ANNUAL REPORT
2017

regis healthcare

REGIS HEALTHCARE LIMITED

ABN 11 125 203 054

REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

Level 2, 615 Dandenong Road
Armadale, Victoria 3143

Telephone: 03 8573 0444

Website: www.regis.com.au

ASX code: REG

BOARD OF DIRECTORS

MARK BIRRELL
Independent Non-Executive Chairman

ROSS JOHNSTON
Managing Director and
Chief Executive Officer

BRYAN DORMAN
Non-Executive Director

SYLVIA FALZON
Independent Non-Executive Director

TREVOR GERBER
Independent Non-Executive Director

IAN ROBERTS
Non-Executive Director

COMPANY SECRETARY

MARTIN BEDE
Company Secretary/General Counsel

AUDITOR

Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000

SHARE REGISTRY

Link Market Services Limited
Tower 4
727 Collins Street
Docklands, Victoria 3008

Telephone: 1300 554 474

CONTENTS

SNAPSHOT OF 2017

REVENUE

↑ 18%

INCREASED TO $565.5M
FROM $480.7M

NPAT

↑ 8%

INCREASED TO $61.1M
FROM $56.8M[1]

OPERATIONAL PLACES

↑ 6,029

AN INCREASE FROM
5,880 PLACES IN 2016

FACILITIES

↑ 54

TWO NEW FACILITIES
WERE OPENED IN 2017

NEW OPENINGS

↑ TWO

COMPLETED GREENFIELD
DEVELOPMENTS,
AN ADDITIONAL
248 NEW PLACES

ACQUISITIONS

↑ 287

PLACES ACQUIRED
IN TASMANIA ON
1 AUGUST 2017

1. on a normalised basis

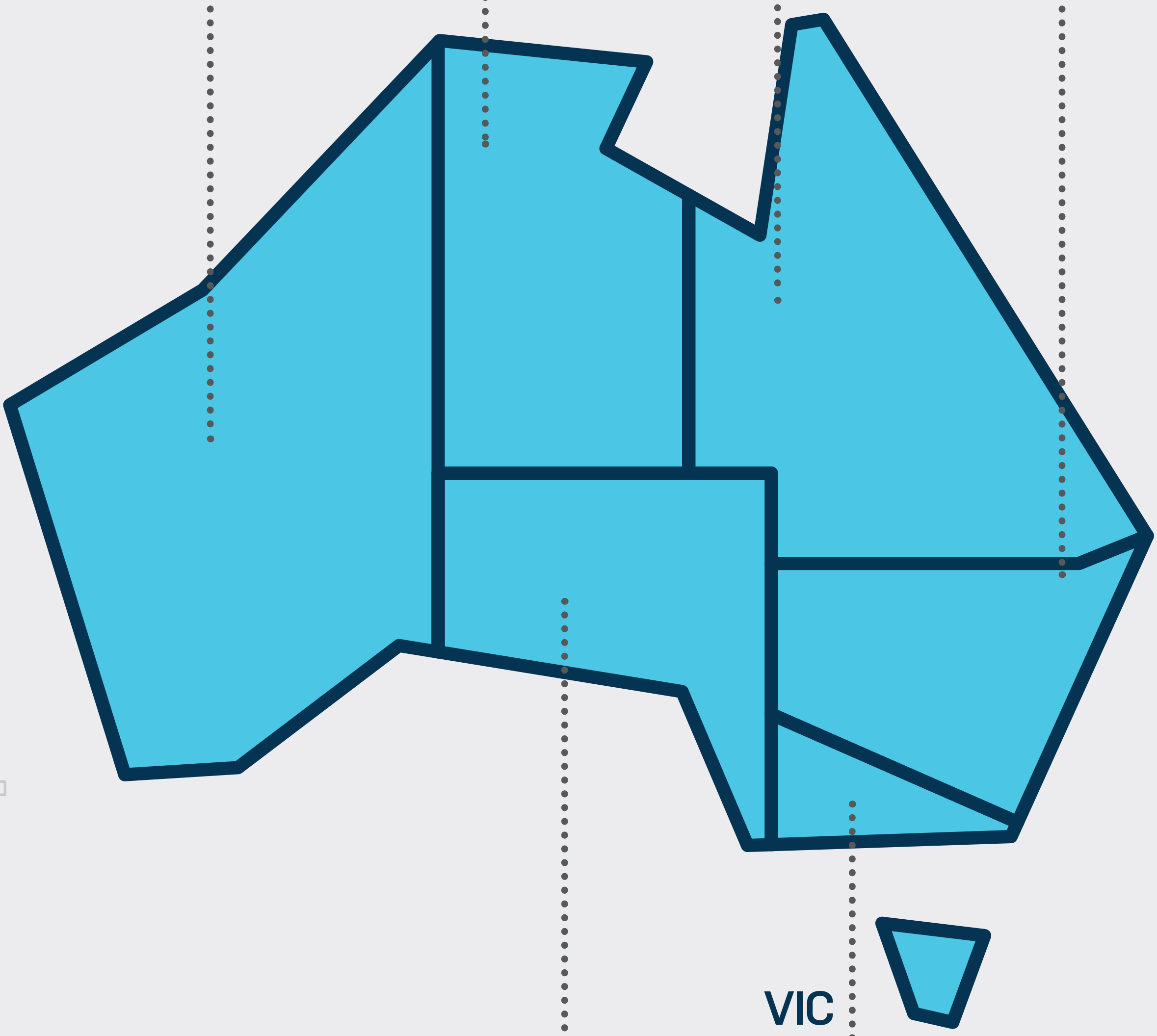
REGIS AGED CARE FACILITIES AND RETIREMENT VILLAGES

WA
6 FACILITIES
614 PLACES
1 VILLAGE
81 UNITS

NT
1 FACILITY
135 PLACES

QLD
19 FACILITIES
2,384 PLACES
3 VILLAGES
200 UNITS

NSW
6 FACILITIES
560 PLACES



VIC
18 FACILITIES
1,914 PLACES
1 VILLAGE
269 UNITS

SA
4 FACILITIES
422 PLACES

Janet Tritton and Jasmin Costa – Regis Shenley Manor
Our Regis staff are passionate about our residents and creating peronalised programs that encourage people to get involved in a broad range of activities and develop new friendships. Janet Tritton is a permanent resident who has been with Regis since last year while Jasmin Costa, one of our PCAs has celebrated six years with Regis Shenley Manor in Victoria.

CHAIRMAN'S REPORT

IT IS MY PLEASURE TO DELIVER THIS YEAR'S ANNUAL REPORT TO SHAREHOLDERS AS CHAIRMAN OF REGIS HEALTHCARE, AND TO ANNOUNCE THAT, ONCE MORE, THE COMPANY HAS PERFORMED WELL.

This year, revenue, EBITDA and net profit after tax results were all well above the prior corresponding period and our net operating cash flow was also strong.

Directors declared a final dividend of 10.04 cents per share, fully franked, paid to shareholders on 18 September 2017. The full year dividend of 20.34 cents per share is 100% of reported NPAT.

During the reporting period, the Company continued to make sound progress in achieving its strategic objectives and delivering on its growth strategy.

Through increased investment in our people and our facilities, Regis Healthcare is again demonstrating its commitment to high levels of resident care and services.

The Masonic Care Queensland business, which was acquired late in the 2016 financial year was the first portfolio acquisition undertaken by the Company since listing. With an investment of $153.2million, the 711 additional places increased the size of the business by 14% (by number of places). This significant transaction was successfully integrated within its first year.

The management team performed extremely well in the execution of the integration activities, which included the significant refurbishment of the former Masonic Care Facilities, rollout of Regis care programs, systems and processes, and the negotiation of staff agreements.

The recent acquisition of another portfolio, from Presbyterian Care Tasmania added another three Facilities to the portfolio on 1 August 2017. This expands the footprint of the Company into Hobart and Launceston and means that the business now operates in all States. We look forward to completing the integration of these Facilities into Regis.

The 2017 financial year also saw the Company continue to invest significantly in its expansion pipeline. During this time, Regis opened two new Facilities, the East Malvern and Kingswood development sites in Melbourne and Adelaide. With the addition of a new greenfield development site at Palm Beach, Queensland, the expansion pipeline currently involves the construction of 1,482 new places.

With approximately 7,255 staff employed by the Company as at the end of the financial reporting period, the development of our people remains a priority for Regis, and a number of industry leading programs were implemented throughout the year in the area of Staff Recruitment, Development and Culture.

In particular, the launch of the People Central system, Project Flourish and Regis Spirit have been key areas of focus – along with the onboarding of new staff required to deliver services following the mobilisation of the new places.

Regis is committed to the health and safety of its people and through its health and safety management system undertakes a program of regular consultation and feedback from all staff to ensure issues and improvements are captured to meet the needs of the business.

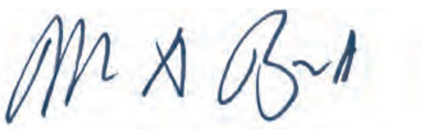
From a Board perspective, you will see in the Remuneration Report that a new Variable Reward and Retention Plan (VRRP) has been introduced following a review of our executive reward framework. The VRRP combines the existing Short Term Incentive (STI) and Long Term Incentive Plans (LTI) into a simpler single incentive plan. It is the Board's view that the new VRRP provides for greater alignment between our executives and shareholders.

Our CEO and his Executive team have once again performed well during the year, based on both non-financial and financial metrics. Their strong performance in executing the Company's strategy means Regis Healthcare continues to be a leader in the sector.

Your Board continues to work well together, particularly in maintaining a strong governance platform for the Company. As promised at last year's AGM, the Board is giving consideration to the mix of board skills that will position the Company for continued success. As a result, the first new appointment to the Board was Graham Hodges, who became an independent director in August 2017. Mr Hodges brings strong finance, M&A and corporate relations skills to the Board, and will offer himself for election by shareholders at this year's AGM.

During 2018 we will continue the renewal process, with the planned addition of new Board members. Trevor Gerber has indicated his intention to retire from the Board and will do so in November this year. The Board would like to thank Trevor for his excellent contribution to the success of the Company since listing in 2014.

In closing, I would like to thank my fellow Directors, the Executive team and the many committed employees who make up Regis Healthcare for their contribution throughout the year. I would also like to welcome all new employees to the Company who have joined us during that time. And finally I would like to thank you, our shareholders, for your continuing support.



Mark A Birrell
Independent Non-Executive Chairman

MANAGING DIRECTOR AND CEO'S REPORT

THE 2017 FINANCIAL YEAR SAW THE CONTINUED EXECUTION OF THE REGIS HEALTHCARE GROWTH STRATEGY AND THE DELIVERY OF SOLID GROWTH AS REFLECTED IN OUR FINANCIAL RESULTS.

Financial highlights included a reported NPAT of $61.1m and EBITDA of $123.6m, from total revenue of $565.5m. This was in line with guidance.

The financial result is underpinned by ongoing growth in revenue resulting from growth initiatives and an increased contribution from Regis' Significant Refurbishment program. The continuation of this program in the 2017 financial year (FY17) saw around 1,800 eligible residents with access to an enhanced living environment by the end of the period, for which the Company receives a higher accommodation supplement.

Pleasingly, the financial result included EBITDA contributions from the Masonic Care acquisition, which achieved the anticipated financial run rate during the first half and improved contributions from new places. As anticipated, staff expenses were in line with the previous year as a percentage of revenue.

Across the period, average occupancy of 94.9% was achieved.

MARKET POSITION AND GROWTH STRATEGY

Regis' medium-term growth strategy continues to combine organic growth – including greenfield and brownfield development and acquisitions comprising single Facilities and portfolios. The Company invested $151.0m towards this growth in FY17.

Our greenfield development program has continued to expand with the highlights being the opening of the East Malvern, Victoria Facility, which has contributed a further 148 new places and the Kingswood Facility in Adelaide, South Australia which has contributed a further 100 new places.

As at 1 September 2017, there were 1,482 new places in the expansion pipeline.

The further expansion of the pipeline was achieved by the purchase of a new development site in Palm Beach, Queensland which will become a 150-place Club Services site in a premium beachfront location. At the end of the financial year, seven construction projects were underway, which demonstrates the capability of our property team and represents significant milestones for these development projects.

The Company was also successful in gaining 352 provisional allocations as part of the 2016 ACAR, bringing the number of non-operational places in the portfolio available for development to 2007.

More recently, the Company was pleased to announce the acquisition of assets from Presbyterian Care Tasmania on 1 August 2017. With this portfolio expanding the operating footprint of the business into Tasmania, the Company was delighted to secure this high-quality aged care business.

With 287 operational places achieving 91% occupancy, the net acquisition price for the Presbyterian Care portfolio was $32.5m or circa $115k per place.

Integration activities are progressing well. It is anticipated that the acquired business will be EPS accretive in FY19 and will achieve the Regis' EBITDA run rate as we grandfather in changes over time.

The Facility refurbishment program has continued to be a key area of focus for the Company in FY17, with 33 Facilities approved as Significantly Refurbished. This now includes the Facilities from the Masonic Care Queensland acquisition. This program is largely complete at the end of FY17.

RETIREMENT VILLAGE STRATEGY

During FY17 the company announced its strategy with regard to Retirement Living. Regis has owned and operated co-located retirement villages (RVs) and aged care Facilities (ACFs) in Melbourne and Perth since 2007. A further three locations were acquired as part of the Masonic Care Queensland transaction. The Company now has 550 Independent Living Units across five locations, that are co-located with Aged Care. Regis' experience shows that co-located RVs and ACFs can be complementary in certain locations. A number of these locations have surplus land that is currently underdeveloped. It is Regis' intention to develop these sites, commencing with Burwood East, Victoria in 2018, followed by Nedlands in Western Australia. With a new dedicated debt facility in place to support these developments, circa 670 new units will be constructed across these two locations.

MARKET UPDATE

Over the last 18 months, the Federal Government announced several changes to its residential aged care funding which commenced in FY17. For the Company, there has been minimal impact resulting from these changes in FY17. The changes will be more significant in FY18 and FY19. A range of strategies have been and continue to be implemented to mitigate the impact of these funding changes.

In April, the Company announced that it had applied to the Federal Court for a declaration as to the interpretation of the Aged Care Act in order to obtain clarity in relation to its Asset Replacement Charge (ARC). Whilst awaiting court outcome, the Company continues to exclude the ARC revenue from its results.

CARE AND SERVICES REVIEW

During the year, Regis continued to develop improved service offerings for residents with the rollout of the Regis Reserve service package at nominated Facilities. These additional services include enhanced food and lifestyle options for residents. The Club Services offering is regularly reviewed and during the reporting period additional features such as Foxtel were added.

Caring for our residents remains fundamental to the way Regis Healthcare operates, and our ongoing commitment to care standards was evidenced in the successful re-accreditation of all 12 of our Aged Care Facilities subject to re-accreditation during the reporting period. Each Facility was audited and judged to meet all 44 accreditation outcomes under the quality of care and quality of life standards set down for the provision of care to residents.

On 27 May the Department of Health imposed sanctions on Regis Tiwi Gardens in Darwin. The sanctions related to one element of clinical care and quality and effectiveness of human resources management. The sanctions are for a period of six months ending on 27 November.

This care outcome was very disappointing, particularly as no Regis facility had ever been sanctioned previously. However, Regis has made good progress remediating these issues and undertook a re-accreditation review by the Quality Agency on 12 September.

Regis has continued to make satisfactory progress in delivering improved Workplace Health and Safety outcomes and has implemented additional processes to continuously improve its Health and Safety Management System. This has included investment in staff Health and Safety Representatives and the provision of additional training and support to enable practical solutions to workplace hazards.

PUTTING REGIS PEOPLE FRONT AND CENTRE

Regis is committed to investing in its people developing their skills and abilities to ensure they bring the best care to our residents. Our reputation as one of Australia's largest aged care providers, coupled with continued growth, means Regis is well placed to offer career opportunities and pathways to Regis team members.

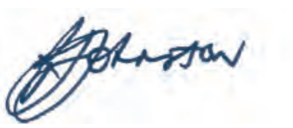
The Company recently launched its new People Central system to centralise and provide an integrated online system to track, manage and onboard new employees. The advantage of the new system is its ability to deliver a consistent, quality recruitment and onboarding experience for all candidates. It will also allow our people to register their interest in working across other areas of the business and will inform the Company's professional development program and succession planning.

In addition to a wide range of professional development opportunities driven by programs such as 'Project Flourish', Regis offers a strong reward and recognition program, known as Regis Spirit, which was brought to life this year through the launch of a new website.

During FY17 Enterprise Agreements for Western Australian, Northern Territory and Queensland (Support Services) were all successfully renegotiated. Additionally, all former Masonic Care Queensland employees were successfully transferred onto the three Regis Enterprise Agreements (Queensland).

More recently, Regis appointed a Chief Operating Officer, which reports to myself. This role has been created to strengthen the executive team to support business growth. I am pleased to advise that Darren Boyd commenced in the role on 18 July. Darren has a substantial background in Support Services having been the Regional Managing Director of Group Four S in a former role.

In closing, I would like to thank each and every one of our employees who deliver such high levels of care and support to our residents every day. Thank you also to our shareholders, the Directors and the Executive team for their ongoing commitment and support in producing a solid performance and result for Regis Healthcare in the 2017 financial year.



Ross Johnston
Managing Director and CEO

OVERVIEW

Mandeep Kaler, Clinical Manager – Regis Blackburn
Our clinical managers deliver quality and individualised care to our residents, and both oversee and mentor our clinical teams including our new graduate registered nurses. They are also committed to raising the bar and ensuring the best outcomes as part of Regis' program of continuous quality improvement.

REGIS HEALTHCARE IS ONE OF AUSTRALIA'S LEADING PRIVATE AGED CARE PROVIDERS AND DELIVERS HIGH QUALITY CARE INCLUDING INNOVATIVE AGEING IN PLACE, RESIDENTIAL, RESPITE, DEMENTIA AND PALLIATIVE CARE TO HELP RESIDENTS LIVE WELL.

It also continues to respond to increased consumer demand for more personalised services and accommodation styles through its Regis Club Services Facilities and has refurbished many of its Facilities to reflect the Company's commitment to delivering modern care offerings and outcomes.

Established 23 years ago, the Company has grown from its original 104 places to become one of Australia's largest and most geographically diversified private residential aged care providers. Recently it expanded its presence into Tasmania with the acquisition of three Facilities in Hobart and Launceston. As part of its growth strategy, Regis now operates 57 Facilities in seven States and Territories with over 6,127[1] operational places located primarily in metropolitan areas across Australia.

This growth has been achieved through the provision of consistently high standards of care and services to our residents over more than two decades.

The Company's vertically integrated business model provides premium quality care and modern accommodation to meet the growing needs of Australia's ageing population and has focused its new developments in those urban areas where growth is strongest.

Regis also owns and operates a number of co-located retirement villages and aged care facilities providing a seamless transition and ongoing support and care to its residents. As part of its growth strategy Regis will focus on developing its existing co-located Retirement Village and Aged Care Facility sites commencing in Victoria and Western Australia.

Regis remains committed to driving returns for its shareholders by generating strong cash flow through its premium service offerings and its portfolio of Aged Care Facilities. Regis also continues to ensure its business model and practices not only deliver customer focused outcomes but are also aligned to ongoing health care reforms and changes within the industry.

BOARD OF DIRECTORS

MARK BIRRELL
INDEPENDENT NON-EXECUTIVE CHAIRMAN

Appointed to the Board in September 2014

Mark is an experienced company director with credentials spanning both the private and public sectors. He is currently the Chairman of PostSuper Pty Ltd and the Australian Payments Council and immediate past president of the Victorian Chamber of Commerce and Industry.

Earlier Directorships have included being Chairman of Infrastructure Australia, Chairman of the Port of Melbourne Corporation, Deputy Chairman of the Australian Postal Corporation and Chairman of Evans & Peck Limited. Mark was previously a Cabinet Minister and Government Leader in the Victorian Upper House. He holds Bachelor of Economics and Bachelor of Laws degrees and has been admitted to practice as a Barrister and Solicitor.

Mark is a Fellow of the Australian Institute of Company Directors and a Companion member of Engineers Australia.

ROSS JOHNSTON
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Appointed to the Board in September 2014

Ross was appointed as the Chief Executive Officer in 2008, and brings over 30 years' experience in the construction and services industries, both domestically and internationally.

Ross is the Chairman of the Aged Care Guild, an association of nine of the ten largest private residential aged care providers in the industry. Prior to joining Regis, he was Chief Executive Officer of Spotless Australian Services and also held senior executive positions at Lend Lease and Jennings.

Ross holds a Diploma of Building and a Diploma of Quantity Surveying, both from the Royal Melbourne Institute of Technology.

1. As at 1 August 2017

OVERVIEW

BRYAN DORMAN

NON-EXECUTIVE DIRECTOR

Appointed to the Board in May 2007

Bryan has over 40 years experience 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. Bryan is a founding Director and shareholder of Regis. From its commencement in the early 1990s until 2014, Bryan was the Chairman of Regis (and Executive Chairman until 2008) – during which time he oversaw the management and growth of the Company. 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.

SYLVIA FALZON

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board in September 2014

Sylvia has extensive experience in the financial services industry with a career spanning more than 27 years. She has held senior executive positions responsible for funds management businesses both domestically and internationally – including roles as Head of Business Development at Aviva Investors Australia, an equity partner at Alpha Investment Management and Chief Manager International Sales & Service at AXA Investment Management (formerly National Mutual Funds Management).

Currently, Sylvia is a non-executive director of Perpetual Limited and Cabrini Health Limited. Sylvia holds a Masters 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 of Australasia and also holds a graduate diploma from the Australian Institute of Company Directors.

TREVOR GERBER

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board in September 2014

Trevor has extensive board experience across property, funds management, tourism, infrastructure and aquaculture. He currently holds directorships at Tassal Group, CIMIC Group and Vicinity Centres Limited, and is Chairman of Sydney Airport Limited.

Prior to becoming a professional director in 2000, Trevor was an executive at Westfield Holdings Limited for 14 years where he held numerous senior executive positions including Group Treasurer and Director of Funds Management responsible for the Westfield Trust and Westfield America Trust.

Trevor is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Accountancy from the University of the Witwatersrand, South Africa.

IAN ROBERTS

NON-EXECUTIVE DIRECTOR

Appointed to the Board in May 2007

Ian has over 30 years experience in the real estate sector including 20 years in residential aged care. He currently holds non-executive directorships in several property and property services enterprises. 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 and oversaw the development and implementation of the strategy that saw the business growing in excess of 4,500 beds nationally.

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


Mark Birrell


Ross Johnston


Bryan Dorman


Sylvia Falzon


Trevor Gerber


Ian Roberts

COMPANY SECRETARY

MARTIN BEDE

COMPANY SECRETARY/GENERAL COUNSEL

Martin is a lawyer with considerable experience in both private practice and in-house legal roles. Prior to joining Regis he acted as Company Secretary/Legal Counsel for both public and private companies in a variety of industries including Dairy Australia Limited and Victorian Rail Track Corporation. He was appointed Company Secretary in April 2010.

CORPORATE GOVERNANCE STATEMENT

The Company's compliance with the ASX Corporate Governance Council Principles and Recommendations 3rd edition can be found in the Regis Healthcare Corporate Governance Statement. This statement is on the Company website at *https://www.regis.com.au/about-regis/corporate-governance/*

The Board has formally adopted the following policies and codes:

- Board Charter and Relationship with Management;
- Audit, Risk and Compliance Committee Charter;
- Remuneration and Nomination Committee Charter;
- Continuous Disclosure Policy;
- Policy for Dealing in Securities;
- Diversity Policy;
- Code of Conduct;
- Privacy Policy.

These documents are available for review on the Company's website.

DIVERSITY

In the first year following listing, the Board formally approved a Diversity Policy in order to address the representation of women in management positions and on the Board, and to actively facilitate a more diverse and representative management and leadership structure.

The policy notes that, while the Company's vision for diversity incorporates a number of different factors, including gender, ethnicity, disability, age and educational experience, at a Board and management level, gender has been identified as a key area of focus.

On this basis, the primary focus of the policy is achieving, over a reasonable transition period, adequate representation of women in management positions and on the Board.

The Board resolved to adopt three Diversity Objectives under the Diversity Policy.

The Board has adopted these Diversity Objectives for 2017/2018 as they continue to be of relevance in implementing the Diversity Policy.

The Company's Workplace Gender Equality Agency Report for 2016/17 can be found at *https://www.regis.com.au/about-regis/corporate-governance/*

These Diversity Objectives and progress against them as at 30 June 2017 are as follows:

DIVERSITY OBJECTIVES	PROGRESS
1. Increase the representation of women at all levels of management within the Company.	To progress this objective the Board adopted two Diversity Priorities, namely: a. Increase proportion of female participants in the Regis management training programs; b. Increase the proportion of promotions filled by internal candidates. Progress against these priorities is as follows: a. 100% of female senior managers participated in the leadership development program during the year. b. A number of key projects have been resourced to support internal career progression: Project Flourish (a pathway for registered nurses becoming Clinical Managers), and Project Lift (a care model that supports enhanced role satisfaction for nurses as well as improved service delivery for our residents).
2. Gender equity in remuneration of senior managers.	A review of pay equity for senior managers was completed in June 2017 and will support informed decision making for the annual salary review process for Executives.
3. Support employees experiencing domestic violence.	The approved Family Violence Workplace Policy has been distributed broadly as part of Regis' Quality System, and has been discussed at State meetings for Operational Managers. It is also described in Regis' Employment Manual and made available to every Regis employee.

COMPLIANCE

The residential aged care sector is highly regulated and requires all Facilities be independently assessed against four legislated standards and 44 outcomes in order to be accredited for up to three years.

Set down by the Commonwealth's Australian Aged Care Quality Agency, the industry-specific quality assurance standards, are designed to safeguard the health, personal care, safety and wellbeing of all Regis residents – and ensure core management, staffing and organisational development systems are in place as part of a program of continuous improvement and best practice benchmarks.

All Regis Facilities are fully accredited and undergo a stringent external assessment and audit process, in addition to a rigorous program of internal audits and reviews conducted by Regis' National Compliance Team through its quality control and management systems.

The team also monitors risk indicators and conducts an in-depth gap analysis annually at each facility to track trends and identify opportunities for improvement.

These findings are used to review clinical practices, improve care outcomes, reduce incidents and inform continuous improvement plans for each Facility.

This approach to compliance means that our residents receive the standard of care that they deserve and that any issues are rectified as quickly as possible.

In 2017, Regis successfully met all requirements as part of the review audits conducted.

- 12 Facilities re-accredited
- 100% met all 44 outcomes and received re-accreditation for a further three years.

As previously noted, Regis Tiwi Gardens was sanctioned in May 2017. Remediation of issues identified by Regis' internal compliance processes was already underway at that time and continued after the imposition of sanctions. These actions are expected to result in sustainable improvements at this site and ensure delivery of appropriate care to residents.

PEOPLE DEVELOPMENT

The delivery of innovative mentoring, leadership and professional development programs coupled with clearly defined career pathways, ensures that Regis continues to attract and retain high-quality staff and is a highly regarded and sought after employer of choice.

Our continued growth means we are also uniquely placed to offer career opportunities and pathways to Regis team members – and where possible, are committed to promoting from within to ensure we retain and build on the experience, passion, knowledge and strengths of our people.

GROWTH STRATEGY

Tracey Munro, Personal Care Assistant – Regis Port Macquarie
Our personal care assistants have a genuine passion for delivering high standards of care and take pride in working with our residents to ensure they get the support they need.

GROWTH STRATEGY

REGIS HAS CONTINUED TO EXPERIENCE STRONG GROWTH IN PLACE NUMBERS IN THE 2017 FINANCIAL YEAR THROUGH DELIVERY OF A CONSISTENT GROWTH STRATEGY, INCLUDING GREENFIELD DEVELOPMENTS AND ACQUISITIONS.

The year saw continued investment in the Company's expansion program. The total development pipeline at the end of FY 2017 was 1,482 planned new places.

A highlight of the year was Regis' expansion pipeline delivering an additional 248 new places, with the opening of Regis East Malvern in Victoria and Regis Kingswood in South Australia. The new facilities supported the further expansion of the Club Services program.

As part of its growth strategy, the Company is committed to ensure Facilities are modern, high-quality and support contemporary care delivery. The Company continued to invest in its existing portfolio through the Significant Refurbishment program. This program has now delivered an enhanced living environment to circa 1800 residents across 33 Facilities.

The 2017 financial year saw the first year of operation of the Facilities acquired from Masonic Care Queensland in June 2016. This delivered 711, high-quality places to the portfolio which were successfully integrated in FY17. In August of this year, the acquisition of Presbyterian Care Tasmania's three aged care Facilities located in Hobart and Launceston added another 287 places to the Regis portfolio and provided a strong presence in Tasmania.

The Company has 550 independent living units across five retirement villages, each being co-located with aged care Facilities, a model which is highly complementary and will provide future residents to the aged care Facility side of the business. With the demand for retirement living accommodation expected to double by 2025, Regis is also in the planning stages to roll out its retirement living growth strategy, which will see the development of its Melbourne and Perth retirement villages.

Finally, Regis continued its investment in maintaining the scalability of its systems, processes and human resource strategies, and developed a new online centralised recruitment and retention model to successfully onboard staff, manage professional development, reduce administrative workloads, and support succession planning in line with the Company's growth.

REGIS GROWTH STRATEGY

The Company's growth strategy is built on four key pillars. Opportunities are continually reviewed based on this strategy, specifically:

- The acquisition of single Facilities which meet key criteria such as location, competitive position, bed configuration, scale, operational efficiency and future capex required.
- The acquisition of portfolios that meet the above criteria and take advantage of the increasing consolidation within the marketplace.
- The brownfield redevelopment program including the expansion and redevelopment of its assets and the significant refurbishment of a number of Facilities.
- Development of greenfield Facilities to ensure Regis is actively positioning itself for substantial growth.

Regis will also continue to diversify its revenue stream by offering a number of service packages at its Facilities to meet the demand for additional tiered services and enhanced lifestyle programs. Regis Club Services is offered at select Regis sites and delivers a five-star hotel-style experience to residents which includes onsite cinemas, day spas, hairdressing salons, pay TV, e-zones and seasonal menus prepared by in-house chefs.

EXPANSION PIPELINE

As part of its brownfield expansion pipeline, Regis has undertaken a significant refurbishment program resulting in 33 Facilities offering an enhanced living environment. Regis also has a significant number of greenfield developments under construction which will contribute 1,482 new places across 11 sites.

The greenfield expansion program for this financial year saw the ongoing development of the following sites, with construction underway for seven sites and development plans approved for three others.

- Regis Chelmer, Regis Lutwyche and Regis Palm Beach in Queensland
- Regis Elermore Vale in Newcastle, New South Wales
- Regis Camberwell and Regis Inala in Victoria
- Regis Linden Park in South Australia, and
- Regis Port Coogee, Regis Woodlands, Regis Nedlands and Regis Greenmount in Western Australia.

Regis Kingwood in South Australia opened on 18 April 2017, adding 100 operational places to the portfolio following the reconstruction of the Facility and renovation of a heritage dwelling. The renovation of the existing mansion and construction of a new 120-place purpose-built Club Services Facility at Regis Chelmer is also well underway and will be ready to receive its first residents in the 2018 financial year. Construction is also underway at Regis Linden Park in Adelaide, as the first stage of the redevelopment of this older style Facility which was originally owned by the Salvation Army. This first stage involves the construction of a new double-storey Facility which will accommodate 117 places in a Club Services, state-of-the-art aged care building.

The former Regis Park facility in Western Australia, was closed in FY16 for redevelopment and construction has commenced on the 141-place state-of-the-art Facility which will be known as Regis Nedlands when opened. A new Facility at Regis Elermore Vale, Newcastle, New South Wales is expected to open in FY19 and provide 120 operational places.

Construction has also commenced on two new greenfield sites including a 123-place Facility at Regis Woodlands and a 139-place Facility at Regis Port Coogee, both in Western Australia.

Regis Lutwyche in Brisbane is now 50% complete and Regis Camberwell has received planning approval for a new 90-place Facility in Victoria.

Planning approval has now been received for Stage 1 of a program of works for Regis Inala which will include the refurbishment and expansion of its existing Facilities and provide an additional 202 new places.

As part of the asset regeneration program, a net 78 operational places were also taken offline for future development. These will be brought back online as part of the development programs in Linden Park, Adelaide and Inala, Victoria.

As part of the integration program for the facilities acquired from Masonic Care Queensland, Regis sold the Tin Can Bay Facility. This Facility was part of the Masonic portfolio but was considered sub-scale and not consistent with the Company's growth strategy. The sale saw the divestment of 20 operational places on 30 June 2017.

EXPANSION PIPELINE FOR THE 2017 FINANCIAL YEAR

The following snapshots provide further detail on these developments. A full list of all Regis Facilities is available on the Regis Healthcare website, which can be found at *www.regis.com.au*

Regis Aged Care is currently investing in new Facilities and redeveloping existing ones with construction underway at seven sites, including Regis Chelmer, Regis Nedlands, Regis Woodlands, Regis Lutwyche, Regis Linden Park, Regis Elermore Vale and Regis Port Coogee.

RETIREMENT LIVING GROWTH STRATEGY

With the number of Australians aged over 65 projected to increase from 3.2 million to 8.1 million by 2050, the demand for retirement living accommodation is expected to double by 2025. To meet this future demand and expand its aged care offering, Regis has commenced the rollout of a ten year development program for its co-located retirement village and aged care Facilities as part of its retirement living growth strategy.

Regis has owned and operated co-located retirement villages and aged care Facilities in Melbourne and Perth since 2007, and the recent acquisition of the Masonic Care business last year has introduced another three co-located sites in Queensland.

In 2018, Regis will commence the development of two of these and it is anticipated the retirement village operations will provide diversification and modest additional earnings to its existing aged care portfolio in the near term. The Retirement Living strategy is attractive as it has a strong cashflow, optimises the use of land assets and offers a continuum of care to residents.

The first site for development will be Burwood East (Inala Village) in Melbourne, with the master plan now finalised and detailed design for Stage 1 now underway. Civil works have started for the site and Stage 1 construction will commence in FY18. The Master Plan for Regis Nedlands is also underway and planning approval will be lodged in FY18.

Both projects will be delivered in nine stages over a ten year period and will involve the construction of around 670 retirement living apartments/units for the Company across the two locations.

CURRENT RETIREMENT LIVING LOCATIONS

LOCATION	TOTAL SITE AREA (SQM)	INDEPENDENT LIVING UNITS (CURRENT)	CO-LOCATED AGED CARE PLACES (CURRENT)
Burwood East, Victoria	85,000	269	310
Nedlands, Western Australia	74,000	81	120
Sandgate, Queensland	65,000	53	441
Cairns, Queensland	53,000	62	123
Townsville, Queensland	44,000	85	127

GROWTH STRATEGY

REGIS CHELMER,
QUEENSLAND

SUBURB	Chelmer
OPENING	1H FY18
SERVICE PRODUCT	Regis Club
NEW PLACES	120
CONSTRUCTION	90% complete

Located in a leafy street of Chelmer close to the Brisbane River, the premium aged care building will provide 120 single ensuite rooms and communal facilities once complete, including a private dining room, café, day spa, hair salon and library. Renovation of the existing two-storey heritage mansion and construction of the new purpose-built Facility is nearing completion.

REGIS LINDEN PARK,
SOUTH AUSTRALIA

SUBURB	Linden Park
OPENING	2H FY18
SERVICE PRODUCT	Regis Club
NEW PLACES	117
CONSTRUCTION	>75% complete

Linden Park is a campus site which currently provides a total of 167 places. As the first stage of this redevelopment, a new double-storey aged care building is now under construction and will accommodate 117 places. The new Club Services building will also provide amenities such as a café, private dining room, cinema, e-zone, library, hair salon, and day spa.

REGIS NEDLANDS,
WESTERN AUSTRALIA

SUBURB	Nedlands
OPENING	2HFY18
SERVICE PRODUCT	Regis Club
NEW PLACES	141
CONSTRUCTION	50% complete

The first stage of the redevelopment of Regis Nedlands (formally Regis Park) will open in late 2018 as a purpose-built modern aged care facility with 141 beds including a choice of contemporary standard rooms and suites. Located close to the Nedlands medical precinct, and with extensive views of Kings Park and the Swan River, the new Facility will include a hair salon, day spa, cinema room, library, café and function spaces. This is the first stage of the asset renewal process for the Hollywood campus in Nedlands, Perth.

REGIS ELERMORE VALE,
NEWCASTLE, NSW

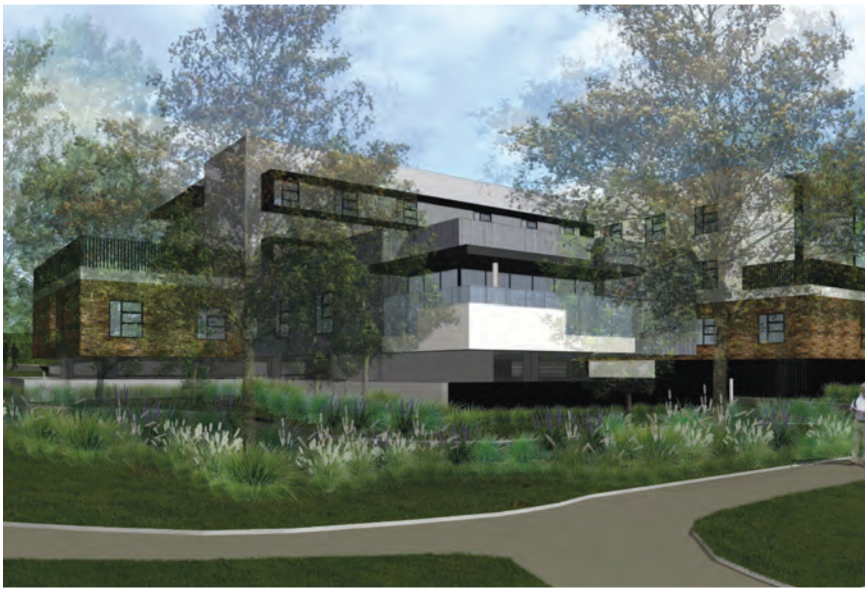
SUBURB	Elermore Vale
OPENING	FY19
NEW PLACES	120
CONSTRUCTION	25% complete

Regis Elermore Vale will see the build of a new innovative three-storey residential care Facility which will offer 120 high-care places including a 30-bed dementia-specific area. Designed by award winning architect, Jackson Teece, construction has now commenced. The Facility will include an onsite chef, extensive lifestyle program, cinema, hair salon and library complete with tree-lined views of the picturesque Hunter Valley region.

REGIS WOODLANDS,
WESTERN AUSTRALIA

SUBURB	Woodlands
OPENING	FY19
SERVICE PRODUCT	Regis Club
NEW PLACES	123
CONSTRUCTION	50% complete

Regis Woodlands is a greenfield site purchased by Regis in March 2016, with construction of a new 120-place Facility well underway. The Facility is set in the leafy suburb of Woodlands and the site design allows for the significant retention of vegetation to provide a relaxing aspect for residents. The Facility will include a dementia-specific area and the Regis Club Services amenities including a café, hair salon, day spa, library and cinema.



REGIS PORT COOGEE,
WESTERN AUSTRALIA

SUBURB	North Coogee
OPENING	FY19
SERVICE PRODUCT	Regis Club
NEW PLACES	139
CONSTRUCTION	25% complete

Regis Port Coogee is a greenfield site purchased by Regis in May 2016 and on completion will deliver 139 new places. The Facility is set immediately adjacent to the Port Coogee Marina which provides extensive views across the marina and ocean. The six-storey Facility will contain a dementia-specific area, and will offer an onsite café, hair salon, day spa, library and cinema as part of the Company's Club Services program.

GROWTH STRATEGY

REGIS LUTWYCHE,
QUEENSLAND

SUBURB	Lutwyche
OPENING	FY19
SERVICE PRODUCT	Regis Club
NEW PLACES	130
CONSTRUCTION	50% complete

Located in inner north Brisbane, the 3,506 square metre site was purchased from the Department of Main Roads in June 2015 and is located close to public transport and parks. The new premium aged care building will provide 130 single ensuite rooms and communication Facilities and include Club Services features such as a private dining room, café, day spa, hair salon, cinema and library.

REGIS CAMBERWELL,
VICTORIA

SUBURB	Camberwell
OPENING	FY19
SERVICE PRODUCT	Regis Club
NEW PLACES	90
CONSTRUCTION	Commencing FY18

Regis Camberwell is a greenfield site which has now received development approval. Construction is expected to commence in FY18. The Facility will be set in a quiet cul de sac in the leafy suburb of Camberwell. The 90-place Facility will contain a 15-room dementia-specific area. A number of larger suites will also be available for residents at this Facility. Communal facilities will include a private dining room, café, day spa, hair salon, cinema room and library.

REGIS INALA,
VICTORIA

SUBURB	Blackburn
OPENING	FY20
SERVICE PRODUCT	Regis Club
NEW PLACES	202
CONSTRUCTION	Commencing FY19

Situated on 10 hectares in the Melbourne suburb of Blackburn, Inala village includes a community café and store, shared community vegetable garden, auditorium for social events, and a day therapy centre and chapel. Development approval has been received and the Yana wing has now been closed with work to commence on this first stage of the redevelopment of the aged care Facilities. This stage once completed will provide an additional 202 new places.

REGIS PALM BEACH,
QUEENSLAND

SUBURB	Palm Beach
OPENING	FY20
SERVICE PRODUCT	Regis Club
NEW PLACES	150
CONSTRUCTION	FY19

Regis also purchased a beachfront block at Palm Beach. The land adjoins the Pacific Surf Life Saving Club and the location will be highly attractive to potential Regis aged care clients on the Gold Coast. This multi-storey aged care development will contain the usual Regis Club amenities.

ACQUISITIONS

In August 2017, Regis acquired Presbyterian Care Tasmania's aged care business, giving Regis a national presence, with Regis aged care Facilities now located in every State. The purchase includes three aged care Facilities with 287 beds located in Hobart and Launceston, and a small number of retirement village units, and home care places. The transaction was completed 1 August 2017 and a significant refurbishment program is planned to be completed across all three Facilities in 2018.

PUTTING REGIS PEOPLE FRONT AND CENTRE

Sabu Thomas, Chef – Regis East Malvern
As part of our commitment to excellence, Regis provides a high-quality dining experience to our residents by providing seasonal menus and innovative food choices. Our accredited chefs, cooks and food service attendants love food, love cooking, love the dining affair and cater for a diverse range of needs including those with special dietary needs.

REGIS IS COMMITTED TO INVESTING IN ITS PEOPLE AND THEIR SKILLS AND ABILITIES TO ENSURE THEY BRING THE BEST TO THE PEOPLE IN OUR CARE. THROUGH ON-THE-JOB TRAINING, SCHOLARSHIPS, GRADUATE AND PROFESSIONAL DEVELOPMENT PROGRAMS, OUR 7,255 EMPLOYEES HAVE READY ACCESS TO A RANGE OF LEARNING OPPORTUNITIES.

Our size and reputation as one of Australia's largest aged care providers coupled with our continued growth means Regis is well placed to offer career opportunities and pathways to all Regis team members. Regis is committed to promoting from within where possible, to ensure we retain and build on the passion, knowledge and strengths of our people.

This year, Regis launched its new People Centre system to provide an integrated online system to support the recruitment, tracking, managing and onboarding of new employees. It will also provide all employees with the ability to update their profile with new skills and qualifications, register their interest in working in other business areas or Facilities across the Company, and inform the Company's professional development and succession planning.

In addition to a wide range of professional development programs Regis offers a strong reward and recognition program, known as Regis Spirit, which was brought to life, this year through the launch of a new website. The site was developed to provide a platform for managers, employees and residents to share and acknowledge staff achievements and tenure across all Facilities.

In the spirit of collaboration, Regis also introduced a volunteer Health and Safety Representatives program where volunteers regularly consult with staff across the business to improve health, wellbeing and safety outcomes.

PEOPLE CENTRAL

People Central is a new Human Resources Information System (HRIS) which will support the growing Regis business by providing an online portal to assist in the management of all employee-related tasks from recruitment and onboarding through to performance management, professional development and succession planning.

Eighteen months in the making, People Central initially focused on rolling out its recruitment, onboarding and performance appraisal modules in early August 2017, with additional modules planned for 2018.

The advantage of the new system is its ability to deliver a consistent recruitment and onboarding experience for candidates who will now be able to apply for positions online. It also provides greater visibility of these tasks to managers who will be able to track and generate automated prompts and reminders.

The capacity of the new system to capture robust data will allow Regis to identify recruitment, retention and professional development trends across the business, identify opportunities, reduce administrative burdens and support key business decisions which will assist in positioning Regis as an employer of choice.

The new centralised online system also allows current and new employees to enter their employment information including their professional achievements, career and development aspirations and their interest in working across other Regis sites and business areas nationally.

In the near future People Central will be available on mobile devices and is a new generation of tools that will allow people to navigate their career paths and identify promotional and training opportunities.

PUTTING REGIS PEOPLE FRONT AND CENTRE

PROJECT FLOURISH – A COMMITMENT TO LIFE LONG LEARNING

Now in its third year, Project Flourish is a specialised training program designed to equip Regis clinical staff with additional knowledge and skills so they can support and provide quality care to our residents. The program, developed specifically for registered nurses, offers hands on training and skill development plans for staff striving to develop in their roles.

Intake dates are offered every three months and training, assessment and development plans are put in place for a four to six month period. Regis training and development managers work closely with facility and clinical managers to nominate staff who demonstrate a strong work ethic and show initiative. To qualify for the program, employees must be registered nurses and have worked with Regis for four months.

The program provides clinicians with the opportunity to learn new skills, enhance their clinical knowledge and be mentored by Project Flourish coaches. The learning and support provided to clinical staff is essential to the provision of quality care at Facilities. The Flourish Program focuses on developing best practice, strong time management skills and clinical knowledge.

Project Flourish also links to People Centre and supports the Company's succession planning as new and existing employees can enter their data and register their interest in training, employment vacancies and new career paths.

By developing experienced and skilled nurses, Project Flourish will continue to play an integral role in supporting the Company's growth and ensuring it has a strong succession plan in place.

"I BELIEVE TRAINING HAS BEEN EXTREMELY RELEVANT TO THE JOBS I CARRY OUT EACH DAY. THE LEARNING HAS MADE ME A BETTER NURSE AND TEAM LEADER. I CAN SEE A VERY POSITIVE FUTURE FOR MYSELF WITH REGIS AS AN EMPLOYER." FLOURISH GRADUATE

HEALTH AND SAFETY A TEAM EFFORT

Regis is committed to the health and safety of its people and through its Health and Safety Management System, undertakes a program of regular consultation and feedback from all staff to ensure issues and improvements are captured.

Integral to this program is our group of experienced Health and Safety Representatives (HSRs) who provide information, and liaise with Regis staff to roll out practical solutions to workplace hazards.

At a Facility level, Regis HSRs play a key role in the coordination of safety activities and alternate in the role of chairperson at monthly health and safety meetings. They also frequently participate in site hazard inspection audits, assist in the investigation of incidents and identify controls to help avoid similar incidents in the future.

Our staff consistently demonstrate a genuine desire to keep their colleagues safe and, as part of their training, complete an approved external five-day course on State legislation and risk management. They also meet every six months at forums to share their ideas and experiences, discuss safety-related issues and look at opportunities for improvement.

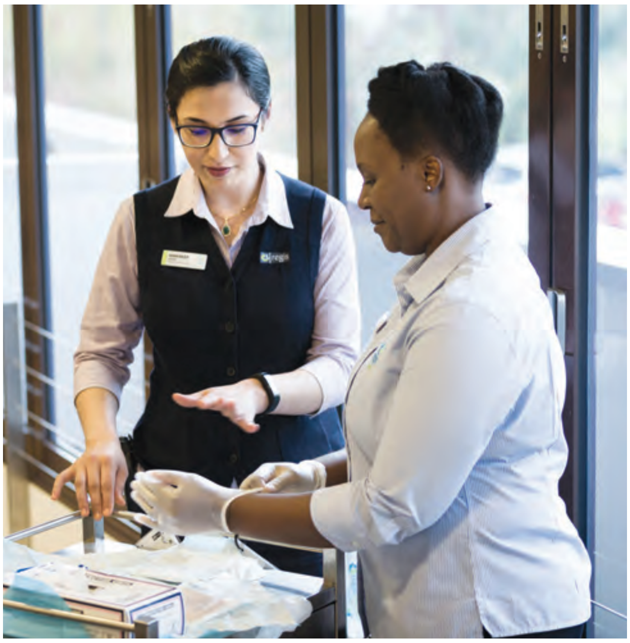
REGIS SPIRIT PROGRAM

The Regis Spirit is a key driver behind our people and business success and has now been developed into a core program which recognises and rewards the valuable work of our employees through a program of events held across all facilities.

To help bring Spirit to life, a website was developed to showcase Regis Spirit benefits to Employees and to provide a platform to share photos, stories, key milestones and national awards. The program also runs a calendar of events and actively encourages all Regis Facilities to take the time to celebrate individual employee and team achievements and the diversity of our staff. In particular, their contribution to their work environment, the Regis culture and the residents in their care.

Key elements of the Spirit Program include:

- **Employee of the Moment Award** – presented twice a year and provides managers, residents, visitors and employees with an opportunity to acknowledge outstanding work, with winners automatically nominated for the annual National Awards.
- **Wall of Thanks** – an innovative forum where each team can publicly thank each other for going that extra mile.
- **National Awards** – now in its ninth year, the National Awards recognise outstanding achievements by Regis employees and volunteers across 12 different categories.
- **Team Events** – to thank staff for their shared efforts on behalf of both Regis and residents, including International Nurses Day and Harmony Day.
- **Service Milestone Recognition** – events and presentations to thank employees for their achievement and commitment and for choosing to be part of the Regis family.



2017 FINANCIAL REPORT

Nyarai Makoka, Registered Nurse – Regis Blackburn
Our registered nurses provide the highest levels of resident care with a focus on not just their physical but also their social and emotional people needs. The competent nursing skills of our RNs coupled with their extensive experience in care management continues to put Regis people front and centre when it comes to quality resident care.

FINANCIAL REPORT CONTENTS

CORPORATE INFORMATION

DIRECTORS

Mark A Birrell	*Chairman, Non-Executive Director*
Ross J Johnston	*Managing Director and CEO*
Bryan A Dorman	*Non-Executive Director*
Sylvia Falzon	*Non-Executive Director*
Trevor Gerber	*Non-Executive Director*
Ian G Roberts	*Non-Executive Director*

COMPANY SECRETARY

Martin Bede

REGISTERED OFFICE

Level 2,
615 Dandenong Road
Armadale VIC 3143

PRINCIPAL PLACE OF BUSINESS

Level 2,
615 Dandenong Road
Armadale VIC 3143

SHARE REGISTRY

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne VIC 3000

Phone: 1300 554 474

STOCK EXCHANGE LISTING

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

SOLICITORS

Herbert Smith Freehills
101 Collins Street
Melbourne VIC 3000

AUDITOR

Ernst & Young Australia
8 Exhibition Street
Melbourne VIC 3000

DIRECTORS' REPORT

Your directors present their report on Regis Healthcare Limited (the Company) and its controlled entities (the Group) for the financial year ended 30 June 2017.

DIRECTORS

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

NAME	ROLE
Mark A Birrell	Chairman, Non-Executive Director
Ross J Johnston	Managing Director and CEO
Bryan A Dorman	Non-Executive Director
Sylvia Falzon	Non-Executive Director
Trevor Gerber	Non-Executive Director
Ian G Roberts	Non-Executive Director

All directors have been in office for the full period.

NAMES AND QUALIFICATIONS

MARK BIRRELL

Independent Non-Executive Chairman

A Fellow of the Australian Institute of Company Directors, Mark holds a Bachelor of Economics and Bachelor of Laws and was admitted to practice as a Barrister and Solicitor in 1983.

ROSS JOHNSTON

Managing Director and Chief Executive Officer

Ross holds a Diploma of Building and a Diploma of Quantity Surveying from the Royal Melbourne Institute of Technology.

Within the last three years Ross has also served as a director of BSA Limited (appointed 29 April 2008, ceased 28 April 2015).

BRYAN DORMAN

Non-Executive Director

Bryan is a qualified accountant and was a partner of a Melbourne accounting firm, Rees Partners, from 1977 until 2000.

SYLVIA FALZON

Independent Non-Executive Director

Sylvia holds a Masters in Industrial Relations and Human Resource Management (Hons) from the University of Sydney and a Bachelor of Business degree from the University of Western Sydney. She is a senior fellow of the Financial Services Institute of Australasia and holds a graduate diploma from the Australian Institute of Company Directors.

Sylvia is also a director of the following listed companies:

- Perpetual Limited (appointed 20 November 2012);
- SAI Global Limited (appointed 28 October 2013), resigned 28 December 2016.

TREVOR GERBER

Independent Non-Executive Director

Trevor is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Accountancy from the University of the Witwatersrand, South Africa.

Trevor is also a director of the following listed companies:

- CIMIC Group Limited (appointed 11 June 2014);
- Tassal Group Limited (appointed 4 April 2012);
- Vicinity Centres Limited (appointed 11 June 2015); and
- Sydney Airport Limited (appointed 5 April 2002).

IAN ROBERTS

Non-Executive Director

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

DIRECTORS' REPORT

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 were:

DIRECTOR	NUMBER OF ORDINARY SHARES
Mark A Birrell	41,096
Ross J Johnston	3,388,537
Bryan A Dorman	81,910,479
Sylvia Falzon	27,397
Trever Gerber	41,096
Ian G Roberts	81,910,479

COMPANY SECRETARY

Martin Bede is a lawyer by profession with considerable experience in both private practice and in-house legal roles. Martin holds a Bachelor of Laws and Bachelor of Commerce from the University of Melbourne and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

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.

OPERATING AND FINANCIAL REVIEW

As at 30 June 2017, the Group owned and operated 54 aged care facilities, had 6,029 operational places and provided services in 6 States and Territories.

REGIS BUSINESS MODEL

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

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

REVIEW AND RESULTS OF OPERATIONS

During the 2017 financial year Regis continued to grow its revenue and earnings results. The growth was driven by:

- Increased operational places from new developments
- Positive contributions from Masonic Care (Queensland, acquired 1 June 2016).
- Additional income from Significantly Refurbished facilities.

A summary of financial results for the year ended 30 June 2017 is below:

	2017 $'000	2016 $'000	% GROWTH
Reported(i) Revenue	565,483	480,745	+17.6%
Reported(i) Profit after tax for the year	61,101	46,535	+31.3%
Normalised(i) Profit after tax for the year	61,101	56,802	+7.6%
Normalised(i) Earnings Per Share	20.34 cents	18.91 cents	+7.6%

(i) The use of the terms 'reported' refers to IFRS financial information and 'normalised' to non-IFRS financial information. Normalised earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information, issued in December 2011. Normalised earnings have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each financial year. The non-IFRS financial information, while not subject to an audit or review, has been extracted from the financial report, which has been subject to audit by our external auditors.

For the year ended 30 June 2017, the Group's reported profit after income tax was $61,101,000 (2016: $46,535,000).

There are no adjustments to reported profit after tax of the Group for the year ended 30 June 2017. The normalised profit after tax of the Group for the year ended 30 June 2016 is $56,802,000. This normalised financial information is provided to assist readers to better understand the financial performance of the underlying business and is summarised in the table below.

	NOTES	2017 $'000	2016 $'000
Reported[i] Profit after tax for the year		**61,101**	**46,535**
Acquisition related expenses	1	-	13,205
Gain from bargain purchase	2	-	(3,617)
(Gain)/loss on disposal of property, plant & equipment	3	-	1,147
Impact of change in accounting policy	4	-	(468)
Normalised[i] Profit after tax for the year		**61,101**	**56,802**

Notes:
1. During FY2016 Regis acquired the Marleston ACF in South Australia and the Masonic Care business in Queensland. One off acquisition related costs of $13,205,000 after tax ($14,105,000 pre tax) were incurred as part of these transactions which included Government charges (stamp duty, GST and land registration fees), professional fees and legal expenses.
2. A gain on bargain purchase of $3,617,000 on the acquisition of the Regis Redlynch business was recognised in FY2016.
3. A loss on disposal of $1,147,000 after tax ($1,638,000 pre tax) was recognised in FY2016 in relation to the closure of the Park Lodge (WA) Aged Care Facility for redevelopment.
4. During FY2017 the Group re-assessed its method of valuing investment property (consisting primarily of its retirement living properties) after initial recognition from the cost method to the revaluation method, on the basis that it provides more relevant information to the users of the Group's financial statements and is more aligned to practices adopted to the Group's competitors. This change in accounting policy was applied retrospectively and resulted in a non-recurring adjustment to decrease depreciation expense by $668,000 and to increase income tax expense by $200,000 in FY2016. Refer to Note 3.4 for further information.

CASH FLOW AND CAPEX

The Group's principal sources of funds were cash flow from operations and RADs.

Net cash flows from operating activities in FY2017 of $151,052,000 were $17,497,000 higher than FY2016.

RAD, accommodation bond and ILU/ILA entry contribution net inflows were $70,543,000, up from $44,931,000 in the prior year.

The Group continued to invest in expansion opportunities during FY2017 including:

- Investment in land for future development sites $14,540,000
- Investment of $136,509,000 in capital expenditure for:
  - The development of new facilities.
  - Significant refurbishment of existing facilities, which has resulted in higher accommodation income at these facilities.
  - Maintenance and other capex

The Group's cash position and available debt facility are expected to provide sufficient liquidity to meet the Group's currently anticipated cash flow requirements.

DEVELOPMENT ACTIVITY

From a development perspective, Regis is continuing to deliver on its strategy of mobilising multiple greenfield facilities annually.

Construction of Regis East Malvern (148 operational places) has been completed with the facility opening in October 2016.

The facility is modern in design and construction and is expected to perform well in its market and geographic location. This Regis Club Facility also offers some apartment-style accommodation for residents in what the Group sees as a strong alternative product offering.

During the year, the Group also completed the redevelopment of Regis Kingswood (formerly Regis Sunset) in Adelaide. Regis Kingswood reopened as a 100 operational place Regis Club facility in May 2017.

An overview of the current development pipeline is summarised below:

DEVELOPMENT	TOTAL NEW PLACES	NET ADDITIONAL PLACES	CLUB SERVICES	LAND HELD	DEVELOPMENT APPROVAL	PROVISIONAL ALLOCATIONS/ LICENCES IN HAND	EXPECTED CONSTRUCTION START	FIRST RESIDENT EXPECTED	MILESTONE UPDATE
Regis Chelmer, QLD	120	120	✔	✔	✔	✔	Underway	1H FY18	Construction > 90%, outstanding places received in ACAR
Regis Linden Park, SA, Stage 1	117	53	✔	✔	✔	✔	Underway	2H FY18	Construction > 75% Nursing home closed in 2H FY17
Regis Nedlands, WA[1]	141	141	✔	✔	✔	✔	Underway	2H FY18	Construction > 50%
Regis Elermore Vale, Newcastle, NSW	120	120		✔	✔	✔	Underway	FY19	Construction > 25%
Regis Woodlands, WA	123	123	✔	✔	✔	✔	Underway	FY19	Construction > 50%
Regis Port Coogee, WA	139	139	✔	✔	✔	✔	Underway	FY19	Construction > 25%
Regis Lutwyche, QLD	130	130	✔	✔	✔	✔	Underway	FY19	Construction > 50%, outstanding places received in ACAR
Regis Camberwell, VIC	90	90	✔	✔	✔	Partially	2H FY18	FY 20	Development approval received
Regis Palm Beach, QLD	150	150	✔	✔		Partially	FY19	FY 20	Purchase complete and places received in ACAR, development planning process underway
Regis Inala, VIC, Stage 1	202	126	✔	✔	✔	Partially	FY19	FY21	Development approval received, Yana wing closed. Civil works starting FY18
Regis Greenmount, WA, Stage 2	150	111	✔	✔	✔	Partially			Timing to be confirmed pending the mobilisation of other WA developments
Total	**1,482**	**1,303**							

1. Formerly known as Regis Park prior to closure for redevelopment

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 1 August 2017, the Group acquired three aged care facilities located in Hobart and Launceston, comprising 287 aged care places. The acquisition also included a small retirement village and some home care packages. The Group has acquired the business in line with its growth strategy.

The Company has increased the capacity and tenor of its existing syndicated bank debt facilities. The new facilities provide Regis with total commitments of $515 million and includes:

- $295 million, to be used to fund the ongoing business operations including development activities and acquisitions, maturing in July 2020,
- $150 million to be used to fund the ongoing business operations including development activities and acquisitions, maturing in May 2021; and
- $70m million, to be used to expand the retirement living businesses at the Inala site in Melbourne and Hollywood site in Perth, maturing in July 2022.

CHANGES IN STATE OF AFFAIRS

During the 2016 financial year, as part of the 2015-16 Mid-Year Economic and Fiscal Outlook (MYEFO) and the 2016-17 federal budget, the Government made changes to the forward estimates for Government funding of Residential Aged Care. This has resulted in changes to future funding that will be effected through the Aged Care Funding Instrument (ACFI). These changes included adjustments to indexation, the complex health care domain scoring matrix, and scoring and eligibility requirements for some items within the domain. These proposed changes are being progressively implemented from 1 July 2016, and were estimated to result in a reduction in ACFI funding across the total age care sector of $472,000,000 (as announced in the 2015-16 MYEFO) and a further $1,200,000,000 announced in the 2016-17 Budget. A further update was provided by the Government in December 2016. As per these announcements, the combined reduction in ACFI funding for the total aged care sector over the period FY2017 to FY2020 is estimated to be approximately $1,700,000,000.

There was no material impact from these changes to the Group's results for the year ended 30 June 2017.

DIVIDENDS

	CENTS	$'000	FRANKED	DATE OF PAYMENT
Final dividend proposed:				
Ordinary shares	10.04	30,169	100% Franked	18 September 2017

The financial effect of dividends declared after year end are not reflected in the 30 June 2017 financial statements and will be recognised in subsequent financial reports.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

1. Expansion of its greenfield development program
2. Single facility acquisitions
3. Expansion and reconfiguration of existing facilities
4. 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.

KEY BUSINESS RISKS

The following risks identified by the Company represent threats to the Company's growth strategy. The Company has a risk management framework in place to manage the risks identified.

The regulatory framework may change

The Australian Aged Care industry is highly regulated by the Federal Government.

Regulatory change to the aged care industry may have an adverse impact on the way Regis 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.

Regis currently charges an Asset Replacement Charge (the ARC) to care recipients and maintains that the ARC is consistent with the Act. Regis has applied to the Federal Court for a declaration as to the interpretation of the legislation in order to obtain clarity in relation to capital refurbishment type fees and their compliance with the Act. The court's decision is expected in FY18.

Regis has reduced FY17 profit by an amount equal to the ARC revenue recognised.

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.

These risks may include regulatory changes that limit Regis' ability to sell replacement or new RADs, issues at a specific facility, which could require Regis to repay a large number of RADs, and general economic conditions which impact on the price that can be achieved for new RADs. Economic conditions include, but are not limited to, a decline in residential property prices, lower levels of personal wealth or deterioration of market conditions in the areas surrounding Regis' facilities.

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.

Occupancy levels may fall

In the ordinary course of its 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 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.

Facilities may lose their approvals or accreditation

Aged care facilities 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 facilities 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 facilities 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.

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 facilities or incidents at aged care facilities, health and safety issues affecting Residents, staff or visitors, failure to ensure facilities are well maintained or poor service delivery at facilities. If there were to be any such adverse publicity, this may reduce the number of existing Residents at Regis' facilities or Regis' ability to attract new Residents to its facilities, both of which may adversely impact Regis' profitability. Adverse media coverage may also lead to increased regulatory scrutiny in some areas and could have a material adverse effect on Regis' revenue and profitability by, for example, increased compliance costs.

Increased competition may affect Regis' competitive position

Each aged care facility 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 therefore mainly experienced at the facility level within the relevant catchment area. A substantial increase in the level of competition Regis faces across its portfolio of facilities could result in, among other things, Regis experiencing lower than anticipated occupancy rates, reduced revenue and margins and loss of its overall market share. This may have a material adverse effect on Regis' financial performance at the facility level, and if this were to occur across a number of facilities, this may reduce Regis' ability to achieve its strategic objectives.

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.

Regis may face medical indemnity and public liability claims, litigation 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.

Employees may leave and Regis may not be able to attract new 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.

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.

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 whilst 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 Company 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.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	DIRECTORS' MEETINGS		AUDIT, RISK AND COMPLIANCE COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
	HELD[1]	ATTENDED[2]	HELD[1]	ATTENDED[2]	HELD[1]	ATTENDED[2]
M Birrell	11	11	4	4	3	3
T Gerber	11	10	4	3	3	3
S Falzon	11	11	4	4	3	3
R Johnston	11	11	-	-	-	-
B Dorman	11	11	4	4	-	-
I Roberts	11	11	-	-	3	3

1 Reflects the number of meetings held in the time the Director held office during the year.
2 Reflects the number of meetings attended by the Director.

Members of the Audit, Risk and Compliance Committee are M Birrell, T Gerber, S Falzon and B Dorman.

Members of the Remuneration and Nomination Committee are M Birrell, T Gerber, S Falzon and I Roberts.

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.

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 COMPANY

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 51.

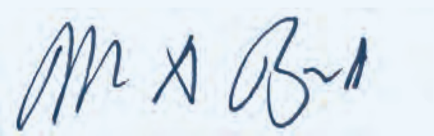
NON-AUDIT SERVICES

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	148
Other services	148
Total non-audit services	**296**

Signed in accordance with a resolution of the directors.



Mark A Birrell
Chairman

Melbourne, 25 August 2017

REMUNERATION REPORT

Here you will find:

(1) Message from the Chairman of the Remuneration and Nomination Committee

(2)Remuneration Report - Audited

A. Principles used to determine the nature and amount of remuneration
- (i) Executive remuneration
- (ii) Non-Executive Director remuneration
- (iii) Remuneration governance framework
- (iv) Remuneration consultants and other advisors
- (v) Company performance

B. Executive remuneration structure
- (i) Fixed pay
- (ii) Short term incentives and outcomes
- (iii) Long term incentives and outcomes
- (iv) Other LTI plans
- (v) Variable reward and retention plan
- (vi) Key terms of executive service agreements

C. Non-Executive Director remuneration structure
- (i) Director's fees
- (ii) Retirement allowances for Directors

D. Statutory remuneration disclosures
- (i) Senior Executive remuneration – statutory disclosures
- (ii) Performance Rights held by Senior Executives
- (iii) Movements in Performance Rights held by Senior Executives
- (iv) ESAS shares
- (v) KMP shareholdings
- (vi) Transactions with the Company
- (vii) Loans with the Company

REMUNERATION REPORT

(1) MESSAGE FROM THE CHAIRMAN OF THE REMUNERATION AND NOMINATION COMMITTEE

Dear Shareholders

On behalf of your board, I am pleased to present our Remuneration Report (the **Report**) for the financial year ended 30 June 2017 (FY17).

The purpose of the Report is to communicate with our shareholders and other stakeholders our remuneration framework and rationale for awarding incentives to our executives for FY17. We will also take the opportunity to detail key benefits we provide employees that helps position Regis as an 'employer of choice'.

The Board is focused on continuing to build and deliver value to shareholders through the execution of its growth strategy. Underpinning the success of this strategy is ensuring we have a robust remuneration and reward framework that supports and encourages sustainable growth and motivates our people.

During the year we undertook a review of our executive reward framework and decided to introduce a new variable reward plan with effect from 1 July 2017, to be known as the Variable Reward and Retention Plan (VRRP).

Participation in the VRRP will be offered to executives who have participated in the Regis Healthcare Equity Incentive Plan (LTI Plan) in FY17. The VRRP combines the existing Short-Term Incentive (STI) and LTI plans into a simpler single incentive plan.

In addition to the Report detailing remuneration outcomes for FY17, we have taken the opportunity to introduce our new VRRP in section B(v) on pages 45 and 46 in order to ensure full and transparent communication with our shareholders. Since listing in October 2014, and communicated in subsequent Reports, the Managing Director and Chief Executive Officer's (CEO) remuneration structure remains different from other Key Management Personnel (KMP) due to his entitlement to restricted shares under legacy arrangements agreed prior to listing. Remaining tranches are due to be released in FY18 and FY19 post full year results being announced in each respective year.

The Board's view is that share ownership by our CEO (via legacy arrangements) and KMP (via the new VRRP) provides for greater alignment between our executives and shareholders.

The remuneration outcomes outlined in this Report reflect Regis' approach to rewarding executives for delivering strong performance and holding executive team members accountable to ensure long term value for shareholders. In May 2017, sanctions were imposed on the service at Regis Tiwi Gardens (Darwin) and, as a result, an STI Gateway was not met. The Board has exercised discretion to allow for 50% of the FY17 STI award to vest for each executive including the CEO and in FY17, STI's awarded to our KMPs ranged between 30% and 42% of target. Compliance is taken seriously by the Board and executive team and pleasingly since May progress has been made to improve the services at the facility. Compliance is key to our licence to operate, and accordingly Compliance will continue to feature as a gate in our VRRP. Details of the performance measures, including outcomes, are included in section B(ii) of the Report.

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

Sylvia Falzon
Chairman of the Remuneration and Nomination Committee

(2) REMUNERATION REPORT – AUDITED

The Directors of Regis Healthcare Limited present the Remuneration Report for the Company for the reporting period 1 July 2016 to 30 June 2017. 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 for KMP of the Company. The KMP comprises the Non-Executive Directors (**NEDs**), the CEO and those persons with authority and responsibility for planning, directing and controlling the activities of the Company during the reporting year. The KMP, other than the NEDs, are referred to throughout this Report as 'Senior Executives'.

The names and positions of the KMP are listed in the following table.

NON-EXECUTIVE DIRECTORS

NAME	POSITION
Mark Birrell	Independent, Non-Executive Chairman
Bryan Dorman	Non-Executive Director
Sylvia Falzon	Independent Non-Executive Director
Trevor Gerber	Independent Non-Executive Director
Ian Roberts	Non-Executive Director

SENIOR EXECUTIVES

NAME	POSITION
Ross Johnston	Managing Director and Chief Executive Officer
Michelle Baker	General Manager, Operations Queensland , New South Wales and Northern Territory
Michael Horwood	General Manager, Property
Darren Lynch	General Manager, Development
Philip Mackney	General Manager, Operations Victoria, South Australia, and Western Australia
David Noonan	Chief Financial Officer

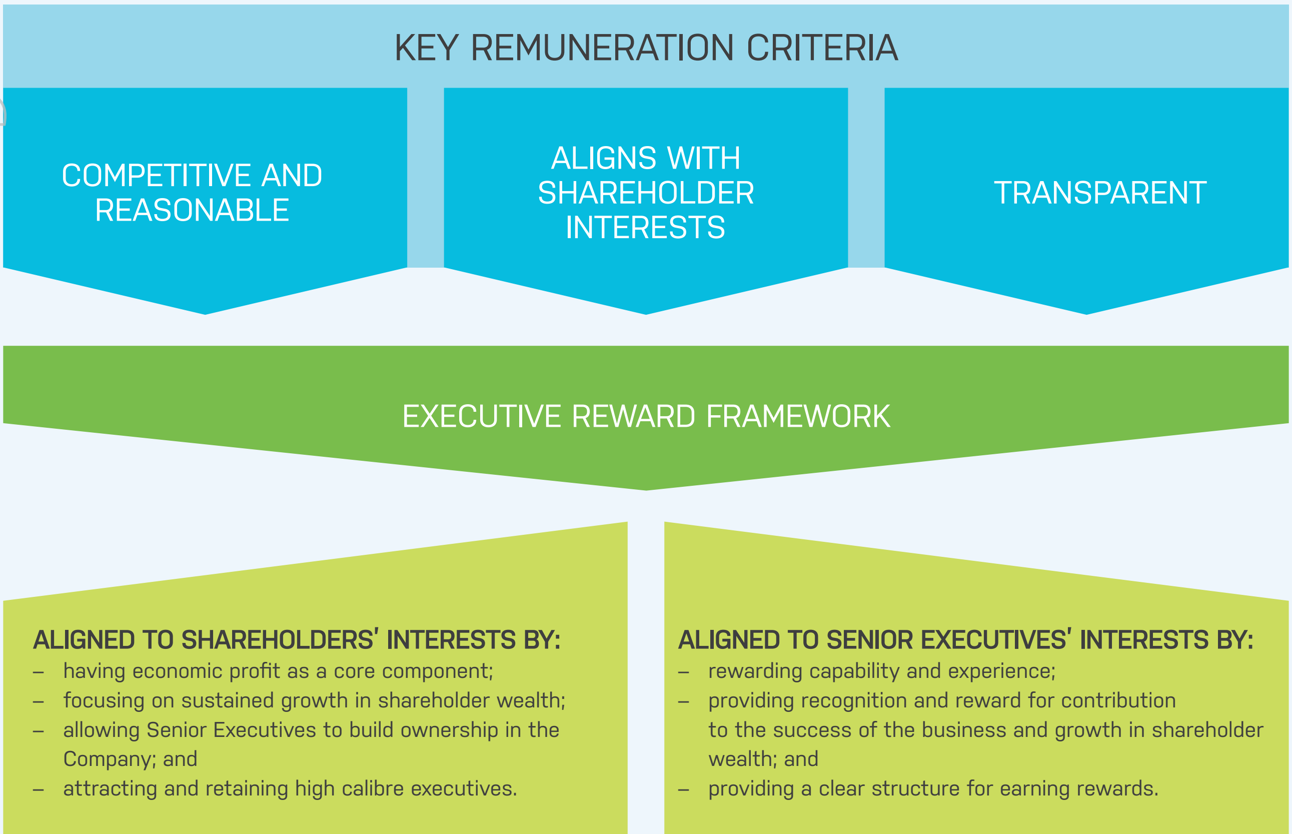
A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

i. Executive remuneration

The Company's executive reward framework aims to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. It provides a mix of fixed and variable pay and a blend of short and long-term incentives. As executives gain seniority within the Company, the balance of this mix generally shifts to a higher proportion of at-risk rewards.

REMUNERATION REPORT

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



ii. Non-Executive Director remuneration

To maintain Director independence, the remuneration of NEDs is not linked to Company performance and is comprised solely of Directors' fees (including superannuation).

The Company's remuneration policy for NEDs aims to ensure that Regis can attract and retain suitably qualified and experienced Directors having regard to:

- the level of fees paid to NEDs by comparable companies;
- the size and complexity of the Company's operations; and
- the responsibilities and work requirements of Directors.

iii. Remuneration governance framework

The Board Remuneration and Nomination Committee (the **Committee**), is responsible for remuneration and incentive policies and practices. It also makes specific recommendations to the Board on remuneration packages and other terms of employment/appointment (as applicable) for NEDs and Senior Executives. The Company's Corporate Governance Statement provides further information on the role of the Committee and can be found on the Company's website at: *www.regis.com.au/site/wp-content/uploads/2016/04/Regis-Healthcare-Corporate-Governance-Statement-2016.pdf*

iv. Remuneration consultants and other advisors

To assist in performing its duties and in making recommendations to the Board, the Committee from time to time seeks 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. In FY17, the Committee engaged KPMG as remuneration advisor to assist in the review of Regis' remuneration framework, provide benchmarking data and guidance on market trends, review the Remuneration Report, and provide advice in relation to the establishment of the VRRP, however no remuneration recommendations were made.

v. Company performance

The following table shows the Company's financial performance during the reporting period. Comparative numbers for the previous two financial years are shown as this is the Company's third Remuneration Report as a listed entity.

KEY PERFORMANCE INDICATORS	FY17 $'000	FY16 $'000	FY15 $'000
Reported[1] Revenue	565,483	480,745	437,508
Reported[1] Net profit before tax	87,718	70,081	78,086
Reported[1] Net profit after tax	61,101	46,535	57,514
Normalised[1] Net profit after tax	61,101	56,802	45,898
Share price at beginning of year	$4.69	$5.16	$3.65
Share price at end of year	$3.93	$4.69	$5.16
Dividends paid per share	20.34 cents	15.34 cents	17.60 cents
Basic earnings per share	20.34 cents	15.49 cents	21.16 cents
Diluted earnings per share	20.32 cents	15.48 cents	21.15 cents

1. The use of the terms 'reported' refers to IFRS financial information and 'normalised' to non-IFRS financial information. Normalised earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information. Normalised adjustments have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each financial year. The non-IFRS financial information, while not subject to an audit or review, has been extracted from the financial report, which has been subject to audit by our external auditors.

The remuneration framework and retention of Senior Executives contributed to solid company performance during the period which was marked by an increase in revenue and net profit after tax on a normalised basis.

B. EXECUTIVE REMUNERATION STRUCTURE

During the year, the Company's pay and reward framework for Senior Executives had three components:

- fixed pay, including superannuation;
- short-term performance incentives; and
- long-term performance incentives.

The CEO has restricted shares under the Legacy Executive Option and Equity Plan for Senior Executives (known as **ESAS shares**). These ESAS shares were issued prior to listing to recognise the CEO's performance from the date he commenced service with the Company until the Company listed in October 2014. These ESAS shares continue on foot and remain with sale restriction (subject to release for sale in tranches). Due to the CEO's entitlement to the ESAS shares (subject to continued employment by the Company) he does not participate in the Regis Healthcare Equity Incentive Plan ('**LTI Plan**'). Accordingly, the CEO does not participate in the LTI plan for other Senior Executives.

The table below sets out the applicable components of the remuneration of the CEO and other Senior Executives.

		CEO	OTHER SENIOR EXECUTIVES	DISCUSSION IN REMUNERATION REPORT
Fixed remuneration	Salary	✔	✔	pages 40
	Superannuation	✔	✔	pages 40
	Other benefits[1]	✔	✔	pages 40
At-risk remuneration	STI (cash)	✔	✔	pages 40-42
	STI (performance rights)	✘	✔	pages 40-42
	LTI (performance rights)	✘	✔	pages 43-45

1. Other benefits may include contractual allowances, such as motor vehicle allowances, travel allowances, novated lease payments or relocation benefits (if any).

REMUNERATION REPORT

The mix of fixed versus performance based remuneration that applied for the reporting period is set out in the table below.

	% OF TOTAL REMUNERATION		
	FIXED REMUNERATION	PERFORMANCE-BASED REMUNERATION	
		TARGET STI OPPORTUNITY[1]	TARGET LTI OPPORTUNITY[2]
Ross Johnston	79.68%	20.32%	N/A
Michelle Baker	52.63%	26.32%	21.05%
Michael Horwood	55.56%	22.22%	22.22%
Darren Lynch	58.82%	23.53%	17.65%
Philip Mackney	52.63%	26.32%	21.05%
David Noonan	57.14%	22.86%	20.00%

1. This is provided at target levels.
2.This amount is based on the face value of the performance rights granted in the current year.

i. Fixed pay

The terms of employment for all Senior Executives contain a fixed annual remuneration component comprising:

- base salary;
- superannuation; and
- other benefits, detailed above.

Senior Executives are offered competitive fixed pay that is reviewed as required to ensure it remains competitive and is commensurate with the responsibilities of the position.

ii. Short-term incentives and outcomes

What is the STI plan?	An incentive plan under which Senior Executives are eligible to receive an annual award if they satisfy challenging operational, strategic and individual performance targets. Senior Executives will be entitled to an STI award up to a maximum fixed percentage of their annual fixed remuneration (the maximum amount will differ between individuals, but does not exceed 50% of annual fixed remuneration apart from the General Manager, Development – see table on page 42).
What is the performance period	12 months from 1 July – 30 June.
What are the performance conditions?	The FY17 STI award was subject to performance targets based on: • EBITDA • Occupancy • Positioning the Company for EPS Growth (CEO only) • Workplace health and safety • Ongoing compliance and accreditation • Other role specific targets Subject to Board discretion, if the Company does not meet both a threshold EBITDA target and an ongoing compliance and accreditation target, no STI award will be payable even if the performance targets have otherwise been met.
Why were the performance conditions chosen?	The Board believes that the above measures are an appropriate mix of measures to support short term financial performance and the achievement of longer term strategic objectives.

How are the performance conditions assessed and why was this method chosen?	Following the end of the financial year, the Board assesses achievement against performance targets, and determines the STI awards to be made to Senior Executives (if any). For the purpose of testing the Company's achievement of the EBITDA threshold, financial results are extracted by reference to the Company's audited financial statements. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Company. In addition, the Board assesses the CEO's performance against non-financial and individual targets to determine the level of STI award. The CEO similarly assesses the non-financial and individual performance of the other Senior Executives and makes recommendations to the Committee and Board as to the portion of STI that should be awarded. The Committee reviews these recommendations and endorses the level of STI to be paid for Board approval. Board discretion to increase or reduce the STI award may be applied where appropriate.
How is the STI delivered?	For the CEO, STI is delivered in cash as follows: • 66% of his STI award will be paid shortly after the release of the Company's FY17 audited results to the ASX; • 17% will be deferred for 12 months; and • the remaining 17% will be deferred for a further period of 12 months (i.e. 2 years in total). The CEO's STI is not deferred into performance rights as it is recognised that the CEO has significant alignment with shareholder interests due to his ESAS shares. For other Senior Executives: • 66% of the STI payment will be paid in cash shortly after the release of the Company's FY17 audited results to the ASX; • 17% will be delivered by a grant of rights to acquire shares (**Performance Rights**), which will vest after a period of 12 months from the grant date; and • the remaining 17% will also be delivered by a grant of Performance Rights, which will vest after a period of 2 years from the grant date. The number of Performance Rights granted is calculated using face value allocation methodology based on the volume weighted average price of fully paid ordinary shares in the Company over the 5 trading day period commencing on the trading day after the ex-dividend date for the Company's shares. All the deferred components will be subject to a continuous service condition.
Why does the Board consider the STI plan an appropriate incentive?	The STI plan is designed to motivate and reward high performance while aligning executives' interests with shareholders. It puts a significant proportion of Senior Executives' remuneration at-risk against targets linked to the Company's performance.
What happens on cessation of employment?	Where a Senior Executive is terminated for cause or resigns, all unvested Performance Rights will lapse, unless the Board determines otherwise. For the CEO, any deferred cash is forfeited, unless otherwise agreed in writing with the Board. If a Senior Executive ceases employment for any other reason, unless the Board determines otherwise, a pro rata portion of unvested Performance Rights (calculated by reference to the portion of the performance period that has elapsed) will remain on foot subject to the original vesting conditions, and will vest or lapse in due course. The remainder of the Performance Rights will automatically lapse. A similar approach is taken in respect of the CEO's deferred STI.
Are there any restrictions on dealing?	A Senior Executive must not sell, transfer, encumber, hedge or otherwise deal with Performance Rights. Senior Executives are free to deal with the shares allocated on vesting of the Performance Rights, subject to the requirements of the Company's Policy for Dealing in Securities.
What happens in the event of a change in control?	The Board has discretion to determine that vesting of some or all of a Senior Executive's Performance Rights should be accelerated. Where only some of the Performance Rights are vested, the remainder will immediately lapse.

The tables below outline FY17 performance against the STI performance measures and gateways and the percentage of STI that vested.

STI GATEWAY	TARGET	RESULT
EBITDA[1]	Exceed threshold	Threshold performance exceeded. STI eligible for full vesting.
Ongoing compliance and accreditation	All accreditation received, no compliances exceed timeframe for improvement (TFI)	In May 2017, sanctions were imposed on the service at Regis Tiwi Gardens (Darwin) and, as a result, this STI Gateway was not met. The Board has exercised discretion to allow for 50% of the FY17 STI award to vest.

MEASURE	GATEWAY	WEIGHTING[2]	TARGET	RESULT
EBITDA	✔	30%	Exceed budget EBITDA	Target Met. Full Vesting
Occupancy	✘	10%	Available bed days budget	Target Not Met. Partial Vesting
Workplace health and safety	✘	10%	Exceed AIFR target	Target Not Met. Nil Vesting
Positioning the Company for EPS growth (CEO only)	✔	30%	Target EPS growth per strategic plan	CEO - Partial Vesting
Other role-specific targets[3]	✔	20%	CEO: Other targets specific to role. Other Senior Executives: Specific to role	Achievement of between Full and Partial Vesting

1. EBITDA is based on the statutory profit of the Group adjusted for interest, tax, depreciation and amortisation and for the effect of other one off items determined by the Board in relation to the Group's EBITDA budget target.
2.Weighting of CEO's KPIs has been listed above. Each of the other Senior Executives had the same measures, apart from the EPS measure with the weightings adjusted for certain roles to reflect the relevant responsibilities.
3.The General Manager, Development is eligible for greater than 100% STI subject to performance.

Percentage of STI paid and forfeited for Senior Executives

SENIOR EXECUTIVE	TARGET STI $	ACTUAL STI AWARDED[1] $	% OF TARGET STI AWARD VESTED	% OF TARGET STI AWARD FORFEITED[2]
Ross Johnston	200,000	75,000	37.5%	62.5%
Michelle Baker	189,759	61,672	32.5%	67.5%
Michael Horwood	137,204	50,080	36.5%	63.5%
Darren Lynch	138,203	55,281	40%	60%
Philip Mackney	190,427	57,128	30%	70%
David Noonan	191,760	79,580	41.5%	58.5%

1 Except for Ross Johnston who receives his total STI award in cash, 34% of any STI award is delivered as Performance Rights. The cash portion will be paid by 11 September 2017. The Performance Rights portion will be granted by 11 September 2017.
2 As noted above, sanctions were imposed on the service at Regis Tiwi Gardens (Darwin) and, as a result, the ongoing compliance and accreditation gateway hurdle for the FY17 STI Plan was not met. The Board has exercised a discretion to allow for 50% of the FY17 STI award to vest.

iii. Long-term incentives and outcomes

The Company established the LTI Plan to assist in the motivation, retention and reward of Senior Executives.

The key terms of the FY17 grant under the LTI Plan are as follows:

What is the LTI Plan?

An incentive plan under which Senior Executives are eligible to receive an award of Performance Rights that are linked to the achievement of targets related to the Company's medium to long-term performance. The LTI Plan is designed to further align the interests of Senior Executives with the interests of shareholders by providing an opportunity for Senior Executives to receive an equity interest in the Company.

Who participates in the LTI Plan?

Participation in the LTI Plan is only offered to Senior Executives due to the significant influence that their performance can have on generation of shareholder value. As previously outlined, the CEO does not participate in this LTI Plan as he has significant existing legacy equity arrangements.

What proportion of total remuneration does the LTI represent?

Each Senior Executive has an LTI opportunity equivalent to 30% – 40% of their fixed annual remuneration calculated using face value allocation methodology.

What is the performance period?

The performance period of the LTI is 3 years. For the FY17 grant, the performance period is 1 July 2016 to 30 June 2019.

How is reward delivered under the LTI Plan?

Each Performance Right entitles the holder to acquire a share in the Company for nil consideration at the end of the performance period, subject to meeting specific performance conditions.

Do participants pay for the Performance Rights?

Performance Rights are issued for nil consideration. No exercise price is payable in respect of the Performance Rights.

What rights are attached to the Performance Rights?

The Performance Rights do not carry dividends or voting rights prior to vesting.

What are the performance rights and why have they been chosen?

For the FY17 grant, Performance Rights will be subject to two performance conditions based on:

a. achievement of the Company's Strategic Plan (the **Strategic Plan Hurdle**); and
b. the Company's FY19 EPS performance against its strategic plan (**the EPS Hurdle**).

The weighting of the performance conditions will be as follows:

- Strategic Plan Hurdle: 40%
- EPS Hurdle: 60%

The Strategic Plan Hurdle assesses Senior Executives against the progressive achievement of the Company's five-year strategic plan. Assessment of the Strategic Plan Hurdle will be determined by the Board in its absolute discretion, having regard to set criteria (listed on the following page) and other matters that it considers relevant.

Assessment of the EPS Hurdle will be determined over the performance period by reference to the following vesting schedule:

FY19 EPS	% OF PERFORMANCE RIGHTS SUBJECT TO THE EPS HURDLE THAT VEST
Less than Target	nil
Target	50%
Between Target and Stretch	50-100%, on a straight line sliding scale
Stretch	100%

The EPS Hurdle requires achievement of targets at the threshold level for any vesting to occur.

The Board considers that the targets required to attract full or partial vesting are commercially sensitive and therefore do not disclose them to the market at the time of the grant. The Board however confirms its commitment to driving growth for shareholders over the longer term.

The EPS target and stretch levels will be disclosed in the next Remuneration Report following the time of vesting.

Any Performance Rights that remain unvested at the end of the performance period will lapse immediately.

How is the EPS Hurdle measured and why was this method chosen?	For the purpose of testing the achievement of the EPS Hurdle, financial results are extracted by reference to the Company's audited financial statements. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Company. EPS is calculated using earnings on a pre-significant items (i.e. any unusual or material one-off items in the result) basis adjusted for the related income tax (benefit)/expense), and using the number of ordinary shares on issue at the effective date of grant and the number of ordinary shares on issue at the end of the relevant measurement period to calculate EPS. Assessment of achievement of the EPS performance condition will be determined by the Board.
How is the Strategic Plan Hurdle measured and why was this method chosen?	Currently the following five criteria are used to measure the performance of each Senior Executive against the Strategic Plan Hurdle: • Land secured for development • Places under construction • Development approvals obtained • Mobilisation of newly developed facilities • Progress in the development of the Company's growth strategy in the period The Board sets threshold and stretch targets for each category above with timeframes included in the strategic plan. The Committee will assess how the Senior Executives are progressing against the above criteria as outlined in the five-year strategic plan. The weighting given to each of the above criteria is reviewed annually in line with the plan for the period. The performance criteria are set by the Board based on market conditions and areas necessitating the focus of the Senior Executives. Due to the commercially sensitive nature of the information, the Board will provide additional detail on the specific targets, and performance against them, in the next Remuneration Report following the time of vesting. The Board has chosen this method of measurement as it most accurately measures the contribution that each Senior Executive has made towards the achievement of the five-year strategic plan.
What happens on cessation of employment?	If a Senior Executive ceases employment for cause or resigns, unless the Board determines otherwise, any unvested Performance Rights will automatically lapse. In all other circumstances, unless the Board determines otherwise: • a pro-rata portion of the Performance Rights (calculated by reference to the portion of the performance period that has elapsed up to the date of cessation) will remain on foot and will vest in due course if the performance conditions are achieved, as though the Senior Executive had not ceased employment; and • the remaining portion of the Performance Rights will automatically lapse.
What happens in the event of a change in control?	The Board has a discretion to determine that vesting of some or all of the Performance Rights should be accelerated. Where only some of the Performance Rights are vested, the remainder will immediately lapse.

Percentage of FY15 LTI Plan vested and forfeited for Senior Executives

The FY15 LTI Plan was tested following completion of the performance period on 30 June 2017. The FY15 LTI Plan was subject to one performance condition being the Company's FY17 EPS performance against its strategic plan.

Performance against the EPS Hurdle is outlined in the table below:

FINANCIAL YEAR	EPS TARGET (CENTS PER SHARE)	EPS STRETCH (CENTS PER SHARE)	ACTUAL EPS ACHIEVED (CENTS PER SHARE)	VESTING UNDER FY15 LTI PLAN (%)
FY17	16.0	19.0	20.34	100

The table below outlines the number, value and percentage of Performance Rights that vested under the FY15 LTI Plan.

SENIOR EXECUTIVE	VESTED PERFORMANCE RIGHTS (NO)	VESTED PERFORMANCE RIGHTS ($)	% OF FY15 GRANT FORFEITED
Michelle Baker	26,236	96,024	0
Michael Horwood	19,677	72,018	0
Darren Lynch	19,677	72,018	0
Philip Mackney	28,859	105,624	0

iv. Other LTI plans

Prior to listing in October 2014, the Company had in place LTI arrangements with Senior Executives including the Legacy cash LTI plan and the Legacy Executive Option and Equity Plan for Senior Executives (**ESAS Plan**). Certain awards under these LTI arrangements for the CEO and Senior Executives remain on foot post listing. There is no intention for any future grants under these plans.

Details of the payments under the Legacy cash LTI plan are set out in Section D of this report.

v. Variable Reward and Retention Plan (VRRP) commencing in FY18

During FY17, the Board undertook a review of its existing remuneration framework under the guidance of the Committee and remuneration advisor KPMG. This review resulted in the introduction of a revised remuneration structure for executives currently participating in the LTI plan, which will combine the existing STI and LTI plans into one VRPP from FY18.

Performance within the plan will be assessed over a 12 month period to allow greater focus and line of sight against short and long term measures directly linked to our strategic plan. On completion of the one year performance period, performance (against the performance measures listed in the table on the following page) will be assessed and the percentage of the maximum opportunity earned will be determined. The Senior Executive will then receive an award equal to this value comprising 40% in cash and 60% in Performance Rights.

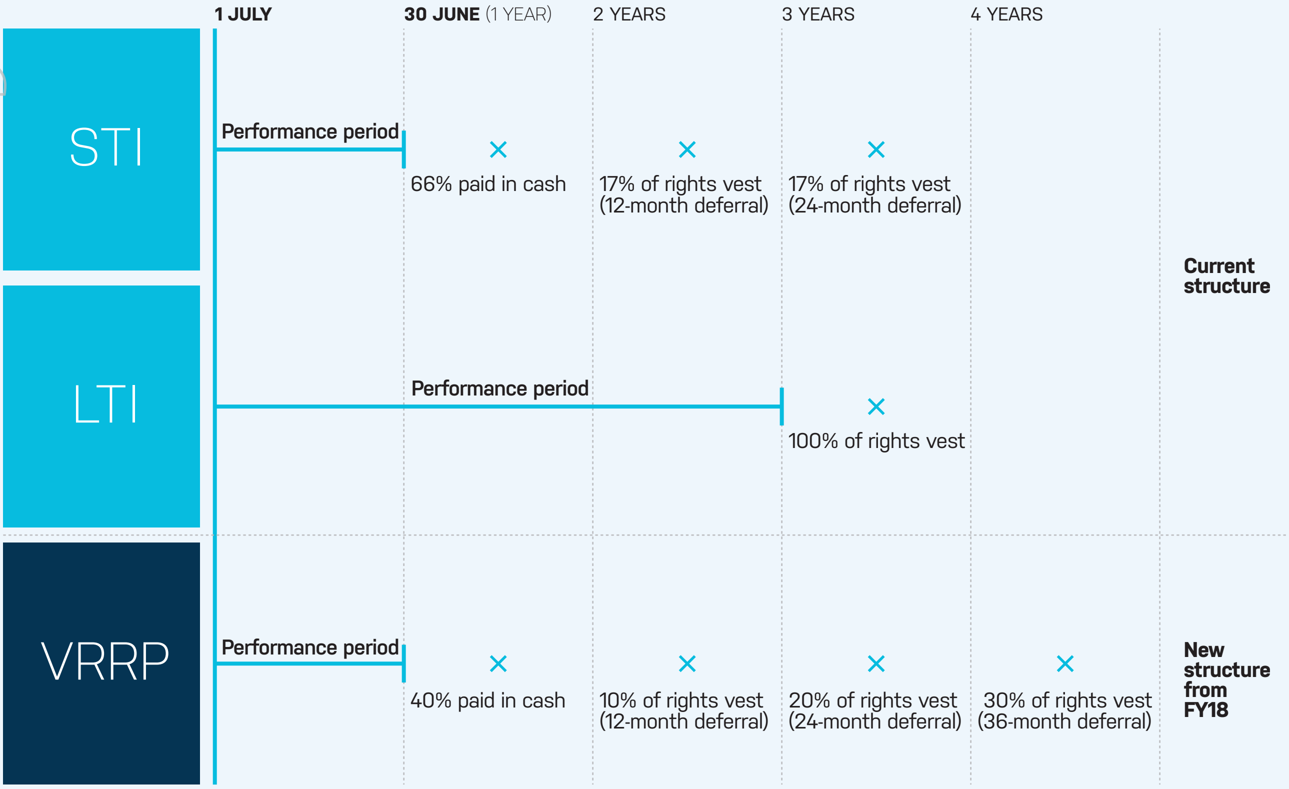
The 60% portion of the award delivered in Performance Rights will encourage retention and ensure Senior Executives are invested in the sustainable long-term performance of the Company and align their interests with those of shareholders.

As outlined in the diagram below, the Performance Rights will vest in three tranches, deferred for additional one (10%), two (20%) and three (30%) year periods after completion of the performance period, subject to continued employment.

In setting deferral periods as one, two and three years after completion of the performance period, the Board has extended the period of time that an Executive must remain with the Company in order to receive full vesting of the award (i.e. under the VRRP, an executive will not be entitled to full vesting of the award until more than four years after the commencement of the performance period).

REMUNERATION REPORT

The diagram below compares the vesting schedule of the existing STI and LTI plans to the VRPP:



In determining the incentive opportunity for each VRRP participant, rather than combine the FY17 short-term and long-term incentive opportunities, a 'discount' has been applied to the long-term incentive opportunity to reflect the increased line of sight and value that comes from the shortening of the performance period to 12 months.

Under the FY18 VRRP, participant performance will be assessed against[1]:

MEASURE	WEIGHTING
NPAT	40%
Refundable Accommodation Deposit (RAD) cash flow	20%
All injury frequency rate	10%
Annual progress against the strategic plan	30%

A compliance and accreditation gateway will be applied to the cash component of the VRRP due to it being critical to the business' short and long-term success. In order to be eligible for the cash component, all accreditations must be maintained and non-compliances must not exceed an appropriate timeframe for improvement. In the event of one service being sanctioned, 50% of the cash component will be forfeited. In the event of a second being sanctioned, 100% of the cash component will be forfeited.

1. Measured against similar objectives to those considered as part of the FY17 LTI, as described on page 43 of this report.

vi. Key terms of Executive service agreements

All Senior Executives are party to a written executive service agreement with Regis Aged Care Pty Ltd, a subsidiary of Regis Healthcare Limited.

Key terms of Executive service agreement for CEO

Duration	Ongoing
Periods of notice required to terminate	6 months. The agreement may, however, be terminated by the employer: • on three months' notice if the CEO fails to address performance concerns notified to him by the Board; or • without notice or any payment for cause.
Termination payments	The employer has discretion to make a payment in lieu of notice. No contracted retirement benefits are in place with any of the Company's Senior Executives. In the case of redundancy, the CEO is entitled to receive a severance payment equivalent to 12 months' fixed remuneration (inclusive of any payment in lieu of notice).
Restraint of trade	Maximum of 12 months.

Key terms of Executive service agreements for other Senior Executives

Duration	Ongoing
Periods of notice required to terminate	3 months. The agreement may, however, be terminated by the employer for cause without notice or any payment.
Termination payments	The employer has discretion to make a payment in lieu of notice. No contracted retirement benefits are in place with any of the Company's Senior Executives.
Restraint of trade	Maximum of 6 months.

C. NON-EXECUTIVE DIRECTOR REMUNERATION STRUCTURE

Fees and payments to NEDs reflect the demands on, and responsibilities of, the NEDs. NEDs' fees and payments are reviewed bi-annually by the Board. The Board reviewed remuneration of NEDs in FY17 and considered that NEDs' fees and payments continue to be appropriate and in line with the market.

i. Directors' fees

Under the Constitution, the Board may decide the amount of each Director's remuneration. However, the total amount provided to all NEDs must not exceed, in aggregate in any financial year, the amount fixed by the Company in the general meeting. The fees payable to the current Directors did not exceed that amount, being $1.2 million in aggregate.

The annual Director fees currently agreed to be paid are:

ROLE	ANNUAL FEES
Chairman	$240,000
Other NEDs	$110,000
Chair of Audit, Risk and Compliance Committee	$30,000
Members of Audit, Risk and Compliance Committee	$20,000
Chair of the Remuneration and Nomination Committee	$20,000
Members of the Remuneration and Nomination Committee	$12,500

Directors may be paid for travel and other expenses incurred in attending to the Company's affairs, including attending and returning from meetings of Directors or committees or general meetings. Directors may also be remunerated where they devote special attention to the business or perform services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director.

ii. Retirement allowances for Directors

NEDs do not participate in any performance based share or option incentive plans or other retirement schemes or benefits other than statutory benefits.

D. STATUTORY REMUNERATION DISCLOSURES

i. Senior Executive remuneration – statutory disclosures

Details of the remuneration of the NEDs and Senior Executives of the Group are set out in the following tables. The tables include the statutory disclosures required under the Corporations Act 2001 (Cth) and are in accordance with the Accounting Standards.

			SHORT TERM BENEFITS			POST EMPLOYMENT	OTHER LONG-TERM BENEFITS		SHARE-BASED PAYMENTS		
NAME	ROLE	YEAR	SALARY & FEES	NON-MONETARY BENEFITS	STI-CASH BONUS	SUPER-ANNUATION	LONG SERVICE LEAVE	LEGACY CASH LTI	PERFORMANCE RIGHTS GRANTED UNDER STI & LTI PLANS	SHARES	TOTAL
			$	$	$	$	$	$	$	$	$
Non-Executive Directors											
Mark Birrell	Chairman	FY16	248,858	-	-	23,642	-	-	-	-	272,500
		FY17	248,858	-	-	23,642	-	-	-	-	272,500
Bryan Dorman	NED	FY16	118,722	-	-	11,278	-	-	-	-	130,000
		FY17	118,722	-	-	11,278	-	-	-	-	130,000
Sylvia Falzon	NED	FY16	136,986	-	-	13,014	-	-	-	-	150,000
		FY17	136,986	-	-	13,014	-	-	-	-	150,000
Trevor Gerber	NED	FY16	139,269	-	-	13,231	-	-	-	-	152,500
		FY17	139,269	-	-	13,231	-	-	-	-	152,500
Ian Roberts	NED	FY16	111,872	-	-	10,628	-	-	-	-	122,500
		FY17	111,872	-	-	10,628	-	-	-	-	122,500
Sub-Total Non-Executive Directors											
		FY16	**755,707**	**-**	**-**	**71,793**	**-**	**-**	**-**	**-**	**827,500**
		FY17	**755,707**	**-**	**-**	**71,793**	**-**	**-**	**-**	**-**	**827,500**

			SHORT TERM BENEFITS			POST EMPLOYMENT	OTHER LONG-TERM BENEFITS		SHARE-BASED PAYMENTS		
NAME	ROLE	YEAR	SALARY & FEES	NON-MONETARY BENEFITS	STI-CASH BONUS[1]	SUPER-ANNUATION	LONG SERVICE LEAVE	LEGACY CASH LTI[2]	PERFORMANCE RIGHTS GRANTED UNDER STI & LTI PLANS	SHARES	TOTAL
			$	$	$	$	$	$	$	$	$
Executive Directors											
Ross Johnston	MD/CEO	FY16	739,674	-	172,862	38,028	47,584	122,906	-	-	1,121,054
		FY17	779,583	-	92,512	30,230	15,921	82,952	-	-	1,001,198
Executives											
Michelle Baker	GM Operations, QLD & NSW	FY16	335,658	-	73,934	31,384	4,029	42,694	100,043	-	587,742
		FY17	355,617	-	40,702	32,549	14,560	23,974	59,872	-	527,274
Michael Horwood	GM Property	FY16	327,918	-	67,638	30,033	8,906	54,260	77,747	-	566,502
		FY17	336,381	-	33,052	28,032	7,420	44,980	46,433	-	496,298
Darren Lynch	GM Development	FY16	330,524	-	194,363	30,199	10,039	42,325	108,822	-	716,272
		FY17	304,474	-	36,485	28,507	4,535	34,924	67,297	-	476,222
Philip Mackney	GM Operations, Vic, SA & WA	FY16	357,072	-	75,493	30,738	23,724	108,714	108,919	-	704,660
		FY17	357,056	-	37,704	25,984	7,113	89,560	60,302	-	577,719
David Noonan	CFO	FY16	411,148	-	105,468	19,622	279	-	77,792	-	614,309
		FY17	463,470	-	52,523	30,287	2,094	-	39,561	-	587,935
Sub-Total Executives											
		FY16	**2,501,994**	**-**	**689,758**	**180,004**	**94,561**	**370,899**	**473,323**	**-**	**4,310,539**
		FY17	**2,596,581**	**-**	**292,978**	**175,589**	**51,643**	**276,390**	**273,465**	**-**	**3,666,646**
Total Compensation											
		FY16	**3,257,701**	**-**	**689,758**	**251,797**	**94,561**	**370,899**	**473,323**	**-**	**5,138,039**
		FY17	**3,352,288**	**-**	**292,978**	**247,382**	**51,643**	**276,390**	**273,465**	**-**	**4,494,146**

Comparative amounts are revised, if required, based on latest information and to conform with current year presentation.

1. Includes FY16 and FY17 STI cash awards.
2 These payments relate to FY13, FY14 and FY15 (pro rata to listing) cash LTI awards that were made prior to listing and were subject to deferral and satisfaction of a service condition. A final payment under these awards will be made to Ross Johnston and other Senior Executives on 1 July 2018 of $20,000 and $28,292 respectively, subject to satisfaction of the service condition.

ii. Performance Rights held by Senior Executives

NAME	GRANT DATE	VESTING DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	VESTED DURING THE YEAR	BALANCE AT END OF THE YEAR	FAIR VALUE PER RIGHT AT GRANT DATE	AGGREGATE FAIR VALUE	MAXIMUM VALUE TO BE RECOGNISED IN FUTURE YEARS[1]
				NO.	NO.	NO.	NO.	$	$	$
Michelle Baker	03-Oct-16[A]	30-Jun-2019	30-Jun-2019	-	32,417	-	32,417	3.81	123,509	82,751
	12-Sep-16[B]	12-Sep-2017	12-Sep-2017	-	4,915	-	4,915	3.79	18,628	-
	12-Sep-16[C]	12-Sep-2018	12-Sep-2018	-	4,915	-	4,915	3.56	17,497	5,774
	30-Oct-14[A]	30-Jun-2017	30-Jun-2017	26,236	-	26,236	-	3.66	-	-
	01-Dec-15[A]	30-Jun-2018	30-Jun-2018	27,456	-	-	27,456	5.18	142,222	46,933
	11-Sep-15[B]	11-Sep-2016	11-Sep-2016	2,756	-	2,756	-	5.08	-	-
	11-Sep-15[C]	11-Sep-2017	11-Sep-2017	2,756	-	-	2,756	4.82	13,284	-
				59,204	**42,247**	**28,992**	**72,459**		**315,140**	**135,458**
Michael Horwood	03-Oct-16[A]	30-Jun-2019	30-Jun-2019	-	21,974	-	21,974	3.81	83,721	56,093
	12-Sep-16[B]	12-Sep-2017	12-Sep-2017	-	4,686	-	4,686	3.79	17,760	-
	12-Sep-16[C]	12-Sep-2018	12-Sep-2018	-	4,686	-	4,686	3.56	16,682	5,505
	30-Oct-14[A]	30-Jun-2017	30-Jun-2017	19,677	-	19,677	-	3.66	-	-
	01-Dec-15[A]	30-Jun-2018	30-Jun-2018	19,631	-	-	19,631	5.18	101,689	33,557
	11-Sep-15[B]	11-Sep-2016	11-Sep-2016	2,603	-	2,603	-	5.08	-	-
	11-Sep-15[C]	11-Sep-2017	11-Sep-2017	2,603	-	-	2,603	4.82	12,546	-
				44,514	**31,346**	**22,280**	**53,580**		**232,398**	**95,155**
Darren Lynch	03-Oct-16[A]	30-Jun-2019	30-Jun-2019	-	22,134	-	22,134	3.81	84,331	56,501
	12-Sep-16[B]	12-Sep-2017	12-Sep-2017	-	12,069	-	12,069	3.79	45,742	-
	12-Sep-16[C]	12-Sep-2018	12-Sep-2018	-	12,069	-	12,069	3.56	42,966	14,179
	30-Oct-14[A]	30-Jun-2017	30-Jun-2017	19,677	-	19,677	-	3.66	-	-
	01-Dec-15[A]	30-Jun-2018	30-Jun-2018	19,718	-	-	19,718	5.18	102,139	33,706
	11-Sep-15[B]	11-Sep-2016	11-Sep-2016	3,521	-	3,521	-	5.08	-	-
	11-Sep-15[C]	11-Sep-2017	11-Sep-2017	3,521	-	-	3,521	4.82	16,971	-
				46,437	**46,272**	**23,198**	**69,511**		**292,149**	**104,386**
Philip Mackney	03-Oct-16[A]	30-Jun-2019	30-Jun-2019	-	32,531	-	32,531	3.81	123,943	83,042
	12-Sep-16[B]	12-Sep-2017	12-Sep-2017	-	4,992	-	4,992	3.79	18,920	-
	12-Sep-16[C]	12-Sep-2018	12-Sep-2018	-	4,992	-	4,992	3.56	17,772	5,865
	30-Oct-14[A]	30-Jun-2017	30-Jun-2017	28,859	-	28,859	-	3.66	-	-
	01-Dec-15[A]	30-Jun-2018	30-Jun-2018	29,010	-	-	29,010	5.18	150,272	49,590
	11-Sep-15[B]	11-Sep-2016	11-Sep-2016	3,789	-	3,789	-	5.08	-	-
	11-Sep-15[C]	11-Sep-2017	11-Sep-2017	3,789	-	-	3,789	4.82	18,263	-
				65,447	**42,515**	**32,648**	**75,314**		**329,170**	**138,497**
David Noonan	03-Oct-16[A]	30-Jun-2019	30-Jun-2019	-	35,830	-	35,830	3.81	136,512	91,463
	12-Sep-16[B]	12-Sep-2017	12-Sep-2017	-	7,122	-	7,122	3.79	26,992	-
	12-Sep-16[C]	12-Sep-2018	12-Sep-2018	-	7,122	-	7,122	3.56	25,354	8,367
	01-Dec-15[A]	30-Jun-2018	30-Jun-2018	31,942	-	-	31,942	5.18	165,460	54,602
				31,942	**50,074**	**-**	**82,016**		**354,318**	**154,432**
Grand Total				**247,544**	**212,454**	**107,118**	**352,880**		**1,523,175**	**627,928**

A - LTI Grant
B - STI Grant which is subject to one year deferral
C - STI Grant which is subject to two year deferral

Each Performance Right that vests results in one ordinary share in the Company. Each Performance Right vests when it has been tested and satisfied the relevant performance conditions. Nil consideration is payable on exercise/vesting.

1. No grants will vest if the performance conditions are not satisfied, hence, the minimum value of grants yet to vest is nil. The maximum value of grants yet to vest has been estimated based on the fair value per grant at the maximum achievement of the vesting scale less amounts already recognised as an expense.

iii. Movements in Performance Rights held by Senior Executives

The following table sets out the movement during the reporting period, by number and value, of Performance Rights held by each Senior Executive (including their related parties).

NAME	HELD AT 1 JULY 2016	GRANTED	GRANTED[1]	VESTED	VESTED[2]	LAPSED	LAPSED	HELD AT 30 JUNE 2017
	NO.	NO.	$	NO.	$	NO.	$	NO.
Ross Johnston	-	-	-	-	-	-	-	-
Michelle Baker	59,204	42,247	159,634	28,992	110,024	-	-	72,459
Michael Horwood	44,514	31,346	118,163	22,280	85,241	-	-	53,580
Darren Lynch	46,437	46,272	173,038	23,198	89,905	-	-	69,511
Philip Mackney	65,447	42,515	160,634	32,648	124,872	-	-	75,314
David Noonan	31,942	50,074	188,859	-	-	-	-	82,016

1 The value of Performance Rights granted in the year is the number of Performance Rights granted in the year multiplied by the fair value of each right on the grant date as per accounting standards.
2 The value of vested Performance Rights is calculated at the time of vesting.

iv. ESAS shares

The following table sets out details of the ESAS shares held by the CEO under the ESAS Plan, which were previously disclosed in the FY15 Remuneration Report. No grants were made under this plan in FY16 or FY17.

NAME	PLAN	TYPE OF INSTRUMENT	RELEASE DATE	NUMBER OF SHARES TO RELEASE	RELEASED DURING THE YEAR
				NO.	NO.
			30 June 2017	580,000	580,000
Ross Johnston	ESAS Plan	Restricted Shares	30 June 2018	870,000	-
			30 June 2019	290,000	-

Shares that have been released are no longer subject to restriction.

v. KMP shareholdings

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

	NUMBER OF SHARES						
	HELD AT 1 JULY 2016[1]	RECEIVED ON VESTING OF STI/LTI	RECEIVED ON VESTING OF STI	RECEIVED AS REMUNERATION	OTHER NET CHANGE	HELD AT 30 JUNE 2017	SHARES HELD NOMINALLY AT 30 JUNE 2017
Non-Executive Directors							
Mark Birrell	41,096	-	-	-	-	41,096	-
Bryan Dorman	81,910,479	-	-	-	-	81,910,479	-
Sylvia Falzon	27,397	-	-	-	-	27,397	-
Trevor Gerber	41,096	-	-	-	-	41,096	-
Ian Roberts	81,910,479	-	-	-	-	81,910,479	16,699
Senior Executives							
Ross Johnston	3,388,537	-	-	-	-	3,388,537	32,876
Michelle Baker	-	-	2,756	-	-	2,756	-
Michael Horwood	-	-	2,603	-	-	2,603	-
Darren Lynch	-	-	3,521	-	-	3,521	-
Philip Mackney	4,306	-	3,789	-	-	8,095	-
David Noonan	9,500	-	-	-	-	9,500	3,300

1 Comparative amounts are revised, if required, based on latest information and to conform with current year presentation.

vi. Transactions with the Company

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.

vii. Loans with the Company

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

End of Audited Remuneration Report

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF REGIS HEALTHCARE LIMITED

As lead auditor for the audit of Regis Healthcare Limited for the financial year ended 30 June 2017, 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; and

(b) no contraventions of 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

Glenn Carmody
Partner

25 August 2017

CONSOLIDATED STATEMENT
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 $'000	ADJUSTED* 2016 $'000
Revenue	2.1	565,483	480,745
Other income/(expenses)	2.1	(347)	(12,126)
Staff expenses		(357,896)	(305,796)
Resident care expenses		(40,365)	(34,754)
Administrative expenses		(26,057)	(21,433)
Occupancy expenses		(16,586)	(12,844)
Depreciation		(29,505)	(21,854)
Profit before income tax and finance costs		**94,727**	**71,938**
Finance costs	2.2	(7,009)	(1,857)
Profit before income tax		**87,718**	**70,081**
Income tax expense	2.3	(26,617)	(23,546)
Profit for the year		**61,101**	**46,535**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net gain/(loss) on cash flow hedges, net of tax	5.1	336	(210)
Other comprehensive income, net of tax		336	(210)
Total comprehensive income for the year		**61,437**	**46,325**
Total comprehensive income attributable to:			
Owners of the parent		61,437	46,325
Earnings per share			
		Cents	**Cents**
Earnings per share for the period attributable to ordinary equity holders of the Parent			
Basic	2.5	20.34	15.49
Diluted	2.5	20.32	15.48

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

* During the period, the Group re-assessed its method of calculating deferred tax on indefinite life intangible assets as well as the method of valuing investment property (consisting primarily of its retirement living properties) after initial recognition. Certain comparative amounts have been adjusted as a result of these changes in accounting policies. Refer to Notes 2.3 and 3.4 for further information.

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	NOTES	2017 $'000	ADJUSTED* 2016 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4.1	21,476	25,250
Trade and other receivables	4.2	7,202	5,262
Inventories		802	589
Other current assets	4.4	6,602	4,018
Other financial assets	5.1	180	-
Total Current Assets		**36,262**	**35,119**
Non-Current Assets			
Property, plant and equipment	3.1	927,315	799,365
Investment property	3.4	115,034	113,043
Intangible assets	3.3	446,132	442,338
Total Non-Current Assets		**1,488,481**	**1,354,746**
TOTAL ASSETS		**1,524,743**	**1,389,865**
LIABILITIES			
Current Liabilities			
Trade and other payables	4.3	63,128	46,411
Provisions	4.5	45,956	42,328
Income tax payable		2,895	7,646
Other financial liabilities	5.1	916,699	858,546
Total Current Liabilities		**1,028,678**	**954,931**
Non-Current Liabilities			
Interest-bearing loans and borrowings	5.2	255,000	210,000
Provisions	4.5	5,359	6,137
Deferred tax liabilities	2.3	51,769	47,856
Total Non-Current Liabilities		**312,128**	**263,993**
TOTAL LIABILITIES		**1,340,806**	**1,218,924**
NET ASSETS		**183,937**	**170,941**
EQUITY			
Issued Capital	5.7.1	272,221	272,171
Retained earnings		8,616	(3,708)
Reserves	5.7.2	(96,900)	(97,522)
TOTAL EQUITY		**183,937**	**170,941**

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

* During the period, the Group re-assessed its method of calculating deferred tax on indefinite life intangible assets as well as the method of valuing investment property (consisting primarily of its retirement living properties) after initial recognition. Certain comparative amounts have been adjusted as a result of these changes in accounting policies. Refer to Notes 2.3 and 3.4 for further information.

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	ISSUED CAPITAL	RETAINED EARNINGS	CASH FLOW HEDGE RESERVE	REMUNERATION RESERVE	ACQUISITION RESERVE	TOTAL EQUITY
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2015 (Adjusted)*	272,171	30,850	-	3,726	(101,497)	205,250
Profit for the year	-	46,535	-	-	-	46,535
Other comprehensive income	-	-	(210)	-	-	(210)
Total comprehensive income for the year	**-**	**46,535**	**(210)**	**-**	**-**	**46,325**
Dividends paid or provided for	-	(81,093)	-	-	-	(81,093)
Equity settled share based payment expense	-	-	-	459	-	459
At 30 June 2016 (Adjusted)*	**272,171**	**(3,708)**	**(210)**	**4,185**	**(101,497)**	**170,941**
At 1 July 2016 (Adjusted)*	272,171	(3,708)	(210)	4,185	(101,497)	170,941
Profit for the year	-	61,101	-	-	-	61,101
Other comprehensive income	-	-	336	-	-	336
Total comprehensive income for the year	**-**	**61,101**	**336**	**-**	**-**	**61,437**
Dividends paid or provided for	-	(48,777)	-	-	-	(48,777)
Equity settled share based payment expense	-	-	-	336	-	336
Transfers from remuneration reserve	50	-	-	(50)	-	-
At 30 June 2017	**272,221**	**8,616**	**126**	**4,471**	**(101,497)**	**183,937**

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

* During the period, the Group re-assessed its method of calculating deferred tax on indefinite life intangible assets as well as the method of valuing investment property (consisting primarily of its retirement living properties) after initial recognition. Certain comparative amounts have been adjusted as a result of these changes in accounting policies. Refer to Notes 2.3 and 3.4 for further information.

CONSOLIDATED STATEMENT
OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from residents and Government subsidies		555,974	470,569
State Revenue Office refund received		-	18,218
Payments to suppliers and employees		(437,946)	(378,047)
Interest received		582	815
Finance costs		(10,739)	(3,972)
RAD, accommodation bond and ILU/ILA entry contribution inflows		305,316	259,565
RAD, accommodation bond and ILU/ILA entry contribution outflows		(234,773)	(214,634)
Income tax paid		(27,362)	(18,959)
Net cash flows from operating activities	4.1	**151,052**	**133,555**
Cash flows from investing activities			
Purchase of property, plant and equipment		(151,049)	(146,219)
Purchase of businesses, net of cash acquired		-	(151,910)
Net cash flows used in investing activities		**(151,049)**	**(298,129)**
Cash flows from financing activities			
Proceeds from bank borrowings		55,000	210,000
Repayment of bank borrowings		(10,000)	-
Dividend paid on ordinary shares		(48,777)	(81,093)
Net cash flows used in financing activities		**(3,777)**	**128,907**
Net increase/(decrease) in cash and cash equivalents		**(3,774)**	**(35,667)**
Cash and cash equivalents at the beginning of the year		**25,250**	**60,917**
Cash and cash equivalents at the end of the year	4.1	**21,476**	**25,250**

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

SECTION 1:
ABOUT THIS REPORT

SECTION 1: **1.1**
CORPORATE INFORMATION

The consolidated financial statements of Regis Healthcare Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 25th August 2017.

Regis Healthcare Limited (the "Company") is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Group's principal activity during the year was the provision of residential aged care services. Further information on the nature of the operations and principal activities of the Group is provided in the directors' report. Information on the Group's structure is provided in section 6.1 and information on other related party relationships is provided in section 6.2.

SECTION 1: **1.2**
BASIS OF PREPARATION

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 has been prepared on an 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 ($000) unless otherwise stated.

SECTION 1: **1.3**
BASIS OF CONSOLIDATION

This financial report includes the consolidated financial statements and notes for the consolidated entity consisting of Paragon Group Investments Pty Ltd, as the accounting parent under the reverse acquisition in July 2007, and its deemed subsidiaries and the separate financial statements and notes.

The amount of the issued and paid up equity in these consolidated financial statements is the issued equity of the legal subsidiary, Paragon Group Investments Proprietary Ltd, immediately before the reverse acquisition plus subsequent issues and buy-backs of shares by the legal parent, Regis Healthcare Limited. However, the equity structure (i.e. the number and type of equity instruments issued) reflects the equity structure of the legal parent.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A list of all significant subsidiaries at 30 June 2017 is contained in Section 6.1.

The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as the parent company. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

SECTION 1: **1.4**
COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

SECTION 1: **1.5**
GOING CONCERN

The financial report has been prepared on a going concern basis. The Company is in a net current asset deficiency position. This deficiency principally arises because refundable accommodation deposits (RADs), accommodation bonds and independent living unit and independent living apartment (ILU/ILA) entry contributions are recorded as a current liability as required under accounting standards. However, in practice bonds/RADS that are repaid are generally replaced by RADs from incoming residents in a short timeframe. The Group has positive operating cash flow and has access to undrawn credit facilities.

SECTION 1: **1.6**
SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions.

Material adjustments to future financial results or financial position may be required where the actual results and outcomes differ from the estimates and assumptions made.

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

- Section 2.3 – Income tax: availability of future taxable profit to support deferred tax assets
- Section 3.1 – Property plant & equipment: useful life assessment and key assumptions underlying recoverable amount of land & buildings
- Section 3.2 – Business combinations: key assumptions underlying the assessment of fair value
- Section 3.3 – Intangible assets: key assumptions underlying recoverable amounts
- Section 3.4 – Investment property: key assumptions underlying the assessment of fair value
- Section 5.9 – Share based payments: determination of valuation model and assumptions about achievement of performance hurdles

SECTION 1: **1.7**
MEASUREMENT OF FAIR VALUES

A number of the Group's accounting policies and disclosure require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Significant unobservable inputs and valuation adjustments are reviewed regularly. The level of involvement of external valuers in the valuation of significant assets and liabilities is decided upon annually as required.

SECTION 2:
CURRENT PERFORMANCE

SECTION 2: 2.1
REVENUE AND OTHER EXPENSES

	NOTES	2017 $'000	2016 $'000
Revenue			
Government funding		396,758	335,443
Resident fees		158,061	134,381
Interest		582	815
Other operating revenue	(i)	10,082	10,106
Total revenue		**565,483**	**480,745**
Other income/(expenses)			
(Loss)/Gain on disposal of property, plant and equipment		-	(1,638)
Gain from bargain purchase	3.2	-	3,617
Acquisition-related expenses	3.2	(347)	(14,105)
Total other income/(expenses)		**(347)**	**(12,126)**

(i) Other operating revenue includes deferred management fees, rental income, bond retention income and other sundry income.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

AGED CARE FACILITY REVENUE

Revenue from the rendering of a service or supply of a good is recognised upon the delivery of the related service or good to the Resident. The Group is entitled to charge retention fees to Residents in respect of pre 1 July 2014 accommodation bonds held. These fees are regulated by the Department of Social Services (Department) and accrued by the Group during the Resident's period of occupancy.

INTEREST INCOME

Interest income is recorded using the effective interest rate method.

SECTION 2: 2.2
FINANCE COSTS

	NOTES	2017 $'000	2016 $'000
Finance costs			
Interest expense: Bank loans and overdrafts		6,158	931
Interest on refundable RADs		3,483	3,087
Other		1,106	903
Total finance costs		10,747	4,921
Less borrowing costs capitalised	(i)	(3,738)	(3,064)
Total finance costs expensed		**7,009**	**1,857**

(i) Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

SECTION 2: **2.3**
INCOME TAX

MAJOR COMPONENTS OF INCOME TAX (BENEFIT) / EXPENSE

	NOTES	2017 $'000	2016 $'000
Current income tax:			
Current income tax charge		22,635	20,636
Adjustments in respect of current income tax of previous years		32	-
Deferred tax:			
Relating to origination and reversal of temporary differences		3,950	2,910
Temporary differences arising on accounting policy change		-	-
Income tax expense reported in profit or loss		**26,617**	**23,546**
Deferred tax related to items recognised in other comprehensive income during the year:			
Net gain/(loss) on revaluation of cash flow hedges		144	(90)
Deferred tax charged on other comprehensive income		**144**	**(90)**
Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic company tax rate is as follows:			
Accounting profit before income tax		87,718	70,081
At the statutory income tax rate of 30% (2016: 30%)		26,315	21,024
Adjustments in respect of current income tax of previous years		32	-
Non-assessable gain on bargain purchase		-	(1,085)
Non-deductible acquisition costs		104	3,699
Temporary differences arising on accounting policy change		-	-
Other non-assessable income/non-deductible expenses		166	(92)
Income tax expense reported in profit or loss		**26,617**	**23,546**

SECTION 2: **2.3**

INCOME TAX *(CONTINUED)*

MAJOR COMPONENTS OF DEFERRED TAX

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS	
		ADJUSTED		
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Property, plant and equipment	(5,680)	(3,843)	1,837	1,009
Investment property	(1,416)	(665)	751	876
Independent living unit and apartment entry contributions	(3,514)	(3,071)	443	3,071
Interest rate swaps	(54)	-	54	-
Intangible assets	(60,785)	(61,043)	(258)	61,043
Others	(1,035)	(1,242)	(207)	(278)
Deferred tax assets				
Employee benefits	15,324	14,378	(946)	(2,573)
Deferred revenue	1,298	1,104	(194)	(1,104)
Losses available for offset against future taxable income	-	-	-	832
Equity raising costs deducted from equity	2,725	4,002	1,277	755
Interest rate swaps	-	90	90	(90)
Other	1,368	2,434	1,066	341
Net deferred tax assets/(liabilities)	**(51,769)**	**(47,856)**		
Adjusted for items not impacting profit or loss				
Net gain/ loss on revaluation of cash flow hedges			(144)	90
Intangible assets			258	(61,043)
Other			(77)	(19)
Deferred income tax charge/(benefit)			**3,950**	**2,910**

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 the 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.

SECTION 2: **2.3**
INCOME TAX *(CONTINUED)*

DEFERRED TAX

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 is not recognised for temporary differences relating to:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- investments in subsidiaries, associates and jointly controlled entities where the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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 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.

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.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and authority.

TAX CONSOLIDATION

Effective 3 July 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 has 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. Such amounts are reflected in amounts receivable from, or payable to, other entities in the tax consolidated group.

CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

Historically, the Group has assessed deferred tax on indefinite life intangible assets using the assumption that the value will be recovered through sale, rather than use, as these assets are not amortised.

In November 2016, the IFRS Interpretations Committee (IFRIC) issued a final agenda decision, clarifying that an intangible asset with an indefinite useful life is subject to consumption and therefore not a non-depreciable asset in terms of paragraph 51B of IAS 12: Income Taxes. IFRIC therefore concluded that the assumption of sale could not be presumed in calculating the deferred tax liability on an intangible asset.

As a consequence of this decision, the Group has amended its accounting policy to comply with the revised guidance. The impact of the restatement is to increase deferred tax liabilities and goodwill respectively by:

- $60,785,000 as at 30 June 2017;
- $61,043,000 as at 30 June 2016; and
- $50,109,000 as at 1 July 2015.

SECTION 2: **2.4**

SEGMENT INFORMATION

For management reporting purposes, the Group has reportable segments that are based on geographical locations as per the following:

- Queensland
- New South Wales
- Victoria
- South Australia / Northern Territory
- Western Australia

Executive management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and segment performance. Segment performance is evaluated based on operating profit or loss and is measured consistently with the profit and loss in the consolidated financial statements. Group finance costs, income taxes and related assets and liabilities are managed on a Group basis and therefore have not been allocated to an operating segment.

	QLD $'000	NSW $'000	VIC $'000	SA/NT $'000	WA $'000	CONSOLIDATED $'000
Year ended 30 June 2017						
Government funding	170,889	35,761	113,289	40,253	36,566	396,758
Resident Fees	63,271	18,126	51,494	11,330	13,840	158,061
Other	4,124	435	3,577	338	1,608	10,082
Total Revenue	**238,284**	**54,322**	**168,360**	**51,921**	**52,014**	**564,901**
Segment Result	55,490	14,342	35,761	9,065	8,992	123,650
Depreciation	(11,272)	(1,916)	(9,758)	(3,726)	(2,833)	(29,505)
Total Segment Assets	627,837	116,263	372,999	139,018	239,566	1,495,683
Total Segment Liabilities	373,916	98,244	301,122	41,348	102,069	916,699
Year ended 30 June 2016						
Government funding	114,919	35,725	108,203	39,193	37,403	335,443
Resident Fees	44,562	18,279	47,329	11,676	12,535	134,381
Other	2,191	905	4,494	486	2,030	10,106
Total Revenue	**161,672**	**54,909**	**160,026**	**51,355**	**51,968**	**479,930**
Segment Result	37,734	14,996	34,159	8,572	9,642	105,103
Depreciation (Adjusted)	(7,792)	(1,730)	(7,380)	(2,307)	(2,645)	(21,854)
Total Segment Assets (Adjusted)	583,172	102,190	370,492	131,635	172,519	1,360,008
Total Segment Liabilities	343,617	113,473	277,469	38,406	85,281	858,246

SECTION 2: **2.4**

SEGMENT INFORMATION *(CONTINUED)*

RECONCILIATION OF SEGMENT INFORMATION TO CONSOLIDATED RESULTS

	2017 $'000	ADJUSTED 2016 $'000
Reconciliation of Profit		
Segment Result	123,650	105,103
Depreciation	(29,505)	(21,854)
Other Expenses	-	(12,126)
Finance income	582	815
Finance costs	(7,009)	(1,857)
Profit before tax	**87,718**	**70,081**
Reconciliation of Assets		
Segment Assets	1,495,683	1,360,008
Cash	21,476	25,250
Inventories	802	589
Other current assets	6,602	4,018
Other financial assets	180	-
Deferred tax assets	-	-
Total Assets	**1,524,743**	**1,389,865**
Reconciliation of Liabilities		
Segment Liabilities	916,699	858,246
Trade and other payables	63,128	46,411
Provisions	51,315	48,465
Loans and borrowings	255,000	210,000
Income tax payable	2,895	7,646
Deferred tax liability	51,769	47,856
Interest swap liability	-	300
Total Liabilities	**1,340,806**	**1,218,924**

ENTITY WIDE DISCLOSURE

Revenue from one source, being the Government, constitutes or provides greater than 10 per cent of total revenues received.

SECTION 2: **2.5**

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year. The diluted earnings per share calculation reflects the dilutive effect of employee Performance Rights.

	2017 $'000	ADJUSTED 2016 $'000
Profit attributable to ordinary equity holders of the Parent	61,101	46,535

SECTION 2: **2.5**

EARNINGS PER SHARE *(CONTINUED)*

	2017 THOUSANDS	2016 THOUSANDS
Weighted average number of ordinary shares used in the calculation of:		
Basic earnings per share	300,356	300,346
Adjustment for effect of share based payment arrangements	389	189
Diluted earnings per share	300,745	300,535

	2017 CPS	ADJUSTED 2016 CPS
Basic earnings per share	20.34	15.49
Diluted earnings per share	20.32	15.48

SECTION 2: **2.6**

PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

	2017 $'000	2016 $'000
Information relating to Regis Healthcare Limited		
ASSETS		
Current Assets	121	121
Non-current assets	524,324	497,093
TOTAL ASSETS	**524,445**	**497,214**
LIABILITIES		
Current Liabilities	5,077	11,155
Non-current liabilities	41	41
TOTAL LIABILITIES	**5,118**	**11,196**
EQUITY		
Issued Capital	477,054	477,004
Reserves	4,471	4,185
Retained Earnings	37,802	4,829
TOTAL EQUITY	**519,327**	**486,018**
Profit of the parent entity	81,751	93,692
Total comprehensive income of the parent entity	81,751	93,692

CONTRACTUAL COMMITMENTS

Details of contractual commitments are set out in Section 5.5.

GUARANTEES

Details of bank guarantees are set out in Section 5.6.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in Section 5.6.

SECTION 3: 3.1

PROPERTY, PLANT AND EQUIPMENT

	NOTES	LAND & BUILDINGS $'000	PLANT & MACHINERY $'000	MOTOR VEHICLES $'000	FIXTURES & FITTINGS $'000	LEASEHOLD IMPROVEMENTS $'000	WORK IN PROGRESS $'000	TOTAL $'000
Cost at 30 June 2017		697,866	187,825	1,031	52,333	36	179,623	1,118,714
Accumulated depreciation and impairment		(85,795)	(86,268)	(724)	(18,596)	(16)	-	(191,399)
Carrying amount at 30 June 2017		**612,071**	**101,557**	**307**	**33,737**	**20**	**179,623**	**927,315**
Reconciliation of carrying amounts								
Carrying amount at 1 July 2016		568,526	80,015	364	29,724	23	120,713	799,365
Additions		1,609	18,816	2	3,029	-	135,062	158,518
Transfers from work in progress		54,806	17,527	-	3,819	-	(76,152)	-
Disposals		(699)	(291)	(4)	(69)	-	-	(1,063)
Acquisition of businesses		-	-	-	-	-	-	-
Depreciation expense		(12,171)	(14,510)	(55)	(2,766)	(3)	-	(29,505)
Carrying amount at 30 June 2017		**612,071**	**101,557**	**307**	**33,737**	**20**	**179,623**	**927,315**
Cost at 30 June 2016		642,153	151,773	1,033	45,553	37	120,713	961,262
Accumulated depreciation and impairment		(73,627)	(71,758)	(669)	(15,829)	(14)	-	(161,897)
Carrying amount at 30 June 2016		**568,526**	**80,015**	**364**	**29,724**	**23**	**120,713**	**799,365**
Reconciliation of carrying amounts								
Carrying amount at 1 July 2015		432,735	60,407	154	21,385	24	59,241	573,946
Additions		410	10,590	65	2,714	-	133,698	147,477
Transfers from work in progress		50,558	13,627	-	4,229	-	(68,414)	-
Transfers to investment property	3.4	-	-	-	-	-	(3,812)	(3,812)
Disposals		(720)	(728)	-	(196)	-	-	(1,644)
Acquisition of businesses		94,466	7,298	192	3,296	-	-	105,252
Depreciation expense		(8,923)	(11,179)	(47)	(1,704)	(1)	-	(21,854)
Carrying amount at 30 June 2016		**568,526**	**80,015**	**364**	**29,724**	**23**	**120,713**	**799,365**

SECTION 3: **3.1**

PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Property plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value.

During mobilisation of newly developed aged care facilities, buildings are depreciated under a usage method based on occupancy and, thereafter, on a straight-line basis over their estimated useful life of 55 years.

Plant and equipment is depreciated on a straight line basis over their estimated useful life of between three and 30 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.

Impairment testing for property, plant and equipment occurs if an impairment trigger is identified. No impairment triggers have been identified in the current year.

SECTION 3: **3.2**

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 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 the profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash generating units that are expected to benefit from the combination. Refer Note 3.3 for an explanation of how goodwill is tested for impairment.

There were no business combinations in the financial year ended 30 June 2017.

ACQUISITIONS IN 2016

Acquisition of Masonic Care Queensland

On 1 June 2016, the Group acquired several aged care and retirement living facilities located in Queensland from Masonic Care Queensland. The Group has acquired the business in line with its growth strategy.

The cash consideration was $153,183,000. Acquisition related costs of $13,830,000 incurred as part of this transaction included Government charges, professional fees and legal expenses. These have been recognised within other expenses in profit or loss in the comparative period.

The goodwill recognised on this acquisition is primarily attributed to the expected synergies and other benefits from combining the assets and activities with those of the Group.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income includes revenue and a net profit for the year ended 30 June 2016 of $5,623,000 and $224,000 respectively, as a result of the acquisition. Had the acquisition occurred at the beginning of the reporting period, the Consolidated Statement of Profit or Loss and Other Comprehensive Income would have included revenue and a net profit of approximately $67,470,000 and $2,690,000 respectively.

SECTION 3: **3.2**

BUSINESS COMBINATIONS *(CONTINUED)*

The 30 June 2016 financial statements were based on a provisional assessment of the fair value of Masonic Care Queensland's net assets at acquisition date as valuations had not been completed by the date the financial statements were approved for issue by the Board of Directors. On completion of the valuations, the acquisition date fair values were adjusted as follows:

- Provisions decreased by $900,000
- Deferred tax liabilities increased by $270,000.

The adjustments to the provisional acquisition date fair values of assets and liabilities resulted in a corresponding decrease to goodwill of $630,000.

Acquisition of Regis Marleston

On 1 July 2015, the Group acquired the Marleston Aged Care facility from City of West Torrens located in Marleston, South Australia. The Group has acquired this facility in line with its growth strategy.

The cash consideration was $15,750,000. This does not appear in the comparative period cash flow as this balance was prepaid in the financial year ended 30 June 2015. Acquisition related costs of $275,000 incurred as part of this transaction included Government charges, professional fees and legal expenses. These have been expensed and recognised within other expenses in profit or loss in the comparative period.

The goodwill recognised on this acquisition is primarily attributed to the expected synergies and other benefits from combining the assets and activities with those of the Group.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income includes revenue and a net profit for the year ended 30 June 2016 of $9,440,000 and $756,000 respectively as a result of the acquisition.

The net assets recognised in the 30 June 2016 financial statements of the Group were based on the final assessment of their fair value.

SECTION 3: **3.3**

INTANGIBLE ASSETS

	OPERATIONAL PLACES $'000	GOODWILL $'000	TOTAL $'000
Cost at 30 June 2017	216,912	237,063	453,975
Accumulated impairment	(6,174)	(1,669)	(7,843)
Carrying amount at 30 June 2017	**210,738**	**235,394**	**446,132**
Reconciliation of carrying amounts			
Balance at 1 July 2016 (Adjusted)	205,225	237,113	442,338
Additions / (Disposals)	5,513	(1,719)	3,794
Balance at 30 June 2017	**210,738**	**235,394**	**446,132**
Cost at 30 June 2016 (Adjusted)	211,399	238,782	450,181
Accumulated impairment	(6,174)	(1,669)	(7,843)
Carrying amount at 30 June 2016 (Adjusted)	**205,225**	**237,113**	**442,338**
Reconciliation of carrying amounts			
Balance at 1 July 2015 (Adjusted)	167,419	130,391	297,810
Additions / (Disposals) (Adjusted)	37,806	106,722	144,528
Balance at 30 June 2016 (Adjusted)	**205,225**	**237,113**	**442,338**

SECTION 3: **3.3**
INTANGIBLE ASSETS *(CONTINUED)*

OPERATIONAL PLACES

Operational places for aged care facilities are initially measured at historical cost or if acquired in a business combination, at fair value as at the date of acquisition. Following initial recognition, the licences are not amortised but are measured at cost less any accumulated impairment losses.

Operational places are assessed as having an indefinite useful life as they are issued for an unlimited period and therefore are not amortised. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

GOODWILL

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired. Following initial recognition, goodwill is not amortised but is measured at cost less any accumulated impairment losses.

Comparative amounts have been adjusted as a result of changes to accounting policies during the period and the finalisation of Masonic Care Queensland acquisition date valuations as set out in the table below.

	NOTES	GOODWILL $'000
Carrying amount at 1 July 2015 (Pre-Adjusted)		**80,282**
Accounting policy change – deferred tax on indefinite life intangible assets	2.3	50,109
Carrying amount at 1 July 2015 (Adjusted)		**130,391**
Additions (Pre-Adjusted)		**109,684**
Accounting policy change – deferred tax on indefinite life intangible assets	2.3	10,934
Finalisation of Masonic Care Queensland acquisition date valuations	3.2	(630)
Accounting policy change – valuation of investment property after initial recognition	3.4	(13,266)
Additions (Adjusted)		**106,722**
Carrying amount at 30 June 2016 (Adjusted)		**237,113**

IMPAIRMENT TESTING OF OPERATIONAL PLACES AND GOODWILL

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which operational places and goodwill are monitored for internal management purposes and allocated to cash-generating units (CGUs). The allocation is made to those CGUs or Groups of CGUs that are expected to benefit from the acquisition from which operational places or goodwill arose. The Group has determined that each State where the Group operates represents a CGU.

Impairment losses of continuing operations are recognised in profit or loss.

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS

The carrying value of goodwill and operational places allocated to each of the CGUs at 30 June 2017 was as follows:

CASH GENERATING UNIT	OPERATIONAL PLACES $'000	GOODWILL $'000	TOTAL $'000
Queensland	86,642	120,283	206,925
New South Wales	30,508	17,542	48,050
Victoria	56,146	53,775	109,921
Western Australia	21,240	20,566	41,806
South Australia / Northern Territory	16,202	23,228	39,430
Total	**210,738**	**235,394**	**446,132**

SECTION 3: **3.3**

INTANGIBLE ASSETS *(CONTINUED)*

The recoverable amount of each State CGU as at 30 June 2017 has been determined on a value in use calculation using discounted cash flow projections from financial forecasts approved by senior 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 calculation of value in use for each State is most sensitive to the following assumptions:

- **Growth rate** - Growth in EBITDA within the five year forecast period reflects management's growth strategy and assumptions behind the strategy for each state. Long term growth rates used were 0% to 2% (2016: 0% to 2%).
- **Discount rate** - The pre-tax discount rate applied to cash flow projections is 12.9% to 15.0% (2016: 12.9% to 15.0%) and represents the current market assessment of the risks specific to each State taking into consideration the time value of money and the individual risks of the underlying assets that have not been incorporated in the cash flow estimates.
- **Net RAD and accommodation bond flow** - Based on the anticipated growth strategy of each State and adjusted accordingly taking into account the average value of RADs received and location of the facility.
- **Capital expenditure** - Based on the anticipated development works in each State.

Based on this CGU analysis it was concluded that the carrying value of each CGU does not exceed the value in use. Sensitivity analysis on reasonably possible changes to the above assumptions did not result in an outcome where impairment would be required.

SECTION 3: **3.4**

INVESTMENT PROPERTY

	2017 $'000	ADJUSTED 2016 $'000
Carrying amount at beginning of financial year	113,043	45,310
Acquisitions from business combinations	-	63,921
Additions in capital expenditure	1,991	3,812
Change in fair value	-	-
Balance at end of year	**115,034**	**113,043**

Investment property relate to interests in retirement villages (comprising independent living units and apartments) and retirement village development sites.

Investment property is initially measured at cost, including transaction costs and subsequently at fair value with any change therein recognised in the statement of profit or loss.

MEASUREMENT OF FAIR VALUES

Retirement villages

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

Retirement villages are classified as Level 3 in the fair value hierarchy. This means that key assumptions used in their valuation are not directly observable.

Key assumptions used in the fair value assessments are:

- Discount rates of between 14% to 18% (2016: 14% and 18%)
- Property price growth rates of between 0.5% and 3.25% in the medium term and 2.0% and 3.25% in the long term (2016: 0.5% and 3.25% in the medium term and 2.0% and 3.25% in the long term)
- The average tenure period of residents of 10 years (2016: 10 years)

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

SECTION 3: **3.4**
INVESTMENT PROPERTY *(CONTINUED)*

Retirement village development sites

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

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

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

Change in accounting policies and disclosures

During the period, the Group re-assessed its method of valuing investment property after initial recognition. The Group had previously measured all investment property using the cost method whereby after initial recognition, investment property was carried at cost less accumulated depreciation and accumulated impairment losses.

The Group has elected to adopt the revaluation method to measure all investment property, on the basis that it provides more relevant information to the users of the Group's financial statements and is more aligned to practices adopted by the Group's competitors. In addition, available valuation techniques provide reliable estimates of investment property.

After initial recognition, investment property is measured at fair value at the date of revaluation. Any gain or loss arising from a change in the fair value of investment property is recognised in profit or loss for the period in which it arises. In addition, the tax base of the investment property is measured on the assumption that the carrying amount of the investment property will be recovered entirely through sale, rather than through use.

The Group has applied the revaluation method retrospectively. The impact of the voluntary change from the cost method to the revaluation method on the consolidated financial statements is shown in the table below:

	YEAR ENDED 30 JUNE 2017			YEAR ENDED 30 JUNE 2016		
	COST METHOD $'000	ADJUSTMENT $'000	REVALUATION METHOD $'000	COST METHOD $'000	ADJUSTMENT $'000	REVALUATION METHOD $'000
Statement of Profit or Loss and Other Comprehensive Income						
Depreciation	(31,701)	2,196	(29,505)	(22,522)	668	(21,854)
Income Tax Expense	(26,085)	(532)	(26,617)	(23,346)	(200)	(23,546)
Net profit after tax	59,437	1,664	61,101	46,067	468	46,535
Statement of Financial Position						
Investment Property	117,032	(1,998)	115,034	117,237	(4,194)	113,043
Goodwill	248,660	(13,266)	235,394	250,379	(13,266)	237,113
Deferred Tax Asset / (Liability)	(65,195)	13,426	(51,769)	(61,814)	13,958	(47,856)
Retained Earnings / (Losses)	10,454	(1,838)	8,616	(206)	(3,502)	(3,708)

The voluntary change in accounting policy has resulted in the following changes to carrying values as at 1 July 2015:

- Investment property decreased by $4,863,000 to $45,310,000
- Retained earnings decreased by $3,971,000 to $30,850,000
- Deferred tax by assets increased by $892,000

In addition, the comparative amounts of land and buildings and investment property have been revised to conform with the current year's classification.

SECTION 4:
OPERATING ASSETS & LIABILITIES

SECTION 4: **4.1**
CASH AND CASH EQUIVALENTS

	2017 $'000	ADJUSTED 2016 $'000
Reconciliation of the net profit after tax to the net cash flows from operations		
Net profit	61,101	46,535
Non-Cash items		
Depreciation and impairment of non-current assets	29,505	21,854
Bond retention and deferred management fee income	(10,122)	(7,932)
Gain from bargain purchase	-	(3,617)
Loss/(gain) on disposal of property plant and equipment	-	1,638
Other non-cash items	(3,855)	(1,629)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(817)	15,602
(Increase)/decrease in inventory	(216)	(71)
(Increase)/decrease in other current assets	382	(1,841)
(Increase)/decrease in deferred taxes	4,424	2,640
(Decrease)/increase in income tax payable	(5,023)	1,657
(Decrease)/increase in trade and other payables	1,278	11,552
(Decrease)/increase in RADs, accommodation bonds and ILU/ILA entry contributions	70,542	44,932
(Decrease)/increase in provisions	3,853	2,235
Net cash flow from operating activities	**151,052**	**133,555**
Reconciliation of cash and cash equivalents		
Cash at bank	21,368	25,145
Cash on hand	108	105
Total Cash and cash equivalents	**21,476**	**25,250**

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank, in 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.

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 refundable accommodation deposits (RADs) 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 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 income and forms part of the cash flows from operating activities and therefore the RAD inflows are also considered cash flows from operating activities.

For personal use only

SECTION 4: **4.2**
TRADE AND OTHER RECEIVABLES

	NOTES	2017 $'000	2016 $'000
Trade receivables	(i)	6,138	3,180
Provision for doubtful debts		(429)	(279)
Other receivables		1,493	2,361
Total Trade and Other Receivables		**7,202**	**5,262**

(i) Trade receivables are non-interest bearing and generally on 30 day terms.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less an allowance for any uncollectible amounts.

Other receivables are non-interest bearing.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. The movement in the provision for doubtful debts is as follows:

	2017 $'000	2016 $'000
Opening balance	279	279
Charge for the year	250	21
Amounts written off	(100)	(21)
Closing balance	**429**	**279**

At 30 June, the ageing analysis of trade receivables is as follows:

	TOTAL $'000	30 DAYS $'000	31-60 DAYS $'000	61-90 DAYS PDNI[1] $'000	61-90 DAYS CI[2] $'000	91+ DAYS PDNI[1] $'000	91+ DAYS CI[2] $'000
2017	6,138	3,863	542	413	145	891	284
2016	3,180	1,873	695	134	-	199	279

1 PDNI = Past due not impaired
2 CI = Considered impaired ("CI")

Due to the short term nature of current trade and other receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to the credit risk is the fair value of receivables. There is no concentration of credit risk with respect to these debtors.

SECTION 4: **4.3**
TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Trade payables	10,425	7,982
Other payables	45,054	31,971
Deferred revenue	4,328	3,764
Fees received in advance	3,321	2,694
Total trade and other payables	**63,128**	**46,411**

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

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

SECTION 4: **4.4**
OTHER CURRENT ASSETS

	NOTES	2017 $'000	2016 $'000
Prepayments		5,466	2,455
GST recoverable		1,136	1,563
Total other current assets		**6,602**	**4,018**

SECTION 4: **4.5**
PROVISIONS

	NOTES	2017 $'000	2016 $'000
Current			
Employee Entitlements	(i)	45,956	41,972
Other provisions		-	356
Total current provisions		**45,956**	**42,328**
Non-Current			
Employee Entitlements		5,359	5,954
Other provisions		-	183
Total non-current provisions		**5,359**	**6,137**

(i) 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 the next 12 months is $4,039,000 (2016: $6,881,000).

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.

EMPLOYEE ENTITLEMENTS

Provisions are recognised for annual leave, long service leave and long-term incentives. These are recognised and presented in the financial statements as follows:

- The liability expected to be paid within twelve months 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.

SECTION 5: **5.1**
OTHER FINANCIAL ASSETS AND LIABILITIES

	2017 $'000	2016 $'000
Interest rate swaps	180	-
Total other financial assets	**180**	**-**
Refundable accommodation deposits (RADs)	869,600	807,978
Independent living unit and apartment (ILU/ILA) entry contributions	47,099	50,268
Interest rate swaps	-	300
Total other financial liabilities	**916,699**	**858,546**

REFUNDABLE ACCOMMODATION DEPOSITS (RADS)

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

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

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

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

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

Providers are required to have sufficient liquidity to ensure they can refund RAD balances as they fall due in the following twelve months. Providers are also required to implement and maintain a liquidity management strategy.

As there is no unconditional right to defer payment for 12 months, RAD liabilities are recorded as current liabilities.

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

INDEPENDENT LIVING UNIT AND APARTMENT (ILU/ILA) ENTRY CONTRIBUTIONS

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

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

SECTION 5: **5.1**

OTHER FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

INTEREST RATE SWAPS

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

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

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

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

SECTION 5: **5.2**

INTEREST BEARING LOANS AND BORROWINGS

	NOTES	CURRENT $'000	NON-CURRENT $'000	UNUSED $'000	TOTAL $'000
30 June 2017					
Borrowings secured by mortgage	(i)	-	255,000	115,000	370,000
Total		**-**	**255,000**	**115,000**	**370,000**
30 June 2016					
Borrowings secured by mortgage	(i)	-	210,000	160,000	370,000
Total		**-**	**210,000**	**160,000**	**370,000**

(i) In May 2016, the Group completed a refinancing of its syndicated bank facilities. The new facility comprises a syndicated revolving credit facility and bank guarantee facility. $220,000,000 of this facility matures in May 2019, whilst $150,000,000 matures in May 2021. Refer Note 5.3 for further information in relation to its weighted average interest rate and compliance with any covenants during the reporting period.

In August 2017, the Group increased the capacity of its syndicated bank debt facilities. The new facilities provide Regis with total commitments of $515 million. Refer to Note 6.3 for further information.

During the current and prior years, there were no defaults or breaches of any of the loans.

At initial recognition, financial liabilities are classified at fair value net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

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

SECTION 5: **5.3**

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 which are held mainly to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and cash equivalents that derive 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 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 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 debt 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 debt is drawn, the Group reviews its bank borrowings 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 and analyses 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, 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.

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 as follows:

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATES		FIXED OR FLOATING
	2017 %	**2016** %	
Cash and liquid assets	2.46	2.75	Floating
Bank loans	2.80	3.19	Floating

The details of bank loans are disclosed in section 5.2 of the financial statements. All other financial assets and liabilities are non-interest bearing.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated as cash flow hedges:

	2017 $'000	**2016** $'000
Financial Assets		
Cash and cash equivalents	21,476	25,250
Financial Liabilities		
Bank debt	(255,000)	(210,000)
Net exposure	**(233,524)**	**(184,750)**

SECTION 5: **5.3**
FINANCIAL RISK MANAGEMENT AND OBJECTIVES *(CONTINUED)*

At 30 June 2017, 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:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Consolidated				
+1% (100 basis points)	1,336	86	1,336	86
-1% (100 basis points)	(1,336)	(86)	(1,336)	(86)

PRICE RISK

The Group's exposure to price risk primarily relates to the risk that the Federal Government, through the Department of Health, 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 Department of Health also administers the pricing of Resident contributions. Members of the Group's senior management team participate in aged care industry public awareness discussions and in aged care industry dialogue with the Department and Government about proposals for changes to legislation for the aged care industry.

CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's exposure to credit risk arises from potential default of the counter party, 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 not significant.

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, the Company 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 2016. 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 2017.

SECTION 5: **5.3**
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 the debt when it becomes due. Maturity analysis of financial assets and liabilities are as follows:

		1-12 MONTHS $'000	1-5 YEARS $'000	>5 YEARS $'000	TOTAL $'000
Year ended 30 June 2017					
Financial assets					
Cash and cash equivalents		21,476	-	-	21,476
Trade and other receivables		7,202	-	-	7,202
Interest rate swap		180	-	-	180
Other current assets		1,136	-	-	1,136
Financial liabilities					
Trade and other payables		(63,128)	-	-	(63,128)
RADs and ILU/ILA entry contributions	(a)	(916,699)	-	-	(916,699)
Interest rate swap		-	-	-	-
Interest bearing loans and borrowings		-	(255,000)	-	(255,000)
Net exposure		**(949,833)**	**(255,000)**	**-**	**(1,204,833)**
Year ended 30 June 2016					
Financial assets					
Cash and cash equivalents		25,250	-	-	25,250
Trade and other receivables		5,262	-	-	5,262
Other current assets		1,563	-	-	1,563
Financial liabilities					
Trade and other payables		(46,411)	-	-	(46,411)
RADs and ILU/ILA entry contributions	(a)	(858,246)	-	-	(858,246)
Interest rate swap		(300)	-	-	(300)
Interest bearing loans and borrowings		-	(210,000)	-	(210,000)
Net exposure		**(872,882)**	**(210,000)**	**-**	**(1,082,882)**

(a) Cash flows from refundable accommodation deposits (RADs), accommodation bonds and ILU/ILA entry contributions are classified as a current liability because the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. In practice, this is not expected to result in a net outflow because historically, as RADs/bonds have been repaid, they have generally been replaced by new RADs from incoming residents of similar or greater amounts. This trend is expected to continue (with RADs replacing accommodation bonds from 1 July 2014). Refer to section 5.1 for further information.

At reporting date, the Group had available $115,000,000 of unused credit facilities.

SECTION 5: **5.3**

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. The primary objective of the Group's capital management is to maximise the 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 bank 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 2017 and 2016.

SECTION 5: **5.4**

FAIR VALUE HIERARCHY

The financial instruments included on the Consolidated Statement of Financial Position are measured at either fair value or amortised cost. The measurement of this fair value may in some cases be subjective and may depend on the inputs used in the calculations. The different valuation methods available can be classified into hierarchies and are described below:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets and liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

SECTION 5: **5.4**

FAIR VALUE HIERARCHY *(CONTINUED)*

The following table sets out the financial instruments included on the Consolidated Statement of Financial Position at Fair Value.

	NOTES	TOTAL $'000	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000
30 June 2017					
Assets and liabilities measured at fair value					
Interest rate swaps	5.1	180	-	180	-
Independent living unit and apartment entry contributions	5.1	(47,099)	-	(47,099)	-
Investment Property	3.4	115,034	-	-	115,034
Assets and liabilities for which fair value is disclosed					
Borrowings	5.2	(255,000)	-	(255,000)	-
Refundable accommodation deposits (RADs)	5.1	(869,600)	-	(869,600)	-
Total		**(1,056,485)**	**-**	**(1,171,519)**	**115,034**
30 June 2016					
Assets and liabilities measured at fair value					
Interest rate swaps	5.1	(300)	-	(300)	-
Independent living unit and apartment entry contributions	5.1	(50,268)	-	(50,268)	-
Investment Property (Adjusted)	3.4	113,043	-	-	113,043
Assets and liabilities for which fair value is disclosed					
Borrowings	5.2	(210,000)	-	(210,000)	-
Refundable accommodation deposits (RADs)	5.1	(807,978)	-	(807,978)	-
Total		**(955,503)**	**-**	**(1,068,546)**	**113,043**

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

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

SECTION 5: **5.5**
COMMITMENTS

EXPENDITURE COMMITMENTS

	2017 $'000	2016 $'000
Capital expenditure commitments		
Contractual commitments for building works at aged care facilities	154,684	56,332
Operating lease expenditure commitments		
Minimum lease payments		
• Not later than one year	849	893
• later than one year and not later than five years	3,231	2,951
• later than five years	966	1,287
Aggregate lease expenditure contracted for at reporting date	**5,046**	**5,131**

CAPITAL EXPENDITURE COMMITMENTS

Contractual commitments at year end relate to ongoing development activity.

LEASE EXPENDITURE COMMITMENTS

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Operating leases have an average lease term of 7 years. Assets that are the subject of operating leases are office premises.

SECTION 5: **5.6**
CONTINGENCIES

	2017 $'000	2016 $'000
Bank guarantees	7,390	4,922

LEGAL CLAIMS AND DISPUTES

Management are not aware of any other legal claims or disputes at the date of this report.

SECTION 5: **5.7**

EQUITY

5.7.1 ISSUED CAPITAL

Movements in ordinary shares on issue are as follows:

	NOTES	DATE	NUMBER OF SHARES	$'000
Balance		30 June 2016	300,345,797	272,171
No movements during the year to 30 June 2016			-	-
Balance		**30 June 2016**	**300,345,797**	**272,171**
Share issue performance rights	(i)	15 September 2016	12,669	50
Balance		**30 June 2017**	**300,358,466**	**272,221**

(i) Performance rights with a grant date fair value of $3.91 were exercised during the period.

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction cost arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

The only class of issued capital held are ordinary shares, which entitles the holders to the following entitlements:

- participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held.
- one vote, either in person or by proxy, at a meeting of the Company.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

5.7.2 RESERVES

	NOTES	CASH FLOW HEDGE RESERVE(i) $'000	ACQUISITION RESERVE(ii) $'000	REMUNERATION RESERVE(iii) $'000	TOTAL $'000
Year ended 30 June 2017					
Opening balance at 1 July 2016		(210)	(101,497)	4,185	(97,522)
Net gain / (loss) on cash flow hedge		336	-	-	336
Equity settled share based payments expense		-	-	336	336
Transfers from remuneration reserve		-	-	(50)	(50)
Closing Balance at 30 June 2017		**126**	**(101,497)**	**4,471**	**(96,900)**
Year ended 30 June 2016					
Opening balance at 1 July 2015		-	(101,497)	3,726	(97,771)
Net gain / (loss) on cash flow hedge		(210)	-	-	(210)
Equity settled share based payments expense		-	-	459	459
Closing Balance at 30 June 2016		**(210)**	**(101,497)**	**4,185**	**(97,522)**

(i) The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship. Refer Note 5.1 for further information in relation to cash flow hedges.

(ii) The reserve is used to accumulate the difference on the cost of shares issued by the Company and share buy backs. The balance at the beginning of the prior financial year represents the difference that arose because of the 2008 reverse acquisition, valuing the net assets at the fair value on the day of transaction versus the cost of the shares as agreed per the shareholder agreement.

(iii) The employee remuneration reserve comprises the fair value of share based payment plans recognised as an expense in profit or loss. See Note 5.9 for further details of these plans.

SECTION 5: **5.8**
DIVIDENDS

	2017 $'000	2016 $'000
Dividends on ordinary shares paid or provided for		
Final 2016 Dividend: 5.94 cents per share, 100% franked (2015: 17.6 cents per share, 64.2% franked)	17,841	52,861
Interim 2017 Dividend: 10.3 cents per share, 100% franked (2016: 9.4 cents per share, 100% franked)	30,936	28,232
Total Dividends	**48,777**	**81,093**
Proposed dividends on ordinary shares (unrecognised)		
Final 2017 Dividend: 10.04 cents per share, 100% franked (2016: 5.94 cents per share, 100% franked)	30,169	17,841
Franking account balance		
The amount of franking credits available for the subsequent financial period are:		
(a) Franking account balance as at the end of the financial year at 30%	9,152	2,677
(b) Franking credits that will arise from the payment of the amount of the provision for income tax	2,895	7,646
Total Franking account balance	**12,047**	**10,323**

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

SECTION 5: **5.9**
SHARE-BASED PAYMENT PLANS

	2017 $'000	2016 $'000
Expense arising from equity settled share based payments expense	336	459
Total share-based payments	**336**	**459**

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 Monte Carlo simulation. That cost is recognised, together with a corresponding increase in remuneration reserves 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.

SECTION 5: **5.9**

SHARE BASED PAYMENT PLANS *(CONTINUED)*

MOVEMENTS IN SHARE-BASED PAYMENT EQUITY INSTRUMENTS

The number and weighted average exercise price for each equity-settled share-based payment scheme outstanding is as follows. All schemes are settled by physical delivery of shares:

	POST-LISTING LTI		POST-LISTING STI	
	NUMBER	WAEP(i)	NUMBER	WAEP(i)
Outstanding at 1 July 2016	222,206	$0.00	25,338	$0.00
Granted during the year	144,886	$0.00	67,568	$0.00
Exercised during the year	-	$0.00	(12,669)	$3.91
Forfeited during the year	-	$0.00	-	$0.00
Lapsed during the year	-	$0.00	-	$0.00
Outstanding at 30 June 2017	**367,092**	**$0.00**	**80,237**	**$0.00**
Exercisable at 30 June 2017	-	$0.00	-	$0.00
Share Price at Date of Exercise		N/A		N/A

(i) WAEP = Weighted Average Exercise Price

VALUATION ASSUMPTIONS AND FAIR VALUE OF EQUITY INSTRUMENTS GRANTED

The model inputs for performance rights granted during the year ended 30 June 2017 was as follows:

	POST-LISTING STI (12 MONTHS)	POST-LISTING STI (24 MONTHS)	POST-LISTING LTI
Grant Date	12/09/2016	12/09/2016	03/10/2016
Vesting Date	12/09/2017	12/09/2018	30/06/2019
Fair Value	$3.79	$3.56	$3.81
Grant Date Share Price	$4.04	$4.04	$4.46
Exercise Price	Nil	Nil	Nil
Life Assumption (Years)	1.0	2.0	2.6
Expected Dividend Yield	4.8%	4.8%	4.8%

The model inputs for performance rights granted during the year ended 30 June 2016 was as follows:

	POST-LISTING STI (12 MONTHS)	POST-LISTING STI (24 MONTHS)	POST-LISTING LTI
Grant Date	11/09/2015	11/09/2015	01/12/2015
Vesting Date	11/09/2016	11/09/2017	30/06/2018
Fair Value	$5.08	$4.82	$5.18
Grant Date Share Price	$5.30	$5.30	$6.14
Exercise Price	Nil	Nil	Nil
Life Assumption (Years)	1.0	2.0	2.6
Expected Dividend Yield	4.1%	4.6%	4.8%

A description of key terms of share based payments is disclosed in the Remuneration Report.

SECTION 6:
OTHER ITEMS

SECTION 6: **6.1**
SUBSIDIARIES

The consolidated financial statements include Regis Healthcare Limited (ultimate parent entity, otherwise known as the Parent Entity) and the following significant wholly owned subsidiaries. The subsidiaries are 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.

		EQUITY INTEREST	
	COUNTRY OF INCORPORATION	2017 %	2016 %
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 Caboolture Pty Ltd	Australia	100	100
Regis Gatton Pty Ltd	Australia	100	100
Regis Grange - Wellington Point Pty Ltd	Australia	100	100
Regis Group Properties Pty Ltd	Australia	100	100
Regis Ferny Grove 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 Salisbury 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 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 (2) Pty Ltd	Australia	100	100
Retirement Care Australia (Logan) Pty Ltd	Australia	100	100
RAC Fiduciary Pty Ltd	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 6: **6.2**
RELATED PARTY DISCLOSURES

(A) SUBSIDIARIES

The consolidated financial statement includes the financial statements of Regis Healthcare Limited and the subsidiaries as listed in section 6.1 of the financial statements.

(B) ULTIMATE PARENT

Regis Healthcare Limited is the ultimate parent entity.

(C) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

At 30 June 2017, there was no balance outstanding for payment to SAI Global Limited. During FY16, purchases of $5,966 at normal market prices have been made from SAI Global Limited, of which Sylvia Falzon is a director.

(D) KEY MANAGEMENT PERSONNEL

Compensation of Key Management Personnel of the Group

	2017 $	2016 $
Short-term employee benefits	3,645,266	3,947,459
Post-employment benefits	247,382	251,797
Long-term benefits	328,033	465,460
Share-based payment	273,465	473,323
Total compensation of key management personnel	**4,494,146**	**5,138,039**

Comparative amounts are revised, if required, based on latest information and to conform with current year presentation.

SECTION 6: **6.3**
EVENTS AFTER THE BALANCE SHEET DATE

On 1 August 2017, the Group acquired three aged care facilities located in Hobart and Launceston, comprising 287 aged care places. The acquisition also included a small retirement village and some home care packages. The Group has acquired the business in line with its growth strategy.

The Group has increased the capacity and tenor of its existing syndicated bank debt facilities. The new facilities provide Regis with total commitments of $515 million and includes:

- $295 million, to be used to fund the ongoing business operations including development activities and acquisitions, maturing in July 2020,
- $150 million to be used to fund the ongoing business operations including development activities and acquisitions, maturing in May 2021; and
- $70m million, to be used to expand the retirement living businesses at the Inala site in Melbourne and Hollywood site in Perth, maturing in July 2022.

SECTION 6: **6.4**
AUDITOR'S REMUNERATION

	2017 $'000	2016 $'000
Amounts received or due and receivable by Ernst & Young for:		
• Audit or review of the financial report	545	545
• Other services		
– Tax compliance	148	255
– Other services	148	97
Total auditor's remuneration	**841**	**897**

SECTION 6: **6.5**
TREATMENT OF GST

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

- 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 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.

SECTION 6: **6.6**
NEW AND REVISED ACCOUNTING STANDARDS

(A) NEW AND REVISED STANDARDS AND INTERPRETATIONS ADOPTED BY THE COMPANY

The Group has adopted, for the first time, certain standards and amendments to accounting standards. None of the changes have impacted on the Group's accounting policies nor have they required any restatement.

SECTION 6: **6.6**

NEW AND REVISED ACCOUNTING STANDARDS *(CONTINUED)*

(B) NEW AND REVISED STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE GROUP

At the balance date certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at that date. Those relevant to the Group are included in the table below.

REFERENCE & TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard includes: • a single, principles-based approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held; • a new expected loss impairment model requiring expected losses to be recognised when financial instruments are first recognised; • a modification of hedge accounting to align the accounting treatment with risk management practices of an entity	1 January 2018	1 July 2018
AASB 15 Revenue	AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. A new five-step process must be applied before revenue can be recognised: • identify contracts with customers • identify the separate performance obligation • determine the transaction price of the contract • allocate the transaction price to each of the separate performance obligations, and • recognise the revenue as each performance obligation is satisfied.	1 January 2018	1 July 2018
AASB 16 Leases	AASB 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	1 January 2019	1 July 2019

The Group has completed a preliminary assessment of the potential impact of the adoption of the above standards on its consolidated financial statements. Based on this assessment, the components of the Group's arrangements that may be impacted by the standards have been identified and further consideration of these arrangements is being undertaken. This includes an assessment of arrangements relating to the provision of residential aged care services where upon entry to the facility a resident has elected to pay a RAD.

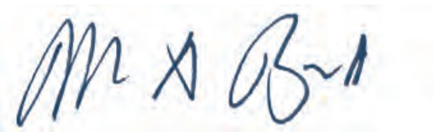
At this stage, the Group does not intend to adopt the standards before their effective date. The transition approach to be applied on adoption of the standards has not yet been determined as it is dependant on the Group finalising its assessment of the standards.

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 financial statements and notes of Regis Healthcare Limited are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 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 financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.4; 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 2017.

On behalf of the Board



Mark A Birrell
Chairman

Melbourne, 25 August 2017

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 2017, the consolidated statement of 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 2017 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* (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.

Retirement Village Accounting

WHY SIGNIFICANT

At 30 June 2017, the recorded amount of investment properties was $115 million, which relates to the Group's retirement villages.

Investment properties were measured at historical cost less accumulated depreciation at 30 June 2016. During the current period, the Group's accounting policy was changed to measure investment properties at fair value in accordance with Australian Accounting Standard - AASB 140 *Investment Property*. The change was applied retrospectively to the opening balances of equity and investment properties for the comparative period, in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Estimating the fair value of investment properties requires critical judgment, including key estimates such as the starting value of units, occupancy, growth rates, capital expenditures, sales cost and application of discount rates and the assumptions inherent in those estimates. The Group engaged external valuation experts in determining the fair value.

Note 3.4 to the financial report outlines the Group's accounting policy change and the financial impact.

We considered this a key audit matter given the size, complexity and judgment involved in the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

In performing our procedures we considered the basis for the change in accounting policy and assessed the subsequent measurement treatment adopted by the Group.

We assessed the assumptions and estimates made by the Group in calculating the fair value of investment properties, which included:

- Evaluating the methodology adopted by the Group's external valuation experts;
- Assessed the starting value of units;
- Selected a sample of resident contracts to confirm occupancy data used in the valuation;
- Assessed capital expenditure and sales cost estimates by consideration of historical data; and
- Evaluated the growth rates and discount rates used in the valuation.

We considered the objectivity, independence and competence of the external valuers used by the Group.

We involved our real estate valuation specialists in performing these procedures.

We also assessed the adequacy of the Group's financial report disclosures made in Note 3.4 *Investment Property* relating to the valuation assumptions and the change in accounting policy, including the impact to the comparative financial information.

Valuation of Intangible Assets, including Goodwill

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
At 30 June 2017, the recorded amount of goodwill and other intangible assets with indefinite useful lives was $446 million. Other intangible assets with indefinite useful lives of $211 million relate to operational places for aged care facilities. The Group performs an annual impairment test of the carrying amounts of goodwill and other intangible assets. Assets are grouped at the lowest levels for which goodwill and operational places are monitored for internal management purposes and allocated to cash generating units (CGUs). Items that are subject to judgment, which were key areas of focus for the audit include: • Future cash flow assumptions; • Changes in working capital including Refundable Accommodation Deposits ('RADs'); • Discount rate and long term growth assumptions; and • Appropriateness of sensitivities applied to the impairment test. We considered this a key audit matter given the significance of the balances and the assessment process being complex and requiring significant judgment. Goodwill and other intangible assets disclosure is included in Note 3.3 to the financial report.	We examined the Group's forecast cash flows used in the impairment models, upon which the Group's impairment assessment was based. We assessed the basis of preparing those forecasts taking into account the accuracy of the Group's previous forecasts and the historic evidence supporting underlying assumptions. In relation to the future cash flow assumptions, we: • performed a comparison to the Group's current trading performance; and • evaluated the Group's supporting evidence and obtained external evidence such as valuation multiples for comparable companies and external market data to corroborate the Group's assumptions. The appropriateness of other key assumptions such as the discount rate and long term growth rate, were evaluated by considering external market indicators. We involved our valuation specialists in performing these procedures. We tested the mathematical accuracy of the impairment models and evaluated the Group's sensitivity calculations, including evaluating the Group's assessment of whether any reasonably possible change in these key assumptions would result in an impairment to goodwill or indefinite life intangible assets. We assessed the adequacy of the goodwill and intangible assets disclosure made in Note 3.3 including key assumptions used.

INFORMATION OTHER THAN THE FINANCIAL REPORT AND AUDITOR'S REPORT

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 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.

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.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: *http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf*. This description forms part of our auditor's report.

REPORT ON THE AUDIT OF THE REMUNERATION REPORT

OPINION ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 37 to 50 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Regis Healthcare Limited for the year ended 30 June 2017, 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

Glenn Carmody
Partner

Melbourne
25 August 2017

ADDITIONAL INFORMATION

SHAREHOLDING INFORMATION

The Company's shares are listed on the Australian Securities Exchange (ASX) under the issuer code REG. The Company is not currently conducting an on market buy-back of its shares. There are no shares subject to voluntary escrow as at 31 August 2017.

At a general meeting of shareholders each shareholder is entitled to one vote on a show of hands and one vote per fully paid ordinary share on a poll.

TOP 20 SHAREHOLDERS AS AT 31 AUGUST 2017

RANK	NAME OF SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF ISSUED CAPITAL
1	GALABAY PTY LTD	81,910,479	27.27
1	ASHBURN PTY LTD	81,910,479	27.27
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	19,078,941	6.35
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,315,148	5.10
4	BNP PARIBAS NOMINEES PTY LTD	10,666,881	3.55
5	NATIONAL NOMINEES LIMITED	9,559,191	3.18
6	CITICORP NOMINEES PTY LIMITED	5,687,799	1.89
7	UBS NOMINEES PTY LTD	5,613,630	1.87
8	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	5,205,000	1.73
9	AMP LIFE LIMITED	4,950,461	1.65
10	BNP PARIBAS NOMS PTY LTD	3,575,100	1.19
11	MR ROSS JAMES JOHNSTON	2,900,001	0.96
12	SANDHURST TRUSTEES LTD	2,353,180	0.78
13	CITICORP NOMINEES PTY LIMITED	2,208,387	0.74
14	MILTON CORPORATION LIMITED	1,781,076	0.59
15	ARGO INVESTMENTS LIMITED	1,660,959	0.55
16	NETWEALTH INVESTMENTS LIMITED	1,170,106	0.39
17	ECAPITAL NOMINEES PTY LIMITED	842,790	0.28
18	BKI INVESTMENT COMPANY LIMITED	650,428	0.22
19	NETWEALTH INVESTMENTS LIMITED	562,404	0.19
20	MR JOHN PATERSON	495,000	0.16

HOLDING DISTRIBUTION AS AT 31 AUGUST 2017

RANGE	NO. OF SHAREHOLDERS	PERCENTAGE OF SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE OF ISSUED CAPITAL
100,001 and Over	49	0.63	263,422,184	87.70
10,001 to 100,000	725	9.33	15,616,493	5.20
5,001 to 10,000	1,254	16.14	9,213,309	3.07
1,001 to 5,000	4,157	53.51	11,196,103	3.73
1 to 1,000	1,584	20.39	910,377	0.30
TOTAL	**7,769**	**100.00**	**300,358,466**	**100.00**
Less than marketable parcels	202	2.60	13,584	0.00

SUBSTANTIAL SHAREHOLDERS AS AT 31 AUGUST 2017

The names of substantial holders and the number of shares in which each substantial holder and the substantial holder's associates have a relevant interest is as follows:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF ISSUED CAPITAL
Ashburn Pty Ltd as trustee of the Dorman Family Trust	81,910,479	27.27
Galabay Pty Ltd as trustee of the GRAIL Trust	81,910,479	27.27

PERFORMANCE RIGHTS

The Company has performance rights on issue in addition to ordinary shares. The details of the performance rights held at 31 August 2017 are as follows:

CLASS OF SECURITY	NUMBER OF PERFORMANCE RIGHTS HOLDERS	NUMBER OF PERFORMANCE RIGHTS
Performance rights	5	447,329

The performance rights do not carry any voting rights.

USE OF FUNDS

Cash and assets held in a form readily convertible to cash that the Company had at the time of admission to the ASX was used in a way consistent with its business objectives.

GLOSSARY OF TERMS

ABN	Australian Business Number
ACAR	Aged Care Approvals Round is a competitive process under which approved providers may be granted aged care places
ACN	Australian Company Number
Accommodation Bond	The term used prior to 1 July 2014 to refer to a lump sum refundable accommodation deposit
Acquisition	Purchase of individual or a portfolio of existing operational aged care Facilities
Aged Care Act	*Aged Care Act 1997* (Cth)
Approved Provider	An aged care provider as accredited by the Department under the Aged Care Act
ARC	Asset Replacement Charge
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Bed Licence	An allocated place under the Aged Care Act, being a place that (when operational and occupied) is capable of attracting residential care subsidy on a per resident per day basis (Also referred to as a place)
Board	The Board of Directors
brownfield	An aged care development on a Regis site that adjoins an existing Facility
CGU	Cash-generating unit
Company	Regis Healthcare Limited (ABN 11 125 203 054)
Constitution	The constitution of the Company as amended from time to time
Corporations Act	*Corporations Act 2001* (Cth)
DAP	A daily accommodation payment
Department	Department of Health
Directors	The Directors of the Company
EBITDA	Earnings before interest, tax, depreciation and amortisation
Government	The Commonwealth Government of Australia
greenfield	An new aged care development or an additional stand-alone building on a Regis site that does not adjoin an existing Facility
GST	Goods and services tax as levied under the GST Law
GST Law	GST law as defined in section 195-1 of *A New Tax System (Goods and Services Tax) Act 1999*
ILU	An independent living unit designed for retirees who generally do not require assistance with day-to-day living
MYEFO	The Mid-Year Economic and Fiscal Outlook is issued by the Commonwealth Government six months after the Budget to update economic and fiscal prospects
NPAT	Net profit after tax
Operational Place	A place available for occupancy by a resident
place	An allocated place under the Aged Care Act, being a place that (when operational and occupied) is capable of attracting the residential care subsidy on a per resident per day basis. (Also referred to as a Bed Licence)

RAD	A refundable accommodation deposit, being an amount of money that does not accrue daily and is paid or payable to an Approved Provider by a resident for the resident's accommodation in an aged care Facility. A RAD is repayable when the care recipient dies; the care recipient ceases to be provided with care by the Approved Provider; or the service ceases to be certified. Prior to 1 July 2014, lump sum refundable accommodation deposits were referred to as Accommodation Bonds.
Regis	The business carried on by the Company and its controlled entities
Regis Club Services	Provides top of the range additional hotel style services such as onsite café, hairdressing salon and private cinema and dining room
Regis Reserve	Provides additional services such as superior accommodation, menu choices and dedicated dining and living areas
RGPL	Regis Group Proprietary Limited ACN 084 720 561
Resident	A person who occupies a place within an aged care Facility
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A holder of Shares
Significant Refurbishment	Refurbishment of a facility that meets the criteria in the Subsidy Principles 2014 qualifying the facility for a higher level of funding for Supported Residents.
Supported Resident	A resident assessed as eligible for an accommodation supplement or concessional resident supplement. In this report, unless otherwise specified, a reference to a 'Supported resident' includes 'concessional', 'assisted', 'supported' and 'low means' residents as defined under the *Aged Care Act 1997* and the *Aged Care (Subsidy, Fees and Payments) Determination 2014*.

www.regis.com.au

NEW SOUTH WALES

Regis Belmore
Regis Hornsby
Regis Hurstville
Regis Port Macquarie
Regis Port Stephens
Regis Rose Bay

NORTHERN TERRITORY

Regis Tiwi

QUEENSLAND

Regis Birkdale
Regis Bulimba
Regis Caboolture
Regis Ferny Grove
Regis Gatton
Regis Greenbank
Regis Kirwan
Regis Kuluin
Regis Maroochydore
Regis Redlynch
Regis Salisbury
Regis Sandgate- Griffith
Regis Sandgate- Lucinda
Regis Sandgate- Musgrave
Regis Sippy Downs
Regis The Gap
Regis Whitfield
Regis Wynnum
Regis Yeronga

SOUTH AUSTRALIA

Regis Kingswood
Regis Linden Park
Regis Marleston
Regis Playford

VICTORIA

Regis Alawarra Lodge
Regis Armadale
Regis Blackburn
Regis Brighton
Regis Cranbourne
Regis Dandenong North
Regis East Malvern
Regis Fawkner
Regis Frankston
Regis Inala Lodge
Regis Macleod
Regis Milpara Lodge
Regis Ontario
Regis Ringwood
Regis Rosebud
Regis Sandringham
Regis Shenley Manor
Regis Sunraysia

WESTERN AUSTRALIA

Regis Bunbury
Regis Como
Regis Embleton
Regis Greenmount
Regis North Fremantle
Regis Weston