

# 2016

## ANNUAL REPORT



## OUR VISION

**be a dynamic, innovative and creative industry leader and provide premium quality aged care services, through effective management by a dedicated professional team.**

**Regis Healthcare Limited**  
ABN 11 125 203 054

**REGISTERED OFFICE/  
PRINCIPAL PLACE OF  
BUSINESS**

Level 2, 615 Dandenong Road  
Armadale, Victoria 3143  
Telephone: 03 8573 0444  
Website: [www.regis.com.au](http://www.regis.com.au)  
ASX code: REG

**BOARD OF DIRECTORS**

**Mark Birrell**  
Independent Non-Executive  
Chairman

**Ross Johnston**  
Managing Director and  
Chief Executive Officer

**Bryan Dorman**  
Non-Executive Director

**Sylvia Falzon**  
Independent Non-Executive  
Director

**Trevor Gerber**  
Independent Non-Executive  
Director

**Ian Roberts**  
Non-Executive Director

**COMPANY SECRETARY**

**Martin Bede**  
Company Secretary/General  
Counsel

**AUDITOR**

Ernst and Young  
8 Exhibition Street  
Melbourne, Victoria 3000

**SHARE REGISTRY**

Link Market Services Limited  
Tower 4  
727 Collins Street  
Docklands, Victoria 3008  
Telephone: 1300 554 474

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# REGIS HEALTHCARE SNAPSHOT<sup>1</sup>

54

FACILITIES

REVENUE

\$480.7 m

NPAT<sup>2</sup>

\$56.8 m

750

CARERS EMPLOYED THROUGH CARERS CONNECT



SITES SIGNIFICANTLY  
REFURBISHED

1. As at 30 June 2016 unless otherwise noted

2. On a Normalised basis. Refer to pg 26 for the reconciliation of adjustments to Reported results

**5880** TOTAL OPERATIONAL PLACES

**95.2%** AVERAGE OCCUPANCY

**1** FACILITY  
**135** PLACES

**20** FACILITIES  
**2397** PLACES

**6** FACILITIES  
**615** PLACES

**6** FACILITIES  
**560** PLACES

**3** FACILITIES  
**407** PLACES

**18** FACILITIES  
**1913** PLACES

# CHAIRMAN'S REPORT

IT IS MY PLEASURE TO DELIVER THIS YEAR'S ANNUAL REPORT TO SHAREHOLDERS AS CHAIRMAN OF REGIS HEALTHCARE, AND TO ANNOUNCE THAT THE BUSINESS HAS PERFORMED WELL IN THIS FIRST FULL FINANCIAL YEAR AS A PUBLIC COMPANY.

This year, normalised Net Profit after Tax and EBITDA results were well above the prior corresponding period and our Net Operating Cash Flow was also strong.

Directors declared a final dividend of 5.94 cents per share, fully franked, paid to shareholders on 19 September 2016. The full year dividend of 15.34 cents per share is 100% of reported NPAT.



During the reporting period, the Company continued to make sound progress in achieving its strategic objectives and delivering on its growth strategy.

The acquisition of the Masonic Care business in Queensland in June 2016 was the largest undertaken by the organisation to date, and saw a 14% increase in the number of operational places. The integration of Regis Company processes and systems across these six Facilities is now substantially complete.

The period has also seen the Company invest significantly in its expansion pipeline, with 1,404 new places in the development pipeline. During the 2016 financial year, Regis opened 211 new places following the opening of the brownfield extensions to our Facilities in Caboolture, Queensland and Mildura, Victoria – and the opening of the new greenfield development in North Fremantle, Western Australia. The Regis East Malvern Facility, with 148 operational places also recently opened in Melbourne in September 2016.

*With approximately 6,500 staff employed by the Company as at the end of the financial reporting period, the development of our people remains a priority for Regis Healthcare.*

Caring for our residents remains fundamental to the way Regis Healthcare operates, and our ongoing commitment to care standards was evidenced in the successful re-accreditation of all 16 of our Facilities subject to re-accreditation during the reporting period. Each Facility was audited and judged to meet all 44 accreditation outcomes under the quality of care and quality of life standards set down for the provision of care to residents.

We also seek to improve care standards for our residents through new programs and innovations. One of these is to support the care of residents with dementia. These are discussed in more detail in the Innovations section of this report.

With approximately 6,500 staff employed by the Company as at the end of the financial reporting period, the development of our people remains a priority for Regis Healthcare, and a number of industry leading programs were implemented throughout the year in the area of Staff Recruitment, Development and Culture. In particular, the successful onboarding of around 750 staff from the Masonic business has been a key focus for the business – along with the onboarding of new staff required to deliver services following the mobilisation of the new places.

Our Workplace Health and Safety performance was once again ahead of the previous year and Regis Health and Safety programs have been successfully deployed at all of the Company's acquired Facilities.

At an industry level, a number of changes to Government Funding were announced during the year. These changes, which will ramp up over the next three years, were first announced by the federal government as part of the MYEFO in November 2015 and then in May in the 2016 Federal Budget. The management team is developing and continues to implement a range of strategies to mitigate the impact on care and our revenue resulting from these changes.

Our CEO and his Executive team have once again performed well during the year, based on both financial and non-financial metrics. Their strong performance in executing the Company's growth strategy means Regis Healthcare continues to be a leader in the sector.

In closing, I would like to thank my fellow Directors, the Executive team and the many committed employees who make up Regis Healthcare for their contribution to the business throughout the year. I would also like to welcome all new employees to the Company who have joined us during that time. And finally I would like to thank you, our shareholders, for your continuing support.



**Mark Birrell,**  
*Independent Non-Executive Chairman*

## THE 2016 FINANCIAL YEAR ('FY16') SAW THE CONTINUED EXECUTION OF THE REGIS HEALTHCARE GROWTH STRATEGY AND THE DELIVERY OF SOLID GROWTH AS REFLECTED IN OUR FINANCIAL RESULTS OVER THE LAST 12 MONTHS.

Financial highlights included a Reported NPAT of \$46.1m, whilst the Normalised EBITDA<sup>1</sup> and Normalised NPAT<sup>1</sup> were \$105.1m and \$56.8m respectively, from total Revenue of \$480.7m. This was in line with expectations.

The financial result is underpinned by ongoing growth in revenue and included an increased contribution from Regis' Significant Refurbishment<sup>2</sup> program. The continuation of this program in FY16 saw around 1,600 eligible residents with access to an enhanced living environment by the end of the period, for which the Company receives a higher accommodation supplement.

Pleasingly, the financial result included improved EBITDA contributions from the three single site acquisitions made between listing in October 2014 and 1 July 2015 thereby reaching our target run rates.

As anticipated, staff expenses were flat year on year as a percentage of revenue.

Across the Company, average occupancy at 95.2% was also a solid result and is in line with expectations.

### Market Position and Growth Strategy

Regis' medium-term growth strategy continues to combine organic growth – including greenfield and brownfield development and acquisitions comprising single Facilities and portfolios. The Company invested \$298.1m towards this growth in FY16.

A key highlight of the financial year was the acquisition of assets from Masonic Care Queensland ('Masonic') on 1 June 2016. It was the first portfolio transaction undertaken by the Company since listing, and the Company was delighted to secure this high quality aged care business.

With 711 operational places achieving 98% occupancy, this represented an increase of 14% to the existing Regis business for a net acquisition price of \$153.2m.

The Masonic portfolio is an excellent opportunity that is consistent with the Regis Healthcare strategic growth criteria. The Facilities are of high quality, have strong occupancy and a sound compliance track record. Operationally, the Facilities are an excellent fit with the current Regis network, given that we already have a presence in Brisbane and Cairns. Integration activities are progressing well and the transaction is anticipated to be EPS accretive in FY17.

As discussed in last year's report, Regis Healthcare acquired three Facilities between listing in October 2014 to 1 July 2015, adding 444 new places to our portfolio. We are pleased to announce that each of these is performing at targeted financial levels while delivering quality care outcomes. The Regis Tiwi Facility underwent re-accreditation during this period and having successfully met all outcomes, was awarded the maximum three-year accreditation period.

The two brownfield development projects in the pipeline, in Mildura, Victoria and Caboolture, Queensland were both completed, adding a combined 102 new places to the portfolio. The new extensions at both Facilities are ramping up in line with expectations, with each nearing steady state occupancy levels.

Our greenfield developments program has continued to expand with the highlights being the opening of the North Fremantle, Western Australia Facility, contributing 109 places in 2016 and more recently, the East Malvern, Victoria Facility, which has contributed a further 148 new places.

<sup>1</sup> Refer to pg 26 for the reconciliation of adjustments to Reported results

<sup>2</sup> Facilities are approved as being Significantly Refurbished by the Department of Health, following investment in the upgrading of a service deemed as meeting specified criteria. The Company is then eligible to receive a higher level of accommodation supplement for fully and partially supported residents at these approved Facilities.

As at 1 September 2016, there are 1,404 new places in the expansion pipeline comprising:

- 217 places scheduled to be completed during the remainder of FY17
- 255 places scheduled to be completed in FY18
- 932 places scheduled to be completed in FY19 and FY20.

The expansion of the pipeline was enabled by the purchase of four development sites, in Perth, Melbourne and Newcastle. In addition, the achievement of six Development Approvals during the reporting period demonstrates the strength of our property team and represents significant milestones for these development projects.

The Company was also successful in gaining 844 provisional allocations as part of the 2015 ACAR, bringing the number of non operational places in the portfolio available for development to 1,592.

The Facility refurbishment program has continued to be a key area of focus for the Company in FY16, with 29 Facilities approved as Significantly Refurbished<sup>1</sup>, and are thus receiving higher levels of funding. This program will continue in FY17.

### Market Update

The federal government announced changes to its residential aged care funding in the MYEFO in November 2015 and Federal Budget 2016 which will commence in FY17. For the Company, there will be minimal impact resulting from these changes in FY17. The changes are more significant in FY18 and FY19. A range of strategies have been and continue to be implemented to mitigate the impact of this, both from a care and revenue perspective.

### Care and Services Review

The Company has continued to make satisfactory progress in delivering improved Workplace Health and Safety outcomes as compared with the previous year.

We also continued to develop improved service offerings for residents with the rollout of the Regis Reserve service package at nominated Facilities. These additional services include enhanced food and lifestyle options for residents. The Club Services offer is regularly reviewed and during the reporting period additional features such as Foxtel were added.

Given the significant number of residents experiencing dementia, the provision of services to support this is another key focus of the business. As mentioned in our previous report, PARO, our robotic Harp seal, has been introduced into care and lifestyle programs across all Facilities after proving to be highly successful in reducing severe dementia behaviours over time. A range of other initiatives to support residents with dementia, includes our art therapy, Clown Doctors and music therapy programs along with new technologies to stimulate and engage residents. These are described in more detail in the Innovation section of this report.

We remain an employer of choice through our innovative recruitment and mentoring programs and continue to attract and retain high calibre employees both at home and overseas. For the fifth year in a row, Regis Healthcare has undertaken its International Nurses recruitment program – and has sponsored over 350 experienced registered nurses who are committed to working in aged care. This program has contributed significantly to both improved tenure and a deepening of clinical knowledge, resulting in improved care outcomes for residents across Regis Healthcare.

Other programs including our onboarding and professional development programs such as Carer's Connect and Project Flourish continue to reduce staff turnover, enhance compliance and deliver a stronger focus on clinical outcomes for residents.

During the 2016 financial year, the QLD, and NSW Enterprise Bargaining Agreements were successfully renegotiated.

In closing, I would like to thank each and everyone of our employees who deliver such high levels of care and support to our residents every day. Thank you also to our shareholders, the Directors and the Executive team for their ongoing commitment and support in producing a solid performance and result for Regis Healthcare in the 2016 financial year.



**Ross Johnston,**  
*Managing Director and CEO*

REGIS HEALTHCARE IS ONE OF AUSTRALIA'S LEADING PRIVATE AGED CARE PROVIDERS AND PROVIDES HIGH QUALITY AGED CARE INCLUDING RESIDENTIAL, RESPITE, DEMENTIA-SPECIFIC AND PALLIATIVE CARE – AND TO PROACTIVELY RESPOND TO THE DEMAND FOR MORE PERSONALISED SERVICES AND ACCOMMODATION STYLES THROUGH ITS REGIS CLUB SERVICES FACILITIES.



Established 22 years ago, the Company has grown from its original 104 places into one of the largest and most geographically diversified private providers of residential aged care in Australia. As part of its growth strategy, Regis now operates 54 Facilities in six States and Territories with over 6,000 operational places located primarily in metropolitan areas across Australia.

Our vertically integrated business model aims to provide premium quality care and accommodation to meet the growing needs of Australia's ageing population and respond to increased consumer demand for greater choice. This was highlighted in the recently released Aged Care Roadmap. Regis is also committed to driving returns for its shareholders by generating strong cash flow through its premium service offerings and its portfolio of high quality and well located aged care Facilities.

<b>Key portfolio statistics</b>	<b>AUG 2015</b>	<b>SEPT 2016</b>
Number of Facilities	47	54
Total places	6,012	7,619
Total operational places	5,057	6,027
Total rooms	4,340	5,263
Total single bedrooms	3,769	4,824
Percentage of operational places in a single bedroom	75%	80%
Percentage of rooms that are single bedrooms	87%	92%
Average Facility size (number of operational places)	108	112
Facilities approved as significantly refurbished	14	28

<b>Key operational statistics</b>	<b>FY 2015<sup>1</sup></b>	<b>FY 2016<sup>1</sup></b>
Total operational places	5,049	5,880
Revenue (\$ million)	439.0	480.7
EBITDA (\$ million)	87.6	105.1
Average occupancy percentage <sup>2</sup>	94.4%	95.2%
Occupancy percentage at end of period	94.3%	96.3%
Revenue per occupied bed day <sup>2</sup>	\$258	\$272
Government income per occupied bed day <sup>2</sup>	\$175	\$190
Resident income per occupied bed day <sup>2</sup>	\$74	\$76
Staff costs per revenue percentage	63.5%	63.6%
RADs held (#) <sup>3</sup>	2,128	2,404
RADs held (\$ million) <sup>4</sup>	\$697.9	\$808.0
Average RAD per RAD held (000's) <sup>5</sup>	\$328.0	\$336.1
Average incoming RAD (\$ 000's) <sup>5</sup>	\$383.9	\$389.3
Average DAP rate <sup>6</sup>	\$31.52	\$36.22

1. Revenue and EBITDA are on a normalised basis. Refer to page 26 for reconciliation between FY15 Reported and FY15 Normalised and FY16 Reported and FY16 Normalised.

2. Average across the reporting period (12 months or six months).

3. Includes all RADs held – partial and full at their weighted value.

4. Now excludes ILU resident entry contributions – note in previous presentations these were included in this number but following the Masonic acquisition they are more substantial and hence have been now excluded from the definition.

5. Includes partial RADs at full notional value and excludes lump sums received from partially supported residents.

6. Includes full and partial DAPs at actual value and excludes daily accommodation contributions received from partially supported residents.



Mark Birrell

## Board of Directors

### **Mark Birrell** Independent Non-Executive Chairman

Mark is an experienced company director with credentials spanning both the private and public sectors. He is currently Chairman of Infrastructure Australia, the Port of Melbourne Corporation, PostSuper Pty Ltd, and the Australian Payments Council. He is also President of the Victorian Chamber of Commerce and Industry.

Earlier Directorships have included being Chairman of VicHealth, founding Chairman of Infrastructure Partnerships Australia, Deputy Chairman of the Australian Postal Corporation and Chairman of Evans & Peck Limited. Mark was previously a Cabinet Minister and Government Leader in the Victorian Upper House.

A Fellow of the Australian Institute of Company Directors, Mark holds a Bachelor of Economics and Bachelor of Laws and has been admitted to practice as a Barrister and Solicitor.

### **Ross Johnston** Managing Director and Chief Executive Officer

Ross was appointed as the Chief Executive Officer in 2008, and brings over 30 years' experience in the construction and services industries, both domestically and internationally.

Ross is the Chairman of the Aged Care Guild, an association of nine of the ten largest Residential Aged Care for profit providers in the industry. Prior to joining Regis, he was Chief Executive Officer of Spotless Australian Services and also held senior executive positions at Lend Lease and Jennings.

Ross holds a Diploma of Building and a Diploma of Quantity Surveying, both from the Royal Melbourne Institute of Technology.

### **Bryan Dorman** Non-Executive Director

Bryan has considerable experience working in and growing enterprises across a broad range of industry sectors, including residential aged care, manufacturing, property development asset investment and business services.

Bryan was a member of, or Partner in Melbourne accounting firm, Rees Partners, from 1977 until 2000. Bryan is a founding director and shareholder of Regis. From its commencement in the early 1990s until 2014, Bryan was the Chairman of Regis (and Executive Chairman until 2008) – during which time he oversaw the management and growth of the Company. Bryan was also the National President of the former aged care industry body, The Aged Care Association of Australia, from 2004 to 2012, and was actively involved in the development of the industry and shaping its future.

### **Sylvia Falzon** Independent Non-Executive Director

Sylvia has extensive experience in the financial services industry with a career spanning more than 27 years. She has held senior executive positions responsible for funds management businesses both domestically and internationally – including roles as Head of Business Development at Aviva Investors Australia, an equity partner at Alpha Investment Management and Chief Manager International Sales & Service at AXA Investment Management (formerly National Mutual Funds Management).

Currently, Sylvia is a non-executive director of Perpetual Limited, SAI Global Limited, Museums Board of Victoria and Cabrini Health Limited.

Sylvia holds a Masters in Industrial Relations and Human Resource Management (Hons) from the University of Sydney and a Bachelor of Business from the University of Western Sydney. She is a senior fellow of the Financial Services Institute of Australasia and also holds a graduate diploma from the Australian Institute of Company Directors.

### **Trevor Gerber** Independent Non-Executive Director

Trevor has extensive board experience across property, funds management, tourism, infrastructure and aquaculture. He currently holds directorships at Tassal Group, CIMIC Group, Vicinity Centres Limited and is Chairman of Sydney Airport Limited.

Prior to becoming a professional director in 2000, Trevor was an executive at Westfield Holdings Limited for 14 years where he held numerous senior executive positions including Group Treasurer and Director of Funds Management responsible for the Westfield Trust and Westfield America Trust.



Ross Johnston



Bryan Dorman



Sylvia Falzon

Trevor is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Accountancy from the University of the Witwatersrand, South Africa.

### **Ian Roberts** Non-Executive Director

Ian has over 30 years' experience in the real estate sector including 20 years in residential aged care. He currently holds non-executive directorships in several property and property services enterprises. Prior to co-leading the Regis journey, Ian was involved in property development (sub divisional and commercial) in South East Queensland.

As a founding shareholder and Director of Regis (Executive Director prior to 2008), Ian headed up the property division and oversaw the development and implementation of the strategy that saw the business growing in excess of 4,500 beds nationally.

Ian holds a Bachelor of Science (Surveying) from the Royal Melbourne Institute of Technology.

## **Company Secretary**

### **Martin Bede** Company Secretary/General Counsel

Martin is a lawyer with considerable experience in both private practice and in-house legal roles. Prior to joining Regis he acted as Company secretary/legal counsel for both public and private companies in a variety of industries including Dairy Australia Limited and Victorian Rail Track Corporation. He was appointed Company Secretary in April 2010.

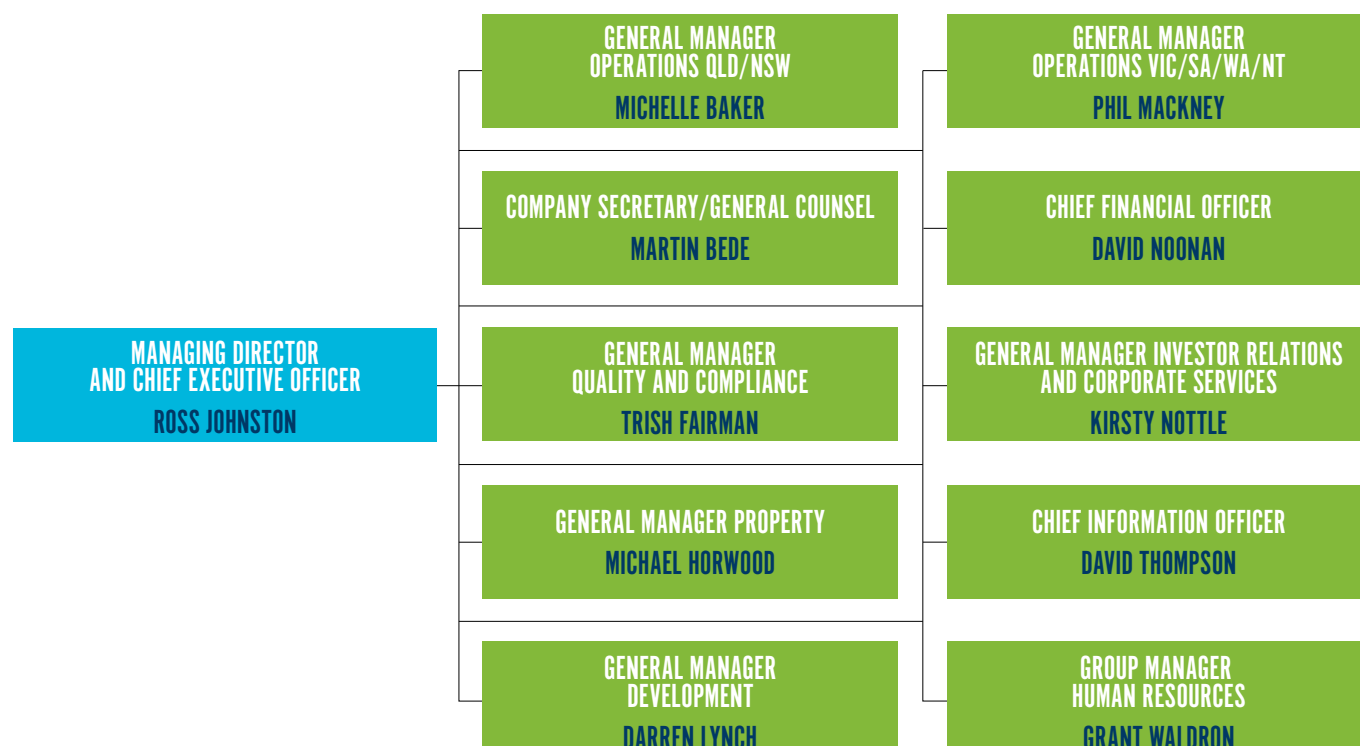


*Trevor Gerber*



*Ian Roberts*

## **Executive Leadership Team Structure (as at 30 June 2016)**



## Corporate Governance Statement

The Company's compliance with the ASX Corporate Governance Council recommendations 3rd edition can be found in the Regis Healthcare Corporate Governance Statement. This statement is on the Company website at <http://www.regis.com.au/about-us/corporate-governance/>.

The Board of Directors has formally adopted the following policies and codes:

- Board Charter & Relationship with Management;
- Audit, Risk and Compliance Committee Charter;
- Remuneration and Nomination Committee Charter;
- Policy for Dealing in Securities;
- Continuous Disclosure Policy;
- Code of Conduct;
- Diversity Policy;
- Communication Strategy; and
- Privacy Policy.

These documents are available for review at <http://www.regis.com.au/about-regis/corporate-governance/>

## Diversity

In the first year following listing, the Board has formally approved a Diversity Policy in order to address the representation of women in management positions and on the Board, and to actively facilitate a more diverse and representative management and leadership structure.

The Policy notes that, while the Company's vision for diversity incorporates a number of different factors, including gender, ethnicity, disability, age and educational experience, at a Board and management level, gender has been identified as a key area of focus.

On this basis, the primary focus of the Policy is achieving, over a reasonable transition period, adequate representation of women in management positions and on the Board

The Board resolved to adopt three Diversity Objectives under the Diversity Policy.

The Board has adopted these Diversity Objectives for 2016/17 as they continue to be of relevance in implementing the Diversity Policy.

The Company's Workplace Gender Equality Agency Report for 2015/16 can be found at <http://www.regis.com.au/site/wp-content/uploads/2016/04/Workplace-Gender-Equality-Agency-Report-2015-16.pdf>

These Diversity Objectives and progress against them as at 30 June 2016 are as follows:

Diversity Objectives	Progress
1. Increase the representation of women at all levels of management within the Company.	<p>To progress this objective the Board adopted two Diversity Priorities: These were to:</p> <ul style="list-style-type: none"> <li>a. Increase proportion of female participants in the Regis management training programs; and</li> <li>b. Increase the proportion of promotions filled by internal candidates.</li> </ul> <p>Progress against these priorities is as follows:</p> <ul style="list-style-type: none"> <li>a. Attendance at the management training programs during the year was 85% female and 15% male (c.f. overall workforce numbers 76% female and 24% male).</li> <li>b. The proportion of promotions filled by internal candidates increased by 7% to 42% during calendar year 2015.</li> </ul>
2. Gender equity in remuneration of senior managers.	A review of pay equity for senior managers was completed in June 2016.
3. Support employees experiencing domestic violence.	This objective has been progressed by development of the Family Violence Workplace Policy. This policy was approved by the Remuneration and Nomination Committee at the June 2016 meeting.

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## Compliance

The residential aged care sector is highly regulated and requires all Facilities be independently assessed against four legislated standards and 44 outcomes in order to be accredited for a further three-year period.

These standards, set down by the Commonwealth's Australian Aged Care Quality Agency, are designed to safeguard the health, personal care, safety and wellbeing of all Regis residents – and ensure core management, staffing and organisational development systems are in place.

All Regis Facilities are fully accredited and undergo a stringent external assessment and audit process – in addition to a rigorous program of internal audits and reviews conducted by Regis' National Compliance Team through its quality control and management systems.

The team also monitors risk indicators and conducts an in-depth gap analysis each year to track trends and identify opportunities for improvement.

The analysis of these findings is used to review clinical practices, improve care outcomes, reduce incidents and inform continuous improvement plans for each Facility, which are updated on a monthly basis.

In 2016, Regis successfully met all requirements as part of 16 audits conducted.

- 16 Facilities re-accredited
- 100% met all 44 outcomes and received re-accreditation for a further three years.

## People Development

Through the delivery of innovative mentoring, leadership and professional development programs coupled with clearly defined career pathways, Regis continues to attract and retain high quality staff and has positioned itself as an employer of choice both in Australia and overseas.

Our continued growth means we are also uniquely placed to offer exceptional career opportunities and pathways to Regis team members – and where possible, are committed to promoting from within to ensure we retain and build on the experience, passion, knowledge and strengths of our people.

## Program highlights for 2016 include:

### Learning and Development Programs

Our professional development, mentoring and onboarding programs, created by our Learning and Development Team and industry experts, include:

- **Carers Connect** – a unique selection process with real-life scenarios and hands-on support to ensure our prospective carers are inducted and trained in the Regis Way.
- **Owl Mentoring Program** where talented carers are trained to mentor and guide new recruits into the workplace and support them in their role.
- **Project Flourish** which aims to further the skills of our clinicians and managers through individually tailored development programs – and based on its success, Regis is now gearing up to accelerate the program and fast track development outcomes.
- **eLearning** – a comprehensive online learning system which allows employees to keep up to date with the latest industry benchmarks and best practice.
- **Internal Training** days designed by leading subject matter experts to further employee skills.
- **The Regis Boost program** which helps mentor and develop the skills of Registered Nurses who are new to aged care and interested in making the transition.
- **The Regis Advance program** which grows our clinicians' careers by developing their business and clinical skills.
- **Dementia Care** specialist training for staff who are selected on their ability to relate to residents and who can demonstrate high levels of creativity, compassion and insight into dementia and its impacts on behaviour. All managers are required to undertake mandatory education with training experts and partners such as Alzheimers Australia – while all Regis care staff must have a minimum Certificate III qualification and undertake annual dementia care training.
- **Annual Appraisal Process** which gives employees the opportunity to identify areas for career progression and development.
- **International Nurse Recruitment Program** which attracts quality staff from Great Britain. Now in its fifth year, the Program has sponsored over 350 experienced nurses and has not only improved staff tenure but also benefited residents and the business through a deepening of clinical knowledge.

# GROWTH STRATEGY

REGIS CONTINUED TO TAKE ADVANTAGE OF STRONG INDUSTRY GROWTH AND THE CURRENT WAVE OF MARKET CONSOLIDATION TO INCREASE ITS FOOTPRINT NATIONALLY AND FURTHER REALISE ITS ACQUISITION AND GREENFIELD EXPANSION PIPELINE.

During the 2016 financial year, the acquisition of six Facilities from Masonic Care Queensland added 711 operational places to the Regis portfolio and an additional 26,000 sqm of land with potential for further development – while its development program delivered an additional 102 brownfield places with the completion of the Regis Ontario,

Victoria and Regis Caboolture, Queensland extensions and an additional 109 greenfield places with the opening of the North Fremantle Facility, Western Australia. More recently, the greenfield development in East Malvern, Victoria added a further 148 operational places to the portfolio following its opening in September 2016.

Both the North Fremantle and East Malvern Facilities offer Club Services and the Company is extremely proud of the quality of contemporary aged care services and accommodation that they offer.

Regis now has 11 sites in its expansion pipeline which will deliver 1,404 new operational places.

Through the implementation of its four-point growth strategy, Regis is committed to pursuing and realising new and existing opportunities that will deliver a geographically diverse portfolio for the Company and its shareholders and is responsive to changing consumer demands and resident needs. This includes:

- The acquisition of single Facilities which meet key criteria such as location, competitive position, bed configuration, scale, operational efficiency and future capex required.
- The acquisition of portfolios that meet the above criteria and take advantage of the increasing consolidation of portfolios in the marketplace.
- Brownfield Redevelopment program including the expansion and redevelopment of its assets and the significant refurbishment of a number of Facilities.
- Development of greenfield Facilities to ensure Regis is actively positioning itself for substantial growth.

Regis will also continue to diversify its revenue stream to offset operational costs by offering one of two premium service packages at its existing and greenfield sites in response to consumer-led demands for additional tiered services and enhanced lifestyle programs.

Regis Club services is offered at the premium Regis sites and offers residents a five-star hotel-style experience which includes onsite cinemas, day spas, hairdressing salons, pay TV, and e-zones and seasonal menus prepared by in-house chefs.

## Expansion pipeline

As part of its expansion pipeline, Regis completed two brownfield developments in the financial reporting period which delivered a total of 102 new places – and has a significant number of greenfield developments under construction which will contribute 1,404 new places across 11 sites.

New to the greenfield expansion program are the following developments:

- Regis Chelmer and Regis Lutwyche in Queensland
- Regis Elmore Vale in Newcastle, NSW
- Regis Camberwell and Regis Inala in Victoria
- Regis Kingswood and Regis Linden Park in South Australia, and
- Regis Greenmount, Regis Port Coogee, Regis Woodlands and Regis Nedlands in Western Australia.

Regis Kingswood closed in 2015 to allow the reconstruction including extension of a heritage dwelling. With 100 places, this Facility is expected to open at the end of 2017. Construction has also commenced at Regis Linden Park in Adelaide, to consolidate three stand-alone buildings through the construction of a new double storey Facility which will accommodate 117 places. The renovation of the existing mansion and construction of a new 120-place purpose-built Club Services Facility at Regis Chelmer is underway and will be ready to receive its first residents in 2018.

Regis Nedlands, formally known as Regis Park, has also closed and construction of the 135-place state-of-the-art Facility is set to commence in the first half of FY17, and a new Facility at Regis Elmore Vale, Newcastle NSW is anticipated to open in FY19 and provide 120 operational places.

Development approval has been obtained for two new greenfield sites at which the construction of a 120-place Facility at Regis Woodlands and a 120-place Facility at Regis Port Coogee in WA will commence in FY17. The land purchases for these two new greenfield sites were completed by Regis in FY16.

The development application for Regis Lutwyche in Brisbane has now been approved with construction scheduled to start in 2017. Regis Camberwell, another greenfield site purchased by Regis in November 2015 had a development application to build a 90-place Facility lodged.

Finally, the Stage 2 construction at Regis Greenmount is expected to commence in FY 2018, while Regis Inala will commence Stage 1 of a program of works in the same year, which will include the refurbishment and expansion of its existing Facilities.

All of these new developments include dementia-specific areas.



Regis Kingswood



Regis Linden Park

## Expansion pipeline for the 2017 financial year

The following snapshots provide further detail on these developments. A full list of all Regis Facilities is available on the Regis Healthcare website, which can be found at <http://www.regis.com.au/>

### Regis Kingswood, South Australia

<b>Suburb</b>	Kingswood
<b>Opening</b>	2H FY17
<b>Service product</b>	Regis Club
<b>New places</b>	100
<b>Construction</b>	> 50% complete

Regis Sunset was closed in October 2015 for redevelopment and will see the construction of a 100-place state-of-the-art aged care Facility. In addition, the on-site heritage building will be fully restored to its original glory and will reopen as Regis Kingswood in 2017.

### Regis Linden Park, South Australia

<b>Suburb</b>	Linden Park
<b>Opening</b>	2H FY17
<b>Service product</b>	Regis Club
<b>New places</b>	117
<b>Construction</b>	>50% complete

Linden Park is a campus site housing three nursing home buildings, which currently provides a total of 167 places. The stand-alone buildings will be consolidated as part of the project and a new double storey aged care building is now under construction and will accommodate 117 places. The new building will also provide amenities such as a café, private dining room, cinema, e-zone, library, hair salon, and day spa.

### Regis Chelmer, Queensland

<b>Suburb</b>	Chelmer
<b>Opening</b>	1H FY18
<b>Service product</b>	Regis Club
<b>New places</b>	120
<b>Construction</b>	Underway

Located in a leafy street of Chelmer close to the Brisbane River, the premium aged care building will provide 120 single ensuite rooms and communal Facilities once complete, including a private dining room, café, day spa, hair salon and library. Renovation of the existing two storey heritage mansion and construction of the new purpose-built Facility is now underway and will open in 2018.



Regis Chelmer

### Regis Nedlands, Western Australia

<b>Suburb</b>	Nedlands
<b>Opening</b>	FY18
<b>Service product</b>	Regis Club
<b>New places</b>	135
<b>Construction</b>	To commence 1H FY17

Park Lodge was closed in May 2016 to allow for redevelopment of a new building, which will provide a 135-place Facility located close to the Nedlands medical precinct. It will include 17 apartment-style rooms, along with extensive common Facilities such as hair salon, day spa, cinema room, library, café and function space with extensive views of Kings Park and the Swan River. This is the first stage of the asset renewal process for the Hollywood campus in Nedlands, Perth.



Regis Nedlands

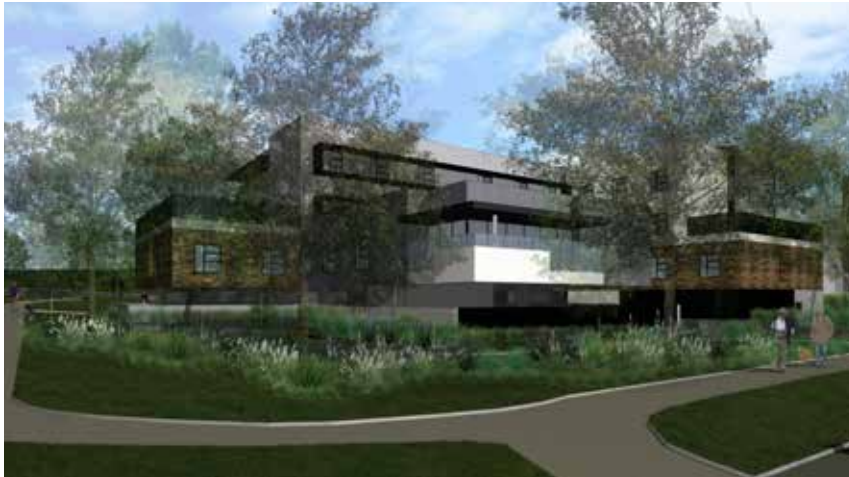
### Regis Elmore Vale, Newcastle, NSW

<b>Suburb</b>	Elmore Vale
<b>Opening</b>	FY19
<b>Service Product</b>	Regis Reserve / Regis Classic
<b>Construction</b>	Commencing FY17
<b>New places</b>	120

Regis Elmore Vale will see the build of a new innovative three storey residential care Facility which will offer 120 high care places including a 30-bed dementia-specific area. Designed by award winning architect, Jackson Teece, construction will commence in 2017. The Facility will include a cinema, hair salon and library complete with tree-lined views of the picturesque Hunter valley region.



Regis Elmore Vale



Regis Woodlands

## Regis Woodlands, Western Australia

<b>Suburb</b>	Woodlands
<b>Opening</b>	FY19
<b>Service product</b>	Regis Club
<b>New places</b>	120
<b>Construction</b>	To commence FY17

Regis Woodlands is a greenfield site purchased by Regis in March 2016. Development approval has been obtained for a 120-place Facility and construction will commence before the end of 2017. The Facility is set in the leafy suburb of Woodlands and the site design allows for the significant retention of vegetation to provide a relaxing aspect for residents. The Facility will include a dementia-specific area and a Regis Club services area with a café, hair salon, day spa, library and cinema.



Regis Port Coogee

## Regis Port Coogee, Western Australia

<b>Suburb</b>	North Coogee
<b>Opening</b>	FY19
<b>Service product</b>	Regis Club
<b>New places</b>	120
<b>Construction</b>	To commence FY17

Regis Port Coogee is a greenfield site purchased by Regis in May 2016. Development approval has been obtained for a 120-place Facility and construction will commence before the end of 2017. The Facility is set immediately adjacent to the Port Coogee Marina which provides for extensive views across the marina and ocean. The Facility will contain a dementia-specific area, and an extra service area which will offer an onsite café, hair salon, day spa, library and cinema.



Regis Lutwyche

## Regis Lutwyche, Queensland

<b>Suburb</b>	Lutwyche
<b>Opening</b>	FY19
<b>Service product</b>	Regis Club
<b>New places</b>	130
<b>Construction</b>	Commencing FY17

Located in inner north Brisbane, the 3,506 square metre site was purchased from the Department of Main Roads in June 2015 and is located close to public transport and parks. The new premium aged care building will provide 130 single ensuite rooms and communication Facilities including a private dining room, café, day spa, hair salon, cinema and library.

### Regis Camberwell, Victoria

<b>Suburb</b>	Camberwell
<b>Opening</b>	FY19
<b>Service Product</b>	Regis Club
<b>New places</b>	90
<b>Construction</b>	Commencing FY18

Regis Camberwell is a greenfield site which was settled by Regis in November 2015. Development approval application has been lodged for a 90-place Facility and, pending planning approval, construction will commence in October 2017. The Facility is set in a quiet cul de sac in the leafy suburb of Camberwell. The Facility will contain a 15-room dementia-specific area. A number of larger suites will also be available for residents at this Facility. Communal Facilities including a private dining room, café, day spa, hair salon, cinema room and library.



Regis Camberwell

### Regis Greenmount, Western Australia

<b>Suburb</b>	Greenmount
<b>Opening</b>	FY20
<b>Service product</b>	Regis Club
<b>New places</b>	150
<b>Construction</b>	Commencing FY18

Regis Greenmount is currently a 127-place Facility located close to the Greenmount National Park in Perth. In order to meet increased demand for aged care in the area, a multi stage project will commence in FY18 and will include the development of a new Facility which will deliver a campus site with over 240 places. The Facility will provide 120 new places as single ensuite rooms, with living areas offering expansive views over the Perth skyline. Regis Greenmount will open in FY20.



Regis Greenmount

### Regis Inala, Victoria

<b>Suburb</b>	Blackburn
<b>Opening</b>	FY20
<b>Service Product</b>	Regis Club
<b>New places</b>	202
<b>Construction</b>	Commencing FY18

Situated on 10 hectares in the Melbourne suburb of Blackburn, Inala Lodge forms part of the Inala village complex and includes a community café and store, shared community vegetable garden, auditorium for social events, and a day therapy centre and chapel. The current 310 places will be refurbished and expanded to provide an additional 202 new places.



Regis Inala



Regis Sandgate



Regis Whitfield

## Acquisitions

In June 2016, Regis acquired six aged care Facilities from Masonic Care Queensland across four locations including Brisbane, Cairns, Townsville and Tin Can Bay on the Fraser Coast. The largest of these is located at Sandgate in Brisbane and comprises three separate aged care Facilities with 441 places. The transaction has added 711 operational places to the Regis portfolio, along with 244 retirement units and 26,000 square metres of land with development opportunity.

Regis also acquired Regis Marlestone, (formerly St Martins Nursing Home) on 1 July 2016 to expand its market reach in South Australia. This brings the total number of acquired operational places to 1,155 since listing in October 2014.

### Regis Sandgate Campus, Queensland

- 441 operational places
- Acquired 1 June 2016
- Acquired from Masonic Care Queensland

Regis Sandgate Brisbane is a campus site comprising three different residential aged care Facilities and a co-located retirement village. Regis Sandgate Lucinda offers 153 places, with 24 places dedicated for those with dementia. Regis Sandgate Musgrave is a 238-place Facility with 12 dementia-care places, and Regis Sandgate Griffith is a dedicated dementia Facility with 50 places.

All have access to a stunning heritage precinct including café, gift shop, library, hairdressing salon and beautiful gardens with outdoor sitting areas. A medical centre and chemist are also available on site, while the Facility itself is only a few minutes walk from Morton Bay and within easy reach of Sandgate's shops, restaurants and public transport.

### Regis Whitfield, Cairns, Queensland (formerly Morinda Aged Care)

- 123 operational places
- Acquired from Masonic Care Queensland
- Acquired 1 June 2016

Regis Whitfield is an award winning, state-of-the-art, aged care complex in the popular Cairns suburb of Whitfield, and was purpose built to cater for a range of aged care needs including specialist dementia, respite and palliative care. It shares a site with the Woodward retirement village, which offers 62 independent living units. The Facility is close to public transport, clubs and shopping Facilities, as well as the mountains of Barron Gorge National Park and Freshwater Creek State Forest.

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### **Regis Tin Can Bay, Fraser Coast, Queensland** (formerly Cooloola Coast Aged Care)

- 20 operational places
- Acquired 1 June 2016
- Acquired from Masonic Care Queensland

Set in the fishing town of Tin Can Bay, the aged care Facility offers a range of care levels and respite services to the Cooloola Coast community. The 20-place Facility includes dining areas, lounges, a library, garden and its own pets to enhance the lifestyle of residents.

### **Regis Kirwan, Townsville, Queensland** (formerly Karinga Aged Care)

- 127 operational places
- Acquired 1 June 2016
- Acquired from Masonic Care Queensland

Regis Kirwan supports all levels of care and provides an extensive lifestyle program including diversion therapy. Located on the same site as the Corinthian Court Retirement village which provides 85 independent living units, the Facility offers flexible care options and an easier transition as care needs change.

### **Regis Marleston, South Australia**

- 115 operational places
- Acquired 1 July 2015
- Acquired from the City of West Torrens

Regis Marleston was purchased at the beginning of the 2016 financial year and is located in a Federation style building off Richmond Road and six minutes from Ashford Hospital and local shops. The Facility offers 115 places, mainly single rooms with ensuites.



*Regis Tin Can Bay*



*Regis Kirwan*



*Regis Marleston*



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CENTRAL TO REGIS' INNOVATION STRATEGY IS ITS INTRODUCTION OF OPPORTUNITIES TO DEVELOP NEW PROGRAMS AND SERVICES THAT MEET THE RAPIDLY CHANGING NEEDS OF OUR AGEING POPULATION AND CAN IMPROVE OUR RESIDENTS' QUALITY OF LIFE AND CARE.

Currently, more than 350,000 Australians live with dementia and although there is not yet a cure, there are a growing number of approaches that can have a significant impact on decreasing symptoms.

With more than half our residents diagnosed with dementia, Regis works closely in consultation with residents, family, our clinical team, allied health experts and organisations such as Alzheimer's Australia to introduce a range of innovative therapies and programs which have successfully reduced a number of common dementia issues such as wandering episodes, agitation, aggression, falls, and verbal behaviours.

These include physical health and exercise programs, interactive technologies to create virtual experiences for residents, sensory kits using Montessori education principles and a lifestyle resource library which allows Facilities to borrow and trial activities and programs at their site.

The approach is to deliver care through a range of flexible programs to ensure continuity of participation and care. This encourages independence, communication, self-esteem and a sense of community to meet residents' physical, emotional and spiritual needs. In general, programs are trialled at a number of Facilities before being rolled out nationally in a consistent way across the business. For example PARO, a lifelike harp seal 'carebot', which featured in last year's Annual Report and this year was rolled out nationally across all sites. Examples of the current programs are provided.

MORE THAN **353,800**  
AUSTRALIANS LIVE WITH DEMENTIA

THIS NUMBER WILL RISE TO  
**400,000** IN FIVE YEARS  
**ONE MILLION** BY 2050

**THREE IN TEN** PEOPLE OVER 85  
**HAVE DEMENTIA**

**ONE IN TEN** PEOPLE 65 AND OVER  
**HAVE DEMENTIA**

**55%** OF OUR RESIDENTS SUFFER FROM  
**DEMENTIA** AND MEMORY LOSS



## Facility design

As part of our commitment to continuous improvement and to ensure our Facilities stay abreast of industry standards, Regis has worked with Alzheimer's Australia to identify how to best optimise living and communal spaces in each of our dedicated dementia units and living areas.

This includes the selection and layout of furniture, fittings and equipment – including a range of visual cues to help residents with memory loss identify their rooms through individually coloured doorframes and memory boxes containing family photos and memorabilia.

## Montessori kits

Regis has introduced Montessori kits to help engage and stimulate residents with dementia. Based on Montessori learning principles, the kits provide a range of meaningful activities and sensory cues which can be adapted across each Facility to help residents with memory loss and daily living skills. It can also in some cases be used to restore functions and living independence. For example, a Regis resident, who had been unable to feed himself, gained sufficient improvement in his mobility and eye hand coordination to feed himself again after a few months on the program. Staff training on the Montessori method has been provided to our Lifestyle coordinators.

## Making ripples with interactive technologies

Technology is also making inroads into helping residents to become more engaged and stimulated. With the purchase of interactive projectors to create interactive walls and screens, residents can use their fingers to draw on the wall and interact with a virtual fish pond by touching the water to create ripples and make fish move. Other applications are also being explored to offer music, movies and potentially virtual tours of museums. The virtual wall and interactive projector were first rolled out at Regis Hastings and Regis North Fremantle, and in the future will be a feature of all new builds.

## Shaping life's simple pleasures

Eating is one of life's simple pleasures, however, for residents with dementia on a diet of pureed foods due to their inability to chew or swallow, the meal experience can be a source of disinterest and frustration. To address this, Regis has developed a range of innovative food moulds and techniques to shape pureed food ingredients back into their original form – thereby creating a more visually appealing, and appetising meal for residents. The 'plating up' of fresh ingredients designed to look like a familiar meal has seen gains in both social interaction and weight among residents.



## Lifestyle resource library

To expand the range of activities available to residents and gauge their interest in different activities, a lifestyle resource library has been established, managed by the Lifestyle development Team. The library offers unique activity packs for lifestyle teams to trial on a monthly basis. If residents enjoy the program, each site can create and offer their own program of lifestyle activities based on individual choices. The library program also includes education on how to use the resource.

## Music therapy

A number of Facilities engage specialist musicians and music teachers to play to residents each week, including a violinist and pianist. This form of communication helps unlock residents' pasts as they respond to familiar songs and has seen a marked improvement in complex behaviours. Other Facilities work with residents and their families to create favourite playlists, which are downloaded on individual iPods.

## Clown Doctors program

The Clown Doctors program commenced two years ago and has proven to be a huge success with improving residents' overall wellbeing and behaviours. The clown doctors sing, play musical instruments, tell stories and jokes each week and encourage residents to sing, laugh and get involved.

## Sunshine Club program

This club includes a range of activities including art, craft games and music and is offered every afternoon to those residents who have 'sundowners' experience, a term used to describe dementia patients who become more confused, restless or insecure late in the afternoon or early evening.

## Monthly lifestyle calendars and themed days

Monthly lifestyle calendars including themed days are developed by each Facility to meet the individual interest and needs of its residents. Lifestyle and catering staff are also able to draw on the National Regis Theme Calendar, which provides a range of tools such as menus, recipes, activity guides, quiz templates and themed decorations to ensure each Facility celebrates key dates on the Australian calendar.

## Art program

As part of the lifestyle program, Regis delivers its art program, which has significant benefits to people with and without dementia by creating a sense of calm and achievement. A number of sites have already exhibited works by residents, with several pieces purchased for display at Regis' Head Office and inclusion in the Company's 2016 calendar. The program is delivered by staff and trained art therapists.

*From Left: Lifestyle activities can be designed for individuals through personalised plans, Montessori kits help residents with dementia, Innovative food moulds create more appealing meals for residents, Enriching residents' lives through art therapy.*

# REPORTED TO NORMALISED RESULTS RECONCILIATION

## FOR THE YEAR ENDED 30 JUNE 2016

The statutory Statement of Profit or Loss and Other Comprehensive Income includes a number of non-recurring items. In order to assist readers to better understand the financial performance of the business, the tables below present a reconciliation of the FY2016 and FY2015 reported results to the corresponding normalised results. For a description of the FY2016 and FY2015 non-recurring items contained within the tables below, refer to Notes 1 to 6 on page 32 of the Directors Report within this Annual Report.

FINANCIAL YEAR ENDED 30 JUNE 2016 (\$ MILLIONS)	REVENUE	EBITDA	NPBT	NPAT
<b>Reported results<sup>(i)</sup></b>	480.7	93.0	69.4	46.1
Acquisition related expenses		14.1	14.1	13.2
Gain from bargain purchase		(3.6)	(3.6)	(3.6)
(Gain)/loss on disposal of property, plant and equipment		1.6	1.6	1.1
<b>Normalised results<sup>(i)</sup></b>	<b>480.7</b>	<b>105.1</b>	<b>81.5</b>	<b>56.8</b>

FINANCIAL YEAR ENDED 30 JUNE 2015 (\$ MILLIONS)	REVENUE	EBITDA	NPBT	NPAT
<b>Reported results<sup>(i)</sup></b>	<b>437.5</b>	<b>113.4</b>	<b>78.1</b>	<b>57.5</b>
Acquisition related expenses		2.3	2.3	1.6
Gain from bargain purchase		(3.2)	(3.2)	(3.2)
(Gain)/loss on disposal of property, plant and equipment		(1.1)	(1.1)	(0.8)
State Revenue Office of Victoria recovery		(19.5)	(19.5)	(18.9)
Payroll tax supplement removal	(7.0)	(7.0)	(7.0)	(4.9)
Pro Forma adjustments related to the IPO	(1.1)	2.6	17.4	14.5
<b>Normalised results<sup>(i)</sup></b>	<b>429.4</b>	<b>87.6</b>	<b>67.1</b>	<b>45.9</b>

<sup>(i)</sup> The use of the terms 'reported' refers to IFRS financial information and 'normalised' to non-IFRS financial information. Normalised earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information, issued in December 2011. Normalised adjustments have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each financial year. The non-IFRS financial information, while not subject to an audit or review, has been extracted from the financial report, which has been subject to audit by our external auditors.

A photograph of a modern building with a large glass facade reflecting the sky and clouds. The building has a brick section on the left and a glass section on the right. The text '2016 FINANCIAL REPORT' is overlaid in white on the right side of the image.

# 2016

## FINANCIAL REPORT

# FINANCIAL REPORT CONTENTS

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In preparing the financial report, we have changed the format and layout to make it less complex and more relevant to users. We have grouped the note disclosures into six Sections:

- About this report
- Current Performance
- Assets and Growth
- Operating Assets and Liabilities
- Capital Structure and Financing
- Other Items.

Each Section sets out the accounting policies applied in producing the relevant notes, along with details of any key judgements and estimates used or information required to understand the note. The purpose of this format is to provide readers with a clearer understanding of what drives the financial performance and position of the Group.

# DIRECTORS' REPORT

Your directors present their report on Regis Healthcare Limited (the Company) and its controlled entities (the Group) for the financial year ended 30 June 2016.

## Directors

The names of directors (collectively, the Board) in office at any time during or since the end of the year are:

NAME	ROLE
Mark A Birrell	Chairman, Non-Executive Director
Ross J Johnston	Managing Director and CEO
Bryan A Dorman	Non-Executive Director
Sylvia Falzon	Non-Executive Director
Trevor Gerber	Non-Executive Director
Ian G Roberts	Non-Executive Director

All directors have been in office for the full period.

## Names and Qualifications

### **Mark Birrell** – *Independent Non-Executive Chairman*

A Fellow of the Australian Institute of Company Directors, Mark holds a Bachelor of Economics and Bachelor of Laws and was admitted to practice as a Barrister and Solicitor in 1983.

### **Ross Johnston** – *Managing Director and Chief Executive Officer*

Ross holds a Diploma of Building and a Diploma of Quantity Surveying from the Royal Melbourne Institute of Technology and is a member of the Australian Institute of Company Directors.

During the last three years Ross has also served as a director of BSA Limited (appointed 29 April 2008, ceased 28 April 2015).

### **Bryan Dorman** – *Non-Executive Director*

Bryan is a qualified accountant and was a partner of a Melbourne accounting firm, Rees Partners, from 1977 until 2000.

### **Sylvia Falzon** – *Independent Non-Executive Director*

Sylvia holds a Masters in Industrial Relations and Human Resource Management (Hons) from the University of Sydney and a Bachelor of Business degree from the University of Western Sydney. She is a senior fellow of the Financial Services Institute of Australasia and holds a graduate diploma from the Australian Institute of Company Directors.

Sylvia is also a director of the following listed companies:

- Perpetual Limited (appointed 20 November 2012);
- SAI Global Limited (appointed 28 October 2013).

### **Trevor Gerber** – *Independent Non-Executive Director*

Trevor is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Accountancy from the University of the Witwatersrand, South Africa.

Trevor is also a director of the following listed companies:

- CIMIC Group Limited (appointed 11 June 2014);
- Tassal Group Limited (appointed 4 April 2012);
- Vicinity Centres Limited (appointed 11 June 2015); and
- Sydney Airport Limited (appointed 5 April 2002).

### **Ian Roberts** – *Non-Executive Director*

Ian holds a Bachelor of Science (Surveying) from the Royal Melbourne Institute of Technology.

## Interests in the shares of the group

As at the date of this report, the interests of the directors in the ordinary shares of Regis Healthcare were:

DIRECTOR	NUMBER OF ORDINARY SHARES
Mark A Birrell	41,096
Ross J Johnston	3,388,537
Bryan A Dorman	81,910,479
Sylvia Falzon	27,397
Trever Gerber	41,096
Ian G Roberts	81,910,479

## Company Secretary

Martin Bede is a lawyer by profession with considerable experience in both private practice and in-house legal roles. Martin holds a Bachelor of Laws and Bachelor of Commerce from the University of Melbourne and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

## Principal activities

The Group's principal activity during the year was the provision of residential aged care services. No significant changes occurred to these activities during the year.

## Operating and Financial Review

The Group currently owns and operates 54 aged care Facilities. As at 30 June 2016, the Group had 5,880 operational places and provided services in six States and Territories.

### Regis Business Model

Regis aims to provide high quality care to meet the growing needs of Australia's elderly population in a profitable manner. This is achieved through a focus on the following five core areas:

- **Vertical integration:** The spectrum of activities Regis undertakes includes: analysis of each proposed Facility's catchment area, site identification, site/Facility acquisition, brownfield/greenfield development, Facility operation and asset renewal.
- **Strong cash flow generation:** Regis aims to achieve and maintain strong cash flow from operations, which it augments with a focus on the receipt and profitable use of Refundable Accommodation Deposits (RADs). The Group leverages its RAD cash inflows from developments to facilitate the repayment of acquisition and development related debt.
- **High quality portfolio:** Regis' Facilities are primarily located in metropolitan areas with high median house prices. The Facilities are typically modern with a high proportion of single room places and an emphasis on lifestyle and supported living.
- **Scalable platform:** Regis has invested in scalable business processes supported by IT systems, and in-house resources to facilitate growth via acquisitions and developments.
- **Focused and well-resourced risk management:** Regis has robust systems and processes in place to manage the business' operational risks, including those that relate to aged care legislative compliance and health and safety.

### Review and Results of Operations

During the 2016 financial year Regis continued to grow its revenue and normalised earnings results. The growth was driven by:

- Increased occupancy from existing Facilities
- Increased operational places from new developments
- Positive contributions from recent acquisitions – Regis Tiwi (Darwin, acquired 1 November 2014), Regis Redlynch (Cairns, acquired 1 April 2015), Regis Marlestone (South Australia, acquired 1 July 2015) and Masonic Care (Queensland, acquired 1 June 2016).
- Additional income from Significantly Refurbished Facilities.

A summary of financial results for the year ended 30 June 2016 is below:

	2016 \$'000	2015 \$'000	% GROWTH
Reported Revenue <sup>(i)</sup>	480,745	437,508	+9.9%
Reported <sup>(i)</sup> Profit after tax for the year	46,067	57,514	-19.9%
Normalised <sup>(i)</sup> Profit after tax for the year	56,802	45,905	+23.7%
Reported Earnings Per Share <sup>(i)</sup>	15.34 cents	21.16 cents	-27.5%

(i) The use of the terms 'reported' refers to IFRS financial information and 'normalised' to non-IFRS financial information. Normalised earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information, issued in December 2011. Normalised adjustments have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each financial year. The non-IFRS financial information, while not subject to an audit or review, has been extracted from the financial report, which has been subject to audit by our external auditors.

For the year ended 30 June 2016 the Group's reported profit after income tax was \$46,067,000 (2015: \$57,514,000).

The normalised profit after tax of the Group is \$56,802,000 (2015: \$45,905,000) for the financial year ended 30 June 2016. This normalised financial information is provided to assist readers to better understand the financial performance of the underlying business and is summarised in the table below.

	NOTES	2016 \$'000	2015 \$'000
<b>Reported<sup>(i)</sup> Profit after tax for the year</b>		<b>46,067</b>	<b>57,514</b>
Acquisition-related expenses	1	13,205	1,626
Gain from bargain purchase	2	(3,617)	(3,150)
(Gain)/loss on disposal of property, plant & equipment	3	1,147	(778)
State Revenue Office of Victoria recovery	4	-	(18,922)
Payroll tax supplement removal	5	-	(4,888)
Pro forma adjustments related to the IPO	6	-	14,503
<b>Normalised<sup>(i)</sup> Profit after tax for the year</b>		<b>56,802</b>	<b>45,905</b>

**Notes:**

- During FY2016 Regis acquired the Marleston business in South Australia and the Masonic Care business in Queensland. One-off acquisition-related costs of \$13,205,000 after tax (\$14,105,000 pre tax) were incurred as part of these transactions which included Government charges (stamp duty, GST and land registration fees), professional fees and legal expenses. Prior year costs of \$1,626,000 after tax (\$2,323,000 pre tax) related to the acquisitions of the Regis Tiwi and Regis Redlynch businesses.
- A gain on bargain purchase of \$3,617,000 on the acquisition of the Regis Redlynch business was recognised in FY2016. The \$3,150,000 gain on bargain purchase in FY2015 related to the acquisition of the Regis Tiwi business.
- A loss on disposal of \$1,147,000 after tax (\$1,638,000 pre tax) was recognised in relation to the closure of the Park Lodge (WA) for redevelopment. The gain on disposal in FY2015 of \$778,000 after tax (\$1,112,000 pre tax) related to sale of surplus land.
- The FY2015 result was favourably impacted by a ruling from the Supreme Court following the objection of the Company in 2011 to a notice for assessment of stamp duty by the State Revenue Office of Victoria. While the Group was in the process of challenging the notices of assessment, \$14,400,000 of the assessment was paid. The positive outcome resulted in a non-recurring \$18,922,000 after tax contribution (\$19,457,000 pre tax) to the FY2015 result.
- On 1 January 2015 the payroll tax supplement previously provided was removed. The after tax benefit of this supplement for the period 1 July 2014 to 31 December 2014 was \$4,888,000.
- Following the listing of Regis Healthcare on the Australian Securities Exchange on 7 October 2014 a number of changes occurred to the FY2015 financial results as a result of the change in Company structure. These adjustments were outlined in section 4.3.2 of the Regis Healthcare prospectus dated 25 September 2014. The pre tax pro forma related adjustments for the FY2015 year included: dementia Supplement removal on 31 July 2014 (\$1,143,000), adjustment for full year incremental listed Company related costs (\$215,000), interest expense reduction due to change in capital structure (\$14,831,000) and IPO transaction costs expensed of \$3,915,000. The tax on these items amounted to \$2,885,000 resulting in a net after tax adjustment of \$14,503,000.

## Review of Financial Position

The Group's principal sources of funds were cash flow from operations and RADs.

In May 2016 the Group completed a refinancing of its syndicated bank debt Facilities.

The new Facilities provide Regis with total commitments of \$370,000,000 and include:

- \$220,000,000 maturing in May 2019; and
- \$150,000,000 maturing in May 2021.

The syndicate has been increased to three banks, with CBA and NAB now joining ANZ on the Regis panel. The existing Facility that was due to expire in January 2018 has been fully replaced by the new syndicated Facility. The new Facility provided both funding for the Masonic Care Queensland acquisition and also ensures that Regis has further funding in place to continue to deliver the development pipeline which underpins the future growth of the business.

## Cash flow and Capex

Net cash flows from operating activities in FY2016 of \$133,555,000 were in line with FY2015 of \$127,429,000.

RAD, accommodation bond and ILU/ILA entry contribution net inflows were \$44,931,000 down from \$73,641,000 in the prior year. The prior year net inflows were positively impacted by approximately \$20,000,000 as a result of the Living Longer Living Better legislation change introduced on 1 July 2014.

The Group continued to invest in expansion and business acquisition opportunities during FY2016 including:

- Investment in acquisitions of \$153,183,000 (Masonic Care Qld)
- Investment in land for future development sites \$35,910,000
- Investment of \$110,309,000 in capital expenditure for:
  - The development of new Facilities.
  - Significant Refurbishment of existing Facilities, which has resulted in higher accommodation income at these Facilities
  - Maintenance capex.

The Group's cash position and available debt Facility are expected to provide sufficient liquidity to meet the Group's currently anticipated cash requirements.

## Acquisitions

In line with its growth strategy, on 1 June 2016, the Group acquired several aged care and retirement living Facilities located in Queensland from Masonic Care Queensland. The cash consideration paid was \$153,183,000. Acquisition-related costs of \$13,830,000 incurred as part of this transaction included Government charges, professional fees and legal expenses. These have been recognised within other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

The Masonic portfolio acquired is comprised of 711 operational places at six aged care Facilities across four locations. The assets include:

- The Lucinda, Musgrave and Griffith Aged Care Facilities, co-located in Sandgate, Brisbane – 441 Operational places
- Morinda Aged Care, Cairns – 123 Operational places
- Karinga Aged Care, Townsville – 127 Operational places
- Tin Can Bay – 20 Operational places
- 26,000 sqm surplus land with development potential
- 244 Independent Living Units.

The Masonic Facilities are of high quality, with 99% single bed rooms. The Facilities are well located and have strong occupancy of 98%. In particular, the Brisbane and Cairns Facilities are a strong fit with the Regis operational network, where the Company already has a significant presence. The RAD pool as at 30 June 2016 for the Masonic business was \$59,694,000.

## Development activity

From a development perspective, Regis is continuing to deliver on its strategy of mobilising multiple greenfield Facilities annually.

The construction of the new Facility at Regis North Fremantle (109 operational places) has been completed with the Facility opening in May 2016.

At Regis Malvern East (148 operational places) construction was completed and the Facility has been in operation since September 2016.

Each of these Facilities is modern in design and construction and they are expected to perform well in their respective markets and geographic locations. Both of these Regis Club Facilities will also offer some apartment-style accommodation for residents in what the Group sees as a strong alternative product offering.

An overview of the current development pipeline is summarised below:

DEVELOPMENT	TOTAL NEW PLACES	NET ADDITIONAL PLACES	CLUB SERVICES	LAND HELD	DEVELOPMENT APPROVAL	PROVISIONAL ALLOCATIONS/ LICENCES IN HAND	EXPECTED CONSTRUCTION START	FIRST RESIDENT ADMITTED	MILESTONE UPDATE
Regis Kingswood <sup>2</sup> redevelopment, SA	100	100	✓	✓	✓	✓	Underway	2H FY17	Construction >50%
Regis Linden Park, SA, Stage 1	117	8	✓	✓	✓	✓	Underway	2H FY17	Construction >25%
Regis Chelmer, QLD	120	120	✓	✓	✓	1	Underway	1H FY18	Construction has commenced – further places were received in ACAR 2015
Regis Nedlands, WA <sup>3</sup>	135	135	✓	✓	✓	✓	FY17	FY18	Constructionn anticipated to commence 1H FY17
Regis Elmore Vale, Newcastle, NSW	120	120		✓	✓	✓	FY17	FY19	Development approval received
Regis Woodlands, WA	120	120	✓	✓	✓	✓	FY17	FY19	Licences received in ACAR 2014
Regis Port Coogee, WA	120	120	✓	✓	✓	✓	FY17	FY19	Licences received in ACAR 2015
Regis Lutwyche, QLD	130	130	✓	✓	✓	1	FY17	FY19	Land acquisition complete, design commenced
Regis Camberwell, VIC	90	980	✓	✓	Application lodged	1	FY18	FY20	Land acquisition complete, design commenced
Regis Greenmount, WA, Stage 2	150	111	✓	✓	✓	1	FY18	FY20	Development approval received
Regis Inala, VIC, Stage 1	202	88	✓	✓	✓	1	FY18	FY20	Development approval received
<b>Total</b>	<b>1,404</b>	<b>1,140</b>							

1. Hold sufficient places to commence mobilisation, but will require some additional Provisional Allocations from future ACARs.

2. Formerly known as Regis Sunset prior to closure for redevelopment.

3. Formerly known as Regis Park prior to closure for redevelopment.

During the year the Group completed two brownfield extensions projects being:

- Regis Ontario in Mildura, Victoria, 38 additional operational places added and the existing Facility was also refurbished.
- Regis Caboolture, Queensland, 64 operational places added including a refurbishment of the existing Facility.

The Group announced the closure of the Regis Park Facility in WA (93 operational places) in May with all residents relocated to other Facilities.

The property will be redeveloped (now named Regis Nedlands) to provide 135 new operational places which are expected to be operational in FY18.

## Significant events after Balance Sheet date

No matters or circumstances have arisen since the end of the year to the date of this report which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

## Changes in state of affairs

During the 2016 financial year, as part of the 2015–16 Mid-Year Economic and Fiscal Outlook (MYEFO) and the 2016-17 federal budget, the Government made changes to the forward estimates for Government funding of Residential Aged Care. This has resulted in changes to future funding that will be effected through the Aged Care Funding Instrument (ACFI). These changes included adjustments to indexation, the complex health care domain scoring matrix, and scoring and eligibility requirements for some items within the domain. These proposed changes will be progressively implemented from 1 July 2016, and were estimated to result in a reduction in ACFI funding across the total age care sector of \$472,000,000 (as announced in the 2015–16 MYEFO) and a further \$1,200,000,000 announced in the 2016-17 Budget. As per these announcements, the combined reduction in ACFI funding over the period FY2017 to FY2020 is approximately \$1,700,000,000.

There was no impact from these changes to the Group's results in the FY2016.

## Dividends

	CENTS	\$'000	FRANKED	DATE OF PAYMENT
Final dividend proposed:				
Ordinary shares	5.94	17,841	100% Franked	19 September 2016

The financial effect of dividends declared after year end are not reflected in the 30 June 2016 financial statements and will be recognised in subsequent financial reports.

## Likely developments and expected results

The Group's growth strategy continues to include the following four levers:

1. Expansion of its greenfield development program
2. Continuation of single Facility acquisitions
3. Expansion and reconfiguration of existing Group Facilities
4. Assessing portfolio acquisition opportunities as they arise.

Other than the likely developments disclosed above and elsewhere in this report, no matters or circumstances have arisen which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of the affairs of the Group in future financial years.

## Key business risks

The following risks identified by the Company represent threats to the Company's growth strategy. The Company has a risk management framework in place to manage the risks identified.

### *The regulatory framework may change*

The Australian Aged Care industry is highly regulated by the Federal Government. From 1 July 2014, changes to the aged care regulatory framework took effect.

Regulatory change to the aged care industry may have an adverse impact on the way Regis promotes, manages and operates its Facilities, and on its financial performance.

In addition, there is a risk that other participants in the industry may, through their actions and business practices, cause future regulatory changes that have an adverse impact on Regis' financial performance. Any new regulatory restrictions or changes in Government policies in relation to any or all of the existing regulatory areas may adversely impact Regis' financial performance and future prospects.

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### ***Regis' RADs level may fluctuate***

The value of Regis' RADs (formerly known as Accommodation Bonds) may fluctuate due to a range of factors. RADs are refunded after a resident's departure. While individual RADs are generally replaced in a short period of time, often with a RAD of equal or higher value, Regis is exposed to risks associated with repayment, and future sale, of RADs.

These risks may include regulatory changes that limit Regis' ability to sell replacement or new RADs, issues at a specific Facility, which could require Regis to repay a large number of RADs; and general economic conditions which impact on the price that can be achieved for new RADs. Economic conditions include, but are not limited to, a decline in residential property prices, lower levels of personal wealth or deterioration of market conditions in the areas surrounding Regis' Facilities.

The effect of these risks may be that the value and number of new RADs Regis receives may be reduced and it may take longer for Regis to reach agreement with new residents or collect RADs.

### ***Occupancy levels may fall***

In the ordinary course of its business, Regis faces the risk that occupancy levels at any of its individual Facilities may fall below expectations due to a number of factors, including reputational damage and loss of accreditation. Reduced occupancy levels at a number of Facilities may adversely affect Regis' revenue and general financial performance as it would reduce the amount of funding Regis is entitled to, and the number and value of RADs.

### ***Facilities may lose their approvals or accreditation***

Aged care Facilities are required to hold approvals and be accredited in various ways including clinical care requirements. These approvals are generally subject to periodic review, and may be revoked in certain circumstances. Aged care Facilities need approvals and accreditations to attract funding. If Regis does not comply with regulations and is unable to secure accreditation for the operation of its aged care Facilities and resident places in the future, or if any of its existing approvals are adversely amended or revoked, this may adversely impact Regis' financial performance.

Further, if Regis is required to undertake Facility refurbishments or make significant structural changes to Facility buildings in order to retain its approvals or accreditations, the cost of those works may impact its profitability.

### ***Regis' reputation may be damaged***

Regis operates in a commercially sensitive industry in which its reputation could be adversely impacted should it, or the aged care industry generally, suffer from any adverse publicity. Examples of adverse publicity may include reports of inappropriate care of residents, inquiries or investigations relating to the operation of aged care Facilities or incidents at aged care Facilities, health and safety issues affecting residents, staff or visitors, failure to ensure Facilities are well maintained or poor service delivery at Facilities. If there were to be any such adverse publicity, this may reduce the number of existing residents at Regis' Facilities or Regis' ability to attract new residents to its Facilities, both of which may adversely impact Regis' profitability. Adverse media coverage may also lead to increased regulatory scrutiny in some areas and could have a material adverse effect on Regis' revenue and profitability by, for example, increased compliance costs.

### ***Increased competition may affect Regis' competitive position***

Each aged care Facility has its own character and is effectively operating in its own local area (referred to as a catchment area). The competition faced by aged care operators is therefore mainly experienced at the Facility level within the relevant catchment area. A substantial increase in the level of competition Regis faces across its portfolio of Facilities could result in, among other things, Regis experiencing lower than anticipated occupancy rates, reduced revenue and margins and loss of its overall market share. This may have a material adverse effect on Regis' financial performance at the Facility level, and if this were to occur across a number of Facilities, this may reduce Regis' ability to achieve its strategic objectives.

### ***Regis may not be able to retain key management***

Regis relies on a specialised management team with significant aged care industry knowledge and experience.

If Regis is not able to retain key members of its management team it may not be able to operate its business to the current standard, which may undermine Regis' ability to comply with regulations and may reduce demand for Regis' services from existing and prospective Residents. These occurrences may adversely impact Regis' business operations including its ability to grow.

## ***Regis may face medical indemnity and public liability claims, litigation and coronial enquiries***

Aged care service providers such as Regis are exposed to the risk of medical indemnity and public liability claims, litigation and coronial inquiries. Subject to the insurance arrangements that Regis has in place at the relevant time, any actual or threatened medical malpractice or public liability litigation against Regis could cause Regis to incur significant expenditure and may adversely impact Regis' future financial performance. If the costs of medical malpractice or public liability insurance were to rise, this could also adversely affect Regis' financial performance. If Regis is involved in actual or threatened litigation or coronial enquiries, the cost of such actions may adversely affect Regis' financial performance and may also give rise to adverse publicity.

## ***Employees may leave and Regis may not be able to attract new skilled and trained employees***

Regis' business is dependent on its specialised health and aged care staff. There is a risk that Regis may not be able to maintain or expand an appropriately skilled and trained workforce that is able to meet the existing or future care needs of residents. If this type of risk was to eventuate, it may increase Regis' costs and reduce its profitability.

## **Environmental regulations and performance**

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## **Indemnification and insurance of directors and officers**

The constitution of the Company provides for the Company to indemnify directors and executive officers of the Company and its related bodies corporate against liability incurred in their capacity as an officer of the Company or related body corporate, except as may be prohibited by law.

Premiums have been paid by Regis Aged Care Pty Ltd; a 100% owned subsidiary Company, with regard to directors' and officers' liability insurance to insure each of the directors and officers of the Company against certain liabilities incurred by them arising out of their conduct while acting in the capacity of directors or officers of the Company or its related bodies corporate. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premiums.

## **Indemnification of Auditors**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

## **Directors' meetings**

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	DIRECTORS' MEETINGS		AUDIT, RISK AND COMPLIANCE COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
	HELD <sup>1</sup>	ATTENDED <sup>2</sup>	HELD <sup>1</sup>	ATTENDED <sup>2</sup>	HELD <sup>1</sup>	ATTENDED <sup>2</sup>
M Birrell	12	12	4	4	3	3
T Gerber	12	12	4	4	3	3
S Falzon	12	12	4	4	3	3
R Johnston	12	12	-	-	-	-
B Dorman	12	12	4	4	-	-
I Roberts	12	12	-	-	3	3

<sup>1</sup> Reflects the number of meetings held in the time the Director held office during the year.

<sup>2</sup> Reflects the number of meetings attended by the Director.

Members of the Audit, Risk and Compliance Committee are M Birrell, T Gerber, S Falzon and B Dorman.

Members of the Remuneration and Nomination Committee are M Birrell, T Gerber, S Falzon and I Roberts.

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## Rounding

The Company is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

## Options

No options over issued shares or interests in the Company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

## Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 54.

## Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received the following amounts for the provision of non-audit services:

	<b>\$'000</b>
Tax compliance	255
Other services	97
<b>Total non-audit services</b>	<b>352</b>

Signed in accordance with a resolution of the directors.

**Mark A Birrell**  
*Chairman*

Melbourne, 26th August 2016

# REMUNERATION REPORT

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Here you will find:

**(1) Message from the Chairman of the Remuneration and Nomination Committee**

**(2) Remuneration Report – Audited**

**A. Principles used to determine the nature and amount of remuneration**

- (i) Executive remuneration
- (ii) Non-Executive Director remuneration
- (iii) Remuneration governance framework
- (iv) Remuneration consultants and other advisors
- (v) Company performance

**B. Executive remuneration structure**

- (i) Fixed pay
- (ii) Short-term incentives and outcomes
- (iii) Long-term incentives and outcomes
- (iv) Other LTI plans
- (v) Key terms of executive service agreements

**C. Non- Executive Director remuneration structure**

- (i) Directors' fees
- (ii) Retirement allowances for Directors

**D. Statutory remuneration disclosures**

- (i) Senior Executive remuneration – statutory disclosures
- (ii) Performance Rights held by Senior Executives
- (iii) Movements in Performance Rights held by Senior Executives
- (iv) ESAS shares
- (v) KMP shareholdings
- (vi) Transactions with the Company
- (vii) Loans with the Company

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## (1) Message from the Chairman of the Remuneration and Nomination Committee

Dear Shareholders

We are pleased to present you with the FY16 Remuneration Report (the **Report**).

FY16 has been a successful year for Regis. This is highlighted by a number of key achievements, including:

- increasing revenue and earnings before interest, tax, depreciation and amortisation (**EBITDA**);
- the successful acquisition of the Masonic Care Queensland portfolio comprising 711 operational places at six aged care Facilities across four locations and 244 Independent Living Units; and
- continuing the Company's strong performance in relation to compliance and accreditation.

The Board is focused on continuing to build and deliver value to shareholders through the execution of its growth strategy. Underpinning the success of this strategy is ensuring we have a robust remuneration and reward framework that supports and encourages sustainable growth and motivates our people.

As foreshadowed in last year's report, the Remuneration and Nomination Committee and Board reviewed the long-term incentive (**LTI**) plan measures during the year. Following this review, an additional performance measure relating to achievement of the Company's Strategic Plan was introduced for the FY16 grant. Further information in relation to this measure is contained in this year's Report.

As was the case in FY15, the Chief Executive Officer's (**CEO's**) remuneration structure continues to differ from the other Key Management Personnel (**KMP**) due to his entitlement to restricted shares under legacy arrangements which are still on foot and remain restricted (with sale restrictions released in tranches) until FY19, with a portion being released in FY16. The Board believes that these restricted shares align the CEO's interests with those of shareholders by providing a direct link between the CEO and Regis' ongoing share price and returns to shareholders.

The remuneration outcomes outlined in this Report reflect Regis' approach to rewarding executives for delivering strong performance and creating value for shareholders. The FY16 short-term incentive (STI) outcomes resulted in the CEO receiving 85% of his target STI. Other KMP received between 60% and 200% of their target STI. Details of the performance measures, including outcomes, are included in section B(ii) of the Report.

We trust that you will find the report informative.



**Sylvia Falzon**

*Chairman of the Remuneration and Nomination Committee*

# REMUNERATION REPORT

## (2) Remuneration Report – Audited

The Directors of Regis Healthcare Limited present the Remuneration Report for the Company for the reporting period 1 July 2015 to 30 June 2016. This Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001* (Cth).

The Report includes details of the remuneration strategies for KMP of the Company. The KMP comprises the Non-Executive Directors (**NEDs**), the CEO and those persons with authority and responsibility for planning, directing and controlling the activities of the Company during the reporting year. The KMP, other than the NEDs, are referred to throughout this Report as 'Senior Executives'.

The names and positions of the KMP are listed in the following table.

### NON-EXECUTIVE DIRECTORS

Name	Position
Mark Birrell	Independent, Non-Executive Chairman
Bryan Dorman	Non-Executive Director
Sylvia Falzon	Independent Non-Executive Director
Trevor Gerber	Independent Non-Executive Director
Ian Roberts	Non-Executive Director

### SENIOR EXECUTIVES

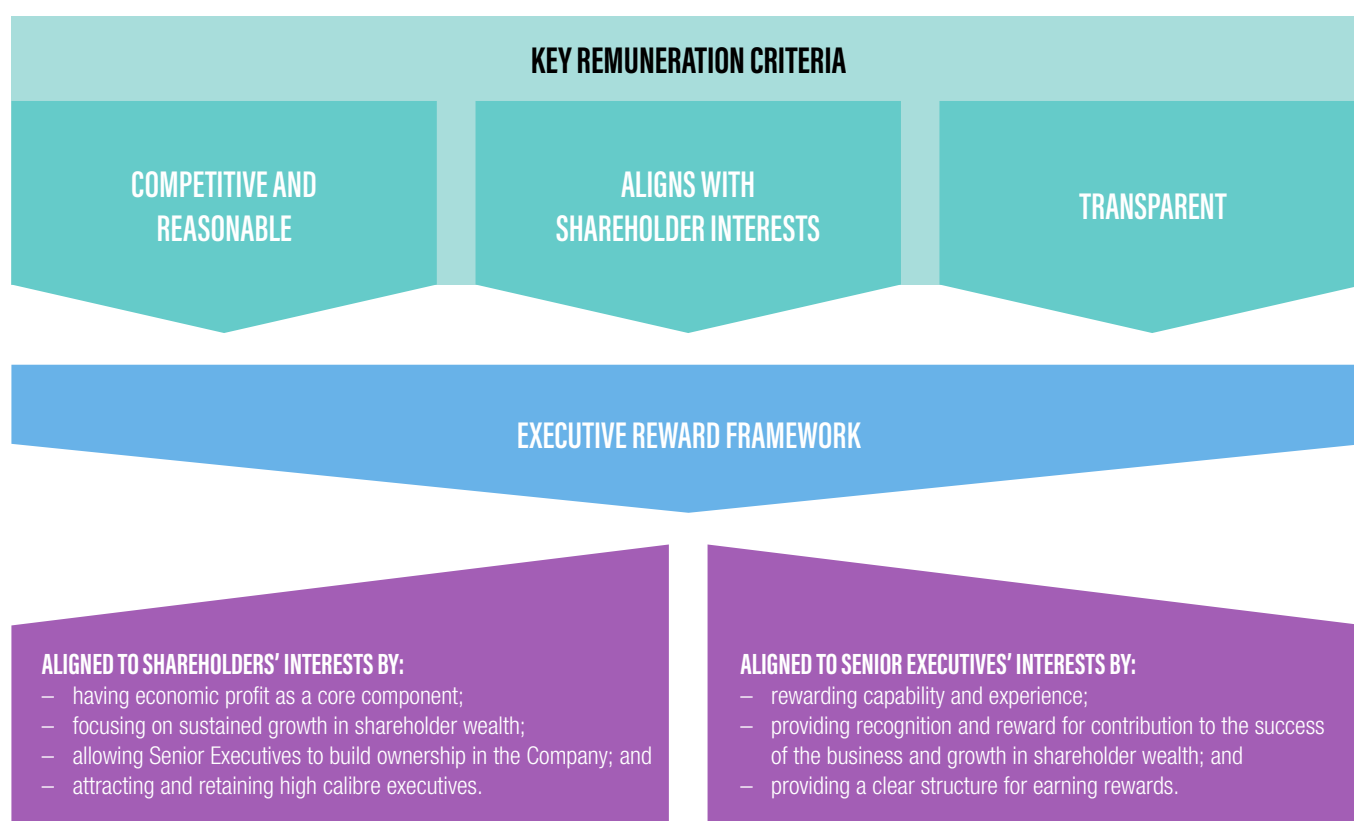
Name	Position
Ross Johnston	Managing Director and Chief Executive Officer
Michelle Baker	General Manager, Operations Queensland and New South Wales
Michael Horwood	General Manager, Property
Darren Lynch	General Manager, Development
Phillip Mackney	General Manager, Operations Victoria, South Australia, Western Australia and Northern Territory
David Noonan	Chief Financial Officer (Commenced 17 August 2015)
Ian Smith	Chief Financial Officer (Resigned 7 July 2015, replaced by David Noonan)

## A. Principles used to determine the nature and amount of remuneration

### i. Executive remuneration

The Company's executive reward framework aims to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. It provides a mix of fixed and variable pay and a blend of short and long-term incentives. As executives gain seniority within the Company, the balance of this mix generally shifts to a higher proportion of at-risk rewards.

The diagram below provides an overview of the executive reward framework, which has been developed in consultation with external remuneration consultants, KPMG.



## ii. Non-Executive Director remuneration

To maintain director independence, the remuneration of NEDs is not linked to Company performance and is comprised solely of directors' fees (including superannuation).

The Company's remuneration policy for NEDs aims to ensure that Regis can attract and retain suitably qualified and experienced directors having regard to:

- the level of fees paid to NEDs by comparable companies;
- the size and complexity of the Company's operations; and
- the responsibilities and work requirements of directors.

## iii. Remuneration governance framework

The Board Remuneration and Nomination Committee (the **Committee**), is responsible for remuneration and incentive policies and practices. It also makes specific recommendations to the Board on remuneration packages and other terms of employment/appointment (as applicable) for NEDs and Senior Executives. The Company's Corporate Governance Statement provides further information on the role of the Committee and can be found on the Company's website at <http://www.regis.com.au/site/wp-content/uploads/2016/04/Regis-Healthcare-Corporate-Governance-Statement.pdf>

## iv. Remuneration consultants and other advisors

To assist in performing its duties and in making recommendations to the Board, the Committee from time to time seeks independent advice from remuneration consultants and other advisors on various remuneration-related matters. When doing so, the remuneration consultants and other advisors are required to engage directly with the Chairman of the Committee as the first point of contact. The Committee engaged KPMG, in FY16 to assist in the review of remuneration practices, provide guidance on market trends and assist in preparing the Remuneration Report, however no remuneration recommendations were made.

# REMUNERATION REPORT

## v. Company performance

The following table shows the Company's financial performance during the reporting period. Comparative numbers for the previous financial year only are shown as this is the Company's second Remuneration Report as a listed entity.

KEY PERFORMANCE INDICATORS	FY16 \$'000	FY15 \$'000
Reported <sup>1</sup> Revenue	480,745	437,484
Reported <sup>1</sup> Net profit before tax	69,413	78,086
Reported <sup>1</sup> Net profit after tax	46,067	57,514
Normalised <sup>1</sup> Net profit after tax	56,801	45,898
Share price at beginning of year	\$5.16	\$3.65 <sup>2</sup>
Share price at end of year	\$4.69	\$5.16
Dividends paid per share	15.34 cents	17.60 cents
Basic earnings per share	15.34 cents	21.16 cents
Diluted earnings per share	15.33 cents	21.15 cents

1. The use of the terms 'reported' refers to IFRS financial information and 'normalised' to non-IFRS financial information. Normalised earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information. Normalised adjustments have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each financial year. The non-IFRS financial information, while not subject to an audit or review, has been extracted from the financial report, which has been subject to audit by our external auditors.

2. The share price disclosed at the beginning of the year in FY15 was the share price on listing.

The remuneration framework and retention of Senior Executives contributed to strong Company performance during the period which was marked by an increase in revenue and net profit before tax on a normalised basis and the Masonic Care Queensland acquisition, consisting of 711 operational aged care places and 244 independent living units.

## B. Executive remuneration structure

The Company's pay and reward framework for Senior Executives has three components:

- fixed pay, including superannuation;
- short-term performance incentives; and
- long-term performance incentives.

The CEO has restricted shares under the Legacy Executive Option and Equity Plan for Senior Executives (known as **ESAS shares**). These ESAS shares were issued prior to listing to recognise the CEO's performance from the date he commenced service with the Company until the Company listed in October 2014. These ESAS shares continue on foot and remain with sale restriction (subject to release for sale in tranches). Due to the CEO's entitlement to the ESAS shares (subject to continued employment by the Company) he does not participate in the Regis Healthcare Equity Incentive Plan ('**LTI Plan**'). Accordingly, the CEO did not receive an LTI performance rights award in FY15 or FY16.

The table below sets out the applicable components of the remuneration of the CEO and other Senior Executives.

		CEO	OTHER SENIOR EXECUTIVES	DISCUSSION IN REMUNERATION REPORT
Fixed remuneration	Salary	✓	✓	pages 43
	Superannuation	✓	✓	pages 43
	Other benefits <sup>1</sup>	✓	✓	pages 43
At-risk remuneration	STI (cash)	✓	✓	pages 43-44
	STI (performance rights)	✗	✓	pages 43-45
	LTI (performance rights)	✗	✓	pages 46-48

1 Other benefits may include contractual allowances, such as motor vehicle allowances, novated lease payments or relocation benefits (if any).

The mix of fixed versus performance-based remuneration that applied for the reporting period is set out in the table below.

	% OF TOTAL REMUNERATION		
	FIXED REMUNERATION	PERFORMANCE-BASED REMUNERATION	
		TARGET STI OPPORTUNITY <sup>1</sup>	TARGET LTI OPPORTUNITY <sup>2</sup>
Ross Johnston	79.20%	20.80%	N/A
Michelle Baker	55.56%	22.22%	22.22%
Michael Horwood	58.82%	23.53%	17.65%
Darren Lynch	58.82%	23.53%	17.65%
Phillip Mackney	52.63%	26.32%	21.05%
David Noonan	57.14%	22.86%	20.00%

<sup>1</sup> This is provided at target levels.

<sup>2</sup> This amount is based on the face value of the performance rights granted in the current year.

#### i. Fixed pay

The terms of employment for all Senior Executives contain a fixed annual remuneration component comprising:

- base salary;
- superannuation; and
- other benefits, such as travel allowances.

Senior Executives are offered a competitive fixed pay that is reviewed annually to ensure it is competitive and commensurate with the responsibilities of the position.

#### ii. Short-term incentives and outcomes

<b>What is the STI plan?</b>	<p>An incentive plan under which Senior Executives are eligible to receive an annual award if they satisfy challenging operational, strategic and individual performance targets.</p> <p>Senior Executives will be entitled to an STI award up to a maximum fixed percentage of their annual fixed remuneration (the maximum amount will differ between individuals, but does not exceed 50% of annual fixed remuneration apart from the General Manager, Development – see table on page 45).</p>
<b>What is the performance period</b>	12 months from 1 July – 30 June.
<b>What are the performance conditions?</b>	<p>The FY16 STI award was subject to performance targets based on:</p> <p>(a) Short-term financial measures</p> <ul style="list-style-type: none"> <li>• EBITDA</li> <li>• Occupancy</li> <li>• Positioning the Company for EPS Growth (CEO only).</li> </ul> <p>(b) Short-term non-financial measures</p> <ul style="list-style-type: none"> <li>• Workplace health and safety</li> <li>• Ongoing compliance and accreditation</li> <li>• Other role-specific targets.</li> </ul> <p>If the Company does not meet both a threshold EBITDA target and an ongoing compliance and accreditation target, no STI award will be payable.</p>
<b>Why were the performance conditions chosen?</b>	A combination of financial and non-financial performance conditions have been chosen because the Board believes that there should be a balance between short-term financial measures and more strategic non-financial measures which in the medium to longer term will support further growth.

# REMUNERATION REPORT

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## How are the performance conditions assessed and why was this method chosen?

Following the end of the financial year, the Board assesses achievement against performance targets, and determines the STI awards to be made to Senior Executives (if any).

The actual amount of any STI award is determined primarily based on achievement of pre-determined performance measurement criteria which are set at the beginning of each financial year. The Board may determine a discretionary amount of STI award beyond the award that is achieved based on the aforementioned criteria.

For the purpose of testing the Company's achievement of the EBITDA threshold, financial results are extracted by reference to the Company's audited financial statements. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Company.

The Board assesses the CEO's performance against non-financial and individual targets to determine the level of STI vesting. The CEO similarly assesses the non-financial and personal performance of the other Senior Executives and makes recommendations to the Committee and Board as to the portion of STI that should vest. The Committee reviews these recommendations and endorses the level of STI to be paid for Board approval. This method of measurement has been chosen as the Board believes it most accurately reflects the performance of the Senior Executives against their targets.

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## How is the STI delivered?

For the CEO, STI will be delivered in cash as follows:

- 66% of his STI award will be paid shortly after the release of the Company's FY16 audited results to the ASX;
- 17% will be deferred for 12 months; and
- the remaining 17% will be deferred for a further period of 12 months (i.e. two years in total).

The CEO's STI is not deferred into performance rights as it is recognised that the CEO has significant existing legacy LTI equity arrangements which were provided in the form of ESAS shares and which continue on foot and remain restricted (subject to release as set out in table iv in section D) and provide long-term alignment with shareholders. For more information on these arrangements see table iv. ESAS shares below.

For other Senior Executives:

- 66% of the STI payment will be paid in cash shortly after the release of the Company's FY16 audited results to the ASX;
- 17% will be delivered by a grant of rights to acquire shares (**Performance Rights**), which will vest after a period of 12 months from the grant date; and
- the remaining 17% will also be delivered by a grant of Performance Rights, which will vest after a period of two years from the grant date.

The number of Performance Rights granted is calculated using face value allocation methodology based on the volume weighted average price of fully paid ordinary shares in the Company over the five trading day period commencing on the trading day after the ex-dividend date for the Company's shares.

All the deferred components will be subject to a continuous service condition.

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## Why does the Board consider the STI plan an appropriate incentive?

The STI plan is designed to motivate and reward high performance while aligning executives' interest with shareholders. It puts a significant proportion of Senior Executives' remuneration at-risk against targets linked to the Company's performance objectives.

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<b>What happens on cessation of employment?</b>	<p>Where a Senior Executive is terminated for cause or resigns, all unvested Performance Rights will lapse, unless the Board determines otherwise. For the CEO, any deferred cash is forfeited, unless otherwise agreed in writing.</p> <p>If a Senior Executive ceases employment for any other reason, unless the Board determines otherwise, a pro rata portion of unvested Performance Rights (calculated by reference to the portion of the performance period that has elapsed) will remain on foot subject to the original vesting conditions, and will vest or lapse in due course. The remainder of the Performance Rights will automatically lapse. A similar approach is taken in respect of the CEO's deferred STI.</p>
<b>Are there any restrictions on dealing?</b>	A Senior Executive must not sell, transfer, encumber, hedge or otherwise deal with Performance Rights. Senior Executives are free to deal with the shares allocated on vesting of the Performance Rights, subject to the requirements of the Company's Policy for Dealing in Securities.
<b>What happens in the event of a change in control?</b>	The Board has discretion to determine that vesting of some or all of a Senior Executive's Performance Rights should be accelerated. Where only some of the Performance Rights are vested, the remainder will immediately lapse.

The tables below outline performance against the STI performance measures and the percentage of STI that vested.

MEASURE	GATEWAY	WEIGHTING <sup>1</sup>	TARGET	RESULT
EBITDA <sup>2</sup>	✓	30%	Exceed budget EBITDA	Target exceeded. Full vesting
Occupancy	✗	10%	Available bed days budget	Target not met. Nil vesting
Workplace health and safety	✗	10%	Exceed AIFR target	Target not met. Nil vesting
Ongoing compliance and accreditation	✓	0%	All accreditation received, no compliances exceed timeframe for improvement (TFI)	Target achieved.
Positioning the Company for EPS growth (CEO only)	✓	30%	Target EPS growth per strategic plan	Target achieved. Full vesting
Other role-specific targets <sup>3</sup>	✓	20%	CEO: Other targets specific to role Other Senior Executives: Specific to role	CEO: Partial vesting Other Senior Executives: Achievement of between full and partial vesting

1 Weighting of CEO's KPIs has been listed above. Each of the other Senior Executives had the same measures, apart from the EPS measure with the weightings adjusted for certain roles to reflect the relevant responsibilities.

2 EBITDA is based on the statutory profit of the Group adjusted for interest, tax, depreciation and amortisation and for the effect of other one-off items determined by the Board in relation to the Group's EBITDA budget target.

3 The General Manager, Development is eligible for greater than 100% STI.

#### Percentage of STI paid and forfeited for Senior Executives

SENIOR EXECUTIVE	TARGET STI \$	ACTUAL STI AWARDED <sup>1</sup> \$	% OF TARGET STI AWARD FORFEITED
Ross Johnston	200,000	170,000	15%
Michelle Baker	141,400	110,292	22%
Michael Horwood	134,800	105,144	22%
Darren Lynch	135,400	270,800	0%
Phillip Mackney	186,675	112,005	40%
David Noonan	188,000	159,800	15%

1 Except for Ross Johnston who receives his total STI award in cash, 34% of any STI award is delivered as Performance Rights. The cash portion will be paid by 11 September 2016. The Performance Rights portion will be granted by 11 September 2016.

# REMUNERATION REPORT

## iii. Long-term incentives and outcomes

The Company established the Regis Healthcare Equity Incentive Plan ('**LTI Plan**') to assist in the motivation, retention and reward of Senior Executives. The key terms of the FY16 grant under the LTI Plan are as follows:

<b>What is the LTI Plan?</b>	An incentive plan under which Senior Executives are eligible to receive an award of Performance Rights that are linked to the achievement of targets related to the Company's medium to long-term performance. The LTI Plan is designed to further align the interests of Senior Executives with the interests of shareholders by providing an opportunity for Senior Executives to receive an equity interest in the Company.										
<b>Who participates in the LTI Plan?</b>	Participation in the LTI Plan is only offered to Senior Executives due to the significant influence that their performance can have on generation of shareholder value. The CEO does not participate in this LTI Plan as he has significant existing legacy LTI equity arrangements which were provided in the form of ESAS shares and which continue on foot and remain restricted (subject to vesting). For more information on these ESAS shares see table iv. ESAS shares in section D below.										
<b>What proportion of total remuneration does the LTI represent?</b>	Each Senior Executive has an LTI opportunity equivalent to 30% – 40% of their fixed annual remuneration calculated using face value allocation methodology.										
<b>What is the performance period?</b>	The performance period of the LTI will generally be three years. For the FY16 grant, the performance period is 1 July 2015 to 30 June 2018.										
<b>How is reward delivered under the LTI Plan?</b>	Each Performance Right entitles the holder to acquire a share in the Company for nil consideration at the end of the performance period, subject to meeting specific performance conditions.										
<b>Do participants pay for the Performance Rights?</b>	Performance Rights are issued for nil consideration. No exercise price is payable in respect of the Performance Rights.										
<b>What rights are attached to the Performance Rights?</b>	The Performance Rights do not carry dividends or voting rights prior to vesting.										
<b>What are the performance conditions and why have they been chosen?</b>	<p>For the FY16 grant, Performance Rights will be subject to two performance conditions based on:</p> <ol style="list-style-type: none"><li>achievement of the Company's Strategic Plan (<b>the Strategic Plan Hurdle</b>); and</li><li>the Company's FY18 EPS performance against its strategic plan (<b>the EPS Hurdle</b>).</li></ol> <p>The weighting of the performance conditions will be as follows:</p> <ul style="list-style-type: none"><li>Strategic Plan Hurdle: 40%</li><li>EPS Hurdle: 60%</li></ul> <p>The Strategic Plan Hurdle assesses Senior Executives against the progressive achievement of the Company's five-year strategic plan. Assessment of the Strategic Plan Hurdle will be determined by the Board in its absolute discretion, having regard to set criteria (listed on the following page) and other matters that it considers relevant.</p> <p>Assessment of the EPS Hurdle will be determined over the performance period by reference to the following vesting schedule:</p> <table><tr><th>FY18 EPS</th><th>% OF PERFORMANCE RIGHTS THAT VEST</th></tr><tr><td>Less than Target</td><td>nil</td></tr><tr><td>Target</td><td>50%</td></tr><tr><td>Between Target and Stretch</td><td>50–100%, on a straight-line sliding scale</td></tr><tr><td>Stretch</td><td>100%</td></tr></table> <p>The EPS Hurdle requires achievement of targets at the threshold level for any vesting to occur.</p> <p>The Board considers that the targets required to attract full or partial vesting are commercially sensitive and therefore do not disclose them to the market at the time of the grant. The Board, however, confirms its commitment to driving growth for shareholders over the longer term.</p>	FY18 EPS	% OF PERFORMANCE RIGHTS THAT VEST	Less than Target	nil	Target	50%	Between Target and Stretch	50–100%, on a straight-line sliding scale	Stretch	100%
FY18 EPS	% OF PERFORMANCE RIGHTS THAT VEST										
Less than Target	nil										
Target	50%										
Between Target and Stretch	50–100%, on a straight-line sliding scale										
Stretch	100%										

	<p>The EPS target and stretch levels will be disclosed in the next Remuneration Report following the time of vesting.</p> <p>Any Performance Rights that remain unvested at the end of the performance period will lapse immediately.</p> <p>The Board believes that the mix of an EPS Hurdle and a Strategic Plan Hurdle ensures alignment between Senior Executives' reward and shareholder interests. While the EPS Hurdle focuses the Senior Executives on generating medium-term returns for shareholders, the Strategic Plan Hurdle links the Senior Executives' reward outcomes with achievement of the five-year strategic plan which will generate shareholder value in the long term.</p>
<b>How is the EPS Hurdle measured and why was this method chosen?</b>	<p>For the purpose of testing the achievement of the EPS Hurdle, financial results are extracted by reference to the Company's audited financial statements. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Company.</p> <p>EPS is calculated using earnings on a pre-significant items (i.e. any unusual or material one-off items in the result) basis adjusted for the related income tax (benefit)/expense), and using the number of ordinary shares on issue at the effective date of grant and the number of ordinary shares on issue at the end of the relevant measurement period to calculate EPS.</p> <p>Assessment of achievement of the EPS performance condition will be determined by the Board.</p>
<b>How is the Strategic Plan Hurdle measured and why was this method chosen?</b>	<p>The following five criteria are used to measure the performance of each Senior Executive against the Strategic Plan Hurdle:</p> <ul style="list-style-type: none"> <li>• Land secured for development</li> <li>• Places under construction</li> <li>• Development approvals obtained</li> <li>• Mobilisation of newly developed Facilities</li> <li>• Progress in the development of the Company's growth strategy in the period.</li> </ul> <p>The Board sets threshold and stretch targets for each category above with timeframes included in the strategic plan. The Committee will assess how the Senior Executives are progressing against the above criteria as outlined in the five-year strategic plan. The weighting given to each of the above criteria is reviewed annually in line with the plan for the period.</p> <p>Due to the commercially sensitive nature of the information, the Board will provide additional detail on the specific targets, and performance against them, in the next Remuneration Report following the time of vesting.</p> <p>The Board has chosen this method of measurement as it most accurately measures the contribution that each Senior Executive has made towards the achievement of the five-year strategic plan.</p>
<b>What happens on cessation of employment?</b>	<p>If a Senior Executive ceases employment for cause or resigns, unless the Board determines otherwise, any unvested Performance Rights will automatically lapse.</p> <p>In all other circumstances, unless the Board determines otherwise:</p> <ul style="list-style-type: none"> <li>• a pro-rata portion of the Performance Rights (calculated by reference to the portion of the performance period that has elapsed up to the date of cessation) will remain on foot and will vest in due course if the performance conditions are achieved, as though the Senior Executive had not ceased employment; and</li> <li>• the remaining portion of the Performance Rights will automatically lapse.</li> </ul>
<b>What happens in the event of a change in control?</b>	<p>The Board has a discretion to determine that vesting of some or all of the Performance Rights should be accelerated. Where only some of the Performance Rights are vested, the remainder will immediately lapse.</p>

# REMUNERATION REPORT

## iv. Other LTI plans

Prior to listing in October 2014, the Company had in place LTI arrangements with Senior Executives including the Legacy cash LTI plan and the Legacy Executive Option and Equity Plan for Senior Executives (**ESAS Plan**). Certain awards under these LTI arrangements for the CEO and Senior Executives remain on foot post listing. There is no intention for any future grants under these plans. Please refer to page 43 of the Company's FY15 Remuneration Report for more information regarding these plans.

## v. Key terms of executive service agreements

All Senior Executives are party to a written executive service agreement with Regis Aged Care Pty Ltd, a subsidiary of Regis Healthcare Limited.

### *Key terms of Executive service agreement for CEO*

<b>Duration</b>	Ongoing
<b>Periods of notice required to terminate</b>	Six months.  The agreement may, however, be terminated by the employer: <ul style="list-style-type: none"><li>• on three months' notice if the CEO fails to address performance concerns notified to him by the Board; or</li><li>• without notice or any payment for cause.</li></ul>
<b>Termination payments</b>	The employer has discretion to make a payment in lieu of notice.  No contracted retirement benefits are in place with any of the Company's Senior Executives.  In the case of redundancy, the CEO is entitled to receive a severance payment equivalent to 12 months' fixed remuneration (inclusive of any payment in lieu of notice).
<b>Restraint of trade</b>	Maximum of 12 months.

### *Key terms of Executive service agreements for other Senior Executives*

<b>Duration</b>	Ongoing
<b>Periods of notice required to terminate</b>	Three months.  The agreement may, however, be terminated by the employer for cause without notice or any payment.
<b>Termination payments</b>	The employer has discretion to make a payment in lieu of notice.  No contracted retirement benefits are in place with any of the Company's Senior Executives.
<b>Restraint of trade</b>	Maximum of six months.

## C. Non-Executive Director remuneration structure

Fees and payments to NEDs reflect the demands on, and responsibilities of, the NEDs. NEDs' fees and payments are reviewed annually by the Board. The Board intends to obtain the advice of independent remuneration consultants in FY17 to ensure NEDs' fees and payments continue to be appropriate and in line with the market.

### i. Directors' fees

Under the Constitution, the Board may decide the amount of each director's remuneration. However, the total amount provided to all NEDs must not exceed, in aggregate in any financial year, the amount fixed by the Company in the general meeting. The fees payable to the current Directors did not exceed that amount being \$1.2 million in aggregate.

The annual director fees currently agreed to be paid are:

ROLE	ANNUAL FEES
Chairman	\$272,500
Other NEDs	\$110,000
Chair of Audit, Risk and Compliance Committee	\$30,000
Members of Audit, Risk and Compliance Committee	\$20,000
Chair of the Remuneration and Nomination Committee	\$20,000
Members of the Remuneration and Nomination Committee	\$12,500

Directors may be paid for travel and other expenses incurred in attending to the Company's affairs, including attending and returning from meetings of Directors or committees or general meetings. Directors may also be remunerated where they devote special attention to the business or perform services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director.

### ii. Retirement allowances for Directors

NEDs do not participate in any performance-based share or option incentive plans or other retirement schemes or benefits other than statutory benefits.

# REMUNERATION REPORT

## D. Statutory Remuneration Disclosures

### i. Senior Executive remuneration – statutory disclosures

Details of the remuneration of the NEDs and Senior Executives of the Group are set out in the following tables. The tables include the statutory disclosures required under the *Corporations Act 2001* (Cth) and are in accordance with the Accounting Standards.

			SHORT TERM BENEFITS			POST EMPLOYMENT	OTHER LONG-TERM BENEFITS		SHARE-BASED PAYMENTS		
NAME	ROLE	YEAR	SALARY & FEES	NON- MONETARY BENEFITS¹	STI-CASH BONUS²	SUPER- ANNUATION	LONG SERVICE LEAVE	LEGACY CASH LTI⁴	PERFORMANCE RIGHTS GRANTED UNDER STI & LTI PLANS	SHARES	TOTAL
			\$	\$	\$	\$	\$	\$		\$	\$
Non-Executive Directors											
Mark Birrell	Chairman	FY15	250,053	-	-	23,755	-	-	-	75,000	348,808
		FY16	250,773	-	-	23,823	-	-	-	-	274,596
Bryan Dorman	NED	FY15	-	-	-	-	-	-	-	-	-
		FY16	119,635	-	-	11,365	-	-	-	-	131,000
Sylvia Falzon	NED	FY15	132,596	-	-	12,597	-	-	-	40,000	185,193
		FY16	138,040	-	-	13,114	-	-	-	-	151,154
Trevor Gerber	NED	FY15	134,387	-	-	12,767	-	-	-	40,000	187,154
		FY16	140,341	-	-	13,332	-	-	-	-	153,673
Ian Roberts	NED	FY15	-	-	-	-	-	-	-	-	-
		FY16	112,733	-	-	10,710	-	-	-	-	123,443
Sub-Total Non-Executive Directors		FY15	517,036	-	-	49,119	-	-	-	155,000	721,155
		FY16	761,522	-	-	72,344	-	-	-	-	833,866
Executive Directors											
Ross Johnston	MD/CEO	FY15	712,594	-	157,048	18,171	12,332	48,000	-	-	948,145
		FY16	739,674	-	172,862	38,028	47,584	29,976	-	-	1,028,124
Executives											
Michelle Baker	GM Operations, QLD & NSW	FY15	279,451	-	84,902	27,009	5,032	10,246	46,945	-	453,585
		FY16	335,658	-	73,934	31,384	4,029	19,618	100,043	-	564,666
Michael Horwood	GM Property	FY15	292,586	-	158,818	24,888	5,297	25,669	38,109	-	545,367
		FY16	327,918	-	67,638	30,033	8,906	9,330	77,747	-	521,572
Darren Lynch	GM Development	FY15	314,853	-	240,443	29,388	5,305	9,842	41,071	-	640,902
		FY16	330,524	-	194,363	30,199	10,039	6,284	108,822	-	680,231
Phillip Mackney	GM Operations, Vic, SA & WA	FY15	322,680	-	141,208	25,096	5,977	25,243	55,803	-	576,007
		FY16	357,072	-	75,493	30,738	23,724	18,683	108,919	-	614,629
Ian Smith	CFO (ceased on 7 July)	FY15	417,486	-	318,850	6,618	6,870	-	-	-	749,824
		FY16	1,259	-	-	-	-	-	-	-	1,259
David Noonan	CFO	FY16³	411,148	-	105,468	19,622	279	-	77,792	-	614,309
Sub-Total Executives		FY15	2,339,650	-	1,101,269	131,170	40,813	119,000	181,928	-	3,913,830
		FY16	2,503,253	-	689,758	180,004	94,561	83,891	473,323	-	4,024,790
Total Compensation		FY15	2,856,686	-	1,101,269	180,289	40,813	119,000	181,928	155,000	4,634,985
		FY16	3,264,775	-	689,758	252,348	94,561	83,891	473,323	-	4,858,656

1. The amounts disclosed as non-monetary benefits relate to car spaces, professional fees and other similar items.

2. Includes FY15 and FY16 STI cash awards.

3. No comparative figures are shown for David Noonan as he commenced his role as CFO on 17 August 2015.

4. These payments relate to FY13, FY14 and FY15 (pro rata to listing) cash LTI awards that were made prior to listing and were subject to deferral and satisfaction of a service condition. Please refer to FY15 Remuneration Report for further details.

## ii. Performance Rights held by Senior Executives

NAME	GRANT DATE	VESTING DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	CANCELLED DURING THE YEAR	BALANCE AT END OF THE YEAR	FAIR VALUE PER RIGHT AT GRANT DATE	AGGREGATE FAIR VALUE	MAXIMUM VALUE TO BE RECOGNISED IN FUTURE YEARS <sup>1</sup>
				NO.	NO.	NO.	NO.	\$	\$	\$
Michelle Baker	30-Oct-14 <sup>A</sup>	30-Jun-2017	30-Jun-2017	26,236	-	-	26,236	3.66	96,024	35,529
	01-Dec-15 <sup>A</sup>	30-Jun-2018	30-Jun-2018	-	27,456	-	27,456	5.18	142,222	95,289
	11 Sep-15 <sup>B</sup>	11-Sep-2016	11-Sep-2016	-	2,756	-	2,756	5.08	14,000	-
	11 Sep-15 <sup>C</sup>	11-Sep-2017	11-Sep-2017	-	2,756	-	2,756	4.82	13,284	4,915
				<b>26,236</b>	<b>32,968</b>	<b>-</b>	<b>59,204</b>		<b>265,530</b>	<b>135,733</b>
Michael Horwood	30-Oct-14 <sup>A</sup>	30-Jun-2017	30-Jun-2017	19,677	-	-	19,677	3.66	72,018	26,647
	01-Dec-15 <sup>A</sup>	30-Jun-2018	30-Jun-2018	-	19,631	-	19,631	5.18	101,689	68,131
	11 Sep-15 <sup>B</sup>	11-Sep-2016	11-Sep-2016	-	2,603	-	2,603	5.08	13,223	-
	11 Sep-15 <sup>C</sup>	11-Sep-2017	11-Sep-2017	-	2,603	-	2,603	4.82	12,546	4,642
				<b>19,677</b>	<b>24,837</b>	<b>-</b>	<b>44,514</b>		<b>199,476</b>	<b>99,420</b>
Darren Lynch	30-Oct-14 <sup>A</sup>	30-Jun-2017	30-Jun-2017	19,677	-	-	19,677	3.66	72,018	26,647
	01-Dec-15 <sup>A</sup>	30-Jun-2018	30-Jun-2018	-	19,718	-	19,718	5.18	102,139	68,433
	11 Sep-15 <sup>B</sup>	11-Sep-2016	11-Sep-2016	-	3,521	-	3,521	5.08	17,887	-
	11 Sep-15 <sup>C</sup>	11-Sep-2017	11-Sep-2017	-	3,521	-	3,521	4.82	16,971	6,279
				<b>19,677</b>	<b>26,760</b>	<b>-</b>	<b>46,437</b>		<b>209,015</b>	<b>101,359</b>
Phillip Mackney	30-Oct-14 <sup>A</sup>	30-Jun-2017	30-Jun-2017	28,859	-	-	28,859	3.66	105,624	39,081
	01-Dec-15 <sup>A</sup>	30-Jun-2018	30-Jun-2018	-	29,010	-	29,010	5.18	150,272	100,682
	11 Sep-15 <sup>B</sup>	11-Sep-2016	11-Sep-2016	-	3,789	-	3,789	5.08	19,248	-
	11 Sep-15 <sup>C</sup>	11-Sep-2017	11-Sep-2017	-	3,789	-	3,789	4.82	18,263	6,757
				<b>28,859</b>	<b>36,588</b>	<b>-</b>	<b>65,447</b>		<b>293,407</b>	<b>146,520</b>
David Noonan	01-Dec-15 <sup>A</sup>	30-Jun-2018	30-Jun-2018	-	31,942	-	31,942	5.18	165,460	110,858
				<b>-</b>	<b>31,942</b>	<b>-</b>	<b>31,942</b>		<b>165,460</b>	<b>110,858</b>
Ian Smith <sup>2</sup>				-	-	-	-		-	-
<b>Grand Total</b>				<b>94,449</b>	<b>153,095</b>	<b>-</b>	<b>247,544</b>		<b>1,132,888</b>	<b>593,890</b>

A LTI Grant

B STI Grant which is subject to one year deferral

C STI Grant which is subject to two year deferral

Each Performance Right that vests results in one ordinary share in the Company. Each Performance Right vests when it has been tested and satisfied the relevant performance conditions. Nil consideration is payable on exercise/vesting.

1. No grants will vest if the performance conditions are not satisfied, hence, the minimum value of grants yet to vest is nil. The maximum value of grants yet to vest has been estimated based on the fair value per grant at the maximum achievement of the vesting scale less amounts already recognised as an expense.

2. Ceased as CFO on 7 July 2015.

# REMUNERATION REPORT

## iii. Movements in Performance Rights held by Senior Executives

The following table sets out the movement during the reporting period, by number and value, of Performance Rights held by each Senior Executive (including their related entities).

NAME	HELD AT 1 JULY 2015	GRANTED	GRANTED <sup>1</sup>	VESTED	VESTED	FORFEITED	FORFEITED	HELD AT 30 JUNE 2016
	NO.	NO.	\$	NO.	\$	NO.	\$	NO.
Ross Johnston	-	-	-	-	-	-	-	-
Michelle Baker	26,236	32,968	169,506	-	-	-	-	59,204
Michael Horwood	19,677	24,837	127,458	-	-	-	-	44,514
Darren Lynch	19,677	26,760	136,997	-	-	-	-	46,437
Phillip Mackney	28,859	36,588	187,783	-	-	-	-	65,447
David Noonan	-	31,942	165,460	-	-	-	-	31,942
Ian Smith <sup>2</sup>	-	-	-	-	-	-	-	-

1. The value of Performance Rights granted in the year is the number of Performance Rights granted in the year multiplied by the fair value of each right on the grant date as per accounting standards.

2. Ceased as CFO on 7 July 2015.

## iv. ESAS shares

The following table sets out details of the ESAS shares held by the CEO under the ESAS Plan, which were previously disclosed in the FY15 Remuneration Report. No grants were made under this plan in FY15 or FY16.

NAME	PLAN	TYPE OF INSTRUMENT	RELEASE DATE	NUMBER OF SHARES TO RELEASE	RELEASED DURING THE YEAR
				NO.	NO.
Ross Johnston	ESAS Plan	Restricted shares	30 June 2016	580,000	580,000
			30 June 2017	580,000	-
			30 June 2018	870,000	-
			30 June 2019	290,000	-

#### v. KMP shareholdings

The following table summarises the movements in the shareholdings of KMP (including their related entities) for the reporting period.

	NUMBER OF SHARES					
	HELD AT 1 JULY 2015	RECEIVED ON VESTING OF STI/LTI	RECEIVED ON VESTING OF STI	RECEIVED AS REMUNERATION	OTHER NET CHANGE	HELD AT 30 JUNE 2016
<b>Non-Executive Directors</b>						
Mark Birrell	41,096	-	-	-	-	41,096
Bryan Dorman	81,910,479	-	-	-	-	81,910,479
Sylvia Falzon	27,397	-	-	-	-	27,397
Trevor Gerber	41,096	-	-	-	-	41,096
Ian Roberts	81,910,479	-	-	-	-	81,910,479
<b>Senior Executives</b>						
Ross Johnston	3,388,537	-	-	-	-	3,388,537
Michelle Baker	-	-	-	-	-	-
Michael Horwood	-	-	-	-	-	-
Darren Lynch	-	-	-	-	-	-
Phillip Mackney	4,306	-	-	-	-	4,306
David Noonan	12,800	-	-	-	-	12,800
Ian Smith <sup>1</sup>	-	-	-	-	-	-

1. Ceased as CFO on 7 July 2015.

#### vi. Transactions with the Company

No director or other KMP (including their related parties) has entered into a contract with the Company or a subsidiary during the reporting period other than as disclosed in this Remuneration Report.

#### vii. Loans with the Company

No director or other KMP (including their related parties) has entered into a loan made, guaranteed or secured, directly or indirectly, by the Company during the reporting period.

*End of Audited Remuneration Report*

# AUDITOR'S INDEPENDENCE DECLARATION

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## TO THE DIRECTORS OF REGIS HEALTHCARE LIMITED

As lead auditor for the audit of Regis Healthcare Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Regis Healthcare Limited and the entities it controlled during the financial year.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style font.

**Ernst & Young**

A handwritten signature in blue ink, appearing to read 'Glenn Carmody'.

**Glenn Carmody**

*Partner*

26 August 2016

# CONSOLIDATED STATEMENT

## OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	NOTES	2016 \$'000	2015 \$'000
Revenue	2.1	480,745	437,508
State Revenue Office Victoria recovery		-	19,457
Other income/(expenses)	2.1	(12,126)	(1,976)
Staff expenses		(305,796)	(272,527)
Resident care expenses		(34,754)	(32,228)
Administrative expenses		(21,433)	(23,450)
Occupancy expenses		(12,844)	(11,753)
Depreciation		(22,522)	(18,914)
<b>Profit before income tax and finance costs</b>		<b>71,270</b>	<b>96,117</b>
Finance costs	2.2	(1,857)	(18,031)
<b>Profit before income tax</b>		<b>69,413</b>	<b>78,086</b>
Income tax expense	2.3	(23,346)	(20,572)
<b>Profit for the year</b>		<b>46,067</b>	<b>57,514</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net loss on cash flow hedges, net of tax	5.1	(210)	-
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Reversal of prior period revaluations, net of tax	3.1	-	(20,460)
<b>Other comprehensive income, net of tax</b>		<b>(210)</b>	<b>(20,460)</b>
<b>Total comprehensive income for the year</b>		<b>45,857</b>	<b>37,054</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		45,857	37,054
<b>Earnings per share</b>			
		<b>cents</b>	<b>cents</b>
Earnings per share for the period attributable to ordinary equity holders of the Parent			
Basic	2.5	15.34	21.16
Diluted	2.5	15.33	21.15

This statement should be read in conjunction with the notes to the financial statements.

# CONSOLIDATED STATEMENT

## OF FINANCIAL POSITION

As at 30 June 2016

	NOTES	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4.1	25,250	60,917
Trade and other receivables	4.2	5,262	20,864
Inventories		589	519
Other current assets	4.4	4,018	18,223
<b>Total Current Assets</b>		<b>35,119</b>	<b>100,523</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3.1	833,943	608,558
Investment property	3.4	82,659	15,560
Deferred tax assets	2.3	-	17,675
Intangible assets	3.3	395,191	247,701
<b>Total Non-Current Assets</b>		<b>1,311,793</b>	<b>889,494</b>
<b>TOTAL ASSETS</b>		<b>1,346,912</b>	<b>990,017</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	4.3	46,411	29,671
Provisions	4.5	42,328	35,064
Income tax payable	2.3	7,646	5,989
Other financial liabilities	5.1	858,546	704,615
<b>Total Current Liabilities</b>		<b>954,931</b>	<b>775,339</b>
<b>Non-Current Liabilities</b>			
Interest-bearing loans and borrowings	5.2	210,000	-
Provisions	4.5	7,037	5,457
Deferred tax liabilities	2.3	500	-
<b>Total Non-Current Liabilities</b>		<b>217,537</b>	<b>5,457</b>
<b>TOTAL LIABILITIES</b>		<b>1,172,468</b>	<b>780,796</b>
<b>NET ASSETS</b>		<b>174,444</b>	<b>209,221</b>
<b>EQUITY</b>			
Issued Capital	5.7.1	272,171	272,171
Retained earnings		(205)	34,821
Reserves	5.7.2	(97,522)	(97,771)
<b>TOTAL EQUITY</b>		<b>174,444</b>	<b>209,221</b>

This statement should be read in conjunction with the notes to the financial statements.

# CONSOLIDATED STATEMENT

## OF CHANGES IN EQUITY

### For the year ended 30 June 2016

	ISSUED CAPITAL	RETAINED EARNINGS	ASSET REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	REMUNERATION RESERVE	ACQUISITION RESERVE	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2014</b>	(124,123)	(32,326)	30,093	-	3,550	(101,497)	(224,303)
Profit for the year	-	57,514	-	-	-	-	57,514
Other comprehensive income	-	-	(20,460)	-	-	-	(20,460)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>57,514</b>	<b>(20,460)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,054</b>
Issue of shares	409,852	-	-	-	-	-	409,852
Share issue and share buyback costs, net of tax	(13,558)	-	-	-	-	-	(13,558)
Equity settled share based payment expense	-	-	-	-	176	-	176
Transfer from Asset Revaluation Reserve to Retained Earnings	-	9,633	(9,633)	-	-	-	-
<b>At 30 June 2015</b>	<b>272,171</b>	<b>34,821</b>	<b>-</b>	<b>-</b>	<b>3,726</b>	<b>(101,497)</b>	<b>209,221</b>
<b>At 1 July 2015</b>	272,171	34,821	-	-	3,726	(101,497)	209,221
Profit for the year	-	46,067	-	-	-	-	46,067
Other comprehensive income	-	-	-	(210)	-	-	(210)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>46,067</b>	<b>-</b>	<b>(210)</b>	<b>-</b>	<b>-</b>	<b>45,857</b>
Dividends paid or provided for	-	(81,093)	-	-	-	-	(81,093)
Equity settled share based payment expense	-	-	-	-	459	-	459
<b>At 30 June 2016</b>	<b>272,171</b>	<b>(205)</b>	<b>-</b>	<b>(210)</b>	<b>4,185</b>	<b>(101,497)</b>	<b>174,444</b>

This statement should be read in conjunction with the notes to the financial statements.

# CONSOLIDATED STATEMENT

## OF CASH FLOWS

For the year ended 30 June 2016

	NOTES	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from residents and Government subsidies		470,569	427,468
State Revenue Office refund received		18,218	-
Payments to suppliers and employees		(378,047)	(348,683)
Interest received		815	1,600
Finance costs		(3,972)	(8,408)
RAD, accommodation bond and ILU/ILA entry contribution inflows		259,565	258,997
RAD, accommodation bond and ILU/ILA entry contribution outflows		(214,634)	(185,356)
Income tax paid		(18,959)	(18,189)
<b>Net cash flows from operating activities</b>	4.1	<b>133,555</b>	<b>127,429</b>
<b>Cash flows from investing activities</b>			
Proceeds of sale of property, plant and equipment		-	3,421
Purchase of property, plant and equipment		(146,219)	(61,538)
Purchase of businesses, net of cash acquired		(151,910)	(29,876)
Advance payment on business purchase		-	(15,769)
<b>Net cash flows used in investing activities</b>		<b>(298,129)</b>	<b>(103,762)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		210,000	-
Repayment of bank debt		-	(333,000)
Payout interest rate swap derivative		-	(4,504)
Proceeds from issue of shares		-	409,852
Share issue transaction costs		-	(21,044)
Refund of stamp duty on share buy-back		-	1,540
Repayment of loan from director and shareholder related entities		-	(35,935)
Buy-back of special shares		-	(20,000)
Dividend paid on ordinary shares		(81,093)	-
<b>Net cash flows used in financing activities</b>		<b>128,907</b>	<b>(3,091)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(35,667)</b>	<b>20,576</b>
<b>Cash at the beginning of the year</b>		<b>60,917</b>	<b>40,341</b>
<b>Cash at the end of the year</b>	4.1	<b>25,250</b>	<b>60,917</b>

This statement should be read in conjunction with the notes to the financial statements.

# SECTION 1:

## ABOUT THIS REPORT

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### 1.1 CORPORATE INFORMATION

The consolidated financial statements of Regis Healthcare Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 26 August 2016.

Regis Healthcare Limited (the 'Company') is a for profit Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Group's principal activity during the year was the provision of residential aged care services. Further information on the nature of the operations and principal activities of the Group is provided in the directors' report. Information on the Group's structure is provided in Section 6.1 and information on other related party relationships is provided in Section 6.2.

### 1.2 BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on an historical cost basis, except independent living unit and apartment entry contributions and derivative financial instruments, which have been measured at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

### 1.3 BASIS OF CONSOLIDATION

This financial report includes the consolidated financial statements and notes for the consolidated entity consisting of Paragon Group Investments Pty Ltd, as the accounting parent under the reverse acquisition in July 2007, and its deemed subsidiaries and the separate financial statements and notes.

The amount of the issued and paid up equity in these consolidated financial statements is the issued equity of the legal subsidiary, Paragon Group Investments Proprietary Ltd, immediately before the reverse acquisition plus subsequent issues and buy-backs of shares by the legal parent, Regis Healthcare Limited. However, the equity structure (i.e. the number and type of equity instruments issued) reflects the equity structure of the legal parent.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A list of significant subsidiaries at 30 June 2016 is contained in Section 6.1.

The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as the parent Company. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

### 1.4 COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

# SECTION 1:

## ABOUT THIS REPORT

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### 1.5 GOING CONCERN

The financial report has been prepared on a going concern basis. The Company is in a net current asset deficiency position. This deficiency principally arises because refundable accommodation deposits (RADs), accommodation bonds and independent living unit and independent living apartment (ILU/ILA) entry contributions are recorded as a current liability as required under accounting standards. However, in practice bonds/RADS that are repaid are generally replaced by RADs from incoming residents in a short timeframe. The Group has positive operating cash flow and has access to undrawn credit Facilities.

### 1.6 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions.

Material adjustments to future financial results or financial position may be required where the actual results and outcomes differ from the estimates and assumptions made.

Information about significant areas of estimation uncertainty and critical assumptions are described in the following notes:

- Section 2.3 – Income tax: availability of future taxable profit to support deferred tax assets
- Section 3.1 – Property plant & equipment: useful life assessment and key assumptions underlying recoverable amount of land & buildings
- Section 3.2 – Business combinations: key assumptions underlying assessment of fair value
- Section 3.3 – Intangible assets: key assumptions underlying recoverable amounts
- Section 5.9 – Share-based payments: determination of valuation model and assumptions about achievement of performance hurdles

# SECTION 2:

## CURRENT PERFORMANCE

### 2.1 REVENUE AND OTHER EXPENSES

	NOTES	2016 \$'000	2015 \$'000
<b>Revenue</b>			
Government funding		335,443	299,704
Resident fees		134,381	123,899
Interest		815	1,600
Other operating revenue		10,106	12,305
<b>Total revenue</b>		<b>480,745</b>	<b>437,508</b>
<b>Other income/(expenses)</b>			
(Loss)/Gain on disposal of property, plant and equipment		(1,638)	1,112
Gain from bargain purchase	3.2	3,617	3,150
Acquisition-related expenses	3.2	(14,105)	(2,323)
IPO costs not deducted from equity		-	(3,915)
<b>Total other income/(expenses)</b>		<b>(12,126)</b>	<b>(1,976)</b>

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

#### Aged care Facility revenue

Revenue from the rendering of a service or supply of a good is recognised upon the delivery of the related service or good to the resident. The Group is entitled to charge retention fees to residents in respect of pre 1 July 2014 accommodation bonds held. These fees are regulated by the Department of Social Services (Department) and accrued by the Group during the resident's period of occupancy.

#### Interest income

Interest income is recorded using the effective interest rate method.

### 2.2 FINANCE COSTS

	NOTES	2016 \$'000	2015 \$'000
<b>Finance costs</b>			
Interest expense: Bank loans and overdrafts		931	5,206
Loss on extinguishment of special shares		-	7,826
Interest on refundable RADs		3,087	2,940
Net gain from revaluation of interest rate swap		-	(109)
Other		903	2,168
<b>Total finance costs</b>		<b>4,921</b>	<b>18,031</b>
Less borrowing costs capitalised	(i)	(3,064)	-
<b>Total finance costs expensed</b>		<b>1,857</b>	<b>18,031</b>

(i) Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

# SECTION 2:

## CURRENT PERFORMANCE

### 2.3 INCOME TAX

#### Major components of income tax (benefit)/expense

	NOTES	2016 \$'000	2015 \$'000
<i>Current income tax:</i>			
Current income tax charge		20,636	13,839
Adjustments in respect of current income tax of previous years		-	(166)
<i>Deferred tax:</i>			
Relating to origination and reversal of temporary differences		2,710	6,899
<b>Income tax expense reported in profit or loss</b>		<b>23,346</b>	<b>20,572</b>
<i>Deferred tax related to items recognised in other comprehensive income during the year:</i>			
Net loss on revaluation of cash flow hedges		(90)	-
Reversal of prior period revaluations		-	(8,769)
<b>Deferred tax charged on other comprehensive income</b>		<b>(90)</b>	<b>(8,769)</b>
<i>Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic company tax rate is as follows:</i>			
Accounting profit before income tax		69,413	78,086
At the statutory income tax rate of 30% (2015: 30%)		20,824	23,426
Adjustments in respect of current income tax of previous years		-	(166)
Non-assessable gain on bargain purchase		(1,085)	(945)
Non-deductible loss on extinguishment of special shares		-	2,348
Non-deductible acquisition costs		3,699	637
Non-assessable State Revenue Office of Victoria refund		-	(4,871)
Other non-assessable income/non-deductible expenses		(92)	143
<b>Income tax expense reported in profit or loss</b>		<b>23,346</b>	<b>20,572</b>

## 2.3 INCOME TAX (CONTINUED)

### Major components of deferred tax

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Deferred tax liabilities</i>				
Property, plant and equipment	(6,651)	(1,245)	5,406	(9,952)
Investment property	(11,815)	-	11,815	-
Independent living unit and apartment entry contributions	(3,071)	-	3,071	-
Others	(1,242)	(1,520)	(278)	1,520
<i>Deferred tax assets</i>				
Employee benefits	14,378	11,805	(2,573)	(2,016)
Deferred revenue	1,104	-	(1,104)	-
Losses available for offset against future taxable income	-	832	832	2,682
Equity raising costs deducted from equity	4,002	4,757	755	(4,757)
Derivatives	90	-	(90)	1,384
Other	2,705	3,046	341	(371)
<b>Net deferred tax assets/(liabilities)</b>	<b>(500)</b>	<b>17,675</b>		
<i>Adjusted for items not impacting profit or loss</i>				
Equity raising cost deducted from equity			-	5,947
Net loss on revaluation of cash flow hedges			90	-
Reversal of prior period revaluations of land & buildings			-	8,769
Acquisition of businesses			(15,536)	3,693
Other			(19)	-
<b>Deferred income tax charge</b>			<b>2,710</b>	<b>6,899</b>

### Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised in other comprehensive income or directly in equity is also recognised in other comprehensive income or directly in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

# SECTION 2:

## CURRENT PERFORMANCE

### 2.3 INCOME TAX (CONTINUED)

#### Deferred tax

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, carried forward unused tax assets and unused tax losses, only if it is probable that taxable profit will be available to utilise them.

Deferred tax is not recognised for temporary differences relating to:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- investments in subsidiaries, associates and jointly controlled entities where the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax is measured at the tax rates and laws that are enacted or substantively enacted at the reporting date and are expected to apply to the year when the asset is realised or the liability is settled.

Deferred tax relating to items recognised in other comprehensive income or directly in equity is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and authority.

#### Tax consolidation

Effective 3 July 2007, for the purpose of income taxation, Regis Healthcare Limited and its 100% owned subsidiaries formed a tax consolidated group. The tax consolidated group has applied the 'Separate Taxpayer within Group' approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

Entities within the tax consolidated group have entered into a tax funding arrangement with the head entity.

Under the terms of the tax funding arrangement, Regis Healthcare Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to, or from, the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from, or payable to, other entities in the tax consolidated group.

### 2.4 SEGMENT INFORMATION

For management reporting purposes, the Group has reportable segments that are based on geographical locations as per the following:

- Queensland
- New South Wales
- Victoria
- South Australia/ Northern Territory
- Western Australia.

Executive management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and segment performance. Segment performance is evaluated based on operating profit or loss and is measured consistently with the profit and loss in the consolidated financial statements. Group finance costs, income taxes and related assets and liabilities are managed on a Group basis and therefore have not been allocated to an operating segment.

## 2.4 SEGMENT INFORMATION (CONTINUED)

	QLD \$'000	NSW \$'000	VIC \$'000	SA/NT \$'000	WA \$'000	CONSOLIDATED \$'000
<b>Year ended 30 June 2016</b>						
Government funding	114,919	35,725	108,203	39,193	37,403	335,443
Resident Fees	44,562	18,279	47,329	11,676	12,535	134,381
Other	2,191	905	4,494	486	2,030	10,106
<b>Total Revenue</b>	<b>161,672</b>	<b>54,909</b>	<b>160,026</b>	<b>51,355</b>	<b>51,968</b>	<b>479,930</b>
<b>Segment Result</b>	37,735	14,996	34,159	8,572	9,642	105,104
<b>Depreciation</b>	(7,792)	(1,730)	(7,717)	(2,307)	(2,977)	(22,523)
<b>Total Segment Assets</b>	568,477	96,354	344,335	116,918	190,971	1,317,055
<b>Total Segment Liabilities</b>	343,617	113,473	277,469	38,406	85,281	858,246
<b>Year ended 30 June 2015</b>						
Government funding	93,554	34,789	104,715	29,165	37,481	299,704
Resident Fees	38,781	17,384	45,838	9,467	12,429	123,899
Other	2,867	1,162	5,499	445	2,332	12,305
<b>Total Revenue</b>	<b>135,202</b>	<b>53,335</b>	<b>156,052</b>	<b>39,077</b>	<b>52,242</b>	<b>435,908</b>
<b>Segment Result</b>	28,987	14,449	34,376	6,682	11,456	95,950
<b>Depreciation</b>	(6,298)	(1,717)	(6,997)	(1,305)	(2,597)	(18,914)
<b>Total Segment Assets</b>	260,638	92,212	317,652	59,760	162,421	892,683
<b>Total Segment Liabilities</b>	227,138	104,317	271,285	18,223	83,652	704,615

# SECTION 2:

## CURRENT PERFORMANCE

### 2.4 SEGMENT INFORMATION (CONTINUED)

#### Reconciliation of segment information to consolidated results

	2016 \$'000	2015 \$'000
<b>Reconciliation of Profit</b>		
Segment Result	105,104	95,950
Depreciation	(22,523)	(18,914)
State Revenue Office Victoria refund	-	19,457
Other Expenses	(12,126)	(1,976)
Finance income	815	1,600
Finance costs	(1,857)	(18,031)
<b>Profit before tax</b>	<b>69,413</b>	<b>78,086</b>
<b>Reconciliation of Assets</b>		
Segment Assets	1,317,055	892,683
Cash	25,250	60,917
Inventories	589	519
Other current assets	4,018	18,223
Deferred tax assets	-	17,675
<b>Total Assets</b>	<b>1,346,912</b>	<b>990,017</b>
<b>Reconciliation of Liabilities</b>		
Segment Liabilities	858,246	704,615
Trade and other payables	46,411	29,671
Provisions	49,365	40,521
Loans and borrowings	210,000	-
Income tax payable	7,646	5,989
Deferred tax liability	500	-
Interest swap liability	300	-
<b>Total Liabilities</b>	<b>1,172,468</b>	<b>780,796</b>

#### Entity wide disclosure

Revenue from one source, being the Government, constitutes or provides greater than 10 per cent of total revenues received.

### 2.5 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The diluted earnings per share calculation reflects the dilutive effect of employee Performance Rights.

	2016 \$'000	2015 \$'000
Profit attributable to ordinary equity holders of the Parent	46,067	57,514

## 2.5 EARNINGS PER SHARE (CONTINUED)

	2016 THOUSANDS	2015 THOUSANDS
Weighted average number of ordinary shares used in the calculation of:		
Basic earnings per share	300,346	271,838
Adjustment for effect of share-based payment arrangements	189	106
Diluted earnings per share	300,535	271,944
	2016 CPS	2015 CPS
Basic earnings per share	15.34	21.16
Diluted earnings per share	15.33	21.15

## 2.6 PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

	2016 \$'000	2015 \$'000
Information relating to Regis Healthcare Limited		
<b>ASSETS</b>		
Current Assets	121	121
Non-current assets	497,093	481,838
<b>TOTAL ASSETS</b>	<b>497,214</b>	<b>481,959</b>
<b>LIABILITIES</b>		
Current Liabilities	11,155	8,985
Non-current liabilities	41	13
<b>TOTAL LIABILITIES</b>	<b>11,196</b>	<b>8,998</b>
<b>EQUITY</b>		
Issued Capital	477,004	477,004
Reserves	4,185	3,726
Retained Earnings/(Accumulated Losses)	4,829	(7,769)
<b>TOTAL EQUITY</b>	<b>486,018</b>	<b>472,961</b>
Profit/(loss) of the parent entity	93,692	(11,371)
Total comprehensive income/(loss) of the parent entity	93,692	(11,371)

### Guarantees

Details of bank guarantees are set out in Section 5.6.

### Contingent Liabilities

Details of contingent liabilities are set out in Section 5.6.

### Contractual Commitments

Details of contractual commitments are set out in Section 5.5.

# SECTION 3:

## ASSETS AND GROWTH

### 3.1 PROPERTY, PLANT AND EQUIPMENT

NOTES	LAND & BUILDINGS \$'000	PLANT & MACHINERY \$'000	MOTOR VEHICLES \$'000	FIXTURES & FITTINGS \$'000	LEASEHOLD IMPROVEMENTS \$'000	WORK IN PROGRESS \$'000	TOTAL \$'000
Cost at 30 June 2016	725,529	155,054	1,063	45,553	37	68,954	996,190
Accumulated depreciation and impairment	(73,967)	(71,764)	(673)	(15,829)	(14)	-	(162,247)
<b>Carrying amount at 30 June 2016</b>	<b>651,562</b>	<b>83,290</b>	<b>390</b>	<b>29,724</b>	<b>23</b>	<b>68,954</b>	<b>833,943</b>
<i>Reconciliation of carrying amounts</i>							
Carrying amount at 1 July 2015	480,472	63,689	185	21,385	24	42,803	608,558
Additions	36,048	10,590	65	2,714	-	98,060	147,477
Transfers from work in progress	50,558	13,627	-	4,229	-	(68,414)	-
Transfers to investment property 3.4	-	-	-	-	-	(3,495)	(3,495)
Disposals	(720)	(728)	-	(196)	-	-	(1,644)
Acquisition of businesses	94,466	7,298	192	3,296	-	-	105,252
Depreciation expense	(9,262)	(11,186)	(52)	(1,704)	(1)	-	(22,205)
<b>Carrying amount at 30 June 2016</b>	<b>651,562</b>	<b>83,290</b>	<b>390</b>	<b>29,724</b>	<b>23</b>	<b>68,954</b>	<b>833,943</b>
Cost at 30 June 2015	545,366	124,964	809	35,660	37	42,803	749,639
Accumulated depreciation and impairment	(64,894)	(61,275)	(624)	(14,275)	(13)	-	(141,081)
<b>Carrying amount at 30 June 2015</b>	<b>480,472</b>	<b>63,689</b>	<b>185</b>	<b>21,385</b>	<b>24</b>	<b>42,803</b>	<b>608,558</b>
<i>Reconciliation of carrying amounts</i>							
Carrying amount at 1 July 2014	474,224	53,219	137	13,727	37	17,188	558,532
Additions	16,604	6,115	3	2,318	-	41,574	66,614
Reversal of prior period revaluations	(24,178)	-	-	-	-	-	(24,178)
Transfers from work in progress	3,939	10,332	-	1,534	-	(15,805)	-
Transfers to investment property 3.4	-	-	-	-	-	(154)	(154)
Disposals	(2,310)	-	-	-	-	-	(2,310)
Acquisition of businesses	20,486	3,225	65	5,022	-	-	28,798
Depreciation expense	(8,293)	(9,202)	(20)	(1,216)	(13)	-	(18,744)
<b>Carrying amount at 30 June 2015</b>	<b>480,472</b>	<b>63,689</b>	<b>185</b>	<b>21,385</b>	<b>24</b>	<b>42,803</b>	<b>608,558</b>

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### 3.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings – 55 years
- Plant and equipment – between three to 30 years.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

Any gain or loss arising on de recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss when the item is derecognised.

Impairment testing for property, plant and equipment occurs if an impairment trigger is identified. No impairment triggers have been identified in the current year.

### 3.2 BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in other expenses.

When the Group acquires a business, it assesses the financial assets acquired and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the business acquired, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed. If the assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration, then the gain is recognised in the profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash generating units that are expected to benefit from the combination. Refer Note 3.3 for an explanation of how goodwill is tested for impairment.

# SECTION 3:

## ASSETS AND GROWTH

### 3.2 BUSINESS COMBINATIONS (CONTINUED)

#### Acquisitions in 2016

The table below outlines the acquisitions that occurred during the current financial year.

	MASONIC CARE QLD \$'000	REGIS MARLESTON \$'000	TOTAL \$'000
<b>Fair Value of Identifiable Net Assets</b>			
Cash and cash equivalents	1,273	-	1,273
Property, plant & equipment	82,866	17,288	100,154
Operational places	31,451	5,003	36,454
Investment Property	63,921	-	63,921
Deferred tax assets	-	197	197
<b>Total Assets</b>	<b>179,511</b>	<b>22,488</b>	<b>201,999</b>
Refundable accommodation deposits (RADs)	(57,021)	(15,777)	(72,798)
Independent living unit and apartment (ILU/ILA) entry contributions	(43,847)	-	(43,847)
Trade and other payables	(4,668)	-	(4,668)
Provisions	(5,953)	(674)	(6,627)
Deferred tax liabilities	(14,810)	-	(14,810)
<b>Total Liabilities</b>	<b>(126,299)</b>	<b>(16,451)</b>	<b>(142,750)</b>
Fair value of identifiable net assets	53,212	6,037	59,249
Goodwill arising on acquisition	99,971	9,713	109,684
<b>Purchase consideration transferred</b>	<b>153,183</b>	<b>15,750</b>	<b>168,933</b>
Cost of the combination:			
Cash paid	153,183	15,750	168,933
<b>Total cost of the combination</b>	<b>153,183</b>	<b>15,750</b>	<b>168,933</b>
Direct acquisition costs (included in other expenses – Note 2.1)	13,830	275	14,105

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## 3.2 BUSINESS COMBINATIONS (CONTINUED)

### Acquisition of Masonic Care Queensland

On 1 June 2016, the Group acquired several aged care and retirement living Facilities located in Queensland from Masonic Care Queensland. The Group has acquired the business in line with its growth strategy.

The cash consideration was \$153,183,000. Acquisition-related costs of \$13,830,000 incurred as part of this transaction included Government charges, professional fees and legal expenses. These have been recognised within other expenses in profit or loss.

The goodwill recognised on this acquisition is primarily attributed to the expected synergies and other benefits from combining the assets and activities with those of the Group.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income includes revenue and a net profit for the year ended 30 June 2016 of \$5,623,000 and \$224,000 respectively, as a result of the acquisition. Had the acquisition occurred at the beginning of the reporting period, the Consolidated Statement of Profit or Loss and Other Comprehensive Income would have included revenue and a net profit of approximately \$67,470,000 and \$2,690,000 respectively.

Due to the acquisition taking place on 1 June 2016, the initial accounting for the business combination is provisional, based on information available at reporting date.

### Acquisition of Regis Marleston

On 1 July 2015, the Group acquired the Marleston Aged Care Facility from City of West Torrens located in Marleston, South Australia. The Group has acquired this Facility in line with its growth strategy.

The cash consideration was \$15,750,000. This does not appear in the current period cash flow as this balance was prepaid in the financial year ended 30 June 2015. Acquisition-related costs of \$275,000 incurred as part of this transaction included Government charges, professional fees and legal expenses. These have been expensed and recognised within other expenses in profit or loss.

The goodwill recognised on this acquisition is primarily attributed to the expected synergies and other benefits from combining the assets and activities with those of the Group.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income includes revenue and a net profit for the year ended 30 June 2016 of \$9,440,000 and \$756,000 respectively, as a result of the acquisition.

The net assets recognised in the 31 December 2015 interim financial statements of the Group were based on a provisional assessment of their fair value as the valuation for the land and buildings had not been completed by the date the 2015 financial statements were approved for issue by the Board of Directors. On completion of the valuation, the acquisition date fair values were adjusted as follows:

- Property, plant and equipment increased by \$3,317,000
- Provisions increased by \$18,000
- Goodwill on acquisition decreased by \$3,299,000.

# SECTION 3:

## ASSETS AND GROWTH

### 3.2 BUSINESS COMBINATIONS (CONTINUED)

#### Acquisitions in 2015

	REGIS REDLYNCH \$'000
<b>Fair Value of Identifiable Net Assets</b>	
Property, plant & equipment	20,766
Operational places	8,439
<b>Total Assets</b>	<b>29,205</b>
RADs & accommodation bonds	(3,479)
Deferred tax liabilities	(549)
Provisions	(1,254)
<b>Total Liabilities</b>	<b>(5,282)</b>
Fair value of identifiable net assets	23,923
Gain from bargain purchase on acquisition	(3,617)
<b>Purchase consideration transferred</b>	<b>20,306</b>
Cost of the combination:	
Cash paid	20,306
<b>Total cost of the combination</b>	<b>20,306</b>
Direct acquisition costs (included in other expenses)	1,580

#### Acquisition of Regis Redlynch

On 1 April 2015, the Group acquired the Blue Care Redlynch Glenmead Village Aged Care Facility located in Cairns, Queensland from the Uniting Church in Australia Property Trust.

The cash consideration transferred was \$20,306,000. Acquisition-related costs of \$1,580,000 incurred as part of this transaction included Government charges, professional fees and legal expenses. These have been expensed and recognised within acquisition-related expenses in profit or loss for the year ended 30 June 2015.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income includes revenue and a net loss for the year ended 30 June 2015 of \$3,138,000 and \$349,000 respectively, as a result of the acquisition. Had the acquisition occurred at the beginning of the 2015 reporting period, the Consolidated Statement of Profit or Loss and Other Comprehensive Income would have included revenue and a net profit of \$14,825,000 and \$606,000 respectively.

The net assets recognised in the 30 June 2015 financial statements were based on a provisional assessment of their fair value as the valuation for the land and buildings had not been completed by the date the 2015 financial statements were approved for issue by the Board of Directors. On completion of the valuation, the acquisition date fair values were adjusted as follows:

- Property, plant and equipment increased by \$5,098,000
- Operational places decreased by \$388,000
- Other assets decreased by \$142,000
- Deferred tax changed from a \$373,000 asset to a \$549,000 liability
- Provisions increased \$11,000
- Purchase consideration increased \$18,000.

The adjustments to the provisional acquisition date fair values of assets and liabilities resulted in the recognition of a gain on bargain purchase of \$3,617,000.

### 3.3 INTANGIBLE ASSETS

	OPERATIONAL PLACES \$'000	GOODWILL \$'000	TOTAL \$'000
Cost at 30 June 2016	211,399	191,635	403,034
Accumulated impairment	(6,174)	(1,669)	(7,843)
<b>Carrying amount at 30 June 2016</b>	<b>205,225</b>	<b>189,966</b>	<b>395,191</b>
<i>Reconciliation of carrying amounts</i>			
Balance at 1 July 2015	167,419	80,282	247,701
Additions	37,806	109,684	147,490
<b>Balance at 30 June 2016</b>	<b>205,225</b>	<b>189,966</b>	<b>395,191</b>
Cost at 30 June 2015	173,593	81,951	255,544
Accumulated impairment	(6,174)	(1,669)	(7,843)
<b>Carrying amount at 30 June 2015</b>	<b>167,419</b>	<b>80,282</b>	<b>247,701</b>
<i>Reconciliation of carrying amounts</i>			
Balance at 1 July 2014	157,871	79,292	237,163
Additions	9,548	990	10,538
<b>Balance at 30 June 2015</b>	<b>167,419</b>	<b>80,282</b>	<b>247,701</b>

#### Operational places

Operational places for aged care Facilities are initially measured at historical cost or if acquired in a business combination, at fair value as at the date of acquisition. Following initial recognition, the licences are not amortised but are measured at cost less any accumulated impairment losses.

Operational places are assessed as having an indefinite useful life as they are issued for an unlimited period and therefore are not amortised. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

#### Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired. Following initial recognition, goodwill is not amortised but is measured at cost less any accumulated impairment losses.

#### Impairment testing of operational places and goodwill

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which operational places and goodwill are monitored for internal management purposes and allocated to cash-generating units (CGUs). The allocation is made to those CGUs or Groups of CGUs that are expected to benefit from the acquisition from which operational places or goodwill arose. The Group has determined that each State where the Group operates represents a CGU.

Impairment losses of continuing operations are recognised in profit or loss.

# SECTION 3:

## ASSETS AND GROWTH

### 3.3 INTANGIBLE ASSETS (CONTINUED)

#### Key assumptions used in value in use calculations

The carrying value of goodwill and operational places allocated to each of the CGUs at 30 June 2016 was as follows:

CASH GENERATING UNIT	OPERATIONAL PLACES \$'000	GOODWILL \$'000	TOTAL \$'000
Queensland	87,011	107,670	194,681
New South Wales	24,779	11,706	36,485
Victoria	56,146	37,776	93,922
Western Australia	21,240	24,303	45,543
South Australia/Northern Territory	16,049	8,511	24,560
<b>Total</b>	<b>205,225</b>	<b>189,966</b>	<b>395,191</b>

The recoverable amount of each State CGU as at 30 June 2016 has been determined on a value in use calculation using discounted cash flow projections from financial forecasts approved by senior management covering a five-year period, after which a terminal value is applied, based on management's view of the longer-term growth profile of the business.

The calculation of value in use for each State is most sensitive to the following assumptions:

- **Growth rate** – Growth in EBITDA within the five-year forecast period reflects management's growth strategy and assumptions behind the strategy for each state. Long-term growth rates used were 0% to 2% (2015: 0% to 2%).
- **Discount rate** – The pre-tax discount rate applied to cash flow projections is 12.9% to 15.0% (2015: 12.9% to 15.0%) and represents the current market assessment of the risks specific to each State taking into consideration the time value of money and the individual risks of the underlying assets that have not been incorporated in the cash flow estimates.
- **Net RAD and accommodation bond flow** – Based on the anticipated growth strategy of each State and adjusted accordingly taking into account the average value of RADs received and location of the Facility.
- **Capital expenditure** – Based on the anticipated development works in each State.

Based on this CGU analysis it was concluded that the carrying value of each CGU does not exceed the value in use. Sensitivity analysis on reasonably possible changes to the above assumptions did not result in an outcome where impairment would be required.

### 3.4 INVESTMENT PROPERTIES

	2016 \$'000	2015 \$'000
Cost	84,070	16,654
Accumulated depreciation	(1,411)	(1,094)
<b>Carrying amount</b>	<b>82,659</b>	<b>15,560</b>
Balance at beginning of year	15,560	20,627
Acquisitions from business combinations	63,921	-
Reversal of asset revaluations	-	(5,051)
Disposals	-	-
Transfers from Work in Progress	3,495	154
Depreciation expense	(317)	(170)
<b>Balance at end of year</b>	<b>82,659</b>	<b>15,560</b>

Investment properties relate to interests in retirement village independent living units and apartments.

Investment property is stated at historical cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of 55 years.

The residual values, useful lives and methods of depreciation of investment property are reviewed at each financial year end and adjusted prospectively, if appropriate.

Investment property is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss when the item is derecognised.

Impairment testing for investment property occurs if an impairment trigger is identified. No impairment triggers have been identified in the current year.

The fair value of the investment property acquired from Masonic Care Queensland and for the existing investment properties approximates their carrying value at 30 June 2016.

# SECTION 4:

## OPERATING ASSETS & LIABILITIES

### 4.1 CASH AND CASH EQUIVALENTS

	2016 \$'000	2015 \$'000
<b>Reconciliation of the net profit after tax to the net cash flows from operations</b>		
Net profit	46,067	57,514
<b>Non-Cash items</b>		
Depreciation and impairment of non-current assets	22,523	18,914
Bond retention and deferred management fee income	(7,932)	(7,967)
Loss on extinguishment of shares	-	7,826
Gain from bargain purchase	(3,617)	(3,150)
Loss/(gain) on disposal of property plant and equipment	1,638	(1,112)
Other non-cash items	(1,830)	1,722
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	15,602	(17,086)
(Increase)/decrease in inventory	(71)	(49)
(Increase)/decrease in other current assets	(1,841)	(1,285)
(Increase)/decrease in deferred taxes	2,640	6,900
(Decrease)/increase in income tax payable	1,657	(4,517)
(Decrease)/increase in trade and other payables	11,552	(8,007)
(Decrease)/increase in RADs, accommodation bonds and ILU/ILA entry contributions	44,932	73,641
(Decrease)/increase in provisions	2,235	4,085
<b>Net cash flow from operating activities</b>	<b>133,555</b>	<b>127,429</b>
<b>Reconciliation of cash</b>		
Cash at bank	25,145	60,827
Cash on hand	105	90
<b>Total Cash and cash equivalents</b>	<b>25,250</b>	<b>60,917</b>

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office, are classified as operating cash flows.

Inflows and outflows of refundable accommodation deposits (RADs) and ILU/ILA entry contributions are classified as cash flows from operating activities as they are considered part of the operational business model. Upon entering a Facility a resident has a choice to pay either a RAD, DAP or combination RAD/DAP. If the resident pays a DAP then this is classified as income and forms part of the cash flows from operating activities and therefore the RAD inflows are also considered cash flows from operating activities.

## 4.2 TRADE AND OTHER RECEIVABLES

	NOTES	2016 \$'000	2015 \$'000
Trade receivables	(i)	3,180	2,216
Provision for doubtful debts		(279)	(279)
Other receivables	(ii)	2,361	18,927
<b>Total Trade and Other Receivables</b>		<b>5,262</b>	<b>20,864</b>

(i) Trade receivables are non-interest bearing and generally on 30-day terms.

(ii) Sundry debtors as at 30 June 2015 include the refund receivable from State Revenue Office Victoria after the Supreme Court of Victoria made orders in the Appeals on 29 June 2015 setting aside the notices of assessment and ordering that the Commissioner for State Revenue pay Regis Aged Care Pty Ltd's costs of the Appeals. This was interest bearing. Other sundry debtors and other receivables are non-interest bearing.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. The movement in the provision for doubtful debts is as follows:

	2016 \$'000	2015 \$'000
Opening balance	279	229
Charge for the year	21	50
Amounts written off	(21)	-
<b>Closing balance</b>	<b>279</b>	<b>279</b>

At 30 June, the ageing analysis of trade receivables is as follows:

	TOTAL	30 DAYS	31-60 DAYS	61-90 DAYS PDNI <sup>1</sup>	61-90 DAYS CI <sup>2</sup>	91+ DAYS PDNI <sup>1</sup>	91+ DAYS CI <sup>2</sup>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016	3,179	1,872	695	134	-	199	279
2015	2,216	1,476	309	152	-	-	279

<sup>1</sup> PDNI = Past due not impaired.

<sup>2</sup> CI = Considered impaired ("CI").

Due to the short-term nature of current trade and other receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to the credit risk is the fair value of receivables. There is no concentration of credit risk with respect to these debtors.

## SECTION 4:

### OPERATING ASSETS & LIABILITIES

#### 4.3 TRADE AND OTHER PAYABLES

	2016 \$'000	2015 \$'000
Trade payables	7,982	3,981
Other payables	31,971	22,819
Deferred revenue	3,764	-
Fees received in advance	2,694	2,871
<b>Total trade and other payables</b>	<b>46,411</b>	<b>29,671</b>

Liabilities for trade creditors and other payables are recognised initially at fair value and are subsequently carried at amortised cost. All amounts are non-interest bearing and have an average term of 30 days.

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

#### 4.4 OTHER CURRENT ASSETS

	NOTES	2016 \$'000	2015 \$'000
Prepayments		2,455	858
GST recoverable		1,563	1,596
Advance payments on aged care Facility purchase (a)	(i)	-	15,769
<b>Total other current assets</b>		<b>4,018</b>	<b>18,223</b>

(i) On 1 July 2015 the acquisition of the Marlestone Aged Care Facility was completed. Refer Section 3.2 for further details.

## 4.5 PROVISIONS

	NOTES	2016 \$'000	2015 \$'000
Current			
Employee Entitlements	(i)	41,972	35,064
Other provisions		356	-
<b>Total current provisions</b>		<b>42,328</b>	<b>35,064</b>
Non-Current			
Employee Entitlements		5,954	5,457
Other provisions		1,083	-
<b>Total non-current provisions</b>		<b>7,037</b>	<b>5,457</b>

(i) The current provision for employee entitlements includes annual leave entitlements, which are presented as current although the Group does not expect to settle the full amount within the next 12 months. The amount of annual leave that is not expected to be settled within the next 12 months is \$6,881,000 (2015: \$5,406,000).

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognised in profit or loss net of any reimbursement.

### Employee Entitlements

Provisions are recognised for annual leave, long service leave and long-term incentives. These are recognised and presented in the financial statements as follows:

- The liability expected to be paid within 12 months is measured at the amount expected to be paid.
- The liability expected to be paid after 12 months is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.
- The liability that has vested at the reporting date is included in the current provision for employee entitlements.
- The liability that has not vested at the reporting date is included in the non-current provision for employee entitlements.

# SECTION 5:

## CAPITAL STRUCTURE & FINANCING

### 5.1 OTHER FINANCIAL LIABILITIES

	2016 \$'000	2015 \$'000
Refundable accommodation deposits (RADs)	807,978	697,897
Independent living unit and apartment (ILU/ILA) entry contributions	50,268	6,718
Interest rate swaps	300	-
<b>Total other financial liabilities</b>	<b>858,546</b>	<b>704,615</b>

#### Refundable accommodation deposits (RADs)

A refundable accommodation deposit (RAD) is a non-interest bearing deposit paid or payable to an Approved Provider by a resident for the resident's accommodation in an aged care Facility. Bond deposits may be reduced by annual retention fees charged in accordance with the *Aged Care Act 1997*. Prior to 1 July 2014, lump sum refundable accommodation deposits were referred to as accommodation bonds.

RADs are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Due to the short-term nature of RADs, their carrying value is assumed to approximate their fair value.

Prior to 1 July 2014, accommodation bonds were not payable by residents paying a high care accommodation payment. From 1 July 2014, under the Living Longer Living Better reforms, residents can choose to pay a full lump sum (RAD), a regular rental-type payment called a 'daily accommodation payment' (DAP), or a combination of both.

Accommodation bond balances are reduced by annual retention fees charged in accordance with the *Aged Care Act 1997*. However, retention fees are not applicable to post 1 July 2014 for RADs.

RAD refunds are guaranteed by the Federal Government under the prudential standards legislation.

Providers are required to have sufficient liquidity to ensure they can refund RAD balances as they fall due in the following 12 months. Providers are also required to implement and maintain a liquidity management strategy.

As there is no unconditional right to defer payment for 12 months, RAD liabilities are recorded as current liabilities.

The RAD liability is spread across a large portion of the resident population and therefore the repayment of individual balances that make up the current balance will be dependent upon the actual tenure of individual residents. Tenure can be more than 10 years but averages approximately three years. Usually (but not always), when an existing RAD is repaid it is replaced by a new RAD from an incoming resident, usually of a higher amount.

#### Independent living unit and apartment (ILU/ILA) entry contributions

Entry Contributions relate to Independent Living Unit and Apartment residents. ILU/ILA contributions are non-interest bearing and are recognised at fair value through profit and loss with resulting fair value adjustments recognised in profit or loss. Fair value is the amount payable on demand and is measured at the principal amount plus the resident's share of any increases in the market value of the occupied ILU/ILAs (for contracts that contain a capital gain share clause) less deferred management fees contractually accruing up to reporting date. Sensitivity analyses on reasonably plausible changes to market value do not significantly affect fair value.

Contributions are presented inclusive of the residents' share of any increases in market value of the ILU/ILA to reporting date and net of deferred management fees contractually accrued to reporting date and other amounts owing by residents, which are deducted from the loan on repayment following the residents' departure. Entry contributions are settled after a resident vacates the property and the terms and conditions are governed by applicable state based Retirement Village Acts.

## 5.1 OTHER FINANCIAL LIABILITIES (CONTINUED)

### Interest rate swaps

Interest rate swaps are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at fair value at reporting date. The fair values of interest rate swap contracts are determined by reference to market values for similar instruments.

The Group designates interest rate swaps as cash flow hedge relationships. The effective portion of changes in the fair value of these derivatives is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are transferred to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The terms of the interest rate swap match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognised in profit or loss.

## 5.2 INTEREST-BEARING LOANS AND BORROWINGS

	NOTES	CURRENT \$'000	NON-CURRENT \$'000	UNUSED \$'000	TOTAL \$'000
<b>30 June 2016</b>					
Borrowings secured by mortgage	(i)	-	210,000	160,000	370,000
<b>Total</b>		<b>-</b>	<b>210,000</b>	<b>160,000</b>	<b>370,000</b>
<b>30 June 2015</b>					
Multi-option working capital facility		-	-	50,000	50,000
Revolving loan note facility		-	-	40,000	40,000
<b>Total</b>		<b>-</b>	<b>-</b>	<b>90,000</b>	<b>90,000</b>

(i) In May 2016, the Group completed a refinancing of its syndicated bank Facilities. The new facility comprises a syndicated revolving credit facility and bank guarantee facility. \$220,000,000 of this facility matures in May 2019, while \$150,000,000 matures in May 2021. Refer Note 5.3 for further information in relation to its weighted average interest rate and compliance with any covenants during the reporting period.

During the current and prior years, there were no defaults or breaches of any of the loans.

At initial recognition, financial liabilities are classified at fair value net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de recognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

The carrying value of interest-bearing loans is materially the same as the fair value.

# SECTION 5:

## CAPITAL STRUCTURE & FINANCING

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### 5.3 FINANCIAL RISK MANAGEMENT AND OBJECTIVES

The Group's principal financial liabilities comprise of trade and other payables, accommodation bonds, refundable accommodation deposits (RADs), independent living unit and apartment (ILU/ILA) contributions and interest-bearing loans which are held mainly to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Group is exposed to market risk, credit risk and liquidity risk.

Primary responsibility to review, oversee and report to the Board on the Group's risk management systems and strategies rests with the Audit, Risk & Compliance Committee operating within an approved policy under the authority of the Board. The Group uses various methods to measure and manage different types of risks to which it is exposed. The Board ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives which have been agreed upon by the Board. These are summarised below.

#### Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and prices. Financial instruments affected by market risk include cash, loans and borrowings, RADs and DAPs and derivative financial instruments. Market risk is managed and monitored by using sensitivity analysis, and minimised through ensuring that all operational activities are undertaken in accordance with established internal and external guidelines, financing and investment strategies of the Group.

#### Interest rate risk

The Group's exposure to interest rate risk primarily relates to the Group's bank debt when drawn. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. When bank debt is drawn, the Group reviews its bank borrowings on a monthly basis and monitors its position in respect of fixing interest rates, leaving them as floating rates or a combination of both. The Group constantly monitors and analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing options and the mix of fixed and variable interest rates.

The Group primarily manages this risk exposure through entering into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount.

## 5.3 FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

The Group's exposure to interest rate risks and the effective interest rate of financial assets and liabilities both recognised and unrecognised at the reporting date are as follows:

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATES		FIXED OR FLOATING
	2016 %	2015 %	
Cash and liquid assets	2.75	2.00	Floating
Bank loans	3.19	5.11	Floating
Bank loans	-	3.91	Fixed

The details of bank loans are disclosed in Section 5.2 of the financial statements. All other financial assets and liabilities are non-interest bearing.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated as cash flow hedges:

	2016 \$'000	2015 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	25,145	60,827
<b>Financial Liabilities</b>		
Bank debt	(210,000)	-
<b>Net exposure</b>	<b>(184,855)</b>	<b>60,827</b>

At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Consolidated				
+1% (100 basis points)	86	426	86	426
-1% (100 basis points)	(86)	(426)	(86)	(426)

### Price risk

The Group's exposure to price risk primarily relates to the risk that the Federal Government, through the Department of Health, alters the rate of funding provided to Approved Providers of residential aged care services. A fluctuation in the rate of Government funding may have a direct material impact on the revenue of the Group. In addition, the Department of Health also administers the pricing of Resident contributions. Members of the Group's senior management team participate in aged care industry public awareness discussions and in aged care industry dialogue with the Department and Government about proposals for changes to legislation for the aged care industry.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the asset. The Group does not hold any credit derivatives to offset its credit exposure.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

# SECTION 5:

## CAPITAL STRUCTURE & FINANCING

### 5.3 FINANCIAL RISK MANAGEMENT AND OBJECTIVES (CONTINUED)

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through monitoring forecast cash flows and ensuring adequate access to financial instruments that are readily convertible to cash. In addition, the Group maintains sufficient cash and cash equivalents to meet normal operating requirements. Also, as part of the Group's compliance with the User Rights Principles 1997, the Company maintains a liquidity management strategy to ensure that it has sufficient liquidity to enable it to refund RAD and accommodation bond balances that are expected to fall due within at least the next 12 months.

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2016. The undiscounted cash flows for the respective upcoming financial years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2016.

The Group monitors its liquidity risk through rolling cash forecasts. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of debt finance and operational cash flow. Access to sources of funding is sufficiently available with the Group being able to refinance the debt when it becomes due. Maturity analysis of financial assets and liabilities are as follows:

		1-12 MONTHS \$'000	1-5 YEARS \$'000	>5 YEARS \$'000	TOTAL \$'000
<b>Year ended 30 June 2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents		25,250	-	-	25,250
Trade and other receivables		5,262	-	-	5,262
Other current assets		1,563	-	-	1,563
<b>Financial liabilities</b>					
Trade and other payables		(46,411)	-	-	(46,411)
RADs and ILU/ILA entry contributions	(a)	(858,246)	-	-	(858,246)
Interest rate swap		(300)	-	-	(300)
Interest-bearing loans and borrowings		-	(210,000)	-	(210,000)
<b>Net exposure</b>		<b>(872,882)</b>	<b>(210,000)</b>	<b>-</b>	<b>(1,082,882)</b>
<b>Year ended 30 June 2015</b>					
<b>Financial assets</b>					
Cash and cash equivalents		60,917	-	-	60,917
Trade and other receivables		20,864	-	-	20,864
Other current assets		1,596	-	-	1,596
<b>Financial liabilities</b>					
Trade and other payables		(29,671)	-	-	(29,671)
RADs and ILU/ILA entry contributions	(a)	(704,615)	-	-	(704,615)
<b>Net exposure</b>		<b>(650,909)</b>	<b>-</b>	<b>-</b>	<b>(650,909)</b>

(a) Cash flows from refundable accommodation deposits (RADs), accommodation bonds and ILU/ILA entry contributions are classified as a current liability because the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. In practice, this is not expected to result in a net outflow because historically, as RADs/bonds have been repaid, they have generally been replaced by new RADs from incoming residents of similar or greater amounts. This trend is expected to continue (with RADs replacing accommodation bonds from 1 July 2014). Refer to Section 5.1 for further information.

At reporting date, the Group had available \$160,000,000 of unused credit Facilities.

## 5.3 FINANCIAL RISK MANAGEMENT AND OBJECTIVES (CONTINUED)

### Capital management

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2016 and 2015.

## 5.4 FAIR VALUE HIERARCHY

The financial instruments included on the Consolidated Statement of Financial Position are measured at either fair value or amortised cost. The measurement of this fair value may in some cases be subjective and may depend on the inputs used in the calculations. The different valuation methods available can be classified into hierarchies and are described below:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets and liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table sets out the financial instruments included on the Consolidated Statement of Financial Position at Fair Value.

	NOTES	TOTAL \$'000	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000
<b>30 June 2016</b>					
<b>Assets and liabilities measured at fair value</b>					
Interest rate swaps	5.1	300	-	300	-
Independent living unit and apartment entry contributions	5.1	50,268	-	50,268	-
<b>Assets and liabilities for which fair value is disclosed</b>					
Borrowings	5.2	210,000	-	210,000	-
Refundable accommodation deposits (RADs)	5.1	807,978	-	807,978	-
<b>Total</b>		<b>1,068,546</b>	<b>-</b>	<b>1,068,546</b>	<b>-</b>
<b>30 June 2015</b>					
<b>Assets and liabilities measured at fair value</b>					
Independent living unit and apartment entry contributions	5.1	6,718	-	6,718	-
<b>Assets and liabilities for which fair value is disclosed</b>					
Refundable accommodation deposits (RADs)	5.1	697,897	-	697,897	-
<b>Total</b>		<b>704,615</b>	<b>-</b>	<b>704,615</b>	<b>-</b>

Refer relevant note for information on how fair value of the above financial instruments were derived.

The carrying value of financial assets and liabilities recognised at amortised cost in the financial statements approximate their fair value.

# SECTION 5:

## CAPITAL STRUCTURE & FINANCING

### 5.5 COMMITMENTS

#### Expenditure commitments

	2016 \$'000	2015 \$'000
<b>Capital expenditure commitments</b>		
Contractual commitments for building works at aged care Facilities	56,332	51,039
<b>Operating lease expenditure commitments</b>		
Minimum lease payments		
• Not later than one year	893	756
• later than one year and not later than five years	2,951	2,950
• later than five years	1,287	2,101
<b>Aggregate lease expenditure contracted for at reporting date</b>	<b>5,131</b>	<b>5,807</b>

#### Capital expenditure commitments

Contractual commitments at year end relate to ongoing development activity.

#### Lease expenditure commitments

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Operating leases have an average lease term of seven years. Assets that are the subject of operating leases are office premises.

### 5.6 CONTINGENCIES

	2016 \$'000	2015 \$'000
Bank guarantees	4,922	7,634

#### Legal claims and disputes

Management are not aware of any other legal claims or disputes at the date of this report.

## 5.7 EQUITY

### 5.7.1 ISSUED CAPITAL

Movements in ordinary shares on issue are as follows:

	NOTES	DATE	NUMBER OF SHARES	\$'000
Balance		30 June 2014	194,167,065	(124,123)
Shares cancelled after selective capital reduction	(i)	11 September 2014	(6,109,620)	-
Shares issued through public offer (\$3.65 per share)	(ii)	7 October 2014	112,288,352	409,852
Share issue and share buyback costs, net of tax		-	-	(13,558)
<b>Balance</b>		<b>30 June 2015</b>	<b>300,345,797</b>	<b>272,171</b>
<i>No movements during the year to 30 June 2016</i>			-	-
<b>Balance</b>		<b>30 June 2016</b>	<b>300,345,797</b>	<b>272,171</b>

(i) Shares owned by senior executives (acquired under an employee share plan) who departed the Company were transferred to Fairway Nominated Entity Pty Ltd (FNE), a special purpose entity incorporated for this purpose. FNE was owned by the founding shareholders and MCAL. When MCAL shares were bought back in January 2014, the FNE shareholders transferred their FNE shares to Regis Aged Care Pty Ltd, a subsidiary of the Company. These shares were cancelled in August 2014 following a selective capital reduction.

(ii) The total number of shares offered under the initial public offer was 133,136,302. This included 20,847,950 shares owned by founding shareholders.

Trading of the Shares on the ASX commenced on 7 October 2014, initially on a conditional and deferred settlement basis.

The number of shares held by the founding shareholders is 163,820,958 shares. These were subject to voluntary escrow arrangements until the release to the ASX of the audited full year FY 2015 financial statements.

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction cost arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

The only class of issued capital held are ordinary shares, which entitles the holders to the following entitlements:

- participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held.
- one vote, either in person or by proxy, at a meeting of the Company.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

# SECTION 5:

## CAPITAL STRUCTURE & FINANCING

### 5.7 EQUITY (CONTINUED)

#### 5.7.2 RESERVES

	NOTES	CASH FLOW HEDGE RESERVE <sup>(iv)</sup>	ASSET REVALUATION RESERVE <sup>(i)</sup>	ACQUISITION RESERVE <sup>(ii)</sup>	REMUNERATION RESERVE <sup>(iii)</sup>	TOTAL
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2016</b>						
Opening balance at 1 July 2015		-	-	(101,497)	3,726	(97,771)
Net gain/(loss) on cash flow hedge		(210)	-	-	-	(210)
Equity settled share-based payments expense		-	-	-	459	459
<b>Closing Balance at 30 June 2016</b>		<b>(210)</b>	<b>-</b>	<b>(101,497)</b>	<b>4,185</b>	<b>(97,522)</b>
<b>Year ended 30 June 2015</b>						
Opening balance at 1 July 2014		-	30,093	(101,497)	3,550	(67,854)
Reversal of prior period revaluations, net of tax	(v)	-	(20,460)	-	-	(20,460)
Transfer to retained earnings	(vi)	-	(9,633)	-	-	(9,633)
Equity settled share-based payments expense		-	-	-	176	176
<b>Closing Balance at 30 June 2015</b>		<b>-</b>	<b>-</b>	<b>(101,497)</b>	<b>3,726</b>	<b>(97,771)</b>

(i) The asset revaluation reserve is used to record increments and decrements in the value of non-current assets.

(ii) The reserve is used to accumulate the difference on the cost of shares issued by the Company and share buy backs. The balance at the beginning of the prior financial year represents the difference that arose because of the 2008 reverse acquisition, valuing the net assets at the fair value on the day of transaction versus the cost of the shares as agreed per the shareholder agreement.

(iii) The employee remuneration reserve comprises the fair value of share-based payment plans recognised as an expense in profit or loss. See Note 5.9 for further details of these plans.

(iv) The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship. Refer Note 5.1 for further information in relation to cash flow hedges.

(v) This is the net impact of a reversal of prior period revaluations of land and buildings of \$24,178,000 (Section 3.1) and or investment property of \$5,051,000 (Section 3.4), combined with the reversal of the related deferred tax liability of \$8,769,000 (Section 2.3).

(vi) Given the adoption of the revised policy for accounting for land and buildings, the balance of this reserve was transferred to retained earnings.

### 5.8 DIVIDENDS

	2016 \$'000	2015 \$'000
Dividends on ordinary shares paid or provided for		
Final 2015 Dividend: 17.6 cents per share, 64.2% franked (2014: nil)	52,861	-
Interim 2016 Dividend: 9.4 cents per share, 100% franked (2015: nil)	28,232	-
<b>Total Dividends</b>	<b>81,093</b>	<b>-</b>
<b>Proposed dividends on ordinary shares (unrecognised)</b>		
Final 2016 Dividend: 5.94 cents per share, 100% franked (2015: 17.6 cents per share, 64.2% franked)	17,841	52,861
<b>Franking account balance</b>		
The amount of franking credits available for the subsequent financial period are:		
(a) Franking account balance as at the end of the financial year at 30%	2,677	10,381
(b) Franking credits that will arise from the payment of the amount of the provision for income tax	7,646	5,989
<b>Total Franking account balance</b>	<b>10,323</b>	<b>16,370</b>

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. A corresponding entry is recognised directly in equity.

## 5.9 SHARE-BASED PAYMENT PLANS

	2016 \$'000	2015 \$'000
Expense arising from termination of Share Plan for Senior Executives	-	425
Expense arising from equity-settled share-based payments expense	459	176
<b>Total share-based payments</b>	<b>459</b>	<b>601</b>

### Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using a Monte Carlo simulation. That cost is recognised, together with a corresponding increase in remuneration reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

### Movements in share-based payment equity instruments

The number and weighted average exercise price for each equity-settled share-based payment scheme outstanding is as follows. All schemes are settled by physical delivery of shares:

	POST-LISTING LTI		POST-LISTING STI	
	NUMBER	WAEP <sup>(i)</sup>	NUMBER	WAEP <sup>(i)</sup>
Outstanding at 1 July 2015	94,449	\$0.00	-	\$0.00
Granted during the year	127,757	\$0.00	25,338	\$0.00
Exercised during the year	-	\$0.00	-	\$0.00
Forfeited during the year	-	\$0.00	-	\$0.00
Lapsed during the year	-	\$0.00	-	\$0.00
<b>Outstanding at 30 June 2016</b>	<b>222,206</b>	<b>\$0.00</b>	<b>25,338</b>	<b>\$0.00</b>
Exercisable at 30 June 2016	-	\$0.00	-	\$0.00
Share Price at Date of Exercise		N/A		N/A

(i) WAEP = Weighted Average Exercise Price.

# SECTION 5:

## CAPITAL STRUCTURE & FINANCING

### 5.9 SHARE-BASED PAYMENT PLANS (CONTINUED)

#### Valuation assumptions and fair value of equity instruments granted

The model inputs for performance rights granted during the year ended 30 June 2016 was as follows:

	POST- LISTING STI (12 MONTHS)	POST- LISTING STI (24 MONTHS)	POST- LISTING LTI
Grant Date	11/09/2015	11/09/2015	01/12/2015
Vesting Date	11/09/2016	11/09/2017	30/06/2018
Fair Value	\$5.08	\$4.82	\$5.18
Grant Date Share Price	\$5.30	\$5.30	\$6.14
Exercise Price	Nil	Nil	Nil
Life Assumption (Years)	1.0	2.0	2.6
Expected Dividend Yield	4.1%	4.6%	4.8%

The model inputs for performance rights granted during the year ended 30 June 2015 was as follows:

	POST- LISTING LTI
Grant Date	30/10/2014
Vesting Date	30/06/2017
Fair Value	\$3.66
Grant Date Share Price	\$4.16
Exercise Price	Nil
Life Assumption (Years)	2.7
Expected Dividend Yield	5.0%

A description of key terms of share-based payments is disclosed in the Remuneration Report.

# SECTION 6:

## OTHER ITEMS

### 6.1 SUBSIDIARIES

The consolidated financial statements include Regis Healthcare Limited (ultimate parent entity, otherwise known as the Parent Entity) and the following significant wholly owned subsidiaries. The subsidiaries are engaged in the principal activity of owning and operating residential aged care Facilities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control exists where the Company has the power to govern the financial and operating policies of the entity in order to obtain benefits from its activities.

	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2016	2015
		%	%
Regis Aged Care Pty Ltd	Australia	100	100
Paragon Group Investments Pty Ltd	Australia	100	100
Regis Group Proprietary Ltd	Australia	100	100
Regis Allora Pty Ltd ATF Allora Lodge Unit Trust	Australia	100	100
Regis Caboolture Pty Ltd	Australia	100	100
Regis Gatton Pty Ltd	Australia	100	100
Regis Grange – Wellington Point Pty Ltd	Australia	100	100
Regis Group Properties Pty Ltd	Australia	100	100
Regis Ferny Grove Pty Ltd	Australia	100	100
Regis Investments Pty Ltd ATF Regis Investments Trust	Australia	100	100
Regis Lakeside Pty Ltd	Australia	100	100
Regis Management Pty Ltd	Australia	100	100
Regis Salisbury Pty Ltd	Australia	100	100
Regis Shelf Pty Ltd	Australia	100	100
Retirement Properties of Australia Proprietary Limited	Australia	100	100
Allora Drive Pty Ltd Allora Drive Unit Trust	Australia	100	100
Clover Brae Pty Ltd ATF Clover Brae Unit Trust	Australia	100	100
Clover Side Pty Ltd ATF Clover Side Unit Trust	Australia	100	100
Dawson Drive Pty Ltd ATF Dawson Drive Unit Trust	Australia	100	100
Lakeside Way Pty Ltd ATF Lakeside Way Unit Trust	Australia	100	100
Lillian Avenue Ltd ATF Lillian Avenue Trust	Australia	100	100
MacGregor Drive Pty Ltd ATF MacGregor Unit Trust	Australia	100	100
Mewetts Road Pty Ltd ATF Mewetts Road Unit Trust	Australia	100	100
Carers Connect Pty Ltd	Australia	100	100
Settlement Road Pty Ltd ATF Settlement Road Unit Trust	Australia	100	100
Retirement Care Australia Holdings Pty Ltd	Australia	100	100
Retirement Care Australia (Hollywood) Pty Ltd	Australia	100	100
Retirement Care Australia Operations (2) Pty Ltd	Australia	100	100
Retirement Care Australia (Logan) Pty Ltd	Australia	100	100
RAC Fiduciary Pty Ltd	Australia	100	100

A deed of cross guarantee exists between Regis Aged Care Pty Limited (a subsidiary of Regis Healthcare Limited) and certain other subsidiaries. Regis Healthcare Limited is not a party to this deed and therefore the disclosure requirements of the deed are not applicable to these financial statements.

# SECTION 6:

## OTHER ITEMS

### 6.2 RELATED PARTY DISCLOSURES

#### (a) Subsidiaries

The consolidated financial statement includes the financial statements of Regis Healthcare Limited and the subsidiaries as listed in Section 6.1 of the financial statements.

#### (b) Ultimate parent

Regis Healthcare Limited is the ultimate parent entity.

#### (c) Special purpose entities

Fairway Nominated Entity Pty Ltd was established in November 2010. This entity was used to acquire shares in Regis Healthcare Limited, formerly Fairway Investment Holdings Pty Limited, from former employees (refer to Section 5.7.1). Its role as a special purpose entity ceased in August 2014 when the Regis Healthcare Limited shares owned by this company were cancelled following a selective capital reduction.

#### (d) Transactions with key management personnel

During the year, purchases of \$5,966 at normal market prices have been made from SAI Global Limited, of which Sylvia Falzon is a director. At 30 June 2016, there was no balance outstanding for payment to SAI Global Limited.

In December 2014, Regis entered into a contract with First Five Minutes, a fire training company owned by Bryan Dorman and Ian Roberts. The contract was awarded after a tender process with two other companies had been undertaken. Purchases of \$121,932 have been made during the financial year, with \$3,795 outstanding for payment at 30 June 2016.

#### (e) Key management personnel

*Compensation of Key Management Personnel of the Group*

	2016 \$	2015 \$
Short-term employee benefits	3,954,533	3,957,955
Post-employment benefits	252,348	180,289
Long-term benefits	178,452	159,813
Share-based payment	473,323	336,928
<b>Total compensation of key management personnel</b>	<b>4,858,656</b>	<b>4,634,985</b>

### 6.3 EVENTS AFTER THE BALANCE SHEET DATE

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## 6.4 AUDITOR'S REMUNERATION

	2016 \$'000	2015 \$'000
Amounts received or due and receivable by Ernst & Young for:		
• Audit or review of the financial report	545	614
• Other services		
– Investigating accountants' report and review of forecast for Initial Public Offering	-	1,694
– Tax compliance	255	142
– Other services	97	106
<b>Total auditor's remuneration</b>	<b>897</b>	<b>2,556</b>

## 6.5 TREATMENT OF GST

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

- where the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Consolidated Statement of Financial Position.

## 6.6 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Certain comparative amounts have been reclassified to conform to the current year's presentation.

The classification of expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income has been revised in the current reporting period. The presentation of expenses has been consolidated to classify the expenses into the categories staff, resident care, administrative and occupancy expenses. In previous financial reports the expenses were presented in a greater number of line items. Interest on refundable RAD expense has been reclassified to finance expenses in the current period. The consolidated presentation and re-classification of information is intended to provide more useful and relevant information to the user and is considered by the Directors to be consistent with industry practice.

# SECTION 6:

## OTHER ITEMS

### 6.7 NEW AND REVISED ACCOUNTING STANDARDS

#### (a) New and revised standards and interpretations adopted by the Company

The Group has adopted, for the first time, certain standards and amendments to accounting standards. None of the changes have impacted on the Group's accounting policies nor have they required any restatement.

#### (b) New and revised standards and interpretations not yet adopted by the Group

Australian Accounting Standards and Interpretations relevant to the Group that have recently been issued or amended, but are not yet effective, and have not been adopted by the Company for the annual reporting period ending 30 June 2016, are outlined in the table below:

REFERENCE & TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 9 Financial Instruments	This standard addresses the classification, hedging and measurement of financial assets and liabilities.  The Group is currently evaluating the impact of the new standard.	1 January 2018	1 July 2018
AASB 15 Revenue	This standard introduces a five-step model for revenue recognition which can impact the timing and in some cases the quantum of revenue received from customers.  The Group is currently evaluating the impact of the new standard.	1 January 2017	1 July 2017
AASB 16 Leases	This standard addresses the classification, recognition, measurement and disclosure of leases for lessees and lessors.  The Group is currently evaluating the impact of the new standard.	1 January 2019	1 July 2019
AASB 2016-1 Amendments to AASB 112 – Income Taxes	This addresses the recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.  The Group does not expect the adoption of the amendment to have a material impact to the manner in which its financial result is determined or to the extent of disclosures included in future financial reports.	1 January 2017	1 July 2017
AASB 2016-2 Amendments to AASB 107 – Statement of Cash Flows (Disclosure)	This addresses the disclosures in relation to changes in liabilities from financing activities.  The Group does not expect the adoption of the amendment to have a material impact to the manner in which its financial result is determined or to the extent of disclosures included in future financial reports.	1 January 2017	1 July 2017

\* Designates the beginning of the application annual reporting period unless otherwise stated.

# DIRECTORS' DECLARATION

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In accordance with a resolution of the directors of Regis Healthcare Limited, I state that:

1. In the opinion of the directors:

(a) the financial statements and notes of Regis Healthcare Limited are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.4; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.

On behalf of the Board.



**Mark A Birrell**

*Chairman*

Melbourne,  
26 August 2016

# DIRECTORS' DECLARATION

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## Report on the Financial Report

We have audited the accompanying financial report of Regis Healthcare Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

## Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1.4, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

## Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Opinion

In our opinion:

- (a) the financial report of Regis Healthcare Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.4.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF REGIS HEALTHCARE LIMITED

### Report on the Remuneration Report

We have audited the Remuneration Report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### Opinion

In our opinion, the Remuneration Report of Regis Healthcare Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style font.

**Ernst & Young**

A handwritten signature in blue ink, likely belonging to Glenn Carmody.

**Glenn Carmody**

*Partner*

26 August 2016

# ADDITIONAL INFORMATION

## Shareholding Information

The Company's shares are listed on the Australian Securities Exchange (ASX) under the issuer code REG.

The Company is not currently conducting an on market buy-back of its shares.

There are no shares subject to voluntary escrow as at 31 August 2016.

At a general meeting of shareholders each shareholder is entitled to one vote on a show of hands and one vote per fully paid ordinary share on a poll.

### Top 20 Shareholders as at 31 August 2016

RANK	NAME OF SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF ISSUED CAPITAL
1	GALABAY PTY LTD ACN 010 849 153	81,910,479	27.43
1	ASHBURN PTY LTD ACN 005 883 438	81,910,479	27.43
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	19,915,120	6.67
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,406,950	5.83
4	AMP LIFE LIMITED	11,115,684	3.72
5	BNP PARIBAS NOMS PTY LTD	8,649,787	2.90
6	CITICORP NOMINEES PTY LIMITED	8,497,487	2.85
7	NATIONAL NOMINEES LIMITED	6,825,938	2.29
8	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	5,355,000	1.79
9	MR ROSS JAMES JOHNSTON	2,900,001	0.97
10	SANDHURST TRUSTEES LTD	1,931,959	0.65
11	CITICORP NOMINEES PTY LIMITED	1,810,290	0.61
12	ARGO INVESTMENTS LIMITED	1,660,959	0.56
13	BNP PARIBAS NOMINEES PTY LTD	1,562,360	0.52
14	MILTON CORPORATION LIMITED	1,241,076	0.42
15	NETWEALTH INVESTMENTS LIMITED	1,195,147	0.40
16	BKI INVESTMENT COMPANY LIMITED	650,428	0.22
17	NETWEALTH INVESTMENTS LIMITED	583,456	0.20
18	CATHOLIC CHURCH INSURANCE LTD	563,165	0.19
19	UBS NOMINEES PTY LTD	509,648	0.17
20	NEWECONOMY COM AU NOMINEES PTY LIMITED	508,023	0.17

## Holding distribution as at 31 Aug 2016

RANGE	NO. OF SHAREHOLDERS	PERCENTAGE OF SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE OF ISSUED CAPITAL
100,001 and Over	53	0.74	263,182,281	87.63
10,001 to 100,000	745	10.36	16,284,329	5.42
5,001 to 10,000	1,325	18.43	9,714,682	3.23
1,001 to 5,000	3,621	50.35	10,362,049	3.45
1 to 1,000	1,447	20.12	802,456	0.27
<b>Total</b>	<b>7,191</b>	<b>100.00</b>	<b>300,345,797</b>	<b>100.00</b>
Less than marketable parcels	0	0.00	0	0.00

## Substantial shareholders as at 31 August 2016

The names of substantial holders and the number of shares in which each substantial holder and the substantial holder's associates have a relevant interest is as follows:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF ISSUED CAPITAL
Ashburn Pty Ltd as trustee of the Dorman Family Trust	81,910,479	27.27
Galabay Pty Ltd as trustee of the GRAIL Trust	81,910,479	27.27
AMP Limited	19,306,818	6.43

## Performance Rights

The Company has performance rights on issue in addition to ordinary shares. The details of the performance rights held at 31 August 2016 are as follows:

CLASS OF SECURITY	NUMBER OF PERFORMANCE RIGHTS HOLDERS	NUMBER OF PERFORMANCE RIGHTS
Performance rights	5	247,544

The performance rights do not carry any voting rights.

## Use of Funds

Cash and assets held in a form readily convertible to cash that the Company had at the time of admission to the ASX was used in a way consistent with its business objectives.

# GLOSSARY OF TERMS

<b>ABN</b>	Australian Business Number
<b>ACN</b>	Australian Company Number
<b>Accommodation Bond</b>	The term used prior to 1 July 2014 to refer to a lump sum refundable accommodation deposit
<b>Aged Care Act</b>	<i>Aged Care Act 1997</i> (Cth)
<b>Approved Provider</b>	An aged care provider as accredited by the Department under the Aged Care Act
<b>Acquisition</b>	Purchase of individual or a portfolio of existing operational aged care Facilities
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	Australian Securities Exchange
<b>Bed Licence</b>	An allocated place under the Aged Care Act, being a place that (when operational and occupied) is capable of attracting residential care subsidy on a per resident per day basis (Also referred to as a place)
<b>Board</b>	The Board of Directors
<b>brownfield</b>	An aged care development on a Regis site that adjoins an existing Facility
<b>CGU</b>	Cash-generating unit
<b>Company</b>	Regis Healthcare Limited (ABN 11 125 203 054)
<b>Constitution</b>	The constitution of the Company as amended from time to time
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>DAP</b>	A daily accommodation payment
<b>Department</b>	Department of Social Services
<b>Directors</b>	The Directors of the Company
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>Government</b>	The Commonwealth Government of Australia
<b>greenfield</b>	An new aged care development or an additional stand-alone building on a Regis site that does not adjoin an existing Facility
<b>GST</b>	Goods and services tax as levied under the GST Law
<b>GST Law</b>	GST law as defined in section 195-1 of <i>A New Tax System (Goods and Services Tax) Act 1999</i>
<b>ILU</b>	An independent living unit designed for retirees who generally do not require assistance with day-to-day living
<b>MYEFO</b>	The Mid-Year Economic and Fiscal Outlook is issued by the Commonwealth Government six months after the Budget to update economic and fiscal prospects
<b>NPAT</b>	Net profit after tax
<b>Operational Place</b>	A place available for occupancy by a resident
<b>place</b>	An allocated place under the Aged Care Act, being a place that (when operational and occupied) is capable of attracting the residential care subsidy on a per resident per day basis. Also referred to as a Bed Licence
<b>RAD</b>	A refundable accommodation deposit, being an amount of money that does not accrue daily and is paid or payable to an Approved Provider by a resident for the resident's accommodation in an aged care Facility. A RAD is repayable when the care recipient dies; the care recipient ceases to be provided with care by the Approved Provider; or the service ceases to be certified. Prior to 1 July 2014, lump sum refundable accommodation deposits were referred to as Accommodation Bonds.
<b>Regis</b>	The business carried on by the Company and its controlled entities
<b>Regis Club Services</b>	Provides top of the range additional hotel style services such as onsite café, hairdressing salon and private cinema and dining room
<b>Regis Reserve</b>	Provides additional services such as superior accommodation, menu choices and dedicated dining and living areas
<b>RGPL</b>	Regis Group Proprietary Limited ACN 084 720 561
<b>Resident</b>	A person who occupies a place within an aged care Facility
<b>Share</b>	A fully paid ordinary share in the capital of the Company
<b>Shareholder</b>	A holder of Shares
<b>Supported Resident</b>	A resident assessed as eligible for an accommodation supplement or concessional resident supplement. In this report, unless otherwise specified, a reference to a 'Supported resident' includes 'concessional', 'assisted', 'supported' and 'low means' residents as defined under the <i>Aged Care Act 1997</i> and the <i>Aged Care (Subsidy, Fees and Payments) Determination 2014</i> .



# WWW.REGIS.COM.AU

## NEW SOUTH WALES

Regis Belmore  
Regis Hornsby  
Regis Hurstville  
Regis Port Macquarie  
Regis Port Stephens  
Regis Rose Bay

## NORTHERN TERRITORY

Regis Tiwi  
Regis HomeCare

## QUEENSLAND

Regis Birkdale  
Regis Bulimba  
Regis Caboolture  
Regis Ferny Grove  
Regis Gatton  
Regis Greenbank  
Regis Kirwan  
Regis Kuluin  
Regis Maroochydore  
Regis Redlynch  
Regis Salisbury  
Regis Sandgate- Griffith  
Regis Sandgate- Lucinda  
Regis Sandgate- Musgrave  
Regis Sippy Downs  
Regis The Gap  
Regis Tin Can Bay  
Regis Whitfield  
Regis Wynnum  
Regis Yeronga

## SOUTH AUSTRALIA

Regis Linden Park  
Regis Marleston  
Regis Playford

## VICTORIA

Regis Alawarra Lodge  
Regis Armadale  
Regis Blackburn  
Regis Brighton  
Regis Cranbourne  
Regis Dandenong North  
Regis East Malvern  
Regis Fawkner  
Regis Frankston  
Regis Inala Lodge  
Regis Macleod  
Regis Milpara Lodge  
Regis Ontario  
Regis Ringwood  
Regis Rosebud  
Regis Sandringham  
Regis Sunraysia

## WESTERN AUSTRALIA

Regis Bunbury  
Regis Como  
Regis Embleton  
Regis Greenmount  
Regis North Fremantle  
Regis Weston