Regis Healthcare Limited – Preliminary Final Report (Appendix 4D) for the half-year ended 31 December 2017

The Prior Corresponding Period (PCP) is 1 July 2016 to 31 December 2016

The Directors of Regis Healthcare Limited (the 'Company') announce the results of the consolidated group for the half year ended 31 December 2017 as follows:

Results for announcement to the market **Extracted from the financial report for the half year ended 31 December 2017**	**Half year ended 31 Dec 2017 $'000**	**Movement from PCP $'000**	**Movement from PCP %**
Revenue from ordinary activities	297,000	12,274	+4%
Profit from ordinary activities attributable to members	27,875	(3,764)	-12%
Net profit attributable to members	27,875	(3,764)	-12%

Dividend Information	**Amounts per security (cents)**	**Franked amounts per security (cents)**	**Tax Rate for Franking**
Interim dividend per security (to be paid 11 April 2018)	9.28	9.28	30%
Total dividends per security for the half-year	9.28	9.28	30%

Dividend dates	
Ex-dividend date	13 March 2018
Record date	14 March 2018
Payment date	11 April 2018

	31 Dec 2017	**31 Dec 2016**
Net tangible assets per security	(98.6) cents	(71.8) cents

This report is based on the financial report for the half year ended 31 December 2017, which has been independently reviewed by Ernst & Young.

Other information required by Listing Rule 4.2A.3

Other information requiring disclosure to comply with Listing Rule 4.2A.3 is contained in the notes to the financial report for the half year ended 31 December 2017.

Signed by

Martin Bede, Company Secretary
23 February 2018

REGIS HEALTHCARE LIMITED

ABN 11 125 203 054

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

FINANCIAL REPORT CONTENTS

CORPORATE INFORMATION

DIRECTORS	
Mark A Birrell	Chairman, Non-Executive Director
Ross J Johnston	Managing Director and CEO
Bryan A Dorman	Non-Executive Director
Sylvia Falzon	Non-Executive Director
Graham K Hodges	Non-Executive Director
Ian G Roberts	Non-Executive Director

COMPANY SECRETARY

Martin Bede

REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

Level 2, 615 Dandenong Road,
Armadale VIC 3143

SHARE REGISTRY

Link Market Services Limited
Tower 4
727 Collins Street
Docklands VIC 3008
Phone: 1300 554 474

STOCK EXCHANGE LISTING

Regis Healthcare Limited shares are listed on the Australian Securities Exchange (ASX code: REG).

AUDITORS

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

DIRECTORS' REPORT

Your directors present their report on Regis Healthcare Limited (the Company) and its controlled entities (the Group) for the half-year ended 31 December 2017.

DIRECTORS

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

NAME	ROLE
Mark A Birrell	Chairman, Non-Executive Director
Ross J Johnston	Managing Director and CEO
Bryan A Dorman	Non-Executive Director
Trevor Gerber	Non-Executive Director (resigned 1 November 2017)
Sylvia Falzon	Non-Executive Director
Graham K Hodges	Non-Executive Director (appointed 25 August 2017)
Ian G Roberts	Non-Executive Director

PRINCIPAL ACTIVITIES

The Group's principal activity during the period was the ownership and operation of residential aged care facilities and retirement villages. There were no significant changes to these activities during the period.

REVIEW AND RESULTS OF OPERATIONS

As at 31 December 2017, the Group owned and operated 58 aged care facilities, had 6,436 operational places and provided services in seven States and Territories.

During the period, Regis continued to execute on its growth strategy as follows:

- The Presbyterian Care Tasmania business was acquired on 1 August 2017. This business consisted of three aged care facilities located in Hobart and Launceston comprising 287 aged care places, a small retirement village and some home care packages; and
- Increases in operational places were delivered from new developments.

A summary of the financial results for the half year period to 31 December 2017 is below:

FOR THE HALF YEAR ENDED	31 DEC 2017 $'000	ADJUSTED[2] 31 DEC 2016 $'000
Reported[1] Revenue	297,000	284,726
Reported[1] Profit after tax for the period	27,875	31,639
Normalised[1] Profit after tax for the period	30,516	31,639
Normalised[1] Earnings Per Share	10.15 cents	10.53 cents

Regis recorded a profit after income tax for the half year period of $27,875,000 (2016: $31,639,000). Total revenue for the period was $297,000,000, which represents an increase of $12,274,000 or 4% against the previous corresponding period.

The normalised profit after tax of the Group for the half year period ended 31 December 2017 is $30,516,000 (2016: $31,639,000), which includes an adjustment to take account of the one off acquisition related costs of $2,641,000 associated with the Presbyterian Care Tasmania acquisition. 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 above. There were no normalisation adjustments to the reported profit after tax of the Group for the half year period ended 31 December 2016[2].

The normalised profit after tax of the Group for the half year ended 31 December 2017 was broadly in line with prior period resulting from improvements in earnings from greenfield developments in the later stages of ramp up, income initiatives and strong cost control. These were offset by occupancy pressure and the increased impact of the Government funding cuts.

[1] The use of the terms 'reported' refers to IFRS financial information and 'normalised' to non-IFRS financial information. Normalised earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information, 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 review by our external auditors.

[2] Certain comparative amounts for the half year ended 31 December 2016 have been adjusted as a result of the change in accounting policy from the cost method to the revaluation method of valuing investment property that was initially adopted in the Group's annual financial report for the year ended 30 June 2017. Refer to Note 6.2 to the financial statements for further information.

CASH FLOW AND CAPITAL EXPENDITURE

The Group's principal sources of funds were cash flow from operations (including RADs) and utilisation of existing bank facilities. Net cash flows from operating activities for the period were $91,285,000 (2016: $118,332,000). RAD, accommodation bond and ILU/ILA entry contribution net inflows for the six month period to 31 December 2017 were $23,206,000.

During the period, the Group invested $143,308,000 in capital expenditure for:

- The acquisition of Presbyterian Care Tasmania;
- The development of new facilities;
- Significant refurbishment of existing facilities; and
- Ongoing maintenance capital expenditure at our existing facilities.

In August 2017, the Group increased the capacity and tenor of its existing syndicated bank debt facilities. Total commitments have increased by $145,000,000 to $515,000,000.

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.

At Regis Chelmer (Brisbane, 120 operational places), construction was completed during the period and the facility has been in operation since 4 December 2017.

Development at Regis Woodlands (Perth) and Regis Burnside (Adelaide) continued during the period and these facilities are expected to admit their first residents before 30 June 2018. Construction is also continuing at the Regis facilities of Nedlands (Perth), Elermore Vale (Newcastle), Port Coogee (Perth) and Lutwyche (Brisbane), and these facilities are expected to admit their first residents before 31 December 2018.

DIVIDENDS

A dividend of $30,156,000 (fully franked) was paid on 18 September 2017 in respect of the financial year ended 30 June 2017 and is reflected in the financial statements of the current reporting period.

A dividend of $27,875,000 (fully franked) was declared on 23 February 2018 for payment for the half year ended 31 December 2017. The financial effect of dividends declared after period end are not reflected in the 31 December 2017 financial statements and will be recognised in subsequent financial reports.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the half-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.

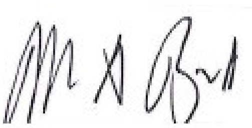
ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half year period to 31 December 2017 has been received and can be found on page 5.

Signed in accordance with a resolution of the directors.



Mark A Birrell
Chairman
Melbourne,
23 February 2018

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
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Auditor's Independence Declaration to the Directors of Regis Healthcare Limited

As lead auditor for the review of Regis Healthcare Limited for the half-year ended 31 December 2017, 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
23 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	NOTES	31 DEC 2017 $'000	ADJUSTED* 31 DEC 2016 $'000
Revenue	2.1	297,000	284,726
Staff expenses		(196,173)	(180,034)
Resident care expenses		(17,143)	(20,961)
Administration and fixed facility expenses		(16,996)	(13,633)
Occupancy expenses		(8,758)	(7,958)
Depreciation		(13,987)	(13,160)
Profit before income tax and finance costs		**43,943**	**48,980**
Finance costs	2.2	(4,129)	(3,748)
Profit before income tax		**39,814**	**45,232**
Income tax expense	2.3	(11,939)	(13,593)
Profit for the period		**27,875**	**31,639**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
(Loss) / gain on cash flow hedges, net of tax		(15)	521
Other comprehensive income, net of tax		**(15)**	**521**
Total comprehensive income for the period		**27,860**	**32,160**
Total comprehensive income attributable to:			
Owners of the parent		27,860	32,160
Earnings per share			
		Cents	**Cents**
Earnings per share for the period attributable to ordinary equity holders of the Parent			
Basic	2.5	9.28	10.53
Diluted	2.5	9.27	10.52

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

* *During the year ended 30 June 2017, the Group re-assessed its method of valuing investment property (consisting primarily of its retirement living properties) after initial recognition. Certain comparative amounts for the half year ended 31 December 2016 have been adjusted as a result of this change in accounting policy. Refer to Note 6.2 for further information.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	NOTES	31 DEC 2017 $'000	30 JUN 2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4.1	45,764	21,476
Trade and other receivables		6,449	7,202
Inventories		866	802
Other current assets		5,742	6,602
Other financial assets	5.1	158	180
Income tax receivable		1,176	-
Total Current Assets		**60,155**	**36,262**
Non-Current Assets			
Property, plant and equipment	3.1	1,053,932	927,315
Investment property	3.3	126,587	115,034
Intangible assets		478,415	446,132
Total Non-Current Assets		**1,658,934**	**1,488,481**
TOTAL ASSETS		**1,719,089**	**1,524,743**
LIABILITIES			
Current Liabilities			
Trade and other payables	4.2	110,246	63,128
Provisions		49,843	45,956
Income tax payable		-	2,895
Other financial liabilities	5.1	953,929	916,699
Total Current Liabilities		**1,114,018**	**1,028,678**
Non-Current Liabilities			
Interest-bearing loans and borrowings	5.2	361,467	255,000
Provisions		4,850	5,359
Deferred tax liabilities		56,750	51,769
Total Non-Current Liabilities		**423,067**	**312,128**
TOTAL LIABILITIES		**1,537,085**	**1,340,806**
NET ASSETS		**182,004**	**183,937**
EQUITY			
Issued Capital	5.5	272,822	272,221
Retained earnings		6,335	8,616
Reserves		(97,153)	(96,900)
TOTAL EQUITY		**182,004**	**183,937**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	ISSUED CAPITAL $'000	RETAINED EARNINGS $'000	CASH FLOW HEDGE RESERVE $'000	REMUNERATION RESERVE $'000	ACQUISITION RESERVE $'000	TOTAL EQUITY $'000
At 1 July 2016 (Adjusted)*	272,171	(3,708)	(210)	4,185	(101,497)	170,941
Profit for the period (Adjusted)*	-	31,639	-	-	-	31,639
Other comprehensive income	-	-	521	-	-	521
Total comprehensive income for the period (Adjusted)*	**-**	**31,639**	**521**	**-**	**-**	**32,160**
Dividends paid or provided for	-	(17,841)	-	-	-	(17,841)
Equity settled share based payment expense	-	-	-	432	-	432
Transfers from remuneration reserve	50	-	-	(50)	-	-
At 31 December 2016 (Adjusted)*	**272,221**	**10,090**	**311**	**4,567**	**(101,497)**	**185,692**
At 1 July 2017	272,221	8,616	126	4,471	(101,497)	183,937
Profit for the period	-	27,875	-	-	-	27,875
Other comprehensive income	-	-	(15)	-	-	(15)
Total comprehensive income for the period	**-**	**27,875**	**(15)**	**-**	**-**	**27,860**
Dividends paid or provided for	-	(30,156)	-	-	-	(30,156)
Equity settled share based payment expense	-	-	-	363	-	363
Transfers from remuneration reserve	601	-	-	(601)	-	-
At 31 December 2017	**272,822**	**6,335**	**111**	**4,233**	**(101,497)**	**182,004**

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

** During the year ended 30 June 2017, the Group re-assessed its method of valuing investment property (consisting primarily of its retirement living properties) after initial recognition. Certain comparative amounts for the half year ended 31 December 2016 have been adjusted as a result of this change in accounting policy. Refer to Note 6.2 for further information.*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	NOTES	31 DEC 2017 $'000	31 DEC 2016 $'000
Cash flows from operating activities			
Receipts from residents and Government subsidies		295,526	280,184
Government funding received in advance		32,193	32,418
Payments to suppliers and employees		(239,665)	(220,489)
Interest received		239	325
Finance costs		(6,610)	(5,603)
RAD, accommodation bond and ILU/ILA entry contribution inflows		159,933	165,852
RAD, accommodation bond and ILU/ILA entry contribution outflows		(136,727)	(119,015)
Income tax paid		(13,604)	(15,340)
Net cash flows from operating activities	4.1	**91,285**	**118,332**
Cash flows from investing activities			
Purchase of property, plant and equipment		(115,028)	(62,131)
Purchase of Presbyterian Care Tasmania		(28,280)	-
Net cash flows used in investing activities		**(143,308)**	**(62,131)**
Cash flows from financing activities			
Proceeds from bank borrowings		106,467	-
Repayment of bank debt		-	(10,000)
Dividend paid on ordinary shares		(30,156)	(17,841)
Net cash flows used in financing activities		**76,311**	**(27,841)**
Net increase/(decrease) in cash held		24,288	28,360
Cash at the beginning of the period		21,476	25,250
Cash at the end of the period	4.1	**45,764**	**53,610**

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

SECTION 1: ABOUT THIS REPORT

1.1 Corporate Information

The interim financial report of Regis Healthcare Limited and its subsidiaries (collectively, the Group) for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 23 February 2018.

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.

1.2 Basis of Preparation

The interim financial report for the six months ended 31 December 2017 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim financial report does not include all the information and disclosures typically required in the annual financial statements and should be read in conjunction with the financial report for the year ended 30 June 2017.

The interim financial report has been prepared on a 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 in accordance with Instrument 2016/91 issued by the Australian Securities and Investments Commission.

The accounting policies applied by the Group in this interim 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 2017. There have been no new accounting standards relevant to the Group adopted during the period.

1.3 Going concern

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

1.4 Significant Accounting Estimates, Judgements and Assumptions

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

In preparing the interim financial report, the significant estimates, judgements and assumptions made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the most recent annual financial report as at and for the year ended 30 June 2017.

SECTION 2: CURRENT PERFORMANCE

2.1 Revenue and Other Expenses

	NOTES	31 DEC 2017 $'000	31 DEC 2016 $'000
Revenue			
Government funding		207,280	199,857
Resident fees		83,863	79,507
Interest		239	325
Other operating revenue		5,618	5,037
Total revenue		**297,000**	**284,726**

2.2 Finance costs

	NOTES	31 DEC 2017 $'000	31 DEC 2016 $'000
Finance costs			
Interest expense: Bank loans and overdrafts		4,716	3,172
Interest on refundable RADs		2,037	1,711
Other		526	618
Total finance costs		7,279	5,501
Less borrowing costs capitalised		(3,150)	(1,753)
Total finance costs expensed		**4,129**	**3,748**

2.3 Income Tax

A reconciliation of tax expense to the accounting profit multiplied by Australia's domestic company tax rate is as follows:

	NOTES	31 DEC 2017 $'000	ADJUSTED 31 DEC 2016 $'000
Accounting profit before income tax		39,814	45,232
At the statutory income tax rate of 30% (2016: 30%)		11,944	13,570
Adjustments in respect of current income tax of previous years		3	32
Other non-assessable income/non-deductible expenses		(8)	(9)
Income tax expense reported in profit or loss		**11,939**	**13,593**

2.4 Segment Information

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

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

The Victoria / Tasmania segment result for the half year ended 31 December 2017 includes the results of the business acquired from Presbyterian Care Tasmania from the date of acquisition on 1 August 2017.

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

2.4 Segment Information (continued)

Half-year ended 31 December 2017	QLD/NT $'000	NSW $'000	VIC/TAS $'000	SA $'000	WA $'000	CONSOLIDATED $'000
Government funding	92,356	18,320	63,285	14,222	19,097	207,280
Resident Fees	32,911	8,784	29,745	4,667	7,756	83,863
Other	2,347	267	2,063	139	802	5,618
Total Revenue	**127,614**	**27,371**	**95,093**	**19,028**	**27,655**	**296,761**
Segment Result	28,748	7,279	16,942	3,548	4,459	60,976
Depreciation	(5,632)	(984)	(5,005)	(783)	(1,583)	(13,987)
As at 31 December 2017						
Total Segment Assets	671,323	127,614	441,678	132,794	291,974	1,665,383
Total Segment Liabilities	376,558	98,869	328,013	43,970	106,519	953,929

Half-year ended 31 December 2016	QLD/NT $'000	NSW $'000	VIC/TAS $'000	SA $'000	WA $'000	CONSOLIDATED $'000
Government funding	92,220	17,940	57,550	13,717	18,430	199,857
Resident Fees	33,918	9,277	25,453	4,101	6,758	79,507
Other	2,121	226	1,803	81	806	5,037
Total Revenue	**128,259**	**27,443**	**84,806**	**17,899**	**25,994**	**284,401**
Segment Result	28,821	7,229	18,406	3,141	4,218	61,815
Depreciation (Adjusted)	(5,645)	(916)	(4,344)	(1,088)	(1,167)	(13,160)
As at 30 June 2017						
Total Segment Assets	644,548	116,263	372,999	122,307	239,566	1,495,683
Total Segment Liabilities	382,251	98,244	301,122	33,013	102,069	916,699

2.4 Segment Information (continued)

Reconciliation of segment information to consolidated results

	31 DEC 2017 $'000	ADJUSTED 31 DEC 2016 $'000
Reconciliation of Profit		
Segment Result	60,976	61,815
Direct acquisition costs (included in administration expenses)	(3,285)	-
Depreciation	(13,987)	(13,160)
Finance income	239	325
Finance costs	(4,129)	(3,748)
Profit before income tax	**39,814**	**45,232**

	31 DEC 2017 $'000	30 JUN 2017 $'000
Reconciliation of Assets		
Segment Assets	1,665,383	1,495,683
Cash	45,764	21,476
Inventories	866	802
Income tax receivable	1,176	-
Other current assets	5,742	6,602
Other financial assets	158	180
Total Assets	**1,719,089**	**1,524,743**
Reconciliation of Liabilities		
Segment Liabilities	953,929	916,699
Trade and other payables	110,246	63,128
Provisions	54,693	51,315
Loans and borrowings	361,467	255,000
Income tax payable	-	2,895
Deferred tax liability	56,750	51,769
Total Liabilities	**1,537,085**	**1,340,806**

Entity wide disclosure

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

2.5 Earnings per Share

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

		ADJUSTED
	2017	2016
	$'000	$'000
Profit attributable to ordinary equity holders of the Company	27,875	31,639

	2017	2016
	THOUSANDS	THOUSANDS
Weighted average number of ordinary shares used in the calculation of:		
Basic earnings per share	300,449	300,353
Adjustment for effect of share based payment arrangements	306	343
Diluted earnings per share	300,755	300,696

		ADJUSTED
	2017	2016
	cps	cps
Basic earnings per share	9.28	10.53
Diluted earnings per share	9.27	10.52

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 2017		697,866	187,825	1,031	52,333	36	179,623	1,118,714
Accumulated depreciation and impairment		(85,795)	(86,268)	(724)	(18,596)	(16)	-	(191,399)
Carrying amount at 30 June 2017		**612,071**	**101,557**	**307**	**33,737**	**20**	**179,623**	**927,315**
Reconciliation of carrying amounts								
Carrying amount at 1 July 2016		568,526	80,015	364	29,724	23	120,713	799,365
Additions		1,609	18,816	2	3,029	-	135,062	158,518
Transfers from work in progress		54,806	17,527	-	3,819	-	(76,152)	-
Disposals		(699)	(291)	(4)	(69)	-	-	(1,063)
Acquisition of businesses		-	-	-	-	-	-	-
Depreciation expense		(12,171)	(14,510)	(55)	(2,766)	(3)	-	(29,505)
Carrying amount at 30 June 2017		**612,071**	**101,557**	**307**	**33,737**	**20**	**179,623**	**927,315**
Cost at 31 December 2017		759,135	199,032	1,072	56,055	38	243,986	1,259,318
Accumulated depreciation and impairment		(91,633)	(92,971)	(754)	(20,011)	(17)	-	(205,386)
Carrying amount at 31 December 2017		**667,502**	**106,061**	**318**	**36,044**	**21**	**243,986**	**1,053,932**
Reconciliation of carrying amounts								
Carrying amount at 1 July 2017		612,071	101,557	307	33,737	20	179,623	927,315
Additions		-	3,891	-	1,153	2	115,645	120,691
Transfers from work in progress		39,967	6,223	-	2,252	-	(48,442)	-
Transfers to investment property	3.3	-	-	-	-	-	(2,840)	(2,840)
Acquisition of businesses		21,302	1,094	41	316	-	-	22,753
Depreciation expense		(5,838)	(6,703)	(30)	(1,415)	(1)	-	(13,987)
Carrying amount at 31 December 2017		**667,502**	**106,062**	**318**	**36,043**	**21**	**243,986**	**1,053,932**

3.2 Business Combinations

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

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

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

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

Acquisition of Presbyterian Care Tasmania

On 1 August 2017, the Group acquired three aged care facilities located in Hobart and Launceston, comprising 287 aged care places. The acquisition also included a small retirement village and some home care packages. The group has acquired the business in line with its growth strategy.

The provisional fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition are set out in the following table:

	$'000
Fair Value of Identifiable Net Assets	
Cash and cash equivalents	8
Property, plant & equipment	22,753
Operational places	7,175
Investment Property	782
Deferred tax assets	-
Total Assets	**30,718**
Refundable accommodation deposits (RADs)	18,348
Independent living unit and apartment (ILU/ILA) entry contributions	370
Trade and other payables	734
Provisions	1,988
Deferred tax liabilities	2,584
Total Liabilities	**24,024**
Fair value of identifiable net assets	6,694
Goodwill arising on acquisition	25,110
Purchase consideration transferred	**31,804**
Cost of the combination:	
Cash paid	31,804
Total cost of the combination	**31,804**
Direct acquisition costs (included in administration expenses)	3,285

The cash consideration was $31,804,000. Acquisition related costs of $3,285,000 incurred as part of this transaction included Government charges, professional fees and legal expenses.

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

Due to the acquisition taking place on 1 August 2017, the initial accounting for the business combination is provisional, based on information available at reporting date.

3.3 Investment Property

	31 DEC 2017 $'000	30 JUN 2017 $'000
Retirement living properties	117,259	115,043
Assets under construction	9,328	-
Total investment property	**126,587**	**115,034**

	31 DEC 2017 $'000	30 JUN 2017 $'000
Reconciliation of carrying amounts		
Carrying amount at 1 July 2017	115,034	113,043
Acquisitions from business combinations	782	-
Transfers from property, plant and equipment	2,840	-
Additions	6,854	1,991
Change in fair value	1,077	-
Carrying amount at 31 December 2017	**126,587**	**115,034**

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 profit or loss.

SECTION 4: OPERATING ASSETS & LIABILITIES

4.1 Cash and Cash Equivalents

	31 DEC 2017 $'000	ADJUSTED 31 DEC 2016 $'000
Reconciliation of the net profit after tax to the net cash flows from operations		
Net profit	27,875	31,639
Non-Cash items		
Depreciation of non-current assets	13,987	13,160
RAD/bond retention and deferred management fee income	(4,693)	(5,334)
Other non-cash items	(507)	432
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	753	516
(Increase)/decrease in inventory	(65)	(30)
(Increase)/decrease in prepayments and other financial assets	(673)	(3,587)
(Increase)/decrease in deferred taxes	1,801	2,107
(Decrease)/increase in income tax payable	(3,475)	(3,630)
(Decrease)/increase in trade and other payables	31,761	34,452
(Decrease)/increase in RADs, accommodation bonds and ILU/ILA entry contributions	23,205	46,537
(Decrease)/increase in provisions	1,316	2,070
Net cash flow from operating activities	**91,285**	**118,332**
Reconciliation of cash		
Cash at bank	45,639	53,505
Cash on hand	125	105
Total Cash and cash equivalents	**45,764**	**53,610**

4.2 Trade and Other Payables

	31 DEC 2017 $'000	30 JUN 2017 $'000
Trade payables	7,517	10,425
Other payables	62,745	45,054
Deferred revenue	4,460	4,328
Fees received in advance	35,524	3,321
Total trade and other payables	**110,246**	**63,128**

SECTION 5: CAPITAL STRUCTURE & FINANCING

5.1 Other financial assets and liabilities

	31 DEC 2017 $'000	30 JUN 2017 $'000
Interest rate swaps	158	180
Total other financial assets	**158**	**180**
Refundable accommodation deposits (RADs)	906,834	869,600
Independent living unit and apartment (ILU/ILA) entry contributions	47,095	47,099
Interest rate swaps	-	-
Total other financial liabilities	**953,929**	**916,699**

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.

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. Prior to 1 July 2014, lump sum refundable accommodation deposits were referred to as accommodation bonds.

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

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

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

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

Providers are required to have sufficient liquidity to ensure they can refund RAD balances as they fall due in the following twelve 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, usually of a higher amount.

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

Entry contributions relate to independent living unit and apartment residents. ILU/ILA entry contributions are non interest bearing and are recognised at fair value through profit and loss with resulting fair value adjustments recognised in profit or loss. Fair value is the amount payable on demand and is measured at the principal amount plus the residents' 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.

5.1 Other financial assets and liabilities (continued)

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

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.

5.2 Fair value of financial instruments

The financial instruments included in 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 in the Consolidated Statement of Financial Position at Fair Value.

	NOTES	TOTAL $'000	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000
31 December 2017					
Assets and liabilities measured at fair value					
Interest rate swaps	5.1	158	-	158	-
Independent living unit and apartment entry contributions	5.1	(47,095)	-	(47,095)	-
Investment Property	3.3	126,587	-	-	126,587
Assets and liabilities for which fair value is disclosed					
Borrowings (i)		(361,467)	-	(361,467)	-
Refundable accommodation deposits (RADs)	5.1	(906,834)	-	(906,834)	-
Total		**(1,188,651)**	**-**	**(1,315,238)**	**126,587**
30 June 2017					
Assets and liabilities measured at fair value					
Interest rate swaps	5.1	180	-	180	-
Independent living unit and apartment entry contributions	5.1	(47,099)	-	(47,099)	-
Investment Property	3.3	115,034	-	-	115,034
Assets and liabilities for which fair value is disclosed					
Borrowings		(255,000)	-	(255,000)	-
Refundable accommodation deposits (RADs)	5.1	(869,600)	-	(869,600)	-
Total		**(1,056,485)**	**-**	**(1,171,519)**	**115,034**

(i) Under its syndicated bank facilities, the Group has access to a revolving credit facility and bank guarantee facility. Of these facilities, $295,000,000 matures in July 2020, $150,000,000 matures in May 2021 and $70,000,000 matures in July 2022. As at 31 December 2017 a total of $145,750,000 of the Group's revolving credit facility remains undrawn.

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

5.3 Commitments

Expenditure commitments

	31 DEC 2017 $'000	30 JUN 2017 $'000
Capital expenditure commitments		
Contractual commitments for building works at aged care facilities	52,517	154,684

Capital expenditure commitments

Contractual commitments at period end relate to ongoing development activity.

5.4 Contingencies

	31 DEC 2017 $'000	30 JUN 2017 $'000
Bank guarantees	6,250	7,390

5.5 Issued Capital

Movements in ordinary shares on issue are as follows:

	NOTES	DATE	NUMBER OF SHARES	$'000
Balance		30 June 2017	300,358,466	272,221
Share issue	(i)	8 September 2017	140,902	472
Share issue	(i)	18 December 2017	35,151	129
Balance		**31 December 2017**	**300,534,519**	**272,822**

(i) Performance Rights with a grant date fair value of $3.35 were exercised during the period.

5.6 Dividends

Dividends on ordinary shares paid or provided for

During the half-year ended 31 December 2017, the following dividend was declared and paid in relation to the financial year ended 30 June 2017.

	31 DEC 2017 $'000
Final 2017 Dividend: 10.04 cents per share, 100% franked (2016: 5.94 cents)	30,156
Total Dividends	**30,156**

Proposed dividends on ordinary shares (unrecognised)	
Interim 2018 dividend: 9.28 cents per share, 100% franked (2017: 10.30 cents per share, 100% franked)	27,875

Proposed dividends on ordinary shares are subject to approval and are not recognised as a liability as at 31 December 2017.

SECTION 6: OTHER ITEMS

6.1 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.

6.2 Prior year change in accounting policy

The Group's half year report for the period ended 31 December 2016 was prepared using the cost method of valuing investment property (consisting primarily of retirement living properties), whereby, after initial recognition, investment property was carried at cost less accumulated depreciation and accumulated impairment losses.

Following a voluntary change in accounting policy, the Group's annual financial report for the year ended 30 June 2017 was prepared using the revaluation method of valuing investment property whereby, after initial recognition, investment property is measured at fair value at the date of revaluation.

The Group has applied the revaluation method retrospectively and certain comparative amounts disclosed in the financial report for the half year ended 31 December 2017 have been adjusted from the corresponding amounts disclosed in the Group's financial report for the half year ended 31 December 2016 as shown in the table below:

	31 DEC 16 FINANCIAL REPORT $'000	ADJUSTMENT $'000	31 DEC 17 FINANCIAL REPORT $'000
As at and for the period ended 31 December 2016			
Depreciation	(14,170)	1,010	(13,160)
Income tax expense	(13,290)	(303)	(13,593)
Net profit after tax	**30,932**	**707**	**31,639**
Retained earnings	12,886	(2,796)	10,090

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 interim 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 31 December 2017 and of its performance for the half-year ended on that date; and

      (ii) complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

   (b) 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 in accordance with a resolution of directors.

On behalf of the Board

Mark A Birrell
Chairman
Melbourne, 23 February 2018

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Independent Auditor's Review Report to the Members of Regis Healthcare Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Regis Healthcare Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
Melbourne
23 February 2018