Regis Healthcare Limited – Preliminary Final Report (Appendix 4D) for the half-year ended 31 December 2019

The Prior Corresponding Period (PCP) is the half-year ended 31 December 2018

The Directors of Regis Healthcare Limited (the 'Company') announce the results of the consolidated group for the half-year ended 31 December 2019 as follows:

Results for announcement to the market **Extracted from the financial report for the half-year ended 31 December 2019**	**Half-year ended 31 Dec 2019 $'000**	**Movement $'000 (PCP)**	**Movement % (PCP)**
Revenue from ordinary activities	361,486	43,258	+14%
Profit from ordinary activities attributable to members	12,084	(12,315)	-50%
Net profit attributable to members	12,084	(12,315)	-50%

Dividend Information	**Amounts per security (cents)**	**Franked amounts per security (cents)**	**Tax Rate for Franking**
Interim dividend per security (to be paid 9 April 2020)	4.02	2.01	30%
Total dividends per security for the half-year	4.02	2.01	30%

Final dividend dates	
Ex-dividend date	11 March 2020
Record date	12 March 2020
Payment date	9 April 2020

	31 Dec 2019	**31 Dec 2018**
Net tangible assets[1] per security	(103.68) cents	(100.40) cents

[1] Net tangible assets is calculated as Net Assets (including net deferred tax assets / liabilities) less intangible assets.

This report is based on the financial report for the half-year ended 31 December 2019, which has been independently reviewed by Ernst & Young.

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the notes to the financial report for the half-year ended 31 December 2019.

Signed by

Martin Bede, Company Secretary
26 February 2020

REGIS HEALTHCARE LIMITED

ABN 11 125 203 054

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

FINANCIAL REPORT CONTENTS

CORPORATE INFORMATION

DIRECTORS	
Graham K Hodges	Chairman, Non-Executive Director
Linda J Mellors	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 3000
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 2019.

DIRECTORS

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

DIRECTORS	
Graham K Hodges	Chairman, Non-Executive Director
Linda J Mellors	Managing Director and CEO (appointed on 20 September 2019)
Ross J Johnston	Managing Director and CEO (resigned on 4 September 2019)
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

On 4 September 2019, Dr Linda Mellors was appointed Chief Executive Officer (CEO), succeeding Ross Johnston who resigned from the company. In addition to her role as CEO, Linda was appointed Managing Director on 20 September 2019. Linda has a PhD in cardiac physiology, Bachelor of Science with first class honours, Bachelor of Arts and is a Graduate of the Australian Institute of Company Directors.

PRINCIPAL ACTIVITIES

The Group's principal activity during the period was the provision of residential aged care services. There were no significant changes to these activities during the period.

REVIEW AND RESULTS OF OPERATIONS

As at 31 December 2019, the Group owned and operated 63 aged care homes, had 7,078 operational places and provided services in seven States and Territories.

A summary of the financial results for the half year period to 31 December 2019 is below:

FOR THE HALF YEAR ENDED	31 DEC 2019 $'000	31 DEC 2018 $'000
Reported[1] Revenue	361,486	318,228
Reported[1] Profit after tax for the period	12,084	24,399
Underlying[1] Profit after tax for the period	12,963	24,706
Reported[1] Basic Earnings Per Share	4.02 cents	8.12 cents

Total revenue for the period was $361,486,000, which represents an increase of $43,258,000 or 14% against the previous corresponding period. Due to the adoption of AASB 16 *Leases* effective 1 July 2019, the Group was required to recognise, for residential aged care accommodation arrangements where the resident has elected to pay a RAD or Bond, income (to reflect the interest fee loan financing benefit received from RADs and Bonds) and, correspondingly, interest expense (to impute an interest charge on RADs and Bonds) of $29,253,000 with $nil net impact on profit or loss and cash flows for the half year period. Excluding the impact of AASB 16, total revenue for the period was $332,233,000, which represents an increase of $14,005,000 or 4.4% against the previous corresponding period.

Regis recorded a profit after income tax for the half year period of $12,084,000 (2018: $24,399,000).

The underlying profit after tax of the Group for the half year period ended 31 December 2019 is $12,963,000 (2018: $24,706,000), which excludes $879,000 of costs directly associated with the preparation of Regis' response to the requests for information received from the Royal Commission into Aged Care Quality and Safety and submissions to the Commission.

[1] The use of the terms 'reported' refers to IFRS financial information and 'underlying' to non-IFRS financial information. Underlying 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. Underlying 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 the Group's external auditors.

Financial performance continued to be negatively impacted by lower occupancy and the ongoing effect of the rate of indexation of Government funding (circa 1.4%) not keeping up with the rate of inflation on care costs (employee costs rose by circa 3%). Average occupancy over the half year to December 2019 in steady homes[2] was 90.4%, down from 91.9% in the prior corresponding period.

Importantly, improved earnings from greenfield developments ramping up supported business performance over the period and more than offset the increase in care, staff and deprecation expenses related to the new greenfield sites.

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 $111,016,000 (2018: $145,499,000). This included RAD, accommodation bond and ILU/ILA entry contribution net inflows of $46,101,000 (2018: $72,067,000) and Government funding for January 2020 received in advance in December of $37,027,000 (2018: $36,336,000).

During the period, the Group invested $30,562,000 in capital expenditure for:

- Development of new homes;
- Significant refurbishment of existing homes; and
- Ongoing maintenance capital expenditure at our existing homes.

During the period, the group repaid $32,028,000 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.

DIVIDENDS

A dividend of $21,376,000 (100% franked) was paid on 26 September 2019 in respect of the financial year ended 30 June 2019 and is reflected in the financial statements of the current reporting period.

A dividend of $12,084,000 (50% franked) was declared on 26 February 2020 for payment for the half year ended 31 December 2019. The financial effect of dividends declared after period end are not reflected in the 31 December 2019 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 to the date of this report that 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

Regis has contracted to acquire two homes near Townsville, Queensland, from Lower Burdekin Home for the Aged Society offering a total of 173 aged care places. Regis will assume ownership from March 2020, subject to approval from the Department of Health. The Group has acquired the business in line with its growth strategy. With a home in Townsville already, the location is a good fit with the North Queensland operating network.

In January 2020, two of five retail units located at Port Coogee that are classified as held for sale at the half-year ended 31 December 2019 were disposed of.

No other matters or circumstances have arisen since the end of the period 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 2019 has been received and can be found on page 6.

Signed in accordance with a resolution of the directors.

Graham K Hodges
Chairman
Melbourne,
26 February 2020

[2] Excludes newly developed homes in the ramp up phase.

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

As lead auditor for the review of the half-year financial report of Regis Healthcare Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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

BJ Pollock
Partner
26 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	NOTES	31 DEC 2019 $'000	31 DEC 2018* $'000
Revenue	2.1	361,486	318,228
Other income	2.1	81	1,692
Staff expenses		(238,886)	(217,964)
Resident care expenses		(20,969)	(18,639)
Administration expenses		(17,940)	(16,681)
Occupancy expenses		(10,722)	(10,219)
Depreciation		(20,162)	(16,344)
Profit before income tax and finance costs		**52,888**	**40,073**
Finance costs	2.2	(35,618)	(6,055)
Profit before income tax		**17,270**	**34,018**
Income tax expense	2.3	(5,186)	(9,619)
Profit for the period		**12,084**	**24,399**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
(Loss) / gain on cash flow hedges, net of tax		64	(43)
Other comprehensive income, net of tax		**64**	**(43)**
Total comprehensive income for the period		**12,148**	**24,356**
Total comprehensive income attributable to:			
Owners of the parent		12,148	24,356
Earnings per share			
		Cents	**Cents**
Earnings per share for the period attributable to ordinary equity holders of the Parent			
Basic	2.5	4.02	8.12
Diluted	2.5	4.01	8.11

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

** The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer to Note 1.6).*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	NOTES	31 DEC 2019 $'000	30 JUN 2019* $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4.1	26,972	-
Trade and other receivables		8,583	10,484
Inventories		1,186	1,341
Other current assets		7,060	3,959
Assets held for sale		1,599	
Income tax receivable		4,863	6,430
Total Current Assets		**50,263**	**22,214**
Non-Current Assets			
Property, plant and equipment	3.1	1,154,400	1,147,692
Investment property	3.2	145,891	143,375
Right of use asset	3.3	6,475	-
Intangible assets		479,617	479,617
Total Non-Current Assets		**1,786,383**	**1,770,684**
TOTAL ASSETS		**1,836,646**	**1,792,898**
LIABILITIES			
Current Liabilities			
Cash and cash equivalents	4.1	-	160
Trade and other payables	4.2	89,225	55,585
Lease liabilities		1,035	-
Provisions		59,563	60,161
Other financial liabilities	5.1	1,169,536	1,126,920
Total Current Liabilities		**1,319,359**	**1,242,826**
Non-Current Liabilities			
Interest-bearing loans and borrowings	5.2	271,429	303,080
Provisions		6,604	6,012
Deferred tax liabilities		63,984	62,335
Lease liabilities		7,483	-
Total Non-Current Liabilities		**349,500**	**371,427**
TOTAL LIABILITIES		**1,668,859**	**1,614,253**
NET ASSETS		**167,787**	**178,645**
EQUITY			
Issued Capital	5.5	273,485	273,233
Retained earnings		(8,300)	2,530
Reserves		(97,398)	(97,118)
TOTAL EQUITY		**167,787**	**178,645**

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

** The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer to Note 1.6).*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	ISSUED CAPITAL $'000	RETAINED EARNINGS $'000	CASH FLOW HEDGE RESERVE $'000	REMUNERATION RESERVE $'000	ACQUISITION RESERVE $'000	TOTAL EQUITY $'000
At 1 July 2018 with the adjusted balance	**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**
At 1 July 2019	**273,233**	**2,530**	**(64)**	**4,443**	**(101,497)**	**178,645**
Adjustment related to new accounting standards*	-	(1,538)	-	-	-	(1,538)
Adjusted balance at 1 July 2019	**273,233**	**992**	**(64)**	**4,443**	**(101,497)**	**177,107**
Profit for the period	-	12,084	-	-	-	12,084
Other comprehensive income	-	-	64	-	-	64
Total comprehensive income for the period	**-**	**12,084**	**64**	**-**	**-**	**12,148**
Dividends paid or provided for	-	(21,376)	-	-	-	(21,376)
Equity settled share based payment expense	-	-	-	(92)	-	(92)
Transfers from remuneration reserve	252	-	-	(252)	-	-
At 31 December 2019	**273,485**	**(8,300)**	**-**	**4,099**	**(101,497)**	**167,787**

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

** The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer to Note 1.6).*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	NOTES	31 DEC 2019 $'000	31 DEC 2018* $'000
Cash flows from operating activities			
Receipts from residents and Government subsidies		332,768	315,404
Government funding received in advance		37,027	36,366
Payments to suppliers and employees		(296,262)	(262,168)
Interest received		37	100
Finance costs		(7,317)	(8,468)
RAD, accommodation bond and ILU/ILA entry contribution inflows		211,195	211,089
RAD, accommodation bond and ILU/ILA entry contribution outflows		(165,094)	(139,022)
Income tax paid		(1,338)	(7,802)
Net cash flows from operating activities	4.1	**111,016**	**145,499**
Cash flows from investing activities			
Purchase of property, plant and equipment		(28,127)	(41,026)
Purchase of investment property		(2,435)	(1,621)
Proceeds from disposal of property, plant and equipment		710	-
Net cash flows used in investing activities		**(29,852)**	**(42,647)**
Cash flows from financing activities			
Proceeds from / (Repayments of) bank borrowings		(32,028)	(49,010)
Payment of lease liabilities		(628)	-
Dividend paid on ordinary shares		(21,376)	(26,007)
Net cash flows used in financing activities		**(54,032)**	**(75,017)**
Net increase/(decrease) in cash held		27,132	27,835
Cash at the beginning of the period		(160)	7,770
Cash at the end of the period	4.1	**26,972**	**35,605**

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

** The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer to Note 1.6).*

SECTION 1: ABOUT THIS REPORT

1.1 Corporate Information

The interim condensed consolidated financial statements of Regis Healthcare Limited and its subsidiaries (collectively, the Group) for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 26 February 2020.

Regis Healthcare Limited (the "Company") is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group's principal activity during the period was the provision of residential aged care services.

1.2 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2019 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures typically required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2019.

The interim condensed consolidated financial statements have 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 interim condensed consolidated financial statements are 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 condensed consolidated financial statements have 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 1 March 2020, the Group will acquire two aged care homes located in Queensland from Lower Burdekin Home for the Aged Society, offering a total of 173 aged care places. The Group has acquired the business in line with its growth strategy.

In January 2020 two of the five units located at Port Coogee, classified as held for sale at the half-year ended 31 December 2019 were disposed of.

No matters or circumstances have arisen since the end of the period that 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 condensed consolidated financial statements requires management to make estimates, judgements and assumptions.

In preparing the interim condensed consolidated financial statements, 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 consolidated financial statements as at and for the year ended 30 June 2019, except for new significant judgements related to lessee accounting under AASB 16, which are disclosed in Note 3.3.

1.6 New standards, interpretations and amendments adopted by the Group

The accounting policies applied by the Group in these interim condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019.

AASB 16 *Leases*

The Group adopted AASB 16 Leases (AASB 16) using the modified retrospective approach from 1 July 2019, the impact that this initial application of AASB 16 has on the consolidated financial statements, is described below.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. AASB 16 replaces existing leases guidance, including AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

AASB 16 *Leases (continued)*

Leases in which the Group is a lessee

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

The Group also applied available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are tested for impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. For lease payments, the Group applies the practical expedient wherein it does not separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases, being those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

AASB 16 *Leases (continued)*

Transition

The application date of AASB 16 for the Group was 1 July 2019, using the modified retrospective approach. The right-of-use assets for operating leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Therefore, the cumulative effect of adopting AASB 16 was recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The transitional impact upon initial adoption of AASB 16 as at 1 July 2019 was:

- Inclusion of right of use asset of $6.3m;
- Inclusion of a lease liability of $8.5m;
- Decrease in net deferred tax liabilities by $0.7m; and
- Decrease in retained earnings by $1.5m.

	$'000
Lease commitments reconciliation	
Operating lease commitments as at 30 June 2019	4,405
Add: payments in optional extension periods not recognised as at 30 June 2019	5,793
Gross lease liabilities as at 1 July 2019	10,198
Weighted average incremental borrowing rate as at 1 July 2019	3.33%
Discounted using the lessee's incremental borrowing rate of the date of initial application	**8,460**

Impact for the period

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised $6,475,000 of right of use assets and $8,518,000 of lease liabilities at 31 December 2019.

Also in relation to leases under AASB 16, the Group has recognised depreciation and interest cost, totalling $462,000 and $212,000 respectively instead of $628,000 of operating lease/rental expenses.

Leases in which the Group is a lessor

Contracts with customers contain provisions for accommodation, use of common areas/facilities for provision of care and other services. The Group has concluded that its contractual arrangements relating to the provision of residential aged care and retirement living accommodation are an operating lease pursuant to AASB 16, being the exclusive right to the use of a room/unit by a resident.

For residential aged care accommodation arrangements where the resident has elected to pay a RAD or Bond, the Group receives a financing benefit, being non-cash consideration, in the form of an interest free loan. On adoption of AASB 16, the fair value of this non-cash consideration is required to be recognised as income (to reflect the interest free loan financing benefit received on RADs and Bonds) and, correspondingly, interest expense (to record the financial liability associated with RADs and Bonds at fair value) with no net impact on profit or loss.

The application of AASB 16 for the half year ending 31 December 2019 has been calculated based on:

- monthly average RAD / Bond balances; and
- interest rate equal to the Maximum Permissible Interest Rate (MPIR) of 5.54% between July to September and 4.98% between October to December, 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 presents Income of $29.3m and an additional Finance cost (i.e. interest expense) of $29.3m, with $nil impact to net profit for the period.

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

In accordance with AASB 16, a lessor is not required to make any adjustments on transition for leases in which it is a lessor and shall account for those leases applying AASB 16 from the date of initial application (1 July 2019). Therefore, comparatives have not been restated.

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

AASB Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of the recognition and measurement criteria in AASB 112 *Income Taxes*. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group has assessed whether the Interpretation had an impact on its interim consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it had any uncertain tax positions. The Group determined, based on its tax compliance and governance procedures, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the interim consolidated financial statements of the Group.

SECTION 2: CURRENT PERFORMANCE

2.1 Revenue and other income

	Notes	31 DEC 2019 $'000	31 DEC 2018 $'000
Revenue			
Government funding		229,458	222,615
Resident basic daily fee revenue		58,227	55,603
Other resident revenue		39,783	34,381
Income on RADs and Bonds	1.6	29,253	-
Other revenue		3,733	4,406
Sub-total		**360,454**	**317,005**
Deferred management fee revenue		995	1,117
Interest		37	106
Total revenue		**361,486**	**318,228**
Other income			
Change in fair value of operating investment property	3.2	81	1,692
Total other income		**81**	**1,692**

2.2 Finance Costs

	Notes	31 DEC 2019 $'000	31 DEC 2018 $'000
Finance costs			
Interest expense: Bank loans and overdrafts		3,890	6,671
Interest on refundable RADs		2,249	1,946
Interest charge on RADs and Bonds	1.6	29,253	-
Interest expense: Lease Liability		211	-
Other		1,013	625
Total finance costs		36,616	9,242
Less borrowing costs capitalised		(998)	(3,187)
Total finance costs expensed		**35,618**	**6,055**

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 2019 $'000	31 DEC 2018 $'000
Accounting profit before income tax		17,270	34,018
At the statutory income tax rate of 30% (2018: 30%)		5,181	10,205
Adjustments in respect of current income tax of previous years		(71)	(30)
Non deductible acquisition costs		49	-
Relating to origination and reversal of temporary differences		-	(611)
Other (non-assessable income) /non-deductible expenses		27	55
Income tax expense reported in profit or loss		**5,186**	**9,619**

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 underlying earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the Group's performance. Underlying EBITDA excludes the effect of significant items of income and expenditure that may have an impact on quality of earnings.

Reconciliation of underlying EBITDA to profit before tax

	31 DEC 2019 $'000	31 DEC 2018 $'000
Underlying EBITDA*	**74,269**	**56,749**
Depreciation	(20,162)	(16,344)
Royal Commission related expenses	(1,256)	(438)
Finance income	37	106
Finance costs*	(35,618)	(6,055)
Profit before income tax	**17,270**	**34,018**

* Following adoption of AASB 16 effective 1 July 2019:

- Underlying EBITDA and Finance costs for the period ended 31 December 2019 include income on RADS and Bonds and, correspondingly, interest expense of $29,253,000 with no net impact on profit or loss;
- the Group has recognised depreciation and interest cost, totalling $462,000 and $212,000 respectively instead of $628,000 of operating lease/rental expenses.

Refer to Note 1.6.

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 2019 $'000	31 DEC 2018 $'000
Profit attributable to ordinary equity holders of the Company	12,084	24,399

	31 DEC 2019 '000	31 DEC 2018 '000
Weighted average number of ordinary shares used in the calculation of:		
Basic earnings per share	300,801	300,596
Adjustment for effect of share based payment arrangements	206	311
Diluted earnings per share	301,007	300,907

	31 DEC 2019 Cps	31 DEC 2018 cps
Basic earnings per share	4.02	8.12
Diluted earnings per share	4.01	8.11

SECTION 3: ASSETS AND GROWTH

3.1 Property, Plant and Equipment

	Notes	LAND & BUILDINGS* $'000	PLANT & MACHINERY $'000	MOTOR VEHICLES $'000	FIXTURES & FITTINGS $'000	LEASEHOLD IMPROVEMENTS $'000	WORK IN PROGRESS $'000	TOTAL $'000
Cost at 30 June 2019		989,329	284,797	1,049	74,775	38	50,617	1,400,605
Accumulated depreciation and impairment		(110,519)	(116,896)	(837)	(24,643)	(18)		(252,913)
Carrying amount at 30 June 2019		**878,810**	**167,901**	**212**	**50,132**	**20**	**50,617**	**1,147,692**
Reconciliation of carrying amounts								
Carrying amount at 1 July 2018		763,961	136,166	265	43,097	21	183,592	1,127,102
Additions		500	14,068	3	2,666	-	38,890	56,127
Transfers from work in progress		129,170	35,003	-	7,692	-	(171,865)	-
Transfers to investment property	3.2	(1,351)	-	-	-	-	-	(1,351)
Disposals		(254)	-	-	-	-	-	(254)
Depreciation expense		(13,216)	(17,336)	(56)	(3,323)	(1)	-	(33,932)
Carrying amount at 30 June 2019		**878,810**	**167,901**	**212**	**50,132**	**20**	**50,617**	**1,147,692**
Cost at 31 December 2019		990,199	297,048	1,049	78,590	38	61,688	1,428,612
Accumulated depreciation and impairment		(117,893)	(127,253)	(866)	(26,581)	(19)	-	(272,613)
Carrying amount at 31 December 2019		**872,306**	**169,795**	**183**	**52,009**	**19**	**61,688**	**1,155,999**
Reconciliation of carrying amounts								
Carrying amount at 1 July 2019		878,810	167,901	212	50,132	20	50,617	1,147,692
Additions		-	4,285	-	1,293	-	22,429	28,007
Transfers from work in progress		870	7,966	-	2,522	-	(11,358)	-
Transfers to investment property		-	-	-	-	-	-	-
Transfers to assets held for sale		(1,599)	-	-	-	-	-	(1,599)
Depreciation expense		(7,374)	(10,358)	(29)	(1,938)	(1)	-	(19,700)
Carrying amount at 31 December 2019		**870,707**	**169,794**	**183**	**52,009**	**19**	**61,688**	**1,154,400**

* Land & Buildings significantly consists of assets subject to operating leases.

3.2 Investment Property

	31 DEC 2019 $'000	30 JUN 2019 $'000
Carrying amount at the beginning of the period	143,375	129,049
Acquisitions from business combinations	-	-
Transfers from property plant and equipment	-	1,351
Additions in capital expenditure	2,435	3,773
Change in fair value of non-operating investment properties	-	7,303
Change in fair value of operating investment properties	81	1,899
Carrying amount at the end of the period	**145,891**	**143,375**

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 2019: 14% and 18%)
- Property price growth rates of between 0.50% and 3.50% in the medium term and 2.00% and 3.50% in the long term (30 June 2019: 0.50% and 3.25% in the medium term and 2.00% and 3.25% in the long term)
- The average tenure period of residents of 9 years (30 June 2019: 10 years)

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

Retirement village development sites

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

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

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

Changes in fair values

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

The change in fair value of the operating investment properties relates to the retirement living operations in Queensland.

3.3 Right of use assets

	LAND & BUILDINGS $'000	PLANT & MACHINERY $'000	MOTOR VEHICLES $'000	FIXTURES & FITTINGS $'000	TOTAL $'000
Reconciliation of carrying amounts					
Transition adjustment at 1 July 2019	5,554	-	709	-	6,263
Additions	-	674	-	-	674
Depreciation expense	(311)	(34)	(117)	-	(462)
Carrying amount at 31 December 2019	**5,243**	**640**	**592**		**6,475**

The adoption of AASB 16 required the Group to make a number of judgements, estimate and assumptions, which included:

- The estimated lease term – The term of each lease was based on the non-cancellable lease unless management was 'reasonably certain' to exercise options to extend the lease.
- The discount rate used to determine the lease liability – The Group uses an incremental borrowing rate (IBR) if the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain estimates specific to the Group.

SECTION 4: OPERATING ASSETS & LIABILITIES

4.1 Cash and Cash Equivalents

	31 DEC 2019 $'000	31 DEC 2018 $'000
Reconciliation of the net profit after tax to the net cash flows from operations		
Net profit	12,084	24,399
Non-Cash items		
Depreciation and impairment of non-current assets	20,162	16,344
Bond retention and deferred management fee income	(3,394)	(2,928)
Imputed income on RADs and Bonds	(29,253)	-
Imputed interest charges on RADs and Bonds	29,253	-
Other non-cash items	1,219	(1,177)
Changes in assets and liabilities		-
(Increase)/decrease in trade and other receivables	1,191	(536)
(Increase)/decrease in inventory	155	(44)
(Increase)/decrease in other current assets	(3,101)	(2,783)
(Increase)/decrease in income tax receivable	1,567	(1,590)
(Decrease)/increase in deferred taxes	1,649	3,389
(Decrease)/increase in trade payables and other liabilities	33,389	36,619
(Decrease)/increase in RADs, accommodation bonds and ILU/ILA entry contributions	46,101	72,067
(Decrease)/increase in provisions	(6)	1,739
Net cash flow from operating activities	**111,016**	**145,499**
Reconciliation of cash and cash equivalents		
Cash at bank	26,816	35,407
Cash on hand	156	198
Total cash and cash equivalents	**26,972**	**35,605**

4.2 Trade and Other Payables

	31 DEC 2019 $'000	30 JUN 2019 $'000
Trade payables	12,082	11,257
Other payables	31,647	34,185
Deferred revenue	5,179	6,917
Fees received in advance	40,317	3,226
Total trade and other payables	**89,225**	**55,585**

SECTION 5: CAPITAL STRUCTURE & FINANCING

5.1 Other Financial Assets and Liabilities

	31 DEC 2019 $'000	30 JUN 2019 $'000
Refundable accommodation deposits (RADs)	1,129,058	1,085,038
Independent living unit and apartment (ILU/ILA) entry contributions	40,478	41,791
Interest rate swaps	-	91
Total other financial liabilities	**1,169,536**	**1,126,920**

Interest rate swaps

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

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

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

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

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

The interest rate swap ended on 1 September 2019.

Refundable accommodation deposits (RADs)

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

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

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

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

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

Providers are required to have sufficient liquidity to ensure they can refund RAD balances as they fall due in the following 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 2.6 years. Usually (but not always), when an existing RAD is repaid it is replaced by a new RAD from an incoming resident.

5.1 Other Financial Assets and Liabilities (continued)

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

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

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

5.2 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
30 June 2019					
Assets and liabilities measured at fair value					
Interest rate swaps	5.1	(91)	-	(91)	-
Independent living unit and apartment entry contributions	5.1	(41,791)	-	(41,791)	-
Investment Property	3.2	143,375	-	-	143,375
Assets and liabilities for which fair value is disclosed					
Borrowings*		(303,080)	-	(303,080)	-
Refundable accommodation deposits (RADs)	5.1	(1,085,038)	-	(1,085,038)	-
Total		**(1,286,625)**	**-**	**(1,430,000)**	**143,375**
31 December 2019					
Assets and liabilities measured at fair value					
Interest rate swaps	5.1	-	-	-	-
Independent living unit and apartment entry contributions	5.1	(40,478)	-	(40,478)	-
Investment Property	3.2	145,891	-	-	145,891
Assets and liabilities for which fair value is disclosed					
Borrowings (i)		(271,429)	-	(271,429)	-
Refundable accommodation deposits (RADs)	5.1	(1,129,058)	-	(1,129,058)	-
Total		**(1,295,074)**	**-**	**(1,440,965)**	**145,891**

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

* The Group has facilities totalling $515m comprising of revolving credit facilities and a bank guarantee facility. Of these facilities, $150.0m matures in May 2021, $227.5m matures in July 2022 and $137.5m matures in July 2023.

The Group also has access to a $25m bilateral overdraft facility to be used for general working capital and corporate purposes. The facility was undrawn as at 31 December 2019.

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

5.3 Commitments

	31 DEC 2019 $'000	30 JUN 2019 $'000
Capital expenditure commitments		
Contractual commitments for building works at aged care homes	1,950	8,832

5.4 Contingencies

	31 DEC 2019 $'000	30 JUN 2019 $'000
Bank guarantees	3,414	4,643

The Company is a party to legal actions and claims which have arisen in the ordinary course of business. The Directors are of the opinion that provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

5.5 Issued Capital

Movements in ordinary shares on issue are as follows:

	VESTING DATE FAIR VALUE	DATE	NUMBER OF SHARES	$'000
Balance		30 June 2019	300,653,689	273,233
Share issue performance rights	2.66	20 September 2019	94,737	252
Balance		**31 December 2019**	**300,748,426**	**273,485**

5.6 Dividends

Dividends on ordinary shares paid or provided for

During the half-year ended 31 December 2019, the following dividend was declared and paid in relation to the financial year ended 30 June 2019.

	31 DEC 2019 $'000
Final 2019 Dividend: 7.11 cents per share, 100% franked (2018: 8.65 cents)	21,376
Total Dividends	**21,376**
Proposed dividends on ordinary shares (unrecognised)	
Interim 2020 dividend: 4.02 cents per share, 50% franked (2019: 8.12 cents per share, 100% franked)	12,084

Proposed dividends on ordinary shares are subject to approval and are not recognised as a liability as at 31 December 2019.

SECTION 6: OTHER ITEMS

6.1 Significant events after the balance sheet date

Regis has contracted to acquire two homes near Townsville, Queensland, from Lower Burdekin Home for the Aged Society offering a total of 173 aged care places. Regis will assume ownership from March 2020, subject to approval from the Department of Health. The Group has acquired the business in line with its growth strategy. With a home in Townsville already, the location is a good fit with the North Queensland operating network.

In January 2020, two of five retail units located at Port Coogee that are classified as held for sale at the half-year ended 31 December 2019 were disposed of.

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

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 2019 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, 26 February 2020

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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 2019, 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 2019 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 control 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 2019 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

BJ Pollock

BJ Pollock
Partner

Melbourne
26 February 2020