



This is
my family



This is
my home



Front cover: Marion Szychter, Regis Elmore Vale resident with his daughters

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I am Marion Szychter, and I call Regis Elmore Vale my home. This is my story.

Marion Szychter was only 19 when he fled Poland with his family to Germany, Naples and then finally Australia. He taught himself English, became a fitter and turner and moved to Newcastle where he worked for BHP until he retired. In 1953, he met fellow refugee Gertruda and together they had two children followed by four grandchildren. The couple moved to Regis Elmore Vale when their children saw they could no longer live independently.

"My sister and I realised that we could no longer care for our parents and were advised by professionals that they both needed to be in care. On our first visit to Regis Elmore Vale, the atmosphere was lovely and you could see the care given by staff. Everyone we encountered was so warm and welcoming.

Our mother sadly passed away while she was there, and we are grateful she spent her final days cared for by such genuine people. We also thank them for the level of dedication and support they show towards our father each and every day."

Snapshot 2019

As at 30 June

6,700⁺

Residents call Regis home

8,500⁺

Employees care for them

7,078

Operational places

63

Aged care facilities

6

Retirement villages with co-located aged care

\$1.3 bn

Asset value

21

Club Services facilities

During the year

24

Facilities were successfully re-accredited, which was 100% of Facilities subject to re-accreditation during the reporting period

389

New places opened at 3 new Facilities

7%

Year on year improvement in employee engagement was achieved in the employee engagement & safety survey. This recognised that the Company has in increasingly positive culture, moving from a culture of ambition to a culture of success.

5,000⁺

Employees attended the "Knowing is Caring" training program, which communicated the requirements of the New Quality Standards and the Single Aged Care Quality Framework

Regis Healthcare network

NEW SOUTH WALES

7 Aged Care Facilities

NORTHERN TERRITORY

1 Aged Care Facility

QUEENSLAND

21 Aged Care Facilities
3 Retirement Villages

SOUTH AUSTRALIA

4 Aged Care Facilities

TASMANIA

3 Aged Care Facilities
1 Retirement Village

VICTORIA

18 Aged Care Facilities
1 Retirement Village

WESTERN AUSTRALIA

9 Aged Care Facilities
1 Retirement Village

Chairman's report

It is my pleasure to provide my second annual report to shareholders as Chairman of Regis Healthcare.

Regis is one of Australia's leading private aged care providers and delivers quality care to help older Australians live well. We are extremely proud that, at the end of the 2019 financial year, services can now be offered to over 7,000 aged care and retirement living residents and home care clients.

Delivery of care that meets the expectations of our residents, home care clients and their families is a key imperative for the company and to this end during the year we invested heavily to ensure a successful implementation of the Single Aged Care Quality Framework. The Board also established a Clinical Governance and Care Committee recognising the increasing importance of Board oversight of clinical governance.

The past year again presented a number of challenges to the aged care sector and Regis. These included preparing submissions and responses to the Royal Commission into Aged Care Quality and Safety announced in September 2018 and managing the changing regulatory environment and on-going impact of past funding cutbacks.

Despite this, the company has performed well, in particular as a result of the strong performance from the new Facilities ramping up.

I am pleased to report that Regis has continued to maintain its high standards of resident care and our new Facilities are among the best available across Australia.

During the 2019 financial year there was a significant focus on the implementation of the New Quality Standards. This profound change for the industry sees the introduction of a framework designed to more actively involve aged care residents, home care clients and their families in all aspects of decision-making about their care with a key focus on dignity and choice. In preparation for this, Regis undertook a comprehensive education and communications program, "knowing is caring", to introduce and implement the New Standards across the business and explain what these changes will mean for residents and employees. In addition to the rollout of the New Standards, the year saw the

Company continue to invest significantly in programs supporting residents living with dementia including a music memories program, dementia wing streetscapes and our Esprit Café program.

This year, while Revenue was up 9% due to on-going business expansion, EBITDA and Net Profit after tax results were both lower than last year. The funding environment continues to present challenges due to the rate of annual revenue indexation being lower than the rate of increase of expenses, in particular wages. Occupancy also remains a significant industry wide challenge.

The 2019 financial year saw the Company adopt a more modest growth strategy with a focus on disciplined balance sheet management whilst still seeking value enhancing growth opportunities. Our Net Operating Cash Flow was the highlight of the financial result, which enabled repayment of \$101m net debt.

Directors declared a final dividend of 7.11 cents per share, fully franked, which will be paid to shareholders on 26 September. The full year dividend of 15.23 cents per share is 100% of reported NPAT (excluding the non cash fair value gain on two of the retirement living sites).

Our CEO and his Executive team 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 through the opening of three Facilities means Regis Healthcare continues to be a leader in the sector.

The company has made further progress in our Sustainability program, following the issue of its first Sustainability Report in the 2018 year. The 2019 Report provides detail for our stakeholders on our sustainability strategy, goals, challenges and progress in establishing an appropriate framework through which we can more accurately measure our identified sustainability objectives. A particular highlight during the reporting period was the energy reduction program which saw the rollout of a significant program of LED lighting and solar panels across the business.

From a people perspective, the company also continued to invest in programs to attract and retain qualified and experienced people with a workforce exceeding 8,800 employees. Of particular note were Project Lift, which sees a significant review of the company's model of care and the launch of the new graduate nurse program.

Finally, 2019 sees the departure of CEO and Managing Director, Ross Johnston, after 11 years. Ross has been an integral part of Regis' success and its positioning as an innovator in its field. I am pleased to announce the appointment of Dr Linda Mellors, who became Managing Director and CEO in September following Ross's departure. Linda brings with her a wealth of experience in the healthcare and aged care sectors.

Regis is an outstanding aged care services provider and the Board looks forward to continuing to oversee a high standard of care for our residents and clients and further growth for the company.

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. Finally I would like to thank you, our shareholders, for your continuing support.



Graham Hodges
Independent Non-Executive Chairman

Managing Director and CEO's report

The 2019 financial year ('FY19') saw a solid performance from the Company despite a challenging market environment.

The financial results included a statutory NPAT of \$50.9 million. This corresponded to a normalised¹ NPAT of \$47.2m and normalised¹ EBITDA of \$111.4m, which fell by 5% and 5% respectively, from total revenue of \$647.1m, which grew by 9%. The NPAT and EBITDA were both within our guidance range.

A key contributor to the revenue increase is the performance of the 10 Facilities ramping up, which continue to deliver well against their key metrics. However, the EBITDA contributions from growth were more than offset by headwinds from a number of factors. These include the gap between the annual indexation (COPE) of 1.2% in FY19 and increase in expenses of approximately 3%. The expense increase was principally from wages growth resulting from Enterprise Agreement (EA) increases in the aged care business. The headwinds also included the continued impact of Federal Government cutbacks to residential Aged Care funding, which were implemented in FY17 and FY18 and have continued to grandfather in.

As a result of the Federal Government additional funding boost to aged care providers, \$10.8m was received in the second half of the period.

Normalised¹ net operating cashflow was the highlight of the FY19 financial result at \$220.1m. This was underpinned by EBITDA and the net RAD cashflow of \$142.9m, which enabled repayment of \$101m of net debt. The net RAD cashflow was more than double the FY18 result of \$62.6m.

Across the period, average occupancy of 92.7% was achieved, and reflective of industry wide occupancy challenges.

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. In FY19, the Company was disciplined with its balance sheet management whilst continuing to focus on value enhancing growth opportunities. This strategy will continue in FY20.

During FY19 capital expenditure of \$68.7m was invested, principally in growth related activities.

Regis has also announced that it will implement a strategy to unlock value from its existing retirement living assets. The Company has six retirement villages which presently have 588 independent living units. The development of new retirement living units across the Blackburn South (VIC) and Nedlands (WA) locations is part of the Company's current development program.

Aged Care

The Company has now delivered 1,247 new places since May 2016. These developments have delivered high quality Facilities which are ramping up their operations with a focus on Care, Quality and Compliance, EBITDA, RADs and Occupancy. As at 30 June 2019, 850 or 68%, of the 1,247 new places were occupied and \$240m of net RAD cashflow had been collected.

The Company delivered three new Facilities during FY19:

- Lutwyche, Brisbane (delivered August 2018, 130 operational places)
- Elernmore Vale, Newcastle (delivered September 2018, 120 operational places)
- Port Coogee, Perth (delivered September 2018, 139 operational places)

Each of the three newest Facilities was delivered on time and to budget and collectively are performing to plan against both care and financial metrics.

The three Facilities acquired from Presbyterian Care Tasmania on 1 August 2017 are also performing in line with expectations. The portfolio made a greater EBITDA contribution than in the prior year and was EPS accretive in FY19.

The Company's focus will continue to be on ramping up the new Facilities, and progressing greenfield aged care developments and extensions. This presently includes 655 new places across 6 projects. Acquisition opportunities also continue to be assessed against the Company's criteria.

As part of the Company's commitment to maintaining high quality assets, Regis' Significant Refurbishment program continued in FY19 with 56 Facilities eligible by the end of the period (including newly opened and Club Services Facilities). The program has resulted in 96% of eligible residents having access to an enhanced living environment by the end of the period, for which the Company receives a higher accommodation supplement.

Retirement Village Strategy

During FY19 the Company progressed its Retirement Living redevelopment strategy. Regis' experience shows that co-located RVs and ACFs can be complementary in certain locations. The Company has a number of these co-located sites with surplus land that is currently underdeveloped. It is Regis' intention to redevelop these sites, commencing with Blackburn South (VIC) followed by Nedlands (WA). With masterplanning finalised, planning approval obtained and a dedicated debt facility in place to support these developments, it is anticipated that approximately 670 new units will be constructed across these two locations in the medium term.

¹ The use of the terms 'reported' refers to IFRS financial information and 'normalised' to non-IFRS financial information. Normalised results are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 - Disclosing non-IFRS financial information. Normalisations have been made to the reported information to assist readers to better understand the financial performance of the underlying business in each financial year. The normalisations during the period relate to the one off impact of the direct costs associated with the Royal Commission process, of \$2.0m EBITDA and \$1.4m of NPAT, and the non cash fair value gain on the non operating retirement living sites of \$7.3m EBITDA and \$5.1m NPAT. Refer to the financial accounts for further information.

Market Update

The Royal Commission into Aged Care Quality and Safety commenced during the 2019 financial year with an interim report anticipated at the end of October 2019 and the final report expected November 2020.

Regis supports the Royal Commission and any measures that enable our senior Australians to access and receive high quality aged care services. We will continue to work with the Royal Commission and government to ensure caring for our senior Australians is a priority and the sector is sustainable.

Another significant event during the period was the introduction of a new Single Quality Aged Care framework, which took effect from 1 July 2019. Regis welcomes this framework, which is designed to more actively involve consumers in decision making about their care, with a key focus on dignity and choice. It should also increase the consistency of care standards across the industry. The Company invested resources into educating and communicating the new framework to employees, residents and clients to support them in fully understanding the framework as well as working with them to realise their wellbeing goals.

Sustainability

The company is pleased to present our second Sustainability Report.

Regis' approach to sustainability has matured. The approach we have taken is to identify all relevant stakeholders, our material sustainability issues and risks, and the initiatives through which we address and govern these issues. The inaugural report was structured around three key themes:

- Our Environment
- Our People
- Our Employees

The 2019 financial year saw the development of sustainability programs against each of these themes including an energy reduction program with investment in solar panels and LED lighting, the launch of engagement programs such as Sustainability Week, which involved both employees and residents, and an inaugural Environmental Leadership Award as part of our annual employee awards process.

Care and Services Review

Caring for our residents remains fundamental to the way Regis operates. Our ongoing commitment to care standards was evidenced in the successful re-accreditation of all 24 of our Aged Care Facilities subject to re-accreditation during the reporting period. During the year, six accreditation reviews of our Home Care and Commonwealth Home Support Programs were also undertaken and resulted in accreditation.

Regis has continued to make progress in delivering improved Workplace Health and Safety outcomes and has implemented additional processes to continuously improve its Health and Safety Management System. This has included further investment in staff Health and Safety Representatives and the provision of additional training and support to deploy practical solutions to manage workplace hazards.

During the reporting period Regis continued to invest in behaviour management and wellbeing programs. Creating innovations that help residents in Aged Care Facilities retain their quality of life has been a key driver for a number of our programs introduced in this report, including the Music Memories and Esprit Café programs.

Our People

Regis is committed to investing in its employees and their skills and abilities to ensure they bring their best to the people in our care.

In FY19 the company undertook its third annual employee engagement survey. We were very pleased with the result which was an increase of 7% in employee engagement compared with the prior year and showed that the culture has moved from a culture of ambition to a culture of success.

In FY19, the Company also continued our core programs including the Quest Leadership program, Project Lift and Nurse on Call. The year saw the Company reintroduce a Graduate Nurse program which aims to identify graduates who are the best fit for Aged Care and support them to develop the specialist skills needed to work in this environment.

During this period the Victorian Enterprise Agreement was approved by the Fair Work Commission in March and the agreements for Queensland and the Northern Territory have been agreed and are pending approval.

The year saw significant progress against the Company's diversity objectives, in particular an increase in the representation of women at all levels of management within the Company, and roles filled via internal promotions.

In closing, I would like to thank each and every one of our employees who have delivered such high levels of care and support to our residents and clients every day over the past year and during my whole tenure of more than ten years with the Company. 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 2019 financial year.



Ross Johnston
Managing Director and CEO



I am Paula Preumus, Regis Armadale is my home and this is my story.

Paula was born in Croatia before moving to Australia in 1968, where she married and had two daughters. As much as she loved living with her children in her later years, she found she needed more supported care and decided to move to Regis Armadale in 2018.

At age 91, she also found a passion for painting after joining the Regis art therapy program. Having never painted or drawn before, it has fast become her great love.

"I have found my peace, the staff are amazing, so caring and always happy and I am happy, happy to live here at Regis Armadale. It is my home. Many people ask me, where I live and I tell them, I live at the best place."

Her children and grandchildren regularly visit and make up her fan base at the many art exhibitions where Paula's work is on display.

Grandson Sam, girlfriend Kathryn, and granddaughter Sara commented, "Every time we see Paula, she is so positive and happy and it makes us happy that she is so cared for and loved at Regis Armadale."

Overview

Regis Healthcare was established in 1994 and is now one of Australia's leading aged care providers. Through its high-quality services and facilities, Regis continues to provide innovative residential, respite care, ageing in place, and dementia care to help residents and home care clients live well and realise their wellbeing goals.

Currently Regis operates 63 Facilities with 7,078 aged care places across all states and the Northern Territory. In the 2019 Financial Year, the Company completed its development program with the opening of three state-of-the-art purpose-built facilities in Brisbane, Perth and Newcastle to help meet the ongoing demand for personalised and high-quality Facilities.

The year has seen profound changes for the industry with the Federal Government's ongoing aged care reforms including the introduction of a new Single Aged Quality Care Framework which took effect from 1 July 2019.

As part of its commitment to quality of care, Regis launched its new Graduate Nurse Program to support graduates through their first year and equip them with the specialist skills needed to work in aged care. This includes relationship, leadership and advocacy skills which will help them to support each and every Aged Care resident and Home Care client.

Regis also made further investment in its wellbeing program to help residents and clients with dementia. Currently more than 50% of residents in aged care facilities within Australia are living with dementia. This is consistent with the Regis experience where approximately 51% of Aged Care residents have a diagnosis of dementia. The expansion of the wellbeing program included the maturation of its Music Memories therapy program which uses individualised playlists to improve resident moods and behaviours and the installation of individualised murals in selected Facilities. Regis Cranbourne created a streetscape and used decorative door decals to create a village feel for residents and help them more easily find their rooms and orient themselves.

Regis continued its sustainability journey in the 2019 financial year with the phased installation of 15,000 LED lights and 4,400 solar panels across 35 Regis sites. Regis also published its first sustainability report, established an annual Sustainability Week to encourage employees, residents and home care clients to generate new ideas to reduce Regis' environmental footprint, as well as participating in research into the impact of indoor air quality on health and wellbeing with RMIT University.

Regis celebrated the diversity of its many people and its commitment to greater representation of different cultures, ethnicity, language and gender in its workforce.

Finally, Regis appointed its new CEO, Linda Mellors effective as of September 2019, following the departure of current CEO, Ross Johnston. Ross has been an integral part of Regis' success and under his leadership the Company has been positioned as an innovator in its field.



Board of Directors



Graham Hodges

*Independent Non Executive Chairman
(Appointed Chairman 1 July 2018)*

Appointed to the Board in August 2017, Graham has more than 35 years international experience in the financial services industry. He commenced his career in Commonwealth Treasury, Canberra where he worked for approximately 10 years before being seconded to the International Monetary Fund in Washington for several years.

For the past 27 years Graham has built an executive career at the Australian and New Zealand Banking Group Limited. Since 2009 Graham has been the Deputy Chief Executive Officer, ANZ Banking Group Ltd. Graham is currently a director of AmBank, with previous directorships including Chairman of ANZ SAM Board (Special Assets Management), Esanda, ANZ Wealth and the Government's Aged Care Financing Authority.

Graham holds a Bachelor of Economics (Hons) degree from Monash University.



Ross Johnston*

*Managing Director and
Chief Executive Officer*

Ross was appointed to the Board on listing, on 7 October 2014. 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.

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 is the Chairman of the Aged Care Guild, an association of seven of the ten largest Residential Aged Care for profit providers in the industry.

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

* Ross stepped down from his role of Managing Director and CEO on 3 September 2019



Dr Linda Mellors#

*Managing Director and
Chief Executive Officer*

Linda Mellors is Regis' incoming Managing Director and Chief Executive Officer.

Linda has more than 15 years Executive experience in health and aged care. Prior to joining Regis, she was Chief Executive – Health Services and Chief Operating Officer of Mercy Health, where she led acute, sub-acute, residential aged care, home care, retirement living, mental health and palliative care services. Linda was also the Co-Chair of the Victorian metropolitan Chief Executive group.

Linda is currently a Board Director of Mackillop Family Services. She was formerly Chair of the North Eastern Metropolitan Integrated Care Service, Board Member of the Parent Infant Research Institute and Board Director of the South West Melbourne Medicare Local.

Linda has a PhD in cardiac physiology, Bachelor of Science with first class Honours, Bachelor of Arts and is a Graduate of the Australian Institute of Company Directors.

Linda assumed the role of CEO on 4 September 2019 and Managing Director on 20 September 2019.



Professor Christine Bennett AO

Independent Non-Executive Director

Appointed to the Board in March 2018, Christine is a specialist paediatrician with over 30 years' health industry experience in clinical care, strategic planning, executive management, teaching and research. She is Dean of the University of Notre Dame Australia's School of Medicine in Sydney.

Prior to this she has been CEO of Westmead Hospital, a partner in the KPMG Health and Life Sciences practice, a Group Executive and Chief Medical Officer at both MBF Limited and Bupa Australia, Chair of Sydney Children's Hospitals Network and non-executive director of Capital Markets CRC Limited. Christine was made an Officer of the Order of Australia in recognition of her distinguished service to medicine and health care leadership. Christine is currently on the board of the Digital Health Cooperative Research Centre and Convenor of the Male Champions of Change Health Group.

Christine holds a Master of Paediatrics from the University of New South Wales and a Bachelor of Medicine, and Bachelor of Surgery from the University of Sydney. She is a Fellow of the Royal Australasian College of Physicians.



Bryan Dorman

Non-Executive Director

Bryan was a director of the Company on listing on 7 October 2014. Prior to listing, Bryan had been a director of Fairway Investment Holdings Pty Ltd[^] since May 2007.

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

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.

[^] Fairway Investment Holdings Pty Ltd converted to Regis Healthcare Limited on listing in October 2014.



Sylvia Falzon

Independent Non-Executive Director

Appointed to the Board in September 2014, Sylvia brings to Regis valuable experience in the areas of business development, marketing, brand management, customer service, risk & compliance together with remuneration and people strategies.

Sylvia has held senior executive positions within the financial services industry over a 30-year career. Through her executive and non executive career, she has gained extensive experience working in large consumer-facing and highly regulated businesses within the financial services, healthcare, retail and aged care sectors.

Currently an Independent Non-Executive Director of ASX listed companies Perpetual Limited, Premier Investments Limited and Suncorp Group Limited. Sylvia is also Chairman of Cabrini Australia, a large not for profit health, technology and outreach organisation.

Sylvia holds a Masters Degree 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 and a Fellow of the Australian Institute of Company Directors

Company Secretary



Matthew Quinn

Independent Non-Executive Director

Appointed to the Board in March 2018, Matthew had a track record of strategy development, delivering financial results and driving operational efficiency as a senior real estate and property development executive. This together with his deep understanding of strategic M&A, capital markets and regulatory environments enables him to make a significant contribution to the Board.

Matthew was Managing Director of Stockland for 13 years and is currently a non-executive director of CSR Limited, and Chairman of Class Limited.

Matthew holds a Bachelor of Science in Chemistry with Management (1st Class Honours) from Imperial College London and is a qualified Chartered Accountant.



Ian Roberts

Non-Executive Director

Ian was a director of the Company on listing on 7 October 2014. Prior to listing, Ian had been a director of Fairway Investment Holdings Pty Ltd[^] since May 2007.

Ian has over 30 years' experience in the real estate sector including 20 years in residential aged care.

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 with oversight of the development and implementation of the strategy that saw the business grow to in excess of 4,500 beds nationally.

Ian is currently non-executive director of several property and property services enterprises.

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

[^] Fairway Investment Holdings Pty Ltd converted to Regis Healthcare Limited on listing in October 2014.



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.

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.

Corporate Governance

The Company's compliance with the ASX Corporate Governance Council principles and recommendations 3rd edition can be found in the Regis Healthcare Corporate Governance Statement. This statement is on the Company website at <https://www.regis.com.au/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;
- Clinical Governance and Care Committee Charter
- Remuneration and Nomination Committee Charter;
- Policy for Dealing in Securities;
- Continuous Disclosure Policy;
- Code of Conduct;
- Diversity Policy
- Sustainability Policy

These documents are available at <https://www.regis.com.au/corporate-governance/>

Compliance

New shared standards introduced for the sector

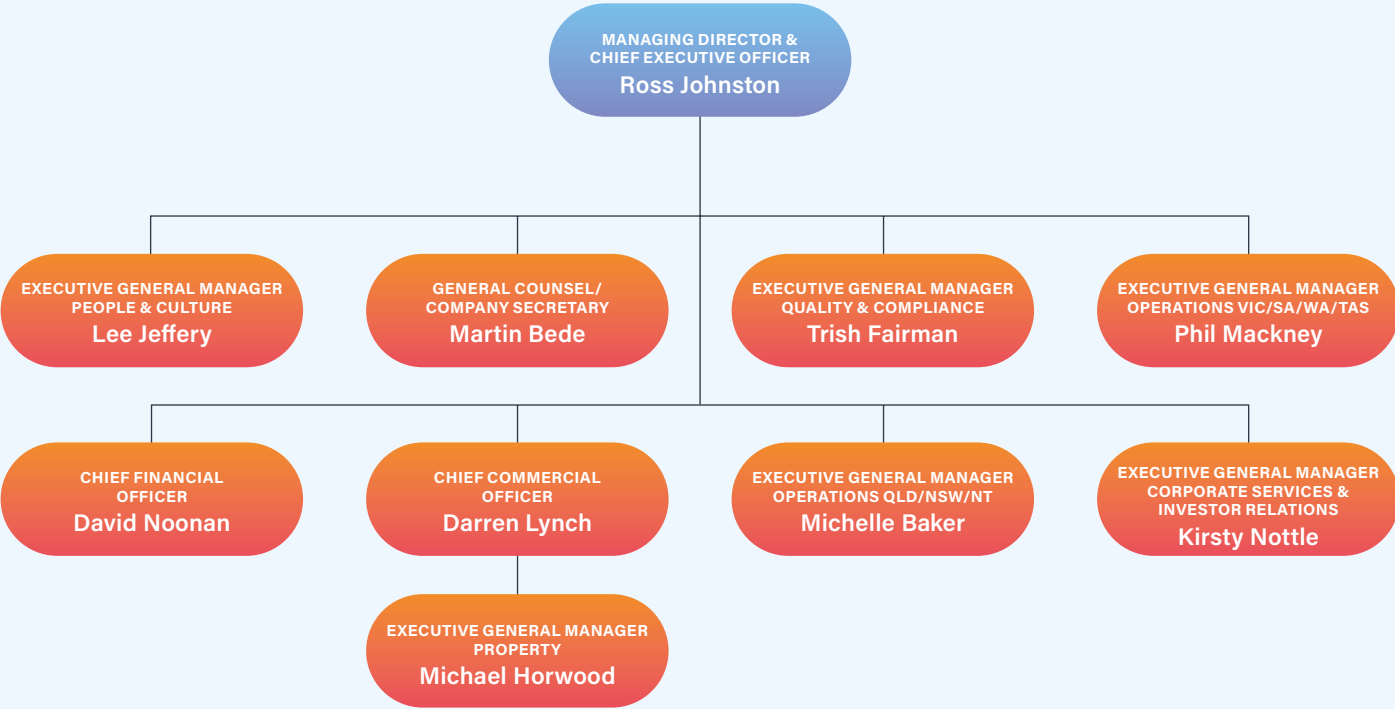
The residential and community aged care sector is highly regulated. 1 July 2019 saw the introduction of a new Single Aged Care Quality Framework by the Australian Government which will place residential and home care under the same set of standards.

The new framework will require all facilities and home care programs to be independently assessed against eight legislated standards and 42 requirements in order to be accredited for a further three-year period. This represents a significant change to the sector and its regulatory processes and will encompass all aged care operations at Regis.

The Commonwealth's Australian Aged Care Quality and Safety Commission (ACQ&SC) ensures every residential and home care provider maintains compliance with all aspects of the new standards. For Regis, this will continue to see the business safeguard the health, personal and clinical care, safety and wellbeing of all aged care residents and clients entrusted to its care.

The Standards also provide benchmarks to encourage ongoing innovation and improved service delivery, which is reflected in all Regis management, staffing and organisational development systems. The Company's National Quality and Compliance team proactively tracks, monitors and regularly reviews performance and procedures to support the accreditation framework and identifies areas for continuous improvement ahead of formal audits.

Executive organisation chart (as at 30 June 2019)



Accreditation for the reporting period

Regis' ongoing commitment to care standards was evidenced in the successful re-accreditation of all 24 of its aged care facilities subject to reaccreditation during the reporting period, with each Facility meeting all 44 outcomes.

In addition, three Regis Centre Based Day Therapy, Day Respite Programs and Home Care services were also subject to the Quality Review under the Aged Care Quality Standards and met the required 18 outcomes (prior to 1 July 2019).

During the year, planning and implementation to inform and educate the business about the changes to the Framework and Standards was a key focus for Regis. Ongoing support will be provided to ensure all residential aged care and home care programs have been successfully transitioned to the new standards.

On 1 July 2019, the Department of Health introduced a mandatory set of Quality Indicators across all government funded residential aged care facilities. The aim of these Quality Indicators is to collect data and benchmark this against other organisations nationally to support improved clinical care for residents living in aged care.

The Quality Indicators are made up of three key measures which include:

- Quality Indicator 1: Pressure Injuries
- Quality Indicator 2: Physical Restraint
- Quality Indicator 3: Unplanned Weight Loss

The data for these Quality Indicators must be collected in accordance with specific guidance provided by the Department of Health. This has meant adopting a new approach to the collection and reporting processes Regis currently undertakes.

Once the data has been collected for all of our residents, it is then collated and uploaded into the My Aged Care website. This enables the Department of Health and Regis to benchmark with other providers, compare outcomes and determine opportunities for innovation, ensuring continuous improvement.

Regis welcomes the introduction of the Quality Indicators as a further opportunity to monitor and identify trends in performance and to identify opportunities to directly improve resident care and clinical outcomes.

Modern Slavery compliance

On 1 January 2019, the *Modern Slavery Act 2018* (Cth) came into force. This legislation requires certain entities to:

1. assess, identify and remediate (as required) instances of Modern Slavery in their supply chains; and
2. report on Modern Slavery risks in their supply chains.

Modern Slavery in the context of the legislation is any situation of serious exploitation where coercion, threats, abuse of power or deception are used to exploit victims and undermine or deprive them of their freedom. Some examples of Modern Slavery include servitude, forced labour, forced marriage, debt bondage, people trafficking and child labour. Regis is required to comply with the assessment and reporting obligations set out in the legislation.

In order to ensure compliance with our obligations Regis has developed a Modern Slavery Code of Conduct. Going forward, it will be a condition in all procurement contracts that suppliers and service providers will adhere to the Modern Slavery Code of Conduct, which at a minimum expects organisations to:

1. Comply with all applicable laws and regulations;
2. Pay fair wages in line with legislation and awards for the industry and market;
3. Treat those who work for or on behalf of its business with dignity and respect, promoting a safe environment free from discrimination, harassment and victimisation;
4. Oppose Modern Slavery in all forms;
5. Monitor supply chains on a continual basis for compliance with the above requirements and to promptly investigate any suspected non-compliance of the above within its supply chain.

Regis has conducted an assessment of Modern Slavery risks in our current supply chains and, for those service providers and suppliers where Regis considers a risk of Modern Slavery may exist, we will request further information from those organisations about their Modern Slavery compliance. Regis will also continue to work towards ensuring that our current suppliers and service providers agree to adhere to the Modern Slavery Code of Conduct set out above.

Further, internal procurement tender processes, supplier engagement and training are currently being developed to support our compliance with the legislation.

Our first Modern Slavery Statement will be published by 31 December 2020.



My name is John Harris, Regis Macleod is my home and this is my story.

John was born in Poland before moving to Australia where he married his wife of 38 years. A relieving principal and special education teacher in music and maths, with a talent for both piano and guitar, he also taught in prisons and juvenile centres and spent time organising concerts as part of his teaching.

A resident at Regis Macleod since May 2016, John isn't one for sitting still. He volunteers with Red Cross Telecross and each week contacts people in need to have a chat and check on their wellbeing. This has proven to be time well spent and has on occasions saved lives. When one of his regular contacts who happened to have diabetes didn't answer, he responded by calling an ambulance which arrived in time.

"I love being here. I love the gym, happy hour, doing crosswords, feeding the birds, the Wi-Fi and stirring people. It's comfortable, everything is done for me and I don't have to worry about anything."

Single Aged Care Quality Framework

From 1 July 2019, all government funded care age services will be assessed against a Single Aged Care Quality Framework, which will replace the previous Accreditation Standards.

The new framework is one of a number of Commonwealth Government reforms to the aged care system. This will place the quality of care firmly in the hands of consumers.

The single quality framework includes:

- A single set of quality standards across residential and community care (the Aged Care Quality Standards)
- A single charter of aged care consumer rights (the Charter of Aged Care Rights)
- Improved quality assessment processes across residential and community care
- Enhanced quality information to support consumers to make choices about the care and services they need.

The single set of Quality Standards comprises eight individual standards and 42 requirements. These are underpinned by the central pillar of consumer dignity and choice – and will see residents and clients actively involved in all aspects of decision-making about their care, including the design and delivery of services and service improvements.

The standards are:

1. Consumer dignity and choice
2. Ongoing assessment and planning with consumers
3. Personal care and clinical care
4. Services and supports for daily living
5. Organisation's service environment
6. Feedback and complaints
7. Human resources
8. Organisational governance.

The new standards were welcomed by Regis. They will provide more flexibility and freedom for the sector to put resident and client goals and choices first.

In support of the new standards the Regis Board approved policy statements in relation to: Organisational Governance, Dignity of Risk, Inclusivity and Open Disclosure.

In preparation for 1 July 2019, Regis undertook a comprehensive education and communications program to introduce and implement the new standards across the business and explain what these changes will mean for staff and residents.

This included the rollout of a 'Knowing is Caring' campaign to embed the new standards in the Company's culture, with conversations around choice initiated with clients and residents across all facilities and home care services to help them to understand their individual goals and aspirations – and to share and ensure they understood the new Charter.

A key insight for staff was that many goals were often achievable including simple choices such as 'I would really like to try red velvet cake'. These are combined with bigger goals such as wanting to walk again.

The introduction of the single Quality Framework saw a significant body of work undertaken to align all Company policies and processes to the new standards, including audit processes as part of its compliance program. It also saw the development of a new Quality Indicator program to capture data around quarterly mandatory reporting in relation to resident care.

During this period, Regis also introduced its own Wellness Check tool, which will take a holistic view of client and resident wellbeing including clinical and lifestyle outcomes. This replaced our previous suite of tools.

Further training and understanding of how the Framework will impact employee roles will continue over the next 18 months and incorporated into the Regis Model of Care.

The new Charter of Aged Care Rights came into effect from 1 July 2019 and applies to all consumers who receive Australian Government funded aged care. It will make it easier for consumers, their families, carers and representatives to understand what they can expect from an aged care service.

Diversity and our people

As the Australian population ages and consumers look for greater choice from their aged care providers, developing a workforce that can provide high quality and consistent care to residents will be critical.

Regis, as one of Australia's largest aged care providers, is committed to shaping its future workforce, attracting and retaining the right people through its Diversity Policy and professional development programs, and providing meaningful career paths and opportunities within the Company.

Diversity Policy

In the first year following listing, the Board 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.

Under the Diversity Policy, each year the Board adopts measurable Diversity Objectives. The Company's Workplace Gender Equality Agency Report for 2018/19 can be found at <https://www.regis.com.au/careers/why-work-at-regis/>

The Board's Diversity Objectives and progress against them as at 30 June 2019 are as follows:

DIVERSITY OBJECTIVES	DIVERSITY PRIORITIES	PROGRESS
	To progress this objective the Board adopted the following Diversity Priority:	Progress against each Priority as at 30 June 2019 is as follows:
1. Increase the representation of women at Board level	a. Achieve a 30% target for female Board members, as opportunities arise.	Representation of women at Board level has doubled since listing and was 28% at the end of FY19.
2. Increase the representation of women at all levels of management within the Company.	a. Overall, the proportion of females shortlisted for all role vacancies that report to an Executive should be monitored with a proposed target of 50% (calculated across all senior roles, not by individual role).	For the seven senior roles reporting directly to an Executive recruited in FY19, 46% of the shortlist were female and 54% were male.
	b. Increase the proportion of promotions filled by internal candidates.	Overall, 62% of employees appointed into management roles in FY19 were internal transfers. In particular: a. 73% of the Facility Manager placements were internal promotions, a function of Regis' Assistant Manager program. b. 62% of Clinical Manager appointments were internal, a function of Regis's Flourish development program. c. 82% of our Clinical Support Team moves were internal. The Clinical Manager and Clinical Support Team percentages indicate Regis offers very strong career pipelines for registered nurses.
3. Gender equity in remuneration for all like roles.	Pay equity for managers to be reviewed annually with corrective action to be implemented in the event of any anomalies.	A review of pay equity for managers was completed in June 2019. Remuneration differentials did not reflect gender related pay inequality, but rather different market rates for different work streams/specialist fields.
4. Support employees experiencing domestic and family violence	Strategies to support employees experiencing family and domestic violence to be monitored for suitability and uptake.	The approved Family Violence Workplace Policy continues to be promoted broadly as part of the Regis' Quality System, and has been highlighted at state meetings for operational managers. In FY19 external specialist Family/Domestic Violence support providers attended and spoke at each state meeting for Facility Managers, to increase management knowledge and outline the support that can be accessed. Local Facility Managers and Home Care Managers arranged for these local providers to attend facility staff meetings, to reach our frontline staff. We are progressively amending our Enterprise Agreements to provide employees access to five days of Family and Domestic Violence leave per year.

Diversity and our people

Our people: a diverse workforce meeting diverse client needs

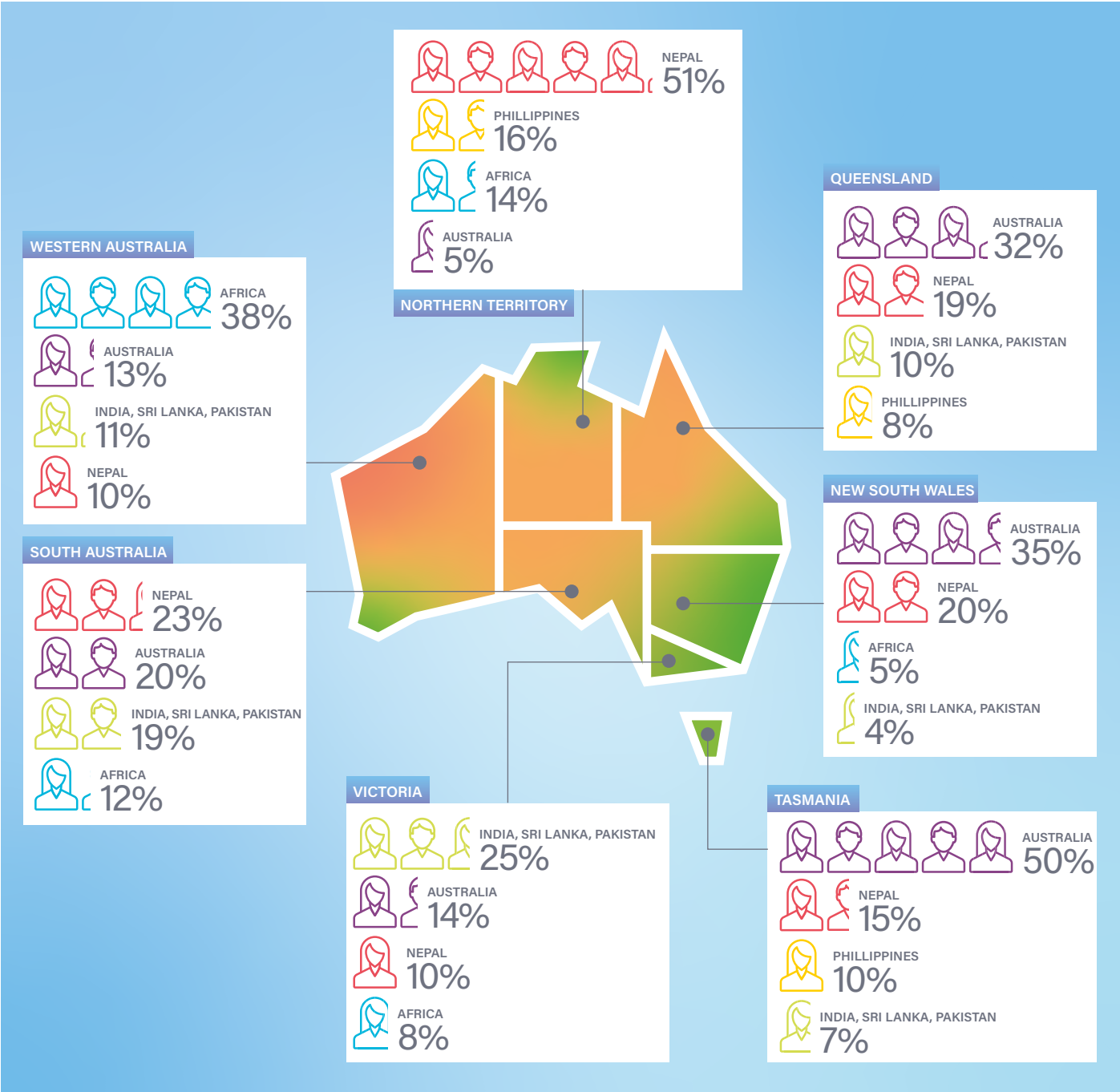
Of Regis' committed and professional staff, 4,878 carers come from culturally diverse backgrounds and bring together not only a broad range of ages, gender, ethnicity, language and race but also perspectives, skills and knowledge which are invaluable to the Company and its residents and clients.

With one in three Australians aged over 65 from culturally and linguistically diverse backgrounds, Regis has a strong culture of inclusiveness that provides insights and capacity to support residents and clients with complex needs and who may traditionally have faced different barriers to access and inclusion.

Creating diverse career paths which offer choice and opportunity

Regis continued to build on its strong culture of learning and development throughout the year by investing in new and existing programs to support and provide internal advancement and career path opportunities for our people.

Carer diversity by state (at 30 June 2019)



This included the introduction of a new graduate nurse program to encourage registered nurses into aged care. Our nursing development program, Flourish, saw 62% of Clinical Manager appointments filled by internal candidates, creating a strong internal pipeline for this business-critical role.

Graduate Nurse program

The Regis Graduate Nurse Program has been expanded. It provides a supported pathway for our existing nursing graduates, and attracts, supports and encourages new graduates to consider a career in aged care as a Registered Nurse.

Unlike previous programs, our new Graduate Nurse program allows graduates to start the program the day they start with Regis, rather than having a single annual intake. This more flexible, 'always available' approach works well for our nurses.

In the first two weeks of their employment, graduates are paired up with an experienced Registered Nurse and work in a supernumerary capacity to build their clinical competence and confidence with residents and staff members, before taking on further responsibilities. Key to the program are our Graduate Nurse Preceptors who are employed by the Learning and Development team and work directly with graduates to support the professional and personal transition into their first year of practice.

During the course of the year, graduates build their knowledge and abilities across 11 key areas including aged care specific skills such as dementia care, palliative care and end of life care.

The program also instills leadership and communication skills so nurses can advocate on behalf of residents and deliver a social model of care based on choice, not just clinical care.

The program, which commenced in July 2019, will initially focus on supporting existing graduate nurses already working in our business and will also focus on Regis carers who are simultaneously completing tertiary nursing studies. As they qualify as Registered Nurses they will be offered the opportunity to move directly onto our program. These employees are already committed to our industry and are well placed to be very successful in their new roles. Over time we will then move beyond that internal cohort to attract external nursing graduates.



Diversity and our people

Our people, our culture

Our employee value proposition (EVP) centres around three key employee benefits, that describe the compelling, unifying reasons people join, and stay, with Regis:

- **Community:** Our teamwork and sense of purpose creates a powerful community of like-minded people who really care about our customers and the work we do every day – within the community, for the community, as a community.
- **Appreciation:** We recognise and appreciate care and effort, say thank you and shine a spotlight on the best. We learn from the successful and encourage sharing between individuals, teams, departments and states.
- **Opportunity:** Our size and steady growth means that meaningful work and advancement opportunities abound for those who seek it. We challenge and expand skills through clear objectives, shared feedback, performance measurement and highly regarded learning programs.

As a demonstration of the breadth of opportunities available, we are proud that in FY19, existing Regis employees made up more than 60% of appointments to management roles.

Our people development programs at a glance

- **Quest** is our leadership program, available to business and organisational leaders. Comprised of interactive workshops and webex sessions, Quest focuses on expanding key leadership competencies, and in doing so supports our leaders to 'develop teams' and 'deliver results'.
 - **Nurse on Call** provides nurses with after-hours access to clinical support specialists and builds capacity and skills to manage a range of incidents and situations.
 - **Project Lift** reduces administrative workloads and helps nurses and carers focus on their core role of providing quality care and services to residents.
 - **Flourish** aims to further the skills of our clinicians and managers through individually tailored development programs. Boost and Advance are two key Flourish initiatives:
 - **Boost:** following the completion of our proprietary skills and leadership assessment program, Registered Nurses attend Boost and in so doing complete targeted education tailored to each individual
 - **Advance:** for those Registered Nurses who possess the experience, skills and desire to progress further at Regis, our Advance program helps build improved clinical and team leadership and supports future career progression particularly into the Clinical Manager role
 - **OWL program** helps selected 'buddies' develop their coaching skills, to better Orientate, Welcome and Lead new employees.
 - **eLearning** delivers a comprehensive online learning system that allows employees to access job-specific and leadership learning 24/7.
 - **Dementia Care** specialist training for employees who are selected on their ability to relate to residents and understand the impact of dementia on behaviours.
 - **Probation and Annual Appraisal Processes** give employees the opportunity to identify and discuss areas for career progression and development.
 - **Systems training:** we utilise a large number of electronic business systems and our comprehensive training calendar quickly equips all users with the skills to use them correctly and confidently.
 - **Studies Assistance Program** subsidises our employees to complete whole or partial formal qualifications that support further career progression within Regis.
 - **Study Day suite:** our annual training needs survey results in a comprehensive training calendar, targeting the most commonly requested clinical and non clinical training needs.
 - **RegisU** welcomes all new employees to Regis, regardless of role and seniority. The full day program explores our culture, our purpose, employee benefits and major business programs.
 - **Employee Engagement toolkits** support managers with practical tools and concepts to help strengthen employee engagement and build a positive workplace culture.
 - **Free Employee Assistance (wellbeing counselling)** is available to all employees; access to this free external service will widen even further in the coming year.
-

In FY19 we once again improved our employee engagement, workplace safety culture and Net Promoter Score metrics. Our employees highlighted teamwork, caring and safety as key organisational strengths.

The outcome of a 7% improvement in employee engagement puts us into the band of a culture of success. This is the second consecutive year of improved employee engagement results since we commenced the annual survey in 2017.

As part of our Regis Spirit (EVP) program, each facility and business manager is supported with engagement toolkits made up of practical tools and concepts, to further improve team engagement and safety culture. Our annual Spirit events calendar helps us celebrate employee achievements and showcase the many and varied contributions made to the business, to colleagues and to our residents and clients.

Project Lift

Project Lift was initiated in 2016 to improve the way we manage and deliver care, to significantly enhance effectiveness and provide a manageable workload for our Registered Nurses and Enrolled Nurses.

With a suite of subprojects including an after hours Nurse on Call support service, a new document management system and the Lift model of care, these individual initiatives are in various stages of maturity. Internal feedback on all aspects of Lift is extremely positive, from employees, families and residents alike. Current implementation of Project Lift includes the ongoing review of our clinical processes and policies to align with both the new Single Aged Care Quality Framework as well as incorporating best practice benchmarks, providing easy access to documentation and support through our new documentation management system and the continued rollout of new care and service delivery/support roles at each facility.



New purpose-built resident focused facilities and care

During the reporting period, Regis opened three new purpose-built facilities. This was part of our commitment to delivering high quality facilities and services that meet the individual needs of our residents. It will also help to meet the future demand for new Facilities as Australia’s ageing population continues to grow.

The opening of Regis Lutwyche in Brisbane, Regis Elmore Vale in Newcastle and Regis Port Coogee in Perth in 2018 added 389 beds to the Company’s portfolio and provided greater choice to residents through Club services and personalised lifestyle programs.

Regis Lutwyche Brisbane Queensland

Suburb: Lutwyche
Distance from CBD: 6km
Population >70 in catchment area: 34,000
Service Product: Regis Club
Total Places: 130
Opened: August 2018

Regis Lutwyche is a new multi-storey aged care residence located in Brisbane’s inner north, with easy access to the CBD, public transport and local parks.

The state of the art Club Services facility offers luxurious accommodation including 130 beds, a private dining room, day spa, hair salon, cinema, library, on-site café and a rooftop lounge complete with city views.

Each bedroom features a private ensuite and overlooks a tranquil courtyard or landscaped gardens, while the facility’s communal areas have been specifically designed to foster interaction and provide places for residents, their families and loved ones to spend time.

Other services and amenities include a comprehensive lifestyle & activities program and an on-site chef who prepares daily home-style meals.

The facility provides ageing in place services including dementia and palliative care.

Regis Elmore Vale Newcastle NSW

Suburb: Elmore Vale
Distance from CBD: 10km
Population >70 in catchment area: 11,000
Service Product: Regis Reserve
Total Places: 120
Opened: September 2018

Regis Elmore Vale is an award-winning architect designed aged care facility located on the old Viking Swim Centre site, and provides tree-lined views of the picturesque Hunter Valley region.

The facility has been purpose built to offer a high stand of care and services to its residents and includes 120 well appointed single deluxe rooms with en suites and a 31-bed wing specialising in dementia care.

It also offers a full suite of services including a café, private dining room, day spa, hair salon, library, dedicated ezones with Wi-Fi and Foxtel and a seven-day per week lifestyle program. An on-site chef also offers a range of dining fare with seasonal menus accompanied by wine or beer.



Regis Elmore Vale

Regis Port Coogee
Perth Western Australia

Suburb: North Coogee

Distance from CBD: 19km

Population >70 in catchment area:
21,000

Service Product: Regis Club

Total Places: 139

Opened: September 2018

Regis Port Coogee is a purpose built ageing in place home located behind the Port Coogee Marina, which provides its residents with spectacular views of the ocean.

The new facility provides ageing in place and dementia care, and offers additional hotel-style services and first-class amenities as part of its Regis Club Services. These include: an on-site chef, cinema, cafe, private dining room, hair-dressing salon, day spa, library as well as internet access and Foxtel.

The 139 single rooms with en suites – including 32 dementia specific rooms – feature contemporary furnishings and finishes, and include a number with balconies with beautiful views over the marina.

A full list of all Regis facilities is available on the Regis Healthcare website at www.regis.com.au



Regis Lutwyche



Regis Port Coogee

Behaviour management programs

Music, memory and doors open new ways to help residents with dementia

Currently, over 50% of aged care residents in Australia have dementia and may struggle with anxiety, aggression, stress and depression. However, studies show that creative resident centred activities can help improve the quality of life for people with dementia. Results include increased social participation, mental acuity, self-esteem, memory, emotional expression and reductions in behavioural symptoms such as residents engaging and communicating with those around them after, at times, years of being unable to do so.

Creating environments and programs through facility design and innovations that help residents with dementia retain their identity while living in aged care has been a key driver for a number of innovative programs rolled out across Regis facilities this year.

Music Memories program strikes a chord

Music Memories is an initiative launched by Regis Aged Care during the 2018 financial year which matured during 2019. This program is helping residents with dementia improve their mood and behaviours by developing personalised playlists of their favourite songs.

Music therapy is increasingly being used to help residents with dementia to recall memories and emotions from their past with notable benefits including improved mood, less anxiety, decreased dependence on medications and positive interactions with those around them.

Residents are able to choose and listen to their playlists through headsets, and have found music helps them to sleep. Others with previously poor cognitive function have begun to sing, speak, dance, clap or interact and actively seek out the headsets from staff, making a significant impact on their lives.



The Regis Music Memories program has also proven to be a great morale booster for staff and residents. It provides a shared activity everyone can enjoy and creates a more tranquil environment.

At a time in their life where identity can be lost, the Regis Music Memories program has provided residents with greater independence, decision-making and personal control over their lifestyles as well as opportunities to make connections with staff and other residents.

A new doorway to help residents with dementia

Regis is opening new doors to help residents with dementia. This year, the secure dementia wing at Regis Cranborne transformed its traditionally white walls into a streetscape of shops, cafés and easily recognisable personalised door decals to help residents orient themselves and find their rooms.

The traditional door designs and white picket fences chosen were those most likely to resonate with residents and remind them of their own homes.

The concept of the streetscape was also introduced to create a greater sense of community and make the Facility feel less clinical and more like a village, with doors to storage and general utility rooms made over to represent a General Store, Phone Box, Post Box, Coffee Shop and Haberdashery.

The feedback from residents, staff and family members has been overwhelming, and has given residents the ability to feel part of a community – as well as providing a novel 'way finding' solution which is familiar to them, and fosters a sense of their identity and independence.

Esprit Café

Coping with the challenges of ageing over coffee.

Dealing with ageing is an intensely personal, emotional and often challenging time for residents, their family and friends. To help facilitate these conversations, Regis developed the Esprit Café program which is now in its third year.

The free service provides a café-like environment where people can talk with a trained social worker over a cup of coffee about the issues facing them or their loved ones including moving into aged care, dealing with confronting news, coming to terms with dying and coping with the aftermath of a loved one who has passed away.

The program also provides a support network and opportunity for people to connect with others in similar circumstances and is being progressively rolled out nationally.



Sustainability

Regis is committed to advancing sustainability across its corporate operations and activities. In 2018, Regis launched its sustainability program and published its first Environmental Sustainability Statement as part of this commitment. In the first half of 2019, Regis made significant inroads in the delivery of its sustainability commitments through the implementation of a range of projects and initiatives. Comprehensive details are provided in the Sustainability Report, which can be found at <https://www.regis.com.au/sustainability/>. Here is an overview of some of the projects and initiatives implemented during the year.

Sustainability Steering Committee

With sustainability high on the Regis agenda, appropriate governance to ensure relevant emerging sustainability-related risks and opportunities are being well managed is essential. This saw the establishment of the Sustainability Steering Committee ('the SSC') in October 2018. The aim of the committee is to assist in the development and implementation of Regis' Environmental Sustainability Statement and initiatives, and is co-sponsored by the Company's Managing Director & CEO, CFO and EGM, Property, with representation from all business functions.

LED & Solar

In May 2019, Regis announced two major investments including installing LED lighting and solar across 35 Regis sites. The rollout of phase 1 was supported by approximately \$1.2m in government rebates, with the remaining phased upgrades across the portfolio expected to be completed in the next two years. This includes the installation of 4,400 solar panels, capable of generating approximately 1.6MWs of electricity, and over 17,000 LED lights. The energy reduction achieved through the use of solar and LEDs is equivalent to removing around 1,500 cars off the road each year, 1.3 million kgs of coal burnt or 420 million smartphones being charged.

Research into Impact of Indoor Air Quality on Health & Wellbeing

In February 2019, Regis agreed to participate in an RMIT University research project to investigate the health benefits of filtered fresh air ventilation systems in aged care homes with the aim of improving the quality of life of older Australians.

The CSIRO has estimated that the financial impact of poor indoor air quality may be as high as \$12 billion per year. As part of the research, Regis will have monitors installed to track enhancements in indoor air quality by monitoring a range of parameters including temperature, relative humidity, carbon dioxide concentration level, dust particles and pathogens. These measurements will be used alongside other qualitative methods to evaluate the health benefits of providing fresh air. The research is being conducted at three Regis aged care facilities including Alawarra Lodge (VIC), Cranbourne (VIC) and Ringwood (VIC) and is expected to be completed in June 2020.





Sustainability Month

Our sustainability employee engagement campaign, **Sustainability Month**, ran in March 2019 as part of the Regis employee engagement program known as 'Regis Spirit'. The purpose of the campaign was to raise awareness of the Company's impact on the environment. Three key initiatives were implemented during the campaign including 'Sustainability Ideas' where each Facility held working group sessions with residents and staff to come up with ideas on how to reduce Regis' environmental footprint.

The campaign was a success generating around 140 ideas under the following four environmental categories and aims to use the campaign to better understand its waste performance in FY20 of these ideas:

1. 40% related to reducing our waste to landfill
2. 28% related to reducing our energy consumption
3. 11% related to reducing our paper consumption
4. 21% related to other environmental areas.

War on Waste

During the reporting year, Regis' National Office participated in a number of sustainability initiatives, including:

- a 'War on Waste' campaign with various initiatives occurring throughout the year;
- subscribing to Zoos Victoria 'Answer the Call' campaign to help save the gorillas;
- recycling electronic waste;
- implementing only reusable cups at National Office; and
- diverting printer cartridges from landfill to the 'Cartridges 4 Planet Ark' initiative.

Environmental Leadership Award

For many years Regis has honoured exceptional staff and volunteers through its National Staff Awards. In 2018 a new category was introduced – the Environmental Leadership Award – for outstanding achievement by a Regis team/group of employees in the implementation of environmental sustainability initiatives.

Norma Crawford, Lifestyle Assistant at Regis Port Stephens (NSW) won the inaugural award for implementing environmentally-friendly projects at Regis Port Stephens including setting up small coloured tubs in each of the aged care home's eight wings for staff to put in used batteries and hearing aid batteries which she delivers to the recycling centre.



We are Jean Sarsby and Edna Field, and we call Regis East Malvern home. These are our stories.

Both were born in England, travelled different paths through life and are now enjoying a new friendship at Regis East Malvern.

Jean Elizabeth Sarsby, Regis East Malvern

Jean was born in Warwickshire, England and later moved to South Africa where she lived for 30 years until her husband passed away. In 2003, she followed her son, daughter and grandson to Australia to be closer to them before deciding to move to Regis East Malvern in 2018.

"I knew from the moment I stepped into the reception foyer that I would be happy there."

Edna Field, Regis East Malvern

Edna is a fellow Brit who was born in Sussex, England before setting sail for Australia 55 years ago. She married, raised a son and a daughter and now has twin grandchildren whom she loves to catch up with when not reading the daily paper or having coffee with friends.

Edna moved first to Regis Ringwood and then to East Malvern in 2016.

"What I love most about being here at Regis East Malvern are the staff and residents. I love the family feeling and how everyone looks out for one another."

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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 2019.

Directors

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

Directors	Role
Graham K Hodges	Chairman, Non-Executive Director
Ross J Johnston	Managing Director and CEO
Christine C Bennett	Non-Executive Director
Bryan A Dorman	Non-Executive Director
Sylvia Falzon	Non-Executive Director
Matthew J Quinn	Non-Executive Director
Ian G Roberts	Non-Executive Director

All directors have been in office for the full period.

Names and qualifications

Graham Hodges

Independent Non-Executive Director

Graham holds a Bachelor of Economics (Hons) degree from Monash University

Special responsibilities:

- Chairman of the Board since 1 July 2018
- Member of the Audit, Risk & Compliance Committee
- Member of the People and Remuneration Committee¹

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.

Special responsibilities:

- None

Christine Bennett AO

Independent Non-Executive Director

Christine holds a Master of Paediatrics from the University of New South Wales and a Bachelor of Medicine, and Bachelor of Surgery from the University of Sydney. She is a Fellow of the Royal Australasian College of Physicians.

Special responsibilities:

- Chairman of the People and Remuneration Committee from 1 July 2018 until 22 November 2018
- Chairman of the Clinical Governance and Care Committee since 23 November 2018

Bryan Dorman

Non-Executive Director

Bryan holds a Bachelor of Business (Accounting).

Special responsibilities:

- Member of the Audit, Risk and Compliance Committee
- Member of the Clinical Governance and Care Committee since 23 November 2018

¹ Previously Remuneration and Nomination Committee

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 is a fellow of the Australian Institute of Company Directors.

Listed company directorships (last 3 years):

- Perpetual Limited (November 2012 to present);
- SAI Global Limited (October 2013 to December 2016);
- Premier Investments Limited (appointed 16 March 2018); and
- Suncorp Group Limited (appointed 1 September 2018).

Special responsibilities:

- Chairman of the Audit, Risk and Compliance Committee since 1 July 2018 (Member of the Committee prior to appointment as Chairman)
- Member of the People and Remuneration Committee

Matthew Quinn

Independent Non-Executive Director

Matthew holds a first-class honours in Chemistry and Management Science from Imperial College, London. He is a qualified Chartered Accountant. Listed company directorship (last three years):

- CSR Limited (2013 to present);
- Chairman of Carbonxt Group Limited (2013 to 28 November 2018)
- Class Limited (2015 to present, Chairman February 2017 to present)

Special responsibilities:

- Chairman of the People and Remuneration Committee since 23 November 2018 (Member of the Committee since 1 July 2018)
- Member of the Audit, Risk and Compliance Committee to 22 November 2018
- Member of Clinical Governance and Care Committee since 23 November 2018

Ian Roberts

Non-Executive Director

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

Special responsibilities:

- Member of the People and Remuneration Committee

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 are the same as those disclosed in section G (v) the Remuneration Report.

Company Secretary

Martin Bede is a lawyer 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

As at 30 June 2019, the Group owned and operated 63 aged care facilities, had 7,078 operational places and provided services in seven States and Territories.

Regis Business Model

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

- **Care delivery:** Supporting our care and clinical staff to deliver quality care outcomes for our residents and clients consistent with their expectations and those of their families and loved ones.
- **Focused and well-resourced risk management:** Regis has robust systems and processes in place to manage clinical care and governance and the broader business' operational risks, including those that relate to aged care legislative compliance and health and safety.
- **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 rooms 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.

Review and Results of Operations

During the 2019 financial year, Regis continued to execute on its growth strategy by increasing operational places delivered from new developments, which included the opening of 389 operational places at three new facilities Lutwyche (Qld), Elernmore Vale (NSW) and Port Coogee (WA).

A summary of financial results for the year ended 30 June 2019 is below:

	2019 \$'000	2018 \$'000	% growth
Reported ² Revenue	647,073	594,397	8.86%
Reported ² Profit after tax for the year	50,897	53,869	(5.52%)
Normalised ² Profit after tax for the year	47,177	56,948	(17.16%)
Normalised ² Earnings Per Share	15.69 cents	18.95 cents	(17.20%)

For the year ended 30 June 2019, the Group's reported profit after income tax was \$50,897,000 (2018: \$53,869,000).

The normalised profit after tax of the Group for the year ended 30 June 2019 is \$47,177,000. 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. Broadly, improvements in earnings from greenfield developments in the later stages of ramp up, income initiatives and cost controls were offset by mobilisation costs associated with newly opened facilities and occupancy pressures. In FY19 the Company also faced the ongoing effect of cuts to government aged care funding and several regulatory initiatives that impacted adversely on employee productivity. In addition, employee costs rose by circa 3%, which increased at a faster rate than the circa 1.2% indexation increase applied by the Government to aged care funding.

The Royal Commission into Aged Care Quality and Safety increased the administrative burden on the Company and adverse publicity contributed to reduced occupancy across the whole aged care sector.

² 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 earnings 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 the Group's external auditors.

	2019 \$'000	2018 \$'000
Reported² Profit after tax for the year	50,897	53,869
Non cash fair value gain ³	(5,112)	-
Acquisition related expenses ⁴	-	3,079
Royal Commission related expenses ⁵	1,392	-
Normalised² Profit after tax for the year	47,177	56,948

Cash flow and Capex

The Group's principal sources of funds were cash flow from operations (including RADs). Net cash flows from operating activities in FY2019 were \$220,121,000 (2018: \$133,838,000).

RAD, accommodation bond and ILU/ILA entry contribution net inflows were \$142,884,000.

During the year, the Group invested \$64,886,000 in capital expenditure for:

- The completion of new facilities;
- Significant refurbishment of existing facilities; and
- Ongoing maintenance capital expenditure at our existing facilities.

During the year, the group repaid \$108,972,000 of bank borrowings assisted by the net RAD cash flow in the year.

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

Development activity

Regis is continuing to drive growth through its greenfield development program and through expanding and reconfiguring its existing portfolio of facilities and retirement villages.

During the year, the following greenfield developments were opened:

- Lutwyche, Brisbane (opened August 2018, 130 operational places)
- Elmore Vale, Newcastle (opened September 2018, 120 operational places)
- Port Coogee, Perth (opened September 2018, 139 operational places).

In addition, further work was undertaken to progress the retirement living developments at Nedlands, Perth and Blackburn South, Melbourne.

Significant events after balance sheet date

No matters or circumstances have arisen since the end of the financial 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.

2 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 earnings 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 the Group's external auditors.

3 Represents the non cash fair value gain associated with a revaluation of the non operating retirement living properties that are being redeveloped at Blackburn South in Melbourne and Nedlands in Perth.

4 During FY2018, Regis acquired Presbyterian Care Tasmania. One-off acquisition related costs of \$3,079,000 after tax (\$3,913,000 pre tax) were incurred as part of the transaction which included Government charges (stamp duty, GST and land registration fees), professional fees and legal expenses.

5 During FY2019, Regis incurred \$1,392,000 after tax (\$1,989,000 pre tax) of costs directly associated with the preparation and submission of Regis' response to the request for information received from the Royal Commission into aged care quality and safety, costs to monitor the progress of the Royal Commission and subsequent requirements to provide information.

Significant changes in the state of affairs

No changes in the state of affairs arose during the 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 subsequent financial years.

Dividends

	2019 \$'000	2018 \$'000
Dividends on ordinary shares declared and paid during the year		
Final 2018 Dividend: 8.65 cents per share, 100% franked (2017: 10.04 cents per share, 100% franked)	26,007	30,156
Interim 2019 Dividend: 8.12 cents per share, 100% franked (2018: 9.28 cents per share, 100% franked)	24,413	27,890
Total amount	50,420	58,046
Declared after year end	21,376	
Final 2019 Dividend: 7.11 ⁶ cents per share, 100% franked		

The financial effect of the proposed final 2019 dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2019 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. Greenfield aged care and retirement living developments
2. Single facility acquisitions
3. Expansion and reconfiguration of existing facilities
4. 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.

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.

The introduction of new legislation or changes in Government policies in relation to any or all of the existing legislation, including fees and charges, may adversely impact Regis' financial performance and future prospects. This includes the implementation of any recommendations that may be made at the conclusion of the Royal Commission.

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, or shifts in consumer preferences 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, the failure of providers in the industry, 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.

6 The final dividend for 2019 represents 100% of the Reported NPAT for the six-month period to 30 June 2019 less the \$5,112,000 non cash fair value gain on the retirement living sites at Blackburn South in Melbourne and Nedlands in Perth.

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 adverse consumer sentiment to the industry generally or Regis specifically, 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 including the Royal Commission, 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 Regis 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 inquests. 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. Regis takes sustainability seriously and is currently making investments in LED lighting and solar installations across 35 Regis sites. These investments are focused on reducing our environmental footprint and associated energy costs and involve installing more than 4,400 solar panels and over 15,000 LED lights.

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 whilst 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		People And Remuneration Committee ⁷		Clinical Governance and Care Committee ⁸	
	Held	Attended ¹⁰	Held ⁹	Attended ¹⁰	Held ⁹	Attended ¹⁰	Held ⁹	Attended ¹⁰
G Hodges	12	12	4	4	5	5	-	-
R Johnston	12	12	-	-	-	-	-	-
C Bennett	12	11	-	-	2	2	2	2
B Dorman	12	12	4	4	-	-	2	2
S Falzon	12	12	4	4	5	5	-	-
M Quinn	12	12	2	2	5	5	2	2
I Roberts	12	12	-	-	5	4	-	-

⁷ One of the People and Remuneration Committee meetings indicated as held during the financial year was prior to the renaming of the Remuneration and Nomination Committee.

⁸ The Clinical Governance and Care Committee was established in November 2018.

⁹ Reflects the number of meetings held during the time the Director was a Committee member.

¹⁰ Reflects the number of meetings attended by the Director.

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 2019 has been received and can be found on page 55.

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:

	\$'000
Tax compliance	20
Other services	115
Total non-audit services	135

Signed in accordance with a resolution of the directors.



Graham Hodges
Chairman

Melbourne, 22 August 2019.

Remuneration Report

Message from the Chairman of the People and Remuneration Committee

Dear Shareholders,

On behalf of your Board, I am pleased to present our Remuneration Report (the Report) for the year ended 30 June 2019 (FY19).

Regis' remuneration and reward framework is designed to motivate our CEO, Senior Executives and other employees and align their interests with that of care recipients and shareholders. The Board considers the framework to be integral to the execution of our strategy and the delivery of quality care and services to care recipients and long-term value to our shareholders.

The Report communicates important information about our remuneration framework and the fixed remuneration and incentives awarded to our CEO and Senior Executives for their performance in FY19. The Board acknowledges the feedback from some shareholders and their advisors in the lead up to the 2018 Annual General Meeting. The FY19 Report provides greater detail than last year in relation to how we set and assess performance measures under the STI Plan for our CEO and the VRRP incentive scheme for Senior Executives.

The Board considers care of our residents to be of fundamental importance to our care recipients and other stakeholders and the operation of the company. Accordingly, to be eligible for the cash component of performance based remuneration senior executives must meet the 'care and compliance' gateway. This gateway was met during the reporting period and this achievement reflects well on performance of management during the year, particularly during a heightened regulatory environment which has seen non-compliance notices and sanctions applied at higher levels than previous years.

In FY19 Regis posted a Normalised NPAT of \$47.2m, which included the positive impact of the additional government funding received from March 2019 to June 2019. In assessing performance, the Board excluded a portion of this additional funding and the effect of this was that the NPAT measure was not met for the STI Plan and VRRP. Therefore, no award was paid against this performance measure this year. Nevertheless, this was a solid performance within the context of a very challenging operating environment. Performance against other measures, such as RAD cashflow and development of new facilities, was ahead of target and, when combined with underachievement on the NPAT measure, overall performance resulted in 44% of maximum potential award being awarded to the CEO and Senior Executives under the STI Plan and VRRP.

FY19 saw the final award of Performance Rights under the legacy LTI plan for Senior Executives arising from the grant in FY17. It is assessed against two performance hurdles; achievement of Strategic Plan objectives (40%) and FY19 EPS (60%). The EPS hurdle was not achieved. However, achievement of strategic objectives resulted in an overall award of 32% of the target.

The Committee regularly reviews our remuneration and reward framework. We believe it remains fit for purpose and have therefore not made any major changes during the year. We did, however, recommend that the Board approve Minimum Shareholding Policies for both Non-Executive Directors and Senior Executives and details are provided in the Report.

As previously announced, our long-standing CEO, Ross Johnston, will be stepping down on 3 September 2019 and we are pleased to welcome our new CEO, Linda Mellors. Dr Mellors' remuneration will comprise fixed remuneration plus incentives under the VRRP, and details are provided in Section Bii.

We trust that our shareholders and other stakeholders find the Report informative and we welcome any feedback.



Matthew Quinn

Chairman of the People and Remuneration Committee

Remuneration Report – Audited

The Directors of Regis Healthcare Limited present the Remuneration Report (the **Report**) for the period 1 July 2018 to 30 June 2019 (**FY19**). 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 and outcomes for KMP, comprising the Non-Executive Directors (**NEDs**), the Chief Executive Officer (**CEO**) and those persons with authority and responsibility for planning, directing and controlling the activities of the Company during the year. The KMP, other than the NEDs and CEO, are referred to throughout this Report as Senior Executives.

The names and positions of the KMP are:

Non-Executive Directors		
Graham Hodges		Independent Non-Executive Chairman
Christine Bennett		Independent Non-Executive Director
Bryan Dorman		Non-Executive Director
Sylvia Falzon		Independent Non-Executive Director
Matthew Quinn		Independent Non-Executive Director
Ian Roberts		Non-Executive Director

CEO and Senior Executives		
Ross Johnston		Managing Director and Chief Executive Officer
David Noonan ¹¹		Chief Financial Officer
Darren Lynch ¹²		Chief Commercial Officer (appointed to this position 1 August 2018)

¹¹ David Noonan resigned from the company on 29 July 2019 and will cease employment in October 2019.

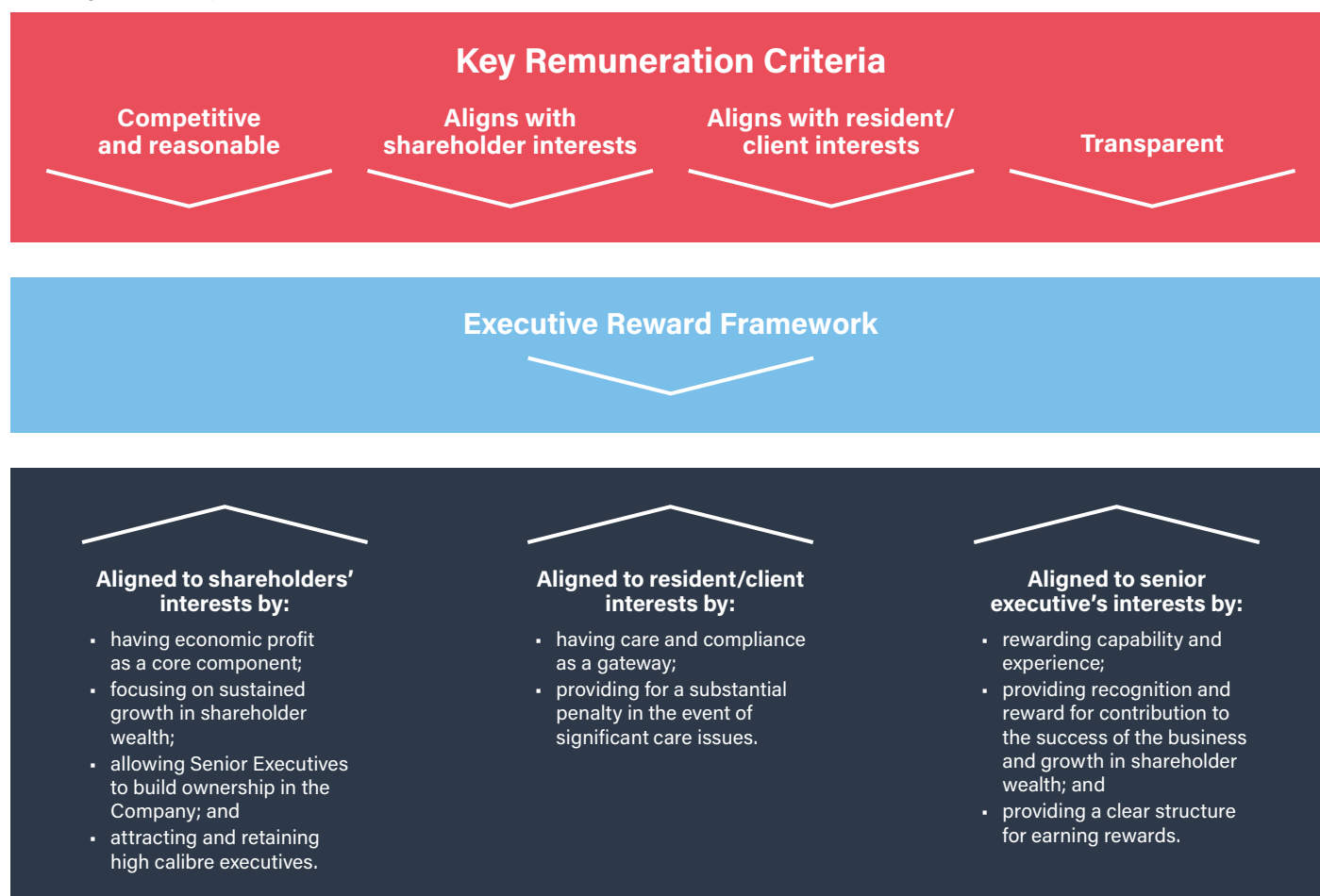
¹² Darren Lynch was previously Executive General Manager – Development.

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

i. Executive remuneration

The Company's executive remuneration framework aims to ensure that reward is competitively based to secure high calibre people, it incentivises performance and the quantum is appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives, the provision of quality care and services to care recipients and the creation of value for shareholders. It provides a mix of fixed and variable pay, delivered in a combination of cash and deferred equity.

The diagram below provides an overview of the executive reward framework.



A key component of our executive remuneration framework is the Variable Reward and Retention Plan (**VRRP**).

The VRRP is structured to align Senior Executives with shareholders through a simple and transparent model which rewards performance over both the short and long term. The Board continuously reviews executive remuneration structures and believes the VRRP is best suited for Regis. Accordingly, the VRRP will also apply to the new CEO, Dr Linda Mellors (refer section Bii).

To be eligible for the cash component of the VRRP, the 'care and compliance' gateway must be met. Performance within the VRRP is then assessed over a 12-month period against short and long-term measures directly linked to our strategic plan (refer to Section Di) and the award is delivered in a combination of cash (40%) and Share Rights (60%) which vest subject to continued employment at the time of vesting.

The Share Rights ensure Senior Executives are invested in the sustainable long-term performance of the Company, have aligned interests with shareholders and are encouraged to remain committed to Regis.

The cash component is paid following completion of the audited accounts and the Share Rights vest in three tranches of 10%, 20% and 30% of the total award, deferred for one, two and three years respectively, subject to continued employment at the time of vesting.

To further align executives and shareholders, the Board approved an Executive Minimum Shareholding Policy with effect from 1 May 2019. Under the Policy, the CEO and other Senior Executives are required to accumulate and maintain a holding in Regis shares equivalent to at least 100% of total fixed remuneration (**TFR**) in the case of the CEO and 50% of TFR in the case of other Executives.

It is expected that Executives will achieve compliance with this Policy by regularly accumulating shares under the Company's VRRP.

ii. Non-Executive Director remuneration

To maintain director independence, NED remuneration is not linked to Company performance and is comprised solely of directors' fees (including superannuation). The fees comprise base fees and additional fees for chairing or being members of the board committees.

NED fees are set at a level to attract and retain suitably qualified and experienced directors having regard to:

- market benchmarks for ASX listed companies;
- the size and complexity of the Company's operations; and
- their responsibilities and work requirements.

To align NED and shareholder interests, the Board also approved a NED Minimum Shareholding Policy with effect from 1 May 2019, requiring NEDs to achieve a minimum shareholding of 100% of base fees by the later of:

- 1 May 2024; or
- 5 years from the relevant Director's appointment.

iii. Remuneration governance framework

The People and Remuneration Committee (the **Committee**), is responsible for developing and reviewing remuneration policies and practices. It also makes specific recommendations to the Board on remuneration packages and other terms of employment/appointment for NEDs, the CEO and the CEO's direct reports.

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 <https://www.regis.com.au/corporate-governance/>

iv Remuneration consultants and other advisors

To assist in performing its duties and in making recommendations to the Board, the Committee may seek 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. In FY19, the Committee engaged KPMG as remuneration advisor to provide executive remuneration benchmarking data, guidance on market trends with regards to remuneration and other ad-hoc advice. However, no recommendations were made in relation to the overall remuneration framework.

v. Company performance

The following table shows the Company's financial and share price performance in FY19 and the four previous years.

Key Performance Indicators	FY19 \$'000	FY18 \$'000	FY17 \$'000	FY16 \$'000	FY15 \$'000
Reported ¹³ Revenue	647,073	594,397	565,483	480,745	437,508
Reported ¹³ Net profit before tax	69,627	76,772	87,718	70,081	78,086
Reported ¹³ Net profit after tax	50,897	53,869	61,101	46,535	57,514
Normalised ¹³ Net profit after tax	47,177	56,948	61,101	56,802	45,898
Share price at beginning of year	\$3.28	\$3.93	\$4.69	\$5.16	\$3.65
Share price at end of year	\$2.63	\$3.28	\$3.93	\$4.69	\$5.16
Dividends paid per share	15.23 cents	17.93 cents	20.34 cents	15.34 cents	17.60 cents
Basic earnings per share	16.93 cents	17.93 cents	20.34 cents	15.49 cents	21.16 cents
Diluted earnings per share	16.91 cents	17.91 cents	20.32 cents	15.48 cents	21.15 cents

In FY19 the Company faced the ongoing effect of cuts to government aged care funding and several regulatory initiatives, including the introduction of the Single Quality Framework, that impacted the company significantly. In addition, employee costs increased at a faster rate than the indexation increase the Government applied to its aged care funding.

The Royal Commission into Aged Care Quality and Safety increased the administrative burden on the Company and adverse publicity contributed to reduced occupancy across the whole aged care sector.

These factors were largely outside the control of management and, while care standards were maintained, they led to lower EBITDA and NPAT margins and lower NPAT than prior years.

During the year, three greenfield developments were opened and our retirement living developments were progressed. In addition, management met our care and compliance gateway, achieved key strategic objectives and exceeded the RAD cashflow target.

The Board considers that the CEO and Senior Executives performed well under challenging circumstances.

B. Remuneration structure – CEO

i FY19

The CEO's FY19 remuneration comprised:

- Total fixed remuneration (**TFR**) comprising fixed pay and superannuation;
- Performance based (at risk) remuneration delivered through the Company's STI Plan.

The mix of TFR and maximum potential performance-based remuneration was:

	% of Total Remuneration	
	TFR	Maximum Potential Performance-Based Remuneration (STI)
Ross Johnston	64%	36%

Since listing on the ASX in 2014, the CEO's remuneration has been structured having regard to his significant equity allocation prior to listing under the Legacy ESAS (see below) and the CEO has not participated in the VRRP, which was established in FY17.

The FY19 STI Plan provided the CEO with the opportunity to earn a maximum cash reward of \$464,000, with 34% deferred and half of the deferred amount payable in cash in September 2020 and half in cash in September 2021, subject to continued employment. The same performance scorecard was used for the CEO's FY19 STI as the FY19 VRRP for Senior Executives.

The Board considers that a solely cash-based STI was appropriate for the CEO in FY19 because the Legacy ESAS already provides significant equity alignment with shareholders.

Ross Johnston will be stepping down as CEO on 3 September 2019 and will forfeit the deferred component of this FY19 STI.

¹³ 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 the Company's external auditors.

Legacy incentives

The CEO has restricted shares under the Executive Option and Equity Plan for Senior Executives (**ESAS**), which were issued prior to listing. In accordance with the plan, the final tranche of ESAS shares was released from the sale restriction on 30 June 2019.

The CEO also participated in a legacy cash LTI plan prior to listing and received the final payment on 1 July 2018.

ii. FY20

On 22 February 2019, the Company announced that Ross Johnston will step down as CEO on 3 September 2019, and on 20 May 2019, the Company announced the appointment of Linda Mellors as CEO Designate from 5 August 2019 and CEO from 4 September 2019.

Mr Johnston's retirement arrangements are explained in Section E.

Dr Mellors will participate in the VRRP and her mix of TFR and maximum potential performance-based remuneration will be:

	% of Total Remuneration	
	TFR	Maximum Potential Performance-Based Remuneration (VRRP)
Linda Mellors	56%	44%*

* In FY20 the VRRP will be prorated from Dr Mellors' commencement date.

Details of the VRRP are set out in section C below.

C. Remuneration structure – Senior Executives

The remuneration framework for Senior Executives comprises:

- TFR; and
- Performance based (at risk) remuneration delivered through the VRRP.

The mix of TFR versus maximum potential performance-based remuneration in FY19 was:

	% of Total Remuneration	
	TFR	Maximum Potential Performance-Based Remuneration (VRRP)
David Noonan	57%	43%
Darren Lynch	56%	44%*

* Darren Lynch is entitled to additional performance based remuneration with a cash payment of 10% of TFR for each aged care facility acquired or sold during the financial year.

TFR is reviewed as required to ensure it remains competitive to attract and retain high calibre executives and is commensurate with the responsibilities of the position.

The structure of the VRRP is set out in the following table:

Structure of VRRP	The incoming CEO and Senior Executives are eligible to receive an annual award of cash and Share Rights subject to them meeting a care and compliance gateway and financial and non-financial performance measures.
Performance measures	<p>The FY19 VRRP was subject to the following performance measures determined by the Board at the start of the year:</p> <ul style="list-style-type: none"> • Achievement of objectives in line with the Board approved strategic plan (30%); • NPAT (40%); • Refundable Accommodation Deposit (RAD) cash flow (20%); and • All Injury Frequency Rate (10%). <p>The Board chose these measures as they support short-term financial performance and the achievement of the company's long-term strategic objectives. For FY20, performance measures for the CEO and Senior Executives will include KPIs in relation to NPAT, RAD cash flow and WHS plus KPIs specific to each Executive's responsibilities (comprising 20%–30% of the assessment).</p>
Assessment of performance measures	<p>Performance against the performance measures is assessed annually as part of the broader performance review process for each Senior Executive.</p> <p>For the purposes of testing the financial hurdles, financial results are assessed by reference to the Company's audited financial statements.</p> <p>This method of assessing performance was chosen because it is, as far as practicable, objective and fair. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Company.</p>
Split of cash and shares	<p>The percentage of the maximum opportunity achieved by the Senior Executives was determined by the Board at the end of the financial year against the above measures.</p> <p>An award equal to this value is made comprising 40% in cash and 60% in Share Rights.</p> <p>The Share Rights vest in three tranches of 10%, 20% and 30% of the total award deferred for one, two and three years respectively after the delivery of the cash component, subject to continued employment.</p>
Care and Compliance gateway	<p>Payment of the cash component is subject to a 'Care and Compliance' gateway under which Federal Government accreditations must be received for all services under its Aged Care Quality Framework and rectification of any non-compliance must not exceed the mandated timeframe for improvement.</p> <p>If one service is sanctioned, 50% of the cash component is forfeited and if two are sanctioned 100% of the cash component is forfeited.</p>
Number of Share Rights awarded	<p>The number of Share Rights granted is calculated by dividing the face value of the Share Rights component by the volume weighted average price of the Company's shares on the ASX over the 5 trading days commencing on the day after the ex-dividend date for the final dividend.</p> <p>Each Share Right entitles the holder to acquire a fully paid ordinary share in the Company for nil consideration at the end of the vesting period, subject to their continued employment.</p> <p>The Share Rights do not carry dividends or voting rights prior to vesting.</p>
Cessation of employment	<p>If a Senior Executive's employment is terminated for cause or they resign:</p> <ul style="list-style-type: none"> • before the cash component of the VRRP is paid, unless the Board determines otherwise, the executive is not entitled to receive any VRRP award and any unvested Share Rights will lapse. • after the cash component of the VRRP is paid and Rights granted, unless the Board determines otherwise, any unvested Share Rights will lapse. • In all other circumstances, where employment ceases: • before the end of the performance period, a pro-rata portion of the Share 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 any award will be paid in cash; and • after the cash component of the VRRP is paid and Rights granted, unvested Rights will remain on foot and vest in accordance with the vesting schedule.
Restrictions on dealing	A Senior Executive must not sell, transfer, encumber, hedge or otherwise deal with Share Rights. Senior Executives are free to deal with the shares allocated on vesting of the Share Rights, subject to the requirements of the Company's Policy for Dealing in Securities.
Change in control	The Board has discretion to determine whether or not vesting of some or all of a Senior Executive's Share Rights should be accelerated. Where only some of the Share Rights are vested, the remainder will immediately lapse.

D. FY19 performance outcomes

i. VRRP and STI

This section outlines FY19 performance against the scorecard used for the VRRP (for Senior Executives) and STI plan (for the CEO)¹⁴.

Quality care of our residents is our fundamental critical success factor, above all else, and we are pleased to report that the Care and Compliance Gateway was met in FY19:

Care and Compliance Gateway		Outcome
All accreditations received	✓	Gateway achieved. All residential aged care services must be accredited to operate and are subject to accreditation on an up to 3 yearly basis. During accreditation by the Aged Care Quality and Safety Commission, the service is assessed against standards relating to quality of care and quality of life. All 24 services subject to accreditation were successfully re-accredited.
No non-compliances exceeding timeframe for improvement (TFI)	✓	Gateway achieved. Where a service is non-compliant in respect of a standard, the Aged Care Quality and Safety Commission may impose a TFI which sets the date by which the non-compliance must be rectified. All TFIs that were imposed and expired during the year were rectified during the prescribed timeframe set by the Commission.
No sanctions	✓	Gateway achieved. None of Regis' 66 services were sanctioned.

The achievement of this gateway is a positive outcome in a heightened regulatory environment, which has seen non-compliance notices and sanctions applied by regulators across the industry at significantly higher levels than previous years.

Having met the gateway, the Board assessed FY19 performance against the following VRRP/STI measures as follows:

Performance measure	Weighting	Target	Outcome	Result
Achievement of key objectives in board approved strategic plan*	30%	See below	See table below	✓ 22.5%
Normalised NPAT**	40%	\$47m – \$51m***	\$47.2m##	✗ 0%
RAD cashflow**	20%	\$110.9m – \$150m#	\$143.8m	✓ 28.4%
All Injury Frequency Rate (AIFR)	10%	7.5% reduction on FY18	Reduction not achieved	✗ 0%
	100%			50.9%###

* Further details about these key objectives are set out below under the heading 'Strategic objectives performance measure'.

** The NPAT and RAD cashflow performance measures provide for greater than the percentage weighting if the outcome exceeds the Target and the maximum potential award is 116%.

*** In FY19 the Board approved an NPAT measure of 50% vesting at \$47m with linear vesting to 100% at \$51m.

In FY19 the Board approved a RAD cashflow measure of 50% vesting at \$110.9m with linear vesting to 100% at \$150m.

FY19 Normalised NPAT was \$47.2m. In assessing performance, the Board adjusted Normalised NPAT by 50% of the positive impact of the additional government funding received from March 2019 to June 2019. The effect of this adjustment was that the NPAT performance measure was not met.

The assessment of 50.9% equates to 43.8% of the maximum potential award.

¹⁴ The performance scorecards for the VRRP and the CEO STI are the same.

Strategic objectives performance measure as follows:

Objective	Weighting	Outcome		Result
Land/licences secured for development of new facilities	2.5%	Contract signed for one land acquisition. Application made for licences in ACAR round.	✓	2.5%
Development approvals received for construction of new facilities	2.5%	Two DAs received and one in progress.	✓	2.5%
Delivery of beds under construction	7.5%	Three new facilities opened on time	✓	7.5%
Mobilisation of new facilities	7.5%	Mobilisations EBITDA was unfavourable to budget	✗	0%
Reduction of debt	10.0%	Net debt reduced by \$101m, which was favourable to the budget.	✓	10%
30%				22.5%

FY19 performance outcomes

The VRRP/STI outcomes for the CEO and Senior Executives, based on the above results, are set out in the following table:

	Award	Maximum potential award*	Amount awarded	% of maximum award achieved	% of maximum award forfeited
Ross Johnston	STI**	\$464,000	\$203,600	44%	56%
David Noonan	VRRP***	\$383,356	\$168,214	44%	56%
Darren Lynch	VRRP***	\$349,740	\$153,464	44%	56%

* The minimum value of the award is nil.

** Ross Johnston's STI is delivered in cash. 66% of the amount awarded will be paid in September 2019. The remainder of the FY19 STI award will be forfeited following the cessation of Ross' employment.

*** 40% of the VRRP award will be delivered in cash and the remainder in Share Rights. The cash portion will be paid and the Share Rights will be granted in September 2019.

ii Legacy FY17 Long-term incentive plan vesting outcomes

Prior to the introduction of the VRRP in FY18, Senior Executives had the opportunity to be awarded Performance Rights under an LTI Plan. No further offers were made under this plan after the introduction of the VRRP.

The final FY17 LTI Plan was tested on completion of the three-year performance period on 30 June 2019 against two performance conditions:

- FY19 EPS (60%);
- Strategic Plan objectives (40%).

A summary of the measures and outcomes is set out in the table below:

Performance measure	Weighting	Target	Outcome	Result
EPS	60%	21.5 cents per share	15.23 cents per share	✗
Achievement of strategic objectives	40%	Similar to VRRP	Partially met	✓
Total				32%

Resulting in the following vesting of Performance Rights:

Senior Executive	Initial Grant (no)	Initial Grant \$	Grant date fair value \$	Vested (no)	Vested \$	% of FY17 grant forfeited	Number forfeited	Forfeited \$
David Noonan	35,830	136,512	3.81	11,466	43,684	68%	24,364	92,828
Darren Lynch	22,134	84,331	3.81	7,083	26,986	68%	15,051	57,345

E. Key terms of Executive Service Agreements

The CEO and Senior Executives have a written executive service agreement with Regis Aged Care Pty Ltd, a subsidiary of Regis Healthcare Limited.

Key terms of Executive Service Agreement (ESA) for CEO and CEO Designate

Ross Johnston

Term	No fixed term.
Notice period	Six months, however it may be terminated by the employer: <ul style="list-style-type: none">▪ on three months' notice if the CEO fails to address performance concerns notified to him by the Board; or▪ for cause without notice or any payment.
Termination entitlements	Mr Johnston will cease employment with the Company on 3 September 2019. Termination arrangements are in accordance with the ESA and Mr Johnston will receive: <ul style="list-style-type: none">▪ accrued annual and long service leave;▪ TFR to 3 September 2019; and▪ The non-deferred component of his FY19 STI.
Post-employment restraint	Post-employment restraint will apply until 21 February 2020.

Linda Mellors (from 5 August 2019)

Term	No fixed term.
Notice period	Six months, however the ESA may be terminated for cause without notice or any payment.
Termination entitlements	Entitlements under the VRRP will be determined in accordance with the terms of the plan as described in section C above.
Post-employment restraint	Maximum of 6 months.

Key terms of Executive service agreements for Senior Executives

Term	No fixed term.
Notice period	Three months, however the ESA may be terminated for cause without notice or any payment.
Termination entitlements	Entitlements under the VRRP will be determined in accordance with the terms of the plan as described in section C above.
Post-employment restraint	Maximum of 6 months.

F. Remuneration structure - Non-Executive Directors

NED fees reflect the workload and responsibilities of directors and are reviewed periodically by the Board relative to market conditions and fees paid by comparable listed companies.

There were no changes to NED base fees in FY19. Committee fees were restructured from 23 November 2018 so that the same fees are payable to the Chair and members of all Board Committees.

i. Directors' fees

Under the Constitution, the Board may decide the amount of each NED's remuneration, however, the total amount paid to NEDs must not exceed the amount approved by shareholders in general meeting, being \$1.2 million.

Annual NED fees with effect from 23 November 2018 (inclusive of superannuation) are:

Role	Annual fees
Chairman	\$240,000
Other NEDs	\$110,000
Chairs of Board Committees ¹⁵	\$30,000
Members of Board Committees	\$20,000

Directors are reimbursed for reasonable travel and other expenses incurred in attending to the Company's affairs, including attending board and shareholder meetings.

ii. Retirement allowances for Directors

NEDs do not participate in any performance based share plans, retirement schemes or receive any other benefits.

¹⁵ There are three Board Committees – the Audit, Risk and Compliance Committee, the People and Remuneration Committee and the Clinical Governance and Care Committee. The fees for Chairman and members are the same for all three Board Committees.

G. Statutory Remuneration Disclosures

i. KMP remuneration – statutory remuneration table

Details of the remuneration of the NEDs, CEO and Senior Executives 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.

Name	Role	Year	Short Term Benefits			Post Employment	Other Long-Term Benefits		Share-based payments			Total
			Salary & Fees	Non-Monetary Benefits	STI-Cash Bonus¹	Super-annuation	Long Service Leave	Legacy Cash LTI	Performance Rights and Share Rights granted under STI LTI & VRRP plans	Shares		
									\$		\$	
Non-Executive Directors												
Bryan Dorman	NED	FY19	129,329	-	-	12,286	-	-	-	-	-	141,615
		FY18	118,722	-	-	11,278	-	-	-	-	-	130,000
Christine Bennett	NED*	FY19	123,894	-	-	11,770	-	-	-	-	-	135,664
		FY18	35,282	-	-	3,352	-	-	-	-	-	38,634
Graham Hodges	NED**	FY19	249,982	-	-	23,748	-	-	-	-	-	273,730
		FY18	83,456	-	-	7,928	-	-	-	-	-	91,384
Ian Roberts	NED	FY19	115,850	-	-	11,006	-	-	-	-	-	126,856
		FY18	111,872	-	-	10,628	-	-	-	-	-	122,500
Matthew Quinn	NED*	FY19	139,199	-	-	13,224	-	-	-	-	-	152,423
		FY18	37,442	-	-	3,557	-	-	-	-	-	40,999
Sylvia Falzon	NED	FY19	143,203	-	-	13,604	-	-	-	-	-	156,807
		FY18	136,986	-	-	13,014	-	-	-	-	-	150,000
Subtotal Non-Executive Directors		FY19	901,457	-	-	85,638	-	-	-	-	-	987,095
		FY18	523,760	-	-	49,757	-	-	-	-	-	573,517

* appointed 1 March 2018.

** appointed Chairman 1 July 2018.

Name	Role	Year	Short Term Benefits			Post Employment	Other Long-Term Benefits		Share-based payments		
			Salary & Fees	Non-Monetary Benefits	STI/ VRRP-Cash Bonus¹	Super-annuation	Long Service Leave	Legacy Cash LTI	Performance Rights granted under	Shares	Total
									STI, LTI & VRRP plans		
			\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive Directors											
Ross Johnston	MD/CEO	FY19	832,188	-	146,926	19,580	33,557	-	-	-	1,032,251
		FY18	785,970	-	252,774	24,989	19,737	18,265	-	-	1,101,735
Senior Executives											
Darren Lynch²	CCO 1 August 2018	FY19	407,300	-	106,386	24,694	23,000	-	63,895	-	625,275
David Noonan	CFO	FY19	488,833	-	67,286	24,908	11,243	-	80,381	-	672,651
		FY18	483,184	-	93,775	25,000	1,427	-	119,585	-	722,971
Subtotal Senior Executives		FY19	1,728,321	-	320,598	69,182	67,800	-	144,276	-	2,330,177
		FY18	1,269,154	-	346,549	49,989	21,164	18,265	119,585	-	1,824,706
Total Compensation		FY19	2,629,778	-	320,598	154,820	67,800	-	144,276	-	3,317,272
		FY18	1,792,914	-	346,549	99,746	21,164	18,265	119,585	-	2,398,223

The total for FY18 of \$2,398,223 in this table is less than the total for FY18 remuneration report of \$3,179,421 as it does not include the \$781,198 for Mark Birrell (Chairman), Trevor Gerber (NED) and Darren Boyd (Chief Operating Officer).

1. Includes FY18 STI cash awards and FY19 STI cash awards in respect of Ross Johnston and the FY18 VRRP cash awards and FY19 VRRP cash awards for both David Noonan and Darren Lynch.
2. Darren Lynch's total remuneration disclosed in the FY19 remuneration report is shown for the full financial year, which includes 1 month as a non KMP.

ii. Performance and Share Rights held by Senior Executives

Name ¹	Grant Date	Vesting Date	Balance at Start of the Year No.	Granted During the Year No.	Vested During the Year No.	Lapsed During the Year No.	Balance at End of the Year No.	Fair Value per Right at Grant Date \$	Aggregate Fair Value \$	Maximum Value to be Recognised in Future Years ² \$
Darren Lynch	20-Sep-18 ^D	20-Sep-2021	-	16,887	-	-	16,887	2.50	42,218	21,109
	20-Sep-18 ^C	20-Sep-2020	-	11,145	-	-	11,145	2.65	29,534	9,854
	20-Sep-18 ^B	20-Sep-2019	-	5,742	-	-	5,742	2.80	16,078	-
	20-Sep-17 ^C	20-Sep-2019	2,822	-	-	-	2,822	3.01	8,494	-
	20-Sep-17 ^B	20-Sep-2018	2,822	-	2,822	-	-	3.20	-	-
	03-Oct-16 ^A	30-Jun-2019	22,134	-	7,083	15,051	-	3.81	-	-
	12-Sep-16 ^C	12-Sep-2018	12,069	-	12,069	-	-	3.56	-	-
			39,847	33,774	21,974	15,051	36,596	-	96,324	30,963
David Noonan	20-Sep-18 ^D	20-Sep-2021	-	21,842	-	-	21,842	2.50	54,605	27,303
	20-Sep-18 ^C	20-Sep-2020	-	14,416	-	-	14,416	2.65	38,202	12,746
	20-Sep-18 ^B	20-Sep-2019	-	7,426	-	-	7,426	2.80	20,793	-
	20-Sep-17 ^C	20-Sep-2019	4,063	-	-	-	4,063	3.01	12,230	-
	20-Sep-17 ^B	20-Sep-2018	4,062	-	4,062	-	-	3.20	-	-
	03-Oct-16 ^A	30-Jun-2019	35,830	-	11,466	24,364	-	3.81	-	-
	12-Sep-16 ^C	12-Sep-2018	7,122	-	7,122	-	-	3.56	-	-
			51,077	43,684	22,650	24,364	47,747	-	125,830	40,049
Grand Total			90,924	77,458	44,624	39,415	84,343	-	222,154	71,012

A LTI Grant.

B STI/VRRP Grant which is subject to one year deferral.

C STI/VRRP Grant which is subject to two year deferral.

D VRRP Grant which is subject to three year deferral.

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

1 Ross Johnston does not hold Performance or Share Rights. The performance criteria for each grant is set out in the Company's previous Remuneration Reports.

2 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.

iii. Movements in Performance and Share Rights held by Senior Executives

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

Name	Held at 1 July 2018 No.	Granted No.	Granted ¹ \$	Vested No.	Vested ² \$	Lapsed No.	Lapsed \$	Held at 30 June 2019 No.
Darren Lynch	39,847	33,774	87,830	21,974	78,982	15,051	57,344	36,596
David Noonan	51,077	43,684	113,600	22,650	82,037	24,364	92,827	47,747

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

2. The value of vested Rights is calculated at the time of vesting.

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 Company's prospectus. No grants have been made under this plan since the Company listed on the ASX.

Name	Plan	Type of Instrument	Release Date	Number of Shares to Release No.	Released During the Year No.
Ross Johnston	ESAS Plan	Restricted Shares	30 June 2019	290,000	290,000

Shares that have been released are no longer subject to restriction.

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						Shares held nominally at 30 June 2019 ²
	Held at 1 July 2018 ¹	Received on vesting of LTI	Received on vesting of STI/VRRP	Received as remuneration	Other net change	Held at 30 June 2019	
Non-Executive Directors							
Bryan Dorman	81,910,479	-	-	-	-	81,910,479	-
Christine Bennett	-	-	-	-	22,500	22,500	-
Graham Hodges	-	-	-	-	30,000	30,000	-
Ian Roberts	81,910,479	-	-	-	-	81,910,479	16,699
Matthew Quinn	8,000	-	-	-	-	8,000	-
Sylvia Falzon	27,397	-	-	-	-	27,397	-
CEO and Senior Executives							
Ross Johnston	3,388,537	-	-	-	-	3,388,537	32,876
Darren Lynch	46,111	10,786	14,891	-	-	71,788	
David Noonan	16,622	17,472	11,184	-		45,278	3,300

1. Comparative amounts are revised, if required, based on latest information and to conform with current year presentation.

2. Shares held 'nominally' means shares held indirectly or by KMP's close family members or entities over which the KMP or family member has control.

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.

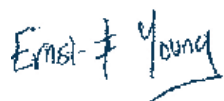
End of Audited Remuneration Report

Auditor's Independence Declaration to the Directors of Regis Healthcare Limited

As lead auditor for the audit of Regis Healthcare Limited for the financial year ended 30 June 2019, 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.



Ernst & Young



Glenn Carmody
Partner

22 August 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Revenue	2.1	647,073	594,397
Other income	2.1	9,202	1,077
Other expenses	2.1	-	(3,913)
Staff expenses		(448,067)	(397,431)
Resident care expenses		(37,682)	(34,905)
Administrative expenses		(32,808)	(27,636)
Occupancy expenses		(20,759)	(18,010)
Depreciation		(33,932)	(27,582)
Profit before income tax and finance costs		83,027	85,997
Finance costs	2.2	(13,400)	(9,225)
Profit before income tax		69,627	76,772
Income tax expense	2.3	(18,730)	(22,903)
Profit for the year		50,897	53,869
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net (loss)/gain on cash flow hedges, net of tax	5.1	(167)	(23)
Other comprehensive income, net of tax		(167)	(23)
Total comprehensive income for the year		50,730	53,846
Total comprehensive income attributable to:			
Owners of the parent		50,730	53,846
Earnings per share		Cents	Cents
Earnings per share for the period attributable to ordinary equity holders of the Parent			
Basic	2.5	16.93	17.93
Diluted	2.5	16.91	17.91

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

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4.1	-	7,770
Trade and other receivable	4.2	10,484	6,879
Inventories		1,341	937
Other current assets	4.4	3,959	3,732
Other financial assets	5.1	-	147
Income tax receivables		6,430	4,646
Total Current Assets		22,214	24,111
Non-Current Assets			
Property, plant and equipment	3.1	1,147,692	1,127,102
Investment property	3.4	143,375	129,049
Intangible assets	3.3	479,617	478,417
Total Non-Current Assets		1,770,684	1,734,568
TOTAL ASSETS		1,792,898	1,758,679
LIABILITIES			
Current Liabilities			
Cash and cash equivalents	4.1	160	-
Trade payables and other liabilities	4.3	55,585	59,796
Provisions	4.5	60,161	53,923
Other financial liabilities	5.1	1,126,920	989,238
Total Current Liabilities		1,242,826	1,102,957
Non-Current Liabilities			
Interest-bearing loans and borrowings	5.2	303,080	411,589
Provisions	4.5	6,012	4,652
Deferred tax liabilities	2.3	62,335	59,111
Total Non-Current Liabilities		371,427	475,352
TOTAL LIABILITIES		1,614,253	1,578,309
NET ASSETS		178,645	180,370
EQUITY			
Issued Capital	5.7.1	273,233	272,822
Retained earnings		2,530	4,439
Reserves	5.7.2	(97,118)	(96,891)
TOTAL EQUITY		178,645	180,370

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 2019

	Issued Capital \$'000	Retained Earnings \$'000	Cash Flow Hedge Reserve \$'000	Remuneration Reserve \$'000	Acquisition Reserve \$'000	Total Equity \$'000
At 1 July 2017	272,221	8,616	126	4,471	(101,497)	183,937
Profit for the year	-	53,869	-	-	-	53,869
Other comprehensive income	-	-	(23)	-	-	(23)
Total comprehensive income for the year	-	53,869	(23)	-	-	53,846
Dividends paid or provided for	-	(58,046)	-	-	-	(58,046)
Equity settled share based payment expense	-	-	-	633	-	633
Transfers from remuneration reserve	601	-	-	(601)	-	-
At 30 June 2018	272,822	4,439	103	4,503	(101,497)	180,370
At 1 July 2018 as previously reported	272,822	4,439	103	4,503	(101,497)	180,370
Adjustment related to new accounting standards (refer Note 1.8)	-	(2,386)	-	-	-	(2,386)
Adjusted balance at 1 July 2018	272,822	2,053	103	4,503	(101,497)	177,984
Profit for the year	-	50,897	-	-	-	50,897
Other comprehensive income	-	-	(167)	-	-	(167)
Total comprehensive income for the year	-	50,897	(167)	-	-	50,730
Dividends paid or provided for	-	(50,420)	-	-	-	(50,420)
Equity settled share based payment expense	-	-	-	351	-	351
Transfers from remuneration reserve	411	-	-	(411)	-	-
At 30 June 2019	273,233	2,530	(64)	4,443	(101,497)	178,645

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 2019

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from residents and Government subsidies		640,657	587,976
Payments to suppliers and employees		(527,531)	(476,134)
Interest received		212	407
Finance costs		(16,497)	(15,385)
RAD, accommodation bond and ILU/ILA entry contribution inflows		412,250	343,237
RAD, accommodation bond and ILU/ILA entry contribution outflows		(269,366)	(280,590)
Income tax paid		(19,604)	(25,673)
Net cash flows from operating activities	4.1	220,121	133,838
Cash flows from investing activities			
Purchase of property, plant and equipment		(64,886)	(207,848)
Purchase of investment property		(3,773)	(9,316)
Purchase of businesses, net of cash acquired		-	(28,506)
Net cash flows used in investing activities		(68,659)	(245,670)
Cash flows from financing activities			
Proceeds from / (Repayments of) bank borrowings		(108,972)	156,172
Dividend paid on ordinary shares		(50,420)	(58,046)
Net cash flows used in financing activities		(159,392)	98,126
Net (decrease) in cash and cash equivalents		(7,930)	(13,706)
Cash and cash equivalents at the beginning of the year		7,770	21,476
Cash and cash equivalents at the end of the year	4.1	(160)	7,770

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

Section 1: About this report

1.1 Corporate Information

The consolidated financial statements of Regis Healthcare Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 22 August 2019.

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 historical cost basis, except investment property, 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 all significant subsidiaries at 30 June 2019 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.

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. Refer to Note 5.3 under the heading 'Liquidity risk' for further information.

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 the assessment of fair value
- Section 3.3 – Intangible assets: key assumptions underlying recoverable amounts
- Section 3.4 – Investment property: key assumptions underlying the assessment of fair value
- Section 5.9 – Share based payments: determination of valuation model and assumptions about achievement of performance hurdles

1.7 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Significant unobservable inputs and valuation adjustments are reviewed regularly. The level of involvement of external valuers in the valuation of significant assets and liabilities is decided upon annually as required.

1.8 New standards, interpretations and amendments adopted by the Group

The accounting policies applied by the Group in this annual financial report are the same as those applied by the Group in its annual financial report as at and for the year ended 30 June 2018, except for the adoption of new standards effective as of 1 July 2018.

AASB 15 Revenue from Contracts with Customers

Effective from 1 July 2018, the Group has adopted AASB 15 *Revenue from Contracts with Customers* with respect to revenue recognition, which replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts* and applies to all revenue arising from contracts with customers unless the contracts are in the scope of other standards. In applying the new revenue standard, the Group is required to consider the five-step model to contracts with customers, and is required to recognise revenue to depict the transfer of goods or services in an amount that reflects consideration to which the group expects to be entitled to.

The Group has applied the modified retrospective method of adoption with the effect of initially applying this standard recognised at the date of its initial application (i.e. 1 July 2018). Accordingly, comparative information has not been restated – i.e. it is presented as previously reported under AASB 118 and related interpretations. The Group has elected to apply the modified retrospective method to all contracts at the date of initial application.

The below table provides a reconciliation of the amount by which each financial statement line item is affected in the current reporting period by the application of AASB 15.

	Year ended 30 June 2019		
	30 June 2018 \$'000	Adjustment opening balance \$'000	1 July 2018 \$'000
Statement of Financial Position			
Trade Payables and Other Liabilities – Deferred Revenue	59,796	3,108	62,904
Deferred Tax Liability	59,111	(932)	58,179
Retained Earnings	4,439	(2,176)	2,263

The Group discloses one reportable segment and has identified the following main revenue categories of this segment being residential aged care, home care and retirement living services. Revenue recognition criteria and the Group's assessment of the impact of adoption of AASB 15 is set out below.

1.8 New standards, interpretations and amendments adopted by the Group (continued)

AASB 15 Revenue from Contracts with Customers (continued)

Aged care and home care

The Group recognises revenue from aged care and home care services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or monthly basis. Revenue arises from discretionary and non-discretionary services, as agreed in a single contract with the resident. Fees received in advance of aged care and home care services performed are recognised as contract liabilities and are included within Trade Payables and Other Liabilities.

Prior to adoption of AASB 15, bond retention fees payable by an aged care resident were previously recognised over the period of tenure by an aged care resident of up to a maximum of five years, in line with the legislated period for charging such fees.

Under AASB 15, bond retention fees are recognised over the expected length of stay of a resident. The expected length of stay of a resident is estimated based on historical tenure data. The impact of applying AASB 15 resulted in an adjustment to retained earnings in the opening statement of financial position as at 1 July 2018, which is shown in the table above. The Deferred revenue is recognised as contract liabilities and are included within Trade Payables and Other Liabilities.

Retirement living

The Group recognises revenue from retirement living services over time as performance obligations are satisfied, which is as the services are rendered. Revenue arises from deferred management fees and short-term rentals, as agreed in a single contract with the resident.

Revenue from deferred management fees is recognised over the expected length of stay of a resident. The expected length of stay of a resident is estimated based on historical tenure data, including industry data. The difference between revenue recognised and contractual deferred management fees earned is recognised as Deferred Revenue (contract liabilities) within Trade Payables and Other Liabilities.

Revenue from short-term rentals is recognised on a daily basis as services are provided.

No changes to revenue recognition were identified upon adoption of AASB 15.

Nature of revenue and cash flows

Further detail on the nature of revenue and cash flows is included in the table below.

Type of revenue	Description	Type of services
Government revenue	Government revenue reflects the Group's entitlement to revenue from the Australian Government based upon the specific care and accommodation needs of the individual residents. Government revenue comprises of basic subsidy amounts calculated in accordance with the Aged Care Funding Instrument ('ACFI'), accommodation supplements, funding for short-term 'respite' residents and other Government incomes. Revenue is recognised over time as services are provided. Funding claims are submitted/updated daily and Government revenue is usually payable within approximately one month of services having been performed.	Aged care and home care
Resident basic daily fee revenue	Residents are charged a basic daily fee as a contribution to the provision of care and accommodation. The quantum of resident basic daily fees is regulated by the Government and typically increases in March and September each year. Resident basic daily fee revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and revenue is usually payable within 30 days.	Aged care and home care
Other resident revenue	Other resident revenue represents other fees charged to residents in respect of care and accommodation services provided by the Group and includes means tested care fees, Daily Accommodation Payment (DAP)/Daily Accommodation Contribution (DAC) revenue, additional services revenue and other income. Other resident revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and revenue is usually payable within 30 days.	Aged care and home care
Deferred management fee (DMF) revenue	DMF revenue represents a fee that is contractually deducted from the ingoing contribution that is paid back to a resident upon exit from a retirement village. DMF revenue is recognised over the expected length of stay of a resident.	Retirement living
Other operating revenue	Other operating revenue comprises rental income, aged care bond retention amounts and other sundry revenue. Revenue is recognised over time as services are provided. Residents are typically invoiced on a monthly basis and revenue is usually payable within 30 days.	Aged care, home care and retirement living

1.8 New standards, interpretations and amendments adopted by the Group (continued)

AASB 9 Financial Instruments

Effective from 1 July 2018, the Group has adopted AASB 9 *Financial Instruments*, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied the standard retrospectively except for hedge accounting and has taken an exemption not to restate comparative information for prior periods with respect to the classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and liabilities resulting from adoption of AASB 9 are recognised in retained earnings as at 1 July 2018. The information presented for 2018 does not generally reflect the requirements of AASB 9 but rather AASB 139.

Qualitative details of new significant accounting policies and the nature of the changes to previous accounting policies are set out below.

Classification and measurement of financial assets and financial liabilities

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. However, it eliminates the previous AASB 139 categories for financial assets held to maturity, loans and receivables and available for sale.

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments, see below). The impact of AASB 9 on the classification and measurement of financial assets is set out below.

Under AASB 9, on initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income ('FVOCI') – debt investment; FVOCI – equity investment; or Fair Value Through Profit or Loss ('FVTPL'). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The determinations of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under AASB 9, all financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the financial instrument as a whole is assessed for classification based on their contractual terms and the Group's business model.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value.

The following accounting policies apply to the subsequent measurement of the Group's financial assets:

Measurement category	Accounting policy
Financial assets at FVTPL	These assets are subsequently measured at fair value. See below for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see below). Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

1.8 New standards, interpretations and amendments adopted by the Group (continued)

AASB 9 Financial Instruments (continued)

The following table below explains the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets as at 1 July 2018.

Financial asset	Original classification under AASB 139	New classification under AASB 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Interest rate swaps used for hedging	Fair value – hedging instruments	Fair value – hedging instruments

The effect of adopting AASB 9 on the carrying values of the Group's financial assets was not significant (refer to the following section titled 'Impairment of financial assets' for details of the transitional impact upon adoption of the new impairment model for financial assets measured at amortised cost).

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. ECLs are based on the difference between the contractual cash flows due and the cash flows the Group expects to receive. Any shortfall is discounted at an approximation to the asset's original effective interest rate. The Group applies AASB 9's simplified approach to measure ECLs which uses a lifetime expected loss allowance for all trade receivables.

The transitional impact upon initial adoption of AASB 9 as at 1 July 2018 was to:

- decrease trade and other receivables by \$0.3m;
- decrease net deferred tax liabilities by \$0.1m; and
- decrease retained earnings by \$0.2m.

The transitional impact upon initial adoption of AASB 9 as at 1 July 2018 was as follows for the allowance for impairment loss on trade receivables:

	\$'000
Balance 1 July 2018 under AASB 139	429
Adjustment on initial application of AASB 9	300
Balance at 1 July 2018 under AASB 9	729

The Group's financial assets at amortised cost consist of cash and cash equivalents and trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has established a provision policy based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the overall economic environment.

Hedge accounting

The Group has elected to adopt the general hedge accounting model in AASB 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objective and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. At the date of initial application of AASB 9, the Group's existing hedge relationships were eligible to be treated as continuing hedge relationships.

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. 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 profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

1.9 New standards, interpretations and amendments issued but not yet effective

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

AASB 16 Leases

The Group is required to adopt AASB 16 *Leases* from 1 July 2019. The Group has assessed the estimated impact that initial application of AASB 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 July 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

AASB 16 replaces existing leases guidance, including AASB 17 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of its office premises and motor vehicles. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised an operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Group estimates the transitional impact upon initial adoption of AASB 16 as at 1 July 2019 will be:

- Inclusion of right of use asset of \$6.3m;
- Inclusion of a lease liability of \$8.5m;
- Decrease in net deferred tax liabilities by \$0.66m; and
- Decrease in retained earnings by \$1.54m.

Leases in which the Group is a lessor

The Group has evaluated its contractual arrangements relating to the provision of residential aged care and retirement living accommodation and has determined that such arrangements are an operating lease pursuant to AASB 16 *Leases*.

The accounting treatment for residential aged care accommodation arrangements where residents have elected to pay a DAP is not expected to change upon adopting AASB 16.

For residential aged care accommodation arrangements where the resident has elected to pay a RAD or Bond, the Group receives a financing benefit in the form of an interest free loan. Adoption of AASB 16 requires recognition of interest expense (to impute an interest charge on RADs and Bonds) and, correspondingly, income (to reflect the interest free loan financing benefit received) with no net impact on profit or loss.

Further consideration is being given to the rate to be used for the purposes of measuring interest expense and lease revenue. For illustrative purposes, had AASB 16 been applied to the year ending 30 June 2019, assuming:

- an average RAD/Bond balance of \$1,016m; and
- the rate adopted was equal to the current Maximum Permissible Interest Rate (MPIR) of 5.54%, which is a Government set interest rate used to calculate the Daily Accommodation Payment to applicable residents.

The Group's Statement of Profit or Loss and Other Comprehensive Income would have presented an additional \$56m of Finance costs (i.e. interest expense) and Income respectively with \$nil impact to net profit for the period.

Transition

The application date of AASB 16 for the Group is 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

Section 2: Current performance

2.1 Revenue and other expenses

	Notes	2019 \$'000	2018 \$'000
Revenue			
Government revenue		452,328	416,330
Resident basic daily fee revenue		111,263	103,512
Other resident revenue		71,902	65,297
Other operating revenue		9,287	6,903
Subtotal		644,780	592,042
Deferred management fee revenue		2,075	1,948
Interest		218	407
Total Revenue		647,073	594,397
Other income			
Change in fair value of non operating investment properties	3.4	7,303	-
Change in fair value of operating investment properties	3.4	1,899	1,077
Total other income		9,202	1,077
Other expenses			
Acquisition-related expenses		-	(3,913)
Total other expenses		-	(3,913)

Refer to note 1.8 for further details on the nature of revenue and cash flows.

Entity wide disclosure

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

Other income

The change in fair value of the non operating investment properties represents the non cash revaluation gain associated with the Blackburn South retirement living property in Melbourne and the Nedlands retirement village property in Perth as assessed by an independent valuer.

The change in fair value of the operating investment properties related to the retirement living operations in Queensland that were acquired in 2016.

Interest income

Interest income is recorded using the effective interest rate method.

2.2 Finance costs

	Notes	2019 \$'000	2018 \$'000
Finance costs			
Interest expense: Bank loans and overdrafts		11,993	11,024
Interest on refundable RADs		4,075	3,990
Other		1,465	1,022
Total finance costs		17,533	16,036
Less: borrowing costs capitalised	(i)	(4,133)	(6,811)
Total finance costs expensed		13,400	9,225

(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.

2.3 Income Tax

Major components of income tax (benefit)/expense

	Notes	2019 \$'000	2018 \$'000
<i>Current income tax:</i>			
Current income tax charge		14,441	18,137
Adjustments in respect of current income tax of previous years		(30)	3
<i>Deferred tax:</i>			
Relating to origination and reversal of temporary differences		4,319	4,763
Income tax expense reported in profit or loss		18,730	22,903
<i>Deferred tax related to items recognised in other comprehensive income during the year:</i>			
Net gain/(loss) on revaluation of cash flow hedges		71	(10)
Deferred tax charged on other comprehensive income		71	(10)
<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		69,627	76,772
At the statutory income tax rate of 30% (2018: 30%)		20,888	23,032
Adjustments in respect of current income tax of previous years		(30)	3
Non-deductible acquisition costs		-	339
Relating to origination and reversal of temporary differences		(2,281)	(453)
Other non-assessable income/non-deductible expenses		153	(18)
Income tax expense reported in profit or loss		18,730	22,903

2.3 Income Tax (continued)

Major components of deferred tax

	Statement of Financial Position		Statement of Profit Or Loss	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>Deferred tax liabilities</i>				
Property, plant and equipment	(12,600)	(11,190)	1,410	5,510
Investment property	(5,131)	(1,965)	3,166	549
Independent living unit and apartment entry contributions	(4,117)	(3,857)	260	343
Interest rate swaps	-	(44)	(44)	(10)
Intangible assets	(62,937)	(62,937)	-	2,152
<i>Deferred tax assets</i>				
Employee benefits	20,120	17,858	(2,262)	(2,534)
Deferred revenue	1,301	1,355	54	(57)
Equity raising costs deducted from equity	-	1,363	1,363	1,362
Interest rate swaps	27	-	(27)	-
Other	1,002	306	(696)	27
Net deferred tax liabilities	(62,335)	(59,111)		
<i>Adjusted for items not impacting profit or loss</i>				
Net gain/(loss) on revaluation of cash flow hedges			71	10
Tax effect of new accounting standard changes			1,023	-
Acquisition of businesses			-	(2,584)
Other			1	(5)
Deferred income tax charge			4,319	4,763

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 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.

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 entities in the tax group have entered into a tax sharing agreement to limit the joint and several tax liability of 100% owned subsidiaries in the event of a default by the head entity, Regis Healthcare Limited. 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 have 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

The Group's principal activity during the year was the provision of residential aged care services.

Executive management monitors the operating results of the following geographical locations separately for the purpose of making decisions about resource allocation and segment performance:

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

These operating segments have been aggregated into one reportable segment, which includes all activities and operating results of the Group, as they each have similar economic characteristics and similar expected growth rates.

Executive management primarily uses a measure of normalised earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the Group's performance. Normalised EBITDA excludes the effect of significant items of income and expenditure that may have an impact on quality of earnings.

Reconciliation of normalised EBITDA to profit before tax

	2019	2018
	\$'000	\$'000
Normalised EBITDA	111,427	117,085
Change in fair value of non operating investment properties	7,303	-
Depreciation	(33,932)	(27,582)
Royal Commission related expenses	(1,989)	(3,913)
Finance income	218	407
Finance costs	(13,400)	(9,225)
Profit before income tax	69,627	76,772

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.

	2019	2018
	\$'000	\$'000
Profit attributable to ordinary equity holders of the parent	50,897	53,869

	2019	2018
	THOUSANDS	THOUSANDS
Weighted average number of ordinary shares used in the calculation of:		
Basic earnings per share	300,625	300,491
Adjustment for effect of share based payment arrangements	282	228
Diluted earnings per share	300,907	300,719

	2019	2018
	cps	cps
Basic earnings per share	16.93	17.93
Diluted earnings per share	16.91	17.91

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.

	2019	2018
	\$'000	\$'000
Information relating to Regis Healthcare Limited		
ASSETS		
Current Assets	6,414	4,767
Non-current assets	512,344	518,459
TOTAL ASSETS	518,758	523,226
LIABILITIES		
Current Liabilities	1,973	1,973
Non-current liabilities	41	41
TOTAL LIABILITIES	2,014	2,014
EQUITY		
Issued Capital	478,064	477,653
Reserves	4,443	4,503
Retained Earnings	34,237	39,056
TOTAL EQUITY	516,744	521,212
Profit of the parent entity	45,600	58,962
Total comprehensive income of the parent entity	45,600	58,962

There are no contractual commitments, guarantees or contingent liabilities in respect of the parent entity.

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 2019		989,329	284,797	1,049	74,775	38	50,617	1,400,605
Accumulated depreciation and impairment		(110,519)	(116,896)	(837)	(24,643)	(18)	-	(252,913)
Carrying amount at 30 June 2019		878,810	167,901	212	50,132	20	50,617	1,147,692
Reconciliation of carrying amounts								
Carrying amount at 1 July 2018		763,961	136,166	265	43,097	21	183,592	1,127,102
Additions		500	14,068	3	2,666	-	38,890	56,127
Transfers from work in progress		129,170	35,003	-	7,692	-	(171,865)	-
Transfers to investment property	3.4	(1,351)	-	-	-	-	-	(1,351)
Disposals		(254)	-	-	-	-	-	(254)
Depreciation expense		(13,216)	(17,336)	(56)	(3,323)	(1)	-	(33,932)
Carrying amount at 30 June 2019		878,810	167,901	212	50,132	20	50,617	1,147,692
Cost at 30 June 2018		861,264	235,726	1,046	64,417	38	183,592	1,346,083
Accumulated depreciation and impairment		(97,303)	(99,560)	(781)	(21,320)	(17)	-	(218,981)
Carrying amount at 30 June 2018		763,961	136,166	265	43,097	21	183,592	1,127,102
Reconciliation of carrying amounts								
Carrying amount at 1 July 2017		612,071	101,557	307	33,737	20	179,623	927,315
Additions		-	16,317	-	4,202	-	186,963	207,482
Transfers from work in progress		142,096	30,490	-	7,566	2	(180,154)	-
Transfers to investment property	3.4	-	-	-	-	-	(2,840)	(2,840)
Disposals		-	-	(26)	-	-	-	(26)
Acquisition of businesses	3.2	21,302	1,094	41	316	-	-	22,753
Depreciation expense		(11,508)	(13,292)	(57)	(2,724)	(1)	-	(27,582)
Carrying amount at 30 June 2018		763,961	136,166	265	43,097	21	183,592	1,127,102

3.1 Property, Plant and Equipment (continued)

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

During mobilisation of newly developed aged care facilities, buildings are depreciated under a usage method based on occupancy and, thereafter, on a straight-line basis over their estimated useful life of 55 years.

Plant and equipment is depreciated on a straight-line basis over their estimated useful life of between three and 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 derecognition 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 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.

There were no business combinations in the financial year ended 30 June 2019.

3.3 Intangible Assets

	Operational Places	Goodwill	Total
	\$'000	\$'000	\$'000
Cost at 30 June 2019	225,287	262,173	487,460
Accumulated impairment	(6,174)	(1,669)	(7,843)
Carrying amount at 30 June 2019	219,113	260,504	479,617
Reconciliation of carrying amounts			
Balance at 1 July 2018	217,913	260,504	478,417
Additions	1,200	-	1,200
Balance at 30 June 2019	219,113	260,504	479,617
Cost at 30 June 2018	224,087	262,173	486,260
Accumulated impairment	(6,174)	(1,669)	(7,843)
Carrying amount at 30 June 2018	217,913	260,504	478,417
Reconciliation of carrying amounts			
Balance at 1 July 2017	210,738	235,394	446,132
Additions	7,175	25,110	32,285
Balance at 30 June 2018	217,913	260,504	478,417

Operational places

An 'operational place' refers to a place that was allocated and has since become available for a person to receive residential aged care. Operational places 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.

3.3 Intangible Assets (continued)

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. For impairment testing purposes, intangible assets are allocated to CGUs that are consistent with the Group's operating segments.

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

Key assumptions used in value in use calculations

The carrying value of goodwill and operational places allocated to each CGU at 30 June 2019 was as follows:

Cash Generating Unit	Operational Places \$'000	Goodwill \$'000	Total \$'000
Queensland / Northern Territory	87,518	121,273	208,791
New South Wales	30,508	17,542	48,050
Victoria / South Australia / Tasmania	79,847	101,123	180,970
Western Australia	21,240	20,566	41,806
Total	219,113	260,504	479,617

The recoverable amount of each CGU as at 30 June 2019 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 CGU 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 CGU. Long-term growth rates used were 2% to 3% (2018: 2% to 3%).
- **Discount rate** – The pre-tax discount rate applied to cash flow projections is 11.1% to 13.0% (2018: 11.1% to 13.0%) and represents the current market assessment of the risks specific to each CGU 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 CGU 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 CGU.

Based on this 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 Property

	2019	2018
	\$'000	\$'000
Carrying amount at beginning of financial year	129,049	115,034
Acquisitions from business combinations	-	782
Transfers from property plant and equipment	1,351	2,840
Additions in capital expenditure	3,773	9,316
Change in fair value of non operating investment properties	7,303	-
Change in fair value of operating investment properties	1,899	1,077
Balance at end of year	143,375	129,049

Investment property relates to interests in retirement villages (comprising independent living units and apartments) and retirement village development sites.

Investment property is initially measured at cost, including transaction costs and subsequently at fair value with any change therein recognised in the statement of profit or loss. After initial recognition, investment property is measured at fair value at the date of revaluation. Any gain or loss arising from a change in the fair value of investment property is recognised in profit or loss for the period in which it arises. In addition, the tax base of the investment property is measured on the assumption that the carrying amount of the investment property will be recovered entirely through sale, rather than through use.

Measurement of fair values

Retirement villages

Fair value of retirement villages has been determined by using a discounted cash flow valuation methodology. These valuations are based on projected cash flows using current resident contracts and current available market data for similar retirement units/properties.

Retirement villages are classified as Level 3 in the fair value hierarchy. This means that key assumptions used in their valuation are not directly observable.

Key assumptions used in the fair value assessments are:

- Discount rates of between 14% and 18% (2018: 14% and 18%)
- Property price growth rates of between 0.5% and 3.25% in the medium term and 2.0% and 3.25% in the long term (2018: 0.5% and 3.25% in the medium term and 2.0% and 3.25% in the long term)
- The average tenure period of residents of 10 years (2018: 10 years).

Increasing the assumptions made about property price growth rates would increase the fair value of the retirement villages (and vice versa). Increasing the assumptions made about discount rates and average tenure periods would reduce the fair value of the retirement villages (and vice versa).

Retirement village development sites

Development sites contain vacant land and existing retirement villages that are nearing the end of their useful life and are valued on the basis of vacant possession for redevelopment, which is consistent with their highest and best use.

Fair value has been determined based on external valuations performed by an independent appraiser with a recognised professional qualification and recent experience in the location and category of property being valued. Fair value of development sites was determined with regard to recent market transactions of similar properties in similar locations to the Group's development sites and discounted cash flows.

Development sites are also classified as level 3 in the fair value hierarchy.

Changes in fair values

The change in fair value of the non operating investment properties represents the non cash revaluation gain associated with the Blackburn South retirement living property in Melbourne and the Nedlands retirement village property in Perth as assessed by an independent valuer.

The change in fair value of the operating investment properties related to the retirement living operations in Queensland that were acquired in 2016.

Section 4: Operating Assets & Liabilities

4.1 Cash and Cash Equivalents

	2019 \$'000	2018 \$'000
Reconciliation of the net profit after tax to the net cash flows from operations		
Net profit	50,897	53,869
Non-cash items		
Depreciation and impairment of non-current assets	33,932	27,582
Bond retention and deferred management fee income	(5,294)	(8,826)
Loss on disposal of property plant and equipment	-	8
Other non-cash items	(9,315)	(72)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(3,605)	323
(Increase)/decrease in inventory	(404)	(135)
(Increase)/decrease in other current assets	(227)	(427)
(Increase)/decrease in income tax receivable	(1,784)	(7,537)
(Decrease)/increase in deferred taxes	3,224	4,757
(Decrease)/increase in trade payables and other liabilities	2,215	(4,254)
(Decrease)/increase in RADs, accommodation bonds and ILU/ILA entry contributions	142,884	62,647
(Decrease)/increase in provisions	7,598	5,903
Net cash flow from operating activities	220,121	133,838
Reconciliation of cash and cash equivalents		
Cash at bank	1,625	7,642
Cash on hand	149	128
Bank overdraft	(1,934)	-
Total cash and cash equivalents	(160)	7,770

Comparative amounts are revised, if required, based on the latest information to conform with current year presentation.

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 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

	2019 \$'000	2018 \$'000
Trade receivables	5,185	4,692
Provision for doubtful debts	-	(429)
Allowance for impairment loss	(572)	-
Other receivables	5,871	2,616
Total trade and Other Receivables	10,484	6,879

The transitional impact upon initial adoption of AASB 9 as at 1 July 2018 was as follows for the allowance for impairment loss:

	\$'000
Balance at 1 July 2018 under AASB 9	729
Amounts written off	(158)
Net remeasurement of loss allowance	1
Balance at 30 June 2019	572

The Group's financial assets at amortised cost consist of cash and cash equivalents and trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has established a provision policy based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the overall economic environment. Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

	Total \$'000	Days past due					
		0-30 Days \$'000	31-60 Days \$'000	61-90 Days \$'000	91-150 Days \$'000	151-365 Days \$'000	>365 Days \$'000
Gross carrying amount	5,185	2,662	522	793	420	536	252
Expected credit loss rate		1.4%	3.9%	8.7%	14.0%	24.9%	100%
Expected credit loss	572	38	20	69	59	134	252

A write-off on a financial asset is recognised when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof.

Comparative information under AASB 139 are as follows:

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 were as follows:

	2018 \$'000
Opening balance	429
Charge for the year	58
Amounts written off	(58)
Closing balance	429

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

	Total \$'000	30 Days \$'000	31-60 Days \$'000	61-90 Days PDNI ¹ \$'000	61-90 Days CI ² \$'000	91+ Days PDNI ¹ \$'000	91+ Days CI ² \$'000
2018	4,692	2,113	975	282	142	893	287

¹ PDNI = Past due not impaired.

² 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.

4.3 Trade Payables and Other Liabilities

	2019	2018
	\$'000	\$'000
Trade payables	11,257	13,000
Other payables	34,185	39,050
Deferred revenue	6,917	4,520
Fees received in advance	3,226	3,226
Total trade payables and other liabilities	55,585	59,796

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.

Deferred revenue and fees received in advance are contract liabilities.

Deferred revenue includes bond retention fees and deferred management fees and are expected to be recognised as revenues over a period of 1 to 9 years. Decreases in these balances generally represent the recognition of revenues. Increases in the balance for deferred management fees generally represent deferred management fees contractually accruing. The increase in deferred revenue for 2019 reflects the adjustment to bond retention fees payable upon adoption of AASB 15.

Fees received in advance are expected to be recognised as revenues within one year. Decreases in this balance represents the recognition of revenues and increases in the balance represent fees received through government and resident funding. 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	2019	2018
		\$'000	\$'000
Prepayments		3,175	1,858
GST recoverable		784	1,874
Total other current assets		3,959	3,732

4.5 Provisions

	Notes	2019 \$'000	2018 \$'000
Current			
Employee Entitlements	(i)	60,161	53,923
Total current provisions		60,161	53,923
Non-Current			
Employee Entitlements		6,012	4,652
Total non-current provisions		6,012	4,652

(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 \$5,286,000 (2018: \$4,678,000).

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 assets and liabilities

	2019 \$'000	2018 \$'000
Interest rate swaps	-	147
Total other financial assets	-	147
Refundable accommodation deposits (RADs)	1,085,038	945,152
Independent living unit and apartment (ILU/ILA) entry contributions	41,791	44,086
Interest rate swaps	91	-
Total other financial liabilities	1,126,920	989,238

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 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 ten 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.

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 or 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 assets and 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.

The nominal value of the interest rate swap is \$75,000,000 and the hedged rate is 1.7817%

5.2 Interest Bearing Loans and Borrowings

	Notes	Bank Overdraft \$'000	Borrowings Non-Current \$'000	Bank Guarantees \$'000	Unused \$'000	Total \$'000
30 June 2019	(i)	1,934	303,080	4,643	230,343	540,000
30 June 2018		-	411,589	6,250	122,161	540,000

(i) In June 2019, the group completed a refinancing of its \$515m syndicated bank debt facilities on terms and conditions that are consistent with current facilities. The \$295m tranche that was due to mature in July 2020 has been extended so that \$157.5m matures in July 2022 and \$137.5m matures in July 2023. The other tranches of \$150m and \$70m remain unchanged and mature in May 2021 and July 2022 respectively.

The movement in interest bearing borrowings represents net cash repayments of bank borrowings of \$108,509,000 and other movements of \$464,000.

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.

5.3 Financial Risk Management and Objectives

The Group's principal financial liabilities comprise of trade payables and other liabilities, 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.

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
	2019 %	2018 %	
Cash and liquid assets	1.48	1.87	Floating
Bank loans	3.33	2.94	Floating

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:

	2019 \$'000	2018 \$'000
Financial Assets		
Cash and cash equivalents	(160)	7,770
Financial Liabilities		
Bank debt	(303,080)	(411,589)
Net exposure	(303,240)	(403,819)

5.3 Financial Risk Management and Objectives (continued)

Interest rate risk (continued)

At 30 June 2019, 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)	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Consolidated				
+1% (100 basis points)	(2,444)	(2,403)	(2,444)	(2,403)
-1% (100 basis points)	2,444	2,403	2,444	2,403

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.

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 2019. 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 2019.

5.3 Financial Risk Management and Objectives (continued)

Liquidity risk (continued)

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	Total \$'000
Year ended 30 June 2019			
Financial assets			
Trade and other receivables	10,484	-	10,484
Other current assets	784	-	784
Financial liabilities			
Cash and cash equivalents	(160)	-	(160)
Trade payables and other liabilities	(55,585)	-	(55,585)
RADs and ILU/ILA entry contributions	(a) (1,126,829)	-	(1,126,829)
Interest rate swap	(91)	-	(91)
Interest bearing loans and borrowings	-	(303,080)	(303,080)
Net exposure	(1,171,397)	(303,080)	(1,474,477)
Year ended 30 June 2018			
Financial assets			
Cash and cash equivalents	7,770	-	7,770
Trade and other receivables	6,879	-	6,879
Interest rate swap	147	-	147
Other current assets	1,874	-	1,874
Financial liabilities			
Trade payables and other liabilities	(59,796)	-	(59,796)
RADs and ILU/ILA entry contributions	(989,238)	-	(989,238)
Interest rate swap	-	-	-
Interest bearing loans and borrowings	-	(411,589)	(411,589)
Net exposure	(1,032,364)	(411,589)	(1,443,953)

(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 \$230,343,000 of unused credit facilities.

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 2019 and 2018.

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
30 June 2019					
Assets and liabilities measured at fair value					
Interest rate swaps	5.1	(91)	-	(91)	-
Independent living unit and apartment entry contributions	5.1	(41,791)	-	(41,791)	-
Investment Property	3.4	143,375	-	-	143,375
Assets and liabilities for which fair value is disclosed					
Borrowings	5.2	(303,080)	-	(303,080)	-
Refundable accommodation deposits (RADs)	5.1	(1,085,038)	-	(1,085,038)	-
Total		(1,286,625)	-	(1,430,000)	143,375
30 June 2018					
Assets and liabilities measured at fair value					
Interest rate swaps	5.1	147	-	147	-
Independent living unit and apartment entry contributions	5.1	(44,086)	-	(44,086)	-
Investment Property	3.4	129,049	-	-	129,049
Assets and liabilities for which fair value is disclosed					
Borrowings	5.2	(411,589)	-	(411,589)	-
Refundable accommodation deposits (RADs)	5.1	(945,152)	-	(945,152)	-
Total		(1,271,631)	-	(1,400,680)	129,049

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 approximates their fair value.

5.5 Commitments

Expenditure commitments

	2019 \$'000	2018 \$'000
Capital expenditure commitments		
Contractual commitments for building works at aged care facilities	8,832	471
Operating lease expenditure commitments		
Minimum lease payments		
▪ Not later than one year	1,193	864
▪ later than one year and not later than five years	3,212	4,509
▪ later than five years	-	-
Aggregate lease expenditure contracted for at reporting date	4,405	5,373

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 7 years. Assets that are the subject of operating leases are office premises and motor vehicles.

5.6 Contingencies

	2019 \$'000	2018 \$'000
Bank guarantees	4,643	6,250

Legal claims and disputes

Management are not aware of any 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:

	Grant Date Fair Value	Date	Number of Shares	\$'000
Balance		1 July 2017	300,358,466	272,221
Share issue performance rights	3.66	8 September 2017	94,449	317
Share issue performance rights	4.82	8 September 2017	12,669	42
Share issue performance rights	3.79	8 September 2017	33,784	113
Share issue performance rights	3.66	18 December 2017	35,151	129
Balance		30 June 2018	300,534,519	272,822
Share issue performance rights	3.49	27 September 2018	103,667	362
Share issue performance rights	3.20	27 September 2018	15,503	49
Balance		30 June 2019	300,653,689	273,233

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 is 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.

5.7 Equity (continued)

5.7.2 Reserves

	Cash Flow Hedge Reserve (i)	Acquisition Reserve (ii)	Remuneration Reserve (iii)	Total
Notes	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2019				
Opening balance at 1 July 2018	103	(101,497)	4,503	(96,891)
Net gain / (loss) on cash flow hedge	(167)	-	-	(167)
Equity settled share based payments expense	-	-	351	351
Transfers from remuneration reserve	-	-	(411)	(411)
Closing Balance at 30 June 2019	(64)	(101,497)	4,443	(97,118)
Year ended 30 June 2018				
Opening balance at 1 July 2017	126	(101,497)	4,471	(96,900)
Net gain / (loss) on cash flow hedge	(23)	-	-	(23)
Equity settled share based payments expense	-	-	633	633
Transfers from remuneration reserve	-	-	(601)	(601)
Closing Balance at 30 June 2018	103	(101,497)	4,503	(96,891)

- (i) 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.
- (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.

5.8 Dividends

	2019 \$'000	2018 \$'000
Dividends on ordinary shares paid or provided for		
Final 2018 Dividend: 8.65 cents per share, 100% franked (2017: 10.04 cents per share, 100% franked)	26,007	30,156
Interim 2019 Dividend: 8.12 cents per share, 100% franked (2018: 9.28 cents per share, 100% franked)	24,413	27,890
Total Dividends	50,420	58,046
Proposed dividends on ordinary shares (unrecognised)		
Final 2019 Dividend: 7.11 cents per share, 100% franked	21,376	
Franking account balance		
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%	4,543	9,949
(b) Franking credits that will arise from the payment/(refund) of the amount of the provision for income tax	(6,430)	(4,646)
Total franking account balance	(1,887)	5,303

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

	2019 \$'000	2018 \$'000
Expense arising from equity settled share based payments expense	351	633
Total share-based payments	351	633

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.

5.9 Share Based Payment Plans (continued)

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:

	LTI		STI - VRRP	
	Number	WAEP (i)	Number	WAEP (i)
Outstanding at 1 July 2018	272,643	\$0.00	64,795	\$0.00
Granted during the year	-	\$0.00	193,330	\$0.00
Exercised during the year	(69,883)	3.49	(49,288)	3.49
Forfeited during the year	(57,874)	\$0.00	-	\$0.00
Lapsed during the year	-	\$0.00	-	\$0.00
Outstanding at 30 June 2019	144,886		208,837	

WAEP = Weighted Average Exercise Price.

Valuation assumptions and fair value of equity instruments granted

The model inputs for performance rights granted during the year ended 30 June 2019 was as follows:

	VRRP (12 Months)	VRRP (24 Months)	VRRP (36 Months)
Grant Date	20/09/2018	20/09/2018	20/09/2018
Vesting Date	20/09/2019	20/09/2020	20/09/2021
Fair Value	\$2.80	\$2.65	\$2.50
Grant Date Share Price	\$2.99	\$2.99	\$2.99
Exercise Price	Nil	Nil	Nil
Life Assumption (Years)	1.0	2.0	3.0
Expected Dividend Yield	5.1%	4.5%	5.1%

The model inputs for performance rights granted during the year ended 30 June 2018 was as follows:

	STI - VRRP (12 Months)	STI - VRRP (24 Months)
Grant Date	20/09/2017	20/09/2017
Vesting Date	20/09/2018	20/09/2019
Fair Value	\$3.20	\$3.01
Grant Date Share Price	\$4.04	\$4.04
Exercise Price	Nil	Nil
Life Assumption (Years)	1.0	2.0
Expected Dividend Yield	4.4%	4.4%

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	
		2019 %	2018 %
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.

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) Transactions with key management personnel

During FY19 there were no material transactions between the Group and any key management personnel.

(d) Key management personnel

Compensation of Key Management Personnel of the Group

	2019	2018
	\$	\$
Short-term employee benefits	2,950,376	2,139,463
Post-employment benefits	154,820	99,746
Long-term benefits	67,800	39,429
Share-based payment	144,276	119,585
Total compensation of key management personnel	3,317,272	2,398,223

The total for FY18 of \$2,398,223 in this table is less than the total for FY18 remuneration report of \$3,179,421 as it does not include the \$781,198 for Mark Birrell (Chairman), Trevor Gerber (NED) and Darren Boyd (Chief Operating Officer).

6.3 Events after the Balance Sheet Date

No matters or circumstances have arisen since the end of the period 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 periods.

6.4 Auditor's Remuneration

	2019	2018
	\$'000	\$'000
Amounts received or due and receivable by Ernst & Young for:		
• Audit or review of the financial report	676	677
• Other services		
– Tax compliance	20	251
– Other services	115	-
Total auditor's remuneration	811	928

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.

Directors' Declaration

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 2019 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 2019.

On behalf of the Board



Graham Hodges

Chairman

Melbourne, 22 August 2019

Independent auditor's report to the members of Regis Healthcare Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Regis Healthcare Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Capitalisation of development and IT costs

Why significant	How our audit addressed the key audit matter
<p>At 30 June 2019, capitalised development and IT costs (work in progress) amounted to \$50.6 million. These primarily relate to refurbishment of existing aged care facilities, development of new aged care facility sites and IT related projects.</p> <p>The specific criteria that have to be met for capitalisation of development costs in accordance with Australian Accounting Standards involves judgement, including the feasibility of the project, intention and ability to complete the construction, ability to use or sell the assets, generation of future economic benefits and the ability to measure the costs reliably.</p> <p>In addition, determining whether there is any indication of impairment of the carrying value of assets requires judgement and the use of assumptions which are affected by future market conditions or economic developments.</p> <p>This was considered a key audit matter given the quantum of the balance and judgements related to the capitalisation criteria and indicators of impairment.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Evaluated the effectiveness of controls relevant to the processing of capitalised costs. • Selected a sample of amounts capitalised and agreed details to supporting documentation, and assessed whether the amounts capitalised met the development cost capitalisation criteria. • Evaluated key assumptions used and estimates made for amounts capitalised, including the feasibility of the project, authorisation of the stage of the projects in the development phase and the measurement and completeness of costs included. • Considered whether there were any indicators of impairment through examining the business case documentation of development and IT projects, enquiries of executives responsible for management of the projects and considering the cost of development to forecasts.
<p>At 30 June 2019, the recorded amount of goodwill and other intangible assets with indefinite useful lives was \$479 million. Other intangible assets with indefinite useful lives of \$219 million relate to operational places for aged care facilities.</p> <p>The Group performs an annual impairment test of the carrying amounts of goodwill and other intangible assets. Assets are grouped at the lowest levels for which goodwill and operational places are monitored for internal management purposes and allocated to cash generating units (CGUs).</p> <p>Items that are subject to judgement, which were key areas of focus for the audit include:</p> <ul style="list-style-type: none"> • Future cash flow assumptions. • Changes in working capital including Refundable Accommodation Deposits ('RADs'). • Discount rate and long term growth assumptions. • Appropriateness of sensitivities applied to the impairment test. <p>We considered this a key audit matter given the significance of the balances and the assessment process being complex and requiring significant judgement.</p> <p>Goodwill and other intangible assets disclosure is included in Note 3.3 of the financial report.</p>	<p>We examined the Group's forecast cash flows used in the impairment models, upon which the Group's impairment assessment was based.</p> <p>We assessed the basis of preparing those forecasts taking into account the historical accuracy of the Group's previous forecasts and the historic evidence supporting underlying assumptions.</p> <p>In relation to the future cash flow assumptions, we:</p> <ul style="list-style-type: none"> • performed a comparison to the Group's current trading performance; and • evaluated the Group's supporting evidence and obtained external evidence such as valuation multiples for comparable companies and external market data to corroborate the Group's assumptions. <p>The appropriateness of other key assumptions such as the discount rate and long term growth rate, were evaluated by considering external market indicators.</p> <p>We involved our valuation specialists in performing these procedures.</p> <p>We tested the mathematical accuracy of the impairment models and evaluated the Group's sensitivity calculations, including evaluating the Group's assessment of whether any reasonably possible change in these key assumptions would result in an impairment to goodwill or indefinite life intangible assets.</p> <p>We assessed the adequacy of the goodwill and intangible assets disclosure made in Note 3.3 including key assumptions used.</p>

Why significant	How our audit addressed the key audit matter
<p>At 30 June 2019, the recorded amount of investment property was \$142 million, which relates to the Group's retirement villages.</p> <p>Investment properties were measured at fair value as at 30 June 2019. During the current period, the Group engaged an external party to perform independent valuations of specific investment properties.</p> <p>Estimating the fair value of investment property requires critical judgement, including key estimates such as the starting value of units, occupancy forecasts, growth rates, capital expenditures, sales price and application of discount rates and the assumptions inherent in those estimates.</p> <p>Note 3.4 to the financial report outlines the group's accounting policy and the fair value assumptions applied to measure the investment properties.</p> <p>We considered this to be a key audit matter given the size, complexity and judgement involved in the valuation of investment property and the importance of the disclosures relating to the assumptions used in the valuation.</p>	<p>In performing our procedures, we assessed the measurement of fair value treatment adopted by the group.</p> <p>We assessed the assumptions and estimates made by the group in calculating the fair value of investment property, which included:</p> <ul style="list-style-type: none"> Assessed the competence and qualifications of valuers, as well as the objectivity of valuers, and appropriateness of the scope and methodology of the valuation commissioned by the Group; Assessing the land area used in the valuation; Assessing the starting value of units; Testing of a sample of resident contracts to confirm occupancy data used in the valuation; Assessing capital expenditure, demolition and remediation costs and sales cost estimates in light of historical data; and Evaluating the growth rates and discount rates used in the valuation. <p>We involved our real estate valuation specialists in performing these procedures.</p> <p>We also assessed the adequacy of the group's financial report disclosures made in Note 3.4 <i>Investment Property</i> relating to the valuation assumptions and the change in accounting policy.</p>

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

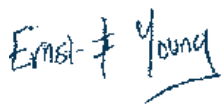
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 39 to 54 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Regis Healthcare Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

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

Ernst & Young

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

Glenn Carmody
Partner
Melbourne

22 August 2019

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 2019.

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 2019

Rank	Investor	Current Balance	Issued Capital %
1	Ashburn Pty Ltd	81,910,479	27.24
2	Galabay Pty Ltd	81,910,479	27.24
3	HSBC Custody Nominees (Australia) Limited	31,421,734	10.45
4	J P Morgan Nominees Australia Pty Limited	23,564,976	7.84
5	Citicorp Nominees Pty Limited	11,151,476	3.71
6	BNP Paribas Nominees Pty Ltd	5,057,297	1.68
7	Mr Ross James Johnston	2,900,001	0.96
8	Milton Corporation Limited	1,856,076	0.62
9	BKI Investment Company Limited	1,807,428	0.60
10	National Nominees Limited	1,689,599	0.56
11	Argo Investments Limited	1,660,959	0.55
12	Mr Vincent Michael O'Sullivan	1,349,000	0.45
13	BNP Paribas Noms Pty Ltd	1,312,114	0.44
14	Netwealth Investments Limited	1,242,981	0.41
15	Bundarra Trading Company Pty Ltd	852,671	0.28
16	Jenny Lynn Properties Pty Ltd	831,860	0.28
17	Australian Executor Trustees Limited	807,294	0.27
18	URB Investments Limited	744,687	0.25
19	Netwealth Investments Limited	735,653	0.24
20	CS Third Nominees Pty Limited	620,724	0.21

Holding distribution as at 31 August 2019

Range	Securities	%	Number of holders	%
100,001 and Over	260,010,961	86.48	53	0.60
10,001 to 100,000	18,193,652	6.05	800	9.00
5,001 to 10,000	9,378,845	3.12	1,276	14.36
1,001 to 5,000	11,844,437	3.94	4,604	51.81
1 to 1,000	1,225,794	0.41	2,153	24.23
Total	300,653,689	100.00	8,886	100.00

Substantial shareholders as at 31 August 2019

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	27.24
Galabay Pty Ltd as trustee of the GRAIL Trust	81,910,479	27.24

Performance Rights

The Company has performance rights on issue in addition to ordinary shares. The details of the performance rights held at 31 August 2019 are as follows:

Class of security	Number of holders	Number of performance rights
Performance rights	5	353,723

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

ABN	Australian Business Number
ACAR	Aged Care Approvals Round is a competitive process under which approved providers may be granted aged care places
ACN	Australian Company Number
Accommodation Bond	The term used prior to 1 July 2014 to refer to a lump sum refundable accommodation deposit
Acquisition	Purchase of individual or a portfolio of existing operational aged care Facilities
Aged Care Act	<i>Aged Care Act 1997</i> (Cth)
Approved Provider	An aged care provider as accredited by the Department under the Aged Care Act
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Bed Licence	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)
Board	The Board of Directors
brownfield	An aged care development on a Regis site that adjoins an existing facility
CGU	Cash-generating unit
Company	Regis Healthcare Limited (ABN 11 125 203 054)
Constitution	The constitution of the Company as amended from time to time
Corporations Act	<i>Corporations Act 2001</i> (Cth)
DAP	A daily accommodation payment
Department	Department of Health
Directors	The Directors of the Company
EBITDA	Earnings before interest, tax, depreciation and amortisation
Government	The Commonwealth Government of Australia
greenfield	An new aged care development or an additional stand-alone building on a Regis site that does not adjoin an existing facility
GST	Goods and services tax as levied under the GST Law
GST Law	GST law as defined in section 195-1 of <i>A New Tax System (Goods and Services Tax) Act 1999</i>
ILU	An independent living unit designed for retirees who generally do not require assistance with day-to-day living

MYEFO	The Mid-Year Economic and Fiscal Outlook is issued by the Commonwealth Government six months after the Budget to update economic and fiscal prospects
NPAT	Net profit after tax
Operational Place	A place available for occupancy by a resident
place	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)
RAD	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.
Regis	The business carried on by the Company and its controlled entities
Regis Club Services	Provides top of the range additional hotel style services such as on-site café, hairdressing salon and private cinema and dining room
Regis Reserve	Provides additional services such as superior accommodation, menu choices and dedicated dining and living areas
RGPL	Regis Group Proprietary Limited ACN 084 720 561
Resident	A person who occupies a place within an aged care facility
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A holder of Shares
Significant Refurbishment	Refurbishment of a facility that meets the criteria in the Subsidy Principles 2014 qualifying the facility for a higher level of funding for Supported Residents.
Supported Resident	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 Aged Care (Subsidy, Fees and Payments) Determination 2014.

Regis Facilities

New South Wales

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

Northern Territory

Regis Tiwi

Queensland

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

South Australia

Regis Burnside
Regis Marleston
Regis Playford
Regis Kingswood

Tasmania

Regis Tasmania – Norwood
Regis Tasmania – Legana
Regis Tasmania – Eastern Shore

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 Shenley Manor
Regis Sunraysia

Western Australia

Regis Bunbury
Regis Como
Regis Embleton
Regis Greenmount
Regis Nedlands
Regis North Fremantle
Regis Port Coogee
Regis Weston
Regis Woodlands

Corporate Information

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
ASX code: REG

Board of directors

Graham Hodges

*Independent Non-Executive
Chairman*

Ross Johnston

*Managing Director and Chief
Executive Officer*

Professor Christine Bennett AO

*Independent Non-Executive
Director*

Bryan Dorman

Non-Executive Director

Sylvia Falzon

*Independent Non-Executive
Director*

Matthew Quinn

*Independent Non-Executive
Director*

Ian Roberts

Non-Executive Director

Company Secretary

Martin Bede

*Company Secretary/General
Counsel*

Solicitors

King & Wood Mallesons
Level 50, 600 Bourke St
Melbourne VIC 3000

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

