Appendix 4E

Regis Healthcare Limited

Results for announcement to the market

For the year ended 30 June 2022

(previous corresponding period being the year ended 30 June 2021)

		% change		$000
Revenue from ordinary activities	Up	3.4%	to	725,333
Profit/(Loss) after tax from ordinary activities attributable to members	Down	294.5%	to	(38,799)
Net Profit/(Loss) after tax attributable to members	Down	294.5%	to	(38,799)

Dividend Information

	Amount per security	Franking %	Record date	Payment date
Year ended 30 June 2022				
Interim dividend	3.52 cents	50%	11 March 2022	8 April 2022
Final dividend	2.32 cents	50%	16 September 2022	30 September 2022
Total dividend	5.84 cents	50%		

Other Information

	30 June 2022 (cents)	30 June 2021 (cents)	% change
Net tangible asset backing per ordinary share	(95.5)	(89.2)	7.1%

Net tangible asset backing per ordinary share is calculated as total equity less intangible assets and deferred tax liabilities, divided by the number of ordinary shares on issue at period end. Net tangible asset backing includes the right-of-use assets and lease liabilities as disclosed in the Regis 2022 Annual Financial Report.

This report is based on the Regis 2022 Annual Financial Report that has been audited by Ernst & Young.

The remainder of the information requiring disclosure to comply with the requirements of Listing Rule 4.3A is contained in the Regis 2022 Annual Financial Report that follows.

Signed by

Malcolm Ross, Company Secretary
24 August 2022

Regis Healthcare Limited

ABN 11 125 203 054

Annual Financial Report for the Year Ended 30 June 2022

Contents

Corporate Information

Directors

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

Company Secretary

Malcolm Ross

Registered Office

Level 2, 615 Dandenong Road,
Armadale VIC 3143

Principal Place of Business

Level 2, 615 Dandenong Road
Armadale VIC 3143

Share Registry

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

Stock Exchange

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

Solicitors

Herbert Smith Freehills
80 Collins St
Melbourne VIC 3000

Auditors

Ernst & Young Australia
8 Exhibition St
Melbourne VIC 3000

Your Directors present their report on Regis Healthcare Limited (the Company) and its controlled entities (the Group) for the year ended 30 June 2022

Board of Directors

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

Graham Hodges

Chairman, Independent Non-Executive Director

Graham has been a Non-Executive Director since August 2017 and was appointed Chairman on 1 July 2018. He has extensive international experience in the financial services industry with a career spanning more than 40 years. He commenced his career in Commonwealth Treasury, Canberra, where he worked for approximately 10 years before being seconded to the International Monetary Fund in Washington for several years.

Graham built an executive career at the Australian and New Zealand Banking Group Limited and was formerly the Deputy Chief Executive Officer, ANZ Banking Group Ltd.

Graham is currently a Director of Assemble Communities Pty Ltd, and was previously Chairman of ANZ SAM Board (Special Assets Management), Esanda, ANZ Wealth, a Director of AmBank Holdings Berhad and a member of the Australian Government's Aged Care Financing Authority.

Graham holds a Bachelor of Economics (Hons) degree from Monash University.

Special responsibilities:

– Chairman of the Board
– Member of the Audit, Risk & Compliance Committee
– Member of the People and Remuneration Committee (Chairman since 29 November 2021)
– Member of Clinical Care and Governance Committee (29 November 2021 to 22 February 2022)

Linda Mellors

Managing Director and Chief Executive Officer

Linda has been Managing Director and Chief Executive Officer since September 2019. Linda has 20 years of executive experience in health and aged care. Prior to joining Regis, Linda held a range of roles in hospital and health systems predominantly in Victoria, as well as a national aged care service. Linda was also the Co-Chair of the Victorian Metropolitan Hospital Chief Executive group.

Linda is currently a Board Director of Mackillop Family Services and Director of the Australian Aged Care Providers Association (AACPA).

Linda was formerly Chair of the Aged Care Reform Network, Chair of the Aged Care Guild, Chair of the North Eastern Metropolitan Integrated Care Service, Board Member of the Parent Infant Research Institute and Board Director of the South West Melbourne Medicare Local. Linda has a PhD in cardiac physiology, Bachelor of Science with first class Honours, Bachelor of Arts and is a Graduate of the Australian Institute of Company Directors. She is also a graduate of the Williamson Community Leadership Program, operated by Leadership Victoria.

Christine Bennett AO

Independent Non-Executive Director

Appointed to the Board in March 2018, Christine is a specialist paediatrician with over 30 years' health industry experience in clinical care and governance, strategic planning, executive management, teaching and research. Christine is also Convenor of the Champions of Change Coalition Health Group and joined the Telstra Health Board in July 2020.

Christine was awarded the title of Emeritus Professor at the University of Notre Dame Australia following her contributions as Deputy Vice Chancellor Enterprise & Partnerships and Dean of Medicine, Sydney for more than 10 years. Previously, Christine was Chair of Research Australia, a Group Executive and Chief Medical Officer at both MBF Limited and Bupa Australia, a Partner in the KPMG Health and Life Sciences Practice, CEO of Westmead Hospital, Chair of the Sydney Children's Hospitals Network and Non-Executive Director of Digital Health CRC Limited.

From 2008 to 2010, Christine was Chair of the National Health and Hospitals Reform Commission to provide advice on a long-term plan for the future of the Australian health and aged care system.

Christine was awarded an Officer of the Order of Australia in recognition of her distinguished service to medicine and health care leadership in 2014.

Christine holds a Bachelor of Medicine and Bachelor of Surgery from the University of Sydney and a Master of Paediatrics from the University of New South Wales. She is a Fellow of the Royal Australasian College of Physicians and a Graduate of the Australian Institute of Company Directors.

Special responsibilities:

– Chairman of the Clinical Governance and Care Committee

Christine Bennett AO (continued)

Independent Non-Executive Director

Special responsibilities (continued):

- Member of the Audit, Risk and Compliance Committee since 29 November 2021 (Chairman 29 November 2021 to 17 January 2022)
- Member of the People and Remuneration Committee (29 November 2021 to 22 February 2022)
- Member of the Property Committee

Bryan Dorman

Non-Executive Director

Bryan was a Director of the Group on listing on 7 October 2014. Prior to listing, Bryan had been a Director of Fairway Investment Holdings Pty Ltd[1] since May 2007.

Bryan has considerable experience working in and growing enterprises across a broad range of industry sectors, including residential aged care, manufacturing, property development, asset investment and business services.

Bryan was a Partner in Melbourne accounting firm Rees Partners from 1977 until 2000 and is a qualified accountant.

Bryan is a founding Director and shareholder of Regis. From its commencement in the early 1990s until 2014, Bryan was Chairman (and Executive Chairman until 2008), during which time he oversaw the management and growth of the Group.

Bryan was also the National President of the former aged care industry body, The Aged Care Association of Australia, from 2004 to 2012, and was actively involved in the development of the industry and shaping its future.

Bryan holds a Bachelor of Business (Accounting).

Special responsibilities:

- Member of the Audit, Risk and Compliance Committee
- Member of the Clinical Governance and Care Committee

Ian Roberts

Non-Executive Director

Ian was a Director of the Group on listing on 7 October 2014. Prior to listing, Ian had been a Director of Fairway Investment Holdings Pty Ltd[1] since May 2007.

Ian has over 30 years' experience in the real estate sector including 20 years in residential aged care.

Prior to co-leading the Regis journey, Ian was involved in property development (sub-divisional and commercial) in South East Queensland.

As a founding shareholder and Director of Regis (Executive Director prior to 2008), Ian headed up the property division with oversight of the development and implementation of the strategy that saw the business grow to in excess of 4,500 beds nationally.

Ian is currently a Non-Executive Director of several property and property services enterprises.

Ian holds a Bachelor of Science (Surveying) from the Royal Melbourne Institute of Technology.

Special responsibilities:

- Chairman of Property Committee
- Member of the People and Remuneration Committee

Sally Freeman

Independent Non-Executive Director

Appointed to the Board on 17 January 2022, Sally's career spans over 25 years, having worked as a Partner at KPMG and Ernst & Young, with a focus on audit and risk management. Sally is currently a Non-Executive Director at Eastern Health, Regional Investment Corporation, Melbourne Football Club, Suburban Rail Loop Authority and ASX-listed Netwealth Group limited and Netwealth Superannuation Services. She also serves as an independent member of the audit committees of HealthShare Victoria, Caulfield Grammar and Commonwealth Games Australia.

Sally is an experienced audit, risk and compliance committee Chair and previously served as committee member for the Royal Children's Hospital, Uniting Church VIC/TAS, and VicHealth. She is also a past Non-Executive Director of KPMG Actuarial Pty Ltd and Swinburne University.

Sally holds a Bachelor of Commerce from the University of Western Australia and is a Fellow of the Australian Institute of Chartered Accountants. She is a Global Certified Information Systems Auditor, a Graduate of the Australian Institute of Company Directors, a Fellow of the Victorian Williamson Leadership Program and a member of Chief Executive Women.

Listed company directorships (last 3 years):

- Netwealth Group Limited (ASX:NWL) (October 2019 to present)

1 Fairway Investment Holdings Pty Ltd converted to Regis Healthcare Limited on listing in October 2014

Sally Freeman (continued)

Independent Non-Executive Director

Special responsibilities:

- Chairman of the Audit, Risk and Compliance Committee since 17 January 2022
- Member of the People and Remuneration Committee since 22 February 2022
- Member of the Clinical Governance and Care Committee since 22 February 2022

Sylvia Falzon

Independent Non-Executive Director
(appointed September 2014; retired 26 October 2021)

Sylvia has held senior executive positions within the financial services industry over a 30-year career. Through her executive and non-executive career, she has gained extensive experience working in large consumer-facing and highly regulated businesses within the financial services, healthcare, retail and aged care sectors.

Currently an Independent Non-Executive Director of ASX listed companies Premier Investments Limited and Suncorp Group Limited, Sylvia is also Chairman of Cabrini Australia, a large not-for-profit health, technology and outreach organisation.

Sylvia holds a Master's degree in Industrial Relations and Human Resource Management (Hons) from the University of Sydney and a Bachelor of Business from the University of Western Sydney. She is a Senior Fellow of the Financial Services Institute and a Fellow of the Australian Institute of Company Directors.

Listed company directorships (last 3 years):

- Premier Investments Limited (appointed 16 March 2018)
- Suncorp Group Limited (appointed 1 September 2018)
- Zebit Incorporated (12 August 2020 to March 2022)

Matthew Quinn

Independent Non-Executive Director
(appointed March 2018; retired 26 October 2021)

Matthew has a track record of strategy development, delivering financial results and driving operational efficiency as a senior real estate and property development executive. He has a deep understanding of strategic M&A, capital markets and regulatory environments.

Matthew was Managing Director of Stockland for 13 years and is currently a Non-Executive Director of CSR Limited and Elders Limited, and TSA Management Group Holdings Pty Ltd.

Matthew holds a Bachelor of Science in Chemistry with Management (1st Class Honours) from Imperial College London and is a qualified Chartered Accountant.

Listed company directorships (last three years):

- Elders Limited (2020 to present)
- CSR Limited (2013 to present)
- Class Limited (2015 to February 2022)

Interests in the Shares of the Group

As at the date of this report, the interests of the Directors in the ordinary shares of Regis Healthcare are the same as those disclosed on page 30 of the Remuneration Report.

Malcolm Ross

General Counsel and Company Secretary

Malcolm Ross leads the legal and governance team, having joined Regis as General Counsel and Company Secretary in November 2021.

Malcolm has practised law for over 20 years locally and internationally and has gained extensive experience in listed companies in legal counsel, General Counsel and Company Secretary positions. Malcolm has worked in law firms and in-house at Boom Logistics Limited (ASX: BOL), an industrial services business and IHG Plc (FTSE: IHG), a hotel business.

Malcolm was admitted as a Barrister and Solicitor of the Supreme Court of Victoria in November 1997 and holds a Bachelor of Business (Banking and Finance), Bachelor of Laws, Master of Laws and Graduate Diploma in Applied Corporate Governance.

Rebecca Dean

Deputy Company Secretary

Rebecca Dean was Acting Company Secretary for the period 16 July 2021 to 7 November 2021 and remains Regis' Deputy Company Secretary. With experience in both private practice and in-house legal roles, Rebecca was admitted as a Barrister and Solicitor of the Supreme Court of Victoria in April 2008, and holds a Bachelor of Arts and Bachelor of Commerce from Monash University and a Bachelor of Laws (Honours) from La Trobe University.

Principal Activities

The Group's principal activity during the year was the provision of residential aged care services. No significant changes occurred to these activities during the year.

Directors' Report

Operating and Financial Review

As at 30 June 2022, the Group owned and operated 64 residential aged care homes with over 7,000 operational places, and provided residential aged care services in six States and the Northern Territory. In addition, Regis, through retirement living, manages over 570 retirement village units across ten 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')[2] is reported in order to provide a greater understanding of the performance of the Group. All other amounts reported below are recognised and measured in accordance with Australian Accounting Standards.

A summary of the financial results for the year ended 30 June 2022 is set out below:

For the year ended	2022 $'000	2021 $'000	% Change
Revenue from services	725,333	701,365	3.4%
Other income	71,621	83,037	(13.7%)
Underlying EBITDA	78,127	72,068	8.4%
Net profit after tax before amortisation of operational places (NPATA)	3,927	19,949	(80.3%)
Net profit after tax (NPAT)	(38,799)	19,949	(294.5%)
Basic earnings per share	(12.90) cents	6.63 cents	(294.6%)

2 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 $62,444,000 (30 June 2021: $64,389,000), $24,513,000 of net COVID-19 outbreak expenses and other one-off items, and includes operating lease expense of $1,423,000 (30 June 2021: $1,383,000), is reported in order to provide shareholders with a greater understanding of the performance of the Group. A reconciliation of profit before income tax to Underlying EBITDA is provided on page 8.

Operating and Financial Review (continued)

Review and Results of Operations (continued)

A summary of revenue from services for the year ended 30 June 2022 is set out below:

For the year ended	2022 $'000	2021 $'000
Government funded revenue	517,858	499,864
Resident basic daily fee revenue	120,588	117,442
Other resident revenue	79,449	76,287
Other operating revenue	5,155	5,870
Deferred management fee revenue	2,283	1,902
Revenue from services	**725,333**	**701,365**

Revenue from services for the year ended 30 June 2022 included:

- $22,919,000 (30 June 2021: $nil) of Government Basic Daily Fee (BDF) Supplement received from 1 July 2021, representing $10 per resident, per day. This additional revenue was announced in the 2021-22 Federal Budget as part of the Australian Government's response to the Royal Commission into Aged Care Quality and Safety.
- Nil (30 June 2021: $6,813,000) of COVID-19 Government funding
- Nil (30 June 2021: $913,000) of COVID-19 temporary uplift in the Aged Care Funding Instrument (ACFI)
- Nil (30 June 2021: $5,400,000) of one-off Government funding

A summary of other income for the year ended 30 June 2022 is set out below:

For the year ended	2022 $'000	2021 $'000
Imputed income on RADs and Bonds[3]	62,444	64,389
Interest income	9	14
Government grants	3,248	4,156
Gain on disposal of non-current assets	-	2,818
Change in fair value of investment property	5,920	11,660
Other income	**71,621**	**83,037**

Included in other income was COVID-19 outbreak Government grants of $3,248,000 (30 June 2021: $4,156,000) relating to the first half of the financial year. Further claims for COVID-19 outbreak Government grants amounting to approximately $19,000,000 to $21,000,000 have been/will be submitted for the second half of the financial year ended 30 June 2022. Regis has been advised by the Department of Health and Aged Care (DHAC) that due to the significant impact of the COVID-19 Omicron variant, large volumes of COVID-19 outbreak grant reimbursements/agreements are being processed and this is causing significant delays in approving submitted claims. As a result, Regis expects to receive approval from the DHAC for claims submitted during the 30 June 2023 financial year.

The change in fair value of investment property represents the gain recognised from the external valuation of the Group's retirement villages and retirement village development sites.

Despite COVID-19, including the significant impact of the Omicron variant, occupancy rates across the residential aged care portfolio remained stable in resident numbers but increased in percentage terms to 89.8% (30 June 2021: 88.9%) reflecting the business' decision to remove multi-bed rooms from a number of homes.

3 Following adoption of AASB 16 *Leases* effective 1 July 2019, profit/loss before income tax for the financial year ended 30 June 2022 includes income on RADs and Bonds of $62,444,000 (2021: $64,389,000) and, correspondingly, finance costs of $62,444,000 (2021: $64,389,000) with no net impact on profit or loss. The Group also recognised depreciation and interest costs totalling $990,000 (2021: $993,000) and $332,000 (2021: $381,000) respectively. Prior to the introduction of AASB 16 *Leases*, the Group would have recognised an operating lease expense of $1,423,000 (2021: $1,383,000).

Operating and Financial Review (continued)

Review and Results of Operations (continued)

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

For the year ended	2022 $'000	2021 $'000
Profit/(Loss) before income tax	**(55,185)**	**29,150**
Add back/(deduct):		
Imputed income on RADs and bonds[4]	(62,444)	(64,389)
Depreciation[4]	42,070	43,893
Amortisation of operational places	61,037	-
Finance costs[4]	70,381	73,997
Finance income	(9)	(14)
Operating lease expense	(1,423)	(1,383)
COVID-19 Government funding and grants	(3,248)	(11,882)
COVID-19 outbreak related expenses	27,761	11,800
Profit on sale of assets	-	(2,818)
Cyber-security costs	-	672
Net fair value gain on investment property (refer Note C7 to Financial Report)	(3,022)	(9,158)
Impact of regulatory penalties	-	2,200
Professional services costs incurred in relation to potential employee underpayments program of work	2,209	-
Underlying EBITDA	**78,127**	**72,068**

COVID-19 Pandemic

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

During the financial year, the Group experienced significantly increased staff expenses including additional overtime and use of agency contractors due to staff shortages caused by pre-existing sector workforce challenges compounded by border closures and the direct impact of COVID-19. Increased staff expenses due to the impact of Enterprise Agreements were only partially offset by the 1 July 2021 indexation increase (1.1%) applied by the Australian Government to aged care funding. The additional Government Basic Daily Fee Supplement received from 1 July 2021 was largely offset by increased compliance and reporting costs.

The Group incurred COVID-19 outbreak costs of $27,800,000 including incremental staff expenses, personal protective equipment, infection prevention and control, and employee welfare.

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

4 Following adoption of AASB 16 *Leases* effective 1 July 2019, as detailed in Note B2, profit/loss before income tax for the financial year ended 30 June 2022 includes income on RADs and Bonds of $62,444,000 (2021: $64,389,000) and, correspondingly, finance costs of $62,444,000 (2021: $64,389,000) with no net impact on profit or loss. The Group also recognised depreciation and interest costs totalling $990,000 (2021: $993,000) and $332,000 (2021: $381,000) respectively.

Operating and Financial Review (continued)

Review and Results of Operations (continued)

COVID-19 Pandemic (continued)

Vaccination of residents and workforce has required substantial effort and coordination. Regis has actively promoted vaccination which has been shown to be highly protective against death and serious illness from COVID-19. Regis is in partnership with a workplace occupational health provider that is experienced in running complex vaccination programs for large, national institutions to provide COVID-19 and influenza vaccinations to all our residents and staff. As of 19 August 2022, 81.0% of residents have had their fourth COVID-19 booster shot. Regis is currently providing the fourth COVID-19 booster shot to eligible staff.

On 1 February 2022, as part of the Australian Government's commitment to the ongoing COVID-19 response, the Australian Government announced it will provide $210 million to support the aged care workforce, in recognition of their dedication in continuing to care for older Australians during the COVID pandemic. During the financial year, Regis received $4,878,000 for the aged care workforce bonus, which was subsequently paid to eligible employees in April and May 2022.

Deregulation of Operational Places

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

The Australian Government has announced its decision to discontinue operational places from 1 July 2024. In accordance with Accounting Standards and the guidelines issued by the Australian Securities and Investments Commission ("ASIC"), as well as the Group's current understanding of the relevant legislation and transitional arrangements relating to the removal of operational places, the Group has reassessed the useful life of its operational places. Consequently, Regis has commenced amortising the value of operational places from 1 October 2021 on a straight-line basis over their remaining economic life to 1 July 2024. This has resulted in a before tax amortisation expense in the profit and loss for the year ended 30 June 2022 of $61,037,000 with no impact to the cash flows of the Group. In addition, a related deferred tax liability of $18,311,000 has been partially reversed

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

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

Potential Employee Entitlement Underpayments

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

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

Regis, with the assistance of external advisors, has commenced a review to determine the extent of the underpayments. While this review is ongoing, based on further analysis undertaken during the financial year, Regis has increased the provision from $35,000,000 to $37,700,000 at 30 June 2022.

Operating and Financial Review (continued)

Review and Results of Operations (continued)

Cash Flow and Capital Expenditure

The Group's principal source of funds was its cash flow from operations (including RADs). Net cash flows from operating activities in the financial year ended 30 June 2022 were $114,793,000 (30 June 2021: $105,030,000). RAD and accommodation bond net inflows were $83,940,000 (30 June 2021: $37,732,000).

During the year, the Group invested $48,648,000 in capital expenditure for ongoing development, replacement and refurbishment of existing facilities (30 June 2021: $18,836,000).

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

For the remaining developments in the pipeline, activities such as preparing land for commencement, development approvals and design documentation are underway in readiness to commence construction once funding certainty is obtained.

During the year, the Group repaid $36,450,000 (30 June 2021: $100,367,000) of bank borrowings assisted by net RAD inflows. Net debt at 30 June 2022 was $102,910,000 (30 June 2021: $142,462,000), a reduction of $39,552,000 (27.8%) on the prior corresponding period, and represented a leverage ratio[5] of 1.6 times (30 June 2021: 2.0 times).

The Group has a $515,000,000 syndicated debt bank facility, which provides sufficient liquidity to meet the Group's currently anticipated cash flow requirements. In March 2022, the Group refinanced its $150,000,000 facility, which has been extended to March 2026. The Group's remaining $365,000,0000 debt facility matures in March 2024. As at 30 June 2022, undrawn bank facilities of $417,207,000 are also available should they need to be drawn.

Oneview Healthcare PLC

On 21 December 2020, Oneview Healthcare PLC lodged a claim in the Supreme Court of Victoria against the Group seeking damages for alleged breach of a collaboration agreement between the two parties. In May 2022, Regis fully settled the dispute with Oneview Healthcare PLC. The settlement had no impact on Regis' financial result for the year ended 30 June 2022.

Clinical Governance Framework

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

Royal Commission into Aged Care Quality and Safety

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

The 2021-22 Federal Budget proposed a $17.7 billion aged care reform package. The funding is to be provided over 5 years from 2020/21 to 2024/25.

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5 Leverage ratio is based on rolling 12-month underlying EBITDA (pre-AASB 16 *Leases*) as a ratio of net debt. Net debt is calculated as interest-bearing liabilities, less cash and cash equivalents.

Operating and Financial Review (continued)

Review and Results of Operations (continued)

Royal Commission into Aged Care Quality and Safety (continued)

The reforms are split across five key pillars:

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

A new Aged Care Act will underpin the reforms.

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

Dividends

An interim dividend of 3.52 cents per ordinary share totalling $10,600,000 (50% franked) for the half-year ended 31 December 2022 was paid on 8 April 2022.

On 24 August 2022, the Board of Directors resolved to pay a final dividend of 2.32 cents per ordinary share totalling $6,979,343 (50% franked) for the year ended 30 June 2022 payable on 30 September 2022 (record date 16 September 2022).

Australian National Aged Care Classification (AN-ACC) Care Funding Model

From 1 October 2022, the Australian National Aged Care Classification (AN-ACC) will replace the current Aged Care Funding Instrument (ACFI).

The AN-ACC model operates by providing funding according to the needs of residents. This is driven through characteristics of each residential aged care home and the needs of individual residents. The AN-ACC funding model aims to provide:

- Funding that better matches resident care needs;
- Independent assessments of residents' needs for funding purposes; and
- A new method for annual changes in prices/indexation, informed by independent costing studies and advice.

In preparation for the new funding model, Regis has participated in shadow assessments of its residents and has assessed the potential impact of future funding to the business.

In addition, the Australian Government has also committed to introducing the following requirements in relation to care minutes:

- Requirement to have a registered nurse on site 24 hours a day from 1 July 2023;
- Sector-wide average of 200 of minutes of care time, including an average of 40 minutes of registered nurse time from 1 October 2023 (funding for this requirement will start from 1 October 2022); and
- Sector-wide average of 215 minutes of care, including an average of 44 minutes of registered nurse time, from 1 October 2024.

Further guidance is expected from the Government on the detailed operational make-up of AN-ACC, particularly in relation to work to define the parameters of the care minutes mandate, which may impact Regis' future profitability. Regis expects the increase in Government revenue to be offset by an increase in staff costs to meet the Government's mandated average of 200 care minutes per resident per day.

Operating and Financial Review (continued)

Review and Results of Operations (continued)

Australian National Aged Care Classification (AN-ACC) Funding Model (continued)

Regis continues to proactively work with Government and the industry peak body to support the development of an effective funding and care model, including addressing challenges relating to staff shortages.

Outlook

Given insufficient clarity over the financial impact of the new AN-ACC funding model, the ongoing challenges of the COVID-19 pandemic and labour shortages, the Board does not believe it prudent to put forward any earnings guidance at this stage. A business update will be provided at the Annual General Meeting to be held on 25 October 2022.

Likely Developments and Expected Results

The Group's growth strategy continues to include the following four levers:

– Greenfield aged care and retirement living developments
– Residential aged care and home care acquisitions
– Expansion and reconfiguration of existing facilities
– Residential aged care portfolio acquisition opportunities as they arise.

Other than the likely developments disclosed above and elsewhere in this report, no matters or circumstances have arisen which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of the affairs of the Group in future financial years.

Significant Changes in the State of Affairs

No other changes in the state of affairs arose during the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Subsequent Events

COVID-19 Pandemic

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

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

Regulatory Penalty

On 11 August 2022, the Aged Care Quality and Safety Commission (ACQSC) applied regulatory penalties to Regis Port Coogee of a Sanction and Notice to Agree (NTA). Regis has complied with all actions and requirements stipulated by the ACQSC under the NTA and will be seeking review of the Sanction.

Other Matters

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

Key Business Risks

The following risks identified by the Group represent potential threats to its operational performance and growth strategy. The Group has a risk management framework in place to manage the risks identified.

Risk description	Mitigant
Changes to the Regulatory Framework	
The Australian Aged Care industry is highly regulated by the Australian Government. Regulatory change to the aged care industry may have an adverse impact on the way the Group promotes, manages and operates its facilities and on its financial performance. The introduction of new legislation or changes in Government policies in relation to any or all of the existing legislation, including fees and charges, may adversely impact Regis' financial performance and future prospects. This includes the introduction of a new consumer-focused Aged Care Act and fee structure as announced by the Government in response to the recommendations of the Royal Commission into Aged Care Quality and Safety. From 1 October 2022, the Australian National Aged Care Classification (AN-ACC) will replace the current Aged Care Funding Instrument (ACFI). The Australian Government has also committed to changing requirements in relation to care minutes from 1 October 2023.	The Group has robust systems and processes in place to manage business operational risks, including those that relate to aged care legislative compliance. In preparation for the new funding model, Regis has participated in shadow assessments of its residents and has assessed the potential impact of future funding to the business. Regis continues to proactively work with Government and the industry peak body to support the development of an effective funding and care model.
Regis' RADs level may fluctuate	
The value of Regis' RADs (formerly known as Accommodation Bonds) may fluctuate due to a range of factors. RADs are refunded after a resident's departure. While individual RADs are generally replaced in a short period of time, often with a RAD of equal or higher value, Regis is exposed to risks associated with repayment and future sale of RADs. The effect of these risks may be that the value and number of new RADs Regis receives may be reduced and it may take longer for Regis to reach agreement with new residents or collect RADs.	The Group monitors its RAD level and liquidity risk through monthly reporting and rolling cash flow forecasts. The Group maintains a liquidity management strategy to ensure that it has sufficient liquidity to enable it to refund RAD and accommodation bond balances that are expected to fall due within at least the next 12 months.
Occupancy levels may fall	
In the ordinary course of business, Regis faces the risk that occupancy levels at any of its individual facilities may fall below expectations due to a number of factors, including adverse consumer sentiment to the industry generally or Regis specifically, reputational damage, and loss of accreditation. Reduced occupancy levels at a number of facilities may adversely affect Regis' revenue and general financial performance as it would reduce the amount of funding Regis is entitled to, and the number and value of RADs.	Demographic factors will lead to significant demand in service provision. The Group operates a large and geographically diversified portfolio of well located, high quality facilities with a history of providing excellent care. The reputation of individual facilities is central to Regis' sales and marketing strategy, which is complemented by the quality of the Group's facility staff, supporting sales and marketing applications and the strength of Regis' relationship with intermediaries including placement agents and medical professionals.

Key Business Risks (continued)

Risk description	Mitigant
Facilities may lose their approvals or accreditation	
Aged care homes are required to hold approvals and be accredited in various ways, including clinical care requirements. These approvals are generally subject to periodic review and may be revoked in certain circumstances. Aged care homes need approvals and accreditations to attract funding. If Regis does not comply with regulations and is unable to secure accreditation for the operation of its aged care homes and resident places in the future, or if any of its existing approvals are adversely amended or revoked, this may adversely impact Regis' financial performance. Further, if Regis is required to undertake facility refurbishments or make significant structural changes to facility buildings in order to retain its approvals or accreditations, the cost of those works may impact its profitability and cash flows.	Regis has policies and procedures in place that align with the accreditation standards. Service delivery is monitored through the Quality Indicator program, audit and review processes, consumer feedback and experience mechanisms and care planning and assessment tools, to ensure ongoing compliance with clinical care and other requirements for accreditation. Regis has developed and delivered training to ensure that employees understand the key role they play in upholding these standards.
Regis' reputation may be damaged	
Regis operates in a commercially sensitive industry in which its reputation could be adversely impacted should it or the aged care industry generally, suffer from any adverse publicity. Examples of adverse publicity may include reports of inappropriate care of residents, inquiries or investigations relating to the operation of aged care homes or incidents at aged care homes, health and safety issues affecting residents, staff or visitors, failure to ensure homes are well maintained or poor service delivery at homes. If there were to be any such adverse publicity, this may reduce the number of existing residents at Regis' homes or Regis' ability to attract new residents to its homes, both of which may adversely impact Regis' profitability. Adverse media coverage may also lead to increased regulatory scrutiny which could have a material adverse effect on Regis' revenue and profitability by, for example, increased compliance costs.	The Group seeks to avoid reputational damage through a strong control environment and enforcement of robust policies and procedures, to meet community and stakeholder expectations. In addition to upholding the accreditation standards, Regis has policies and processes in place addressing a range of topics including, but not limited to, health and safety management, bullying and harassment, and bribery and corruption. Incidents or potential incidents that occur at a home level are escalated to the Executive. Investigations are conducted and actions implemented as findings indicate.

Key Business Risks (continued)

Risk description	Mitigant
Information technology and cyber risks	
Cyber threats are constantly evolving, including from foreign groups targeting individuals and companies based in Australia and sophisticated phishing scams and cyber-attacks targeting the critical infrastructure that Regis manages. The privacy and security of resident and corporate information may be compromised in many ways, including a breach of IT systems and vendors' systems, unauthorised or inadvertent release of information or human error. Should the Group's systems be compromised, it could impact residents' trust, damage the Group's brand and reputation, and potentially significantly disrupt operations.	Hardware and software obsolescence are being addressed with various measures including an assessment to move to a Cloud environment where appropriate, modernise data centres and upgrade applications. The Group has a number of strategies to manage cyber threats, which include access security controls, security monitoring, business continuity management, disaster recovery processes and off-site back-up facilities. The strength and effectiveness of these strategies are regularly assessed and improved as appropriate.
Increased competition may affect Regis' competitive position	
Each aged care home has its own character and is effectively operating in its own local area (referred to as a catchment area). The competition faced by aged care operators is mainly experienced at the home level within the relevant catchment area. A substantial increase in the level of competition Regis faces across its portfolio of homes could result in, among other things, Regis experiencing lower than anticipated occupancy rates, reduced revenue and margins and loss of market share. This may have a material adverse effect on Regis' financial performance at the home level, and if this was to occur across a number of homes, this may reduce Regis' ability to achieve its strategic objectives.	The residential aged care sector is highly regulated by the Government in relation to both the supply of new places and the ongoing operation of homes, creating natural barriers to entry for incoming market participants. These barriers include: - Government's policy of controlled release of new aged care places;[6] - Obtaining initial places and high levels of ongoing regulatory compliance; - Initial capital investment requirement for new entrants; - Access to specialist skill set required to operate facilities; - Annual competitive process for new places which favours established, reputable and compliant operators.
Regis may not be able to retain key management	
Regis relies on a specialised management team with significant aged care industry knowledge and experience. If Regis is not able to retain key members of its management team, Regis may not be able to operate its business to the current standard, which may undermine Regis' ability to comply with regulations and may reduce demand for Regis' services from existing and prospective residents. These occurrences may adversely impact Regis' business operations including its ability to grow.	The Group has several core programs that are designed to identify and develop employees with specialist skill sets required for key management and leadership positions. Surveys are conducted to regularly evaluate culture and employee engagement.

6 As part of the response to the Royal Commission's Final Report, the Australian Government announced its intention to discontinue Aged Care Approvals Round (ACAR) from 1 July 2024.

Key Business Risks (continued)

Risk description	Mitigant
Regis may face medical indemnity and public liability claims, litigations and coronial enquiries	
Aged care service providers such as Regis are exposed to the risk of medical indemnity and public liability claims, litigation and coronial inquests. Subject to the insurance arrangements that Regis has in place at the relevant time, any actual or threatened medical malpractice or public liability litigation against Regis could cause Regis to incur significant expenditure and may adversely impact Regis' future financial performance. If the costs of medical malpractice or public liability insurance were to rise, this could also adversely affect Regis' financial performance. If Regis is involved in actual or threatened litigation or coronial enquiries, the cost of such actions may adversely affect Regis' financial performance and may also give rise to adverse publicity.	Clinical governance is an integral component of the Group's corporate governance framework. It ensures that all members of the Group, from frontline clinicians to members of the Board are accountable to care recipients and their representatives for assuring the delivery of safe, effective and continuously improving clinical and personal care services. The Group has a Clinical Governance and Care Committee, which comprises members of the Board and is chaired by Professor Christine Bennett AO. Regis has a robust framework in place to learn from incidents that have occurred, including deaths that have been reported to the Coroner. Remedial actions are implemented across the business if gaps in care are identified. Open disclosure forms an integral part of this framework.
Regis may not be able to attract and retain skilled and trained employees	
Regis' business is dependent on its specialised health and aged care staff. There is a risk that Regis may not be able to maintain or expand an appropriately skilled and trained workforce that is able to meet the existing or future care needs of residents. If this type of risk was to eventuate, it may increase Regis' costs and reduce its profitability.	Regis is committed to shaping its future workforce, attracting and retaining the right people through its Diversity Policy and professional development programs, and providing meaningful career paths and opportunities. The Group provides training to all staff to ensure they are equipped with the specialised skills required to deliver quality aged care. The Group develops strategies to address any risks identified as a result of regular employee engagement surveys conducted.
COVID-19 Pandemic	
The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. Residents in residential aged care are highly vulnerable to the serious effects of COVID-19 infection. The pandemic has created significant uncertainty for the residential aged care sector. The unprecedented nature of the pandemic makes it impossible to know when this uncertainty will be resolved. Regis has experienced COVID-19 outbreaks at several of its homes during each wave of the virus. The spread of COVID-19 in a home may lead to a sizeable decline in occupancy if resident discharges are not matched by new resident admissions. Staff shortages may result from workers contracting the virus or from a requirement to self-isolate after exposure to the virus. In addition, the Group may have difficulty retaining staff for its own homes if an outbreak occurs across multiple homes within a region.	A key focus of the Group is clinical leadership and clinical governance. Overseen by Regis' Pandemic Planning Committee and supported by the Board of Directors, Regis has in place robust operational controls including detailed Outbreak Management Plans for each home. Regis partnered with a Workplace Occupational Health Provider experienced in running complex vaccination programs for large, national institutions to implement a nationwide COVID-19 staff vaccination program. As of 19 August 2022, 81.0% of eligible residents have had their fourth COVID-19 booster shot. Regis is currently providing the fourth COVID-19 booster shot to eligible staff. Regis homes have infection and preventional control nurses assigned to this role.

Directors’ Meetings

Details of the number[1] of Board and Committee meetings held during the financial year ended 30 June 2022 and attendance by Directors as members are as follows:

	Directors’ Meetings		Audit, Risk and Compliance Committee		People and Remuneration Committee		Clinical Governance and Care committee		Property Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
G Hodges	19	19	4	4	3	3	2	2	-	-
L Mellors	19	19	-	-	-	-	-	-	1	1
C Bennett	19	19	3	3	1	1	4	4	1	1
B Dorman	19	19	4	4	-	-	4	4	-	-
S Freeman	9	9	2	2	1	1	1	1	-	-
I Roberts	19	19	-	-	3	3	-	-	1	1
S Falzon	6	6	1	1	1	1	-	-	-	-
M Quinn	6	5	-	-	1	1	1	1	-	-

[1] Numbers represent meetings held and attended in capacity as a member of the Board or Committee.

Indemnification and Insurance of Directors and Officers

The constitution of the Company provides for the Company to indemnify Directors and executive officers of the Company and its related bodies corporate against liability incurred in their capacity as an officer of the Company or related body corporate, except as may be prohibited by law.

Premiums have been paid by Regis Aged Care Pty Ltd, a 100% owned subsidiary company, with regard to Directors’ and officers’ liability insurance to insure each of the Directors and officers of the Company against certain liabilities incurred by them arising out of their conduct while acting in the capacity of Directors or officers of the Company or its related bodies Corporate. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premiums.

Indemnification of Auditors

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Options

No options over issued shares or interests in the Company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Proceedings on Behalf of the Group

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.
The Group was not a party to any such proceedings during the year.

Directors' Report

Environmental Regulations and Performance

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Corporate Governance

Full details of Regis' compliance with the ASX Corporate Governance Council Principles and Recommendations (4th Edition), can be found in the Regis Healthcare Corporate Governance Statement on the company website at www.regis.com.au/corporate-governance.

Rounding

The Company is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 31.

Non-Audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received the following amounts for the provision of non-audit services:

	$'000
Tax compliance	110
Other services	56
Total	**166**

Signed in accordance with a resolution of the Directors.

Graham K Hodges
Chairman
Melbourne,
24 August 2022

Remuneration Report

Message from the Chairman of the People and Remuneration Committee

Dear Shareholders

On behalf of your Board, I am pleased to present our Remuneration Report (the Report) for the year ended 30 June 2022.

The Report communicates important information about our remuneration framework and how we set and assess performance measures under the current and future incentive schemes for the CEO and CFO.

Remuneration Outcomes - Financial Year Ended 30 June 2022

Quality of care at Regis is paramount and, to reflect this, the Board continues to impose a 'Care and Compliance Gateway' which ensures that cash incentives are at risk and may be forfeited where defined quality of care standards are not met.

The Board is pleased to announce that the 'Care and Compliance Gateway' was achieved in the 2022 financial year.

Revised Remuneration Framework - Financial Year Ending 30 June 2023

At the 2021 Annual General Meeting (AGM) held on 26 October 2021, 27.06% of eligible votes cast were against adoption of our remuneration report, resulting in a 'first strike'.

In response to this, the Company sought feedback from stakeholders including proxy advisors and external remuneration consultants and completed a review of the reward framework.

This review indicated Shareholders would prefer a more traditional reward framework, particularly in relation to the longer-term incentive arrangements.

As a result of the review, for the year ending 30 June 2023, the Board has decided to replace the VRRP with an executive reward framework with separate short-term incentive (STI) and long-term incentive (LTI) plans.

This approach is consistent with broader market practice, and the Board believes that it will appropriately incentivise key executives and align their interests with those of our residents, clients and shareholders. In particular, the new framework will include long-term performance hurdles that will need to be met for vesting to occur. This is consistent with the achievement of longer term business objectives.

We trust that our Shareholders and other stakeholders find the Report informative and we welcome any feedback.

Graham Hodges
Chairman of the People and Remuneration Committee

Remuneration Report - Audited

The Directors of Regis Healthcare Limited present the Remuneration Report (the Report) for the period 1 July 2021 to 30 June 2022. This Report forms part of the Directors' Report and has been audited in accordance with the Corporations Act 2001 (Cth).

The Report includes details of the remuneration strategies and outcomes for Key Management Personnel ("KMP"), comprising the Non-Executive Directors ("NEDs"), the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") with direct or indirect authority and responsibility for planning, directing and controlling the activities of the Company during the year.

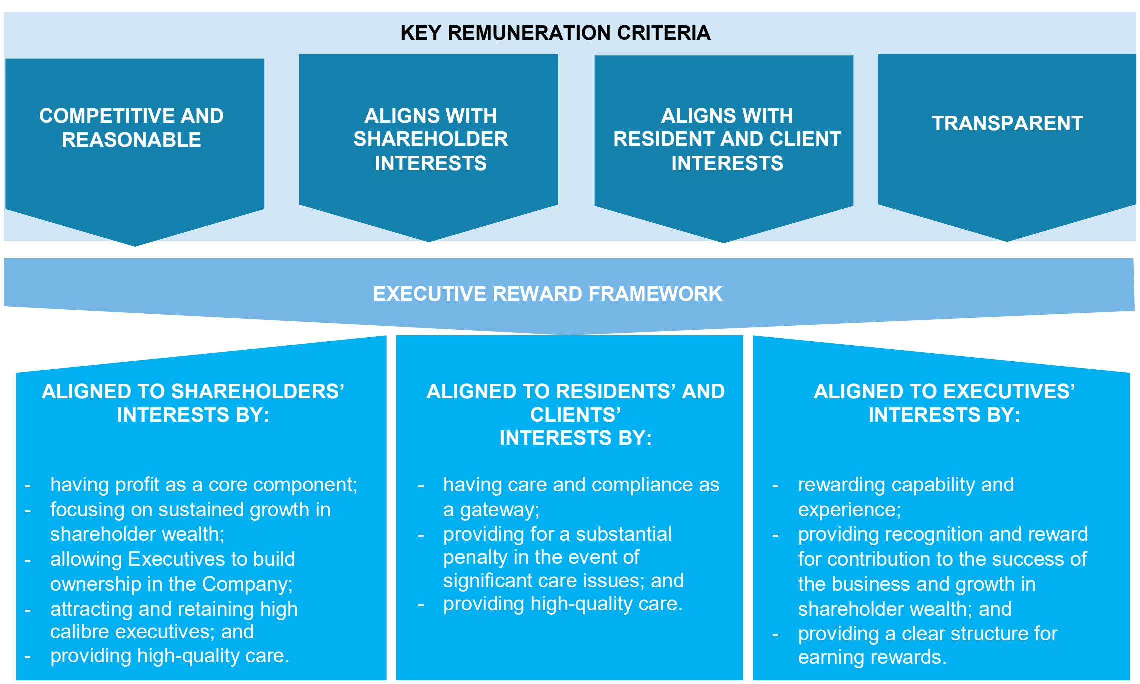
The names and positions of the KMP are:

Non-Executive Directors	
Graham Hodges	Independent Non-Executive Chairman
Christine Bennett	Independent Non-Executive Director
Bryan Dorman	Non-Executive Director
Sally Freeman	Independent Non-Executive Director (appointed 17 January 2022)
Ian Roberts	Non-Executive Director
Sylvia Falzon	Independent Non-Executive Director (retired 26 October 2021)
Matthew Quinn	Independent Non-Executive Director (retired 26 October 2021)
CEO and CFO	
Linda Mellors	Managing Director and Chief Executive Officer
Rick Rostolis	Chief Financial Officer

A. Principles used to Determine the Nature and Amount of Remuneration

The Group's executive remuneration framework aims to ensure that reward is competitively based to secure high calibre people and incentivise performance within an appropriate risk framework. It also aims to ensure that the quantum of remuneration is appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives, the provision of quality care and services to care recipients, the creation of value for shareholders and sound management of both financial and non-financial risks. It provides a mix of fixed and variable pay, delivered in a combination of cash and deferred equity. During the financial year, the Board reviewed the executive remuneration framework and changes will be implemented for the financial year ending 30 June 2023.

The diagram below provides an overview of the executive reward framework.



Executive Reward Framework - Year Ended 30 June 2022

The key component of the executive reward framework is the Variable Reward and Retention Plan (VRRP).

The VRRP is structured to align the CEO and CFO with shareholders through a simple and transparent model which rewards performance over both the short and long-term.

To be eligible for the full amount of the cash component of the VRRP, the 'Care and Compliance Gateway' must be met in full. Performance within the VRRP is then assessed over a 12-month period against short and long-term measures directly linked to the Group's strategic plan and the award is delivered in a combination of cash (40%) and Share Rights (60%). The cash component is paid following release of the audited financial statements. The Share Rights vest in three tranches of 10%, 20% and 30% of the total award deferred for one, two and three years respectively after the delivery of the cash component, subject to continued employment.

The Share Rights ensure the CEO and CFO are invested in the sustainable long-term performance of the Group, have aligned interests with shareholders and are encouraged to remain committed to Regis.

To further align executives and shareholders, the Group has an Executive Minimum Shareholding Policy. Under the Policy, the CEO and CFO are required to accumulate and maintain a holding in shares equivalent to at least 100% of Total Fixed Remuneration (TFR) in the case of the CEO and 50% of TFR in the case of the CFO. It is expected that executives will achieve compliance with the Policy by regularly accumulating shares under the VRRP and in future under a Short and Long-Term Incentive component.

The People and Remuneration Committee (the Committee), is responsible for developing and reviewing remuneration policies and practices. It also makes specific recommendations to the Board on remuneration packages and other terms of employment/appointment for NEDs, the CEO and the CEO's direct reports.

The Group's Corporate Governance Statement provides further information on the role of the Committee and can be found on the Group's website at https://www.regis.com.au/corporate-governance.

Revised Executive Reward Framework - Year Ending 30 June 2023

At the Company's 2021 AGM held on 26 October 2021, 27.06% of eligible votes cast were against adoption of the remuneration report, resulting in a 'first strike'.

In response, the Company sought feedback from stakeholders and undertook a review of the Group's remuneration framework. The Company engaged KPMG as a remuneration consultant to provide input into the review.

The review indicated that Shareholders would prefer a more traditional reward framework, particularly in relation to the longer-term incentive arrangements.

As a result of the review, for the year ending 30 June 2023, the Board has decided the VRRP will be replaced with an executive reward framework with separate short-term incentive (STI) and long-term incentive (LTI) plans. For executive KMP, key details of the STI and LTI plan are as follows:

- The STI will be assessed against a scorecard of financial and non-financial measures over a 12-month period. The Care and Compliance Gateway will continue to apply to the cash component of the STI, such that participants will not be eligible to receive some or all of the cash STI where the gateway is not met. 75% of the STI opportunity will be eligible to be delivered in cash, with the other 25% deferred into share rights subject to a further 12-month service requirement.

- The LTI will be delivered in performance rights, which will be eligible to vest subject to performance against identified group-wide measures over a 3-year performance period. Further detail in relation to the 2023 financial year LTI performance measures will be disclosed in the notice of AGM.

The Board may clawback or adjust any awards as a result of a material misstatement in, or omission from, the financial statements or otherwise as a result of fraud, dishonesty or breach of obligations. The Board has discretion to adjust any conditions applicable if considered appropriate.

This approach is consistent with broader market practice, and the Board believes it will appropriately incentivise key executives and align their interests with that of our residents, clients and shareholders.

Non-Executive Director Remuneration

To maintain Director independence, NED remuneration is not linked to Group performance and is comprised solely of Directors' fees (including superannuation). The fees comprise base fees plus additional fees for chairing or being members of the Board committees.

NED fees are set at a level to attract and retain suitably qualified and experienced Directors having regard to:

- Market benchmarks for ASX listed companies;
- The size and complexity of the Company's operations; and
- Responsibilities and work requirements.

To align NED and shareholder interests, the Group has a NED Minimum Shareholding Policy requiring NEDs to achieve a minimum shareholding of 100% of base fees by the later of:

- 1 May 2024; or
- 5 years from the relevant Director's appointment.

All NEDs either currently hold or are on track to hold the minimum shareholding required by the Policy.

Remuneration Consultants and Other Advisors

To assist in performing its duties and in making recommendations to the Board, the Committee may seek independent advice from remuneration consultants and other advisors on various remuneration-related matters. When doing so, the remuneration consultants and other advisors are required to engage directly with the Chairman of the Committee as the first point of contact.

During the year ended 30 June 2022, the Committee engaged KPMG as a remuneration consultant to provide advice in support of the review of the remuneration framework. The advice did not contain any remuneration recommendations as defined in the Corporations Act.

Group Performance

The following table sets out the Group's financial and share price performance for the financial year ended 30 June 2022 and the four previous years.

Key Performance Indicators	Financial Year Ended 30 June				
	2022	2021	2020	2019	2018
	$'000	$'000	$'000	$'000	$'000
Revenue	725,333	701,365	677,872	646,855	593,990
Net profit/(loss) before tax	(55,185)	29,150	5,718	69,627	76,772
Net profit/(loss) after tax	(38,799)	19,949	(716)	50,897	53,869
Share price at beginning of year	$1.95	$1.41	$2.63	$3.28	$3.93
Share price at end of year	$1.85	$1.95	$1.41	$2.63	$3.28
Dividends per share	5.84 cents	6.63 cents	4.02 cents	15.23 cents	17.93 cents
Basic earnings/(loss) per share	(12.90) cents	6.63 cents	(0.24) cents	16.93 cents	17.93 cents
Diluted earnings/(loss) per share	(12.90) cents	6.63 cents	(0.24) cents	16.91 cents	17.91 cents

The financial year ended 30 June 2022 was a challenging one for the Group. In addition to the challenge of the COVID-19 pandemic, the business continued to face the on-going effect of inadequate Government aged care funding and employee and other costs increased at a faster rate than the indexation increase the Government applied to its aged care funding.

B. Remuneration Structure - CEO and CFO

The remuneration framework for the CEO, Dr Linda Mellors, and CFO, Mr Rick Rostolis comprises:

– TFR; and
– Performance based (at risk) remuneration delivered through the VRRP.

The mix of TFR versus maximum potential performance-based remuneration for participants in the VRRP in the financial year ended 30 June 2022 was:

	% of Total Remuneration	
	TFR	Maximum Potential Performance-Based Remuneration (VRRP)
Linda Mellors	60.0%	40.0%
Rick Rostolis	60.2%	39.8%

TFR is reviewed as required to ensure it remains competitive to attract and retain high calibre executives and is commensurate with the responsibilities of the position.

The current structure of the VRRP is set out in the following table:

Structure of VRRP	Participants are eligible to receive an annual award of cash and Share Rights subject to meeting financial and non-financial performance measures.
Performance Measures	The 2022 VRRP was subject to the following performance measures determined by the Board: • EBITDA (30%); • Net Refundable Accommodation Deposit (RAD) cash flow (30%); • Lost Time Injury Frequency Rate (10%); and • KPIs specific to each Executive's Strategic responsibilities (30%). The Board chose these measures as they support short-term financial performance and the achievement of the Group's long-term strategic objectives.
Assessment of Performance Measures	Assessment of performance measures occurs annually as part of the broader performance review process for participants. For the purposes of testing financial hurdles, financial results are assessed by reference to the Group's audited financial statements. This method of assessing performance was chosen because it is, as far as practicable, objective and fair. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Group.
Split of Cash and Share Rights	The percentage of the maximum opportunity achieved by participants is determined by the Board at the end of the financial year against the above measures. Awards under the VRRP comprise 40% in cash and 60% in Share Rights. The Share Rights vest in three tranches of 10%, 20% and 30% of the total award deferred for one, two and three years respectively after the delivery of the cash component, subject to continued employment.
Care and Compliance Gateway	Payment of the cash component is subject to a "Care and Compliance" Gateway. The Care and Compliance Gateway for 2022 was as follows: • All service accreditations received; • All undertakings to remedy for a notice of non-compliance are met; and • No services sanctioned. For the full-year, if one service is sanctioned, 50% of the cash component is forfeited and if two services are sanctioned, 100% of the cash component is forfeited.
Number of Share Rights Awarded	The number of Share Rights granted is calculated by dividing the face value of the Share Rights component by the volume weighted average price of the Company's shares on the ASX over the 5 trading days commencing on the day after the ex-dividend date for the final dividend. In the event that the Board decides to not pay a final dividend, the Board will select a date for commencement of the 5 trading day period used for determining the face value of a share. Each Share Right entitles the holder to acquire a fully paid ordinary share in the Company for nil consideration at the end of the vesting period, subject to their continued employment. The Share Rights do not carry dividends or voting rights prior to vesting.

Cessation of Employment	Unless the Board determines otherwise, if a participant's employment is terminated for cause or they resign: • Before the end of the performance period or before the cash component of the VRRP is paid, the entitlement to receive any VRRP award and any unvested Share Rights will lapse; • After the end of the performance period and after the cash component of the VRRP is paid and Share Rights granted, any unvested Share Rights will lapse. Where employment ceases for any other reason including retirement, total and permanent disablement or death: • Before the end of the performance period or before the cash component of the VRRP is paid and Share Rights are granted, a pro-rata portion of the VRRP award (calculated by reference to the portion of the performance period that has elapsed up to the date of cessation) will remain on foot and any award will be paid in cash; and • After the end of the performance period and after the cash component of the VRRP is paid and Share Rights granted, unvested Share Rights will remain on foot and vest in accordance with the vesting schedule.
Restrictions on Dealing	Participants must not sell, transfer, encumber, hedge or otherwise deal with Share Rights. Participants are free to deal with the shares allocated on vesting of the Share Rights, subject to the requirements of the Group's Policy for Dealing in Securities.
Change in Control	The Board has discretion to determine whether or not vesting of some or all of a Participant's Share Rights should be accelerated. Where only some of the Share Rights are vested, the remainder will immediately lapse.

C. Performance Outcomes

This section outlines performance outcomes for the financial year ended 30 June 2022 against the scorecard used for the VRRP.

Quality care of residents is Regis' fundamental critical success factor, above all else, and it is for this reason that the Care and Compliance Gateway is a key part of the remuneration framework. The gateway was met in 2022:

Care and Compliance Gateway		Outcome
All accreditations received	✔	Gateway achieved. 14 homes which were subject to accreditation were successfully re-accredited
All undertakings to remedy for a notice of non-compliance are met	✔	Gateway achieved. 10 homes received a Notice to Agree, Directions Notice or Notice of Non-Compliance during the year. All homes are compliant with rectification requirements.
No sanctions	✔	Gateway achieved. No homes were sanctioned.

The Board assessed performance against the 2022 VRRP measures as follows:

Performance Measure	Weighting	Target	Outcome	Result
Target EBITDA	30%	$96.2m	Not achieved	0%
RAD cashflow	30%	$25.0m	$83.9m	30%
Lost Time Injury Frequency Rate (LTIFR)	10%	10% reduction on financial year 2021 LTIFR	Reduction not achieved	0%
Role Specific Individual Strategic Objectives	30%	Role specific targets include staff engagement, clinical governance, strategic and operational imperatives, workplace health and safety and business stabilisation during COVID-19	Achieved	30%
	100%			**60%**

The VRRP outcomes for the CEO and CFO for the financial year ended 30 June 2022 are set out in the following table:

	Award	Maximum Potential Award	Amount Awarded	% of Maximum Achieved	% of Maximum Award Forfeited
Linda Mellors	VRRP	$489,600	$293,760	60%	40%
Rick Rostolis	VRRP	$336,600	$201,960	60%	40%

The amount awarded represents the portion of the award comprising Share Rights (60% of the overall amount assessed) and Cash component (40% of the overall amount assessed).

Linda Mellors had total share rights of 76,893 as at 30 June 2022. No share rights vested during the year ended 30 June 2022.

Rick Rostolis had total share rights of 57,670 as at 30 June 2022. No share rights vested during the year ended 30 June 2022.

D. Key Terms of Executive Service Agreements

The CEO and CFO have written executive service agreements with Regis Aged Care Pty Ltd, a subsidiary of Regis Healthcare Limited.

Key Terms of Executive Service Agreement (ESA) for the CEO and CFO are as follows:

Name	Linda Mellors	Rick Rostolis
Role	CEO	CFO
Commencement	5 August 2019	16 March 2020
Term	No fixed term	No fixed term
Notice of termination by Company	6 months written notice	6 months written notice
Notice of termination by Employee	6 months written notice	6 months written notice
Termination for serious misconduct	At any time without notice and with immediate effect.	At any time without notice and with immediate effect.
Termination Entitlements	Payment in lieu of notice based on total fixed remuneration, and accrued but untaken leave entitlements. Incentive arrangements under VRRP will be determined in accordance with the terms of the plan.	Payment in lieu of notice based on total fixed remuneration, and accrued but untaken leave entitlements. Incentive arrangements under VRRP will be determined in accordance with the terms of the plan.
Post-employment restraint	Non-compete and non-solicitation period of 6 months post-employment within Australia.	Non-compete and non-solicitation period of 6 months post-employment within Australia.
Change of Control	Agreement continues to apply	Agreement continues to apply

E. Remuneration Structure - Non-Executive Directors

NED fees reflect the workload and responsibilities of Directors and are reviewed periodically by the Board relative to market conditions and fees paid by comparable listed companies. There were no changes to NED base fees in the current year.

Directors' Fees

Under the Constitution, the Board may decide the amount of each NED's remuneration, however, the total amount paid to NEDs must not exceed the amount approved by shareholders at a general meeting, being $1.2 million.

Annual NED fees (inclusive of superannuation) are:

Role	Annual Fees
Chairman	$240,000
Other NEDs	$110,000
Chairs of Board Committees[7]	$30,000
Members of Board Committees	$20,000

Directors are reimbursed for reasonable travel and other expenses incurred in attending to the Group's affairs, including attending Board and shareholder meetings.

Retirement Allowances for Directors

NEDs do not participate in any performance-based share plans, retirement schemes or receive any other benefits.

7 There are four Board Committees - Audit, Risk and Compliance Committee, People and Remuneration Committee, Clinical Governance and Care Committee, and Property Committee. The fees for Chairman and members are the same for all four Board Committees

F. Statutory Remuneration Disclosures

Details of the remuneration of NEDs, CEO and CFO in accordance with Australian Accounting Standards are set out in the following table:

KMP Remuneration - Statutory Remuneration Table

			Short-Term Benefits			Post-Employment	Other Long-Term Benefits		Share-Based Payments		
Name	Role	Year	Salary & Fees	Non-Monetary Benefits	VRRP Cash Bonus	Superannuation	Long Service Leave	Termination payments	Share Rights Granted under VRRP Plans	Shares	Total
			$	$	$	$	$	$	$	$	$
Non-Executive Directors											
Graham Hodges	NED	FY22	266,381	-	-	23,115	-	-	-	-	289,496
		FY21	255,708	-	-	21,694	-	-	-	-	277,402
Christine Bennett	NED	FY22	149,456	-	-	14,946	-	-	-	-	164,402
		FY21	127,854	-	-	12,146	-	-	-	-	140,000
Bryan Dorman	NED	FY22	136,986	-	-	14,199	-	-	-	-	151,185
		FY21	136,986	-	-	12,513	-	-	-	-	149,499
Sally Freeman[8]	NED	FY22	65,594	-	-	6,564	-	-	-	-	72,158
		FY21	-	-	-	-	-	-	-	-	-
Ian Roberts	NED	FY22	127,573	-	-	12,762	-	-	-	-	140,335
		FY21	118,721	-	-	11,279	-	-	-	-	130,000
Sylvia Falzon[9]	NED	FY22	57,886	-	-	7,025	-	-	-	-	64,911
		FY21	156,263	-	-	3,737	-	-	-	-	160,000
Matthew Quinn[10]	NED	FY22	56,200	-	-	5,620	-	-	-	-	61,820
		FY21	146,119	-	-	13,881	-	-	-	-	160,000
Sub-Total Non-Executive Directors		**FY22**	**860,076**	**-**	**-**	**84,231**	**-**	**-**	**-**	**-**	**944,307**
		FY21	**941,651**	**-**	**-**	**75,250**	**-**	**-**	**-**	**-**	**1,016,901**

8 Sally Freeman appointed as a Non-Executive Director on 17 January 2022.
9 Sylvia Falzon retired as a Non-Executive Director on 26 October 2021.
10 Matthew Quinn retired as a Non-Executive Director on 26 October 2021.

KMP Remuneration - Statutory Remuneration Table (continued)

			Short-Term Benefits			Post-Employment	Other Long-Term Benefits		Share-Based Payments		
	Role	Year	Salary & Fees	Non-Monetary Benefits	VRRP Cash Bonus	Superannuation	Long Service Leave	Termination payments	Share Rights Granted under VRRP Plans	Shares	Total
			$	$	$	$	$	$	$	$	$
Executive Directors											
Linda Mellors[11]	MD/ CEO	FY22	711,285	-	117,504	23,115	3,037	-	97,522	-	952,463
		FY21	698,306	-	-	21,694	1,732	-	45,392	-	767,124
Executives											
Rick Rostolis	CFO	FY22	486,885	-	80,784	23,115	1,837	-	69,580	-	662,201
		FY21	478,306	-	-	21,694	947	-	34,044	-	534,991
Sub-Total Executives		**FY22**	**1,198,170**	**-**	**198,288**	**46,230**	**4,874**	**-**	**167,102**	**-**	**1,614,664**
		FY21	**1,176,612**	**-**	**-**	**43,388**	**2,679**	**-**	**79,436**	**-**	**1,302,115**
Total Remuneration		**FY22**	**2,058,246**	**-**	**198,288**	**130,461**	**4,874**	**-**	**167,102**	**-**	**2,558,971**
		FY21	**2,118,263**	**-**	**-**	**118,638**	**2,679**	**-**	**79,436**	**-**	**2,319,016**

11 Linda Mellors commenced on 5 August 2019 as CEO Designate and was appointed CEO on 4 September 2019 and Managing Director on 20 September 2019.

KMP Shareholdings

The following table summarises the movements in shareholdings of KMP (including their related entities) for the reporting period.

	Number of shares						
	Held at 1 July 2021[12]	Received on vesting of LTI	Received on vesting of STI / VRRP	Received as remuneration	Other net change	Held at 30 June 2022	Held nominally at 30 June 2022[13]
Non-Executive Directors							
Graham Hodges	110,000	-	-	-	-	110,000	-
Christine Bennett	82,500	-	-	-	-	82,500	-
Bryan Dorman	81,910,479	-	-	-	-	81,910,479	-
Sally Freeman[14]	-	-	-	-	-	-	-
Sylvia Falzon	27,397	-	-	-	-	27,397	-
Matthew Quinn	84,000	-	-	-	(84,000)	-	-
Ian Roberts	81,910,479	-	-	-	-	81,910,479	16,699
CEO and CFO							
Linda Mellors	158,000	-	-	-	-	158,000	-
Rick Rostolis	42,500	-	-	-	-	42,500	-

Transactions with the Group

No Director or other KMP (including their related parties) has entered into a contract with the Company or a subsidiary during the reporting period other than as disclosed in this Remuneration Report.

Loans with the Group

No Director or other KMP (including their related parties) has entered into a loan made, guaranteed or secured, directly or indirectly, by the Group during the reporting period.

End of Audited Remuneration Report

12 Comparative amounts are revised, if required, based on latest information and to conform with current year presentation.
13 Shares held 'nominally' means shares held indirectly or by a KMP's close family members or entities over which the KMP or family member has control.
14 Sally Freeman was appointed to the Board on 17 January 2022 and stands for election at the 2022 AGM.

Building a better
working world

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Auditor's independence declaration to the directors of Regis Healthcare Limited

As lead auditor for the audit of the financial report of Regis Healthcare Limited for the financial year ended 30 June 2022, 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 audit;

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

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Regis Healthcare Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

BJ Pollock

BJ Pollock
Partner
24 August 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $000	2021 $000
Revenue from services	B1	725,333	701,365
Other income	B1	71,621	83,037
Total revenue from services and other income		**796,954**	**784,402**
Expenses			
Staff expenses		(550,456)	(521,068)
Resident care expenses		(59,156)	(53,366)
Administration expenses		(45,516)	(39,551)
Occupancy expenses		(23,523)	(23,377)
Depreciation	C4, C5	(42,070)	(43,893)
Amortisation of operational places	C6	(61,037)	-
Profit before income tax and finance costs		**15,196**	**103,147**
Finance costs	D3	(70,381)	(73,997)
Profit / (loss) before income tax		**(55,185)**	**29,150**
Income tax benefit / (expense)	B3	16,386	(9,201)
Profit / (loss) for the period		**(38,799)**	**19,949**
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		**(38,799)**	**19,949**
Profit / (loss) for the period attributable to:			
Equity holders of the parent entity		(38,799)	19,949
Total comprehensive income, net of tax attributable to:			
Equity holders of the parent entity		(38,799)	19,949
Earnings per share (EPS) attributable to equity holders of the parent:		**Cents**	**Cents**
Basic EPS (cents per share)	B4	(12.90)	6.63
Diluted EPS (cents per share)	B4	(12.90)	6.63

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2022

	Note	2022 $000	2021 $'000
Assets			
Cash and cash equivalents	D1	4,151	3,889
Trade and other receivables	C1	17,910	9,086
Inventories	C2	5,163	4,367
Other current assets	C3	6,317	4,593
Income tax receivable		7,186	-
Total current assets		**40,727**	**21,935**
Property, plant and equipment	C4	1,109,153	1,101,582
Right-of-use assets	C5	4,305	4,997
Operational places and goodwill	C6	402,700	463,737
Investment property	C7	163,120	158,646
Total non-current assets		**1,679,278**	**1,728,962**
Total assets		**1,720,005**	**1,750,897**
Liabilities			
Bank overdraft	D1, D2	11,397	14,920
Trade payables and other liabilities	C8	62,103	52,715
Lease liabilities	C5	1,040	1,087
Provisions	C9	111,116	112,087
Other financial liabilities	D4	1,312,344	1,227,852
Income tax payable		-	2,094
Total current liabilities		**1,498,000**	**1,410,755**
Interest-bearing loans and borrowings	D2	95,664	131,431
Lease liabilities	C5	5,223	5,968
Provisions	C9	5,771	7,338
Deferred tax liabilities	B3	36,340	53,440
Total non-current liabilities		**142,998**	**198,177**
Total liabilities		**1,640,998**	**1,608,932**
Net assets		**79,007**	**141,965**
Equity			
Contributed equity	D7	273,629	273,519
Reserves	D9	(97,009)	(97,253)
Accumulated losses		(97,613)	(34,301)
Total equity		**79,007**	**141,965**

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

	Issued Capital	Remuneration Reserve	Acquisition Reserve	Accumulated Losses	Total
	$000	$000	$000	$000	$000
At 1 July 2020	**273,485**	**4,035**	**(101,497)**	**(48,234)**	**127,789**
Net profit / (loss) for the period	-	-	-	19,949	19,949
Total comprehensive income for the year	**-**	**-**	**-**	**19,949**	**19,949**
Dividends paid or provided for	-	-	-	(6,016)	(6,016)
Equity settled share-based payment	-	243	-	-	243
Transfer from remuneration reserve	34	(34)	-	-	-
Balance as at 30 June 2021	**273,519**	**4,244**	**(101,497)**	**(34,301)**	**141,965**
At 1 July 2021	**273,519**	**4,244**	**(101,497)**	**(34,301)**	**141,965**
Net profit / (loss) for the period	-	-	-	(38,799)	(38,799)
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**(38,799)**	**(38,799)**
Dividends paid or provided for	-	-	-	(24,513)	(24,513)
Equity settled share-based payments	-	354	-	-	354
Transfer from remuneration reserve	110	(110)	-	-	-
Balance as at 30 June 2022	**273,629**	**4,488**	**(101,497)**	**(97,613)**	**79,007**

The accompanying notes form part of the consolidated financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $000	2021 $000
Cash flows from operating activities			
Receipts from residents and Government subsidies		710,333	692,345
Government grants received		3,248	4,156
Payments to suppliers and employees		(671,168)	(620,291)
Finance income		9	14
Finance costs		(4,642)	(9,166)
Interest paid on RADs		(3,195)	-
RAD and accommodation bond inflows		408,432	370,448
RAD and accommodation bond outflows		(324,492)	(332,716)
ILU/ILA entry contribution inflows		12,342	5,852
ILU/ILA entry contribution outflows		(6,080)	(3,888)
Income tax received / (paid)		(9,994)	(1,724)
Net cash flows from operating activities	F2	**114,793**	**105,030**
Cash flows from / (used in) investing activities			
Purchase of property, plant and equipment		(47,196)	(17,277)
Capital expenditure (investment property)		(1,452)	(1,359)
Proceeds from sale of property, plant and equipment		26	26,134
Net cash flows from / (used in) investing activities		**(48,622)**	**7,498**
Cash flows from / (used in) financing activities			
Proceeds from borrowings		121,000	172,395
Repayment of borrowings		(157,450)	(272,762)
Payment of lease liabilities		(1,423)	(1,008)
Dividends paid on ordinary shares		(24,513)	(18,100)
Net cash flows used in financing activities		**(62,386)**	**(119,475)**
Net increase/(decrease) in cash and cash equivalents		**3,785**	**(6,947)**
Cash at the beginning of the financial period		(11,031)	(4,084)
Cash at the end of the financial period	D1	**(7,246)**	**(11,031)**

The accompanying notes form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

Section A: Basis of Preparation

IN THIS SECTION

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

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

The consolidated financial statements of Regis Healthcare Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 24 August 2022.

A1. Statement of Compliance

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except investment property, independent living unit and apartment entry contributions and derivative financial instruments, which have been measured at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars 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 flows from operations of $114,793,000 during the year (2021: $105,030,000). Undrawn syndicated bank facilities of $417,207,000 (2021: $381,033,000) (refer Note D2) 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 financial report has been prepared on a going concern basis. The impact of COVID-19 has been taken into consideration in preparing the financial report on a going concern basis.

A3. New Standards, Interpretations and Amendments

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

A4. Key Judgements, Estimates and Assumptions

The preparation of the 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. Information about significant areas of estimation uncertainty and critical assumptions are described in the following notes:

- Receivables - assumptions underlying expected credit losses - refer Note C1
- Property, plant and equipment - useful life assessment and assumptions underlying recoverable amount assessments - refer Note C4
- Operational places and goodwill - assumptions underlying recoverable amount assessments and the useful life of operational places - refer Note C6
- Investment property - assumptions underlying the assessment of fair value - refer Note C7
- Provisions - assumptions underlying recognition and measurement of provisions - refer Note C9
- Share-based payments - determination of valuation model and assumptions about achievement of performance hurdles - refer Note F3

Section B: Results for the Year

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 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 financial report; and
- Analysis of the results for the period by reference to key areas, including revenue and taxation.

B1. Revenue from Services and Other Income

	2022 $000	2021 $000
Revenue from services		
Government funded revenue	517,858	499,864
Resident basic daily fee revenue	120,588	117,442
Other resident revenue	79,449	76,287
Other operating revenue	5,155	5,870
Deferred management fee revenue	2,283	1,902
Total revenue from services	**725,333**	**701,365**
Other income		
Imputed income on RADs and Bonds	62,444	64,389
Government grants	3,248	4,156
Interest income	9	14
Gain on disposal of non-current assets	-	2,818
Change in fair value of investment property	5,920	11,660
Total other income	**71,621**	**83,037**
Total revenue from services and other income	**796,954**	**784,402**

Residential Aged Care and Home Care

The Group recognises revenue from aged care and home care services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or monthly basis. Revenue arises from discretionary and non-discretionary services, as agreed in a single contract with the resident. Fees received in advance of aged care and home care services performed are recognised as contract liabilities and are included within Trade and Other Payables.

Bond retention fees are recognised over the expected length of stay of a resident. The expected length of stay of a resident is estimated based on historical tenure data.

Retirement Living

Revenue arises from deferred management fees, long-term leases and short-term rentals, as agreed in a single contract with the resident. Revenue from deferred management fees is recognised over the expected length of stay of a resident. The expected length of stay of a resident is estimated based on historical tenure data, including industry data. The difference between revenue recognised and contractual deferred management fees earned is recognised as deferred revenue (contract liabilities) within Trade and Other Payables.

Revenue from long-term leases and short-term rentals are recognised on a daily basis as services are provided.

B1. Revenue from Services and Other Income (continued)

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 D3) with no net impact on profit or loss.

Change in fair value of investment property

The change in fair value of investment property of $5,920,000 (2021: $11,660,000) represents the non-cash revaluation gain associated with the Group's retirement living property portfolio, as assessed by an independent valuer.

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. Government grants include COVID-19 outbreak grants of $3,248,000 (2021: $4,156,000).

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.

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

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

Summary of sources of revenue

Source of Revenue	Description	Type of Services
Government funded revenue	Government funded revenue reflects the Group's entitlement to revenue from the Australian Government based upon the specific care and accommodation needs of the individual residents. Revenue funded by the Australian Government is derived under the Group's contracts with customers. The Australian Government funded revenue comprises basic subsidy amounts calculated in accordance with the Aged Care Funding Instrument ('ACFI'), accommodation supplements, funding for short term 'respite' residents and other Government incomes. Revenue is recognised over time as services are provided. Funding claims are submitted / updated daily, and the Australian Government funded revenue is usually received within approximately one month of services having been performed. Government funded revenue also includes the Government Basic Daily Fee (BDF) Supplement received from 1 July 2021, representing $10 per day, per resident. This additional revenue was announced in the 2021-22 Federal Budget as part of the Australian Government's response to the Royal Commission into Aged Care Quality and Safety.	Aged care and home care

B1. Revenue from Services and Other Income (continued)

Summary of sources of revenue (continued)

Source of Revenue	Description	Type of Services
Resident basic daily fee revenue	Residents are charged a basic daily fee as a contribution to the provision of care and accommodation. The quantum of resident basic daily fees is regulated by the Australian Government and typically increases in March and September each year. Resident basic daily fee revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and cash is usually received within 30 days.	Aged care and home care
Other resident revenue	Other resident revenue represents other fees charged to residents in respect of care and accommodation services provided by the Group and includes means tested care fees, Daily Accommodation Payment ('DAP') / Daily Accommodation Contribution ('DAC') revenue, additional services revenue and other income. Other resident revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and cash is usually received within 30 days.	Aged care and home care
Other operating revenue	Other operating revenue comprises aged care bond retention amounts and other sundry revenue. Revenue is recognised over time as services are provided. Residents are typically invoiced on a monthly basis and cash is usually received within 30 days.	Aged care, home care and retirement living
Deferred management fee ('DMF') revenue	DMF revenue represents a fee that is contractually deducted from the ingoing contribution that is paid back to a resident upon exit from a retirement village. DMF revenue is recognised over the expected length of stay of a resident.	Retirement living

B2. Segment Information

The Group operates predominantly in the residential aged care sector and also provides retirement living and home 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')[15]. Underlying EBITDA represents a non-IFRS earnings measure. A reconciliation of profit before income tax to Underlying EBITDA is set out below:

For the year ended	2022 $'000	2021 $'000
Profit/(Loss) before income tax	**(55,185)**	**29,150**
Add back/(deduct):		
Imputed income on RADs and bonds[16]	(62,444)	(64,389)
Depreciation[16]	42,070	43,893
Amortisation of operational places	61,037	-
Finance costs[16]	70,381	73,997
Finance income	(9)	(14)
Operating lease expense	(1,423)	(1,383)
COVID-19 Government funding and grants	(3,248)	(11,882)
COVID-19 expenses	27,761	11,800
Profit on sale of assets	-	(2,818)
Cyber-security costs	-	672
Net fair value gain on investment property (refer Note C7)	(3,022)	(9,158)
Impact of regulatory penalties	-	2,200
Professional services costs incurred in relation to potential employee underpayments program of work	2,209	-
Underlying EBITDA	**78,127**	**72,068**

Revenue from one source, being the Australian Government, constitutes or provides greater than 10 per cent of total revenues received. The amount of revenue recognised from the Australian Government is $517,858,000 (30 June 2021: $499,864,000), being revenue as described in Note B1.

15 Underlying earnings before interest, tax, depreciation and amortisation ('Underlying EBITDA'), which excludes imputed income on RADs and Bonds of $62,444,000 (30 June 2021: $64,389,000), $24,513,000 of net COVID-19 outbreak expenses and other one-off items, and includes operating lease expense of $1,423,000 (30 June 2021: $1,383,000), is reported in order to provide shareholders with a greater understanding of the performance of the Group.

16 Following adoption of AASB 16 *Leases* effective 1 July 2019, profit before income tax for the financial year ended 30 June 2022 includes income on RADs and Bonds of $62,444,000 (2021: $64,389,000) and, correspondingly, finance costs of $62,444,000 (2021: $64,389,000) with no net impact on profit or loss. The Group also recognised depreciation and interest costs totalling $990,000 (2021: $993,000) and $332,000 (2021: $381,000) respectively. Prior to the introduction of AASB 16 *Leases*, the Group would have recognised an operating lease expense of $1,423,000 (2021: $1,383,000).

B3. Income Tax

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

	2022 $'000	2021 $'000
Profit/(loss) before income tax	**(55,185)**	**29,150**
At Australia's corporate tax rate of 30% (2021: 30%)	(16,556)	8,745
Adjustments in respect of current income tax of previous years	714	-
Relating to origination and reversal of temporary differences	-	383
Other non-assessable income/non-deductible expenses	(544)	73
Income tax expense/(benefit) reported in the statement of profit or loss	**(16,386)**	**9,201**

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised in other comprehensive income or directly in equity is also recognised in other comprehensive income or directly in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Major components of income tax expense/(benefit)

	2022 $'000	2021 $'000
Current income tax expense/(benefit)	-	12,140
Adjustments in respect of current income tax of previous years	714	-
Deferred tax expense	(17,100)	(2,939)
Income tax expense/(benefit) reported in profit or loss	**(16,386)**	**9,201**

B3. Income Tax (continued)

Major components of deferred tax

	Statement of financial position		Statement of profit or loss	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Deferred tax liabilities				
Property, plant and equipment	(22,382)	(17,445)	4,937	3,098
Investment property	(8,366)	(8,605)	(239)	3,648
Independent living unit and apartment entry contributions	(3,197)	(3,077)	120	(1,002)
Interest rate swaps	-	-	-	-
Deferred revenue	-	(134)	(134)	134
Intangible assets	(46,037)	(64,343)	(18,306)	-
Deferred tax assets:				
Employee benefits	23,207	24,260	1,053	(2,302)
Provisions	15,360	14,726	(634)	(6,356)
Deferred revenue	154	-	(154)	1,105
Losses available for offsetting against future taxable income	3,002	-	(3,002)	-
Other	1,919	1,178	(741)	(1,264)
Net deferred tax liabilities	**(36,340)**	**(53,440)**		
Deferred tax expense			**(17,100)**	**(2,939)**

Deferred tax

Deferred tax is measured at the tax rates and laws that are enacted or substantively enacted at the reporting date and are expected to apply to the year when the asset is realised or the liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, carried forward unused tax assets and unused tax losses only if it is probable that taxable profit will be available to utilise them.

Deferred tax relating to items recognised in other comprehensive income or directly in equity is also recognised in other comprehensive income or directly in equity.

The group is subject only to Australian tax legislation.

B3. Income Tax (continued)

Tax consolidation

In 2007, for the purpose of income taxation, Regis Healthcare Limited and its 100% owned subsidiaries formed a tax consolidated group. The entities in the tax group have entered into a tax sharing agreement to limit the joint and several tax liability of 100% owned subsidiaries in the event of a default by the head entity, Regis Healthcare Limited. The tax consolidated group has applied the "Separate Taxpayer within Group" approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. Entities within the tax consolidated group have entered into a tax funding arrangement with the head entity.

Under the terms of the tax funding arrangement, Regis Healthcare Limited and each of the entities in the tax consolidated group have agreed to pay a tax equivalent payment to, or from, the head entity, based on the current tax liability or current tax asset of the entity. Amounts are reflected in amounts receivable from, or payable to, other entities in the tax consolidated group.

B4. Earnings Per Share (EPS)

	2022	2021
EPS for profit attributable to the ordinary equity holders of Regis Healthcare Limited		
Profit / (loss) for the period from continuing operations ($'000)	(38,799)	19,949
Weighted average number of ordinary shares for basic EPS (shares, thousands)	300,821	300,773
Adjustment for effect of share-based payment arrangements (shares, thousands)	321	85
Weighted average number of ordinary shares for diluted EPS (shares, thousands)	301,142	300,858
Basic earnings per share (cents per share)	**(12.90)**	**6.63**
Diluted earnings per share (cents per share)	**(12.90)**	**6.63**

Calculation methodology

EPS is the profit after tax (from continuing operations) attributable to ordinary equity holders of Regis Healthcare Limited, divided by the weighted average number of ordinary shares outstanding 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 30 June 2022 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. Trade and Other Receivables

	2022 $'000	2021 $'000
Trade receivables	11,984	8,288
Allowance for impairment loss	(1,261)	(754)
Other receivables	7,187	1,552
Total trade and other receivables	**17,910**	**9,086**

The movement in the allowance for impairment loss in respect of trade receivables during the year was as follows:		
Opening balance	754	511
Amounts written-off	(209)	(221)
Net remeasurement of loss allowance	716	464
Closing balance	**1,261**	**754**

Receivables and expected credit loss

Receivables are recognised at their transaction price and subsequently measured at amortised cost using the effective interest rate method less any allowance under the expected credit loss ('ECL') model. Regis applies the simplified approach to the ECL calculation used for trade receivables, lease receivables and contract assets, and measures the ECL allowance at an amount equal to lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment. A write-off of a financial asset is recognised when the Group has no reasonable expectations of recovering the contractual cash flows of a financial asset in its entirety or a portion thereof.

Key judgement, estimate and assumption: Expected credit loss

The Group determined that the risk characteristics of its customers were not significantly impacted by COVID-19 during the period. The Group observed there to be no significant change in customer payment patterns and performance following the declaration of the COVID-19 pandemic that would materially impact the ability to collect outstanding trade receivable balances.

The Group considers a financial asset in default when contractual payments are 365 days past due.

C1. Trade and Other Receivables (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix. The provision excludes trade receivables from the Australian Government and other state revenue offices, which are considered of low credit risk:

	Total	0-30 Days	31-60 Days	61-90 Days	91-150 Days	151-365 Days	>365 Days
At 30 June 2022							
Gross carrying amount at 30 June 2022 ($'000)	8,393	2,932	511	869	1,300	1,761	1,020
Expected credit loss rate (%)		0.3%	1.0%	2.1%	3.7%	9.1%	100%
Expected credit loss ($'000)	1,261	9	5	18	48	161	1,020
At 30 June 2021							
Gross carrying amount at 30 June 2021 ($'000)	4,064	1,484	618	313	449	558	642
Expected credit loss rate (%)		0.5%	1.1%	2.9%	5.3%	11.6%	100%
Expected credit loss ($'000)	754	7	7	9	24	65	642

C2. Inventories

	2022 $'000	2021 $'000
Consumables and medical supplies	5,163	4,367
Total inventories	**5,163**	**4,367**

Inventories represent consumables on hand, comprising personal protective equipment and medical supplies. Inventories are recorded at the lower of cost and net realisable value.

C3. Other Current Assets

	2022 $'000	2021 $'000
Prepayments	4,796	3,657
GST recoverable	1,521	936
Total other current assets	**6,317**	**4,593**

Section C: Operating Assets and Liabilities

C4. Property, Plant and Equipment

	Land & buildings	Plant & equipment	Motor vehicles	Fixtures & fittings	Leasehold improve-ments	Capital work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 30 June 2022							
Cost	1,036,482	330,394	937	87,057	37	30,111	1,485,018
Accumulated depreciation	(156,342)	(181,019)	(806)	(37,678)	(20)	-	(375,865)
Net carrying amount	**880,140**	**149,375**	**131**	**49,379**	**17**	**30,111**	**1,109,153**
Carrying amount at 1 July 2021	854,014	153,434	205	48,750	18	45,161	1,101,582
Additions	15,837	10,190	-	3,430	-	19,508	48,965
Transfers from work in progress	26,495	6,100	-	1,895	-	(34,490)	-
Disposals	-	(153)	(12)	(81)	-	(68)	(314)
Depreciation expense*	(16,206)	(20,196)	(62)	(4,615)	(1)	-	(41,080)
Carrying amount at 30 June 2022	**880,140**	**149,375**	**131**	**49,379**	**17**	**30,111**	**1,109,153**
At 30 June 2021							
Cost	995,981	316,657	1,131	81,957	37	45,161	1,440,924
Accumulated depreciation	(141,967)	(163,223)	(926)	(33,207)	(19)	-	(339,342)
Net carrying amount	**854,014**	**153,434**	**205**	**48,750**	**18**	**45,161**	**1,101,582**
Carrying amount at 1 July 2020	870,313	162,553	243	50,504	19	63,752	1,147,384
Additions	53	11,332	-	2,875	-	3,133	17,393
Transfers from work in progress	368	2,263	2	51	-	(2,684)	-
Transfers to assets held for sale	-	-	-	-	-	-	-
Disposals	(591)	(481)	(10)	(172)	(1)	(19,040)	(20,295)
Depreciation expense*	(16,129)	(22,233)	(30)	(4,508)	-	-	(42,900)
Carrying amount at 30 June 2021	**854,014**	**153,434**	**205**	**48,750**	**18**	**45,161**	**1,101,582**

* Excludes depreciation charge of $990,000 (2021: $993,000) in relation to right-of-use assets (refer Note C5).

Land and buildings relate to the Group's aged care facilities associated with the provision of aged care services.

C4. Property, Plant and Equipment (continued)

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment. Cost comprises of 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.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings: 40-55 years
- Plant and equipment: 3-30 years
- Motor vehicles: 4-8 years
- Fixtures and fittings: 3-10 years
- Leasehold improvements: 3-10 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss when the item is derecognised.

Property, plant and equipment is tested for impairment at the 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 C6.

No indicators of impairment were identified for property, plant and equipment for the year ended 30 June 2022.

Assets under construction

Property, plant and equipment under construction is included within 'capital work in progress'. Capital expenditure incurred in the course of development activities are carried at cost, less any recognised impairment loss. Cost includes construction costs, professional fees, internal wage expenses directly attributable to the development activities and, for qualifying assets borrowing costs capitalised in accordance with the Group's accounting policy (refer Note D3). Upon completion, the asset is reclassified as land and buildings, plant and equipment, or fixtures and fittings as applicable. During the year, the Group completed refurbishments. Such projects are short-term in nature. On completion, the cost of the asset is classified within plant and equipment or fixtures and fittings.

C5. Leases

(a) Regis as lessee

Amounts recognised in the consolidated statement of financial position

	2022 $'000	2021 $'000
Right-of-use assets		
Property leases	3,686	4,309
Plant and equipment and motor vehicles	619	688
Total right-of-use assets	**4,305**	**4,997**
Lease liabilities		
Lease liabilities - current	1,040	1,087
Lease liabilities - non-current	5,223	5,968
Total lease liabilities	**6,263**	**7,055**

Additions to the right-of-use assets amounted to $298,000 during the year (2021: $nil).

Amounts recognised in the statement of profit or loss and other comprehensive income

	2022 $'000	2021 $'000
Depreciation expense of right-of-use assets		
Property leases	623	622
Plant and equipment and motor vehicles	368	325
Total depreciation expense of right-of-use assets	**991**	**947**
Other expenses relating to leases		
Interest expense (included in finance costs)	332	381
Total other expenses relating to leases	**332**	**381**

Total cash outflow for leases for the year was $1,409,000 (2021: $1,374,000).

Right-of-use assets

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

The lease term is the non-cancellable period of a lease together with the lease period under reasonably certain extension options and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Each right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The Group's right-of-use assets relate to office premises and are depreciated over 15 years.

Regis tests right-of-use assets for impairment where there is an indicator that the asset may be impaired in accordance with impairment testing detailed at Note C6.

C5. Leases (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of lease payments to be made over the lease term discounted using the interest rate implicit in the lease. If that cannot be determined, Regis' incremental borrowing rate is used.

Lease payments used in calculating the liability include:

– Fixed payments (including in-substance fixed payments) less any lease incentives receivable
– Variable lease payments that depend on an index or a rate at commencement date
– Lease payments to be made under options for extension which are reasonably certain to be exercised
– Payments of penalties for terminating a lease, if the lease term reflects Regis exercising that option
– Amounts expected to be paid under residual value guarantees

Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and re-measuring the carrying amount to reflect any reassessment or lease modifications. Interest on the lease liability and any variable lease payments not included in the measurement of the lease liability are recognised as an expense in the period which the event or condition that triggers the payment occurs.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with lease terms of 12 months or less and leases of low value assets are recognised in profit or loss, when the expense is incurred.

Key judgement, estimate and assumption: lease term and incremental borrowing rate

Lease term

The term of each lease was based on the non-cancellable lease term unless management was 'reasonably certain' to exercise options to extend the lease. The Group has lease contracts that include extension options. These options are negotiated to provide flexibility in managing the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised such as the cost of relocation and has included such options within the lease term.

Incremental borrowing rate

The Group uses an incremental borrowing rate ('IBR') if the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR reflects what the Group would have to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs, such as market interest rates, when available and is required to make certain estimates specific to the Group such as a subsidiary's stand-alone credit rating.

(b) Regis as lessor

Contracts with residents contain provisions for accommodation, use of common areas/facilities for provision of care and other services. The Group's contractual arrangements relating to the provision of residential aged care and retirement living accommodation are leases pursuant to AASB 16 *Leases*, being the exclusive right to the use of a room/unit by a resident.

For residential aged care accommodation arrangements where the resident has elected to pay a RAD or accommodation bond, the Group receives a financing benefit, in the form of an interest-free loan. Under AASB 16 *Leases*, the fair value of this non-cash consideration is required to be recognised as income (to reflect the interest-free loan financing benefit received on RADs and accommodation bonds) as disclosed in Note B1 and, correspondingly, interest expense (to record the financial liability associated with RADs and accommodation bonds at fair value) as disclosed in Note D3 with no net impact on profit or loss.

Section C: Operating Assets and Liabilities

C6. Operational Places and Goodwill

	Operational places $000	Goodwill $000	Total $000
At 30 June 2022			
Cost	229,973	262,173	492,146
Accumulated depreciation and impairment	(67,211)	(22,235)	(89,446)
Net carrying amount	**162,762**	**239,938**	**402,700**
Carrying amount at 1 July 2021	223,799	239,938	463,737
Amortisation	(61,037)	-	(61,037)
Carrying amount at 30 June 2022	**162,762**	**239,938**	**402,700**
At 30 June 2021			
Cost	229,973	262,173	492,146
Accumulated depreciation and impairment	(6,174)	(22,235)	(28,409)
Net carrying amount	**223,799**	**239,938**	**463,737**
Carrying amount at 1 July 2020	223,799	239,938	463,737
Carrying amount at 30 June 2021	**223,799**	**239,938**	**463,737**

Available operational places

An 'available operational place' refers to a place that was allocated and has since become available for a person to receive residential aged care, being commonly referred to as "operating places" or "bed licences." In previous periods, available operational places were assessed as having an indefinite useful life as they are issued for an unlimited period. However, in May 2021 the Australian Government announced in the 2021-22 Budget that there will be no further Aged Care Approval Rounds (ACAR). From 1 July 2024, residential aged care places will be assigned directly to senior Australians, giving consumers more control to choose an approved provider that best suits their residential aged care needs. In September 2021, the Department of Health 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") and the Company's current understanding of the relevant legislation and transitional arrangements relating to the removal of bed licences, the Group has reassessed the useful life of its operational places. Consequently, Regis commenced amortising the value of operational places from 1 October 2021 on a straight line basis over their remaining economic life to 1 July 2024. This has resulted in a before tax amortisation expense in the profit and loss for the year ended 30 June 2022 of $61,037,000 with no impact to the cash flows of the Group. In addition, a related deferred tax liability of $18,311,000 has been partially reversed.

Operational places are tested for impairment if events or changes in circumstances indicate that it may be impaired. Impairment testing is performed as described in the '*Impairment testing of goodwill and operational places*' section below.

Goodwill

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

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

C6. Operational Places and Goodwill (continued)

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.

Impairment testing of goodwill and operational places

Goodwill and operational places are allocated entirely to the Aged Care operating segment for the purposes of impairment testing because it is this CGU that is expected to benefit from these assets.

Regis performs impairment testing of goodwill annually and impairment testing on goodwill and operational places when indicators of impairment exist by comparing the recoverable amount of the CGU against its carrying value. An impairment loss is recognised for the amount by which the CGU's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of the CGU's fair value less costs of disposal and value-in-use. The carrying value of the CGU is determined on a basis consistent with the way the recoverable amount of the CGU is determined. The carrying value of the CGU represents those assets and liabilities that can be directly attributed or allocated on a reasonable and consistent basis.

Key judgement, estimate and assumption: Recoverable amount

The assessment of the recoverable amount of goodwill and operational places involves significant areas of estimation and judgement by management. These judgements relate to the level of future Australian Government funding and market conditions including facility occupancy levels. The key assumptions considered by management are detailed in the table on below.

The recoverable amount of a CGU is determined on a value-in-use calculation basis using discounted cash flow projections from financial forecasts approved by management covering a five-year period, after which a terminal value is applied, based on management's view of the longer-term growth profile of the business. The recoverable amount used to test the carrying amount is based on forward-looking assumptions which are uncertain. The introduction of the Australian Government new aged care funding model, the Australian National Aged Care Classification (AN-ACC), has introduced further uncertainty in relation to the future profitability of the business. It has been assumed that the new AN-ACC funding model will have a cost neutral impact on the profitability of the business over the five-year forecast period. The key assumptions include:

Assumption	Description
Discount rate	The discount rate (pre-tax) of 11.2% (2021: 11.2%) applied to the cash flows for the CGU represents the current market assessment of the risk specific to the CGU, taking into consideration the time value of money and the individual risks of the underlying assets that have not been incorporated into the cash flow estimates, including uncertainty associated with COVID-19. Further changes to the discount rate may be necessary in the future to reflect changing risks of the CGU and changes in the weighted average cost of capital.
Long-term growth rate	The long-term growth rate of 2.0% (2021: 2.0%) reflects an assessment of inflation and perpetual growth using economic data.
Net RAD and accommodation bond cash flow	Based on internal expectations in relation to potential RAD movements and adjusted accordingly considering the average value of RADs received.

Impairment test

Based on the results of impairment testing, no impairment of goodwill or operational places has been recognised in the current year. No reasonably possible changes in key assumptions that would result in an impairment were identified by management.

No impairment of goodwill was recognised in the prior year.

Section C: Operating Assets and Liabilities

C7. 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.

	2022 $'000	2021 $'000
Carrying amount at beginning of financial year	158,646	148,129
Additions due to capital expenditure	1,452	1,359
Amounts written-off	(2,898)	(2,502)
Change in fair value of investment property development sites (ii)	5,360	6,431
Change in fair value of operating investment properties (i)	560	5,229
Carrying amount at the end of the financial year	**163,120**	**158,646**

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

(ii) The change in fair value of the investment property development sites in the current period relates to the Blackburn South retirement village property in Melbourne and the Nedlands retirement village property in Perth.

Investment property

Investment property is initially measured at cost, including transaction costs and subsequently at fair value with any change therein recognised in the statement of profit or loss. In addition, the tax base of the investment property is measured on the assumption that the carrying amount of the investment property will be recovered entirely through sale, rather than through use.

Fair value measurement, valuation techniques and inputs

Operating investment properties

Fair value of operating retirement villages has been determined by independent appraisers by using a discounted cash flow valuation methodology. These valuations are based on projected cash flows using current resident contracts and current available market data for similar retirement units / properties.

Investment property development sites

Development sites contain vacant land and are valued on the basis of vacant possession for redevelopment, which is consistent with their highest and best use.

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

For any investment properties under construction whereby the Group cannot reliably measure the property's fair value, the Group recognises that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier).

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

The independent valuers stated in their valuation reports that the COVID-19 pandemic continues to cause uncertainty in some sectors of the local and global property markets, and therefore recommend periodic review of the property valuations.

C7. Investment Property (continued)

Key judgement, estimate and assumption: Investment property valuation assumptions

Investment property valuations are subject to key market-based assumptions including discount rates, the current market value of residential units and the growth in those values over time. Given the volatility in markets and the lack of certainty around economic recovery, it is possible there will be movements in these key inputs after 30 June 2022. Demand may also be positively or negatively impacted by potential residents' perceptions of the advantages and disadvantages of living in a retirement community at this time.

To illustrate the exposure of the carrying amount of investment properties at 30 June 2022 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 below.

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 30 June 2022.

Investment properties are classified as Level 3 in the fair value hierarchy as defined at Note D6.

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

Operating investment properties		
Inputs used to measure fair value	30 June 2022	Sensitivity
Discount rate	14% - 15%	Increasing / decreasing the discount rates by 50 basis points would decrease / increase fair value by $894,000 and $981,000 respectively.
Property price growth rates - medium term	3.00% - 3.75%	Increasing / decreasing the property price growth rates by 50 basis points would increase / decrease fair value by $2,096,000 and $1,971,000 respectively.
Property price growth rates - longer term	3.00% - 3.75%	
Investment property development sites		
Inputs used to measure fair value	30 June 2022	Sensitivity
Discount rate	7% - 7.5%	Increasing / decreasing the discount rate by 50 basis points would decrease / increase fair value by $2,899,000 and $3,006,000 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 $471,000 and $471,000 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 $3,251,000 and $3,368,000 respectively.

C8. Trade Payables and Other Liabilities

	2022 $'000	2021 $'000
Trade payables	13,255	9,038
Other payables	42,857	35,519
Deferred revenue	5,991	3,602
Fees received in advance	-	4,556
Total trade payables and other liabilities	**62,103**	**52,715**

Trade payables and other payables

Liabilities for trade and other payables are recognised initially at fair value less transaction costs and are subsequently carried at amortised cost. All amounts are non-interest bearing and have an average term of 30 days.

Deferred revenue and fees received in advance

Deferred revenue includes bond retention fees and deferred management fees and are expected to be recognised as revenues over a period of 1 to 9 years. Decreases in these balances generally represent the recognition of revenues. Increases in the balance for deferred management fees generally represent deferred management fees contractually accruing.

Deferred revenue and fees received in advance are contract liabilities.

Fees received in advance are expected to be recognised as revenues within one year. Decreases in this balance represent the recognition of revenues and increases represent fees received through Australian Government and resident funding.

Revenue recognised from amounts included in contract liabilities at the beginning of the financial year was $1,831,000 (2021: $1,386,000).

The carrying amount of payables at balance date approximates their fair value.

Section C: Operating Assets and Liabilities

C9. Provisions

	2022 $'000	2021 $'000
Current		
Employee entitlements	73,216	73,748
Other provisions	37,900	38,339
Total current provisions	**111,116**	**112,087**
Non-Current		
Employee entitlements	5,771	7,338
Total non-current provisions	**5,771**	**7,338**

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.

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 $13,024,000 (30 June 2021: $15,826,000).

Potential Employee Entitlement Underpayments

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

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

Regis, with the assistance of external advisors, has commenced a review to determine the extent of the underpayments. While this review is ongoing, based on further analysis undertaken during the financial year, Regis has increased the provision from $35,000,000 to $37,700,000 at 30 June 2022.

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 securityholders (equity) and how much is borrowed from financial institutions and capital markets (debt), in order to finance Regis' activities both now and in the future. The Board considers Regis' capital structure and its dividend and distribution policy at least twice a year ahead of announcing results, in the context of its ability to continue as a going concern, to execute the strategy and to deliver its business plan

D1. Cash and Cash Equivalents

	2022 $'000	2021 $'000
Reconciliation of cash and cash equivalents		
Cash at bank	3,838	3,596
Cash on hand	313	293
Bank overdraft	(11,397)	(14,920)
Total cash and cash equivalents	**(7,246)**	**(11,031)**

Included in cash at bank as at 30 June 2022 is $2,712,000 (2021: $2,712,000) bequeathed from a former resident.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank, cash on hand and short-term deposits with an original maturity of three months or less. For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

The weighted average effective interest rate applicable to cash and cash equivalents for the year was 0.22% (2021: 0.36%).

D2. Interest-Bearing Loans and Borrowings

	2022 $'000	2021 $'000
Current		
Bank overdraft - secured	11,397	14,920
Non-current		
Bank loans - secured	95,664	131,431
Total loans and borrowings	**107,061**	**146,351**

Loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less directly attributable transaction costs and are subsequently stated at amortised cost. Any difference between amortised and redemption value is recognised in profit or loss over the period of the borrowing using the effective interest rate method. The effective interest rate amortisation is included in finance costs in profit or loss. The carrying amount of interest-bearing loans and borrowings is materially the same as the fair value.

The interest expense on these instruments is shown in Note D3. The weighted average effective interest rate applicable to debt for the year was 1.40% (2021: 1.49%).

Section D: Capital Structure and Financing

D2. Interest-Bearing Loans and Borrowings (continued)

Bank facilities

As at 30 June 2022, the Group has syndicated bank debt of $95,664,000 comprising the following:

	Maturity in the financial year ending	Facility limit $'000	Utilised at balance bate $'000	Unused at balance date $'000
Facility A	March 2026	150,000	80,826	69,174
Facility B	March 2024	275,000	-	275,000
Facility C	March 2024	70,000	16,633	53,367
Bank guarantee facility	March 2024	20,000	334	19,666
Total syndicated bank debt facilities		**515,000**	**97,793**	**417,207**
Add: Overdraft facility	July 2023	25,000	11,397	13,603
Total facilities		**540,000**	**109,190**	**430,810**
Less: Bank guarantee facility			(334)	
Less: Overdraft facility			(11,397)	
Less: Establishment costs			(1,795)	
Total loans and borrowings			**95,664**	

D3. Finance Costs

	2022 $'000	2021 $'000
Interest expense on bank loans and overdrafts	1,771	2,882
Interest on refundable RADs	3,599	3,282
Imputed interest charge on RADs and Bonds	62,444	64,389
Interest expense on lease liabilities	332	381
Other	3,697	3,931
Sub-total finance costs	**71,843**	**74,865**
Less borrowing costs capitalised	(1,462)	(868)
Total finance costs	**70,381**	**73,997**

Section D: Capital Structure and Financing

D3. Finance Costs (continued)

Interest income is recognised in profit or loss as it accrues using the effective interest rate method.

Interest expense consists of interest and other costs that Regis incurs in connection with the borrowing of bank loans and overdrafts.

Borrowing costs

Borrowing costs are expensed as incurred except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset such as investment properties or capital works in progress. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale.

Borrowing costs are capitalised to the cost of the assets while in active development until the assets are ready for their intended use or sale. Total interest capitalised does not exceed the net interest expense in any period. Capital development project carrying values recognised in Capital Work in Progress, including all capitalised interest attributable to projects, continue to be recoverable based on the latest project feasibility studies. In the event the development is suspended for an extended period of time or the decision is taken to dispose of the asset, the capitalisation of borrowing costs is also suspended. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 2.96% (2021: 2.52%).

D4. Other Financial Liabilities

	2022 $'000	2021 $'000
Refundable accommodation deposits (RADs) and bonds	1,267,547	1,188,278
Independent living unit and apartment (ILU/ILA) entry contributions	44,797	39,574
Total other financial liabilities	**1,312,344**	**1,227,852**

Refundable accommodation deposits

A Refundable Accommodation Deposit ('RAD') is a non-interest-bearing deposit paid or payable to an Approved Provider by a resident for the resident's accommodation in an aged care facility.

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

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

RADs are refunded after a resident departs a facility in accordance with the Aged Care Act 1997. RAD refunds are guaranteed by the Australian Government under the prudential standards legislation. Approved Providers are required to have sufficient liquidity to ensure they can refund RAD balances as they fall due in the following twelve months. Providers are also required to implement and maintain a liquidity management strategy. As there is no unconditional right to defer payment for 12 months, RAD liabilities are recorded as current liabilities.

The RAD liability is spread across a large portion of the resident population and therefore the repayment of individual balances that make up the current balance will be dependent upon the actual tenure of individual residents. Tenure can be more than ten years but averages approximately three years. Usually (but not always), when an existing RAD is repaid it is replaced by a new RAD from an incoming resident.

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

D4. Other Financial Liabilities (continued)

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 the reporting date and other amounts owing by residents, which are deducted from the loan on repayment following the resident's departure.

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

Entry contributions are classified as level 2 in the fair value hierarchy as defined in Note D6.

D5. Financial Risk Management and Objectives

The Group's principal financial liabilities comprise of trade and other payables, accommodation bonds, refundable accommodation deposits (RADs), independent living unit and apartment (ILU/ILA) contributions and interest-bearing loans and borrowings which are held mainly to finance the Group's operations. The Group's principal financial assets include trade and other receivables (excluding GST and prepayments), and cash and cash equivalents that are derived directly from its operations. The Group is exposed to market risk, credit risk and liquidity risk.

Primary responsibility to review, oversee and report to the Board on the Group's financial risk management systems and strategies rests with the Audit, Risk & Compliance Committee operating within an approved policy under the authority of the Board. The Group uses various methods to measure and manage different types of risks to which it is exposed. The Board ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives which have been agreed upon by the Board. These are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and resident accommodation prices. Financial instruments affected by market risk include cash, loans and borrowings, RADs and DAPs and derivative financial instruments. Market risk is managed and monitored by using sensitivity analysis, and minimised through ensuring that all operational activities are undertaken in accordance with established internal and external guidelines, financing and investment strategies of the Group.

Interest rate risk

The Group's exposure to interest rate risk primarily relates to the Group's bank loans and borrowings when drawn. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. When bank borrowings are drawn, the Group reviews its exposure on a monthly basis and monitors its position in respect of fixing interest rates, leaving them as floating rates or a combination of both. The Group constantly monitors its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing options and the mix of fixed and variable interest rates.

The Group primarily manages this risk exposure through entering into interest rate swaps from time to time, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. There are no open interest rate swaps at the reporting date (2021: nil).

The Group's exposure to interest rate risks and the effective interest rate of financial assets and liabilities both recognised and unrecognised at the reporting date are disclosed in the table below. All other financial assets and liabilities are non-interest bearing.

At reporting date, all of the Group's cash and cash equivalents (Note D1) and interest-bearing loans and borrowings (Note D2) are exposed to Australian variable interest rate risk.

D5. Financial Risk Management and Objectives (continued)

Interest rate risk (continued)

As at 30 June 2022, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

	Post-tax profit Higher / (lower)		Equity Higher / (lower)	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Consolidated				
+1% (100 basis points)	(721)	(1,354)	(721)	(1,354)
-1% (100 basis points)	721	1,354	721	1,354

Price risk

The Group's exposure to price risk primarily relates to the risk that the Australian Government, through the Department of Health and Aged Care (DHAC), alters the rate of funding provided to Approved Providers of residential aged care services. A fluctuation in the rate of Government funding may have a direct material impact on the revenue of the Group. In addition, the DHAC also administers the pricing of resident contributions.

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, thus leading to a financial loss. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the asset. The Group does not hold any credit derivatives to offset its credit exposure. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant. The current economic environment, including the impact of COVID-19, has been considered in determining the Group's exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through monitoring forecast cash flows and ensuring adequate access to financial instruments that are readily convertible to cash. In addition, the Group maintains sufficient cash and cash equivalents to meet normal operating requirements. Also, as part of the Group's compliance with the *User Rights Principles 1997* (made under the *Aged Care Act 1997*), the Group maintains a liquidity management strategy to ensure that it has sufficient liquidity to enable it to refund RAD and accommodation bond balances that are expected to fall due within at least the next 12 months.

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2022. The undiscounted cash flows for the respective upcoming financial years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2022.

D5. Financial Risk Management and Objectives (continued)

The Group monitors its liquidity risk through rolling cash forecasts. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of debt finance and operational cash flow. Access to sources of funding is sufficiently available with the Group being able to refinance debt when it becomes due. Maturity analysis of financial assets and liabilities is as follows:

	Note	1-12 Months $'000	1-5 Years $'000	More than 5 Years $'000	Total $'000
30 June 2022					
Financial assets					
Cash and cash equivalents	D1	4,151	-	-	4,151
Trade and other receivables	C1	17,910	-	-	17,910
Other current assets	C3	6,317	-	-	6,317
Financial liabilities					
Bank overdraft	D1	(11,397)	-	-	(11,397)
Trade payables and other liabilities	C8	(62,103)	-	-	(62,103)
Lease liabilities	C5	(1,040)	(5,223)	-	(6,263)
Other financial liabilities	D4	(1,312,344)	-	-	(1,312,344)
Interest bearing loans and borrowings	D2	-	(95,664)	-	(95,664)
Net exposure		**(1,358,506)**	**(100,887)**	**-**	**(1,459,393)**
30 June 2021					
Financial assets					
Cash and cash equivalents	D1	3,889	-	-	3,889
Trade and other receivables	C1	9,086	-	-	9,086
Other current assets	C3	4,593	-	-	4,593
Financial liabilities				-	
Bank overdraft	D1	(14,920)	-	-	(14,920)
Trade payables and other liabilities	C8	(52,715)	-	-	(52,715)
Lease liabilities	C5	(1,087)	(4,003)	(1,965)	(7,055)
Other financial liabilities	D4	(1,227,852)	-	-	(1,227,852)
Interest bearing loans and borrowings	D2	-	(131,431)	-	(131,431)
Net exposure		**(1,279,006)**	**(135,434)**	**(1,965)**	**(1,416,405)**

Cash flows from refundable accommodation deposits (RADs), accommodation bonds and ILU/ILA entry contributions are classified as a current liability as the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. When an existing RAD/accommodation bond is repaid it is usually replaced by a new RAD from an incoming resident. A major risk facing residential aged care providers is that the spread of COVID-19 in a home may lead to a sizeable decline in occupancy if resident discharges are not matched by new resident admissions. This may in turn adversely impact RAD cash flows.

D5. Financial Risk Management and Objectives (continued)

Capital management

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent entity. The primary objective of the Group's capital management is to maximise shareholder value. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the banking syndicate to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2022 and 30 June 2021.

D6. Fair Value of Financial Instruments

Measurement of fair value financial instruments

The financial instruments on the balance sheet 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 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2022					
Assets/(liabilities) measured at fair value					
Independent living unit and apartment (ILU/ILA) entry contributions	D4	-	(44,797)	-	(44,797)
Investment property	C7	-	-	163,120	163,120
Assets/(liabilities) for which fair value is disclosed					
Interest-bearing loans and borrowings	D2	-	(95,664)	-	(95,664)
RADs and accommodation bonds	D4	-	(1,267,547)	-	(1,267,547)
Total			**(1,408,008)**	**163,120**	**(1,244,888)**
30 June 2021					
Assets/(liabilities) measured at fair value					
Independent living unit and apartment (ILU/ILA) entry contributions	D4	-	(39,574)	-	(39,574)
Investment property	C7	-	-	158,646	158,646
Assets/(liabilities) for which fair value is disclosed					
Interest-bearing loans and borrowings	D2	-	(131,431)	-	(131,431)
RADs and accommodation bonds	D4	-	(1,188,278)	-	(1,188,278)
Net exposure			**(1,359,283)**	**158,646**	**(1,200,637)**

Refer to the relevant note for information on how the fair values of the above financial instruments were derived. There were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements during the year ended 30 June 2022.

Section D: Capital Structure and Financing

D7. Contributed Equity

Movements in ordinary shares

			Ordinary Shares, issued and fully paid	
	Grant Date Fair Value	Date	No.	$'000
At 30 June 2021			300,780,573	273,519
Share issue - performance rights	2.06	23 September 2021	53,192	110
At 30 June 2022			**300,833,765**	**273,629**

Ordinary shares are classified as equity. Incremental costs attributable to the issue of new shares are shown in equity as a deduction net of tax, from the proceeds.

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of, and amounts paid on the shares held.

D8. 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 year ended 30 June 2022, the 2021 final dividend 4.63 cents per share totalling $13,926,000 (50% franked) was paid on 30 September 2021 and the 2022 interim dividend of 3.52 cents per share totalling $10,600,000 (50% franked) was paid on 8 April 2022.

Dividends proposed and not recognised as a liability

On 24 August 2022, the Board of Directors resolved to pay a final dividend of 2.32 cents per share totalling $6,979,343 (50% franked) for the year ended 30 June 2022, payable on 30 September 2022 (record date 16 September 2022).

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

Franking account balance

The franking credit balance of Regis Healthcare Limited for the year ended 30 June 2022 is $6,692,000 (2021: $2,013,000).

Section D: Capital Structure and Financing

D9. Reserves

	Acquisition reserve	Remuneration reserve	Total
	$'000	$'000	$'000
At 30 June 2022			
Opening balance at 1 July 2021	(101,497)	4,244	(97,253)
Equity settled share-based payments expense	-	354	354
Transfers to issued capital	-	(110)	(110)
At 30 June 2022	**(101,497)**	**4,488**	**(97,009)**
At 30 June 2021			
Opening balance at 1 July 2020	(101,497)	4,035	(97,462)
Equity settled share-based payments expense	-	243	243
Transfers to issued capital	-	(34)	(34)
At 30 June 2021	**(101,497)**	**4,244**	**(97,253)**

Acquisition reserve

The acquisition reserve is used to accumulate the difference between the cost of shares issued by the Group and share buy-backs.

Remuneration reserve

The employee remuneration reserve comprises the fair value of share-based payment plans recognised as an expense in profit or loss. Refer Note F3 for further details of these plans.

Section E: Group Structure

IN THIS SECTION

This section includes information about the parent entity, Regis' subsidiaries and business combinations.

E1. Parent Entity Information

The following information has been extracted from the books and records of Regis Healthcare Limited ('Parent Entity') and has been prepared in accordance with Australian Accounting Standards.

	2022 $'000	2021 $'000
Information relating to Regis Healthcare Limited		
Assets		
Current assets	7,512	1,523
Non-current assets	606,848	493,652
Total assets	**614,360**	**495,175**
Liabilities		
Current liabilities	1,972	1,972
Non-current liabilities	-	-
Total liabilities	**1,972**	**1,972**
Equity		
Issued capital	482,249	478,350
Reserves	345	4,244
Retained earnings	129,794	10,609
Total equity	**612,388**	**493,203**
Profit of the parent entity	144,000	6,016
Total comprehensive income of the parent entity	144,000	6,016

There are no contractual commitments, guarantees or contingent liabilities with respect to the Parent Entity.

Section E: Group Structure

E2. Subsidiaries

The consolidated financial statements include Regis Healthcare Limited (ultimate parent entity, otherwise known as the Parent Entity) and the following wholly-owned subsidiaries. The subsidiaries are primarily engaged in the principal activity of owning and operating residential aged care facilities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control exists where the Company has the power to govern the financial and operating policies of the entity in order to obtain benefits from its activities.

	Country of incorporation	2022	2021
		%	%
Regis Aged Care Pty Ltd	Australia	100	100
Paragon Group Investments Pty Ltd	Australia	100	100
Regis Group Proprietary Ltd	Australia	100	100
Regis Allora Pty Ltd ATF Allora Lodge Unit Trust	Australia	100	100
Regis Canlod Pty Ltd	Australia	100	100
Regis Home Pty Ltd	Australia	100	100
Regis Grange - Wellington Point Pty Ltd	Australia	100	100
Regis Group Properties Pty Ltd	Australia	100	100
Regis Investments Pty Ltd ATF Regis Investments Trust	Australia	100	100
Regis Lakeside Pty Ltd	Australia	100	100
Regis Management Pty Ltd	Australia	100	100
Regis Bell Pty Ltd	Australia	100	100
Regis Shelf Pty Ltd	Australia	100	100
Retirement Properties of Australia Proprietary Limited	Australia	100	100
Allora Drive Pty Ltd ATF Allora Drive Unit Trust	Australia	100	100
Clover Brae Pty Ltd ATF Clover Brae Unit Trust	Australia	100	100
Clover Side Pty Ltd ATF Clover Side Unit Trust	Australia	100	100
Dawson Drive Pty Ltd ATF Dawson Drive Unit Trust	Australia	100	100
Lakeside Way Pty Ltd ATF Lakeside Way Unit Trust	Australia	100	100
Lillian Avenue Ltd ATF Lillian Avenue Trust	Australia	100	100
MacGregor Drive Pty Ltd ATF MacGregor Unit Trust	Australia	100	100
Mewetts Road Pty Ltd ATF Mewetts Road Unit Trust	Australia	100	100
Carers Connect Pty Ltd	Australia	100	100
Settlement Road Pty Ltd ATF Settlement Road Unit Trust	Australia	100	100
Retirement Care Australia Holdings Pty Ltd	Australia	100	100
Retirement Care Australia (Hollywood) Pty Ltd	Australia	100	100
Retirement Care Australia Operations Pty Ltd	Australia	100	100
Retirement Care Australia Operations (2) Pty Ltd	Australia	100	100
Retirement Care Australia (Logan) Pty Ltd	Australia	100	100
Fairway Nominated Entity Pty Ltd	Australia	100	100
Regis Corinya Pty Ltd	Australia	100	100
Regis Crana Pty Ltd	Australia	100	100
Regis ACF Pty Ltd	Australia	100	100
Retirement Care Australia (Hurstville Gardens) Pty Ltd	Australia	100	100
Retirement Care Australia (Inala) Pty Ltd	Australia	100	100
Retirement Care Australia (Parklyn) Pty Ltd	Australia	100	100
Retirement Care Australia (Sunset) Pty Ltd	Australia	100	100
Retirement Care Australia (Preston) Pty Ltd	Australia	100	100
Retirement Care Australia (Port Macquarie Gardens)	Australia	100	100

A deed of cross guarantee exists between Regis Aged Care Pty Limited (a subsidiary of Regis Healthcare Limited) and certain other subsidiaries. Regis Healthcare Limited is not a party to this deed and therefore the disclosure requirements of the deed are not applicable to these financial statements.

Section E: Group Structure

E3. Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in other expenses. When the Group acquires a business, it assesses the financial assets acquired and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the business acquired, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed. If the assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration, then the gain is recognised in profit or loss.

No business combinations have taken place in the year ended 30 June 2022 or 30 June 2021.

Section F: Other Disclosures

IN THIS SECTION

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

F1. Related Party Disclosures

Compensation of key management personnel of the Group

	2022 $'000	2021 $'000
Short-term employee benefits	2,257	2,118
Post-employment benefits	130	119
Long-term employee benefits	5	3
Share-based payments	167	79
Total compensation of key management personnel	**2,559**	**2,319**

F2. Cash Flows from Operating Activities

Reconciliation of net profit after tax to net cash flows from operations

	2022 $'000	2021 $'000
Net profit/(loss) after tax	(38,799)	19,949
Non-cash items		
Depreciation and impairment of non-current assets	42,070	43,893
Amortisation of operational places	61,037	-
Bond retention and deferred management fee income	(2,422)	(2,366)
Imputed income on RADs and Bonds	(62,444)	(64,389)
Imputed interest charges on RADs and Bonds	62,444	64,389
Profit on disposal of property, plant and equipment	-	(2,818)
Net change in fair value of investment properties	(3,022)	(9,158)
Share-based payment expenses	354	243
Other non-cash items	1,957	384
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(8,824)	418
(Increase)/decrease in inventories	(796)	(3,220)
(Increase)/decrease in other current assets	(1,724)	(738)
(Increase)/decrease in income tax receivable	(9,280)	10,416
(Decrease)/increase in deferred tax liabilities	(17,100)	(2,939)
(Decrease)/increase in trade payables and other liabilities	9,388	623
(Decrease)/increase in RADs, accommodation bonds and ILU/ILA entry contributions	84,492	31,840
(Decrease)/increase in provisions	(2,538)	18,503
Net cash flow from operating activities	**114,793**	**105,030**

F2. Cash Flows from Operating Activities (continued)

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office, are classified as operating cash flows. Inflows and outflows of RADs, accommodation bonds and ILU/ILA entry contributions are classified as cash flows from operating activities as they are considered part of the operational business model. Upon entering a facility, a non-supported resident has a choice to pay either a RAD, DAP or combination RAD/DAP. If the resident pays a DAP then this is classified as revenue and forms part of the cash flows from operating activities.

F3. Share-Based Payment Plans

	2022 $'000	2021 $'000
Expense arising from equity-settled share-based payments expense	354	243
Total share-based payments	**354**	**243**

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using a risk neutral valuation model. That cost is recognised, together with a corresponding increase in the remuneration reserve in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

All schemes are settled by physical delivery of shares.

Movements in share-based payment equity instruments

The number for each equity-settled share-based payment scheme outstanding as at 30 June 2022 is set out below.

	LTI	STI VRRP
	Number	Number
Outstanding at 1 July 2021	-	84,163
Granted during the year	-	289,619
Vested during the year	-	(53,192)
Forfeited during the year	-	-
Lapsed during the year	-	-
Outstanding at 30 June 2022	**-**	**320,590**
Outstanding at 1 July 2020	-	116,310
Granted during the year	-	-
Vested during the year	-	(32,147)
Forfeited during the year	-	-
Lapsed during the year	-	-
Outstanding at 30 June 2021	**-**	**84,163**

A description of key terms of share-based payment plans is disclosed in the Remuneration Report.

F3. Share-Based Payment Plans (continued)

Valuation Assumptions and Fair Value of Equity Instruments Granted

Key judgement, estimate and assumption: fair value at grant date

The assessment of the fair value at grant date involves significant estimation and judgement by management. Valuations have an element of uncertainty and therefore may not reflect the actual values in the future.

The model inputs for performance rights granted during the year ended 30 June 2022 were as follows:

	STI VRRP 12 months	STI VRRP 24 months	STI VRRP 36 months
Grant Date	04/10/2021	04/10/2021	04/10/2021
Vesting Date	20/09/2022	20/09/2023	20/09/2024
Fair Value	$1.87	$1.76	$1.65
Grant Date Share Price	$2.00	$2.00	$2.00
Exercise Price	Nil	Nil	Nil
Life Assumption (Years)	1.0	2.0	3.0

F4. Auditor's Remuneration

	2022 $'000	2021 $'000
Amounts received or due and receivable by Ernst & Young (Australia) for:		
Fees for auditing the statutory financial report of the parent covering the group, auditing the statutory financial reports of any controlled entities	657	649
Fees for assurance services that are required by legislation to be provided by the auditor:		
– Prudential reporting to the Department of Health and Aged Care	78	40
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm:		
– COVID-19 grant audits	433	32
Total assurance service fees	**1,168**	**721**
Fees for other services:		
– Tax compliance	110	53
– Regulatory advice	56	9
– Streamlined financial reporting	-	30
Total auditor's remuneration	**1,334**	**813**

F5. Commitments

Capital expenditure commitments

As at 30 June 2022, capital commitments amounted to $9,788,000 (2021: $17,079,000). The capital commitments relate to ongoing aged care development activity.

Section F: Other Disclosures

F6. 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 30 June 2022, the Group has bank guarantees totalling $334,241 (30 June 2021: $334,241).

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

F7. Other Accounting Policies

Treatment of Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- In circumstances where the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office, in which case, the GST is to be recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Consolidated Statement of Financial Position.

F8. 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.

F9. Subsequent Events

COVID-19 Pandemic

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

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

Regulatory Penalty

On 11 August 2022, the Aged Care Quality and Safety Commission (ACQSC) applied regulatory penalties to Regis Port Coogee of a Sanction and Notice to Agree (NTA). Regis has complied with all actions and requirements stipulated by the ACQSC under the NTA and will be seeking review of the Sanction.

Other Matters

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

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 consolidated financial statements and notes as set out on pages 32 to 72 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 30 June 2022 and of its performance for the year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

   (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note A1; and

   (c) 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 after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

On behalf of the Board

Graham K Hodges
Chairman
Melbourne, 24 August 2022

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Independent Auditor's Report to the Members of Regis Healthcare Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Regis Healthcare Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Employee entitlements remediation

Why significant	How our audit addressed the key audit matter
As disclosed in Note C9, during the year ended 30 June 2021 the Group identified that certain current and former employees were not paid in full compliance under the relevant enterprise agreement ("EA"). The Group, with the assistance of external advisors, is continuing to review the extent of the underpayments. Whilst this work is ongoing, as at 30 June 2022, the Group has provided $37.7 million based on management's best estimate at this point in time of the total cost to remediate the payment shortfalls, including interest and other associated costs. The estimated cost of remediation is based on a significant volume of historical data from a number of different sources, involves a high degree of complexity, interpretation and application of relevant EA clauses which requires, judgement, estimation and remains subject to further analysis. The provision for underpayment of current and former employees was considered a key audit matter given it is material to the statement of financial position and profit and loss of the Group and the determination of the provision is subject to significant judgements and estimates.	Our procedures included but were not limited to: ▶ Developing an understanding of the basis for management's best estimate of the provision and the key areas of judgement applied in determining the provision. ▶ Evaluating the competence, capabilities and objectivity of the Group's external experts used to assist management in the interpretation of the EA's. ▶ Obtaining and assessing the assumptions used by management and their experts in developing the estimated cost of remediation. ▶ On a sample basis, evaluating the accuracy and completeness of the historical data used in the calculation of the provision. ▶ Considering the appropriateness of the extrapolation of data, statistical methods used and assumptions made in respect of employees and periods for which detailed calculations have not yet been performed at the reporting date. ▶ On a sample basis, recalculating the remediation estimate for a sample of affected employees. ▶ Assessing the appropriateness of the disclosures included in Note C9. We involved our employment law specialists in the performance of these procedures.

Building a better working world

Aged care development costs in progress

Why significant	How our audit addressed the key audit matter
At 30 June 2022 the carrying value of capitalised aged care development costs in progress ("Capital Work in Progress") amounted to $102.3 million, as included within the balances of Land and Buildings ($81.5 million) and Capital Work in Progress ($20.8 million) disclosed in Note C4. Capital Work in Progress relates to development of new aged care facility sites and refurbishment of existing aged care facilities. Aged care development costs incurred during the year that were capitalised to Capital Work in Progress amounted to $4.4 million. Capitalisation of development costs involves judgement, including the feasibility of the project, intention and ability to complete the construction, ability to use or sell the assets, generation of future economic benefits and the ability to measure the costs reliably. Determining the recoverable amounts of projects under development requires judgement and the use of assumptions that are affected by future market conditions or economic developments, including the ongoing impact of COVID-19. Capital Work in Progress was considered a key audit matter due to the quantum of the balance and judgement required in applying the capitalisation criteria and carrying out the impairment analysis. The Group has disclosed in Note C4 the accounting policy for the capitalisation of aged care development costs.	Our audit procedures included the following: ▶ Agreeing a sample of additions to supporting documentation and assessed whether the amounts capitalised were in accordance with the Accounting Standards. ▶ Evaluating key assumptions used and estimates made for amounts capitalised, including the feasibility of the project, the stage of completion for projects in the development phase and the measurement and completeness of costs included. ▶ Assessing whether costs were transferred to appropriate asset categories when ready for use on a timely basis and that appropriate depreciation and amortisation rates were applied. ▶ Assessing whether the capitalised costs of projects that are unlikely to proceed have been appropriately impaired and reduced from the balance. ▶ Considering whether there were any indicators of impairment present after examining the business case documentation of development projects, enquiries of executives responsible for management of the projects and comparing the cost of development to forecasts. ▶ Assessing the key inputs in the determination of the recoverable amount of ongoing projects under construction and performing sensitivity analysis in respect of these inputs. ▶ Assessing the adequacy of the Group's financial report disclosures in Note C4.

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Fair value of investment properties

Why significant	How our audit addressed the key audit matter

As at 30 June 2022 the recorded amount of investment property was $163.1 million, as disclosed in Note C7.
 	
Investment property, which relates to the Group's retirement villages, is measured at fair value.
 	
The Group engaged an external party to perform independent valuations of the Group's investment properties.
 	
We considered this to be a key audit matter given the significance of the balance and the complex judgements involved in valuing the investment property. Judgements include estimating the starting value of units, occupancy forecasts, growth rates, capital expenditures, sales price and application of discount rates.
 	
Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. This means there is a wider range of possible assumptions and values than at other valuation points in the past. In addition, property values may change unexpectedly over a relatively short period of time. In this situation the disclosures in the financial statements provide important information about the assumptions made in the property valuations and the market conditions at 30 June 2022.
 	
For these reasons we consider it important that attention is drawn to the information in Note C7 in assessing the property valuations at 30 June 2022.
	We assessed the assumptions and estimates made by the Group in estimating the fair value of investment property.
	
	Involving our real estate valuation specialists, our audit procedures included the following:
	
	▶ Evaluating the competence, capabilities and objectivity of the external valuation expert.
	
	▶ Assessing the valuation methodology used against generally accepted valuation practices.
	
	▶ Assessing the results of the expert's analysis of comparable properties and analysis of other market evidence used as valuation cross-checks.
	
	▶ In respect of information provided to the valuer by the Group our procedures included:
	
	    ▶ Assessing the land area used in the valuation.
	
	    ▶ Assessing the starting value of units.
	
	    ▶ Testing a sample of resident contracts to occupancy data used in the valuation.
	
	    ▶ Assessing capital expenditure, demolition and remediation costs and sales cost estimates in light of historical data.
	
	    ▶ Evaluating the growth rates and discount rates used in the valuation.
	
	▶ Assessing the adequacy of financial report disclosures regarding the valuation assumptions as disclosed in Note C7.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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working world

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 30 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Regis Healthcare Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

BJ Pollock

BJ Pollock
Partner
Melbourne
24 August 2022

Glossary

AASBs or Accounting Standards	Australian Accounting Standards issued by the Australian Accounting Standards Board
ACFI	Aged Care Funding Instrument
Aged Care Act	Aged Care Act 1997. The Aged Care Act is the main law that sets out the rules for Government-funded aged care including funding, regulation, approval of providers, subsidies and fees, standards, and quality of care.
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 $62,444,000 (30 June 2021: $64,389,000), $24,513,000 of net COVID-19 outbreak expenses and other one-off items, and includes operating lease expense of $1,423,000 (30 June 2021: $1,383,000)
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
NPAT	Net profit after tax
NPATA	NPATA represents statutory net profit after tax (NPAT) before amortisation of operational places
Regis or Parent Entity	Regis Healthcare Limited
RAD	Refundable accommodation deposit
Aged Care Royal Commission	Royal Commission into Aged Care Quality and Safety
2022 Annual Financial Report	Financial report for the year ended 30 June 2022