# Appendix 4D

## Regis Healthcare Limited

Results for announcement to the market

For the half-year ended 31 December 2021

(previous corresponding period being the half-year ended 31 December 2020 (restated)[1])

| | | % change | | $'000 |
|---|---|---|---|---|
| Revenue from services | Up | 3.1% | to | 364,244 |
| Profit after tax from ordinary activities (prior to amortisation) attributable to members[2] | Up | 24.2% | to | 10,577 |
| Profit after tax from ordinary activities attributable to members | Down | (143.1%) | to | (3,669) |
| Net profit after tax attributable to members | Down | (143.1%) | to | (3,669) |

## Dividend information

| | Amount per security | Franking % | Record date | Payment date |
|---|---|---|---|---|
| **Current period** | | | | |
| Interim dividend | 3.52 cents | 50% | 11 March 2022 | 8 April 2022 |
| **Year ended 30 June 2021** | | | | |
| Interim dividend | 2.00 cents | 50% | 11 March 2021 | 8 April 2021 |
| Final dividend | 4.63 cents | 50% | 16 September 2021 | 30 September 2021 |
| Total dividend | 6.63 cents | 50% | | |

## Other Information

| | 31 December 2021 (cents) | Restated[1] 31 December 2020 (cents) | % change |
|---|---|---|---|
| Net tangible asset backing per ordinary share[3] | (89.79) | (89.21) | (0.7%) |

Commentary on the results for the period and additional ASX Appendix 4D (Listing Rule 4.2A.3) disclosures can be found in the attached Half-Year Financial Report of Regis Healthcare Limited for the period ended 31 December 2021. This document should be read in conjunction with the Annual Report of Regis Healthcare Limited for the year ended 30 June 2021 and any public announcements made in the period by Regis Healthcare Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

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**Malcolm Ross, Company Secretary**
**23 February 2022**

[1] Refer to Note A5 for details relating to the restatement of prior period.
[2] Excludes amortisation of operational places for the half-year ended 31 December 2021.
[3] Calculated as net assets less intangible assets and deferred tax liabilities, divided by the number of ordinary shares on issue at period end. Net tangible asset backing includes the right of use assets and lease liabilities as disclosed in the Half-Year Financial Report of Regis Healthcare Limited for the period ended 31 December 2021.

# Regis Healthcare Limited

## Half-Year Financial Report
## 31 December 2021

# Contents

# Corporate Information

## Directors

| | |
|---|---|
| Graham K Hodges | Chairman, Non-Executive Director |
| Linda J Mellors | Managing Director and Chief Executive Officer |
| Christine C Bennett AO | Non-Executive Director |
| Bryan A Dorman | Non-Executive Director |
| Ian G Roberts | Non-Executive Director |
| Sally M Freeman | Non-Executive Director (appointed 17 January 2022) |
| Sylvia Falzon | Non-Executive Director (retired 26 October 2021) |
| Matthew J Quinn | Non-Executive Director (retired 26 October 2021) |

## Company Secretary

Malcolm Ross

## 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

## Securities Exchange Listing

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

## Solicitors

Herbert Smith Freehills
80 Collins Street
Melbourne VIC 3000

## Auditors

Ernst & Young Australia
8 Exhibition Street
Melbourne VIC 3000

# Directors' Report

Your Directors present their report on Regis Healthcare Limited (the 'Company') and its controlled entities (the 'Group' or 'Regis') for the half-year ended 31 December 2021.

## Directors

The names of Directors (collectively, the 'Board') in office at any time during or since the end of the six-month period are:

| | |
|---|---|
| Graham K Hodges | Chairman, Non-Executive Director |
| Linda J Mellors | Managing Director and Chief Executive Officer |
| Christine C Bennett AO | Non-Executive Director |
| Bryan A Dorman | Non-Executive Director |
| Ian G Roberts | Non-Executive Director |
| Sally M Freeman | Non-Executive Director (appointed 17 January 2022) |
| Sylvia Falzon | Non-Executive Director (retired 26 October 2021) |
| Matthew J Quinn | Non-Executive Director (retired 26 October 2021) |

## Operating and Financial Review

As at 31 December 2021, Regis owns and operates 64 aged care homes, including 7,059 available operational places and provides residential aged care services in six States and the Northern Territory. In addition, Regis, through retirement living, manages over 570 retirement village units across eight retirement villages and three affordable housing communities. Regis also offers home care services that have been identified for strategic growth over the medium-term.

### Business Model

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

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

### Review and Results of Operations

To assist in the evaluation of the financial performance of the Group, certain measures are used that are not recognised under Australian Accounting Standards or International Financial Reporting Standards ('IFRS') and therefore, these are considered to be non-IFRS measures. Adjusted earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA')[4] is reported in order to provide a greater understanding of the performance of the Group. All other amounts reported below are recognised and measured in accordance with Australian Accounting Standards.

[4] Non-IFRS financial information has been prepared in accordance with ASIC Regulatory Guide 230 - Disclosing non-IFRS financial information, issued in December 2011. 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. Adjusted earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA'), which excludes imputed income on RADs and Bonds of $31.4 million (H1 FY21: $32.7 million), $4.5 million of incremental COVID-19 expenses and includes operating lease expense of $0.7 million (H1 FY21: $0.7 million), is reported in order to provide shareholders with a greater understanding of the performance of the Group. A reconciliation of profit before income tax to Adjusted EBITDA is provided on page 5.

# Directors' Report

## Operating and Financial Review (continued)

### Review and Results of Operations (continued)

A summary of the financial results for the half-year ended 31 December 2021 is set out below:

| For the Half-Year Ended | 31 December 2021 $'000 | Restated[5] 31 December 2020 $'000 | % Change |
|---|---|---|---|
| Revenue from services | 364,244 | 353,081 | 3.1% |
| Other income | 31,355 | 35,183 | (10.9%) |
| Adjusted EBITDA | 44,107 | 38,958 | 13.2% |
| Net profit / (loss) before tax | (5,132) | 12,311 | (141.7%) |
| Net profit after tax before amortisation (NPATA) | 10,577 | 8,518 | 24.2% |
| Net profit / (loss) after tax (NPAT) | (3,669) | 8,518 | (143.1%) |
| | | | |
| Basic earnings per share | (1.22 cents) | 2.83 cents | (143.1%) |

A summary of revenue from services for the half-year ended 31 December 2021 is set out below:

| For the Half-Year Ended | 31 December 2021 $'000 | 31 December 2020 $'000 |
|---|---|---|
| Government funded revenue | 260,245 | 252,987 |
| Resident basic daily fee revenue | 61,237 | 59,839 |
| Other resident revenue | 38,831 | 36,527 |
| Other operating revenue | 2,614 | 2,905 |
| Deferred management fee revenue | 1,317 | 823 |
| **Revenue from services** | **364,244** | **353,081** |

Revenue from services for the half-year ended 31 December 2021 included:

– $nil (31 December 2020: $6,813,000) of COVID-19 Government funding
– $nil (31 December 2020: $913,000) of COVID-19 related temporary uplift in the Aged Care Funding Instrument ('ACFI')
– $11,563,000 (31 December 2020: $nil) of Government Basic Daily Fee Supplement received from 1 July 2021, representing $10 per day, per resident. The payment was announced in the 2021-22 Budget as part of the Australian Government's response to the Royal Commission into Aged Care Quality and Safety

During the period, the Group experienced significantly increased staff expenses including additional overtime and use of agency contractors due to staff shortages caused by pre-existing sector workforce challenges compounded by border closures and the direct impact of COVID-19. Increased staff expenses due to the impact of Enterprise Agreements were only partially offset by the 1 July 2021 indexation increase (1.1%) applied by the Australian Government to aged care funding. During the period, the Group incurred direct COVID-19 related costs of $4,476,000 including incremental staff expenses, personal protective equipment, infection prevention and control, and employee welfare. The additional Government Basic Daily Fee Supplement received from 1 July 2021 was largely absorbed by increased compliance and reporting costs. Despite the impact of COVID-19, occupancy rates across the residential aged care portfolio improved to an average of 89.3% for the half-year ended 31 December 2021 (31 December 2020: 88.3%). Throughout this difficult period, management has remained focused on improved operational and clinical effectiveness and performance.

5 Comparative information has been restated to account for: (i) revised method of calculating imputed income and expense on RADs and Bonds per AASB 16 *Leases*, and (ii) potential underpayment of employee entitlements. Refer to Note A5 of the Financial Report.

# Directors' Report

## Operating and Financial Review (continued)

### Review and Results of Operations (continued)

A reconciliation of profit / (loss) before income tax to Adjusted EBITDA is set out below:

| For the Half-Year Ended | 31 December 2021 $'000 | Restated[6] 31 December 2020 $'000 |
|---|---|---|
| **Profit / (loss) before income tax** | **(5,132)** | **12,311** |
| *Add back/(deduct):* | | |
| Imputed income on RADs and bonds[7] | (31,351) | (32,685) |
| Depreciation[7] | 20,821 | 22,429 |
| Amortisation of operational places[*] | 20,346 | - |
| Finance costs[7] | 35,670 | 37,693 |
| Finance income | (4) | (5) |
| Operating lease expense | (719) | (685) |
| COVID-19 Government funding and grants | - | (7,700) |
| COVID-19 expenses | 4,476 | 9,700 |
| Profit on sale of assets | - | (2,500) |
| Cyber-security costs | - | 400 |
| **Adjusted EBITDA** | **44,107** | **38,958** |

[*] Deregulation of Operational Places

In response to the Royal Commission into Aged Care Quality and Safety's final report, the Australian Government announced in the 2021-22 Budget that it would be investing $17.7 billion into an aged care reform package. As part of this package, there will be no further Aged Care Approval Rounds (ACAR). From 1 July 2024, residential aged care places (operational places or bed licences) will be assigned directly to senior Australians, giving consumers more control to choose an approved provider that best suits their residential aged care needs.

In September 2021, the Department of Health released a discussion paper *Improving Choice in Residential Aged Care - ACAR Discontinuation* confirming the Australian Government's Budget decision to discontinue ACAR.

The Australian Government has announced its decision to discontinue operational places from 1 July 2024. In accordance with Accounting Standards and the guidelines issued by the Australian Securities and Investments Commission ("ASIC"), as well as the Group's current understanding of the relevant legislation and transitional arrangements relating to the removal of operational places, the Group has reassessed the useful life of its operational places. Consequently, Regis has commenced amortising the value of operational places from 1 October 2021 on a straight-line basis over their remaining economic life to 1 July 2024. This has resulted in a before tax amortisation expense in the profit and loss for the half-year ended 31 December 2021 of $20,346,000 with no impact to the cash flows of the Group. In addition, a related deferred tax liability of $6,000,000 has been partially reversed.

The reassessment of useful life is considered to be a change in accounting estimate under Australian Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

The intended market deregulation of operational places presents new opportunities for Regis to invest in geographic areas previously not open to the Group. The removal of operational places will most likely increase competition around quality of care, service and accommodation, which presents an advantage to providers such as Regis who have a strong balance sheet and access to capital to further develop the sector.

6 Comparative information has been restated to account for: (i) revised method of calculating imputed income and expense on RADs and Bonds per AASB 16 *Leases*, and (ii) potential underpayment of employee entitlements. Refer to Note A5 of the Financial Report.

7 Following adoption of AASB 16 *Leases* effective 1 July 2019, as detailed in Note B2, profit before income tax for the half-year ended 31 December 2021 includes income on RADs and Bonds of $31,351,000 (31 December 2020: $32,685,000) and correspondingly, finance costs of $31,351,000 (31 December 2020: $32,685,000) with no impact to profit or loss. The Group also recognised depreciation and interest costs totalling $683,000 (31 December 2020: $692,000).

# Directors' Report

## Operating and Financial Review (continued)

### Potential Employee Entitlement Underpayments

As disclosed in the 2021 Annual Financial Report, Regis announced to the ASX on 9 August 2021 that it had identified potential underpayments of employee entitlements to certain current and former employees under its enterprise agreements.

These payment shortfalls had arisen because some employee entitlements due under various enterprise agreements were recorded inaccurately in the payroll system. This led to incorrect payments to a number of employees.

Regis, with the assistance of external advisors, commenced a review to determine the extent of the underpayments looking back 6 years. While this review is ongoing, based on preliminary analysis, Regis provided $35,000,000 in other provisions as at 30 June 2021 in relation to the issue.

The impact of the potential underpayment on profit before income tax for the financial year ended 30 June 2021 was $7,100,000 (30 June 2020: $6,400,000) with the remaining amount recorded as a prior period restatement in accordance with Australian Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* Consequently, the financial information in respect of the half-year ended 31 December 2020 is required to be restated. $3,550,000 has been recorded as a prior period restatement in the 31 December 2021 half-year financial report in accordance with Australian Accounting Standards AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. No impact has been recorded for the half-year to 31 December 2021. The provision remains at $35,000,000 as at 31 December 2021.

### Cash Flow and Capital Expenditure

The Group's principal source of funds was its cash flow from operations (including RADs). Net cash flow from operating activities in the half-year ended 31 December 2021 was $126,709,000 (31 December 2020: $88,588,000) and includes $40,102,000 (31 December 2020: $39,595,000) of Government funding for January 2022 received in advance in December 2021. RAD and accommodation bond net inflow was $47,100,000 (31 December 2020: $4,668,000).

During the period, the Group invested $30,652,000 in capital expenditure for land acquisition, development, refurbishment and on-going maintenance of existing facilities. Capital expenditure in the prior period of $7,628,000 included on-going maintenance and refurbishment of existing facilities.

Investment in new homes has generally paused due to the lack of certainty in future Federal Government funding and policy. However, the Group has recommenced planning for its greenfield development in Camberwell, Victoria.

For the remaining developments in the pipeline, activities such as preparing land for commencement, development approvals, design documentation and arranging licences required are underway in readiness to commence construction once conditions are more favourable.

During the period, the Group repaid $42,455,000 (31 December 2020: $43,000,000) of bank borrowings assisted by net RAD inflows. Excluding Government funding received in advance for January 2022, net debt at 31 December 2021 was $100,883,000 (31 December 2020: $183,044,000), a reduction of $82,161,000 (44.9%) on the prior corresponding period, and represented a leverage ratio[8] of 1.3 times. Undrawn bank facilities of $433,178,000 as at 31 December 2021 are also available should they need to be drawn.

In February 2021, the Group completed a $515,000,000 refinancing of its syndicated bank debt facilities. Under the terms of the new agreement, $150,000,000 matures in March 2023 and $365,000,000 matures in February 2024. The Group's available debt facilities provide sufficient liquidity to meet the Group's currently anticipated cash flow requirements. The Group has commenced the process of refinancing the existing $150,000,000 facility that matures in March 2023 and expects the process to be completed before 30 June 2022.

[8] Leverage ratio is based on rolling 12-month Adjusted EBITDA as a ratio of net debt. Net debt is calculated as interest-bearing liabilities, less cash and cash equivalents and excludes Government funding received in advance.

# Directors' Report

## Operating and Financial Review (continued)

### COVID-19 Pandemic

Regis has continued to be impacted by COVID-19 including the Omicron outbreak from mid December 2021. Regis has implemented Outbreak Management Plans across impacted homes. Residents have continued to be provided with care, services and support, and the Group has provided, at a minimum, updates every 1-2 days to the residents, families and employees of impacted homes. High levels of vaccination rates have provided additional protection to residents and staff against the outbreaks. The Group continues to work closely with health and regulatory authorities.

Regis has worked proactively to support balanced risk assessment and responses, including in relation to resident dignity of risk and socialisation. Recent reductions in COVID-19 restrictions resulted in a sharp increase in visitors to residential aged care homes and residents socialising outdoors. Aged care workers also changed socialisation patterns with the eased restrictions.

A major issue facing aged care providers is that the spread of the COVID-19 Omicron variant has placed additional strain on a workforce that had already been experiencing significant pressure. The ongoing presence of the COVID-19 virus may lead to additional staffing disruption and financial pressures. Regis has in place in-house specialist infection control expertise, robust operational controls and detailed business continuity plans. The Company continues to review the progress of the COVID-19 pandemic and take necessary steps to protect the health, well-being and safety of residents, clients and employees.

Vaccination of residents and workforce has required substantial effort and coordination. Regis has actively promoted vaccination which has been shown to be highly protective against death and serious illness from COVID-19. All Regis homes have held at least two COVID-19 vaccination booster clinics.

As at 18 February 2022, 94% of residents eligible for a booster dose have received one. Regis has mandated a COVID-19 vaccination policy for the workforce, which includes the booster dose in addition to State and Territory directions.

The pandemic has also impacted Regis' operations, revenues and expenses. To date, Regis' FY22 expenses associated with COVID-19 outbreaks and single-site working requirements will only be partially offset by Government grants. No COVID-19 Government funding has been received during the first half of the financial year to support the substantial preventative and protective activities (including PPE) put in place by the Group.

### Royal Commission into Aged Care Quality and Safety

The Australian Government called the Royal Commission into Aged Care Quality and Safety for the purposes of ensuring that the oldest and most vulnerable Australians receive care that supports and respects their dignity and recognises the contribution they have made to society. The Royal Commission Final Report made 148 recommendations.

The 2021-22 Federal Budget proposed a $17.7 billion aged care reform package designed to deliver sustainable quality and safety in home care and residential aged care services. The funding is to be provided over 5 years from 2020/21 to 2024/25.

The reforms are split across five key pillars:

- Pillar 1 - $7.5 billion for Home Care.
- Pillar 2 - $7.8 billion for Residential Aged Care Services & Sustainability, including $3.9 billion to increase the amount of front-line care (care minutes) delivered to residents and $3.2 billion to support providers to deliver better care and services through the Government funded Basic Daily Fee Supplement from 1 July 2021.
- Pillar 3 - $942 million for Residential Aged Care Quality and Safety.
- Pillar 4 - $652 million support for the Workforce including the creation of a single assessment workforce to undertake all assessments that will improve assessment experience for senior Australians and to provide registered nurses working for the same aged care provider over a 12-month period with financial support.
- Pillar 5 - $698.3 million to improve quality aged care services for consumers in regional, rural and remote areas, as well as new governance and advisory structures.

A new Aged Care Act will underpin the reforms.

Regis continues to work with consumers, the Australian Government and stakeholders on advancing aged care reform. Regis is committed to delivering consistently high quality and safe care to its residents.

### Clinical Governance Framework

Regis has long-established clinical governance systems and processes, including the 2020 Regis Care Strategic Quality and Clinical Governance Framework. Regis continues to refine and update its systems and processes in line with best practice, sector reform and regulatory changes.

# Directors' Report

## Operating and Financial Review (continued)

### Oneview Healthcare PLC

On 21 December 2020, Oneview Healthcare PLC lodged a claim in the Supreme Court of Victoria against Regis seeking damages for alleged breach of a collaboration agreement between the two parties. Regis has engaged external legal counsel and continues to strongly defend the matter.

### 2022 Interim Dividend

On 23 February 2022, the Board of Directors resolved to pay an interim dividend of 3.52 cents per ordinary share totalling $10,600,000 (50% franked) for the half-year ended 31 December 2021 payable on 8 April 2022 (record date 11 March 2022).

### Outlook

Given the current uncertain policy and funding environment, and direction and impact of the COVID-19 pandemic, the Board does not believe it prudent to put forward any earnings guidance at this stage.

## Subsequent Events

### COVID-19 Pandemic

Regis anticipates ongoing COVID-19 additional costs in both outbreak and non-outbreak homes during the second half of the financial year associated with staff expenses and infection prevention and control including the use of personal protective equipment (PPE) and rapid antigen test kits.

Depending on the spread of the virus, it also has the potential to significantly disrupt the financial position of the Group including a decline in occupancy levels and significantly increased costs to continue to protect residents, clients and staff. The Group continues to work closely with health and regulatory authorities.

### Other Matters

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

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

## 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 Half-Year Financial Report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Directors.

**Graham K Hodges**
**Chairman**
**Melbourne, 23 February 2022**

Ernst & Young
8 Exhibition Street
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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 2021, 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;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene 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

BJ Pollock
Partner
23 February 2022

# Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

| | Notes | 31 December 2021 $'000 | Restated[9] 31 December 2020 $'000 |
|---|---|---|---|
| Revenue from services | B2 | 364,244 | 353,081 |
| Other income | B2 | 31,355 | 35,183 |
| **Total revenue from services and other income** | | **395,599** | **388,264** |
| | | | |
| **Expenses** | | | |
| Staff expenses | | (259,996) | (253,361) |
| Resident care expenses | | (25,701) | (22,814) |
| Administration expenses | | (21,716) | (19,327) |
| Occupancy expenses | | (12,005) | (10,625) |
| COVID-19 expenses | | (4,476) | (9,704) |
| Depreciation | | (20,821) | (22,429) |
| Amortisation | C2 | (20,346) | - |
| **Profit before income tax and finance costs** | | **30,538** | **50,004** |
| Finance costs | B3 | (35,670) | (37,693) |
| **Profit / (Loss) before income tax** | | **(5,132)** | **12,311** |
| Income tax (expense) / benefit | B4 | 1,463 | (3,793) |
| **Profit / (Loss) for the period** | | **(3,669)** | **8,518** |
| | | | |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| Net movement in fair value of cash flow hedge reserve, net of tax | | - | - |
| Other comprehensive income, net of tax for the period | | - | - |
| **Total comprehensive income, net of tax for the period** | | **(3,669)** | **8,518** |
| | | | |
| **Profit for the period attributable to:** | | | |
| Equity holders of the parent entity | | (3,669) | 8,518 |
| **Total comprehensive income, net of tax attributable to:** | | | |
| Equity holders of the parent entity | | (3,669) | 8,518 |
| | | | |
| **Earnings per share (EPS) attributable to equity holders of the parent:** | | **Cents** | **Cents** |
| Basic EPS (cents per share) | B5 | (1.22) | 2.83 |
| Diluted EPS (cents per share) | B5 | (1.22) | 2.83 |

The accompanying notes form part of the interim consolidated financial statements.

[9] Refer to Note A5 for details relating to the restatement of prior period comparative.

# Interim Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2021

| | Notes | 31 December 2021 $'000 | 30 June 2021 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 43,956 | 3,889 |
| Trade and other receivables | | 12,175 | 9,086 |
| Inventories | | 3,435 | 4,367 |
| Other current assets | | 8,723 | 4,593 |
| Income tax receivable | | 142 | - |
| **Total current assets** | | **68,431** | **21,935** |
| Property, plant and equipment | C1 | 1,111,285 | 1,101,582 |
| Right-of-use assets | | 4,684 | 4,997 |
| Operational places and goodwill | C2 | 443,391 | 463,737 |
| Investment property | C4 | 159,955 | 158,646 |
| **Total non-current assets** | | **1,719,315** | **1,728,962** |
| **Total assets** | | **1,787,746** | **1,750,897** |
| **Liabilities** | | | |
| Bank overdraft | D1 | 15,855 | 14,920 |
| Trade payables and other liabilities | | 110,289 | 52,715 |
| Lease liabilities | | 1,017 | 1,087 |
| Provisions | C6 | 111,626 | 112,087 |
| Other financial liabilities | D2 | 1,273,949 | 1,227,852 |
| Income tax payable | | - | 2,094 |
| **Total current liabilities** | | **1,512,736** | **1,410,755** |
| Interest-bearing loans and borrowings | D1 | 88,882 | 131,431 |
| Lease liabilities | | 5,689 | 5,968 |
| Provisions | C6 | 7,178 | 7,338 |
| Deferred tax liabilities | | 48,800 | 53,440 |
| **Total non-current liabilities** | | **150,549** | **198,177** |
| **Total liabilities** | | **1,663,285** | **1,608,932** |
| **Net assets** | | **124,461** | **141,965** |
| **Equity** | | | |
| Contributed equity | D3 | 273,629 | 273,519 |
| Reserves | | (97,272) | (97,253) |
| Accumulated losses | | (51,896) | (34,301) |
| **Total equity** | | **124,461** | **141,965** |

The accompanying notes form part of the interim consolidated financial statements.

# Interim Consolidated Statement of Changes in Equity

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

| | Issued Capital $'000 | Remuneration Reserve $'000 | Acquisition Reserve $'000 | Accumulated Losses $'000 | Total $'000 |
|---|---|---|---|---|---|
| At 1 July 2020, as previously reported | 273,485 | 4,035 | (101,497) | (28,704) | 147,319 |
| Adjustment related to potential employee entitlement underpayments[10] | - | - | - | (19,530) | (19,530) |
| **Restated balance at 1 July 2020** | 273,485 | 4,035 | (101,497) | (48,234) | 127,789 |
| Net profit for the period (restated)[10] | - | - | - | 8,518 | 8,518 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **8,518** | **8,518** |
| | | | | | |
| Equity settled share-based payment | - | 156 | - | - | 156 |
| Transfer from remuneration reserve | 34 | (34) | - | - | - |
| **Balance as at 31 December 2020** | **273,519** | **4,157** | **(101,497)** | **(39,716)** | **136,463** |
| | | | | | |
| At 1 July 2021 | **273,519** | **4,244** | **(101,497)** | **(34,301)** | **141,965** |
| Net profit for the period | - | - | - | (3,669) | (3,669) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **(3,669)** | **(3,669)** |
| | | | | | |
| Dividends paid or provided for | - | - | - | (13,926) | (13,926) |
| Transfer from remuneration reserve | 110 | (19) | - | - | 91 |
| **Balance as at 31 December 2021** | **273,629** | **4,225** | **(101,497)** | **(51,896)** | **124,461** |

The accompanying notes form part of the interim consolidated financial statements.

[10] Refer to Note A5 for details relating to the restatement of prior period comparative.

# Interim Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

| | 31 December 2021<br>$'000 | 31 December 2020<br>$'000 |
|---|---|---|
| Cash flows from operating activities | | |
| Receipts from residents and Government subsidies | 356,097 | 351,531 |
| Government funding received in advance | 40,102 | 39,595 |
| Payments to suppliers and employees | (309,822) | (305,238) |
| Finance income | 4 | 5 |
| Finance costs | (3,932) | (4,753) |
| RAD and accommodation bond inflows | 215,197 | 176,196 |
| RAD and accommodation bond outflows | (168,077) | (171,528) |
| ILU/ILA entry contribution inflows | 6,414 | 1,680 |
| ILU/ILA entry contribution outflows | (3,862) | (1,238) |
| Income tax received / (paid) | (5,412) | 2,338 |
| **Net cash flows from operating activities** | **126,709** | **88,588** |
| Cash flows used in investing activities | | |
| Purchase of property, plant and equipment | (29,343) | (7,271) |
| Additions to Investment property | (1,309) | (357) |
| Proceeds from sale of property, plant and equipment | - | 25,234 |
| **Net cash flows from / (used) in investing activities** | **(30,652)** | **17,606** |
| Cash flows used in financing activities | | |
| Proceeds from borrowings | 39,545 | 119,000 |
| Repayment of borrowings | (82,000) | (162,000) |
| Payment of lease liabilities | (544) | (489) |
| Dividends paid on ordinary shares | (13,926) | (12,084) |
| **Net cash flows used in financing activities** | **(56,925)** | **(55,573)** |
| **Net increase in cash and cash equivalents** | **39,132** | **50,621** |
| Cash at the beginning of the financial period | (11,031) | (4,084) |
| **Cash at the end of the financial period** | **28,101** | **46,537** |

The accompanying notes form part of the interim consolidated financial statements.

# Notes to the Interim Consolidated Financial Statements

# Section A: Basis of Preparation

**IN THIS SECTION**

This section sets out the basis on which the Group's Half-Year Financial Report is prepared. A glossary containing acronyms and defined terms is included in the back of this report.

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 Half-Year Financial Report of Regis Healthcare Limited and the entities it controlled at the reporting date or during the half-year ended 31 December 2021 (collectively, 'Regis' or the 'Group') was authorised for issue in accordance with a resolution of the Directors on 23 February 2022.

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

## A1. Statement of Compliance

The Half-Year Financial Report for the half-year ended 31 December 2021 has been prepared in accordance with AASB 134 *Interim Financial Reporting* ('AASB 134') and the Corporations Act 2001. It does not include all the information and disclosures normally included in an annual financial report, and should be read in conjunction with the 2021 Annual Report and any public announcements made by the Group during the half-year reporting period in accordance with the disclosure requirements of the ASX listing rules.

The Half-Year 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.

Comparatives are revised, if required, to conform with current year presentation. Refer Note A5.

## A2. Going Concern

The Group is in a net current asset deficiency position. This deficiency principally arises due to refundable accommodation deposits ('RADs'), accommodation bonds and independent living unit and independent living apartment ('ILU'/'ILA') entry contributions being recorded as current liabilities as required under Australian Accounting Standards. However, in practice, RADs / accommodation bonds that are repaid are generally replaced by RADs from incoming residents in a short timeframe.

The Group generated positive cash flow from operations of $126,709,000 during the half-year (31 December 2020: $88,588,000). Undrawn bank facilities of $433,178,000 (refer Note D1) are also available should they need to be drawn. In addition, the Group has the ability to refinance its existing borrowings and raise new external debt if required. Based on the cash flow forecasts for the next 12 months, the Group will be able to pay its debts as and when they become due and payable. Accordingly, the Half-Year Financial Report has been prepared on a going concern basis. The potential impact of COVID-19 has been taken into consideration in preparing the Half-Year Financial Report on a going concern basis.

## A3. New Standards, Interpretations and Amendments Adopted

A number of amendments and interpretations were applied for the first time in this half-year reporting period but did not have a material impact on the interim consolidated financial statements of the Group.

## A4. Key Judgements, Estimates and Assumptions

The preparation of the interim consolidated financial statements requires management to exercise judgement and make estimates and assumptions in applying the Group's accounting policies which impact amounts reported for assets, liabilities, income and expenses. Actual results may differ from these judgements, estimates and assumptions. Uncertainty about these judgements, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

The judgement, estimates and assumptions applied in the Half-Year Financial Report, including the key sources of estimation uncertainty, are the same as those applied in the 2021 Annual Report except as specifically disclosed at Note C3, Note C4 and Note C6.

## A5. Impact of Prior Period Restatement

### Potential employee entitlement underpayments

As disclosed in the 2021 Annual Financial Report, Regis announced to the ASX on 9 August 2021 that it had identified potential underpayments of employee entitlements to certain current and former employees under its enterprise agreements. These payment shortfalls have arisen because some employee entitlements due under various enterprise agreements were recorded inaccurately in the payroll system. This has led to incorrect payments to a number of employees. Regis, with the assistance of external advisors, commenced a review to determine the extent of the underpayments looking back 6 years. Based on preliminary analysis, Regis provided $35,000,000 in other provisions as at 30 June 2021 in relation to the issue.

As disclosed in the 2021 Annual Financial Report, the impact of the potential underpayment on profit before income tax was accounted for as a restatement of prior periods in accordance with Australian Accounting Standard *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors ("AASB 108")*. Consequently, the financial information in respect of the half-year ended 31 December 2020 is required to be restated as set out below.

### Consolidated Statement of Profit or Loss

| | | Impact of restatement | |
|---|---|---|---|
| **For the half-year ended 31 December 2020** | **As previously reported $'000** | **Adjustments $'000** | **As restated $'000** |
| Staff expenses | (249,811) | (3,550) | (253,361) |
| Income tax expense | (4,858) | 1,065 | 3,793 |
| **Profit for the period** | **11,003** | **(2,485)** | **8,518** |

The impact of the restatement for the half-year ended 31 December 2020 was an increase in staff expenses of $3,550,000 and a decrease in income tax expense of $1,065,000 resulting in a net decrease to profit after tax of $2,485,000.

### Consolidated Statement of Financial Position

| | | Impact of restatement | |
|---|---|---|---|
| | **31 December 2020 $'000** | **Adjustments $'000** | **Restated as at 31 December 2020 $'000** |
| Deferred tax liabilities | 64,765 | (1,065) | 63,700 |
| Provisions - current | 76,980 | 3,550 | 80,530 |
| **Net assets** | **158,478** | **(2,485)** | **155,993** |
| Accumulated losses | (17,701) | (2,485) | (20,186) |
| **Total equity** | **158,478** | **(2,485)** | **155,993** |

The impact of the restatement as at 1 July 2020 was a decrease of $8,370,000 to deferred tax liabilities and an increase of $27,900,000 to other provisions, resulting in a net adjustment to accumulated losses of $19,530,000.

### Imputed income and expense on RADs and Bonds

As disclosed in the 2021 Annual Report, during the 2021 financial year, the Group reviewed the calculation of the non-cash imputed income (as required by AASB 16 *Leases*) recognised in respect of RADs/Bonds received from residents. As at 31 December 2020, there was no impact to the Group's consolidated statement of financial position and the following table summarises the impact on the Group's consolidated 31 December half-year financial statements:

| | | Impact of restatement | |
|---|---|---|---|
| | **31 December 2020 $'000** | **Adjustments $'000** | **Restated as at 31 December 2020 $'000** |
| Imputed income on RADs and Bonds | 23,667 | 9,018 | 32,685 |
| Imputed interest charge on RADs and Bonds | 23,667 | 9,018 | 32,685 |

There was no impact on the Group's reported net profit after tax for the half-year ended 31 December 2020 and therefore had no impact on basic or diluted earnings per share. As the adjustment relates to non-cash items, there was also no impact on the total operating, investing or financing cash flows for the half-year ended 31 December 2020.

# Section B: Results for the Period

**IN THIS SECTION**

This section explains the results and performance of the Group.

This section provides additional information about those individual line items in the Half-Year Financial Report that the Directors consider most relevant in the context of Regis' operations, including:

- Accounting policies that are relevant for understanding the items recognised in the Half-Year Financial Report; and
- Analysis of the results for the period by reference to revenue, results by operating segment and taxation.

## B1. Segment Information

The Group operates predominantly in one business and geographical segment, being the provision of residential aged care services in Australia. Operating segments are reported in a manner consistent with the internal reporting to the Managing Director and Chief Executive Officer (the chief operating decision maker ('CODM')) who is responsible for allocating resources and assessing performance of the operating segments.

Segment performance is measured by Adjusted earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA'), which excludes imputed income on RADs and Bonds of $31.4 million (H1 FY21: $32.7 million), $4.5 million of incremental COVID-19 expenses and includes operating lease expense of $0.7 million (H1 FY21: $0.7 million), is reported in order to provide shareholders with a greater understanding of the performance of the Group. A reconciliation of profit / (loss) before income tax to Adjusted EBITDA is set out below:

| For the Half-Year Ended | Note | 31 December 2021 $'000 | Restated 31 December 2020 $'000 |
|---|---|---|---|
| **Profit / (loss) before income tax** | | **(5,132)** | **12,311** |
| *Add back/(deduct):* | | | |
| Imputed income on RADs and bonds[11] | | (31,351) | (32,685) |
| Depreciation[11] | | 20,821 | 22,429 |
| Amortisation of operational places | C2 | 20,346 | - |
| Finance costs[11] | | 35,670 | 37,693 |
| Finance income | | (4) | (5) |
| Operating lease expense | | (719) | (685) |
| COVID-19 Government funding and grants | | - | (7,700) |
| COVID-19 expenses | | 4,476 | 9,700 |
| Profit on sale of assets | | - | (2,500) |
| Cyber-security costs | | - | 400 |
| **Adjusted EBITDA** | | **44,107** | **38,958** |

11 Following adoption of AASB 16 *Leases* effective 1 July 2019, as detailed in Note B2, profit before income tax for the half-year ended 31 December 2021 includes income on RADs and Bonds of $31,351,000 (31 December 2020: $32,685,000) and correspondingly, finance costs of $31,351,000 (31 December 2020: $32,685,000) with no impact to profit or loss. The Group also recognised depreciation and interest costs totalling $683,000 (31 December 2020: $692,000).

# Section B: Results for the Period (continued)

## B2. Revenue and Other Income

| | Note | 31 December 2021 $'000 | Restated 31 December 2020 $'000 |
|---|---|---|---|
| Revenue from services | | | |
| Government funded revenue | | 260,245 | 252,987 |
| Resident basic daily fee revenue | | 61,237 | 59,839 |
| Other resident revenue | | 38,831 | 36,527 |
| Other operating revenue | | 2,614 | 2,905 |
| Deferred management fee revenue | | 1,317 | 823 |
| **Total revenue from services** | | **364,244** | **353,081** |
| | | | |
| Other income | | | |
| Imputed income on RADs and Bonds | | 31,351 | 32,685 |
| Profit on disposal of property, plant and equipment | | - | 2,518 |
| Interest income | | 4 | 5 |
| Change in fair value of operating investment property | C4 | - | (25) |
| **Total other income** | | **31,355** | **35,183** |
| **Total revenue from services and other income** | | **395,599** | **388,264** |

### Nature of Revenue and Cash Flows

Residential aged care and home care revenue is disaggregated based on the nature of funding. Revenue is recognised based on the terms and conditions for discretionary and non-discretionary services agreed in a single contract with the resident, which are enforceable primarily on a daily basis. Total revenue and other income includes imputed income from the provision of accommodation, which is accounted for as an operating lease under AASB 16 *Leases*.

Government funded revenue includes $11,563,000 (31 December 2020: $nil) of Government Basic Daily Fee Supplement received from 1 July 2021, representing $10 per day, per resident. The payment was announced in the 2021-22 Budget as part of the Australian Government's response to the Royal Commission into Aged Care Quality and Safety. In addition, Government funded revenue includes $Nil (31 December 2020: $7,726,000) of COVID-19 funding. Further detail on the nature of revenue and cash flows is included on page 18.

### Interest Income

Interest income is recorded using the effective interest rate method.

### Imputed Income on RADs and Bonds

On adoption of AASB 16 *Leases*, the fair value of non-cash consideration (in the form of an interest free loan) received from a resident that has elected to pay a RAD or accommodation bond is required to be recognised as income and correspondingly, interest expense (Note B3) with no net impact on profit or loss.

# Section B: Results for the Period (continued)

## B2. Revenue and Other Income (continued)

**Key judgement, estimate and assumption: Interest rate applicable to RADs and Bonds**

The Group has determined the use of the Maximum Permissible Interest rate ('MPIR') as the interest rate to be used in the calculation of the imputed income on RADs and Bonds. The MPIR is a rate set by the Australian Government and is used to calculate the Daily Accommodation Payment ('DAP') to applicable residents.

Summary of Sources of Revenue

| Source of Revenue | Description | Type of Services |
|---|---|---|
| **Government funded revenue** | Government funded revenue reflects the Group's entitlement to revenue from the Australian Government based upon the specific care and accommodation needs of the individual residents. Revenue funded by the Australian Government is derived under the Group's contracts with customers.<br>The Australian Government funded revenue comprises 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 the Australian Government funded revenue is usually received within approximately one month of services having been performed. | Aged care and home care |
| **Resident basic daily fee revenue** | Residents are charged a basic daily fee as a contribution to the provision of care and accommodation. The quantum of resident basic daily fees is regulated by the Australian Government and typically increases in March and September each year.<br>Resident basic daily fee revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and cash is usually received 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, DAP / Daily Accommodation Contribution ('DAC') revenue, additional services revenue and other income.<br>Other resident revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and cash is usually received within 30 days. | Aged care and home care |
| **Other operating revenue** | Other operating revenue comprises 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 cash is usually received within 30 days. | Aged care, home care and retirement living |
| **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 |

# Section B: Results for the Period (continued)

## B3. Finance Costs

| | 31 December 2021 $'000 | Restated 31 December 2020 $'000 |
|---|---|---|
| Interest expense: Bank loans and overdrafts | 1,024 | 1,733 |
| Interest on refundable RADs | 1,884 | 1,744 |
| Imputed interest charge on RADs and Bonds[12] | 31,351 | 32,685 |
| Interest expense: Lease liabilities | 174 | 197 |
| Other | 1,908 | 1,748 |
| **Total finance costs** | **36,341** | **38,107** |
| Less borrowing costs capitalised | (671) | (414) |
| **Total finance costs expensed** | **35,670** | **37,693** |

## B4. Income Tax

Reconciliation of the Group's Applicable Tax Rate to the Effective Tax Rate

| | 31 December 2021 $'000 | Restated 31 December 2020 $'000 |
|---|---|---|
| **Profit / (loss) before income tax** | **(5,132)** | **12,311** |
| At Australia's corporate tax rate of 30% (31 December 2020: 30%) | 1,540 | (3,693) |
| Adjustments in respect of current income tax of previous years | - | (72) |
| Other (non-assessable income) / non-deductible expenses | (77) | (28) |
| **Income tax (expense) / benefit reported in the statement of profit or loss** | **1,463** | **(3,793)** |

[12] AASB 16 *Leases*, requires the fair value of non-cash consideration (in the form of an interest free loan) received from a resident that has elected to pay a RAD or accommodation bond to be recognised as income (Note B2) and correspondingly, interest expense (Note B3), with no net impact on profit or loss

# Section B: Results for the Period (continued)

## B5. Earnings Per Share (EPS)

| | 31 December 2021 $'000 | Restated 31 December 2020 $'000 |
|---|---|---|
| EPS for Profit Attributable to the Ordinary Equity Holders of Regis Healthcare Limited | | |
| Profit for the period from continuing operations ($'000) | (3,669) | 8,518 |
| Weighted average number of ordinary shares for basic EPS (shares, thousands) | 300,809 | 300,766 |
| Adjustment for effect of share-based payment arrangements (shares, thousands) | 210 | 99 |
| Weighted average number of ordinary shares for basic and diluted EPS (shares, thousands) | 301,019 | 300,865 |
| Basic earnings per share (cents per share) | (1.22) | 2.83 |
| Diluted earnings per share (cent per share) | (1.22) | 2.83 |

**Calculation Methodology**

Basic EPS is the profit after tax (from continuing operations) attributable to ordinary equity holders of Regis Healthcare Limited, divided by the weighted average number of ordinary shares during the year.

Diluted EPS is calculated on the same basis except that it includes the impact of any potential commitments the Group has to issue shares in the future.

Between the reporting date and the issue date of the Half-Year Financial Report, there have been no transactions involving ordinary shares or potential ordinary shares that would impact the calculation of EPS disclosed in the table above.

# Section C: Operating Assets and Liabilities

**IN THIS SECTION**

This section explains the Group's operating assets used to generate the Group's trading performance and the liabilities incurred as a result.

## C1. Property, Plant and Equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment. Cost comprises expenditure that is directly attributable to the acquisition of the item and subsequent costs incurred that are eligible for capitalisation. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred. Property, plant and equipment is depreciated on a straight-line basis to its residual value over its expected useful life.

Property, plant and equipment is tested for impairment at the individual cash generating unit ('CGU') level. Where there is an indication that an asset or CGU to which an asset belongs may be impaired (which is assessed at least at each reporting date), an impairment test is performed by comparing the recoverable amount of a CGU against its carrying amount as described in Note C3. No indicators of impairment were identified for the half-year ended 31 December 2021.

| | Land & buildings $'000 | Plant & equipment $'000 | Motor vehicles $'000 | Fixtures & fittings $'000 | Leasehold improve-ments $'000 | Capital work in progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2021** | | | | | | | |
| Cost | 994,334 | 319,705 | 1,002 | 84,080 | 37 | 67,317 | 1,466,475 |
| Accumulated depreciation | (148,230) | (170,659) | (868) | (35,413) | (20) | - | (355,190) |
| **Net carrying amount at 31 December 2021** | **846,104** | **149,046** | **134** | **48,667** | **17** | **67,317** | **1,111,285** |
| | | | | | | | |
| **Carrying amount at 1 July 2021** | **854,014** | **153,434** | **205** | **48,750** | **18** | **45,161** | **1,101,582** |
| Additions | 209 | 5,351 | - | 2,201 | - | 22,498 | 30,259 |
| Transfers to/(from) work in progress | - | 249 | - | 34 | - | (283) | - |
| Transfers to assets held for sale | - | - | - | - | - | - | - |
| Disposals | - | (102) | (37) | (47) | - | (59) | (245) |
| Depreciation expense* | (8,119) | (9,886) | (34) | (2,271) | (1) | - | (20,311) |
| **Carrying amount at 31 December 2021** | **846,104** | **149,046** | **134** | **48,667** | **17** | **67,317** | **1,111,285** |

*Excludes depreciation charge of $510,000 in relation to right-of-use assets

# Section C: Operating Assets and Liabilities (continued)

## C1. Property, Plant and Equipment (continued)

| | Land & buildings $'000 | Plant & equipment $'000 | Motor vehicles $'000 | Fixtures & fittings $'000 | Leasehold improve-ments $'000 | Capital work in progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **At 30 June 2021** | | | | | | | |
| Cost | 995,981 | 316,657 | 1,131 | 81,957 | 37 | 45,161 | 1,440,924 |
| Accumulated depreciation | (141,967) | (163,223) | (926) | (33,207) | (19) | - | (339,342) |
| **Net carrying amount at 30 June 2021** | **854,014** | **153,434** | **205** | **48,750** | **18** | **45,161** | **1,101,582** |
| | | | | | | | |
| **Carrying amount at 1 July 2020** | 870,313 | 162,553 | 243 | 50,504 | 19 | 63,752 | 1,147,384 |
| Additions | 53 | 11,332 | - | 2,875 | - | 3,133 | 17,393 |
| Transfers to/(from) work in progress | 368 | 2,263 | 2 | 51 | - | (2,684) | - |
| Transfers to assets held for sale | - | - | - | - | - | - | - |
| Disposals | (591) | (481) | (10) | (172) | (1) | (19,040) | (20,295) |
| Depreciation expense* | (16,129) | (22,233) | (30) | (4,508) | - | - | (42,900) |
| **Carrying amount at 30 June 2021** | **854,014** | **153,434** | **205** | **48,750** | **18** | **45,161** | **1,101,582** |

*Excludes depreciation charge of $993,000 in relation to right-of-use assets

# Section C: Operating Assets and Liabilities (continued)

## C2. Operational Places and Goodwill

| | Operational places $'000 | Goodwill $'000 | Total $'000 |
|---|---|---|---|
| **At 31 December 2021** | | | |
| Cost | 229,973 | 262,173 | 492,146 |
| Accumulated depreciation and impairment | (26,520) | (22,235) | (48,755) |
| **Net carrying amount** | **203,453** | **239,938** | **443,391** |
| Carrying amount at beginning of the financial period | 223,799 | 239,938 | 463,737 |
| Amortisation expense | (20,346) | - | (20,346) |
| **Carrying amount at 31 December 2021** | **203,453** | **239,938** | **443,391** |
| **At 30 June 2021** | | | |
| Cost | 229,973 | 262,173 | 492,146 |
| Accumulated depreciation and impairment | (6,174) | (22,235) | (28,409) |
| **Net carrying amount** | **223,799** | **239,938** | **463,737** |

### Available operational places

An 'available operational place' refers to a place that was allocated and has since become available for a person to receive residential aged care, being commonly referred to as "operating places" or "bed licences." In previous periods, available operational places were assessed as having an indefinite useful life as they are issued for an unlimited period. However, in May 2021 the Australian Government announced in the 2021-22 Budget that there will be no further Aged Care Approval Rounds (ACAR). From 1 July 2024, residential aged care places will be assigned directly to senior Australians, giving consumers more control to choose an approved provider that best suits their residential aged care needs. In September 2021, the Department of Health released a discussion paper *Improving Choice in Residential Aged Care - ACAR Discontinuation* confirming the Australian Government's Budget decision to discontinue the ACAR. As a result, the Australian Government announced its decision to discontinue operational places/bed licences from 1 July 2024. In accordance with Accounting Standards and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the Company's current understanding of the relevant legislation and transitional arrangements relating to the removal of bed licences, the Group has reassessed the useful life of its operational places. Consequently, Regis commenced amortising the value of operational places from 1 October 2021 on a straight line basis over their remaining economic life to 1 July 2024. This has resulted in a before tax amortisation expense in the profit and loss for the half-year ended 31 December 2021 of $20,346,000 with no impact to the cash flows of the Group. In addition, a related deferred tax liability of $6,000,000 has been partially reversed.

Operational places are tested for impairment if events or changes in circumstances indicate that it may be impaired. Impairment testing is performed as described in Note C3.

### Key judgement, estimate and assumption: Useful life of operational places

The Group's assessment of the useful life of Operational Places is based on the Group's current understanding of the relevant legislation and transitional arrangements relating to the ACAR abolishment as from 1 July 2024. Any change to these arrangements or to other facts and circumstances may impact this assessment in future periods.

# Section C: Operating Assets and Liabilities (continued)

## C2. Operational Places and Goodwill (continued)

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquiree at the date of acquisition.

Goodwill, that has an indefinite life, is not subject to amortisation and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it may be impaired. Impairment losses relating to goodwill cannot be reversed in future periods. Impairment testing is performed as described in the section below.

## C3. Impairment Testing of Non-Current Assets

### Key judgement, estimate and assumption: Recoverable amount

Valuations have an element of uncertainty and therefore may not reflect the actual values of these assets in the future. The assessment of the recoverable amount of goodwill and operational places involves significant areas of estimation and judgement by management. These judgements relate to the level of future Australian Government funding and market conditions including home occupancy levels. The key assumptions considered by management are detailed in the table on the following page.

In accordance with Australian Accounting Standards, the Group tests property, plant and equipment, right-of-use assets, goodwill and available operational places for impairment to ensure they are not carried above their recoverable amounts:

- At least annually for goodwill
- Where there is an indication that assets may be impaired (which is assessed at least at each reporting date).

For the purposes of assessing impairment, available operational places and goodwill are allocated to cash-generating units ('CGUs') or the groups of CGUs that are expected to benefit from these assets. Goodwill and operational places are allocated entirely to the Aged Care operating segment for the purposes of impairment testing. The methodology and modelling used in assessing the recoverable amount of the Group's CGUs is otherwise consistent with the approach set out in the Group's 2021 Annual Financial Report.

A review of indicators of impairment relating to goodwill, available operational places and other non-current assets was performed as at 31 December 2021. This incorporated consideration of the recent Australian Government announcement with respect to the abolishment of operational places from 1 July 2024 (refer Note C2). As a result of this review, no indicators of impairment were identified that would require an impairment test to be performed as at 31 December 2021.

The Group's 2021 Annual Financial Report details the most recent annual impairment tests undertaken for goodwill and available operational places. The Group's impairment tests are based on value-in-use ('VIU'). VIU calculations are based on the discounted cash flows expected to arise from the asset or CGU.

The key assumptions used to determine the recoverable amounts for the Group's CGUs are disclosed in the 2021 Annual Financial Report.

# Section C: Operating Assets and Liabilities (continued)

## C4. Investment Property

Investment property relates to interests in operating 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.

| | 31 December 2021 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Carrying amount at beginning of financial year | 158,646 | 148,129 |
| Additions - capital expenditure | 1,309 | 1,359 |
| Amounts written off | - | (2,502) |
| Change in fair value of investment property development sites | - | 6,431 |
| Change in fair value of operating investment properties | - | 5,229 |
| **Carrying amount** | **159,955** | **158,646** |

### Fair Value Measurement, Valuation Techniques and Inputs

The techniques used to fair value the Group's investment properties have not changed since 30 June 2021. For further explanation of the techniques and inputs applied, refer to the 2021 Annual Financial Report

### Key judgement, estimate and assumption: Impact of COVID-19 on external valuations

As stated in the independent valuation reports as at 30 June 2021, the COVID-19 pandemic continues to cause uncertainty in some sectors of the local and global property markets, and therefore, the independent valuers recommended periodic review of the property valuations. As at 31 December 2021, management has assessed the valuation of the investment properties as fairly stated. Independent valuations will be obtained as at 30 June 2022.

### Key judgement, estimate and assumption: Investment property valuation assumptions

Investment property valuations are subject to key market-based assumptions including discount rates, the current market value of residential units and the growth in those values over time. Given the volatility in markets and the lack of certainty around economic recovery, it is possible there will be movements in these key inputs after 30 June 2021. Demand may also be positively or negatively impacted by potential residents' perceptions of the advantages and disadvantages of living in a retirement community at this time.

To illustrate the exposure of the carrying amount of investment properties at 31 December 2021 to further fair value movements as a result of changes in the economic environment, a sensitivity analysis of fair value has been prepared for the key value drivers, as disclosed in the table on the following page.

While it is unlikely that these drivers would move in isolation, these sensitivities have been performed independently to illustrate the impact each individual driver has on the fair value. These assumptions do not represent management's estimate at 31 December 2021.

Investment properties are classified as Level 3 in the fair value hierarchy as defined at Note C5.

## C4. Investment Property (continued)

### Key Valuation Inputs

The following significant unobservable inputs are used to measure the fair value of the investment properties:

**(a) Operating Investment Properties**

| Inputs Used to Measure Fair Value | 31 December 2021 | Sensitivity |
|---|---|---|
| Discount rate | 9% - 15% | Increasing / decreasing the discount rates by 50 basis points would decrease / increase fair value by $788,000 and $859,000 respectively |
| Property price growth rates - medium term | 1.50% - 3.50% | Increasing / decreasing the property price growth rates by 50 basis points would increase / decrease fair value by $1,959,000 and $1,754,000 respectively. |
| Property price growth rates - longer term | 1.50% - 3.50% | |

**(b) Investment Property Development Sites**

| Inputs Used to Measure Fair Value | 31 December 2021 | Sensitivity |
|---|---|---|
| Discount rate | 7% - 10% | Increasing / decreasing the discount rate by 50 basis points would decrease / increase fair value by $1,793,000 and $1,856,000 respectively |
| Property price growth rates - medium term | Nil | Increasing / decreasing the property price growth rates by 50 basis points would increase / decrease fair value by $2,015,000 and $1,950,000 respectively |
| Property price growth rates - longer term | Nil | |
| Average tenure of residents | 6.5 - 8 years | Increasing / decreasing the average tenure period by 6 months would decrease / increase fair value by $3,056,000 and $3,185,000 respectively. |

Investment properties are classified as level 3 in the fair value hierarchy as described at Note C5.

# Section C: Operating Assets and Liabilities (continued)

## C5. Fair Value of Financial Instruments

### Measurement of Fair Value of Financial Instruments

The financial instruments on the balance sheet are measured at either fair value or amortised cost. The measurement of fair value in some cases may be subjective and may depend on the inputs used in the calculations. The different valuation methods are called 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.

| | Note | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|---|
| 31 December 2021 | | | | | |
| **Assets/(Liabilities) Measured at Fair Value** | | | | | |
| Independent living unit and apartment ('ILU'/'ILA') entry contributions | D2 | - | (41,613) | - | (41,613) |
| Investment property | C4 | - | - | 159,955 | 159,955 |
| **Assets/(liabilities) for which fair value is disclosed** | | | | | |
| Interest-bearing loans and borrowings | D1 | - | (88,882) | - | (88,882) |
| RADs and accommodation bonds | D2 | - | (1,232,336) | - | (1,232,336) |
| **Total** | | | **(1,362,831)** | **159,955** | **(1,202,876)** |
| 30 June 2021 | | | | | |
| **Assets/(Liabilities) Measured at Fair Value** | | | | | |
| Independent living unit and apartment (ILU/ILA) entry contributions | D2 | - | (39,574) | - | (39,574) |
| Investment property | C4 | - | - | 158,646 | 158,646 |
| **Assets/(liabilities) for which fair value is disclosed** | | | | | |
| Interest-bearing loans and borrowings | D1 | - | (131,431) | - | (131,431) |
| RADs and accommodation bonds | D2 | - | (1,188,278) | - | (1,188,278) |
| **Total** | | | **(1,359,283)** | **158,646** | **(1,200,637)** |

Refer to the relevant note for information on how the fair values of the above financial instruments were derived. There were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements during the half-year ended 31 December 2021.

## C6. Provisions

| | 31 December 2021 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Current | | |
| Employee entitlements | 74,226 | 73,748 |
| Other provisions | 37,400 | 38,339 |
| **Total current provisions** | **111,626** | **112,087** |
| | | |
| Non-Current | | |
| Employee entitlements | 7,178 | 7,338 |
| **Total non-current provisions** | **7,178** | **7,338** |

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognised in profit or loss net of any reimbursement.

### Annual leave, long service leave and other employee entitlements

Provisions are recognised for annual leave, long service leave and long-term incentives.

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

The current provision for employee entitlements includes annual leave entitlements, which are presented as current although the Group does not expect to settle the full amount within the next 12 months. The amount of annual leave that is not expected to be settled within the next 12 months is $12,918,000 (30 June 2021: $15,826,000).

### Key judgement, estimate and assumption: Potential employee underpayments provision

As disclosed at Note A5, the Group has identified potential underpayments of employee entitlements to certain current and former employees under its enterprise agreements. The Group recognised $35,000,000 in other provisions as at 30 June 2021 in respect of the estimated total cost to remediate payment shortfalls. The Group's review and remediation of these matters is currently ongoing. There have been no significant changes requiring adjustment to the provision for the half-year ended 31 December 2021.

The estimated cost of remediation is based on a significant volume of historical data from a number of different sources, involves a high degree of complexity, interpretation and application of relevant enterprise agreement clauses which requires, judgement, estimation and remains subject to further analysis.

# Section D: Capital Structure

**IN THIS SECTION**

This section outlines how Regis manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The Board determines the appropriate capital structure of Regis; specifically, how much is raised from security holders (equity) and how much is borrowed from financial institutions and capital markets (debt), in order to finance Regis' activities both now and in the future.

The Board considers Regis' capital structure and its dividend and distribution policy at least twice a year ahead of announcing results, in the context of its ability to continue as a going concern, to execute the strategy and to deliver its business plan.

## D1. Loans and Borrowings

| | 31 December 2021 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Current | | |
| Bank overdraft | 15,855 | 14,920 |
| Non-current | | |
| Bank loans | 88,882 | 131,431 |
| **Total loans and borrowings** | **104,737** | **146,351** |

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

### Bank Facilities

As at 31 December 2021, the Group has syndicated bank debt facilities of $515,000,000 comprising the following:

| | Maturity | Facility limit $'000 | Utilised at balance date $'000 | Unused at balance date $'000 |
|---|---|---|---|---|
| Facility A | March 2023 | 150,000 | 74,000 | 76,000 |
| Facility B | March 2024 | 275,000 | - | 275,000 |
| Facility C | March 2024 | 70,000 | 16,633 | 53,367 |
| Bank guarantee facility | March 2024 | 20,000 | 334 | 19,666 |
| **Total syndicated bank debt facilities** | | **515,000** | **90,967** | **424,033** |
| Add: Overdraft facility | July 2022 | 25,000 | 15,855 | 9,145 |
| **Total facilities** | | **540,000** | **106,822** | **433,178** |
| Less: Bank guarantee facility | | | (334) | |
| Less: Overdraft facility | | | (15,855) | |
| Less: Establishment costs | | | (1,751) | |
| **Total loans and borrowings** | | | **88,882** | |

# Section D: Capital Structure (continued)

## D2. Other Financial Liabilities

| | 31 December 2021 $'000 | 30 June 2021 $'000 |
|---|---|---|
| Refundable accommodation deposits ('RADs') | 1,232,336 | 1,188,278 |
| Independent living unit and apartment ('ILU/ILA') entry contributions | 41,613 | 39,574 |
| **Total other financial liabilities** | **1,273,949** | **1,227,852** |

### Refundable accommodation deposits

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 RADs were referred to as accommodation bonds. 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.

RADs are refunded after a resident departs a facility in accordance with the Aged Care Act 1997. RAD refunds are guaranteed by the Australian Government under the prudential standards legislation. Approved 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.

RADs and accommodation bonds are recognised initially at fair value (being the cash received) and subsequently measured at amortised cost using the effective interest rate method. Due to the short-term nature of RADs, their carrying value at balance date approximates their fair value.

### Independent living unit and apartment entry contributions ('Entry Contributions')

Entry Contributions relate to Independent Living Unit ('ILU') and Independent Living Apartment ('ILA') residents. An Entry Contribution is the amount a resident lends to Regis, equivalent to the market value of the ILU/ILA in exchange for a lease to reside in the facility and have access to community facilities owned and maintained by Regis.

Entry 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 as 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) net of deferred management fees contractually accruing up to reporting date and other amounts owing by residents, which are deducted from the loan on repayment following the resident's departure.

Entry Contributions are settled after a resident vacates the property and the terms and conditions are governed by applicable Australian state-based Retirement Village Acts.

Entry contributions are classified as level 2 in the fair value hierarchy as defined in Note C5.

# Section D: Capital Structure (continued)

## D3. Contributed Equity

Movements in Ordinary Shares

| | | | Ordinary Shares | |
|---|---|---|---|---|
| | Grant Date Fair Value | Date | No. | $'000 |
| At 30 June 2021 | | | **300,780,573** | **273,519** |
| Share issue - performance rights | 2.06 | 23-Sep-21 | 53,192 | 110 |
| **At 31 December 2021** | | | **300,833,765** | **273,629** |

## D4. Dividends Paid and Proposed

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

### Dividends Declared and Paid During the Period

During the half-year ended 31 December 2021, the 30 June 2021 final dividend of $13,926,000 (4.63 cents per share, 50% franked) was paid on 30 September 2021.

### Dividends Proposed and Not Recognised as a Liability

On 23 February 2022, the Board of Directors resolved to pay an interim dividend of 3.52 cents per share totalling $10,600,000 (50% franked) for the half-year ended 31 December 2021, payable on 8 April 2022 (record date 11 March 2022).

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

# Section E: Other Disclosures

**IN THIS SECTION**

This section includes information about the financial performance and position of Regis that must be disclosed to comply with the Accounting Standards, the Corporations Act 2001 or the Corporations Regulations 2001.

## E1. Commitments

### Capital Expenditure Commitments

As at 31 December 2021, capital commitments amounted to $1,212,000 (30 June 2021: $225,000). The capital commitments at 31 December 2021 related to ongoing development activity.

## E2. Contingent Liabilities

Contingent liabilities are potential future cash outflows where the likelihood of payment is more than remote but is not considered probable or cannot be reliably measured. Contingencies are not recognised in the statement of financial position but are disclosed as follows:

### Bank Guarantees

As at 31 December 2021, the Company has bank guarantees totalling $334,241 (30 June 2021: $334,241).

While the Company has provided these guarantees, the probability of having to make payments under these guarantees is considered remote.

### Oneview Healthcare PLC

On 21 December 2020, Oneview Healthcare PLC lodged a claim in the Supreme Court of Victoria against Regis seeking damages for alleged breach of a collaboration agreement between the two parties. Regis has engaged external legal counsel and continues to strongly defend the matter.

### Legal and Regulatory Matters

From time to time, entities within the Group are party to various legal actions as well as inquiries from regulators and Government bodies that have arisen in the ordinary course of business. Consideration has been given to such matters and it is expected that the resolution of these contingencies will not have a material impact on the financial position of the Group, or are not at a stage to support a reasonable evaluation of the likely outcome.

## E3. Accounting Standards Issued but Not Yet in Effect

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

There are no standards, amendments or interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## E4. Subsequent Events

### COVID-19 Pandemic

Regis anticipates ongoing COVID-19 additional costs in both outbreak and non-outbreak homes during the second half of the financial year associated with staff expenses and infection prevention and control including the use of personal protective equipment (PPE) and rapid antigen test kits.

Depending on the spread of the virus, it also has the potential to significantly disrupt the financial position of the Group including a decline in occupancy levels and significantly increased costs to continue to protect residents, clients and staff. The Group continues to work closely with health and regulatory authorities.

### Other Matters

No other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future 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 consolidated 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 2021 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, 23 February 2022**

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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 condensed statement of financial position as at 31 December 2021, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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, we have not become aware of any matter that makes us believe that the half year financial report of the Group does not comply 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 2021 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*.

### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

Ernst & Young

Ernst & Young

BJ Pollock
Partner

Melbourne
23 February 2022

# Glossary

| | |
|---|---|
| AASBs or Accounting Standards | Australian Accounting Standards issued by the Australian Accounting Standards Board |
| ACFI | Aged Care Funding Instrument |
| Aged Care Act | Aged Care Act 1997. The Aged Care Act is the main law that sets out the rules for Government-funded aged care including funding, regulation, approval of providers, subsidies and fees, standards, and quality of care. |
| Approved Provider | An aged care provider as accredited by the Department under the Aged Care Act |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange |
| CGU | Cash Generating Unit |
| CODM | Chief Operating Decision Maker |
| DAP | Daily accommodation payment |
| DMF | Deferred management fee from residents within retirement living accommodation |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| Adjusted EBITDA | Adjusted EBITDA excludes imputed income on RADs and Bonds of $31.4 million (H1 FY21: $32.7 million), $4.5 million of incremental COVID-19 expenses and includes operating lease expense of $0.7 million (H1 FY21: $0.7 million) |
| EPS | Earnings per share |
| Home Care Services | Provision of services to support older people with complex care needs to live independently in their own homes |
| IFRS | International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB') |
| ILA | Independent living apartment |
| ILU | Independent living unit |
| NPAT | Net profit after tax |
| NPATA | NPATA represents statutory net profit after tax (NPAT) before amortisation of operational places |
| Regis or Parent Entity | Regis Healthcare Limited |
| RAD | Refundable accommodation deposit |
| Aged Care Royal Commission | Royal Commission into Aged Care Quality and Safety |
| 2021 Annual Financial Report | Financial report for the year ended 30 June 2021 |