loan (ITL)	274,891	275,052	260,886	284,349	263,092	272,035
Retail bonds	147,620	131,565	147,127	150,135	147,395	137,775
USPP notes	724,560	817,841	416,988	496,050	385,631	442,017

The fair value of the fixed-rate portion of the institutional term loan has been determined at reporting 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 bonds is based on the price traded at on the NZX at the reporting date. The fair value of the retail bonds is categorised as Level 1 under the fair value hierarchy in accordance with NZ IFRS 13.

The fair value of the USPP notes has been determined at reporting 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 notes is categorised as Level 2 under the fair-value hierarchy in accordance with NZ IFRS 13.

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

7. FINANCIAL INSTRUMENTS

Derivative financial instruments

The Group's derivative financial instruments consist of interest rate swaps, caps, floors, collars and cross-currency interest rate swaps (CCIRS).

These derivatives are initially recognised at fair value on the date the derivative contract is entered into and remeasured to their fair value at each reporting date. The fair value of these derivatives is categorised as Level 2 under the fair value hierarchy contained within NZ IFRS 13 – *Fair Value Measurement*. The fair value of these derivative instruments is derived using inputs supplied by third parties that are observable, either directly (prices) or indirectly (derived from prices).

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

In April 2022, the Group entered into additional cross-currency interest rate swaps to hedge the foreign currency risk and interest rate risk in relation to the additional USPP notes issued. The CCIRS transform a series of known fixed interest rate USD cash flows to floating rate NZD cash flows.

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 USPP notes are the same, significant hedge ineffectiveness is not expected.

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

8. OCCUPANCY ADVANCES (NON-INTEREST BEARING)

	Six months ended 30 Sept 2022 unaudited	Six months ended 30 Sept 2021 unaudited	Year ended 31 March 2022 audited
	$000	$000	$000
Gross occupancy advances (see below)	5,254,185	4,439,228	4,864,713
Less management fees and resident loans	(622,635)	(537,079)	(578,254)
Closing balance	**4,631,550**	**3,902,149**	**4,286,459**
Movement in gross occupancy advances			
Opening balance	4,864,713	4,205,105	4,205,105
Plus net increases in occupancy advances:			
• New retirement-village units	187,951	137,651	455,855
• Existing retirement-village units	126,677	77,989	168,072
Net foreign-currency exchange differences	41,128	(19,415)	(4,640)
Increase in occupancy advance balances	33,716	37,898	40,321
Closing balance	**5,254,185**	**4,439,228**	**4,864,713**

Gross occupancy advances are non-interest bearing and are not discounted.

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

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

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

9. SEGMENT INFORMATION

The 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 is consistent across all the villages.

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	Australia	Group
	$000	$000	$000
Six months ended 30 Sept 2022 unaudited			
Revenue	240,984	33,345	274,239
Underlying profit (non-GAAP)	111,683	27,123	138,806
Deferred tax (expense) / credit	(32,609)	9,293	(23,316)
Unrealised fair-value movement	49,594	39,686	89,280
Impairment loss	-	(10,784)	(10,784)
Profit for the period	128,668	65,318	193,986
Non-current assets	8,887,153	2,290,173	11,177,326
Six months ended 30 Sept 2021 unaudited			
Revenue	226,841	21,023	247,864
Underlying profit (non-GAAP)	92,831	3,031	95,862
Deferred tax credit / (expense)	(11,903)	18,847	6,944
Unrealised fair-value movement	178,533	128	178,661
Profit for the period	259,461	22,006	281,467
Non-current assets	7,744,652	1,539,087	9,283,739
Year ended 31 March 2022 audited (restated[1])			
Revenue	462,772	46,025	508,797
Underlying profit (non-GAAP)	203,763	51,186	254,949
Deferred tax (expense) / credit	(50,923)	21,714	(29,209)
Unrealised fair-value movement	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

1 The segment revenue figures for 31 March 2022 have been restated due to a misclassification between the Australian and NZ segments. The reclassification was $27.4m. The Group revenue figure for that comparative period has remained unchanged.

Notes to the consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

9. SEGMENT INFORMATION (CONTINUED)

Underlying profit is a non-GAAP (Generally Accepted Accounting Principles) measure and differs from NZ IFRS profit for the period. 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 determines the dividend pay-out to shareholders. 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.

10. COMMITMENTS

The Group had commitments relating to construction contracts amounting to $314.7 million at 30 September 2022 (30 September 2021: $247.9 million and 31 March 2022: $361.5 million).

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

11. SUBSEQUENT EVENTS

Dividends

On 18 November 2022, an interim dividend of 8.8 cents per share was declared and will be paid on 16 December 2022 (prior year: 8.8 cents per share). The record date for entitlements is 9 December 2022.

Dividend Reinvestment Plan

On 16 November 2022, the Board approved the implementation of a dividend reinvestment plan, to take effect from the dividend payable on 16 December 2022.

Village locations

NEW ZEALAND NORTH ISLAND

***Aotearoa** Te Ika-a-māui*

WHANGĀREI

- Jane Mander

AUCKLAND
Tāmaki-makau-rau

- Bert Sutcliffe
- Bruce McLaren
- Edmund Hillary
- Evelyn Page
- Grace Joel
- Karaka
- Keith Park
- Kohimarama
- Logan Campbell
- Miriam Corban
- Murray Halberg
- Possum Bourne
- Takapuna
- William Sanders

HAMILTON
Kirikiriroa

- Hilda Ross
- Linda Jones

CAMBRIDGE
Kemureti

- Cambridge

TAUPŌ

- Taupō

TAURANGA

- Bob Owens

GISBORNE
Tūranga-nui-a-Kiwa

- Kiri Te Kanawa

NEW PLYMOUTH
Ngāmotu

- Jean Sandel

NAPIER
Ahuriri

- Princess Alexandra

HAVELOCK NORTH
Karanema

- James Wattie

WHANGANUI

- Jane Winstone

PALMERSTON NORTH
Te Papaioea

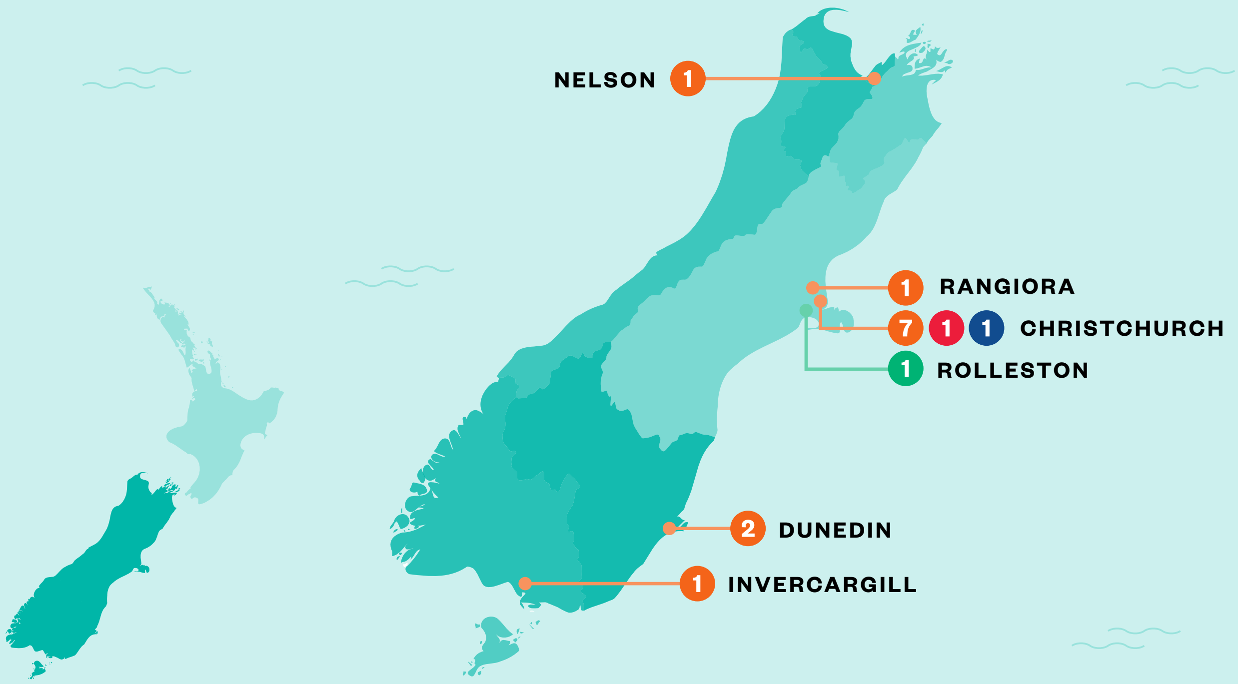
- Julia Wallace

WAIKANAE

- Charles Fleming

WELLINGTON
Te Whanganui a-Tara

- Bob Scott
- Karori
- Malvina Major
- Newtown
- Rita Angus
- Shona McFarlane



NEW ZEALAND SOUTH ISLAND
Aotearoa Te Waipounamu

NELSON
Whakatū
- Ernest Rutherford

RANGIORA
- Charles Upham

CHRISTCHURCH
Ōtautahi
- Anthony Wilding
- Diana Isaac
- Essie Summers
- Kevin Hickman
- Margaret Stoddart
- Ngaio Marsh
- Northwood
- Park Terrace
- Woodcote

ROLLESTON
Tauwharekākaho
- Rolleston

DUNEDIN
Ōtepoti
- Frances Hodgkins
- Yvette Williams

INVERCARGILL
Waihōpai
- Rowena Jackson

- RYMAN VILLAGE
- UNDER CONSTRUCTION
- COUNCIL APPROVAL
- PROPOSED VILLAGE

AUSTRALIA VICTORIA

MELBOURNE

- Coburg North
- Essendon
- Essendon Terrace
- Bert Newton
- John Flynn
- Kealba
- Mulgrave
- Nellie Melba
- Raelene Boyle
- Ringwood East
- Weary Dunlop

BELLARINE PENINSULA

- Charles Brownlow
- Deborah Cheetham

MORNINGTON PENINSULA

- Mt Eliza

In the spirit of reconciliation Ryman Healthcare acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

- RYMAN VILLAGE
- UNDER CONSTRUCTION
- COUNCIL APPROVAL
- PROPOSED VILLAGE

Directory

REGISTERED OFFICE

Airport Business Park
92 Russley Road
Christchurch

PO Box 771, Christchurch 8042
New Zealand

SHARE REGISTRAR

Link Market Services
PO Box 91976, Auckland 1142
New Zealand
P: +64 9 375 5998
E: enquiries@linkmarketservices.co.nz

AUCKLAND OFFICE

Building 2, Level 2
Central Park
666 Great South Road
Ellerslie, Auckland 1051
New Zealand

WELLINGTON OFFICE

10B Waterloo Quay
Wellington 6011
New Zealand

MELBOURNE OFFICE

Level 5, 6 Riverside Quay
Southbank, VIC 3006

PO Box 54
Collins Street West
Melbourne, VIC 8007
Australia

For more information on any of Ryman Healthcare's retirement villages:

New Zealand
0800 588 222
rymanhealthcare.co.nz

Australia
1800 922 988
rymanhealthcare.com.au

RYMAN
HEALTHCARE

rymanhealthcare.co.nz
rymanhealthcare.com.au