Regis Healthcare Limited – Preliminary Final Report (Appendix 4D) for the half-year ended 31 December 2018

The Prior Corresponding Period (PCP) is 1 July 2017 to 31 December 2017

The Directors of Regis Healthcare Limited (the 'Company') announce the results of the consolidated group for the half year ended 31 December 2018 as follows:

Results for announcement to the market **Extracted from the financial report for the half year ended 31 December 2018**	**Half year ended 31 Dec 2018 $'000**	**Movement from PCP $'000**	**Movement from PCP %**
Revenue from ordinary activities	318,228	22,305	+8%
Profit from ordinary activities attributable to members	24,399	(3,476)	-12%
Net profit attributable to members	24,399	(3,476)	-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 2019)	8.12	8.12	30%
Total dividends per security for the half-year	8.12	8.12	30%

Dividend dates	
Ex-dividend date	13 March 2019
Record date	14 March 2019
Payment date	11 April 2019

	31 Dec 2018	**31 Dec 2017**
Net tangible assets per security	(100.40) cents	(98.63) cents

This report is based on the financial report for the half year ended 31 December 2018, 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 2018.

Signed by

Martin Bede, Company Secretary
22 February 2019

REGIS HEALTHCARE LIMITED

ABN 11 125 203 054

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

FINANCIAL REPORT CONTENTS

CORPORATE INFORMATION

DIRECTORS	
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

COMPANY SECRETARY

Martin Bede

REGISTERED OFFICE

Level 2, 615 Dandenong Road,
Armadale VIC 3143

PRINCIPAL PLACE OF BUSINESS

Level 2, 615 Dandenong Road
Armadale VIC 3143

SHARE REGISTRY

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

STOCK EXCHANGE LISTING

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

SOLICITORS

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

AUDITORS

Ernst & Young Australia
8 Exhibition St
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 2018.

DIRECTORS

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

DIRECTORS	
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

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 2018, the Group owned and operated 63 aged care facilities, had 7,142 operational places and provided services in seven States and Territories.

During the period, Regis continued to execute on its growth strategy by increasing operational places delivered from new developments

A summary of the financial results for the half year period to 31 December 2018 is below:

FOR THE HALF YEAR ENDED	31 DEC 2018 $'000	31 DEC 2017 $'000
Reported[1] Revenue	318,228	295,923
Reported[1] Profit after tax for the period	24,399	27,875
Normalised[1] Profit after tax for the period	24,706	30,516
Normalised[1] Basic Earnings Per Share	8.22 cents	10.15 cents

Regis recorded a profit after income tax for the half year period of $24,399,000 (2017: $27,875,000). Total revenue for the period was $318,228,000, which represents an increase of $22,305,000 or 8% against the previous corresponding period.

The normalised profit after tax of the Group for the half year period ended 31 December 2018 is $24,706,000 (2017: $30,516,000), which excludes costs of $307,000 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. 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. The normalisation adjustments to the reported profit after tax for the half year period ended 31 December 2017 excluded the one off acquisition costs associated with the Presbyterian Care Tasmania acquisition.

The current period result reflects improvements in earnings from greenfield developments in the latter stages of ramp up, the Significant Refurbishment program and the annual COPE increase. However, these are offset by industry wide occupancy headwinds, the increased impact of the Government funding cuts and associated expenses increases and losses incurred by the three most recently opened new facilities. Increased depreciation and higher interest costs, reflecting higher average debt levels, relating to the newly opened facilities were also experienced during the period.

[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.

CASH FLOW AND CAPITAL EXPENDITURE

The Group's principal sources of funds were cash flow from operations (including RADs). Net cash flows from operating activities for the period were $145,499,000 (2017: $91,285,000). RAD, accommodation bond and ILU/ILA entry contribution net inflows for the six month period to 31 December 2018 were $72,067,000 (2017: $23,206,000).

During the period, the Group invested $42,647,000 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 period, the group repaid $49,010,000 of bank borrowings assisted by the net RAD cash inflow in the period.

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

During the period, the following greenfield development facilities were delivered:

- Lutwyche, Brisbane (delivered August 2018, 135 operational places)
- Elermore Vale, Newcastle (delivered September 2018, 120 operational places)
- Port Coogee, Perth (delivered September 2018, 139 operational places)

DIVIDENDS

A dividend of $26,007,000 (fully franked) was paid on 26 September 2018 in respect of the financial year ended 30 June 2018 and is reflected in the financial statements of the current reporting period.

A dividend of $24,399,000 (fully franked) was declared on 22 February 2019 for payment for the half year ended 31 December 2018. The financial effect of dividends declared after period end are not reflected in the 31 December 2018 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

On the 10th of February 2019 the Federal Government announced a one off $320m funding package for residential aged care. The announcement stated "The $320 million residential aged care component equates to approximately $1,800 per permanent resident and will provide additional support to the sector, over the next 18-months, to deliver quality aged care services while the Government considers longer-term reform funding options." Regis awaits further detail from the Government.

No other 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.

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 2018 has been received and can be found on page 5.

Signed in accordance with a resolution of the directors.

Graham Hodges

Graham K Hodges
Chairman
Melbourne,
22 February 2019

Ernst & Young
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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 2018, 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
22 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	NOTES	31 DEC 2018 $'000	31 DEC 2017 $'000
Revenue	2.1	318,228	295,923
Other income	2.1	1,692	1,077
Staff expenses		(217,964)	(196,173)
Resident care expenses		(18,639)	(17,143)
Administration expenses		(16,681)	(16,996)
Occupancy expenses		(10,219)	(8,758)
Depreciation		(16,344)	(13,987)
Profit before income tax and finance costs		**40,073**	**43,943**
Finance costs	2.2	(6,055)	(4,129)
Profit before income tax		**34,018**	**39,814**
Income tax expense	2.3	(9,619)	(11,939)
Profit for the period		**24,399**	**27,875**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
(Loss) / gain on cash flow hedges, net of tax		(43)	(15)
Other comprehensive income, net of tax		**(43)**	**(15)**
Total comprehensive income for the period		**24,356**	**27,860**
Total comprehensive income attributable to:			
Owners of the parent		24,356	27,860
Earnings per share			
		Cents	**Cents**
Earnings per share for the period attributable to ordinary equity holders of the Parent			
Basic	2.5	8.12	9.28
Diluted	2.5	8.11	9.27

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	NOTES	31 DEC 2018 $'000	30 JUN 2018 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4.1	35,605	7,770
Trade and other receivables		7,115	6,879
Inventories		981	937
Other current assets		6,576	3,732
Other financial assets	5.1	86	147
Income tax receivable		6,236	4,646
Total Current Assets		**56,599**	**24,111**
Non-Current Assets			
Property, plant and equipment	3.1	1,142,396	1,127,102
Investment property	3.2	132,362	129,049
Intangible assets		478,417	478,417
Total Non-Current Assets		**1,753,175**	**1,734,568**
TOTAL ASSETS		**1,809,774**	**1,758,679**
LIABILITIES			
Current Liabilities			
Trade and other payables	4.2	90,179	59,796
Provisions		55,316	53,923
Other financial liabilities	5.1	1,058,377	989,238
Total Current Liabilities		**1,203,872**	**1,102,957**
Non-Current Liabilities			
Interest-bearing loans and borrowings	5.2	362,808	411,589
Provisions		5,042	4,652
Deferred tax liabilities		61,477	59,111
Total Non-Current Liabilities		**429,327**	**475,352**
TOTAL LIABILITIES		**1,633,199**	**1,578,309**
NET ASSETS		**176,575**	**180,370**
EQUITY			
Issued Capital	5.5	273,233	272,822
Retained earnings		445	4,439
Reserves		(97,103)	(96,891)
TOTAL EQUITY		**176,575**	**180,370**

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 2018

	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 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**
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 1.6)	-	(2,386)	-	-	-	(2,386)
Adjusted balance at 1 July 2018	**272,822**	**2,053**	**103**	**4,503**	**(101,497)**	**177,984**
Profit for the period	-	24,399	-	-	-	24,399
Other comprehensive income	-	-	(43)	-	-	(43)
Total comprehensive income for the period	**-**	**24,399**	**(43)**	**-**	**-**	**24,356**
Dividends paid or provided for	-	(26,007)	-	-	-	(26,007)
Equity settled share based payment expense	-	-	-	242	-	242
Transfers from remuneration reserve	411	-	-	(411)	-	-
At 31 December 2018	**273,233**	**445**	**60**	**4,334**	**(101,497)**	**176,575**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	NOTES	31 DEC 2018 $'000	31 DEC 2017 $'000
Cash flows from operating activities			
Receipts from residents and Government subsidies		315,404	295,526
Government funding received in advance		36,366	32,193
Payments to suppliers and employees		(262,168)	(239,665)
Interest received		100	239
Finance costs		(8,468)	(6,610)
RAD, accommodation bond and ILU/ILA entry contribution inflows		211,089	159,933
RAD, accommodation bond and ILU/ILA entry contribution outflows		(139,022)	(136,727)
Income tax paid		(7,802)	(13,604)
Net cash flows from operating activities	4.1	**145,499**	**91,285**
Cash flows from investing activities			
Purchase of property, plant and equipment		(41,026)	(108,174)
Purchase of investment property		(1,621)	(6,854)
Purchase of Presbyterian Care Tasmania		-	(28,280)
Net cash flows used in investing activities		**(42,647)**	**(143,308)**
Cash flows from financing activities			
Proceeds from / (Repayments of) bank borrowings		(49,010)	106,467
Dividend paid on ordinary shares		(26,007)	(30,156)
Net cash flows used in financing activities		**(75,017)**	**76,311**
Net increase/(decrease) in cash held		27,835	24,288
Cash at the beginning of the period		7,770	21,476
Cash at the end of the period	4.1	**35,605**	**45,764**

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 2018 was authorised for issue in accordance with a resolution of the directors on 22 February 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.

1.2 Basis of Preparation

The interim financial report for the six months ended 31 December 2018 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 2018.

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.

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 Events after the Balance Sheet Date

On the 10th of February 2019 the Federal Government announced a one off $320m funding package for residential aged care. The announcement stated "The $320 million residential aged care component equates to approximately $1,800 per permanent resident and will provide additional support to the sector, over the next 18-months, to deliver quality aged care services while the Government considers longer-term reform funding options." Regis awaits further detail from the Government.

No other 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.

1.5 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 2018.

1.6 New standards, interpretations and amendments adopted by the Group

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 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 are 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.

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

AASB 15 *Revenue from Contracts with Customers (continued)*

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, the information presented for 31 December 2017 and 30 June 2018 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.

	Half Year Ended 31 December 2018		
	30 June 2018 $'000	Adjustment opening balance $'000	1 July 2018 $'000
Statement of Financial Position			
Trade and Other Payables – 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.

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.

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.

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 within Trade and Other Payables.

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.

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

AASB 15 *Revenue from Contracts with Customers (continued)*

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. Government funding received in advance of services being performed is included in Fees received in advance in Note 4.2.	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 are 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 are 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 are usually payable within 30 days.	Aged care, home care and retirement living

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.

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

AASB 9 *Financial Instruments (continued)*

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 of 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.

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.

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

AASB 9 Financial Instruments (continued)

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 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.

1.7 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*

Contractual arrangements relating to the provision of aged care and retirement living accommodation

The Group has evaluated its contractual arrangements relating to the provision of 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 Daily Accommodation Payment (DAP) is not expected to change upon adopting AASB 16, except for classification of related revenue as lease income.

For residential aged care accommodation arrangements where the resident has elected to pay a Refundable Accommodation Deposit (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, lease revenue (to reflect the interest free loan financing benefit received) with no net impact on profit or loss.

1.7 New standards, interpretations and amendments issued but not yet effective (continued)

AASB 16 *Leases (continued)*

Contractual arrangements relating to the provision of aged care and retirement living accommodation (continued)

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 six-month period ended 31 December 2018, assuming:

- an average RAD / Bond balance of $981m; and
- the rate adopted was equal to the current Maximum Permissible Interest Rate (MPIR) of 5.96%, 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 $29m of Finance costs (i.e. interest expense) and Other income (i.e. lease income) respectively with $nil impact to net profit for the period.

Contractual arrangements relating to lease of office premises and other capital leases

The Group is in the process of evaluating its contractual arrangements relating to the lease of office premises and other capital leases. Depending on the Group's contractual arrangements in place when the standard becomes effective, the standard will impact on the Group's financial position as the Group will recognise a right-of-use asset and a corresponding liability in respect of its operating leases. Currently, the Group is performing an assessment to identify the financial impact of applying the new standard.

The application date of AASB 16 for the Group is 1 July 2019.

SECTION 2: CURRENT PERFORMANCE

2.1 Revenue and Other Income

	31 DEC 2018 $'000	31 DEC 2017 $'000
Revenue by nature and source of funding		
Government funding	222,615	207,280
Resident basic daily fee revenue	55,603	51,100
Other resident revenue	34,381	32,763
Other revenue	4,406	3,638
Sub-total	**317,005**	**294,781**
Deferred management fee revenue	1,117	903
Interest	106	239
Total revenue	**318,228**	**295,923**
Other income		
Change in fair value of investment property	1,692	1,077
Total other income	**1,692**	**1,077**

2.2 Finance Costs

	31 DEC 2018 $'000	31 DEC 2017 $'000
Finance costs		
Interest expense: Bank loans and overdrafts	6,671	4,716
Interest on refundable RADs	1,946	2,037
Other	625	526
Total finance costs	9,242	7,279
Less borrowing costs capitalised	(3,187)	(3,150)
Total finance costs expensed	**6,055**	**4,129**

2.3 Income Tax

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

	31 DEC 2018 $'000	31 DEC 2017 $'000
Accounting profit before income tax	34,018	39,814
At the statutory income tax rate of 30% (2017: 30%)	10,205	11,944
Adjustments in respect of current income tax of previous years	(30)	3
Relating to origination and reversal of temporary differences	(611)	-
Other (non-assessable income)/non-deductible expenses	55	(8)
Income tax expense reported in profit or loss	**9,619**	**11,939**

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

	31 DEC 2018 $'000	31 DEC 2017 $'000
Normalised EBITDA	**56,749**	**60,976**
Depreciation	(16,344)	(13,987)
Other expenses	(438)	(3,285)
Finance income	106	239
Finance costs	(6,055)	(4,129)
Profit before income tax	**34,018**	**39,814**

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.

	31 DEC 18 $'000	31 DEC 17 $'000
Profit attributable to ordinary equity holders of the Company	24,399	27,875

	31 DEC18 THOUSANDS	31 DEC17 THOUSANDS
Weighted average number of ordinary shares used in the calculation of:		
Basic earnings per share	300,596	300,449
Adjustment for effect of share based payment arrangements	311	306
Diluted earnings per share	300,907	300,755

	31 DEC 18 cps	31 DEC 17 cps
Basic earnings per share	8.12	9.28
Diluted earnings per share	8.11	9.27

SECTION 3: ASSETS AND GROWTH

3.1 Property, Plant and Equipment

	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 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	-	-	-	-	-	(2,840)	(2,840)
Disposals	-	-	(26)	-	-	-	(26)
Acquisition of businesses	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**
Cost at 31 December 2018	987,910	266,140	1,049	69,945	38	52,639	1,377,721
Accumulated depreciation and impairment	(103,625)	(107,970)	(809)	(22,903)	(18)	-	(235,325)
Carrying amount at 31 December 2018	**884,285**	**158,170**	**240**	**47,042**	**20**	**52,639**	**1,142,396**
Reconciliation of carrying amounts							
Carrying amount at 1 July 2018	763,961	136,166	265	43,097	21	183,592	1,127,102
Additions	72	4,436	3	1,104	-	26,023	31,638
Transfers from work in progress	126,574	25,978	-	4,424	-	(156,976)	-
Depreciation expense	(6,322)	(8,410)	(28)	(1,583)	(1)	-	(16,344)
Carrying amount at 31 December 2018	**884,285**	**158,170**	**240**	**47,042**	**20**	**52,639**	**1,142,396**

3.2 Investment Property

	31 DEC 2018 $'000	30 JUN 2018 $'000
Reconciliation of carrying amounts		
Carrying amount at 1 July	129,049	115,034
Acquisitions from business combinations	-	782
Transfers from property, plant and equipment	-	2,840
Additions	1,621	9,316
Change in fair value	1,692	1,077
Carrying amount at 31 December	**132,362**	**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% to 18% (30 June 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 (30 June 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 (30 June 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.

SECTION 4: OPERATING ASSETS & LIABILITIES

4.1 Cash and Cash Equivalents

	31 DEC 2018 $'000	31 DEC 2017 $'000
Reconciliation of the net profit after tax to the net cash flows from operations		
Net profit	24,399	27,875
Non-Cash items		
Depreciation of non-current assets	16,344	13,987
RAD/bond retention and deferred management fee income	(2,928)	(4,693)
Other non-cash items	(1,177)	(507)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(536)	753
(Increase)/decrease in inventory	(44)	(65)
(Increase)/decrease in other current assets and other financial assets	(2,783)	(673)
(Increase)/decrease in deferred taxes	3,389	1,801
(Increase)/decrease in income tax receivable	(1,590)	(3,475)
(Decrease)/increase in trade and other payables	36,619	31,761
(Decrease)/increase in RADs, accommodation bonds and ILU/ILA entry contributions	72,067	23,205
(Decrease)/increase in provisions	1,739	1,316
Net cash flow from operating activities	**145,499**	**91,285**
Reconciliation of cash		
Cash at bank	35,407	45,639
Cash on hand	198	125
Total Cash and cash equivalents	**35,605**	**45,764**

4.2 Trade and Other Payables

	31 DEC 2018 $'000	30 JUN 2018 $'000
Trade payables	10,375	13,000
Other payables	32,123	39,050
Deferred revenue	7,607	4,520
Fees received in advance	40,074	3,226
Total trade and other payables	**90,179**	**59,796**

SECTION 5: CAPITAL STRUCTURE & FINANCING

5.1 Other Financial Assets and Liabilities

	31 DEC 2018 $'000	30 JUN 2018 $'000
Interest rate swaps	86	147
Total other financial assets	**86**	**147**
Refundable accommodation deposits (RADs)	1,016,172	945,152
Independent living unit and apartment (ILU/ILA) entry contributions	42,205	44,086
Total other financial liabilities	**1,058,377**	**989,238**

Interest rate swaps

Details of the Group's accounting policy are disclosed in Note 1.6.

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 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.

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 2018					
Assets and liabilities measured at fair value					
Interest rate swaps	5.1	86	-	86	-
Independent living unit and apartment entry contributions	5.1	(42,205)	-	(42,205)	-
Investment Property	3.2	132,362	-	-	132,362
Assets and liabilities for which fair value is disclosed					
Borrowings (i)		(362,808)	-	(362,808)	-
Refundable accommodation deposits (RADs)	5.1	(1,016,172)	-	(1,016,172)	-
Total		**(1,288,737)**	**-**	**(1,421,099)**	**132,362**
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	3.2	129,049	-	-	129,049
Assets and liabilities for which fair value is disclosed					
Borrowings		(411,589)	-	(411,589)	-
Refundable accommodation deposits (RADs)	5.1	(945,152)	-	(945,152)	-
Total		**(1,271,631)**		**(1,400,680)**	**129,049**

(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 2018 a total of $152,192,000 of the Group's revolving credit facility remains undrawn.

The Group also has access to a $25,000,000 bilateral overdraft facility to be used for general working capital and corporate purposes. The facility matures in May 2021 and was undrawn as at 31 December 2018.

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 2018 $'000	30 JUN 2018 $'000
Capital expenditure commitments		
Contractual commitments for building works at aged care facilities	18	471

Capital expenditure commitments

Contractual commitments at period end relate to ongoing development activity.

5.4 Contingencies

	31 DEC 2018 $'000	30 JUN 2018 $'000
Bank guarantees	6,250	6,250

5.5 Issued Capital

Movements in ordinary shares on issue are as follows:

	GRANT DATE FAIR VALUE	DATE	NUMBER OF SHARES	$'000
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		**31 December 2018**	**300,653,689**	**273,233**

5.6 Dividends

Dividends on ordinary shares paid or provided for

During the half-year ended 31 December 2018, the following dividend was declared and paid in relation to the financial year ended 30 June 2018.

	31 DEC 2018 $'000
Final 2018 Dividend: 8.65 cents per share, 100% franked (2017: 10.04 cents)	26,007
Total Dividends	**26,007**

Proposed dividends on ordinary shares (unrecognised)	
Interim 2019 dividend: 8.12 cents per share, 100% franked (2018: 9.28 cents per share, 100% franked)	24,399

Proposed dividends on ordinary shares are subject to approval and are not recognised as a liability as at 31 December 2018.

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 2018 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

Graham K Hodges
Chairman
Melbourne, 22 February 2019

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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 2018, 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 2018 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 2018 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
22 February 2019