# Appendix 4D

## Regis Healthcare Limited

Results for announcement to the market

For the half-year ended 31 December 2023

(previous corresponding period being the half-year ended 31 December 2022)

| | | % change | | $'000 |
|---|---|---|---|---|
| Revenue from ordinary activities | Up | 26.2% | to | 480,076 |
| Profit after tax from ordinary activities (prior to amortisation) attributable to members[1] | Up | 534.6% | to | 16,342 |
| Loss after tax from ordinary activities attributable to members | Down | 53.1% | to | (12,142) |
| Net loss after tax attributable to members | Down | 53.1% | to | (12,142) |

## Dividend Information

| | Amount per security | Franking % | Record date | Payment date |
|---|---|---|---|---|
| **Current period** | | | | |
| Interim dividend | 6.28 cents | 50% | 15 March 2024 | 11 April 2024 |
| **Year ended 30 June 2023** | | | | |
| Interim dividend | 2.00 cents | 50% | 17 March 2023 | 14 April 2023 |
| Final dividend | 7.48 cents | 50% | 13 September 2023 | 27 September 2023 |
| Total dividend | 9.48 cents | 50% | | |

## Other Information

| | 31 December 2023 (cents) | 31 December 2022 (cents) | % change |
|---|---|---|---|
| Net tangible asset backing per ordinary share[2] | (131.46) | (96.12) | (36.8%) |

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 half-year period ended 31 December 2023. This document should be read in conjunction with the Annual Report of Regis Healthcare Limited for the year ended 30 June 2023 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.

**Malcolm Ross, Company Secretary**
**26 February 2024**

1 Excludes amortisation of operational places for the half-year ended 31 December 2023.
2 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 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 2023.

# Regis Healthcare Limited

ABN 11 125 203 054

**Half-Year Financial Report**
**31 December 2023**

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# 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 |
| Sally M Freeman | Non-Executive Director |
| Jodie L Leonard | Non-Executive Director (appointed 28 November 2023) |
| Ian G Roberts | Non-Executive Director |

## Company Secretary

Malcolm Ross

## Registered Office

Level 2, 293 Camberwell Road
Camberwell VIC 3124

## Principal Place of Business

Level 2, 293 Camberwell Road
Camberwell VIC 3124

## Share Registry

Link Market Services Limited
Tower 4, 727 Collins Street
Melbourne VIC 3000
Phone: 1300 554 474

## Stock Exchange

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 2023.

## 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 |
| Sally M Freeman | Non-Executive Director |
| Jodie L Leonard | Non-Executive Director (appointed 28 November 2023) |
| Ian G Roberts | Non-Executive Director |

## Operating and Financial Review

As at 31 December 2023, the Group owned and operated 68 residential aged care homes with approximately 7,600 available operational places, including CPSM Pty Ltd ("CPSM") with five Queensland based residential aged care homes (644 operational places), acquired on 1 December 2023. Residential aged care services are provided in six states and the Northern Territory. In addition, Regis, through retirement living, manages over 500 retirement village units across nine retirement villages and affordable housing communities. Regis also offers home care services.

### 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 personal care and clinical staff to deliver a quality care experience in a home environment across the physical, mental and social wellbeing of residents and clients.

– **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). The Group 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. Underlying earnings before interest, tax, depreciation and amortisation ('Underlying EBITDA')[3] is reported in order to provide a greater understanding of the sustainable financial performance of the Group.

[3] 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. Underlying earnings before interest, tax, depreciation and amortisation ('Underlying EBITDA'), which excludes imputed income on RADs and Bonds of $36,495,000 (31 December 2022: $30,570,000) and one-off items, and includes operating lease expense of $501,000 (31 December 2022: $666,000), is reported in order to provide shareholders with a greater understanding of the financial performance of the Group. A reconciliation of loss before income tax to Underlying 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 2023 is set out below:

| For the Half-Year Ended | 31 December 2023 $'000 | 31 December 2022 $'000 | % change |
|---|---|---|---|
| Revenue from services | 480,076 | 380,406 | 26.2% |
| Other income | 49,107 | 33,298 | 47.5% |
| Underlying EBITDA | 52,107 | 45,100 | 15.5% |
| Net profit after tax before amortisation of operational places (NPATA) | 16,342 | 2,575 | 534.6% |
| Net profit / (loss) after tax (NPAT) | (12,142) | (25,909) | 53.1% |
| Basic earnings per share | (4.03 cents) | (8.61 cents) | 53.2% |

A summary of revenue from services for the half-year ended 31 December 2023 is set out below:

| For the Half-Year Ended | 31 December 2023 $'000 | 31 December 2022 $'000 |
|---|---|---|
| Government funded revenue | 351,227 | 267,929 |
| Resident basic daily fee revenue | 71,478 | 63,831 |
| Other resident revenue | 52,952 | 45,005 |
| Other operating revenue | 3,637 | 2,817 |
| Deferred management fee revenue | 782 | 824 |
| **Revenue from services** | **480,076** | **380,406** |

Occupancy rates across the residential aged care portfolio improved to an average of 93.6% for the half-year ended 31 December 2023 (31 December 2022: 91.1%). The spot occupancy rate on 31 December 2023 was 93.6%. In a challenging industry environment including record low unemployment, together with global shortages of registered nurses that have impacted workforce availability, management has remained focused on improved operational, clinical and financial performance.

Government revenue increased to an average of $288.50 (31 December 2022: $228.40) per resident per day for the half-year ended 31 December 2023 mainly due to the transition from ACFI to AN-ACC, higher AN-ACC funding resulting from the Fair Work Commission's (FWC) Work Value Case ($26.30 per resident per day), indexation and higher acuity of residents. On 1 December 2023, AN-ACC funding per resident per day increased by approximately $10.00 to partially fund the FWC's 5.75% minimum wage rate increase as part of the Annual Wage Review that took effect on 1 July 2023.

The increase in resident revenue was mostly driven by the impact of indexation and higher occupancy during the period.

Revenue from services includes $7,442,000 from the acquisition of CPSM on 1 December 2023.

A summary of other income for the half-year ended 31 December 2023 is set out below:

| For the Half-Year Ended | 31 December 2023 $'000 | 31 December 2022 $'000 |
|---|---|---|
| Imputed income on RADs and bonds[4] | 36,495 | 30,570 |
| Government grants | 11,317 | 526 |
| Gain on disposal of non-current assets | 8 | 16 |
| Finance income | 1,287 | 179 |
| Other operating income | - | 2,007 |
| **Other income** | **49,107** | **33,298** |

The increase in imputed income on RADs and bonds is primarily due to the increase in the Maximum Permissible Interest Rate (MPIR) to an average of 8.0% for the half-year ended 31 December 2023 (31 December 2022: 5.7%) and improved occupancy.

4 Following adoption of AASB 16 *Leases* effective 1 July 2019, as detailed in Note B3, loss before income tax for the half-year ended 31 December 2023 includes income on RADs and Bonds of $36,495,000 (31 December 2022: $30,570,000) and correspondingly, finance costs of $36,495,000 (31 December 2022: $30,570,000) with no impact to profit or loss. The Group also recognised depreciation and interest costs totalling $457,000 (31 December 2022: $555,000) and $96,000 (31 December 2022: $170,000) respectively.

## Operating and Financial Review (continued)

### Review and Results of Operations (continued)

Government grant income of $11,317,000 includes $6,829,000 in relation to the COVID-19 Aged Care Support Grant. Of the $6,829,000 recognised as income, $5,383,000 was received in cash during the period, while $1,446,000 was recognised as a receivable at 31 December 2023. It is reasonably assured that eligible COVID-19 outbreak costs will be recovered and claims settled based on historical approval rates. Government grant income also includes $4,488,000 recognised as income (receivable) under the Historical Leave Liability Grant[5] that has been approved by the Australian Government.

$22,226,000 of COVID-19 Government grant income which was recognised as a receivable as at 30 June 2023 was fully received during the period.

*Staff Expenses*

During the half-year ended 31 December 2023, Regis continued to experience significantly increased staff expenses including additional overtime and use of agency contractors due to workforce shortages caused by pre-existing sector challenges compounded by the continued impact of COVID-19. Staff expenses for the half-year ended 31 December 2023 were also impacted by the FWC's decision to increase modern award wage rates by 15% from 30 June 2023, enterprise award increases, and the FWC's 5.75% minimum wage rate increase as part of the Annual Wage Review that took effect on 1 July 2023.

A reconciliation of loss before income tax to Underlying EBITDA is set out below:

| For the Half-Year Ended | 31 December 2023 $'000 | 31 December 2022 $'000 |
|---|---|---|
| **Loss before income tax** | **(14,613)** | **(36,491)** |
| *Add back/(deduct):* | | |
| Imputed income on RADs and bonds[6] | (36,495) | (30,570) |
| Imputed interest charge on RADs and Bonds[6] | 36,495 | 30,570 |
| Right-of-use assets depreciation[6] | 457 | 555 |
| Interest expense on lease liabilities[6] | 96 | 170 |
| Operating lease expense | (501) | (666) |
| ***Loss before income tax pre-AASB 16 Leases*** | **(14,561)** | **(36,432)** |
| Amortisation of operational places | 40,691 | 40,691 |
| Depreciation | 21,906 | 22,102 |
| Other finance costs | 4,205 | 5,324 |
| Finance income | (1,287) | (179) |
| ***Reported EBITDA*** | **50,954** | **31,506** |
| *One-off items:* | | |
| CPSM acquisition and integration costs[7] | 6,989 | - |
| Government grant income | (11,317) | (526) |
| COVID-19 expenses | 1,829 | 13,025 |
| Strategic investment in Human Resource systems | 2,550 | - |
| Professional services costs incurred in relation to potential employee underpayments program of work | 1,110 | 1,807 |
| Other (gains) / losses | (8) | (712) |
| ***Total one-off items*** | **1,153** | **13,594** |
| **Underlying EBITDA** | **52,107** | **45,100** |

5 Historical Leave Liability Grant represents income recognised for increased leave entitlements resulting from the FWC's decision to increase modern award wage rates by 15% from 30 June 2023. The Government grant is to fund 50% of the uplift to employee entitlements.

6 Following adoption of AASB 16 *Leases* effective 1 July 2019, as detailed in Note B3, loss before income tax for the half-year ended 31 December 2023 includes income on RADs and Bonds of $36,495,000 (31 December 2022: $30,570,000) and correspondingly, finance costs of $36,495,000 (31 December 2022: $30,570,000) with no impact to profit or loss. The Group also recognised depreciation and interest costs totalling $457,000 (31 December 2022: $555,000) and $96,000 (31 December 2022: $170,000) respectively.

7 CPSM acquisition and integration costs includes $5,625,000 of landholder duty payable to the Queensland State Revenue Office, $918,000 of transaction costs and other integration related costs.

## Operating and Financial Review (continued)

### CPSM Acquisition

On 1 December 2023, the Group acquired 100% of the ordinary shares of CPSM for net consideration of $75,087,000, adding five premium residential aged care homes (644 available operational places) in South-East Queensland.

The CPSM business has a strong reputation as a high quality residential aged care provider with high occupancy, an excellent accreditation history and financial performance.

From the date of acquisition, CPSM has contributed $7,442,000 to revenue from services, $997,000 of Underlying EBITDA and profit before tax of $787,000.

### Employee Entitlement Underpayments

As disclosed in the 2023 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 mainly 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 assesses the estimated cost of remediation of any potential underpayments across the Group at each reporting date.

During the half-year ended 31 December 2023, Regis commenced its remediation payment process and incurred remediation costs of $21,485,000. Due to the complexity involved in determining the amount and timing of final remediation costs, Regis continues to engage with its external advisors and regulatory authorities, including the Fair Work Ombudsman. The remediation payment process is ongoing and will continue through the second half of the 2024 financial year. Regis has recognised a provision of $21,240,000 as at 31 December 2023 (30 June 2023: $37,700,000).

### Deregulation of Operational Places

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 accordance with Accounting Standards and the guidelines issued by the Australian Securities and Investments Commission ("ASIC"), the Group has reassessed the useful life of its operational places. Consequently, Regis is amortising the value of operational places from 1 October 2021 on a straight-line basis over their remaining economic life to 30 June 2024. This has resulted in a before tax amortisation expense in the profit and loss for the half-year ended 31 December 2023 of $40,691,000 with no impact to the cash flows of the Group. In addition, a related deferred tax liability of $12,207,000 has been partially reversed.

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.

### Cash Flow and Capital Expenditure

A summary of cash flows for the half-year ended 31 December 2023 is set out below:

| FOR THE HALF-YEAR ENDED | 31 December 2023 $'000 | 31 December 2022 $'000 |
|---|---|---|
| Net cash flows from operating activities | 151,883 | 62,017 |
| Net cash flows used in investing activities | (105,601) | (18,782) |
| Net cash flows from / (used in) used in financing activities | (21,009) | 3,440 |
| **Total net cash flows for the period** | **25,273** | **46,675** |

Regis' 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 2023 was $151,883,000 (31 December 2022: $62,017,000) and includes $60,751,000 (31 December 2022: $44,033,000) of Government funding for January 2024 received in advance in December 2023. RAD and accommodation bond net cash inflow was $42,931,000 (31 December 2022: $8,698,000). In addition, $27,609,000 was received in Government grants mainly comprising $22,226,000 of COVID-19 Government grant income recognised as a receivable at 30 June 2023 and a further $5,383,000 of COVID-19 Government Grant income mainly relating to COVID-19 outbreak costs incurred during the period 1 January 2023 to 30 June 2023.

## Operating and Financial Review (continued)

### Cash Flow and Capital Expenditure (continued)

Net cash flows used in investing activities for the period includes consideration paid for the acquisition of CPSM of $75,087,000 (net of cash acquired). In addition, Regis invested $30,456,000 (31 December 2022: $18,798,000) in capital expenditure for ongoing development (including a greenfield residential aged care development in Camberwell, Victoria), refurbishment of existing facilities and strategic technology investments. For other developments in the pipeline, activities such as preparing land for commencement, development approvals and design documentation are underway in readiness to commence construction.

Regis has a $405,000,000 syndicated bank debt facility, which provides sufficient liquidity to meet currently anticipated cash flow requirements. Under the debt facility, $255,000,000 matures in March 2027 and $150,000,000 matures in March 2026. As at 31 December 2023, the undrawn amount of the debt facility was $332,431,000 (30 June 2023: $334,689,000).

### Mandated Care Minutes

The Australian Government has introduced the following requirements in relation to resident care:

- Registered nurse on site 24 hours a day from 1 July 2023;
- Sector-wide average of 200 care minutes (including average 40 minutes of registered nurse) from 1 October 2023; and
- Sector-wide average of 215 care minutes (including average 44 minutes of registered nurse) from 1 October 2024.

The Group has undertaken an organisational redesign to refocus resources towards more direct care. Staffing care minutes are being reported to the Department of Health & Aged Care on a quarterly basis. Regis' care minutes have improved each quarter as it has repurposed roles to direct care, decentralised some support roles and invested in additional aged care workers.

General staff shortages due to low unemployment, together with a global shortage of registered nurses, have impacted the pace at which Regis has increased care minutes and added significantly to staff expenses through additional agency costs and overtime.

| | Quarter ended March 2023 | Quarter ended June 2023 | Quarter ended September 2023 | Quarter ended December 2023* |
|---|---|---|---|---|
| Registered Nurses | 29.4 | 32.5 | 35.0 | 38.5 |
| Enrolled Nurses/ Personal Care Workers | 143.3 | 146.3 | 152.9 | 171.8 |
| **Total** | **172.7** | **178.8** | **187.9** | **210.3** |

* As submitted to the Department of Health and Aged Care (DHAC) on 14 February 2024.

### Star Ratings

Star ratings were a recommendation by the Royal Commission into Aged Care Quality and Safety and were introduced in December 2022. Each aged care home is assigned an average overall star rating against four sub-categories (resident experience, compliance, staffing and quality measures). On average, Regis' homes are rated 3 stars which is considered an acceptable quality of care. Regis' star ratings have improved in the first quarter ended 30 September 2023 on average to 3.32 from 3.11 in the first quarter ended 30 September 2022.

### 2024 Interim Dividend

On 26 February 2024, the Board of Directors resolved to pay an interim dividend of 6.28 cents per ordinary share totalling $18,905,000 (50% franked) for the half-year ended 31 December 2023, payable on 11 April 2024 (record date 15 March 2024).

### Independent Health and Aged Care Pricing Authority (IHACPA)

The introduction of IHACPA is an important reform as it will ensure the sustainability of the industry by establishing appropriate pricing to encourage new investment. The IHACPA has responsibility to provide the Australian Government with recommendations in relation to pricing for the provision of quality care.

# Directors' Report

## Operating and Financial Review (continued)

### Industry Reform and Changes

The aged care sector continues to undergo a period of significant reform and changes including:

- IHACPA commissioned PWC/Scyne Advisory to undertake a Residential Aged Care Costing Study, published in January 2024;
- Aged Care Taskforce reviewed sector funding arrangements, to support a more sustainable and viable sector - awaiting release of recommendations and Government response;
- Mandated care minutes requirement commenced 1 October 2023 and will increase to an average of 215 care minutes, including 44 minutes from a registered nurse from 1 October 2024;
- New Aged Care Act exposure draft released in December 2023 for consultation, with the new Act expected to come into effect 1 July 2024;
- Final draft of the Aged Care Quality Standards released, to be implemented under the New Aged Care Act; and
- Bed licence deregulation on 1 July 2024.

The last 12 months have delivered some meaningful action in relation to the Government's reform agenda. There is still more work to be done to stabilise and support the sector into the future.

### Outlook

Regis continues to adapt to a rapidly changing regulatory environment and expects to benefit in the second half of the 30 June 2024 financial year from the recent CPSM acquisition and additional Government funding.

Regis' strong balance sheet and substantial debt facility, together with the disciplined management of the business, supports the active pursuit of further material strategic acquisitions and greenfield developments to drive shareholder value. The Company is seeking potential acquisition targets to expand its residential aged care footprint.

## Subsequent Events

No matters or circumstances have arisen since the end of the half-year ended 31 December 2023 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 Hodges

**Graham K Hodges**
**Chairman**
**Melbourne, 26 February 2024**

Ernst & Young
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Melbourne VIC 3000 Australia
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# Auditor's independence declaration to the directors of Regis Healthcare Limited

As lead auditor for the review of the half-year financial report of Regis Healthcare Limited for the half-year ended 31 December 2023, 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
Partner
26 February 2024

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

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

| | Notes | 31 December 2023 $'000 | 31 December 2022 $'000 |
|---|---|---|---|
| Revenue from services | B3 | 480,076 | 380,406 |
| Other income | B3 | 49,107 | 33,298 |
| **Total revenue from services and other income** | | **529,183** | **413,704** |
| | | | |
| **Expenses** | | | |
| Staff expenses | | (366,471) | (289,441) |
| Resident care expenses | | (29,823) | (27,957) |
| Administration expenses | | (16,314) | (14,326) |
| Occupancy expenses | | (27,338) | (19,059) |
| Depreciation | | (22,363) | (22,657) |
| Amortisation of operational places | C2 | (40,691) | (40,691) |
| **Profit / (Loss) before income tax and finance costs** | | **26,183** | **(427)** |
| Finance costs | B4 | (40,796) | (36,064) |
| **Loss before income tax** | | **(14,613)** | **(36,491)** |
| Income tax benefit | B5 | 2,471 | 10,582 |
| **Loss for the period** | | **(12,142)** | **(25,909)** |
| | | | |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| Other comprehensive income, net of tax for the period | | - | - |
| **Total comprehensive income, net of tax for the period** | | **(12,142)** | **(25,909)** |
| | | | |
| **Loss for the period attributable to:** | | | |
| Equity holders of the parent entity | | (12,142) | (25,909) |
| **Total comprehensive income, net of tax attributable to:** | | | |
| Equity holders of the parent entity | | (12,142) | (25,909) |
| | | | |
| **Earnings per share (EPS) attributable to equity holders of the parent:** | | **Cents** | **Cents** |
| Basic EPS (cents per share) | B6 | (4.03) | (8.61) |
| Diluted EPS (cents per share) | B6 | (4.03) | (8.61) |

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

# Interim Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2023

| | Notes | 31 December 2023 $'000 | 30 June 2023 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 86,593 | 61,320 |
| Trade and other receivables | | 24,340 | 39,955 |
| Inventories | | 1,322 | 1,842 |
| Other current assets | | 13,456 | 5,730 |
| Income tax receivable | | 1,199 | 140 |
| Assets held for sale | C7 | 2,895 | 2,895 |
| **Total current assets** | | **129,805** | **111,882** |
| Property, plant and equipment | C1 | 1,227,417 | 1,110,205 |
| Right-of-use assets | | 3,423 | 3,506 |
| Operational places and goodwill | B2,C2 | 403,732 | 321,318 |
| Investment property | C4 | 116,689 | 116,599 |
| **Total non-current assets** | | **1,751,261** | **1,551,628** |
| **Total assets** | | **1,881,066** | **1,663,510** |
| **Liabilities** | | | |
| Trade payables and other liabilities | | 136,724 | 56,582 |
| Lease liabilities | | 819 | 790 |
| Provisions | C6 | 116,665 | 124,531 |
| Other financial liabilities | D2 | 1,540,403 | 1,350,744 |
| Liabilities directly associated with assets held for sale | C7 | 745 | 745 |
| **Total current liabilities** | | **1,795,356** | **1,533,392** |
| Interest-bearing loans and borrowings | D1 | 69,642 | 67,335 |
| Lease liabilities | | 2,889 | 2,945 |
| Provisions | C6 | 5,006 | 4,867 |
| Deferred tax liabilities | | 3,588 | 16,577 |
| **Total non-current liabilities** | | **81,125** | **91,724** |
| **Total liabilities** | | **1,876,481** | **1,625,116** |
| **Net assets** | | **4,585** | **38,394** |
| **Equity** | | | |
| Contributed equity | D3 | 274,084 | 273,761 |
| Reserves | | (95,787) | (96,305) |
| Accumulated losses | | (173,712) | (139,062) |
| **Total equity** | | **4,585** | **38,394** |

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 2023

| | Issued Capital $'000 | Remuneration Reserve $'000 | Acquisition Reserve $'000 | Accumulated Losses $'000 | Total $'000 |
|---|---|---|---|---|---|
| At 1 July 2022 | **273,629** | **4,488** | **(101,497)** | **(97,613)** | **79,007** |
| Net loss for the period | - | - | - | (25,909) | (25,909) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **(25,909)** | **(25,909)** |
| Dividends paid or provided for | - | - | - | (6,979) | (6,979) |
| Equity settled share-based payments | - | 107 | - | - | 107 |
| Transfer from remuneration reserve | 132 | (132) | - | - | - |
| **Balance as at 31 December 2022** | **273,761** | **4,463** | **(101,497)** | **(130,501)** | **46,226** |
| At 1 July 2023 | **273,761** | **5,192** | **(101,497)** | **(139,062)** | **38,394** |
| Net loss for the period | - | - | - | (12,142) | (12,142) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **(12,142)** | **(12,142)** |
| Dividends paid or provided for | - | - | - | (22,508) | (22,508) |
| Equity settled share-based payments | - | 841 | - | - | 841 |
| Transfer from remuneration reserve | 323 | (323) | - | - | - |
| **Balance as at 31 December 2023** | **274,084** | **5,710** | **(101,497)** | **(173,712)** | **4,585** |

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

# Interim Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

| | | 31 December 2023 $'000 | 31 December 2022 $'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Receipts from residents and Government subsidies | | 475,778 | 376,751 |
| Government grants received | | 27,609 | 526 |
| Government funding received in advance | | 60,751 | 44,033 |
| Payments to suppliers and employees | | (447,055) | (358,239) |
| Finance income | | 1,287 | 179 |
| Finance costs | | (2,134) | (3,654) |
| Interest paid on RADs | | (2,795) | (2,062) |
| RAD and accommodation bond inflows | | 244,745 | 212,555 |
| RAD and accommodation bond outflows | | (201,814) | (203,857) |
| ILU/ILA entry contribution inflows | | 2,940 | 2,484 |
| ILU/ILA entry contribution outflows | | (2,301) | (1,485) |
| Income tax paid | | (5,128) | (5,214) |
| **Net cash flows from operating activities** | | **151,883** | **62,017** |
| Cash flows used in investing activities | | | |
| Purchase of property, plant and equipment | | (30,456) | (18,600) |
| Capital expenditure (investment property) | | (97) | (198) |
| Proceeds from sale of property, plant and equipment | | 39 | 16 |
| Acquisition of a subsidiary, net of cash acquired | B2 | (75,087) | - |
| **Net cash flows used in investing activities** | | **(105,601)** | **(18,782)** |
| Cash flows used in financing activities | | | |
| Proceeds from borrowings | | 90,000 | 47,000 |
| Repayment of borrowings | | (88,000) | (35,915) |
| Payment of lease liabilities | | (501) | (666) |
| Dividends paid on ordinary shares | | (22,508) | (6,979) |
| **Net cash flows from / (used in) financing activities** | | **(21,009)** | **3,440** |
| **Net increase in cash and cash equivalents** | | **25,273** | **46,675** |
| Cash at the beginning of the half-year period | | 61,320 | (7,246) |
| **Cash at the end of the half-year period** | | **86,593** | **39,429** |

The accompanying notes form part of 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 2023 (collectively, 'Regis' or the 'Group') was authorised for issue in accordance with a resolution of the Directors on 26 February 2024.

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 2023 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 2023 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.

## 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 $151,883,000 during the half-year ended 31 December 2023 (31 December 2022: $62,017,000). Undrawn bank facilities of $332,431,000 (30 June 2023: $334,689,000) (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.

## 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 2023 Annual Report and as specifically disclosed at Note B3, Note C3, Note C4 and Note C6.

## A5. Impact of Climate Change on the Financial Statements

The impact of climate change has been considered in preparing the financial statements for the period ended 31 December 2023. Whilst noting the Group's commitment to sustainability, there has not been a material impact on the financial reporting judgements and estimates as at 31 December 2023, based on the Group's considerations to date of the impact of climate-related risks and opportunities on its operations, assets and financial performance. Notes C3 and C4 explain how the impacts of climate change have been considered in preparing the 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.

Segment performance is measured by EBITDA adjusted to exclude one-off items ('Underlying EBITDA')[8]. Underlying EBITDA represents a non-IFRS earnings measure. A reconciliation of loss before income tax to Underlying EBITDA is set out below:

| For the Half-Year Ended | Note | 31 December 2023 $'000 | 31 December 2022 $'000 |
|---|---|---|---|
| **Loss before income tax** | | **(14,613)** | **(36,491)** |
| *Add back/(deduct):* | | | |
| Imputed income on RADs and bonds[9] | | (36,495) | (30,570) |
| Imputed interest charge on RADs and Bonds[9] | | 36,495 | 30,570 |
| Right-of-use assets depreciation[9] | | 457 | 555 |
| Interest expense on lease liabilities[9] | | 96 | 170 |
| Operating lease expense | | (501) | (666) |
| ***Loss before income tax pre AASB 16 Leases*** | | **(14,561)** | **(36,432)** |
| Amortisation of operational places | C2 | 40,691 | 40,691 |
| Depreciation | C1 | 21,906 | 22,102 |
| Other finance costs | | 4,205 | 5,324 |
| Finance income | | (1,287) | (179) |
| ***Reported EBITDA*** | | **50,954** | **31,506** |
| *One-off items:* | | | |
| CPSM acquisition and integration costs[10] | | 6,989 | - |
| Government grant income[11] | | (11,317) | (526) |
| COVID-19 expenses | | 1,829 | 13,025 |
| Strategic investment in Human Resource systems | | 2,550 | - |
| Professional services costs incurred in relation to potential employee underpayments program of work | | 1,110 | 1,807 |
| Other (gains) / losses | | (8) | (712) |
| ***Total one-off items*** | | **1,153** | **13,594** |
| **Underlying EBITDA** | | **52,107** | **45,100** |

8 Underlying earnings before interest, tax, depreciation and amortisation ('Underlying EBITDA'), which excludes imputed income on RADs and Bonds of $36,495,000 (31 December 2022: 30,570,000) and one-off items, and includes operating lease expense of $501,000 (31 December 2022: $666,000), is reported in order to provide shareholders with a greater understanding of the financial performance of the Group.

9 Following adoption of AASB 16 *Leases* effective 1 July 2019, as detailed in Note B3, loss before income tax for the half-year ended 31 December 2023 includes income on RADs and Bonds of $36,495,000 (31 December 2022: $30,570,000) and correspondingly, finance costs of $36,495,000 (31 December 2022: $30,570,000) with no impact to profit or loss. The Group also recognised depreciation and interest costs totalling $457,000 (31 December 2022: $555,000) and $96,000 (31 December 2022: $170,000) respectively.

10 CPSM acquisition and integration costs includes $5,625,000 of landholder duty payable to the Queensland State Revenue Office, $918,000 of transaction costs, and other integration related costs.

11 Government grant income of $11,317,000 includes $6,829,000 for the COVID-19 Aged Care Support Grant and $4,488,000 recognised as income for the Historical Leave Liability Grant. The Historical Leave Liability Grant represents income recognised for increased leave entitlements resulting from the FWC's decision to increase modern award wage rates by 15% from 30 June 2023. The Government grant is to fund 50% of the uplift to employee entitlements.

# Section B: Results for the Period

## B2. Business Combination

### Acquisition of CPSM Pty Ltd

On 1 December 2023, the Group acquired 100% of the ordinary shares of CPSM Pty Ltd ("CPSM"), an unlisted company operating five residential aged care homes in South-East Queensland. The acquisition has been accounted for using the acquisition method. The interim consolidated financial statements include the results of CPSM for the one-month period from the acquisition date.

The initial accounting for the acquisition was determined provisionally due to the subjective nature of the fair value adjustments. These adjustments will be reassessed within the 12-month period after the acquisition date and any adjustments will be made against the goodwill arising on acquisition.

| | Fair value recognised on acquisition $'000 |
|---|---|
| **Assets** | |
| Cash | 18,228 |
| Trade and other receivables | 174 |
| Prepayments and other assets | 670 |
| Property, plant and equipment | 108,583 |
| Right-of-use assets | 71 |
| Deferred tax assets | 6,986 |
| | |
| **Liabilities** | |
| Trade and other payables | (3,535) |
| Lease liabilities | (74) |
| Current tax liabilities | (536) |
| Employee benefits | (4,567) |
| Provisions | (5,486) |
| Other liabilities (RADs) | (150,304) |
| **Total identifiable net liabilities at fair value** | (29,790) |
| Goodwill arising on acquisition | 123,105 |
| **Purchase consideration transferred** | 93,315 |
| | |
| Net cash acquired (included in cash flows from investing activities) | 18,228 |
| Consideration paid | (93,315) |
| **Net cash flow on acquisition** | (75,087) |

From the date of acquisition, CPSM has contributed revenue from services of $7,442,000 and profit before tax of $787,000. If the acquisition had taken place at the beginning of the financial year, CPSM would have contributed revenue from services of $42,788,000 and profit before tax of $5,826,000.

The goodwill recognised is primarily attributed to the expected benefits from combining the assets and activities of CPSM with those of the Group. Goodwill is not deductible for income tax purposes.

Transaction costs of $6,543,000 (including landholder duty payable to the Queensland State Revenue Office and integration costs) have been expensed and are included in occupancy expenses in the interim consolidated statement of profit or loss.

# Section B: Results for the Period

## B3. Revenue from Services and Other Income

| | Note | 31 December 2023 $'000 | 31 December 2022 $'000 |
|---|---|---|---|
| Revenue from services | | | |
| Government funded revenue | | 351,227 | 267,929 |
| Resident basic daily fee revenue | | 71,478 | 63,831 |
| Other resident revenue | | 52,952 | 45,005 |
| Other operating revenue | | 3,637 | 2,817 |
| Deferred management fee revenue | | 782 | 824 |
| **Total revenue from services** | | **480,076** | **380,406** |
| | | | |
| Other income | | | |
| Imputed income on RADs and Bonds | | 36,495 | 30,570 |
| Government grants | | 11,317 | 526 |
| Gain on disposal of non-current assets | | 8 | 16 |
| Finance income | | 1,287 | 179 |
| Other operating income | | - | 2,007 |
| **Total other income** | | **49,107** | **33,298** |
| **Total revenue from services and other income** | | **529,183** | **413,704** |

### 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.

### Imputed Income on RADs and Bonds

Other income includes imputed income from the provision of accommodation, which is accounted for as a lease under AASB 16 *Leases*. Under 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 B4) with no net impact on profit or loss.

### Government Grants

Government grants which are monetary in nature are recognised when the Group has reasonable assurance that all conditions attached to the grant will be met and the grant will be received. The monetary grant is recognised at an amount equivalent to what will be received. These amounts are considered as other income.

For non-monetary Government grants, the Group assesses the fair value of the non-monetary asset, or at a nominal amount, and accounts for both grant and asset at that fair or nominal value. Government grants related to assets is presented in the statement of financial position on a gross basis (i.e. asset and liability) and is recognised in profit or loss on a systematic basis over the useful life of the asset.

# Section B: Results for the Period

## B3. 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 individual residents. Revenue funded by the Australian Government is derived under the Group's contracts with customers.<br>Australian Government funded revenue comprises basic subsidy amounts calculated in accordance with the Australian National Aged Care Classification ('AN-ACC') funding model, accommodation supplements, funding for short term 'respite' residents and other Government income. Revenue is recognised over time as services are provided. Funding claims are submitted / updated daily, and the Australian Government funded revenue is usually received in advance at the commencement of the month of services being 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 daily living expenses. 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 from invoice date. | Aged care and home care |
| **Other resident revenue** | Other resident revenue represents other fees charged to residents in respect of care and accommodation services and includes means tested care fees, Daily Accommodation Payment ('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 from invoice date. | Aged care and home care |
| **Other operating revenue** | Other operating revenue comprises fees charged to retirement living unit residents 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 from invoice date. | 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 |

## B4. Finance Costs

| | 31 December 2023 $'000 | 31 December 2022 $'000 |
|---|---|---|
| Interest expense on bank loans and overdrafts | 1,123 | 2,444 |
| Interest on refundable RADs | 1,724 | 2,206 |
| Imputed interest charge on RADs and Bonds[12] | 36,495 | 30,570 |
| Interest expense on lease liabilities | 96 | 170 |
| Other | 1,453 | 1,499 |
| **Sub-total finance costs** | **40,891** | **36,889** |
| Less borrowing costs capitalised | (95) | (825) |
| **Total finance costs** | **40,796** | **36,064** |

## B5. Income Tax

Reconciliation of the Group's applicable tax rate to the effective tax rate

| | 31 December 2023 $'000 | 31 December 2022 $'000 |
|---|---|---|
| **Loss before income tax** | **(14,613)** | **(36,491)** |
| At Australia's corporate tax rate of 30% (31 December 2022: 30%) | 4,384 | 10,947 |
| Adjustments in respect of current income tax of previous years | - | (410) |
| Other non-assessable income/non-deductible expenses | (1,913) | 45 |
| **Income tax benefit reported in the statement of profit or loss** | **2,471** | **10,582** |

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 B3) and correspondingly, interest expense (Note B4), with no net impact on profit or loss.

## B6. Earnings Per Share (EPS)

| | 31 December 2023 $'000 | 31 December 2022 $'000 |
|---|---|---|
| EPS for profit attributable to the ordinary equity holders of Regis Healthcare Limited | | |
| Loss for the period from continuing operations ($'000) | (12,142) | (25,909) |
| Weighted average number of ordinary shares for basic EPS (shares, thousands) | 300,975 | 300,873 |
| Adjustment for effect of share-based payment arrangements (shares, thousands) | 2,582 | 546 |
| Weighted average number of ordinary shares for basic and diluted EPS (shares, thousands) | 303,557 | 301,419 |
| Basic earnings per share (cents per share) | (4.03) | (8.61) |
| Diluted earnings per share (cent per share) | (4.03) | (8.61) |

**Calculation Methodology**

Basic EPS is the profit / (loss) 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 2023.

| | 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 2023** | | | | | | | |
| Cost | 1,153,330 | 368,667 | 839 | 94,503 | 37 | 43,114 | 1,660,490 |
| Accumulated depreciation | (179,313) | (209,013) | (690) | (44,035) | (22) | - | (433,073) |
| **Net carrying amount at 31 December 2023** | **974,017** | **159,654** | **149** | **50,468** | **15** | **43,114** | **1,227,417** |
| | | | | | | | |
| **Carrying amount at 1 July 2023** | **881,194** | **155,631** | **101** | **46,669** | **16** | **26,594** | **1,110,205** |
| Additions | 810 | 9,633 | - | 982 | - | 19,140 | 30,565 |
| Acquired as part of business combinations | 100,098 | 4,356 | 63 | 4,066 | - | - | 108,583 |
| Transfers from work in progress | - | 1,319 | - | 1,278 | - | (2,597) | - |
| Write-offs | - | - | - | - | - | (23) | (23) |
| Disposals | - | (7) | - | - | - | - | (7) |
| Depreciation expense* | (8,085) | (11,278) | (15) | (2,527) | (1) | - | (21,906) |
| **Carrying amount at 31 December 2023** | **974,017** | **159,654** | **149** | **50,468** | **15** | **43,114** | **1,227,417** |

*Excludes depreciation charge of $457,000 (31 December 2022: $555,000) in relation to right-of-use assets.

# Section C: Operating Assets and Liabilities

## 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 2023** | | | | | | | |
| Cost | 1,052,421 | 353,368 | 784 | 88,177 | 37 | 26,594 | 1,521,381 |
| Accumulated depreciation | (171,227) | (197,737) | (683) | (41,508) | (21) | - | (411,176) |
| **Net carrying amount at 30 June 2023** | **881,194** | **155,631** | **101** | **46,669** | **16** | **26,594** | **1,110,205** |
| | | | | | | | |
| Carrying amount at 1 July 2022 | 880,140 | 149,375 | 131 | 49,379 | 17 | 30,111 | 1,109,153 |
| Additions | 852 | 12,337 | - | 2,912 | - | 37,804 | 53,905 |
| Transfers from work in progress | 19,565 | 16,524 | - | 184 | - | (36,273) | - |
| Transfer to assets held for sale | (866) | - | - | - | - | - | (866) |
| Write-off | - | - | - | - | - | (5,048) | (5,048) |
| Disposals | (2,600) | (328) | - | (303) | - | - | (3,231) |
| Depreciation expense* | (15,897) | (22,277) | (30) | (5,503) | (1) | - | (43,708) |
| **Carrying amount at 30 June 2023** | **881,194** | **155,631** | **101** | **46,669** | **16** | **26,594** | **1,110,205** |

*Excludes depreciation charge of $1,374,000 in relation to right-of-use assets.

# Section C: Operating Assets and Liabilities

## C2. Operational Places and Goodwill

| | Operational places $'000 | Goodwill $'000 | Total $'000 |
|---|---|---|---|
| **At 31 December 2023** | | | |
| Cost | 229,973 | 385,278 | 615,251 |
| Accumulated depreciation and impairment | (189,284) | (22,235) | (211,519) |
| **Net carrying amount** | **40,689** | **363,043** | **403,732** |
| Carrying amount at 1 July 2023 | 81,380 | 239,938 | 321,318 |
| Additions (refer Note B2) | - | 123,105 | 123,105 |
| Amortisation | (40,691) | - | (40,691) |
| **Carrying amount at 31 December 2023** | **40,689** | **363,043** | **403,732** |
| **At 30 June 2023** | | | |
| Cost | 229,973 | 262,173 | 492,146 |
| Accumulated depreciation and impairment | (148,593) | (22,235) | (170,828) |
| **Net carrying amount at 30 June 2023** | **81,380** | **239,938** | **321,318** |

### 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." Prior to the financial year ended 30 June 2022, 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 and Aged Care (DHAC) 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"), the Group reassessed the useful life of its operational places. Consequently, Regis is 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 2023 of $40,691,000 with no impact to the cash flows of the Group. In addition, a related deferred tax liability of $12,207,000 has been 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

## 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 Note C3.

## C3. Impairment Testing of Goodwill and Operational Places

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

The assessment of the recoverable amount of goodwill and operational places involves significant amounts 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 residential 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 consistent with the approach set out in the 2023 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 2023. This incorporated consideration of the Australian Government announcement with respect to the abolishment of operational places from 1 July 2024 (refer Note C2), the changes to the Australian National Aged Care Classification (AN-ACC) funding model and mandated care minute requirements, all of which presents uncertainty in relation to the future profitability of the business. The AN-ACC funding model is expected to have a cost neutral impact on the profitability of the business over the medium to long-term. 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 2023.

The 2023 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 2023 Annual Financial Report.

### Impact of climate-related events on recoverable amount

Climate change may affect non-current asset impairment considerations via adverse climate conditions and events, such as floods and bushfires, that may cause damage and/or result in reduced demand in affected areas. In addition, building design standards to enhance resilience coupled with the transition to a lower carbon economy may lead to increased build, maintenance and operating costs. Consideration has been given to the potential financial impacts of these factors on the carrying value of goodwill and other non-current assets through a qualitative review of Regis' climate change risk assessment. The review did not identify any material financial reporting impacts. Notwithstanding, when calculating the 'value-in-use' valuation of an asset or CGU, future forecast cash flows incorporate capital expenditure associated with the Group's current sustainability plans and activities.

## C4. Investment Property

Investment property relates to interests in operating retirement villages (comprising independent living units and apartments) and retirement village development sites held to earn revenue and capital appreciation over time.

| | 31 December 2023 $'000 | 30 June 2023 $'000 |
|---|---|---|
| Carrying amount at beginning of period | 116,599 | 163,120 |
| Additions due to capital expenditure | 97 | 1,786 |
| Disposals | (7) | - |
| Sale of investment property | - | (45,629) |
| Amounts written-off | - | (6,582) |
| Transfer to assets held for sale (refer Note C7) | - | (3,316) |
| Change in fair value of investment property development sites | - | 1,850 |
| Change in fair value of operating investment properties | - | 5,370 |
| **Carrying amount at the end of period** | **116,689** | **116,599** |

### Fair Value Measurement, Valuation Techniques and Inputs

The techniques used to fair value the Group's investment properties have not changed since 30 June 2023. For further explanation of the techniques and inputs applied, refer to the 2023 Annual Financial Report.

### 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. Current economic challenges and uncertainties could have an impact on key assumptions. These key assumptions may not be based on observable market data in all instances, however, considers current economic challenges as well as the future impact of events on inflation and interest rates.

To illustrate the exposure of the carrying amount of investment property at 31 December 2023 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 page 26.

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 2023.

Investment property is classified as Level 3 in the fair value hierarchy as defined at Note C5.

# Section C: Operating Assets and Liabilities

## 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 property**

| Inputs used to measure fair value | 31 December 2023 | Sensitivity |
|---|---|---|
| Discount rate | 14% - 15% | Increasing / decreasing the discount rates by 50 basis points would decrease / increase fair value by $960,000 and $1,043,000 respectively. |
| Property price growth rates - medium term | 3% - 4% | Increasing / decreasing the property price growth rates by 50 basis points would increase / decrease fair value by $2,263,000 and $2,055,000 respectively. |
| Property price growth rates - longer term | 3% - 4% | |

**(b) Investment property development sites**

| Inputs used to measure fair value | 31 December 2023 | Sensitivity |
|---|---|---|
| Discount rate | 7.00% - 7.50% | Increasing / decreasing the discount rate by 50 basis points would decrease / increase fair value by $1,554,000 and $1,609,000 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 $262,000 and $262,000 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 $1,858,000 and $1,926,000 respectively. |

Investment property is classified as level 3 in the fair value hierarchy as described at Note C5.

**Impact of climate-related events on property valuations**

Climate change may affect Regis' investment property values through adverse weather conditions that may cause damage, lost income, and/or reduced useful lives at affected properties and via increased regulation requiring enhanced building and design standards to minimise the impact on the environment, both during construction and throughout their operating life.

As part of the valuation process for investment property, Regis has considered the impact of environmental, social and governance factors. Independent valuations prepared to assess the fair value of investment property are conducted in accordance with the guidelines and valuation principles as set by the Australian Property Institute (API) and the International Valuation Standards Council (IVSC). In assessing the implications of sustainability in property valuations under the API and IVSC valuation standards, consideration is given to environmental factors that can or do impact on the valuation of an asset.

# Section C: Operating Assets and Liabilities

## C5. Fair Value of Financial Instruments

### Measurement of Fair Value of Financial Instruments

The financial instruments on the Statement of Financial Position are measured at either fair value or amortised cost. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole. The measurement of this fair value may in some cases be subjective and may depend on the inputs used in the calculations. The different valuation methods 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<br>$'000 | Level 2<br>$'000 | Level 3<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|
| 31 December 2023 | | | | | |
| **Assets/(Liabilities) measured at fair value** | | | | | |
| Independent living unit and apartment ('ILU'/'ILA') entry contributions | D2 | - | (44,637) | - | (44,637) |
| Investment property | C4 | - | - | 116,689 | 116,689 |
| **Assets/(liabilities) for which fair value is disclosed** | | | - | - | |
| Interest-bearing loans and borrowings | D1 | - | (69,642) | - | (69,642) |
| RADs and accommodation bonds | D2 | - | (1,495,766) | - | (1,495,766) |
| **Total** | | **-** | **(1,610,045)** | **116,689** | **(1,493,356)** |
| 30 June 2023 | | | | | |
| **Assets/(Liabilities) measured at fair value** | | | | | |
| Independent living unit and apartment (ILU/ILA) entry contributions | D2 | - | (44,673) | - | (44,673) |
| Investment property | C4 | - | - | 116,599 | 116,599 |
| **Assets/(liabilities) for which fair value is disclosed** | | | | | |
| Interest-bearing loans and borrowings | D1 | - | (67,335) | - | (67,335) |
| RADs and accommodation bonds | D2 | - | (1,306,071) | - | (1,306,071) |
| **Total** | | **-** | **(1,418,079)** | **116,599** | **(1,301,480)** |

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 2023.

# Section C: Operating Assets and Liabilities

## C6. Provisions

| | 31 December 2023 $'000 | 30 June 2023 $'000 |
|---|---|---|
| Current | | |
| Employee entitlements | 95,425 | 86,831 |
| Other provisions | 21,240 | 37,700 |
| **Total current provisions** | **116,665** | **124,531** |
| | | |
| Non-Current | | |
| Employee entitlements | 5,006 | 4,867 |
| **Total non-current provisions** | **5,006** | **4,867** |

### 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 $16,467,000 (30 June 2023: $13,547,000).

### Employee Entitlement Underpayments

As disclosed in the 2023 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 mainly 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 assesses the estimated cost of remediation of any potential underpayments across the Group at each reporting date.

During the half-year ended 31 December 2023, Regis commenced its remediation payment process and incurred remediation costs of $21,485,000. Due to the complexity involved in determining the amount and timing of final remediation costs, Regis continues to engage with its external advisors and regulatory authorities, including the Fair Work Ombudsman. The remediation payment process is ongoing and will continue through the second half of the 2024 financial year. Regis has recognised a provision of $21,240,000 as at 31 December 2023 (30 June 2023: $37,700,000).

### Key judgement, estimate and assumption: Employee entitlements underpayments provision

Estimating the provision for remediation of the employee entitlement underpayments requires the legal interpretation of certain complex enterprise agreement clauses that vary across the states and territories of Australia, and the application of these to a large volume of employee data. Based on advice from external advisors, the Group has exercised significant judgement in determining how these matters are dealt with in estimating the provision at 31 December 2023.

# Section C: Operating Assets and Liabilities

## C7. Assets Held For Sale

During the year ended 30 June 2023, the Board of Directors approved the sale of several operating investment properties located in Queensland and vacant land.

Major classes of assets and liabilities of the operating investment properties and vacant land classified as assets held for sale as at 31 December 2023 are as follows:

| | 31 December 2023<br>$'000 | 30 June 2023<br>$'000 |
|---|---|---|
| Assets | | |
| Operating investment properties | 2,029 | 3,316 |
| Write-down of operating investment properties | - | (1,287) |
| Vacant land | 866 | 866 |
| **Assets held for sale** | **2,895** | **2,895** |
| Liabilities | | |
| Independent living unit and apartment (ILU/ILA) entry contributions | (745) | (745) |
| **Liabilities directly associated with assets held for sale** | **(745)** | **(745)** |
| | | |
| **Net assets directly associated with assets held for sale** | **2,150** | **2,150** |

On 24 January 2024, Regis completed the sale of its operating investment properties at McDonald Court, Tallowwood, Gracemere and Kingaroy in Queensland for proceeds of $1,250,000. The vacant land remains as held for sale.

# Section D: Capital Structure and Financing

**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. Interest-Bearing Loans and Borrowings

| | 31 December 2023 $'000 | 30 June 2023 $'000 |
|---|---|---|
| Non-current | | |
| Bank loans - secured | 69,642 | 67,335 |
| **Total loans and borrowings** | **69,642** | **67,335** |

### Bank facilities

As at 31 December 2023, the Group has a syndicated bank debt facility of $405,000,000 comprising the following:

| | Maturity | Facility limit $'000 | Utilised at balance date $'000 | Unused at balance date $'000 |
|---|---|---|---|---|
| Facility A | March 2026 | 150,000 | 55,000 | 95,000 |
| Facility B | March 2027 | 175,000 | - | 175,000 |
| Facility C | March 2027 | 70,000 | 16,633 | 53,367 |
| Bank guarantee facility | March 2027 | 10,000 | 936 | 9,064 |
| **Total syndicated bank debt facility** | | **405,000** | **72,569** | **332,431** |
| Add: Overdraft facility | March 2027 | 25,000 | - | 25,000 |
| **Total facilities** | | **430,000** | **72,569** | **357,431** |
| Less: Bank guarantee facility | | | (936) | |
| Less: Gain on debt modification | | | (257) | |
| Less: Establishment costs | | | (1,734) | |
| **Total interest-bearing loans and borrowings** | | | **69,642** | |

Regis has a syndicated debt bank facility which provides sufficient liquidity to meet currently anticipated cash flow requirements. As at 31 December 2023, the undrawn amount of the syndicated bank debt facility was $332,431,000.

# Section D: Capital Structure and Financing

## D2. Other Financial Liabilities

| | 31 December 2023 $'000 | 30 June 2023 $'000 |
|---|---|---|
| Refundable accommodation deposits (RADs) | 1,495,766 | 1,306,071 |
| Independent living unit and apartment (ILU/ILA) entry contributions | 44,637 | 45,418 |
| Liabilities directly associated with assets held for sale (Refer Note C7) | - | (745) |
| **Total other financial liabilities** | **1,540,403** | **1,350,744** |

### 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 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 facility 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 and Financing

## D3. Contributed Equity

Movements in ordinary shares

| | | | Ordinary Shares | |
|---|---|---|---|---|
| | Grant Date Fair Value | Date | No. | $'000 |
| At 30 June 2023 | | | **300,908,124** | **273,761** |
| Share issue - performance rights | 2.5499 | 21-Sep-23 | 126,795 | 323 |
| **At 31 December 2023** | | | **301,034,919** | **274,084** |

## 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 2023, the 2023 final dividend of $22,508,000 (7.48 cents per share, 50% franked) was paid on 27 September 2023.

### Dividends proposed and not recognised as a liability

On 26 February 2024, the Board of Directors resolved to pay an interim dividend of 6.28 cents per share totalling $18,905,000 (50% franked) for the half-year ended 31 December 2023, payable on 11 April 2024 (record date 15 March 2024).

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 2023, capital commitments amounted to $35,721,000 (30 June 2023: $34,603,000). The capital commitments relate to ongoing aged care 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 2023, the Company has bank guarantees totalling $935,818 (30 June 2023: $935,818). While the Company has provided these guarantees, the probability of having to make payments under these guarantees is considered remote.

### 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

No matters or circumstances have arisen since the end of the half-year ended 31 December 2023 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 2023 and of its performance for the half-year ended on that date; and

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

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made in accordance with a resolution of Directors.

On behalf of the Board

**Graham K Hodges**
**Chairman**
**Melbourne, 26 February 2024**

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# Independent auditor's review report to the members of Regis Healthcare Limited

## 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 interim consolidated statement of financial position as at 31 December 2023, interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, 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 2023 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 2023 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
26 February 2024

# 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. |
| AN-ACC | Australian National Aged Care Classification |
| 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 |
| DHAC | Department of Health and Aged Care |
| DMF | Deferred management fee from residents within retirement living accommodation |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| Underlying EBITDA | Underlying EBITDA excludes imputed income on RADs and Bonds of $36,495,000 (31 December 2022: $30,570,000) and one-off items, and includes operating lease expense of $501,000 (31 December 2022: $666,000) |
| 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 |
| IHACPA | Independent Health and Aged Care Pricing Authority |
| NPAT | Net profit after tax |
| NPATA | Net profit after tax (NPAT) before amortisation of operational places |
| Regis or Parent Entity | Regis Healthcare Limited |
| RAD | Refundable accommodation deposit |
| Reported EBITDA | Reported EBITDA excludes imputed income on RADs and Bonds of $36,495,000 (31 December 2022: $30,570,000) and includes operating lease expense of $501,000 (31 December 2022: $666,000) |
| Aged Care Royal Commission | Royal Commission into Aged Care Quality and Safety |
| 2023 Annual Financial Report | Financial report for the year ended 30 June 2023 |