

Appendix 4D

Regis Healthcare Limited

Results for announcement to the market

For the half-year ended 31 December 2020

(previous corresponding period being the half-year ended 31 December 2019)

		% change	\$000
Revenue from services	Up	6.3%	to 353,081
Other income	Down	(10.9%)	to 26,165
Total revenue and other income from ordinary activities	Up	4.9%	to 379,246
Profit before income tax and finance costs	Down	(15.8%)	to 44,536
Profit for the period from ordinary activities	Down	(8.9%)	to 11,003

Dividend Information

	Amount per security	Franked amount per security
Current period		
Interim dividend	2.00 cents	1.00 cents
Previous corresponding period		
Interim dividend	4.02 cents	2.01 cents
Year ended 30 June 2020		
Interim dividend	4.02 cents	2.01 cents
Final dividend	-	-
Total dividend	4.02 cents	2.01 cents

Record date for determining entitlement to the interim dividend	11 March 2021
Payment date of interim dividend	8 April 2021

Other Information

	31 December 2020 (cents)	31 December 2019 (cents)	% change
Net tangible asset backing per ordinary share ¹	(101.49)	(103.68)	(2.1%)

Commentary on the results for the period and additional ASX Appendix 4D (Listing Rule 4.2A.3) disclosures can be found in the Half-Year Financial Report of Regis Healthcare Limited for the period ended 31 December 2020 attached. This document should be read in conjunction with the Annual Report of Regis Healthcare Limited for the year ended 30 June 2020 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.



Martin Bede, Company Secretary
24 February 2021

¹ Calculated as net assets less intangible assets and deferred tax liabilities, divided by the number of ordinary shares on issue at period end. 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 2020.

Regis Healthcare Limited

**Half-Year Financial Report
31 December 2020**

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Corporate Information

Directors

Graham K Hodges	Chairman, Non-Executive Director
Linda J Mellors	Managing Director and CEO
Christine C Bennett AO	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

Securities Exchange Listing

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

Solicitors

King & Wood Mallesons
Level 50, 600 Bourke 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') for the half-year ended 31 December 2020.

Directors

The names of Directors (collectively, the 'Board') in office at any time during or since the end of the six-month financial 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
Sylvia Falzon	Non-Executive Director
Matthew J Quinn	Non-Executive Director
Ian G Roberts	Non-Executive Director

Operating and Financial Review

As at 31 December 2020, the Group owned and operated 64 aged care homes, including 7,121 available operational places and provided residential aged care services in six States and the Northern Territory. In addition, Regis, through retirement living, manages 586 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 facility's catchment area, site identification, site acquisition, brownfield/greenfield development, facility operation and asset renewal.
- **Strong cash flow generation:** Regis aims to achieve and maintain strong cash flow from operations, which it augments with a focus on the receipt and profitable use of Refundable Accommodation Deposits (RADs). The Group leverages its RAD cash inflows from developments to facilitate the repayment of acquisition and development related debt.
- **High-quality portfolio:** Facilities are primarily located in metropolitan areas with high median house prices. The facilities are typically modern with a high proportion of single rooms and an emphasis on lifestyle and supported living.
- **Scalable platform:** Regis has invested in scalable business processes supported by IT systems, and in-house resources to facilitate growth via acquisitions and developments.

Review and Results of Operations

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') is reported in order to give information to shareholders and to provide a greater understanding of the performance of the Group. Refer to the reconciliation of the adjusted and reported financial information below.

Directors' Report

Operating and Financial Review (continued)

Review and Results of Operations (continued)

A summary of the financial results for the half-year period to 31 December 2020 is set out below.

For the Half-Year Ended	31 December 2020 \$'000	31 December 2019 \$'000	% Change
Revenue from services	353,081	332,196	6.3%
Adjusted EBITDA ¹	42,608	43,132	(1.2%)
Profit for the period	11,003	12,084	(8.9%)
Basic earnings per share	3.66 cents	4.02 cents	(9.0%)

Revenue for the half-year ended 31 December 2020 included:

- \$6,813,000 (31 December 2019: \$nil) of one-off COVID-19 Government funding received in October 2020
- \$913,000 (31 December 2019: \$nil) of COVID-19 related temporary uplift in the Aged Care Funding Instrument ('ACFI')
- \$7,927,000 (31 December 2019: \$nil) six-month contribution from the acquisition of the business and assets of Lower Burdekin Home for the Aged Society ('LBHA')

A summary of revenue from services for the half-year ended 31 December 2020 is set out below:

For the Half-Year Ended	31 December 2020 \$'000	31 December 2019 \$'000
Government funded revenue	252,987	229,458
Resident basic daily fee revenue	59,839	58,227
Other resident revenue	36,527	39,783
Other operating revenue	2,905	3,733
Deferred management fee revenue	823	995
Revenue from services	353,081	332,196

Included in Government funded revenue of \$252,987,000 was COVID-19 related funding of \$7,726,000. Excluding COVID-19 related funding, on-going Government funded revenue was \$245,261,000.

During the period, the Group continued to face increases in staff expenses and other costs, which were only partially offset by the indexation increase applied by the Commonwealth Government to aged care funding. In addition, during the period, the Group incurred direct COVID-19 related costs of \$9,704,000 including additional staff and related costs, personal protective equipment, cleaning and security expenses. Further COVID-19 related expenses have been incurred since 31 December 2020. Despite the impact of COVID-19 and industry trend, occupancy rates across the residential aged care portfolio remained steady at an average of 88.3% for the half-year ended 31 December 2020 (31 December 2019: 87.9%). Throughout this difficult period, management has remained focused on improved operational and clinical effectiveness and performance.

The current challenges of the COVID-19 pandemic and negative consumer sentiment have compounded the underlying long-standing issues that continue to threaten the sustainability of the aged care sector. As the Aged Care Financing Authority has reported, profitability in the sector has continued to decline over recent years with costs increasing annually at substantially higher rates than funding. The community is demanding more staff and better facilities and additional funding will be required to enable providers to meet community expectations in relation to the level of care. All this points to the need for reform of the funding environment and the Group awaits the recommendations of the Royal Commission into Aged Care Quality and Safety with anticipation.

The profit before tax of the Group for the half-year ended 31 December 2020 was \$15,861,000 (31 December 2019: \$17,270,000).

¹ 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. A reconciliation of profit before income tax to Adjusted EBITDA is provided on the following page.

Directors' Report

Operating and Financial Review (continued)

Review and Results of Operations (continued)

A reconciliation of profit before income tax to Adjusted EBITDA is set out below:

For the Half-Year Ended	31 December 2020 \$000	31 December 2019 \$000
Profit before income tax	15,861	17,270
<i>Add back/(deduct):</i>		
Imputed income on RADs and bonds	(23,667)	(29,253)
Depreciation and amortisation	22,429	20,162
Finance costs	28,675	35,618
Finance income	(5)	(37)
Operating lease expense	(685)	(628)
Adjusted EBITDA¹	42,608	43,132

Cash Flow and Capital Expenditure

The Group's principal source of funds was its cash flow from operations (including RADs). Net cash flows from operating activities in the half-year ended 31 December 2020 were \$88,588,000 (31 December 2019: \$111,016,000) and includes \$39,595,000 (31 December 2019: \$37,027,000) of Government funding for January 2021 received in advance in December 2020. Net cash inflows were negatively impacted by COVID-19. RAD and accommodation bond net inflows were \$4,668,000 (31 December 2019: \$46,653,000).

During the period, the Group invested \$7,628,000 in capital expenditure for on-going maintenance and refurbishment of existing facilities. Capital expenditure in the prior period of \$30,562,000 included land acquisition, development, refurbishment and on-going maintenance of existing facilities.

Investment in new homes has slowed due to the lack of certainty in future Federal Government funding and policy. Accordingly, the Group has paused several projects in its development program although the commencement of a greenfield development in Camberwell, Victoria, is planned for late in the 2021 financial year (subject to market conditions).

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 \$43,000,000 (31 December 2019: \$32,028,000) of bank borrowings assisted by the net RAD cash flow in the period. Excluding Government funding received in advance for January 2021, net debt at 31 December 2020 was \$183,044,000 (31 December 2019: \$281,484,000), a reduction of \$98,440,000 (35.0%) on the prior corresponding period, and represented a leverage ratio² of 2.2 times (31 December 2019: 2.7 times).

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 February 2023 and \$365,000,000 matures in February 2024. The Group's available debt facilities are expected to provide sufficient liquidity to meet the Group's currently anticipated cash flow requirements.

Due to the uncertainty surrounding the aged care sector in the current climate, the Board made the decision on 1 April 2020 to defer the payment of the 2020 interim dividend. This was paid on 30 September 2020. No 30 June 2020 final dividend was declared.

¹ Adjusted EBITDA reverses the impact of AASB 16 *Leases*, which was adopted by the Group on 1 July 2019. Pursuant to AASB 16, 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 (within EBITDA) and, correspondingly, interest expense (within finance costs), with no net impact on profit or loss. Imputed income and interest expense of \$23,667,000 (31 December 2019: \$29,253,000) was recognised in the half-year ended 31 December 2020. Separately, with respect to lease arrangements where the Group is a lessee, depreciation of \$496,000 (31 December 2019: \$462,000) and interest costs of \$197,000 (31 December 2019: \$212,000) have been recognised during the half-year ended 31 December 2020. Adjusted EBITDA includes an operating lease expense of \$685,000 (31 December 2019: \$628,000) that the Group would have recognised prior to adoption of AASB 16.

² Leverage ratio is calculated as Adjusted EBITDA excluding the gain on acquisition of LBHA (net of acquisition-related costs) of \$3,390,000 and the impairment of intangible assets of \$20,566,000 recognised in the year ended 30 June 2020 (refer to Notes 2.1 and 3.2 of the Group's 2020 Annual Report for further details) on a rolling 12-month basis as a ratio to 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 in place robust operational controls and detailed business continuity plans. The Group continues to review the progress of the COVID-19 pandemic and will take necessary steps to protect the health, well-being and safety of residents, staff and families. Executive and senior management teams continue to meet regularly to monitor, assess and amend the stringent access controls across all homes and have been well supported by the Board of Directors.

The Group's dedicated staff have demonstrated their strong commitment to residents, clients and families by rapidly undertaking all required training, adhering to temporary and on-going regulatory requirements, learning new technologies and providing care and services with kindness and compassion.

Cyber-Security Incident

On 3 August 2020, the Company advised the ASX that it had been the target of a cyber-security attack. The Company promptly implemented its back-up and business continuity systems and the incident did not affect the delivery of resident care or services. The incident did not materially impact the Company's day-to-day operations.

Oneview Healthcare PLC

On 21 December 2020, Oneview Healthcare PLC lodged a claim in the Supreme Court of Victoria against the Group seeking damages of \$21,400,000 for alleged breach of a collaboration agreement between the two parties. Regis has engaged external legal counsel and intends to strongly defend the matter.

Acquisitions and Development

On 1 March 2020, the Group acquired two aged care homes with a total capacity of 173 beds from LBHA in Queensland. The two homes, situated in Ayr and Home Hill add to the Group's current offering in Northern Queensland. LBHA represented 100% of the available places in the local market and integration of the two homes is progressing well. The Group's reported profit after tax for the half-year ended 31 December 2020 included a \$116,000 (31 December 2019: \$nil) contribution from Regis Ayr and Regis Home Hill.

Apart from the LBHA acquisition, the Board prudently paused further investment in developments in 2020. During 2021, the Group will focus on ensuring that it continues to have a stable foundation for continued growth when it is appropriate to again invest in new developments.

2021 Interim Dividend

On 24 February 2021, the Board of Directors declared an interim dividend of 2.00 cents per ordinary share totalling \$6,016,000 (50% franked) for the half-year ended 31 December 2020 payable on 8 April 2021.

Outlook

Given the imminent release of the Royal Commission into Aged Care Quality and Safety findings and the anticipated Government response, the Board does not believe it to be appropriate to put forward any earnings guidance.

Subsequent Events

Regis Nedlands

On 23 January 2021, the Aged Care Quality and Safety Commission ('ACQSC') applied regulatory penalties to Regis Nedlands, including a Sanction and a Notice to Agree. Regis has fully complied with all actions and requirements stipulated by the ACQSC. Regis lodged a request for review of the ACQSC Sanction within the strict 14-day time limit. Regis noted within that request for review that its investigation into the matter was on-going and it would provide the ACQSC with its findings once complete. The majority of issues subject to Regis' investigation have not been substantiated.

Directors' Report

Subsequent Events (continued)

Refinancing of Syndicated Bank Debt Facilities

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 February 2023 and \$365,000,000 matures in February 2024.

Other Matters

No other matters or circumstances have arisen since the end of the half-year ended 31 December 2020 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.

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 the next page.

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, 24 February 2021

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 2020, 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
24 February 2021

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

		Half-Year Ended 31 December 2020	Half-Year Ended 31 December 2019
	Notes	\$'000	\$'000
Revenue from services	B2	353,081	332,196
Other income	B2	26,165	29,371
Total revenue and other income		379,246	361,567
Expenses			
Staff expenses		(249,811)	(238,886)
Resident care expenses		(22,814)	(20,969)
Administration expenses		(19,327)	(17,940)
Occupancy expenses		(10,625)	(10,722)
COVID-19 expenses		(9,704)	-
Depreciation		(22,429)	(20,162)
Profit before income tax and finance costs		44,536	52,888
Finance costs	B3	(28,675)	(35,618)
Profit before income tax		15,861	17,270
Income tax expense	B4	(4,858)	(5,186)
Profit for the period		11,003	12,084
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Net movement in fair value of cash flow hedge reserve, net of tax		-	64
Other comprehensive income, net of tax for the period		-	64
Total comprehensive income, net of tax for the period		11,003	12,148
Profit for the period attributable to:			
Equity holders of the parent entity		11,003	12,084
Total comprehensive income, net of tax attributable to:			
Equity holders of the parent entity		11,003	12,148
Earnings per share (EPS) attributable to equity holders of the parent:		Cents	Cents
Basic EPS (cents per share) attributable to equity holders of the parent	B5	3.66	4.02
Diluted EPS (cents per share) attributable to equity holders of the parent	B5	3.66	4.01

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

Interim Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2020

		31 December 2020	30 June 2020
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents		46,537	3,801
Trade and other receivables		8,061	9,747
Inventories		3,094	1,147
Other current assets		6,500	5,009
Income tax receivable		1,142	8,322
Total current assets		65,334	28,026
Property, plant and equipment	C1	1,113,536	1,147,384
Right-of-use assets		5,494	5,990
Intangible assets	C2	463,737	463,737
Investment property	C4	148,461	148,129
Total non-current assets		1,731,228	1,765,240
Total assets		1,796,562	1,793,266
Liabilities			
Bank overdraft	D1	-	7,885
Trade payables and other liabilities		96,350	49,839
Lease liabilities		1,038	1,041
Provisions		76,980	70,473
Other financial liabilities	D2	1,196,838	1,196,012
Other liabilities		-	12,084
Total current liabilities		1,371,206	1,337,334
Interest-bearing loans and borrowings	D1	189,986	232,599
Provisions		5,597	4,249
Deferred tax liabilities		64,765	64,749
Lease liabilities		6,530	7,016
Total non-current liabilities		266,878	308,613
Total liabilities		1,638,084	1,645,947
Net assets		158,478	147,319
Equity			
Contributed equity	D3	273,519	273,485
Reserves		(97,340)	(97,462)
Retained earnings / (accumulated losses)		(17,701)	(28,704)
Total equity		158,478	147,319

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 2020

	Issued Capital	Cash Flow Hedge Reserve	Remuneration Reserve	Acquisition Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2019	273,233	(64)	4,443	(101,497)	2,530	178,645
Adjustment related to new accounting standards (AASB 16 Leases)	-	-	-	-	(1,538)	(1,538)
Adjusted balance at 1 July 2019	273,233	(64)	4,443	(101,497)	992	177,107
Net profit for the period	-	-	-	-	12,084	12,084
Other comprehensive income	-	64	-	-	-	64
Total comprehensive income for the period	-	64	-	-	12,084	12,148
Dividends paid or provided for	-	-	-	-	(21,376)	(21,376)
Equity settled share-based payments	-	-	(92)	-	-	(92)
Transfers from remuneration reserve	252	-	(252)	-	-	-
Balance at 31 December 2019	273,485	-	4,099	(101,497)	(8,300)	167,787
At 1 July 2020	273,485	-	4,035	(101,497)	(28,704)	147,319
Net profit for the period	-	-	-	-	11,003	11,003
Total comprehensive income for the period	-	-	-	-	11,003	11,003
Equity settled share-based payments	-	-	156	-	-	156
Transfers from remuneration reserve	34	-	(34)	-	-	-
Balance at 31 December 2020	273,519	-	4,157	(101,497)	(17,701)	158,478

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

Interim Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Half-Year Ended 31 December 2020	Half-Year Ended 31 December 2019
	\$'000	\$'000
Cash flows from operating activities		
Receipts from residents and Government subsidies	351,531	332,768
Government funding received in advance	39,595	37,027
Payments to suppliers and employees	(305,238)	(296,262)
Finance income	5	37
Finance costs	(4,753)	(7,317)
RAD and accommodation bond inflows	176,196	209,107
RAD and accommodation bond outflows	(171,528)	(162,454)
ILU/ILA entry contribution inflows	1,680	2,088
ILU/ILA entry contribution outflows	(1,238)	(2,640)
Income tax received / (paid)	2,338	(1,338)
Net cash flows from operating activities	88,588	111,016
Cash flows used in investing activities		
Purchase of property, plant and equipment	(7,271)	(28,127)
Purchase of investment property	(357)	(2,435)
Proceeds from sale of property, plant and equipment	25,234	710
Net cash flows from / (used) in investing activities	17,606	(29,852)
Cash flows used in financing activities		
Proceeds from borrowings	119,000	122,972
Repayment of borrowings	(162,000)	(155,000)
Payment of lease liabilities	(489)	(628)
Dividends paid on ordinary shares	(12,084)	(21,376)
Net cash flows used in financing activities	(55,573)	(54,032)
Net increase in cash and cash equivalents	50,621	27,132
Cash at the beginning of the financial period	(4,084)	(160)
Cash at the end of the financial period	46,537	26,972

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 2020 (collectively, 'Regis' or the 'Group') was authorised for issue in accordance with a resolution of the Directors on 24 February 2021.

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 2020 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 2020 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.

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 flows from operations of \$88,588,000 during the half-year (31 December 2019: \$111,016,000). Undrawn bank facilities of \$345,586,000 (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 by the Group

A number of amendments and interpretations 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 2020 Annual Report except as specifically disclosed at Note C3 and Note C4.

Notes to the Interim Consolidated Financial Statements

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.

In previous periods, the Group's state/territory based operating segments were aggregated into one reportable segment on the basis that Regis operated predominantly in one business and geographical segment. From 1 July 2020, the Group revised its internal reporting to the CODM so as to report based on the residential aged care facility portfolio ('Aged Care') and the retirement living and home care services ('Retirement Living and Home Care') operating segments respectively. There was no change to the Group's reportable segment.

B2. Revenue and Other Income

	Notes	Half-Year Ended 31 December 2020 \$'000	Half-Year Ended 31 December 2019 \$'000
Revenue			
Government funded revenue		252,987	229,458
Resident basic daily fee revenue		59,839	58,227
Other resident revenue		36,527	39,783
Other operating revenue		2,905	3,733
Deferred management fee revenue		823	995
Total revenue from services		353,081	332,196
Other income			
Imputed income on RADs and Bonds		23,667	29,253
Profit on disposal of property, plant and equipment		2,518	-
Interest income		5	37
Change in fair value of operating investment property	C4	(25)	81
Total other income		26,165	29,371
Total revenue and other income		379,246	361,567

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 \$7,726,000 of COVID-19 funding. Further detail on the nature of revenue and cash flows is included on the following page.

Interest Income

Interest income is recorded using the effective interest rate method.

Notes to the Interim Consolidated Financial Statements

Section B: Results for the Period (continued)

B2. Revenue and Other Income (continued)

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.



Key Estimate: 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 Commonwealth 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	<p>Government funded revenue reflects the Group's entitlement to revenue from the Commonwealth Government based upon the specific care and accommodation needs of the individual residents. Revenue funded by the Commonwealth Government is derived under the Group's contracts with customers.</p> <p>The Commonwealth 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 Commonwealth Government funded revenue is usually received within approximately one month of services having been performed.</p>	Aged care and home care
Resident basic daily fee revenue	<p>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 Commonwealth Government and typically increases in March and September each year.</p> <p>Resident basic daily fee revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and revenue is usually payable within 30 days.</p>	Aged care and home care
Other resident revenue	<p>Other resident revenue represents other fees charged to residents in respect of care and accommodation services provided by the Group and includes means tested care fees, Daily Accommodation Payment (DAP) / Daily Accommodation Contribution (DAC) revenue, additional services revenue and other income.</p> <p>Other resident revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and revenue is usually payable within 30 days.</p>	Aged care and home care
Other operating revenue	<p>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 revenue is usually payable within 30 days.</p>	Aged care, home care and retirement living
Deferred management fee ('DMF') revenue	<p>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.</p>	Retirement living

Notes to the Interim Consolidated Financial Statements

Section B: Results for the Period (continued)

B3. Finance Costs

	Half-Year Ended 31 December 2020	Half-Year Ended 31 December 2019
	\$'000	\$'000
Interest expense: Bank loans and overdrafts	1,733	3,890
Interest on refundable RADs	1,744	2,249
Imputed interest charge on RADs and Bonds ¹	23,667	29,253
Interest expense: Lease liabilities	197	211
Other	1,748	1,013
Total finance costs	29,089	36,616
Less borrowing costs capitalised	(414)	(998)
Total finance costs expensed	28,675	35,618

B4. Income Tax

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

	Half-Year Ended 31 December 2020	Half-Year Ended 31 December 2019
	\$'000	\$'000
Profit before income tax	15,861	17,270
At Australia's corporate tax rate of 30% (31 December 2019: 30%)	4,758	5,181
Adjustments in respect of current income tax of previous years	72	(71)
Non-deductible acquisition costs	-	49
Other (non-assessable income) / non-deductible expenses	28	27
Income tax expense reported in the statement of profit or loss	4,858	5,186

¹ 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 (Note B2) and correspondingly, interest expense (Note B3) with no net impact on profit or loss

Notes to the Interim Consolidated Financial Statements

Section B: Results for the Period (continued)

B5. Earnings Per Share (EPS)

	Half-Year Ended 31 December 2020	Half-Year Ended 31 December 2019
EPS for Profit Attributable to the Ordinary Equity Holders of Regis Healthcare Limited		
Profit for the period from continuing operations (\$000)	11,003	12,084
Weighted average number of ordinary shares for basic and diluted EPS (shares, thousand) used in the calculation of:		
Basic earnings per share	300,861	300,801
Adjustment for effect of share-based payment arrangements	51	206
Diluted earnings per share	300,912	301,007
Basic earnings per share (cents per share)	3.66	4.02
Diluted earnings per share (cent per share)	3.66	4.01

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.

Notes to the Interim Consolidated Financial Statements

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.

	Land & Buildings \$'000	Plant & Equipment \$'000	Motor Vehicles \$'000	Fixtures & Fittings \$'000	Leasehold Improvements \$'000	Work in Progress \$'000	Total \$'000
At 31 December 2020							
Cost	995,612	310,132	1,131	80,413	37	44,586	1,431,911
Accumulated depreciation and impairment	(134,096)	(152,335)	(930)	(30,995)	(19)	-	(318,375)
Net carrying amount	861,516	157,797	201	49,418	18	44,586	1,113,536
Carrying amount at beginning of the financial period	870,313	162,553	243	50,504	19	63,752	1,147,384
Additions	-	4,794	-	1,229	-	1,870	7,893
Transfers to / (from) work in progress	-	1,891	2	-	-	(1,893)	-
Transfers to assets held for sale	(329)	-	-	-	-	-	(329)
Disposals	(210)	(96)	(10)	(19)	(1)	(19,143)	(19,479)
Depreciation expense	(8,258)	(11,345)	(34)	(2,296)	-	-	(21,933)
Carrying amount at end of the financial period	861,516	157,797	201	49,418	18	44,586	1,113,536

Notes to the Interim Consolidated Financial Statements

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 Improvements \$'000	Work in Progress \$'000	Total \$'000
At 30 June 2020							
Cost	996,150	303,135	1,139	79,202	38	63,752	1,443,416
Accumulated depreciation and impairment	(125,837)	(140,582)	(896)	(28,698)	(19)	-	(296,032)
Net carrying amount	870,313	162,553	243	50,504	19	63,752	1,147,384
Carrying amount at beginning of the financial period	878,810	167,901	212	50,132	20	50,617	1,147,692
Additions	-	1,851	102	2,058	-	31,086	35,097
Transfers to / (from) work in progress	189	15,393	-	2,369	-	(17,951)	-
Transfers to assets held for sale	(1,154)	-	-	-	-	-	(1,154)
Additions from business combinations	8,231	1,094	-	-	-	-	9,325
Disposals	(445)	-	(12)	-	-	-	(457)
Depreciation expense	(15,318)	(23,686)	(59)	(4,055)	(1)	-	(43,119)
Carrying amount at end of the financial period	870,313	162,553	243	50,504	19	63,752	1,147,384

Notes to the Interim Consolidated Financial Statements

Section C: Operating Assets and Liabilities (continued)

C2. Intangible Assets

	Operational Places	Goodwill	Total
	\$'000	\$'000	\$'000
At 31 December 2020			
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
Carrying amount at beginning of the financial period	223,799	239,938	463,737
Additions	-	-	-
Impairment	-	-	-
Carrying amount at end of the financial period	223,799	239,938	463,737
At 30 June 2020			
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
Carrying amount at beginning of the financial period	219,113	260,504	479,617
Additions	4,686	-	4,686
Impairment	-	(20,566)	(20,566)
Carrying amount at end of the financial period	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. Available operational places are initially measured at historical cost or, if acquired in a business combination, at fair value as at the date of acquisition. Following initial recognition, the operational places are not amortised but are measured at cost less any accumulated impairment losses. Available operational places are assessed as having an indefinite useful life as they are issued for an unlimited period and therefore are not amortised. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

Goodwill

The goodwill recognised by the Group has arisen as a result of business combinations and represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised. Goodwill is considered to have an indefinite useful economic life.

Notes to the Interim Consolidated Financial Statements

Section C: Operating Assets and Liabilities (continued)

C3. Impairment Testing of Non-Current Assets

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 and operational places
- Where there is an indication that assets may be impaired (which is assessed at least at each reporting date).

As detailed in Note B1, from 1 July 2020, the Group's revised its internal reporting to the CODM such that the Group's operating segments are considered to comprise the Aged Care and the Retirement Living and Home Care operating segments. 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 from 1 July 2020 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 2020 Annual Report.

A review of indicators of impairment relating to goodwill and available operational places was performed as at 31 December 2020. 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 2020.

The Group's 2020 Annual 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 CGUs to which goodwill and available operational places relate are disclosed in the Group's 2020 Annual Report.

No indicators of impairment were identified for other non-current assets.



Key Estimate: Recoverable Amount

The assessment of the recoverable value of non-current assets involves significant areas of estimation and judgement by management. Valuations have an element of uncertainty and therefore may not reflect the actual values of these assets in the future.

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 2020	30 June 2020
	\$'000	\$'000
Carrying amount at beginning of financial year	148,129	143,375
Additions in capital expenditure	357	4,673
Change in fair value of investment property development sites	-	-
Change in fair value of operating investment properties (i)	(25)	81
Carrying amount	148,461	148,129

- (i) The change in fair value of the operating investment properties in both current and prior periods relates to the retirement living operations in Queensland that were acquired in 2016.

Notes to the Interim Consolidated Financial Statements

Section C: Operating Assets and Liabilities (continued)

C4. Investment Property (continued)

Fair Value Measurement, Valuation Techniques and Inputs

The techniques used to fair value the Group's investment properties have not changed since 30 June 2020. For further explanation of the techniques and inputs applied refer to the 2020 Annual Report.

Operating Investment Properties

Fair value of operating 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.

Investment Property 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 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. Fair value varies depending on location and current market conditions.

Key Valuation Inputs

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

Operating Investment Properties

Inputs Used to Measure Fair Value	31 December 2020	Sensitivity
Discount rate	15% - 19%	Increasing / decreasing the discount rates by 50 basis points would decrease / increase fair value by \$647,000 and \$702,000 respectively
Property price growth rates - medium term	1.25% - 2.00%	Increasing / decreasing the property price growth rates by 50 basis points would increase / decrease fair value by \$925,000 and \$892,000 respectively.
Property price growth rates - longer term	1.25% - 2.00%	
Average tenure of residents	9 years	Increasing / decreasing the average tenure period by 2 years would decrease / increase fair value by \$1,234,000 respectively.

Investment Property Development Sites

Inputs Used to Measure Fair Value	31 December 2020	Sensitivity
Discount rate	8%	Increasing / decreasing the discount rate by 50 basis points would decrease / increase fair value by \$1,253,000 and \$1,293,000 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 \$2,115,000 and \$2,005,000 respectively
Property price growth rates - longer term	Nil	
Average tenure of residents	6 - 7 years	Increasing / decreasing the average tenure period by 6 months would decrease / increase fair value by \$1,765,365 and \$1,834,621 respectively.

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

Notes to the Interim Consolidated Financial Statements

Section C: Operating Assets and Liabilities (continued)

C4. Investment Property (continued)



Key Judgement: Impact of COVID-19

The outbreak of COVID-19 has impacted economic activity in many sectors. As deteriorating economic conditions only gradually impact real estate markets, less weight should be attached to previous market evidence for comparison purposes when forming opinions on the value of the properties. In addition, in the period to 31 December 2020 fewer transactions took place, which also means that less weight can be attached to the transactions that did take place. Therefore, fair value is subject to greater uncertainty than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, valuers recommend keeping the valuation of property under frequent review.

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 2020					
Assets/(Liabilities) Measured at Fair Value					
Independent living unit and apartment ('ILU'/'ILA') entry contributions	D2	-	(38,385)	-	(38,385)
Investment property	C4	-	-	148,461	148,461
Assets/(liabilities) for which fair value is disclosed					
Interest-bearing loans and borrowings	D1	-	(189,986)	-	(189,986)
RADs and accommodation bonds	D2	-	(1,158,453)	-	(1,158,453)
Total		-	(1,386,824)	148,461	(1,238,363)
30 June 2020					
Assets/(Liabilities) Measured at Fair Value					
Independent living unit and apartment ('ILU'/'ILA') entry contributions	D2	-	(38,471)	-	(38,471)
Investment property	C4	-	-	148,129	148,129
Assets/(liabilities) for which fair value is disclosed					
Interest-bearing loans and borrowings	D1	-	(232,599)	-	(232,599)
RADs and accommodation bonds	D2	-	(1,157,541)	-	(1,157,541)
Total		-	(1,428,611)	148,129	(1,280,482)

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 2020.

Notes to the Interim Consolidated Financial Statements

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 securityholders (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 2020	30 June 2020
	\$'000	\$'000
Current		
Bank overdraft	-	7,885
Non-current		
Bank loans	189,986	232,599
Total loans and borrowings	189,986	240,484

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

Bank Facilities

As at 31 December 2020, the Group has syndicated bank debt facilities of \$515,000,000 comprising the following:

	Maturity	Total Facility Amount	Used at Balance Date	Unused at Balance Date
		\$'000	\$'000	\$'000
Facility A Tranche 1A	1-Jul-22	137,500	137,500	-
Facility A Tranche 1B	1-Jul-23	137,500	36,867	100,633
Facility A Tranche 2	31-Jan-22	150,000	-	150,000
Facility D	1-Jul-22	70,000	16,633	53,367
Bank guarantee facility	1-Jul-22	20,000	3,414	16,586
Total syndicated bank debt facilities		515,000	194,414	320,586
Add: Overdraft facility	31-Jul-22	25,000	-	25,000
Total facilities		540,000	194,414	345,586
Less: Bank guarantee facility			(3,414)	
Establishment costs			(1,014)	
Total loans and borrowings			189,986	

Subsequent to the period end, the Group has completed a \$515,000,000 refinancing of its syndicated bank debt facilities. Refer to Note E4 for further details.

Notes to the Interim Consolidated Financial Statements

Section D: Capital Structure (continued)

D2. Other Financial Liabilities

	31 December 2020	30 June 2020
	\$'000	\$'000
Refundable accommodation deposits ('RADs')	1,158,453	1,157,541
Independent living unit and apartment ('ILU/ILA') entry contributions	38,385	38,471
Total other financial liabilities	1,196,838	1,196,012

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.

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, lump sum refundable accommodation deposits 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.

RAD refunds are guaranteed by the Commonwealth 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.

Independent Living Unit and Apartment Entry Contributions

Entry contributions relate to Independent Living Unit ('ILU') and Independent Living Apartment ('ILA') 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 analysis 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 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.

(ILU/ILA) entry contributions are classified as level 2 in the fair value hierarchy as defined in Note C5.

Notes to the Interim Consolidated Financial Statements

Section D: Capital Structure (continued)

D3. Contributed Equity

Movements in Ordinary Shares

	Grant Date Fair Value	Date	Ordinary Shares	
			No.	\$'000
At 30 June 2020			300,748,526	273,485
Share issue - performance rights	2.60	20-Sep-20	32,147	34
At 31 December 2020			300,780,673	273,519

D4. Dividends Paid and Proposed

Dividends Declared and Paid During the Period

During the half-year ended 31 December 2020, the 2020 interim dividend of \$12,084,000 (4.02 cents per share) was paid on 30 September 2020. No final dividend was declared in respect of the year ended 30 June 2020.

Dividends Proposed and Not Recognised as a Liability

On 24 February 2021, the Board of Directors declared an interim dividend of 2.00 cents per share totalling \$6,016,000 (50% franked) for the half-year ended 31 December 2020, payable on 8 April 2021.

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 2020, there were no capital commitments (30 June 2020: \$431,000).

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 2020, the Company has bank guarantees totalling \$3,414,000 (30 June 2020: \$3,414,000).

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 the Group seeking damages of \$21,400,000 for alleged breach of a collaboration agreement between the two parties. Regis has engaged external legal counsel and intends 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.

Notes to the Interim Consolidated Financial Statements

Section E: Other Disclosures (continued)

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

Regis Nedlands

On 23 January 2021, the Aged Care Quality and Safety Commission ('ACQSC') applied regulatory penalties to Regis Nedlands, including a Sanction and a Notice to Agree. Regis has fully complied with all actions and requirements stipulated by the ACQSC. Regis lodged a request for review of the ACQSC Sanction within the strict 14-day time limit. Regis noted within that request for review that its investigation into the matter was on-going and it would provide the ACQSC with its findings once complete. The majority of issues subject to Regis' investigation have not been substantiated.

Refinancing of Syndicated Bank Debt Facilities

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 February 2023 and \$365,000,000 matures in February 2024.

Other Matters

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

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 2020 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, 24 February 2021

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 2020, 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, 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 2020 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 2020 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



BJ Pollock
Partner
Melbourne
24 February 2021

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
DAP	Daily accommodation payment
DMF	Deferred management fee from residents within retirement living accommodation
EBITDA	Earnings before interest, tax, depreciation and amortisation
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
Regis	Regis Healthcare Limited
RAD	Refundable accommodation deposit
2020 Annual Report	Financial report for the year ended 30 June 2020