Appendix 4D

Regis Healthcare Limited

Results for announcement to the market

For the half-year ended 31 December 2022

(previous corresponding period being the half-year ended 31 December 2021)

		% change		$'000
Revenue from ordinary activities	Up	4.4%	to	380,406
Profit after tax from ordinary activities (prior to amortisation) attributable to members[1]	Down	(75.7%)	to	2,575
Loss after tax from ordinary activities attributable to members	Down	(606.2%)	to	(25,909)
Net loss after tax attributable to members	Down	(606.2%)	to	(25,909)

Dividend Information

	Amount per security	Franking %	Record date	Payment date
Current period				
Interim dividend	2.00 cents	50%	17 March 2023	14 April 2023
Year ended 30 June 2022				
Interim dividend	3.52 cents	50%	11 March 2022	8 April 2022
Final dividend	2.32 cents	50%	16 September 2022	30 September 2022
Total dividend	5.84 cents	50%		

Other Information

	31 December 2022 (cents)	31 December 2021 (cents)	% change
Net tangible asset backing per ordinary share[2]	(96.12)	(89.79)	(7.0%)

Commentary on the results for the period and additional ASX Appendix 4D (Listing Rule 4.2A.3) disclosures can be found in the attached Half-Year Financial Report of Regis Healthcare Limited for the half-year period ended 31 December 2022. This document should be read in conjunction with the Annual Report of Regis Healthcare Limited for the year ended 30 June 2022 and any public announcements made in the period by Regis Healthcare Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

Malcolm Ross, Company Secretary
27 February 2023

[1] Excludes amortisation of operational places for the half-year ended 31 December 2022.
[2] Calculated as net assets less intangible assets and deferred tax liabilities, divided by the number of ordinary shares on issue at period end. Net tangible asset backing includes the right of use assets and lease liabilities as disclosed in the Half-Year Financial Report of Regis Healthcare Limited for the period ended 31 December 2022.

Regis Healthcare Limited

ABN 11 125 203 054

Half-Year Financial Report
31 December 2022

Contents

Corporate Information

Directors

Graham K Hodges	Chairman, Non-Executive Director
Linda J Mellors	Managing Director and Chief Executive Officer
Christine C Bennett AO	Non-Executive Director
Bryan A Dorman	Non-Executive Director
Sally M Freeman	Non-Executive Director
Ian G Roberts	Non-Executive Director

Company Secretary

Malcolm Ross

Registered Office

Level 2, 293 Camberwell Road
Camberwell VIC 3124

Principal Place of Business

Level 2, 293 Camberwell Road
Camberwell VIC 3124

Share Registry

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

Stock Exchange

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

Solicitors

Herbert Smith Freehills
80 Collins Street
Melbourne VIC 3000

Auditors

Ernst & Young Australia
8 Exhibition Street
Melbourne VIC 3000

Directors' Report

Your Directors present their report on Regis Healthcare Limited (the 'Company') and its controlled entities (the 'Group' or 'Regis') for the half-year ended 31 December 2022.

Directors

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

Graham K Hodges	Chairman, Non-Executive Director
Linda J Mellors	Managing Director and Chief Executive Officer
Christine C Bennett AO	Non-Executive Director
Bryan A Dorman	Non-Executive Director
Sally M Freeman	Non-Executive Director
Ian G Roberts	Non-Executive Director

Operating and Financial Review

As at 31 December 2022, the Group owned and operated 64 residential aged care homes with approximately 7,000 available operational places and provided residential aged care services in six States and the Northern Territory. In addition, Regis, through retirement living, manages over 570 retirement village units across ten retirement villages and affordable housing communities. Regis also offers home care services.

Business Model

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

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

Review and Results of Operations

To assist in the evaluation of the financial performance of the Group, certain measures are used that are not recognised under Australian Accounting Standards or International Financial Reporting Standards ('IFRS') and therefore, these are considered to be non-IFRS measures. Underlying earnings before interest, tax, depreciation and amortisation ('Underlying EBITDA')[3] is reported in order to provide a greater understanding of the sustainable financial performance of the Group. All other amounts reported below are recognised and measured in accordance with Australian Accounting Standards.

[3] Non-IFRS financial information has been prepared in accordance with ASIC Regulatory Guide 230 - Disclosing non-IFRS financial information, issued in December 2011. Non-IFRS financial information, while not subject to an audit or review, has been extracted from the Financial Report, which has been subject to review by the Group's external auditors. Underlying earnings before interest, tax, depreciation and amortisation ('Underlying EBITDA'), which excludes imputed income on RADs and Bonds of $30,570,000 (31 December 2021: $31,351,000), $12,500,000 (31 December 2021: $4,476,000) of net COVID-19 outbreak expenses and other one-off items, and includes operating lease expense of $666,000 (31 December 2021: $719,000), is reported in order to provide shareholders with a greater understanding of the financial performance of the Group. A reconciliation of profit before income tax to Underlying EBITDA is provided on page 5.

Operating and Financial Review (continued)

Review and Results of Operations (continued)

A summary of the financial results for the half-year ended 31 December 2022 is set out below:

For the Half-Year Ended	31 December 2022 $'000	31 December 2021 $'000	% Change
Revenue from services	380,406	364,244	4.4%
Other income	33,298	31,355	6.2%
Underlying EBITDA	45,100	44,107	2.3%
Net profit after tax before amortisation of operational places (NPATA)	2,575	10,577	(75.7%)
Net profit / (loss) after tax (NPAT)	(25,909)	(3,669)	(606.2%)
Basic earnings per share	(8.61 cents)	(1.22 cents)	(605.7%)

A summary of revenue from services for the half-year ended 31 December 2022 is set out below:

For the Half-Year Ended	31 December 2022 $'000	31 December 2021 $'000
Government funded revenue	267,929	260,245
Resident basic daily fee revenue	63,831	61,237
Other resident revenue	45,005	38,831
Other operating revenue	2,817	2,614
Deferred management fee revenue	824	1,317
Revenue from services	**380,406**	**364,244**

Revenue from services does not include any COVID-19 outbreak Government grant income. COVID-19 outbreak Government claims include $20,100,000 submitted to the Department of Health and Aged Care (DHAC) for the second half of the financial year ended 30 June 2022 and an additional $12,300,000 submitted/ to be submitted for the six-month period ended 31 December 2022. Approval of these amounts remains outstanding as at 31 December 2022. Regis has been advised by the DHAC that the processing of claims remains slow due to large volumes and this has caused significant delays in approving submitted claims. Regis expects to receive approval from the DHAC for claims submitted during the second half of the current financial year.

From 1 October 2022, the Australian National Aged Care Classification (AN-ACC) replaced the Aged Care Funding Instrument (ACFI). The AN-ACC model operates by providing funding driven by the characteristics of each residential aged care home and the needs of individual residents. The AN-ACC funding model aims to provide:

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

As expected, under the AN-ACC funding model, revenue per resident per day increased to $220.70, a modest increase on funding received under ACFI.

Occupancy rates across the residential aged care portfolio improved to an average of 91.1% for the half-year ended 31 December 2022 (31 December 2021: 89.3%). In a challenging industry environment including record low unemployment impacting workforce availability, and the continued presence of COVID-19, management has remained focused on improved operational, clinical and business performance.

Operating and Financial Review (continued)

Review and Results of Operations (continued)

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

For the Half-Year Ended	31 December 2022 $'000	31 December 2021 $'000
Loss before income tax	**(36,491)**	**(5,132)**
Add back/(deduct):		
Imputed income on RADs and bonds[4]	(30,570)	(31,351)
Depreciation[4]	22,657	20,821
Amortisation of operational places	40,691	20,346
Finance costs[4]	36,064	35,670
Finance income	(179)	(4)
Operating lease expense	(666)	(719)
COVID-19 Government grants (for single site workers)	(526)	-
COVID-19 expenses	13,025	4,476
Profit on sale of assets	(16)	-
Professional services costs incurred in relation to potential employee underpayments program of work	1,807	-
Other (gains) / losses[5]	(696)	-
Underlying EBITDA	**45,100**	**44,107**

Workforce Challenge and COVID-19 Pandemic

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

Regis has continued to experience significantly increased staff expenses including additional overtime and use of agency contractors due to chronic workforce shortages caused by pre-existing sector challenges compounded by border closures and the direct impact of COVID-19. Increased staff expenses due to significantly higher overtime and agency costs together with the impact of Award (4.6%) and Enterprise Agreement (c.3%) increases, were only partially offset by the 1 July 2022 indexation increase (1.7%) (for the period 1 July to 30 September 2022) applied by the Australian Government to aged care funding.

During the six-month period, Regis incurred one-off COVID-19 outbreak costs of $13,025,000 including incremental staff expenses, personal protective equipment, infection prevention and control, and employee welfare related costs. The ongoing presence of the COVID-19 virus has led to additional staffing disruption and financial pressures. The Company continues to review the progress of the COVID-19 pandemic and take necessary steps to protect the health, well-being and safety of residents, clients and employees.

Vaccination of residents and workforce has required substantial effort and coordination. Regis has actively promoted vaccination which has been shown to be highly protective against death and serious illness from COVID-19. During the period, Regis was in partnership with a workplace occupational health provider experienced in running complex vaccination programs for large, national institutions to provide COVID-19 and influenza vaccinations to eligible residents and all staff.

---

4 Following adoption of AASB 16 *Leases* effective 1 July 2019, as detailed in Note B2, profit before income tax for the half-year ended 31 December 2022 includes income on RADs and Bonds of $30,570,000 (31 December 2021: $31,351,000) and correspondingly, finance costs of $30,570,000 (31 December 2021: $31,351,000) with no impact to profit or loss. The Group also recognised depreciation and interest costs totalling $555,000 (31 December 2021: $510,000) and $170,000 (31 December 2021: $174,000) respectively.

5 Other (gains)/ losses represents (i) $2,007,000 recognised as gain on lease modification due to the early termination of Regis' head office lease in Armadale, Victoria, which resulted in the re-measurement of the existing lease asset and liability as at 31 December 2022, offset by (ii) $1,311,000 incurred for regulatory penalties (including external advisors and additional costs) relating to the Sanction and Notice to Agree (NTA) applied to Port Coogee on 11 August 2022 by the Aged Care Quality and Safety Commission (ACQSC).

Directors' Report

Operating and Financial Review (continued)

Review and Results of Operations (continued)

Deregulation of Operational Places

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

In September 2021, the Australian Government announced its decision to discontinue operational places from 1 July 2024. In accordance with Accounting Standards and the guidelines issued by the Australian Securities and Investments Commission ("ASIC"), as well as the Group's current understanding of the relevant legislation and transitional arrangements relating to the removal of operational places, Regis has reassessed the useful life of its operational places. Consequently, Regis commenced amortising the value of operational places from 1 October 2021 on a straight-line basis over their remaining economic life to 1 July 2024. This has resulted in a before tax amortisation expense in the profit and loss for the half-year ended 31 December 2022 of $40,691,000 with no impact to the cash flows of the Group. In addition, a related deferred tax liability of $12,207,000 has been reversed.

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

Potential Employee Entitlement Underpayments

As disclosed in the 2022 Annual Financial Report, Regis announced to the ASX on 9 August 2021 that it had identified potential underpayments of employee entitlements to certain current and former employees under its enterprise agreements.

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

Regis, with the assistance of external advisors, continues to determine the extent of the underpayments. Based on additional analysis undertaken during the current period, Regis has maintained a provision of $37,700,000 as at 31 December 2022.

Cash Flow and Capital Expenditure

Regis' principal source of funds was its cash flow from operations (including RADs). Net cash flow from operating activities in the half-year ended 31 December 2022 was $62,017,000 (31 December 2021: $126,709,000) and includes $44,033,000 (31 December 2021: $40,102,000) of Government funding for January 2023 received in advance in December 2022. RAD and accommodation bond net cash inflow was $8,698,000 (31 December 2021: $47,120,000).

During the current period, Regis invested $18,798,000 in capital expenditure for ongoing development (including a greenfield residential aged care development in Camberwell, Victoria), replacement and refurbishment of existing facilities, and strategic technology investments (31 December 2021: $30,652,000).

On 31 January 2023, Regis acquired vacant land at Carlingford, New South Wales, for $15,000,000. This land (which has a development approval) is earmarked for a new residential care home.

For other developments in the pipeline, activities such as preparing land for commencement, development approvals and design documentation are underway in readiness to commence construction.

During the period, Regis increased its net bank borrowings by $11,085,000. Excluding Government funding received in advance for January 2023, net debt at 31 December 2022 was $111,647,000 (31 December 2021: $100,883,000).

Regis has a syndicated debt bank facility, which provides sufficient liquidity to meet currently anticipated cash flow requirements. In December 2022, Regis completed a refinance of its existing syndicated bank debt facilities and elected to reduce the overall facility from $515,000,000 to $405,000,000, in recognition of anticipated working capital and investment requirements. Under the terms of the new agreement, $255,000,000 matures in March 2027, and $150,000,000 matures in March 2026. As at 31 December 2022, the undrawn amount of bank facilities was $294,689,000.

Operating and Financial Review (continued)

Review and Results of Operations (continued)

Industry Reform

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

The reforms are split across five key pillars:

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

A new Aged Care Act will underpin the reforms.

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

The new AN-ACC funding model commenced on 1 October 2022. As expected, Regis' Aged Care Government revenue per occupied bed day has modestly increased under the new AN-ACC funding model to $220.70 (this includes the additional $10 food supplement introduced 1 July 2021).

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

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

Regis continues to evaluate the Government care minutes requirement. The Company has commenced an organisational redesign to refocus resources towards more direct care.

Star Ratings

Star ratings were a recommendation by the Royal Commission into Aged Care Quality and Safety and were introduced in December 2022. Each aged care home is assigned an overall star rating against four sub-categories (resident experience, compliance, staffing and quality measures). Based on reporting to the DHAC in November 2022, Regis' homes are rated around 3 stars overall, which is considered an acceptable quality of care.

Independent Health and Aged Care Pricing Authority (IHACPA)

The IHACPA is an important reform as it will ensure the sustainability of the industry by establishing appropriate pricing and margin to encourage new investment. From 1 July 2023, the IHACPA will have responsibility to provide the Australian Government with recommendations in relation to the cost of providing quality care.

Regulatory Penalty

On 11 August 2022, the Aged Care Quality and Safety Commission (ACQSC) applied regulatory penalties to Regis Port Coogee of a Sanction and Notice to Agree (NTA). Regis complied with all actions and requirements stipulated by the ACQSC. The Company incurred a one-off negative earnings impact of $1,300,000 (including external advisor fees and additional staff costs) for the period 11 August 2022 to 31 December 2022. The sanction expired on 10 February 2023.

Operating and Financial Review (continued)

Review and Results of Operations (continued)

2023 Interim Dividend

On 27 February 2023, the Board of Directors resolved to pay an interim dividend of 2.00 cents per ordinary share totalling $6,000,000 (50% franked) for the half-year ended 31 December 2022, payable on 14 April 2023 (record date 17 March 2023).

Outlook

Given the uncertainty over the financial impact of the reform program roll-out, the Board does not believe it prudent to put forward any earnings guidance at this stage.

Subsequent Events

COVID-19 Pandemic

Regis anticipates ongoing COVID-19 additional costs in both outbreak and non-outbreak homes associated with staff expenses and infection prevention and control.

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

Land acquisition

On 31 January 2023, Regis acquired a parcel of land in Carlingford, New South Wales, for approximately $15,000,000. The land is to be used for the purposes of residential aged care development.

Regis Belmore closure

In January 2023, Regis' Belmore, New South Wales 60-bed residential aged care home was closed. There is no material impact on the ongoing profitability of the Company as a result of the closure.

Other Matters

No other matters or circumstances have arisen since the end of the half-year ended 31 December 2022 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

Auditor's Independence Declaration

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

Rounding

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

Signed in accordance with a resolution of the Directors.

Graham K Hodges
Chairman
Melbourne, 27 February 2023

Building a better
working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

As lead auditor for the review of the half-year financial report of Regis Healthcare Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

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

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

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

Ernst & Young

Ernst & Young

BJ Pollock

BJ Pollock
Partner
27 February 2023

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	31 December 2022 $'000	31 December 2021 $'000
Revenue from services	B2	380,406	364,244
Other income	B2	33,298	31,355
Total revenue from services and other income		**413,704**	**395,599**
Expenses			
Staff expenses		(286,370)	(263,730)
Resident care expenses		(27,957)	(26,443)
Administration expenses		(24,817)	(21,716)
Occupancy expenses		(11,639)	(12,005)
Depreciation		(22,657)	(20,821)
Amortisation of operational places	C2	(40,691)	(20,346)
(Loss) / Profit before income tax and finance costs		**(427)**	**30,538**
Finance costs	B3	(36,064)	(35,670)
Loss before income tax		**(36,491)**	**(5,132)**
Income tax benefit	B4	10,582	1,463
Loss for the period		**(25,909)**	**(3,669)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Other comprehensive income, net of tax for the period		-	-
Total comprehensive income, net of tax for the period		**(25,909)**	**(3,669)**
Loss for the period attributable to:			
Equity holders of the parent entity		(25,909)	(3,669)
Total comprehensive income, net of tax attributable to:			
Equity holders of the parent entity		(25,909)	(3,669)
Earnings per share (EPS) attributable to equity holders of the parent:		**Cents**	**Cents**
Basic EPS (cents per share)	B5	(8.61)	(1.22)
Diluted EPS (cents per share)	B5	(8.61)	(1.22)

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

Interim Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2022

	Notes	31 December 2022 $'000	30 June 2022 $'000
Assets			
Cash and cash equivalents		39,429	4,151
Trade and other receivables		17,248	17,910
Inventories		5,025	5,163
Other current assets		13,764	6,317
Income tax receivable		13,194	7,186
Total current assets		**88,660**	**40,727**
Property, plant and equipment	C1	1,106,476	1,109,153
Right-of-use assets		4,325	4,305
Operational places and goodwill	C2	362,009	402,700
Investment property	C4	163,318	163,120
Total non-current assets		**1,636,128**	**1,679,278**
Total assets		**1,724,788**	**1,720,005**
Liabilities			
Bank overdraft	D1	-	11,397
Trade payables and other liabilities		105,484	62,103
Lease liabilities		973	1,040
Provisions	C6	110,958	111,116
Other financial liabilities	D2	1,318,773	1,312,344
Total current liabilities		**1,536,188**	**1,498,000**
Interest-bearing loans and borrowings	D1	107,043	95,664
Lease liabilities		3,246	5,223
Provisions	C6	5,533	5,771
Deferred tax liabilities		26,552	36,340
Total non-current liabilities		**142,374**	**142,998**
Total liabilities		**1,678,562**	**1,640,998**
Net assets		**46,226**	**79,007**
Equity			
Contributed equity	D3	273,761	273,629
Reserves		(97,034)	(97,009)
Accumulated losses		(130,501)	(97,613)
Total equity		**46,226**	**79,007**

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

Interim Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Issued Capital $'000	Remuneration Reserve $'000	Acquisition Reserve $'000	Accumulated Losses $'000	Total $'000
At 1 July 2021	**273,519**	**4,244**	**(101,497)**	**(34,301)**	**141,965**
Net loss for the period	-	-	-	(3,669)	(3,669)
Total comprehensive income for the period	**-**	**-**	**-**	**(3,669)**	**(3,669)**
Dividends paid or provided for	-	-	-	(13,926)	(13,926)
Equity settled share-based payments	-	91	-	-	91
Transfer from remuneration reserve	110	(110)	-	-	-
Balance as at 31 December 2021	**273,629**	**4,225**	**(101,497)**	**(51,896)**	**124,461**
At 1 July 2022	**273,629**	**4,488**	**(101,497)**	**(97,613)**	**79,007**
Net loss for the period	-	-	-	(25,909)	(25,909)
Total comprehensive income for the period	**-**	**-**	**-**	**(25,909)**	**(25,909)**
Dividends paid or provided for	-	-	-	(6,979)	(6,979)
Equity settled share-based payments	-	107	-	-	107
Transfer from remuneration reserve	132	(132)	-	-	-
Balance as at 31 December 2022	**273,761**	**4,463**	**(101,497)**	**(130,501)**	**46,226**

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

Interim Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	31 December 2022 $'000	31 December 2021 $'000
Cash flows from operating activities		
Receipts from residents and Government subsidies	376,751	356,097
Government grants received	526	-
Government funding received in advance	44,033	40,102
Payments to suppliers and employees	(358,239)	(309,822)
Finance income	179	4
Finance costs	(3,654)	(2,375)
Interest paid on RADs	(2,062)	(1,557)
RAD and accommodation bond inflows	212,555	215,197
RAD and accommodation bond outflows	(203,857)	(168,077)
ILU/ILA entry contribution inflows	2,484	6,414
ILU/ILA entry contribution outflows	(1,485)	(3,862)
Income tax paid	(5,214)	(5,412)
Net cash flows from operating activities	**62,017**	**126,709**
Cash flows used in investing activities		
Purchase of property, plant and equipment	(18,600)	(29,343)
Capital expenditure (investment property)	(198)	(1,309)
Proceeds from sale of property, plant and equipment	16	-
Net cash flows used in investing activities	**(18,782)**	**(30,652)**
Cash flows used in financing activities		
Proceeds from borrowings	47,000	39,545
Repayment of borrowings	(35,915)	(82,000)
Payment of lease liabilities	(666)	(544)
Dividends paid on ordinary shares	(6,979)	(13,926)
Net cash flows from / (used in) financing activities	**3,440**	**(56,925)**
Net increase in cash and cash equivalents	**46,675**	**39,132**
Cash at the beginning of the financial period	(7,246)	(11,031)
Cash at the end of the financial period	**39,429**	**28,101**

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

Section A: Basis of Preparation

IN THIS SECTION

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

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

The Half-Year Financial Report of Regis Healthcare Limited and the entities it controlled at the reporting date or during the half-year ended 31 December 2022 (collectively, 'Regis' or the 'Group') was authorised for issue in accordance with a resolution of the Directors on 27 February 2023.

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

A1. Statement of Compliance

The Half-Year Financial Report for the half-year ended 31 December 2022 has been prepared in accordance with AASB 134 *Interim Financial Reporting* ('AASB 134') and the *Corporations Act 2001*. It does not include all the information and disclosures normally included in an annual financial report, and should be read in conjunction with the 2022 Annual Report and any public announcements made by the Group during the half-year reporting period in accordance with the disclosure requirements of the ASX listing rules.

The Half-Year Financial Report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated in accordance with Instrument 2016/91 issued by the Australian Securities and Investments Commission.

A2. Going Concern

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

The Group generated positive cash flow from operations of $62,017,000 during the half-year (31 December 2021: $126,709,000). Undrawn bank facilities of $294,689,000 (refer Note D1) are also available should they need to be drawn. In addition, the Group has the ability to refinance its existing borrowings and raise new external debt if required. Based on the cash flow forecasts for the next 12 months, the Group will be able to pay its debts as and when they become due and payable. Accordingly, the Half-Year Financial Report has been prepared on a going concern basis. The potential impact of COVID-19 has been taken into consideration in preparing the Half-Year Financial Report on a going concern basis.

A3. New Standards, Interpretations and Amendments Adopted

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

A4. Key Judgements, Estimates and Assumptions

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

The judgement, estimates and assumptions applied in the Half-Year Financial Report, including the key sources of estimation uncertainty, are the same as those applied in the 2022 Annual Report and as specifically disclosed at Note C3, Note C4 and Note C6.

Section B: Results for the Period

IN THIS SECTION

This section explains the results and performance of the Group.

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

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

B1. Segment Information

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

Segment performance is measured by EBITDA adjusted to exclude one-off items ('Underlying EBITDA')[6]. Underlying EBITDA represents a non-IFRS earnings measure. A reconciliation of profit before income tax to Underlying EBITDA is set out below:

For the Half-Year Ended	Note	31 December 2022 $'000	31 December 2021 $'000
Profit / (loss) before income tax		**(36,491)**	**(5,132)**
Add back/(deduct):			
Imputed income on RADs and bonds[7]		(30,570)	(31,351)
Depreciation[7]		22,657	20,821
Amortisation of operational places	C2	40,691	20,346
Finance costs[7]		36,064	35,670
Finance income		(179)	(4)
Operating lease expense		(666)	(719)
COVID-19 Government grants (for single site workers)		(526)	-
COVID-19 expenses		13,025	4,476
Profit on sale of assets		(16)	-
Professional services costs incurred in relation to potential employee underpayments program of work		1,807	-
Other (gains) / losses[8]		(696)	-
Underlying EBITDA		**45,100**	**44,107**

6 Underlying earnings before interest, tax, depreciation and amortisation ('Underlying EBITDA'), which excludes imputed income on RADs and Bonds of $30,570,000 (31 December 2021: $31,351,000), $12,500,000 (31 December 2021: $4,476,000) of net COVID-19 outbreak expenses and other one-off items, and includes operating lease expense of $666,000 (31 December 2021: $719,000), is reported in order to provide shareholders with a greater understanding of the financial performance of the Group.

7 Following adoption of AASB 16 *Leases* effective 1 July 2019, as detailed in Note B2, profit before income tax for the half-year ended 31 December 2022 includes income on RADs and Bonds of $30,570,000 (31 December 2021: $31,351,000) and correspondingly, finance costs of $30,570,000 (31 December 2021: $31,351,000) with no impact to profit or loss. The Group also recognised depreciation and interest costs totalling $555,000 (31 December 2021: $510,000) and $170,000 (31 December 2021: $174,000) respectively.

8 Other (gains)/ losses represents (i) $2,007,000 recognised as gain on lease modification due to the early termination of Regis' head office lease in Armadale, Victoria, which resulted in the re-measurement of the existing lease asset and liability as at 31 December 2022, offset by (ii) $1,311,000 incurred for regulatory penalties (including lost occupancy, external advisors and additional costs) relating to the Sanction and Notice to Agree (NTA) applied to Port Coogee on 11 August 2022 by the Aged Care Quality and Safety Commission (ACQSC).

Section B: Results for the Period

B2. Revenue from Services and Other Income

	Note	31 December 2022 $'000	31 December 2021 $'000
Revenue from services			
Government funded revenue		267,929	260,245
Resident basic daily fee revenue		63,831	61,237
Other resident revenue		45,005	38,831
Other operating revenue		2,817	2,614
Deferred management fee revenue		824	1,317
Total revenue from services		**380,406**	**364,244**
Other income			
Imputed income on RADs and Bonds		30,570	31,351
Government grants		526	-
Gain on disposal of non-current assets		16	-
Finance income		179	4
Other operating income		2,007	-
Total other income		**33,298**	**31,355**
Total revenue from services and other income		**413,704**	**395,599**

Nature of Revenue and Cash Flows

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

Further detail on the nature of revenue and cash flows is included on page 17.

Finance Income

Finance income is recorded using the effective interest rate method.

Imputed Income on RADs and Bonds

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

Other Operating Income

Other operating income represents the gain on lease modification recognised due to the early termination of Regis' head office lease in Armadale, Victoria, which resulted in the re-measurement of the existing lease asset and liability as at 31 December 2022.

B2. Revenue and Other Income (continued)

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

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

Summary of sources of revenue

Source of Revenue	Description	Type of Services
Government funded revenue	Government funded revenue reflects the Group's entitlement to revenue from the Australian Government based upon the specific care and accommodation needs of the individual residents. Revenue funded by the Australian Government is derived under the Group's contracts with customers. Australian Government funded revenue comprises basic subsidy amounts calculated in accordance with the Aged Care Funding Instrument ('ACFI') from 1 July 2022 to 30 September 2022 and the Australian National Aged Care Classification ('AN-ACC') funding model from 1 October 2022 to 31 December 2022, accommodation supplements, funding for short term 'respite' residents and other Government incomes. Revenue is recognised over time as services are provided. Funding claims are submitted / updated daily, and the Australian Government funded revenue is usually received within approximately one month of services having been performed.	Aged care and home care
Resident basic daily fee revenue	Residents are charged a basic daily fee as a contribution to the provision of care and accommodation. The quantum of resident basic daily fees is regulated by the Australian Government and typically increases in March and September each year. Resident basic daily fee revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and cash is usually received within 30 days.	Aged care and home care
Other resident revenue	Other resident revenue represents other fees charged to residents in respect of care and accommodation services provided by the Group and includes means tested care fees, Daily Accommodation Payment ('DAP') / Daily Accommodation Contribution ('DAC') revenue, additional services revenue and other income. Other resident revenue is recognised over time as services are provided. Residents are invoiced on a monthly basis and cash is usually received within 30 days.	Aged care and home care
Other operating revenue	Other operating revenue comprises aged care bond retention amounts and other sundry revenue. Revenue is recognised over time as services are provided. Residents are typically invoiced on a monthly basis and cash is usually received within 30 days.	Aged care, home care and retirement living
Deferred management fee ('DMF') revenue	DMF revenue represents a fee that is contractually deducted from the ingoing contribution that is paid back to a resident upon exit from a retirement village. DMF revenue is recognised over the expected length of stay of a resident.	Retirement living

Section B: Results for the Period

B3. Finance Costs

	31 December 2022 $'000	31 December 2021 $'000
Interest expense on bank loans and overdrafts	2,444	1,024
Interest on refundable RADs	2,206	1,884
Imputed interest charge on RADs and Bonds[9]	30,570	31,351
Interest expense on lease liabilities	170	174
Other	1,499	1,908
Sub-total finance costs	**36,889**	**36,341**
Less borrowing costs capitalised	(825)	(671)
Total finance costs	**36,064**	**35,670**

B4. Income Tax

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

	31 December 2022 $'000	31 December 2021 $'000
Loss before income tax	**(36,491)**	**(5,132)**
At Australia's corporate tax rate of 30% (31 December 2021: 30%)	10,947	1,540
Adjustments in respect of current income tax of previous years	(410)	-
Other non-assessable income/non-deductible expenses	45	(77)
Income tax benefit reported in the statement of profit or loss	**10,582**	**1,463**

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

B5. Earnings Per Share (EPS)

	31 December 2022 $'000	31 December 2021 $'000
EPS for profit attributable to the ordinary equity holders of Regis Healthcare Limited		
Loss for the period from continuing operations ($'000)	(25,909)	(3,669)
Weighted average number of ordinary shares for basic EPS (shares, thousands)	300,873	300,809
Adjustment for effect of share-based payment arrangements (shares, thousands)	546	210
Weighted average number of ordinary shares for basic and diluted EPS (shares, thousands)	301,419	301,019
Basic earnings per share (cents per share)	(8.61)	(1.22)
Diluted earnings per share (cent per share)	(8.61)	(1.22)

Calculation Methodology

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

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

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

Section C: Operating Assets and Liabilities

IN THIS SECTION

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

C1. Property, Plant and Equipment

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

Property, plant and equipment is tested for impairment at the individual cash generating unit ('CGU') level. Where there is an indication that an asset or CGU to which an asset belongs may be impaired (which is assessed at least at each reporting date), an impairment test is performed by comparing the recoverable amount of a CGU against its carrying amount as described in Note C3. No indicators of impairment were identified for the half-year ended 31 December 2022.

	Land & buildings $'000	Plant & equipment $'000	Motor vehicles $'000	Fixtures & fittings $'000	Leasehold improve-ments $'000	Capital work in progress $'000	Total $'000
At 31 December 2022							
Cost	1,037,248	333,644	833	88,383	37	40,382	1,500,527
Accumulated depreciation	(164,273)	(189,046)	(717)	(39,994)	(21)	-	(394,051)
Net carrying amount at 31 December 2022	**872,975**	**144,598**	**116**	**48,389**	**16**	**40,382**	**1,106,476**
Carrying amount at 1 July 2022	**880,140**	**149,375**	**131**	**49,379**	**17**	**30,111**	**1,109,153**
Additions	768	5,772	-	1,973	-	10,912	19,425
Transfers from work in progress	-	641	-	-	-	(641)	-
Disposals	-	-	-	-	-	-	-
Depreciation expense*	(7,933)	(11,190)	(15)	(2,963)	(1)	-	(22,102)
Carrying amount at 31 December 2022	**872,975**	**144,598**	**116**	**48,389**	**16**	**40,382**	**1,106,476**

*Excludes depreciation charge of $555,000 (31 December 2021: $510,000) in relation to right-of-use assets

Section C: Operating Assets and Liabilities

C1. Property, Plant and Equipment (continued)

	Land & buildings $'000	Plant & equipment $'000	Motor vehicles $'000	Fixtures & fittings $'000	Leasehold improve-ments $'000	Capital work in progress $'000	Total $'000
At 30 June 2022							
Cost	1,036,482	330,394	937	87,057	37	30,111	1,485,018
Accumulated depreciation	(156,342)	(181,019)	(806)	(37,678)	(20)	-	(375,865)
Net carrying amount at 30 June 2022	**880,140**	**149,375**	**131**	**49,379**	**17**	**30,111**	**1,109,153**
Carrying amount at 1 July 2021	854,014	153,434	205	48,750	18	45,161	1,101,582
Additions	15,837	10,190	-	3,430	-	19,508	48,965
Transfers from work in progress	26,495	6,100	-	1,895	-	(34,490)	-
Disposals	-	(153)	(12)	(81)	-	(68)	(314)
Depreciation expense*	(16,206)	(20,196)	(62)	(4,615)	(1)	-	(41,080)
Carrying amount at 30 June 2022	**880,140**	**149,375**	**131**	**49,379**	**17**	**30,111**	**1,109,153**

*Excludes depreciation charge of $990,000 in relation to right-of-use assets

Section C: Operating Assets and Liabilities

C2. Operational Places and Goodwill

	Operational places $'000	Goodwill $'000	Total $'000
At 31 December 2022			
Cost	229,973	262,173	492,146
Accumulated depreciation and impairment	(107,902)	(22,235)	(130,137)
Net carrying amount	**122,071**	**239,938**	**362,009**
Carrying amount at 1 July 2022	162,762	239,938	402,700
Amortisation	(40,691)	-	(40,691)
Carrying amount at 31 December 2022	**122,071**	**239,938**	**362,009**
At 30 June 2022			
Cost	229,973	262,173	492,146
Accumulated depreciation and impairment	(67,211)	(22,235)	(89,446)
Net carrying amount at 30 June 2022	**162,762**	**239,938**	**402,700**

Available operational places

An 'available operational place' refers to a place that was allocated and has since become available for a person to receive residential aged care, being commonly referred to as "operating places" or "bed licences." Prior to the financial year ended 30 June 2022, available operational places were assessed as having an indefinite useful life as they are issued for an unlimited period. However, in May 2021 the Australian Government announced in the 2021-22 Budget that there will be no further Aged Care Approval Rounds (ACAR). From 1 July 2024, residential aged care places will be assigned directly to senior Australians, giving consumers more control to choose an approved provider that best suits their residential aged care needs. In September 2021, the Department of Health and Aged Care (DHAC) released a discussion paper *Improving Choice in Residential Aged Care - ACAR Discontinuation* confirming the Australian Government's Budget decision to discontinue the ACAR. As a result, the Australian Government announced its decision to discontinue operational places/bed licences from 1 July 2024. In accordance with Accounting Standards and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the Company's current understanding of the relevant legislation and transitional arrangements relating to the removal of bed licences, the Group reassessed the useful life of its operational places. Consequently, Regis commenced amortising the value of operational places from 1 October 2021 on a straight line basis over their remaining economic life to 1 July 2024. This has resulted in a before tax amortisation expense in the profit and loss for the half-year ended 31 December 2022 of $40,691,000 with no impact to the cash flows of the Group. In addition, a related deferred tax liability of $12,207,000 has been reversed.

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

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

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

Section C: Operating Assets and Liabilities

C2. Operational Places and Goodwill (continued)

Goodwill

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

Goodwill, that has an indefinite life, is not subject to amortisation and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it may be impaired. Impairment losses relating to goodwill cannot be reversed in future periods. Impairment testing is performed as described in Note C3.

C3. Impairment Testing of Goodwill and Operational Places

Key judgement, estimate and assumption: Recoverable amount

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

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

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

For the purposes of assessing impairment, available operational places and goodwill are allocated to cash-generating units ('CGUs') or the groups of CGUs that are expected to benefit from these assets. Goodwill and operational places are allocated entirely to the residential aged care operating segment for the purposes of impairment testing. The methodology and modelling used in assessing the recoverable amount of the Group's CGUs is consistent with the approach set out in the Group's 2022 Annual Financial Report.

A review of indicators of impairment relating to goodwill, available operational places and other non-current assets was performed as at 31 December 2022. This incorporated consideration of the Australian Government announcement with respect to the abolishment of operational places from 1 July 2024 (refer Note C2), the introduction of the Australian Government new aged care funding model (Australian National Aged Care Classification (AN-ACC)) and mandated care minute requirements, all of which presents uncertainty in relation to the future profitability of the business. It has been assumed that the new AN-ACC funding model will have a cost neutral impact on the profitability of the business over the medium to long-term. As a result of this review, no indicators of impairment were identified that would require an impairment test to be performed as at 31 December 2022.

The Group's 2022 Annual Financial Report details the most recent annual impairment tests undertaken for goodwill and available operational places. The Group's impairment tests are based on value-in-use ('VIU'). VIU calculations are based on the discounted cash flows expected to arise from the asset or CGU.

The key assumptions used to determine the recoverable amounts for the Group's CGUs are disclosed in the 2022 Annual Financial Report.

Section C: Operating Assets and Liabilities

C4. Investment Property

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

	31 December 2022 $'000	30 June 2022 $'000
Carrying amount at beginning of period	163,120	158,646
Additions due to capital expenditure	198	1,452
Amounts written-off	-	(2,898)
Change in fair value of investment property development sites	-	5,360
Change in fair value of operating investment properties	-	560
Carrying amount at the end of period	**163,318**	**163,120**

Fair Value Measurement, Valuation Techniques and Inputs

The techniques used to fair value the Group's investment properties have not changed since 30 June 2022. For further explanation of the techniques and inputs applied, refer to the 2022 Annual Financial Report.

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

As stated in the independent valuation reports as at 30 June 2022, the COVID-19 pandemic continues to cause uncertainty in some sectors of the local and global property markets, and therefore, the independent valuers recommended periodic review of the property valuations. As at 31 December 2022, management has assessed the valuation of the investment properties as fairly stated at their market values. Independent valuations will be obtained as at 30 June 2023.

Key judgement, estimate and assumption: Investment property valuation assumptions

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

To illustrate the exposure of the carrying amount of investment properties at 31 December 2022 to further fair value movements as a result of changes in the economic environment, a sensitivity analysis of fair value has been prepared for the key value drivers, as disclosed in the table on the following page.

While it is unlikely that these drivers would move in isolation, these sensitivities have been performed independently to illustrate the impact each individual driver has on the fair value. These assumptions do not represent management's estimate at 31 December 2022.

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

C4. Investment Property (continued)

Key Valuation Inputs

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

(a) Operating investment properties

Inputs used to measure fair value	31 December 2022	Sensitivity
Discount rate	14.00% - 15.00%	Increasing / decreasing the discount rates by 50 basis points would decrease / increase fair value by $894,000 and $981,000 respectively.
Property price growth rates - medium term	3.00% - 3.75%	Increasing / decreasing the property price growth rates by 50 basis points would increase / decrease fair value by $2,096,000 and $1,971,000 respectively.
Property price growth rates - longer term	3.00% - 3.75%	

(b) Investment property development sites

Inputs used to measure fair value	31 December 2022	Sensitivity
Discount rate	7.00% - 7.50%	Increasing / decreasing the discount rate by 50 basis points would decrease / increase fair value by $2,899,000 and $3,006,000 respectively.
Property price growth rates - medium term	Nil	Increasing / decreasing the property price growth rates by 50 basis points would increase / decrease fair value by $471,000 and $471,000 respectively.
Property price growth rates - longer term	Nil	
Average tenure of residents	6 - 7 years	Increasing / decreasing the average tenure period by 6 months would decrease / increase fair value by $3,251,000 and $3,368,000 respectively.

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

C5. Fair Value of Financial Instruments

Measurement of Fair Value of Financial Instruments

The financial instruments on the balance sheet are measured at either fair value or amortised cost. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole. The measurement of this fair value may in some cases be subjective and may depend on the inputs used in the calculations. The different valuation methods are called hierarchies and are described below:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets and liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2022					
Assets/(Liabilities) measured at fair value					
Independent living unit and apartment ('ILU'/'ILA') entry contributions	D2	-	(45,190)	-	(45,190)
Investment property	C4	-	-	163,318	163,318
Assets/(liabilities) for which fair value is disclosed					
Interest-bearing loans and borrowings	D1	-	(107,043)	-	(107,043)
RADs and accommodation bonds	D2	-	(1,273,583)	-	(1,273,583)
Total		**-**	**(1,425,816)**	**163,318**	**(1,262,498)**
30 June 2022					
Assets/(Liabilities) measured at fair value					
Independent living unit and apartment (ILU/ILA) entry contributions	D2	-	(44,797)	-	(44,797)
Investment property	C4	-	-	163,120	163,120
Assets/(liabilities) for which fair value is disclosed					
Interest-bearing loans and borrowings	D1	-	(95,664)	-	(95,664)
RADs and accommodation bonds	D2	-	(1,267,547)	-	(1,267,547)
Total		**-**	**(1,408,008)**	**163,120**	**(1,244,888)**

Refer to the relevant note for information on how the fair values of the above financial instruments were derived. There were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements during the half-year ended 31 December 2022.

Section C: Operating Assets and Liabilities

C6. Provisions

	31 December 2022 $'000	30 June 2022 $'000
Current		
Employee entitlements	72,944	73,216
Other provisions	38,014	37,900
Total current provisions	**110,958**	**111,116**
Non-Current		
Employee entitlements	5,533	5,771
Total non-current provisions	**5,533**	**5,771**

Provisions

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

Annual leave, long service leave and other employee entitlements

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

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

The current provision for employee entitlements includes annual leave entitlements, which are presented as current although the Group does not expect to settle the full amount within the next 12 months. The amount of annual leave that is not expected to be settled within the next 12 months is $13,547,000 (30 June 2022: $13,024,000).

Potential Employee Entitlement Underpayments

As disclosed in the 2022 Annual Financial Report, Regis announced to the ASX on 9 August 2021 that it had identified potential underpayments of employee entitlements to certain current and former employees under its enterprise agreements.

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

Regis, with the assistance of external advisors, continues to determine the extent of the underpayments. Based on additional analysis undertaken during the current period, Regis has maintained a provision of $37,700,000 as at 31 December 2022.

Section D: Capital Structure and Financing

IN THIS SECTION

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

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

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

D1. Interest-Bearing Loans and Borrowings

	31 December 2022 $'000	30 June 2022 $'000
Current		
Bank overdraft - secured	-	11,397
Non-current		
Bank loans - secured	107,043	95,664
Total loans and borrowings	**107,043**	**107,061**

Bank facilities

As at 31 December 2022, the Group has a syndicated bank debt facility of $405,000,000 comprising the following:

	Maturity	Facility limit $'000	Utilised at balance date $'000	Unused at balance date $'000
Facility A	March 2026	150,000	92,826	57,174
Facility B	March 2027	175,000	-	175,000
Facility C	March 2027	70,000	16,549	53,451
Bank guarantee facility	March 2027	10,000	936	9,064
Total syndicated bank debt facility		**405,000**	**110,311**	**294,689**
Add: Overdraft facility	July 2023	25,000	-	25,000
Total facilities		**430,000**	**110,311**	**319,689**
Less: Bank guarantee facility			(936)	
Less: Overdraft facility			-	
Less: Establishment costs			(2,332)	
Total loans and borrowings			**107,043**	

In December 2022, Regis completed a refinance of its existing syndicated bank debt facility and elected to reduce the overall facility from $515,000,000 to $405,000,000, in recognition of anticipated working capital and investment requirements. Under the terms of the new agreement, $255,000,000 matures in March 2027, and $150,000,000 matures in March 2026. As at 31 December 2022, the undrawn amount of the bank debt facility was $294,689,000.

D2. Other Financial Liabilities

	31 December 2022 $'000	30 June 2022 $'000
Refundable accommodation deposits (RADs)	1,273,583	1,267,547
Independent living unit and apartment (ILU/ILA) entry contributions	45,190	44,797
Total other financial liabilities	**1,318,773**	**1,312,344**

Refundable accommodation deposits

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

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

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

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

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

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

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

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

Entry Contributions are non-interest bearing and are recognised at fair value through profit or loss with resulting fair value adjustments recognised in profit or loss. Fair value is the amount payable on demand and is measured as the principal amount plus the resident's share of any increases in the market value of the occupied ILU/ILAs (for contracts that contain a capital gain share clause) net of deferred management fees contractually accruing up to reporting date and other amounts owing by residents, which are deducted from the loan on repayment following the resident's departure.

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

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

Section D: Capital Structure and Financing

D3. Contributed Equity

Movements in ordinary shares

			Ordinary Shares	
	Grant Date Fair Value	Date	No.	$'000
At 30 June 2022			**300,833,765**	**273,629**
Share issue - performance rights	1.7848	26-Sep-22	74,359	132
At 31 December 2022			**300,908,124**	**273,761**

D4. Dividends Paid and Proposed

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

Dividends declared and paid during the period

During the half-year ended 31 December 2022, the 30 June 2022 final dividend of $6,979,343 (2.32 cents per share, 50% franked) was paid on 30 September 2022.

Dividends proposed and not recognised as a liability

On 27 February 2023, the Board of Directors resolved to pay an interim dividend of 2.00 cents per share totalling $6,000,000 (50% franked) for the half-year ended 31 December 2022, payable on 14 April 2023 (record date 17 March 2023).

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

Section E: Other Disclosures

IN THIS SECTION

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

E1. Commitments

Capital expenditure commitments

As at 31 December 2022, capital commitments amounted to $41,395,000 (30 June 2022: $9,788,000). The capital commitments relate to ongoing aged care development activity.

E2. Contingent Liabilities

Contingent liabilities are potential future cash outflows where the likelihood of payment is more than remote but is not considered probable or cannot be reliably measured.

Contingencies are not recognised in the statement of financial position but are disclosed as follows:

Bank Guarantees

As at 31 December 2022, the Company has bank guarantees totalling $935,818 (30 June 2022: $334,241). While the Company has provided these guarantees, the probability of having to make payments under these guarantees is considered remote.

Legal and Regulatory Matters

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

E3. Accounting Standards Issued but not yet in Effect

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

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

E4. Subsequent Events

COVID-19 Pandemic

Regis anticipates ongoing COVID-19 additional costs in both outbreak and non-outbreak homes associated with staff expenses and infection prevention and control.

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

Land acquisition

On 31 January 2023, Regis acquired a parcel of land in Carlingford, New South Wales, for approximately $15,000,000. The land is to be used for the purposes of residential aged care development.

Regis Belmore closure

In January 2023, Regis' Belmore, New South Wales 60-bed residential aged care home was closed. There is no material impact on the ongoing profitability of the Company as a result of the closure.

Other Matters

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

Directors' Declaration

In accordance with a resolution of the Directors of Regis Healthcare Limited, I state that:

1. In the opinion of the Directors:

   (a) the interim consolidated financial statements and notes of Regis Healthcare Limited are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

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

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

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

On behalf of the Board

Graham K Hodges
Chairman
Melbourne, 27 February 2023

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

Conclusion

We have reviewed the accompanying half-year financial report of Regis Healthcare Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2022, interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of the Group does not comply with the Corporations Act 2001, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half year ended on that date; and

b. Complying with Accounting Standard *AASB 134 Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for conclusion

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

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Building a better
working world

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

BJ Pollock
Partner

Melbourne
27 February 2023

Glossary

AASBs or Accounting Standards	Australian Accounting Standards issued by the Australian Accounting Standards Board
ACFI	Aged Care Funding Instrument
Aged Care Act	Aged Care Act 1997. The Aged Care Act is the main law that sets out the rules for Government-funded aged care including funding, regulation, approval of providers, subsidies and fees, standards, and quality of care.
AN-ACC	Australian National Aged Care Classification
Approved Provider	An aged care provider as accredited by the Department under the Aged Care Act
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CGU	Cash Generating Unit
CODM	Chief Operating Decision Maker
DAP	Daily accommodation payment
DHAC	Department of Health and Aged Care
DMF	Deferred management fee from residents within retirement living accommodation
EBITDA	Earnings before interest, tax, depreciation and amortisation
Underlying EBITDA	Underlying EBITDA excludes imputed income on RADs and Bonds of $30,570,000 (31 December 2021: $31,351,000), $12,500,000 (31 December 2021: $4,476,000) of net COVID-19 outbreak expenses and other one-off items, and includes operating lease expense of $666,000 (31 December 2021: $719,000)
EPS	Earnings per share
Home Care Services	Provision of services to support older people with complex care needs to live independently in their own homes
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB')
ILA	Independent living apartment
ILU	Independent living unit
NPAT	Net profit after tax
NPATA	NPATA represents net profit after tax (NPAT) before amortisation of operational places
Regis or Parent Entity	Regis Healthcare Limited
RAD	Refundable accommodation deposit
Aged Care Royal Commission	Royal Commission into Aged Care Quality and Safety
2022 Annual Financial Report	Financial report for the year ended 30 June 2022