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 2021, 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 49, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, 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 an assurance engagement 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 $17.5m.

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.

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Valuation of investment properties	How our audit addressed the key audit matter
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 was determined by independent registered valuers appointed by the Group. These properties were valued at $6,837m (2020: $5,760m). The revaluation gain recognised in the consolidated income statement was $417m (2020: $144m). We include 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 75% of the total assets (2020: 75%), making it the most significant balance on the balance sheet. 2. The complexity of the valuation model: The valuation model is complex and combines discounted future cash flows and occupancy advances received from residents. The valuation relies on various estimates and underlying assumptions, including current unit pricing, discount rates, long term house price inflation and the occupancy periods of residents. A small percentage difference in certain input assumptions could result in a material change to the valuation.	Our procedures focused on: • The appropriateness of the valuation methodology • The reasonableness of underlying assumptions in the valuation model. Our procedures included, amongst others: • Evaluating the Group's processes for the independent valuation of the investment properties • 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 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 • 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 specifically discussed the impact of COVID-19 with the valuers and critically challenged the changes made to key assumptions and their reasonableness relative to the 31 March 2020 valuation • Using our in-house valuation specialists to assess the appropriateness of the valuation methodology and challenge the reasonableness of the underlying assumptions. Our specialists focused on the appropriateness of the valuation methodology, as well as assumptions for current unit pricing, long term house price inflation and discount rates • Agreeing a sample of sales and resales to contracts, recalculating actual growth rates on resales to compare to growth applied by the valuer, and recalculating 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, challenging the adjustments made to take into account the changing impacts of COVID-19 • Considering the appropriateness of the disclosures in note 7

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Valuation of care-facility land and buildings	How our audit addressed the key audit matter
As explained in policy (d) and note 6 in the consolidated 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 fair value was determined by independent registered valuers appointed by the Group. The net book value of care facility land and buildings as reflected in note 6 is $955m (2020: $711m). The revaluation gain recognised in other comprehensive income was $196m (2020: $nil). We included the valuation of care-facility land and buildings as a key audit matter for two reasons: 1. The materiality of the account balance, and the revaluation movements. 2. The complexity of the valuation model: The valuation model includes both observable and non-observable inputs. It uses significant assumptions, including the determination of the earnings that were capitalised, the capitalisation rates adopted, and the assessment of the market value per care bed. These inputs require significant judgement.	Our procedures focused on: • the appropriateness of the valuation methodology • the reasonableness of underlying assumptions in the valuation model. Our procedures included, amongst others: • Evaluating the Group's processes regarding the independent valuation of the care facility land and buildings • Reviewing the valuation methodology and the reasonableness of the significant valuation assumptions • 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 • Meeting with the valuers to understand the valuation process adopted. The purpose of the meeting was to identify and challenge the critical judgement areas in the valuation model and to confirm the valuation approach was in accordance with NZ IFRS 13 *Fair Value Measurement*. We specifically discussed the impact of COVID-19 with the valuers and critically challenged any related adjustments made to key assumptions and their reasonableness • Using our in-house valuation specialists to assess the appropriateness of the valuation methodology and challenge the reasonableness of the underlying assumptions. Our specialists focused on the assumptions for earnings capitalisation rates • Assessing the reasonableness of the capitalisation rates and market value per care bed adopted in the valuation • Agreeing, on a sample basis, the earnings capitalised to the underlying accounting records and challenging the valuers on the adjustments made to actual earnings in arriving at the earnings used in the valuation • 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 will 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 do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact.

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

Paul Bryden, Partner
for Deloitte Limited
Christchurch, New Zealand
20 May 2021