



**OUR
PEOPLE**
OUR CARE

DEDICATED TO AGED
CARE WITH DIGNITY
FOR OVER 25 YEARS

ANNUAL REPORT 2020

**OUR COMMITMENT TO CARE
AND COMMUNITY WILL
LEAD US THROUGH**





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THE REGIS JOURNEY

Regis' origins began in a chance meeting between founders Bryan Dorman and Ian Roberts in the late 1980s.

Bryan owned an accounting practice and worked with clients in the aged care sector. Through this work he came to realise there would be a much greater demand for aged care in the future. Bryan also observed that aged care could be of a far higher quality than that available to residents at the time, and felt that from a social and moral perspective he had a role to play in helping to improve the lifestyle and living conditions of elder Australians.

Ian's background is in property development and he had existing interests in building and development of retirement villages. His passion for care and providing the best facilities governs his way of operating. Ian identified that the built-form of residential aged care homes was fundamental to ensuring a high standard of care and quality of life for elder Australians and was driven to change the built-form of residential aged care in Australia for the better.

Bryan approached Ian in 1990 with the concept of opening up their own nursing home, as they were then called. A suitable home was found in Mildura and so the Regis journey began. This home, Regis Sunraysia, remains a part of Regis' portfolio to this day.

“...PASSION FOR CARE AND PROVIDING THE BEST FACILITIES...”

Bryan and Ian managed Regis on a day-to-day basis for many years and by 2007 had grown the business to around 1,500 beds in several states. In that year, a merger saw the business more than double in size. Implementing a merger of that magnitude is challenging and our founders continued in their management roles until 2010. The business was then ready for Bryan and Ian to step into non-executive director roles and appoint a CEO.

The growth of the business continued and the Company went public in 2014. Since listing, growth through acquisitions and greenfield development has continued under the guidance of our founders to the point that we now care for more than 6,300 older Australians in residential care in every state of Australia and the Northern Territory. Over that time, Bryan and Ian have continued their work to improve the residential aged care, accommodation and lifestyle accessible to elder Australians. They have advocated for change in the aged care sector, and created a company which offers high quality residential aged care. As a result, the homes experienced by Regis residents could not be more different to those observed by Bryan and Ian at the start of their journey.

The aged care sector has seen enormous change and no shortage of challenges since Regis started in Mildura almost three decades ago. Our founders' story is one of resilience, determination and commitment to providing high quality care to elder Australians. The Company continues to benefit from their experience, leadership and commitment as Board members as they continue to guide Regis into the future.

OUR HISTORY & GROWTH

From the beginning of the 1990s, Regis has evolved from a single residential aged care home with 104 operational places in regional Victoria to become one of Australia's largest and most geographically diverse private aged care approved providers. Throughout this journey, our primary purpose has always been the care and wellbeing of our residents.

One of our major priorities has been to provide our residents with a comfortable and welcoming home environment, while also making sure our staff can enjoy working each day in modern facilities. To this end, we have spent \$411.3 million on the construction of 1,247 new residential aged care places over the past five years.

During this last year, Regis acquired two aged care homes at two different locations in North Queensland – Regis Home Hill and Regis Ayr.

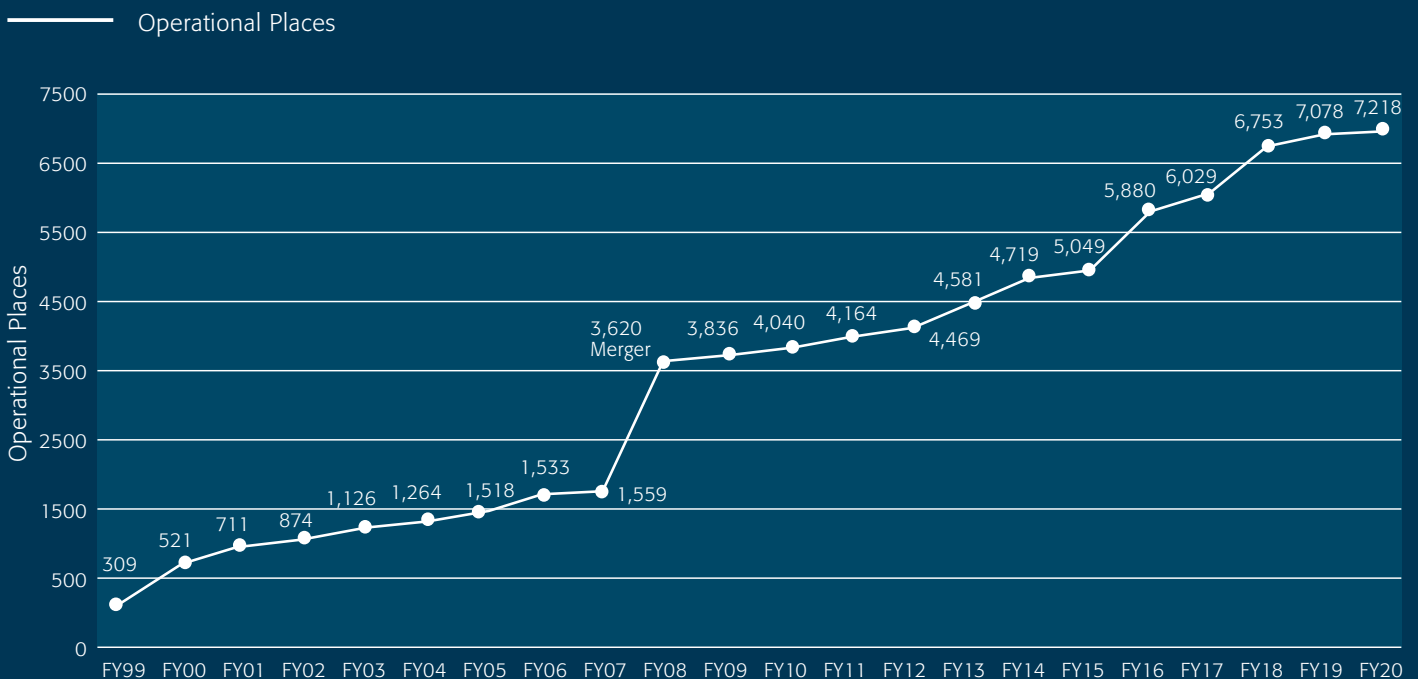
This brings our total operational places to over 7,000 at 65 residential aged care homes across all states and the Northern Territory.

This represents approximately 3.2% of total operational places in the Australian residential aged care sector. We also operate six home care services in the Northern Territory, Queensland, Tasmania and Victoria.

Regis Retirement Living manages 586 retirement village units across eight retirement villages and three affordable housing communities with a resident population of 554 operating in Queensland, Victoria, Tasmania and Western Australia.

As at 30 June 2020, Regis also provided transitional care placements at three aged care homes and one home care service as part of flexible care contemplated by the Aged Care Act.

TIMELINE OF PORTFOLIO GROWTH, LAST 20 YEARS



2020 SNAPSHOT

AS AT 30 JUNE 2020





7,100+

AGED CARE AND RV
RESIDENTS AND HOME CARE
CLIENTS

\$1.79

BILLION ASSET VALUE



9,200+

PEOPLE CARE FOR THEM

65

AGED CARE
HOMES

08

REGIS
RETIREMENT
VILLAGES

06

HOME CARE
SERVICES

09

DAY THERAPY
AND DAY RESPITE
SERVICES

20

CLUB SERVICES SITES



CHAIRMAN'S REPORT

UNWAVERING COMMITMENT TO CARE

The past 12 months has been a period of unprecedented challenges for the aged care sector across Australia.

COVID-19 has caused enormous disruption and pain to all Australians, with aged care residents, their families and friends and employees particularly affected. The death toll from the pandemic has caused heartache and stress to families and the community more generally. Regis has not been immune from the effects of COVID-19 and I offer condolences to the families of residents who have died with the virus. Regis' focus at all times is to ensure the safety as well as the physical, emotional and psychological wellbeing of our residents, clients, their families and our employees. In performing their duties, a number of our own staff contracted the virus and required medical assistance and time in isolation. Despite the risks and challenges of working in the COVID-19 environment, our staff continued to provide the safest possible environment and highest quality of care to our residents, clients and their families. On behalf of our Board I thank all Regis staff and management for their continued dedication.

Regis' year can be divided into two parts. In the first half of the year, prior to the onset of the pandemic, significant regulatory reforms were implemented by the Government while the Royal Commission continued to generate widespread public interest, concern and community debate.

The regulatory reforms - the rollout on 1 July 2019 of the new Single Aged Care Quality Framework and the new regulatory framework established by the Commonwealth on 1 January 2020 - represents a significant change in expectations and requirements placed on aged care providers and staff.

We believe these changes are beneficial for the industry, and to prepare, our staff participated in extensive training, change management and communication activities outside of their daily roles. They have all put in a great deal of effort in adapting our business to this major change.

A key responsibility of the Board during the year was to ensure a smooth transition to our new CEO, Dr Linda Mellors, in September 2019 when long-serving CEO Ross Johnston stepped down. Linda came to us with a wealth of experience in leadership and clinical governance following almost 20 years in the Victorian and New South Wales health sectors.

The respect in which Linda is already held was reflected in her appointment as Chairman of the Aged Care Guild, one of the sector's peak bodies representing the largest private providers in Australia, in April 2020.

With the appointment of Linda and changes to the structure and composition of the Executive Leadership Team, the Board believes we have the right people in place to lead Regis through the current challenging business environment.

It had been apparent to the Board in 2018 that the levels of frailty and complexity of care needs of the aged care population had been increasing for some time. Accordingly, over the last three years the Board strengthened the expertise and governance arrangements around clinical care. In March 2018, Professor Christine Bennett AO was appointed to the Board and later that year the Board established a new Clinical Governance and Care Committee chaired by Professor Bennett to have oversight of clinical care at Regis. The appointment of Linda as CEO in 2019 was followed by the creation of two new senior clinical positions – the Executive General Manager Clinical and Care Practice, and the National Manager Infection Control.

While the past year has challenged us all on many fronts, the Company was much better-placed to meet the COVID-19 challenge as a result of these changes. Throughout the first few months of the COVID-19 pandemic, the Board met with management on a weekly basis to provide oversight and advice to management.

The funding pressures on the residential aged care sector continued to impact in FY20, with costs again growing at a faster rate than revenue. This year, Government funding was inadequate to even meet the cost of care, let alone accommodation needs, with many providers across the sector operating at a loss. Inadequate funding, along with COVID-19 and the Royal Commission being extended initially for six months and now extended again, increased uncertainty in the sector and affected business performance. A fall-off in occupancy, already evident due to increased home care funding and greater competition for residential places, has been exacerbated by the effects of COVID-19 with new residents not entering care in their usual numbers. We are now seeing historically low levels of occupancy.



However, these temporary challenges of COVID-19 and consumer sentiment should not be allowed to mask the long-standing issues that continue to threaten the sustainability of the aged care sector. As the Aged Care Financing Authority has repeatedly reported, profitability in the sector has continued to decline over the past four to five years with costs increasing annually at substantially higher rates than funding. The community is calling for more staff and better facilities and additional funding will be required to enable providers to meet community expectations around the level of care.

All this points to the need for reform of the funding environment and we, like many others, await the recommendations of the Royal Commission with anticipation. Regis has made seven submissions to the Commission over the past year, covering areas such as workforce, future system design, funding requirements, and built-form of aged care.

Due to the uncertainty surrounding the sector in the current climate, some difficult decisions were required to be made. The Board made the prudent decision in April to defer the interim dividend payment to 30 September and in August decided to not pay a final dividend. These decisions were not taken lightly and reflect the difficult circumstances experienced this year.

We also decided to undertake a significant restructure in our back-office functions resulting in around 50 roles being made redundant, we froze pay for executives, managers and support office staff and cancelled incentive payments for executives and managers for FY20. Further details around remuneration are set out in our Remuneration Report. I am pleased to state that these measures were by and large met with great understanding reflecting the maturity of our workforce and their commitment to our residents and clients.

While we have capacity for inorganic growth and continue to look at opportunities as they arise, the Board made the decision to pause a number of planned investment decisions pending meaningful reform and a clearer policy environment. As a result, we reduced our net debt from \$303.2m to \$236.7m, well below our approved funding limit.

This decision reflects the fact that the Government's current policy, funding and regulatory environment is not sufficiently supportive of the sector, particularly given community and consumer expectations of providers. Regis is cognisant of the future needs across the sector and we are eagerly anticipating the conclusion of the Royal Commission and we look forward to a supportive reform program once the Government has considered the Royal Commission's recommendations.

We have a long and successful history and as one of the leaders in the sector we are well-placed to manage the current environment and look to the future with optimism.

In closing, I would like to thank my fellow Directors, the Executive team and the many committed employees at Regis Healthcare for their contribution throughout the year. I would also like to welcome all new employees who have joined us over this time, and to thank our shareholders for their continued support.

A handwritten signature in black ink that reads "Graham Hodges". The signature is fluid and cursive, written in a professional style.

GRAHAM HODGES
CHAIRMAN



MANAGING DIRECTOR & CEO'S REPORT

OUR PEOPLE ARE
THE DIFFERENCE

I WOULD LIKE TO BEGIN MY FIRST ANNUAL REPORT AS MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER BY THANKING REGIS STAFF, RESIDENTS, CLIENTS AND FAMILIES FOR MAKING ME FEEL SO WELCOME.

My first year in the role has been a challenging time for aged care. This past financial year has seen a number of major events including the ongoing Royal Commission, bushfires, floods and COVID-19. Our staff, including those on the frontline and those in important support roles, have been stretched to the limit and yet they continue to perform to the highest of standards, providing unrivalled dedication to the people they care for.

The COVID-19 pandemic has had a significant effect on all Regis residents, families and staff and we continue to face the challenges of living alongside COVID-19. A number of our Melbourne homes suffered a COVID-19 outbreak (defined in aged care as any home that has one or more residents or staff members with a positive diagnosis) to the date of this report.

On 15 July 2020 we experienced our first and most serious outbreak at our Regis Brighton home after an employee at the home returned a positive COVID-19 test. We had a small outbreak at our Regis Fawkner home. Both of these outbreaks occurred in the context of increased community transmission in Victoria. Given our preparation, we were able to immediately implement our Outbreak Management Plan and I am proud of the way our team rose to the challenge to provide compassionate care and support to the residents at the homes and their loved ones.

Sadly, ten residents died following a diagnosis of COVID-19 and my sincere sympathies go to their families. We have felt deeply the loss of these valued members of our Regis Brighton and Regis Fawkner communities.

A number of our other homes had staff members who were diagnosed with COVID-19 following community transmission. In each case, there was no transmission to residents. The impact of COVID-19 on our employees and their families has also been significant.

A key focus of the Company over the past 12 months has been clinical leadership and clinical governance. The work done in this area put us in a strong position to respond to the COVID-19 challenge. We had an early predictive response and were able to act very quickly to respond to the pandemic with expert staff on hand.

You will find details of our response to COVID-19 later in this annual report, but there are several significant actions that deserve particular attention.

The impact of the COVID-19 pandemic meant that for the first time in our almost 30-year history, we restricted visitation to all homes and services with Stringent Access Controls introduced across all our homes on 17 March 2020 for an initial two-week period. After reviewing these controls, they were implemented indefinitely from 31 March 2020. Our controls were supported by the vast majority of our residents, families and employees and we regularly revised and further modified our controls to reflect changes in risks in different locations.

Recognising the impact that our Stringent Access Controls could have on resident wellbeing and in anticipation of the additional time that would be required for cleaning, clinical observations, education and support, we increased staffing levels and technology across our homes.

To improve our infection prevention and control efforts, prior to the pandemic being declared, we had ordered 7,500 hand sanitiser dispensers for all resident rooms and installed 1,000 additional hand sanitiser dispensers for common areas across our homes. We provided additional 500ml hand sanitiser pumps at points of care and medication trolleys and installed approximately 50 extra hand sanitiser dispensers in our support offices, retirement village offices and home care offices.

Due to the implementation of Stringent Access Controls and community-wide education in hand hygiene and infection control, we have seen a sharp drop in influenza and gastroenteritis outbreaks. A post-COVID-19 world is likely to have a higher focus on preventing the spread of infectious illnesses and Regis will continue to take a strong lead in the aged care sector.

In regard to Personal Protective Equipment (PPE), our procurement team worked tirelessly to source the PPE we required for infection prevention and control. In the midst of a worldwide PPE shortage, this was no small accomplishment by our procurement specialists.

Our investment in technology to navigate our way through the COVID-19 crisis saw us purchase additional cordless phones to facilitate more communication between residents and their loved ones. We also ordered additional iPads and Surface Go tablets to supplement our existing stock of iPads for residents' use.

Our efforts to continue the line of communication between residents and their families through phone and video chats made a valuable difference to the feeling of security and wellbeing of all concerned and made life in our homes seem more normal.

From the beginning of the pandemic, our Executive and Senior Management teams met seven days a week to ensure Regis was well prepared. We were well supported by our Board of Directors who convened to receive weekly updates from senior clinical and operations managers. Our Outbreak Management Team convened up to three times a day during the peak of the Regis Brighton outbreak to ensure the home was provided with clear direction and support.

Our frontline workers demonstrated their strong commitment to our residents, clients and families by rapidly undertaking all required training, adhering to temporary and ongoing new requirements, learning new technologies and, most importantly, providing care and services with kindness and compassion at a time of high stress. All these efforts were overwhelmingly appreciated by our residents and families with internal surveying showing more than 90% of surveyed residents and families supported the measures we had taken. Our employees told us they felt safe and supported at work.

Before the COVID-19 travel restrictions came into effect this year, I had the opportunity to visit 55 of our homes, 3 retirement villages and 5 home care hubs and was able to meet our residents, clients, families and employees and hear first-hand what is important to them. These visits were extremely rewarding and I am very much looking forward to visiting our remaining homes when travel restrictions are lifted.

During these visits, I had a strong sense of our aged care homes as communities within communities. There is no doubt that caring for older people is a partnership between the older person, families, friends and our skilled and caring employees. It was great to see that for many of our people, their job is a vocation and this comes through in the exceptional care they provide.

Our financial result for the year reflects the challenging circumstances confronted by the sector and Regis. Key financial results were underlying NPAT of \$21.5m and underlying EBITDA of \$85.1m largely driven by falling occupancy, particularly in relation to COVID-19 and costs rising at a greater rate than revenue. Welcome one-off funding in relation to the cost of COVID-19 preparedness was received in June 2020.

As noted in the Chairman's report, we have largely paused inorganic growth. However, earlier in the year we acquired two aged care homes from Lower Burdekin Home for the Aged Society in Queensland, a community-based not-for-profit organisation. The homes have a total of 173 aged care places and we assumed ownership on 1 March 2020.

Our existing operational network is providing support to the homes and integrating them into Regis.

The Board prudently paused further investment in FY20, concentrating on stability and readiness for the coming sector reform. During the coming year we will focus on ensuring that we have a stable foundation for continued growth when it is appropriate to again invest in new developments and acquisitions.

The past year was also a year of change in the leadership of the Company. The refreshing of the Executive Leadership Team, including the creation of several new or changed roles, has meant that we have a blend of experience and Regis history complemented by new skills and ideas coming into the business.

Our focus on strengthening our clinical governance framework has continued in FY20 and we provide information relating to care of our residents and clients in the Outcomes section of the annual report. It is important we have transparency around non-financial metrics and shareholders and other stakeholders can expect to see enhanced reporting in this regard in our annual report each year as well as during the year on our website.

Data from the Aged Care Financing Authority confirms that the sector is facing significant challenges that have been years in the making. A fundamental issue that must be addressed by Government is that the level of clinical, personal and emotional care required in residential aged care is not well understood and certainly not funded appropriately. Demands on the sector continue to increase with new regulatory standards and additional community expectations. I strongly support the increased standards and expectations for the sector and note there will need to be ongoing meaningful additional funding. I remain hopeful that the Royal Commission will address the issue of Government and community preparedness to properly fund the level of care our elders deserve.

The coming year will require us to commit the best of ourselves to prepare for major sector reform while continuing to provide excellent care and services with kindness and compassion. The challenge of COVID-19 is likely to be with us for some time. I anticipate another year of significant competing external pressures, but Regis has always led from the front and we will continue to do so. We are engaging in a range of Government and industry forums to contribute to a positive future for aged care in Australia.

I am exceptionally proud of all our team at Regis who have shown themselves to be committed, adaptable and resilient.

Providing care and services to older Australians is an essential part of the health and social care system. Regis enjoys a reputation as a provider and employer of choice for good reason and I look forward to working with the Board, Executive and Management teams as we continue Regis' almost 30-year commitment of providing exceptional care and services.



DR LINDA MELLORS
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER



OPERATING CONTEXT

DURING THE YEAR, REGIS RESPONDED TO A NUMBER OF CHALLENGES IN THE OPERATING ENVIRONMENT AS OUTLINED BELOW:

ISSUE	OUR RESPONSE
<p>FUNDING ENVIRONMENT</p> <p>The aged care sector operates in a constrained funding environment in which increases in Government funding are outstripped by cost growth in costs.</p>	<ul style="list-style-type: none">• We support industry advocacy for the aged care sector through our membership in The Aged Care Guild. As part of this advocacy we regularly engage with Government on issues to do with the aged care sector, including funding;• We offer residents a premium additional services product which is continually monitored to ensure residents are receiving the product and that our offering matches contemporary expectations;• We have identified and realised cost savings, including through a restructure of our support office functions designed to promote greater efficiency in our functions.
<p>INDUSTRY REPUTATION</p> <p>The aged care sector is confronting a loss of community confidence in its ability to provide care and services as a result of reports of assault and poor care detailed through the Royal Commission into Aged Care Quality and Safety and media reports.</p>	<p>Industry reputation is an issue for all providers. We have addressed this at an industry level by contributing constructively to industry forums and consultation processes. We recognise, though, that industry reputation is based in large measure on the care and services delivered by providers;</p> <ul style="list-style-type: none">• One of the key projects overseen by our Clinical Governance and Care Committee has been the development of the Regis Care Quality and Safety Framework which is designed to ensure every resident and client experiences the best care at Regis by:<ul style="list-style-type: none">o defining a resident and client-centred, high quality experience for residents and clients accessing our services; ando identifying the goals, actions, roles, governance and systems required to achieve this for every person, every time;• Recognising feedback is an important element of improvement, we introduced Shareline, a confidential third-party reporting service for residents, their loved ones and others to provide feedback.
<p>REGULATORY ENVIRONMENT</p> <p>On 1 July 2019, the new Single Aged Care Quality Framework took effect with an increased focus on more actively involving older people in decision making about their care and in ensuring their dignity and choices are respected.</p> <p>From 1 January 2020, the regulatory functions of the Department of Health also transferred to the Aged Care Quality and Safety Commissioner. This provides the Commissioner with oversight of quality monitoring, entry of approved providers into aged care and exit of approved providers from the aged care sector.</p>	<p>The aged care regulatory environment is complex. To address this reality:</p> <ul style="list-style-type: none">• We invested heavily in resources, education and communication for our employees, residents, clients and their loved ones to explain the new Framework. One of the key platforms we introduced was the 'knowing is caring' model which encourages our employees to engage with and understand all of our residents and clients to support them in meeting their wellbeing goals;• We continue to develop and run a range of training and professional development programs for our care, clinical, support and management staff to ensure consistent service quality and continuous improvement;• We have in-house quality and legal teams who are readily available to advise homes in relation to regulatory matters and engage directly with regulators.

ROYAL COMMISSION

The Royal Commission was established in September 2018. From February 2019 until December 2019, the Royal Commission held public hearings in every capital city and some regional centres, as well as hosting community forum events and provider visits.

The Royal Commission handed down its interim report on 31 October 2019, entitled "Neglect". The date for the final report of the Royal Commission has been extended twice and is now due on 26 February 2021.

- Recognising the Royal Commission is a once in a generation opportunity to create a better system of care for elder Australians, we established a dedicated Working Group in September 2018 to coordinate our response to requests from the Royal Commission;
- Our Working Group kept the Board, management and the wider business updated on the Royal Commission's activities as well as providing information for residents, clients and their loved ones;
- We provided a detailed response to the Royal Commission's first request for information in January 2019 and provided additional submissions around the aged care workforce, aged care program redesign, system governance, the built-form of residential aged care and the impact of COVID-19 on residential aged care;
- We look forward to working with the Royal Commission and Government to create a better aged care sector for the future.

COVID-19 RESPONSE

Like many, we watched with increasing distress the impact of COVID-19 on older people around the world. In residential aged care homes in Spain, Italy, the United Kingdom and the United States, we saw the devastation that COVID-19 could cause in those environments.

With our residents averaging 85 years of age, we recognised the importance of making the correct choices to protect the wellbeing of our more than 6,600 residents and home care clients, and our 9,200 employees.

Our focus in this period of pandemic has been, as it always is, on ensuring the wellbeing of our residents, clients and employees. To this end, we are grateful for the support of our residents, clients, employees and the friends and families of those in our care or supported by our care.

The measures set out below taken from February 2020 onwards positioned us well to respond to the initial wave and the subsequent resurgence of the virus in the community, particularly in Victoria in July and August 2020.

RISK MANAGEMENT PLANNING

Ahead of COVID-19 being declared a pandemic on 12 March 2020, we commenced daily meetings of members of Regis' Executive and senior management. Briefings were provided to the Board weekly from 6 March 2020 until 19 June 2020. These briefings ensured Executives, senior management and the Board remained involved in our risk management approach.

Our Board, Executives and senior management were also supported by the work of specialised working groups designed to monitor changes in advice and implement changes in our approach as efficiently as possible.

STRINGENT ACCESS CONTROLS

For the first time in our almost 30-year history, we introduced Stringent Access Controls across all 65 homes from 17 March 2020. Initially introduced for a fortnight so we could evaluate risks and monitor the wellbeing of our residents and employees, the Stringent Access Controls were extended on 31 March 2020. Our Stringent Access Controls imposed the following limitations on access:

- no visitors to Regis residential aged care homes other than in exceptional circumstances, for example where a resident is receiving end of life care;
- all staff to be screened for health and wellbeing before every shift;
- reduced movement from support office staff to homes and between homes;
- no tours or sales processes to be conducted at the homes;
- external contractor visits limited to essential services and infection control services; and
- zoning within homes to minimise potential spread of infection across wings.

In addition to the Stringent Access Controls, we introduced formal mechanisms for:

- ensuring necessary stock and Personal Protective Equipment (PPE) were available in 11 hubs around Australia for our homes and services;
- managing suspected, probable or confirmed cases of COVID-19 as part of the Outbreak Management Plan;
- preparing and distributing communication plans to ensure families and representatives were kept informed in the event of confirmed cases within the homes, as well as regular updates;
- delivering regular communication to residents, clients, employees and contractors across a number of channels including electronic direct mail, email, letters, social media, and posters;
- identifying services that were not able to be provided as part of our additional service offering and discounting additional service fees to reflect this reduction in offering;
- revising our contractor management system to advise of hand hygiene requirements and to require declarations from contractors around the health and wellbeing of their employees, as well as influenza vaccination compliance;
- delivering additional touchpoint cleaning throughout the day; and
- introducing additional COVID-19 training for all employees to reflect updated advice from state and federal Government health officials.

The feedback from our residents and their loved ones when surveyed was overwhelmingly positive, with over 90% of the 2,746 relative responses supporting our Stringent Access Controls and over 90% of the 2,882 residents surveyed agreeing that Stringent Access Controls were the right decision. Our staff also endorsed our approach, with over 97% indicating they supported the measures taken.

Our Stringent Access Controls were reviewed and modified with effect from 7 May 2020 and remain subject to ongoing monitoring to ensure we complied, and continue to comply, with the requirements of the state and territory based public health orders and the Industry Code for Visiting Aged Care Homes, and balanced the wellbeing of our residents and employees, and the competing preferences of residents and visitors around what level of access is appropriate.

SPECIFIC SUPPORT FROM THE BUSINESS

All our employees have worked tirelessly to support the physical and emotional wellbeing of our residents and clients and to ensure ongoing engagement between residents and their loved ones. In addition to the support of frontline employees, there was great support from the following teams.

REGIS CLINICAL TEAMS

On 16 March 2020, Regis' new Executive General Manager, Clinical and Care Practice, Melissa McDonald, started at Regis, alongside Helen Finlay, Regis' National Infection Control Manager. Building on the existing support from Regis' National Clinical Support Team and our Quality and Compliance Team, we utilised the significant level of clinical experience of both

Melissa and Helen to provide timely and effective clinical guidance to the business. Our clinical teams educated residents, their loved ones and employees about the need for influenza vaccination and supported Government initiatives to increase COVID-19 testing in residential aged care.

REGIS OPERATIONS

Our Operations team oversaw an increase in staffing hours to ensure additional care delivery team members were available to provide 1:1 care for residents who needed to isolate in their rooms due to having COVID-19 symptoms or upon admission from the community. Additional concierge hours were rostered in homes to ensure additional support outside our core reception hours (for example on weekends and public holidays). Our frontline managers at homes worked additional hours to provide reassurance and support to residents, their loved ones and our employees.

REGIS IT

We saw the need for additional IT support to facilitate ongoing communications between residents and their loved ones and also to ensure greater access to telehealth services in our homes. Regis' IT team worked around the clock to ensure the ordering and implementation of additional tablet devices at our homes to support video calling with loved ones and telehealth consultations. They also supported approximately 96% of our support office workforce to transition to remote working within two weeks.

REGIS PROCUREMENT

As was the experience across the healthcare sector, we had concerns about access to personal protective equipment (PPE). Through collaboration between our suppliers and Regis' experienced Procurement team, we were able to secure necessary additional PPE.

REGIS HOUSEKEEPING

Regis' housekeeping team reviewed cleaning requirements and increased cleaning hours at all homes to ensure additional touchpoint cleaning both during our Stringent Access Controls and following the relaxation of those controls.

REGIS LIFESTYLE

Every home reviewed their Lifestyle offerings to ensure residents were supported during the Stringent Access Controls, particularly as visits from external entertainers and community visits were restricted. Extra lifestyle activities were introduced in each home to support residents during the Stringent Access Controls.

REGIS COMMUNICATIONS

Our communications team supported continuing updates to our homes, residents, clients and loved ones as well as introducing 71 Facebook groups for homes to facilitate immediate and timely updates to loved ones on the activities in the homes during our Stringent Access Controls.

COVID-19 OUTBREAK¹ AT REGIS HOMES

During the second wave of the virus in Victoria, there were outbreaks at 5 homes as follows:

	CONFIRMED COVID-19 CASES	DEATHS WITH COVID-19	CURRENT STATUS ² (31 AUGUST 2020)
Regis - Brighton	24 Residents 42 Staff 1 Visitor	9 Residents	Active - contained
Regis - Fawkner	4 Residents 1 Staff	1 Resident	Active - contained
Regis - Cranbourne	2 Staff		Active - contained
Regis - East Malvern	1 Staff		Enhanced Surveillance
Regis - Macleod	1 Staff		Enhanced Surveillance

Three of these homes experienced transmission of the virus. Our home in Brighton had multiple residents and staff diagnosed with COVID-19. While the virus was contained to one wing of the home, there was a significant impact in that wing. Sadly, 9 of our residents diagnosed with COVID-19 died during this outbreak. Our thoughts are with the loved ones of those affected. The impact of the outbreak on the Regis Brighton community was significant with the grief also shared by staff at the home and visiting health practitioners.

As at 31 August, the outbreak at Regis Brighton is contained and we expect to move into "Enhanced Surveillance" soon.

Regis Fawkner was also impacted by an outbreak. In this case, the outbreak was contained quickly but sadly one of our residents who was diagnosed with COVID-19 died after transfer to hospital.

The third home Regis Cranbourne has two employees diagnosed with COVID-19. All residents and other staff returned negative results.

Two other homes were placed into outbreak status with the diagnosis of a single staff member each, who had worked

during the pre-symptomatic phase of their illness.

There has been no transmission to residents or other staff and these homes were moved to "Enhanced Surveillance" following multiple rounds of testing.

Common to the response across each of the impacted homes has been a very rapid stand up of our Outbreak Management Team and implementation of our Outbreak Management Plan. Initial disruptions to care, services and support due to the rapid isolation and furloughing of close contacts were managed quickly and efficiently.

Our communications with the residents, families and staff of impacted homes was at least daily and was well received. In addition to our daily written communications, residents received in person updates from our staff, and families of residents in our homes with a COVID-19 outbreak each had a single point of phone contact with a senior manager and regular phone updates with our clinicians. Our staff diagnosed with COVID-19 have been supported by our Managers and the People and Culture team.

Our thoughts are with the loved ones of the residents who passed away during this period.

¹ An outbreak is defined by State Health Departments as one resident or staff member testing positive for COVID-19.

² Outbreak categories: (1) Active; steps down to (2) Enhanced Surveillance; steps down to (3) Closed (typically 28 days after the last confirmed positive case).

OUR STRATEGY

OUR STRATEGY IS TO ALWAYS DELIVER EXCELLENT AND SUSTAINABLE OUTCOMES FOR OUR RESIDENTS, CLIENTS, STAFF, SHAREHOLDERS AND THE COMMUNITY.

Over time, we have aimed to do this by:

- the delivery of high-quality care and services to our residents and clients;
- investing in clinical governance systems;
- investing in the training and development of our staff;
- investing in new developments to deliver a contemporary product and experience;
- realising a geographically diverse portfolio.

CLINICAL GOVERNANCE AND CARE

Underpinning our business strategy is excellence in clinical care. To this end, we continue to invest in our people – managers, clinicians and care staff – and our clinical governance framework. Our initiatives during the year in relation to clinical governance and care are set out elsewhere in this report.

ORGANIC GROWTH PAUSE

Historically, our strategy combines organic growth – including greenfield and brownfield developments and acquisitions, comprising single homes and portfolios.

In 2020, while we continued to assess acquisition opportunities as they arose and plan for future developments, our organic growth strategy was largely on hold pending meaningful reform which would create greater certainty of investment returns. Accordingly, the Company paused a number of planned investment decisions during the year.

The Company instead concentrated on improvements in our existing portfolio, our COVID-19 preparedness and response and generation and preservation of cashflow.

GENERATION AND PRESERVATION OF CASHFLOW

Generation and preservation of cashflow has been a priority in the current period of sector instability. The Company has focused on:

1. Strengthening key business drivers including occupancy, income generation and cost disciplines;
2. Return on income producing assets;
3. Optimisation of the business portfolio mix and identification of growth areas to focus investment and resources;
4. Review of non-core assets with a view to sale to strengthen our balance sheet where appropriate.

We believe this prudent approach will allow the Company to be 'business-ready' to resume investment in growth-generating activities once there is a clearer policy environment at the conclusion of the Royal Commission and will result in a business that creates positive and sustainable outcomes for all our stakeholders.



OUTCOMES

The Company exists to provide great care to elder Australians through an engaged workforce led by an energetic and focused management team. In doing so, we seek to earn the community's trust and provide balanced and sustainable returns for our shareholders. In addition to financial outcomes, we are reporting metrics that reflect how we have performed in delivering care and services to our residents and clients during the year. It is our intention to enhance reporting of key non-financial metrics in future annual reports.

FINANCIAL	FY20	FY19
	\$'000	\$'000
Reported Revenue	677,872	646,855
Reported Net profit before tax	12,118	69,627
Reported Net profit after tax	3,764	50,897
Underlying Net profit after tax	21,485	47,177
Net Operating Cashflow	127,235	220,121
Net RAD receipts	69,847	143,412
Net debt	236,683	303,240
Average Occupancy – Mature homes	90.3%	91.7%
Average Occupancy – Ramp up homes	79.2%	59.2%
Operational places (#)	7,218	7,078

DELIVERY OF QUALITY CARE	
Homes with top service compliance rating as at 30 June 2020	64 of 65
Homes subject to re-accreditation in FY20 successfully re-accredited	100%
Homes subject to a timeframe for improvement following non-compliance with legislated standards in FY20	6 of 65 All issues were rectified during the prescribed timeframe.
Homes sanctioned in FY20	0

ACQUISITIONS

Of numerous opportunities considered during the year, Regis contracted to purchase three services with a total of 173 places across two locations in Lower Burdekin, near Townsville.

The acquisition of the two aged care homes totalling 173 operational places in Ayr and Home Hill from Lower Burdekin Home for the Aged Society (LBHA) was completed on 1 March 2020. The acquisition of the two homes was an excellent opportunity that met the Regis Healthcare strategic growth criteria. The homes add to our current offering in Northern Queensland with an existing home in Townsville and two in Cairns. LBHA represented 100% of the beds in the local market and integration of the two homes into the Regis group is progressing well.

As a result of the acquisition, Regis now operates a portfolio of 65 homes with over 7,200 operational places. In total 1,613 operational places have been acquired since listing in 2014.

CLINICAL GOVERNANCE

We are continuing to build on our historically strong clinical governance practices. The Regis Healthcare Board has strengthened its clinical and care focus over recent years. The Board has benefited from the clinical expertise of Dr Christine Bennett since her appointment in March 2018. Dr Bennett has chaired the Board Clinical Governance and Care Committee since its establishment in October 2018. The Committee has oversight of the development and implementation of our formal clinical governance framework – the Regis Care Quality and Safety Framework. Our clinical governance expertise was strengthened further by the commencement of Dr Linda Mellors as Chief Executive Officer and Managing Director in September 2019 and during the year, at an Executive Management level, Regis established an Executive position for Clinical Care and Practice and appointed a National Manager for Infection Control.

REGIS CARE CLINICAL GOVERNANCE FRAMEWORK

We want every resident and client to experience the best possible care at Regis.

To this end, during the year we formalised our clinical governance systems and processes in the Regis Care Strategic Quality and Clinical Governance Framework. The Framework provides information to guide everyone involved with Regis to play their role in delivering great care. This includes residents and clients and their support networks who receive and partner in care and services, employees and contractors who provide direct care and services, employees who support care and service delivery, service managers and leaders, and those who govern Regis Care.

This Framework describes four goals for providing consistently high quality care for every resident and client: Personal; Effective; Integrated; and Safe. There are also four pillars

of clinical governance systems that support managers and employees to embed Regis Care as business as usual: Partnering with Residents and Clients; Leadership, Planning and Culture; Positive People and Practice; and Pursuing High Performance.

The Framework helps us to achieve this consistently high quality care by:

- Defining a resident and client-centred, high quality experience or residents and clients accessing Regis Services (Regis Care);
- Identifying the goals, actions, roles, governance and systems required to achieve this for every person, every time;
- Informing the development and actioning of the:
 - Operational Quality (Regis Care) Implementation Plan;
 - Operational Clinical Governance Framework;
 - Regis Care Monitoring and Reporting Framework;
 - Regis Care Evaluation Framework.

Each of these operational tools will play their part to monitor and support entrenching Regis Care as ‘business as usual’ across the Company.

The Regis Care Strategic Quality and Clinical Governance Framework describes the key pillars of Purpose, People and Governance as the foundation of a systematic pursuit of Regis Care for every resident and client. The Framework supports the achievement of the Regis Strategic Vision which is “to be a dynamic, innovative and creative industry leader and provide premium quality aged care services through effective management by a dedicated professional team”.

The Framework also supports Regis to meet requirements of the Aged Care Quality Standards.

KEY CLINICAL ROLES

Executive General Manager Clinical and Care Practice

MELISSA MCDONALD

An early action following Dr Mellors commencing as CEO was to establish an executive role to provide strategic leadership in clinical and care practice and work in collaboration with the rest of the Executive team to deliver high quality care to residents and clients.

Melissa McDonald commenced on 17 March 2020 and is a highly experienced and collaborative nurse leader with more than 30 years' experience across clinical, management and executive levels. She has worked in private and public hospitals and health services.

Melissa has extensive knowledge of contemporary nursing practice and standards and, importantly, has led infection control standards and consumer partnerships in health services. Along with a Bachelor degree in Health Science and being a Registered Nurse, Melissa holds a Masters in Enterprise, and Professional Certificate in Health Service Management, both from the University of Melbourne. She also has a Graduate Diploma in Business Administration.

National Manager Infection Control

HELEN FINLAY

This role was established to work alongside the EGM Clinical and Care Practice.

Helen Finlay commenced in the role on 13 March 2020. She has been working with Regis since November 2015 and has previously had roles including Facility Manager at Regis Alawarra and Acting Senior Facility Manager at Regis Alawarra and Regis Milpara.

Helen has worked in many clinical settings, including in orthopaedic nursing, midwifery and in community care for people with severe neurological conditions. She has also worked as the Infection Prevention and Control Nurse for aged care providers in the United Kingdom and as a clinician and Facility Manager for many years.







SUSTAINABILITY

REGIS PEOPLE

Regis employs over 9,000 staff across our residential aged care homes and home care services, as well as our national and state office locations.

PEOPLE DEVELOPMENT

Regis is committed to growing internal talent and supports the development and growth of all staff through ongoing formal and on-the-job training and education.

By way of example, we have three key programs for development of Registered Nurses (RNs):

- BOOST – a program that supports newly employed RNs in both technical skills and Regis-specific processes;
- Flourish – a key people development program which includes assessment against leadership and technical competencies and dedicated development plans;
- ADVANCE – a program for those RNs identified as key talent, it develops more complex clinical skills as well as leadership skills, preparing them for future roles.

Currently 63% of Regis Clinical Managers were internal promotions.

For other staff we have:

- QUEST – a development program for middle and front-line managers to enhance leadership capability within these levels of the organisation. The program has been delivered to over 400 emerging leaders since inception;
- Our Assistant Manager program – a direct pathway to a Facility Manager position based on a dedicated 12-month onboarding program with ongoing support.

“REGIS SUPPORTS THE DEVELOPMENT AND GROWTH OF ALL STAFF THROUGH ONGOING FORMAL AND ON-THE-JOB TRAINING AND EDUCATION.”

DIVERSITY

THE BOARD HAS A DIVERSITY POLICY WHICH SUPPORTS THE COMPANY'S VISION FOR DIVERSITY IN RELATION TO A NUMBER OF DIFFERENT FACTORS INCLUDING GENDER, ETHNICITY, DISABILITY, AGE AND EDUCATIONAL EXPERIENCE AT A BOARD AND MANAGEMENT LEVEL.

In FY20, as in previous years, gender was identified as a key area of focus and the Company committed 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.

Under the Policy, the Board set measurable objectives with a view to progressing towards a balanced representation of women at a Board and management level.

The Diversity Objectives for FY20 were:

- To maintain the current representation of women at Board level;
- To increase the representation of women at all levels of management within the Company;
- Gender equity in remuneration for all like roles;
- Support for employees experiencing domestic and family violence.

In support of these objectives, the People and Remuneration Committee approved the following Diversity Priorities:

- Not less than 30% of Regis' Directors of each gender;
- Overall, the proportion of females shortlisted for all Senior Management roles should be monitored with a proposed target of 50%;
- Increase the proportion of promotions filled by internal candidates;
- Pay equity to be reviewed annually with corrective action to be implemented in the event of any anomalies;
- Strategies to support employees experiencing family and domestic violence to be monitored for suitability and uptake;
- Monitor the proportion of diverse backgrounds across management levels.





THE COMPANY'S ACHIEVEMENTS AGAINST THE DIVERSITY PRIORITIES IN FY20 WERE:

PRIORITY	OUTCOME
Not less than 30% of Regis' Directors of each gender	43% female, 57% male
Proportion of females shortlisted for all Senior Management roles should be monitored with a proposed target of 50%	47% of shortlist candidates were female
Increase the proportion of promotions filled by internal candidates	Fell from 62% in FY19 to 51% in FY20
Pay equity to be reviewed annually with corrective action to be implemented in the event of any anomalies	Pay equity across all roles is reviewed annually upon completion of the Workplace Gender Equality Agency (WGEA) Report
Strategies to support employees experiencing family and domestic violence to be monitored for suitability and uptake	Details of the strategies are set out below
Monitor the proportion of diverse backgrounds across management levels	Monitoring commenced during the year

**‘THE REGIS WAY’
UNDERPINS AND GUIDES
THE WAY WE CREATE
REGIS CARE FOR EVERY
RESIDENT AND CLIENT.**



**STRATEGIES TO SUPPORT EMPLOYEES
EXPERIENCING FAMILY AND DOMESTIC VIOLENCE**

The Regis Family and Domestic Violence Policy has been distributed broadly as part of our Quality System and is referenced in our Employment Manual.

FAMILY AND DOMESTIC VIOLENCE LEAVE

All employees are offered access to five days of Family and Domestic Violence leave per annum and this can be accessed prior to exhaustion of their personal leave.

All Enterprise Agreements now include dedicated Family and Domestic Violence leave, with the exception of South Australia. The SA negotiation will occur in FY21 and until then we will appropriately support SA employees regardless.

EMPLOYEE ASSISTANCE

Employee Assistance (counselling support provided by an external service, ACCESS EAP) is also available to all employees. No referral is required and employees can make direct contact for support relating to family and domestic violence and any other kind of personal or work concerns.

EDUCATION

External specialist Family/Domestic Violence support providers attended and spoke at each state meeting for Facility Managers (FMs) and other Managers across Australia. This initiative was to increase Manager knowledge and their understanding of the types of Government and community support that is locally available.

The Company has made good progress in relation to gender diversity and will be expanding the Policy's scope to better reflect a broader view of diversity to encompass inclusive recruitment and employment strategies for Indigenous Australians, disabled workers and neuro-diverse workers.

OUR PEOPLE, OUR CULTURE

REGIS HAS BEEN UNDERTAKING STAFF ENGAGEMENT SURVEYS ANNUALLY SINCE 2017. PLEASINGLY, THESE SURVEYS HAVE SHOWN YEAR-ON-YEAR INCREASES IN STAFF ENGAGEMENT ACROSS VARIOUS WORK GROUPS WITH THE COMPANY OVERALL BEING RATED AS A CULTURE OF 'SUCCESS'.

SPIRIT

Regis Spirit encompasses our unique employment promise characterised by the pillars of Appreciation, Opportunity and Community. The program offers a range of themed team events and recognition moments designed to connect our people and celebrate the great work our employees do.

Some of the Regis Spirit initiatives include:

- Events - Diversity, Aged Care, Employee Day, Mental Health Week and Sustainability;
- Recognition of service milestones and individual and team awards;
- Employee benefits - where we partner with our suppliers to provide meaningful discounts to employees.

Our Wellbeing Working Group supports employees through posts, memos, podcasts and a suite of videos on wellbeing topics such as managing anxiety and getting good quality sleep.

EMPLOYEE ASSISTANCE PROGRAM

Regis maintains a National Employee Assistance Program which is run by an independent third party. In FY20 Regis expanded access to the program to make it easier for employees to contact the service directly. Promotion of the program was increased significantly during the COVID-19 pandemic and access details are included in most employee communications.



COMMUNITY

DEMENTIA LIAISON ROLE AT OUR CLUB MEMORY SUPPORT UNITS

Our new Club and Reserve Dementia Care model looks beyond the resident because we understand the far-reaching effect of dementia on not just our residents, but their loved ones as well. Our dementia care has been developed to provide an extra layer of specialised care and support.

We reviewed our program after consulting with subject matter experts both within Regis and externally and ongoing consultation with staff in our homes who care for residents living with dementia daily. It was vital in building this new model to host several focus groups nationally and to meet with families and loved ones of residents in our memory support units so we could understand what was truly important to them and capture insights into the requirements of the service model.

It was essential to do two things with the development of this new service offer. Firstly, to better provide our dementia residents with a service offer that was really meaningful to them and to ensure we didn't take away from the premium product that they were used to experiencing, just because they were now living with dementia.

By way of example, during focus groups families told us that they didn't want to leave the memory support wing to go and get a coffee or morning tea, so we brought the café to them by creating an in-wing specific café to share a hot drink and sweet treat from our grazing menu.

Secondly, specifically recruited for their passion for dementia care, our Dementia Liaison role is an additional point of contact. This person works with the resident, families and our Regis team to build a care program that understands the unique wants and needs of our residents living with dementia and also the wants and needs of their community around them. They are an integral single point of contact within the home.

The Dementia Liaison role encompasses the following key areas:

- Supporting the resident admissions and discharges and the process of residents moving in and out of the memory support unit;
- Coordinating family education programs and family activities (welcome morning teas, booking of external education and guest speakers, community events);

- Assisting with capturing the individual resident profile Lifestyle Plan;
- Assisting the Lifestyle Coordinator with the Dementia Lifestyle Calendar/therapy programs (Music Therapy, Art Therapy, Music Memories, PARO);
- Assisting the Facility Manager with internal and external environment standards and driving continuous improvement within the dementia wing;
- Managing (in conjunction with the Club Services Manager) the resident's hotel-style services as part of the Club Services offer (hair/aromatherapy, etc.);
- Providing a key point of contact for family and ongoing contact post resident admission to assist in the settling-in period;
- Supporting the memory support unit staff to be a central and constant point of contact for residents and family;
- Providing weekly reports and feedback to the Clinical Manager and Facility Manager regarding the observations within the wing and flagging any potential issues and resident changes.

Overall, we view it as a vital progression for our residents and their families living with dementia. It also creates an important point of difference for Regis' service offering in the aged care market.

The program is in its early stages, but positive feedback from families and loved ones so far has been extremely encouraging.



TECHNOLOGY UPDATE AND SOCIAL MEDIA NEWS

We have increased our presence on social media and now post across four platforms – Facebook, LinkedIn, Instagram and Twitter, and with more than 16,000 followers, Regis is paving the way in the aged care social sphere. We are active on social media every day of the week and have created more videos, branded posts and campaigns to showcase the quality care and support we provide to our residents.

Since the beginning of the COVID-19 pandemic, we have found new opportunities to connect residents and families and have developed more than 70 closed Facebook groups across our homes and home care sites to promote bespoke and home-specific content to connect residents to their loved ones.

STAFF CAMPAIGNS

We developed our People of Regis campaign to showcase the passionate and talented people we have working for us. Delving into the professional lives of everyone from Personal Care Assistants to Clinical Managers, Chefs and Executives, the social media posts celebrate the people who make Regis a workplace to be proud of.

REGIS SPOTLIGHT

The Regis Spotlight podcast has been introduced to discuss the aged care sector and all things Regis with guest speakers for every episode and themes including Myth Busting Aged Care and Accessing Aged Care. We have highlighted tours of our homes and explained the admissions process. This has brought Regis to a whole new audience. Regis Spotlight is broadcast on Apple Podcasts, Spotify, Google Podcasts and Deezer as well as other podcast platforms in the marketplace.

FACEBOOK

We have increased our Facebook following by 61% in the last financial year and we now have in excess of 4,600 followers.

LINKEDIN

Our LinkedIn following has increased 48% in the past financial year with more than 11,000 followers. Our engagement rate, clicks, reactions, shares and impressions show an upward trajectory which portrays that our brand presence has amplified over the course of the year.

INSTAGRAM

Our Instagram account was set up in November 2019 in order to expand our brand presence and target a new audience. This visual-based platform has grown exponentially and we now have over 720 followers. Using a combination of videos and branded images, engagement on the platform is 80% higher than the industry standard.

TWITTER

Launched in September 2019, Regis now has over 320 Twitter followers, with impressions on the platform increasing each month.





PARTICIPATION IN RESEARCH

Regis is committed to supporting the development and expansion of knowledge in the field of aged care. As part of this commitment, Regis participates in research projects that meet the criteria set out in Regis' Research Policy.

Participation in research projects is overseen by the Regis Professional Standards Committee (PSC) which comprises senior clinical, legal and human resources managers.

Under the Research Policy, the PSC makes recommendations to the Regis MD/CEO in relation to participation in external research projects.

Key considerations for Regis when considering whether to participate in a project are:

- (a) The comfort, privacy and dignity of residents;
- (b) The merits of the organisation or institution requesting to undertake the research;
- (c) Whether ethics approval has been granted to the research project;
- (d) The arrangements in place to obtain consent from residents (or their representative where relevant);
- (e) The arrangements in place to protect confidential information and adhere to privacy legislation and Regis' privacy policy;
- (f) The outcome of the research project and its contribution to the improvement of practices in the aged care industry and at Regis; and
- (g) How the results or findings of the research project will be published.

REGIS IS CURRENTLY PARTICIPATING IN THE FOLLOWING RESEARCH PROJECTS WITH LEADING AUSTRALIAN UNIVERSITIES:

UNIVERSITY	PROJECT TITLE	DATE APPROVED	PROJECT SUMMARY
University of Western Australia	Ear Science Institute HearCog Trial	31 October 2019	Investigation into whether the correction of hearing impairment through the use of hearing aids can decrease the rate of cognitive decline among older adults who also experience hearing loss. The research is being conducted in the hope of finding a treatment that can delay cognitive decline and improve cognitive abilities in older adults who are also at risk of developing Alzheimer’s dementia.
Griffith University	Leaders in Aged Care	24 September 2019	Study aimed at drawing on leaders in aged care for ideas on how we can build customer-centred organisational cultures for better service delivery in aged care into the future.
RMIT	Air Quality in Aged Care Homes Study	22 November 2018	Study on the health benefits of supplying fresh filtered air ventilation systems in aged care centres. The ventilation system was installed in two rooms of five aged care homes and monitored for a period of 12 months via a stationary data-logger instrument. 20 participants (staff and residents) per home were asked to complete a survey pre-and post-Study.
University of Melbourne and University of WA	BAN-Dep Study	22 November 2018	The aim of the Study is to determine whether training a local staff member, known as a Mental Health Champion (MHC), in the use of a structured behavioural activation program enhances the benefits of the Beyond Blue E-learning Professional Education to Aged Care (PEAC) program and decreases the prevalence of depression amongst older adults living in residential aged care facilities.

COMMUNITY CONTRIBUTION

Regis seeks to be a positive influence in the community and encourages employees to contribute to their local communities. Staff fundraise and volunteer for a wide range of charities and causes, including appeals for natural disasters, neighbourhood clean-up campaigns, children’s charities, community health services and cancer research. Regis also supports a range of charities through donations and sponsorships.

During the bushfire crisis, Regis donated \$50,000 to the Australian Red Cross. In addition, during the year Regis raised approximately \$25,000 for a number of charities including Dementia Australia, the Ian Frazer Centre for Children’s Immunotherapy Research, the National Aboriginal Sporting Chance Academy, Movember, Safe Steps Family Violence Response Centre, and Share the Dignity.

FOODBANK

Regis staff continued a long association with Foodbank during the year, donating their time to pack 28,800 kilograms of food (equating to approximately 52,000 meals) for distribution to 55 charities and schools.



ENVIRONMENT

SUSTAINABILITY STRATEGY

Regis' Sustainability Strategy supports an actionable plan for aligning our Company practices with clear environmental sustainability goals and objectives, with a well-defined leadership structure and a robust management approach.

The Strategy is centred on four pillars:

1. Policies & Reporting;
2. Sustainable Operations;
3. Healthy Homes;
4. Engagement & Education.

POLICIES & REPORTING - REGIS' ENERGY PERFORMANCE

As part of the Sustainability Strategy, Regis is committing to a combined 10% energy reduction target by FY24 (against an FY19 baseline). Through our LED and solar installations in 2019 and 2020, we have seen a 4% reduction in energy consumption in the reporting period (compared to FY19).

METRIC	FY19*	FY20*
Energy Consumption (GJ)	273,333	260,485
Energy Consumption (CO2-e tonnes)	41,639	40,592

* Excludes Regis Home Hill and Regis Ayr. Adjustments made in respect of ramp up sites. Source: Bid Energy

ENVIRONMENTAL SUSTAINABILITY STATEMENT

In 2018 we published our first Environmental Sustainability Statement, making clear our commitment to a sustainable approach to management, integrating environmental sustainability across all our activities and fostering a shared sense of responsibility for optimal environmental performance, from senior management through to our employees and subcontractors. In February 2020, Regis updated our Statement with a stronger focus on waste, wellbeing and sustainable procurement.

TAKE2 PLEDGE & CITYSWITCH

In July 2019, Regis joined the Victorian State Government's climate change pledge program, TAKE2. Delivered by Sustainability Victoria, TAKE2 is a program which provides Victorian businesses, local Governments, community organisations and individuals with information to take action on climate change.

Regis is one of over 1,000 businesses taking the pledge to work towards two targets by 2050: achieving zero net emissions and keeping global temperature rise to under two degrees. As part of the program, Regis has made a number of commitments towards implementing more sustainable practices, including installing solar panels, replacing high-energy use lighting with LEDs and educating our staff and community on reducing their environmental impact.

In 2019 Regis' Melbourne and Perth offices also registered for the CitySwitch Scheme, gaining support and resources to increase their overall energy efficiency.

SUSTAINABLE OPERATIONS - STAGE 2 SOLAR

We commenced our second stage of solar panel installation in 21 homes across the country to reduce our environmental footprint and our dependence on non-renewable sources of energy. We have now installed solar panels across 38 homes in less in less than 12 months.

The Stage 2 installation is estimated to see an annual reduction in electricity consumption of up to 20%, meaning the cost of this investment will be recouped in energy savings. The solar panels installed in Stages 1 and 2 of the program will reduce annual emissions of carbon dioxide by an estimated 3,900 tonnes.

STAGE 1 & 2 SOLAR IMPACT - FY20

STAGE	ANNUAL PRODUCTION (KWH) AS AT 30 JUNE 2020	ESTIMATED PRODUCTION (KWH) AS AT 30 JUNE 2020
Stage 1	2,064,167	1,928,296
Stage 2	1,301,272	1,299,150
Total	3,365,439	3,227,446

Source: Solar Analytics



AN ACTIONABLE PLAN FOR ALIGNING OUR COMPANY PRACTICES WITH CLEAR ENVIRONMENTAL SUSTAINABILITY GOALS AND OBJECTIVES

WASTE MANAGEMENT

During the reporting period, Regis secured Government grants to conduct waste assessments across 11 homes in New South Wales and South Australia. A number of waste reduction initiatives were identified through the audits, including:

PROVIDE	Provide an organics recycling service to divert food and garden waste from landfill and reduce general waste costs.
IMPLEMENT	Implement a dry materials collection service to divert suitable materials away from landfill to energy recovery.
EXPLORE	Explore a comingled recycling service for all sites to capture easily recyclable materials so they can be remanufactured into new products. Explore cost/benefit of implementing a dehydrator and/or an anaerobic digester.
UNDERGO	Undergo a competitive tender process to get competitive service pricing, determine the costs of additional recycling streams and provide greater clarity in invoicing and reporting.
REMOVE	Remove under-desk and individual bins and install bin stations with clear signage locations to encourage source separation.
EXPLORE	Explore waste reduction opportunities by assessing reusable products and working with suppliers to reduce packaging.

A Waste Committee has been established to implement a number of the above initiatives across the business as part of our FY21 Waste Management Plan.

BAMBOO TOOTHBRUSH

Regis is committed to reducing our plastic waste where possible. As a by-product of maintaining the oral health of our residents, approximately 30,000 used plastic toothbrushes go to landfill annually amounting to over 500kg of avoidable plastic waste.

Recognising an environmentally sustainable alternative, Regis undertook a Bamboo Toothbrush Pilot in seven homes from December 2019 to February 2020 to ascertain the suitability and benefits of using toothbrushes with handles made from 100% biodegradable bamboo as an alternative to plastic. The Pilot's success has resulted in the roll-out of bamboo toothbrushes across all of our homes.

CASE STUDY – THE TURTLE TRIBE

The Turtle Tribe is an award-winning business founded by 2019 Youth in Business 'Entrepreneur of the Year,' Ned Heaton. The Turtle Tribe is supported and endorsed by multiple organisations including Brisbane City Council, CitySmart, Ocean Crusaders, Sea Shepherd, The Moreton Bay Foundation, and The National Sustainability Conference.

The Turtle Tribe bamboo toothbrush features a dentist-designed bristle shape and a 100% biodegradable bamboo handle so it does not pollute our marine eco-systems when discarded.

HEALTHY HOMES – RMIT INDOOR AIR QUALITY RESEARCH PROJECT

In February 2019, Regis commenced participation in a research project conducted by RMIT University which investigated the health benefits of filtered fresh air ventilation systems in aged

care homes with the aim of improving the quality of life and resilience of older Australians. This project was funded through the Victoria Climate Change Innovation program and conducted at three Regis homes in Victoria: Regis Alawarra Lodge, Regis Cranbourne and Regis Ringwood.

A range of parameters including indoor carbon dioxide, particulate matter and microbial concentration levels were measured from January 2019 to February 2020. The study indicated that the fresh filtered air ventilation system reduced the indoor carbon dioxide concentration levels by up to 1000ppm. The system also reduced the count of airborne microbials in the Alawarra Lodge and Ringwood homes. The study's results highlight the need to further investigate the effects of ventilation systems on the air quality of residential aged care homes.

CLIMATE RISK ASSESSMENT

Climate projections suggest an Australian climate future characterised by increasingly severe weather events and more variable rainfall. As climate impacts begin to unfold, Regis is seeking to proactively develop strategies to mitigate our risk.

Regis has completed an initial exposure assessment under the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD), an international framework which guides organisations in reporting their climate-related risks. This approach allows for a high-level understanding of the key potential climate risk areas across all homes, supporting development of adaptation actions to ensure a more resilient portfolio.





EWATER SYSTEMS

eWater Hygiene Systems enable the on-site production of certified cleaners and sanitisers, which allow businesses to reduce usage of packaged consumable chemicals.

Regis installed its first eWater system in 2012 in the Regis Armadale kitchen to reduce the costs of purchasing chemicals, reduce waste, and reduce occupational health risks for staff.

The system delivered healthier environments for staff and residents, an annual waste diversion of over 13,000 litres of chemicals, and recovered over a million litres of potable water, with significant reductions in plastic and trade waste streams. Its success has resulted in the installation of eWater systems in a further 18 Regis homes across Australia, and its inclusion in our new build specifications.

ENGAGEMENT & EDUCATION – 'THEY'RE CALLING ON YOU' CAMPAIGN

As part of Regis' involvement in Zoos Victoria's 'They're Calling On You' campaign, Regis National Office and all Victorian Regis homes were involved in the second annual 'Answer the Call to Save the Gorillas' campaign, which ran from September to December 2019. Regis collected 77 kilograms of mobile phones, laptops and iPads with a total of 252 electronic items.

The program encourages the donation of unused mobile phones. The phones are recycled, diverting them from landfill and lessening the need for mineral mining, which has a significant environmental impact on forests and endangered animals. The program also raises funds to support the veterinary care of wild gorillas through Gorilla Doctors.

REGIS SPIRIT SUSTAINABILITY MONTH

March 2020 was Regis Spirit Sustainability Month, celebrating Regis' commitment to sustainable practice. Three initiatives were launched during Sustainability Month to encourage responsible recycling and positive interactions with the environment:

WASTE PLEDGE

The Pledge outlines Regis' commitment to reducing our waste to landfill and improving our overall environmental impact. Both staff and residents were invited to pledge to make changes in the home's daily activities and operations.

BATTERY RECYCLING PROGRAM

Regis purchases 45,000 batteries each year weighing a total of 1,480 kilograms. When batteries are not disposed of correctly, they pose a risk of leaking environmentally hazardous materials. To ensure our batteries are diverted from landfill, we launched our Battery Recycling Program. Since March, Regis has recycled 651 kilograms of batteries in the reporting period.

REGIS GARDEN PROGRAM

Therapeutic horticulture is believed to reduce depression, improve balance and coordination and lower the risk factors for dementia. In an effort to promote our residents' physical and emotional wellbeing, and encourage them to engage with nature, Regis launched the Regis Garden Program. Garden beds including those with planted herbs and vegetables, were installed across all Regis homes for use in the kitchens and worm farms were installed to help kitchens compost their food scraps.





CASE STUDY: REGIS ARMADALE

Residents and staff took pride in signing the Waste Pledge which demonstrates the home's commitment to creating a more sustainable future. Throughout Sustainability Month, staff and residents at Regis Armadale took part in regular Clean Up Walks and Recycled Craft sessions. One of the home's Sustainability Superheroes, Zamir, has been helping to maintain the garden on his floor, producing fresh tomatoes to be used in the home's kitchen. Another resident, Brewster, has also been a Sustainability Superhero by donating batteries, helping collect approximately 11 kilograms or 515 batteries since March 2020.

CASE STUDY: REGIS ONTARIO

Staff and residents at Regis Ontario in Mildura Victoria are now enjoying organic grapes harvested from their own garden, tended to by residents and staff. Regis Sunraysia lifestyle coordinator Jaime Collins commented, *"The Regis Garden and the beautiful grape crops and produce at Regis Ontario are a great collaborative initiative between sustainability, catering and lifestyle. Most important is the positive impact it has on our residents. There is nothing more enjoyable than eating food that you have produced yourself while the delighted smiles on the residents' faces are an added bonus."*

PET THERAPY PROGRAM

Studies show that visits from therapy animals may improve social, emotional and cognitive functioning, including lowering blood pressure and cholesterol, and improving residents' mental and emotional wellbeing. The Regis Pet Therapy program includes visits from trained therapy dogs and house cats. These visits encourage rewarding connections with the animals and create a sense of community among residents.

CASE STUDY: REGIS TIWI

Regis Tiwi (NT) is visited by trained therapy dogs each month to help improve the social, emotional, and cognitive functioning of residents. In collaboration with Mind your Paws, 'Roxy' and her professional trainer Kristy visit the home and interact with residents.

CASE STUDY: REGIS HORNSBY

Residents at Regis Hornsby (NSW) were visited by Bullseye, a Shetland pony. Bullseye and his handler Kara spent hours visiting the home bringing joy and comfort to residents.

CASE STUDY: REGIS MACLEOD

Leigh spent an afternoon with pet therapy dog, Xero. Interactions like these at Regis Macleod (VIC) lift residents' spirits and provide exceptional social and emotional support.

CASE STUDY: REGIS SHENLEY MANOR

In addition to the Pet Therapy program, Regis Shenley Manor (VIC) has animals living side-by-side with residents. Eddie has been living at the home for over a year, which has had a positive impact on residents. She helps ease stress and gives comfort to residents, especially those who do not have regular visitors.

ENVIRONMENTAL LEADERSHIP AWARD

In 2018 Regis introduced the Environmental Leadership Award for outstanding achievement by a Regis team/group of employees in the implementation of environmental sustainability initiatives.

Regis Wynnum won the second Environmental Leadership Award for implementing 'The Regis Wynnum Harvest Garden Project.' In early 2019, residents were given the opportunity to begin a sustainable vegetable garden. In April, the residents and staff had a 'sustainability day' to celebrate the opening of the Harvest Garden. The Harvest Garden has yielded a diverse range of fruits and vegetables which residents have enjoyed in their meals.

Scott Bailey, Facility Manager at Regis Wynnum, said that having a vegetable garden gives residents a chance to get involved in an activity where everyone can participate, regardless of their ability and they have a sense of pride in tending to their produce.

OUR COMMITMENT TO CORPORATE GOVERNANCE

The Regis Board is committed to maximising performance to deliver quality care and services to our residents and clients, generate shareholder value and financial return and sustain the growth and success of the Company. In conducting Regis' operations with these objectives in mind, the Board seeks to ensure that Regis is properly managed to meet quality of care objectives for our residents and clients and protect and enhance shareholder interests. To achieve these objectives it is imperative that Regis, its Directors, officers and personnel operate in an appropriate environment of corporate governance.

Full details of 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/corporate-governance/>





BOARD OF DIRECTORS



Independent Non-Executive Chairman

GRAHAM HODGES

Graham has been a Non-Executive Director since August 2017 and was appointed Chairman on 1 July 2018. He has extensive international experience in the financial services industry with a career spanning more than 35 years. He commenced his career in Commonwealth Treasury, Canberra where he worked for approximately 10 years before being seconded to the International Monetary Fund in Washington for several years.

For 28 years, Graham built an executive career at the Australian and New Zealand Banking Group Limited and most recently was the Deputy Chief Executive Officer, ANZ Banking Group Ltd. Graham is currently a Director of AmBank and Assemble Communities Pty Ltd as Nominee of Assemble Holdco 1 Pty Ltd, and was previously Chairman of ANZ SAM Board (Special Assets Management) and Director of Esanda, ANZ Wealth, and the Government's Aged Care Financing Authority. Graham holds a Bachelor of Economics (Hons) degree from Monash University.

Managing Director & Chief Executive Officer

DR LINDA MELLORS

Linda has been Chief Executive Officer and Managing Director since September 2019. Linda has more than 15 years Executive experience in health and aged care. Prior to joining Regis, she was Chief Executive – Health Services and Chief Operating Officer of Mercy Health, where she led acute, sub-acute, residential aged care, home care, retirement living, mental health and palliative care services. Linda was also the Co-Chair of the Victorian Metropolitan Chief Executive group.

Linda is currently a Board Director of Mackillop Family Services. She was formerly Chair of the North Eastern Metropolitan Integrated Cancer Service, Board Member of the Parent Infant Research Institute and Board Director of the South West Melbourne Medicare Local. Linda has a PhD in cardiac physiology, Bachelor of Science with first class Honours, Bachelor of Arts and is a Graduate of the Australian Institute of Company Directors.

Linda has recently been appointed Chair of the Aged Care Guild, an association formed by private residential aged care providers committed to the future of aged care in Australia.



PROFESSOR CHRISTINE BENNETT AO

Appointed to the Board in March 2018, Christine is a specialist paediatrician with over 30 years' health industry experience in clinical care and governance, strategic planning, executive management, teaching and research. She is Deputy Vice Chancellor and Head of Campus, Sydney at the University of Notre Dame Australia. Christine is also Convenor of the Male Champions of Change Health Group. Previously Christine has been the Dean, School of Medicine, Sydney at the University of Notre Dame Australia, a Group Executive and Chief Medical Officer at both MBF Limited and Bupa Australia, a partner in the KPMG Health and Life Sciences practice, CEO of Westmead Hospital, Chair of the Sydney Children's Hospitals Network and non-executive director of Digital Health CRC Limited. From 2008 to 2010, Christine was Chair of the National Health and Hospitals Reform Commission to provide advice on a long term plan for the future of the Australian health system and aged care. Christine was awarded an Officer of the Order of Australia in recognition of her distinguished service to medicine and health care leadership in 2014. Christine holds a Bachelor of Medicine and Bachelor of Surgery from the University of Sydney and a Master of Paediatrics



from the University of New South Wales. She is a Fellow of the Royal Australasian College of Physicians and a Graduate of the Australian Institute for Company Directors. Christine is Chairman of the Clinical Governance and Care Committee.

Founder/ Non-Executive Director

BRYAN DORMAN

Bryan was a Director of the Company on listing on 7 October 2014. Prior to listing, Bryan had been a Director of Fairway Investment Holdings Pty Ltd¹ since May 2007. Bryan has considerable experience working in and growing enterprises across a broad range of industry sectors, including residential aged care, manufacturing, property development asset investment, and business services. Bryan was a partner in Melbourne accounting firm Rees Partners from 1977 until 2000 and is a qualified accountant. Bryan is a founding Director and shareholder of Regis. From its commencement in the early 1990s until 2014, Bryan was 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.

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



Independent Non-Executive Director

SYLVIA FALZON

Appointed to the Board in September 2014, Sylvia brings to Regis valuable experience in the areas of business development, marketing, brand management, customer service, risk & compliance together with remuneration and people strategies. Sylvia has held senior executive positions within the financial services industry over a 30-year career. Through her executive and non-executive career, she has gained extensive experience working in large consumer-facing and highly regulated businesses within the financial services, healthcare, retail and aged care sectors. Currently an Independent Non-Executive Director of ASX listed companies Premier Investments Limited, and Suncorp Group Limited, Sylvia is also Chairman of Cabrini Australia, a large not for profit health, technology and outreach organisation and was formerly Non-Executive Director of Perpetual Limited. Sylvia holds a Masters degree in Industrial Relations and Human Resource Management (Hons) from the University of Sydney and a Bachelor of Business from the University of Western Sydney. She is a Senior Fellow of the Financial Services Institute and a Fellow of the Australian Institute of Company Directors. Sylvia is Chairman of the Audit, Risk and Compliance Committee.



Independent Non-Executive Director

MATTHEW QUINN

Appointed to the Board in March 2018, Matthew has a track record of strategy development, delivering financial results and driving operational efficiency as a senior real estate and property development executive. This, together with his deep understanding of strategic M&A, capital markets and regulatory environments enables him to make a significant contribution to the Board.

Matthew was Managing Director of Stockland for 13 years and is currently a Non-Executive Director of CSR Limited and Elders Limited, and Chairman of Class Limited and TSA Management Group Holdings Pty Ltd. Matthew holds a Bachelor of Science in Chemistry with Management (1st Class Honours) from Imperial College London and is a qualified Chartered Accountant. Matthew is Chairman of the People and Remuneration Committee.



Founder/ Non-Executive Director

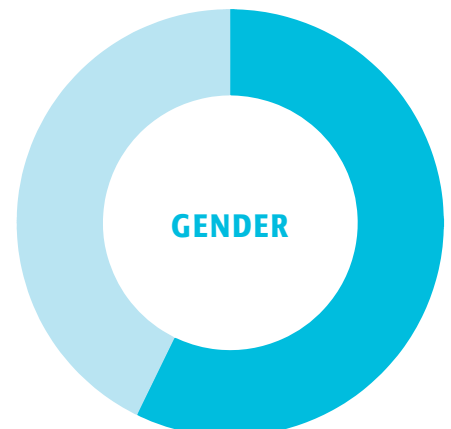
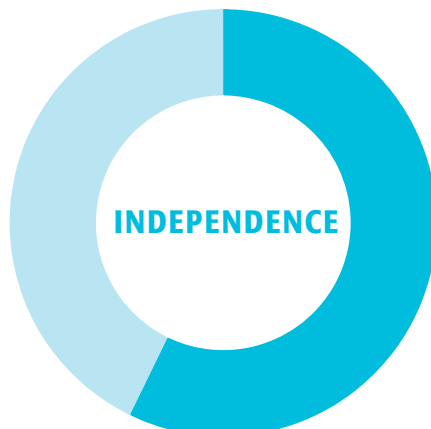
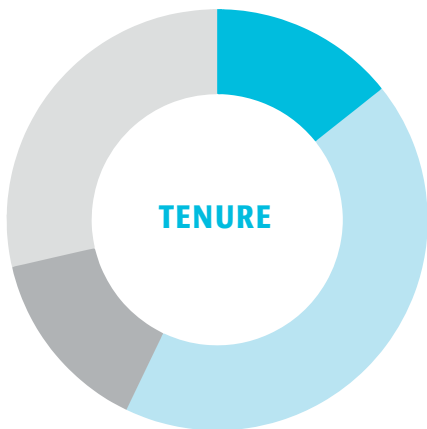
IAN ROBERTS

Ian was a Director of the Company on listing on 7 October 2014. Prior to listing, Ian had been a director of Fairway Investment Holdings Pty Ltd² since May 2007.

Ian has over 30 years' experience in the real estate sector including 20 years in residential aged care. Prior to co-leading the Regis journey, Ian was involved in property development (sub-divisional and commercial) in South East Queensland. As a founding shareholder and Director of Regis (Executive Director prior to 2008), Ian headed up the property division with oversight of the development and implementation of the strategy that saw the business grow to in excess of 4,500 beds nationally. Ian is currently a Non-Executive Director of several property and property services enterprises. Ian holds a Bachelor of Science (Surveying) from the Royal Melbourne Institute of Technology.

² Fairway Investment Holdings Pty Ltd converted to Regis Healthcare Limited on listing in October 2014.

THE FOLLOWING CHARTS DEPICT BOARD TENURE, INDEPENDENCE AND GENDER DIVERSITY.



- 0-1 YEARS – 14.3%
- 1-3 YEARS – 42.8%
- 4-6 YEARS – 14.3%
- 7+ YEARS – 28.6%

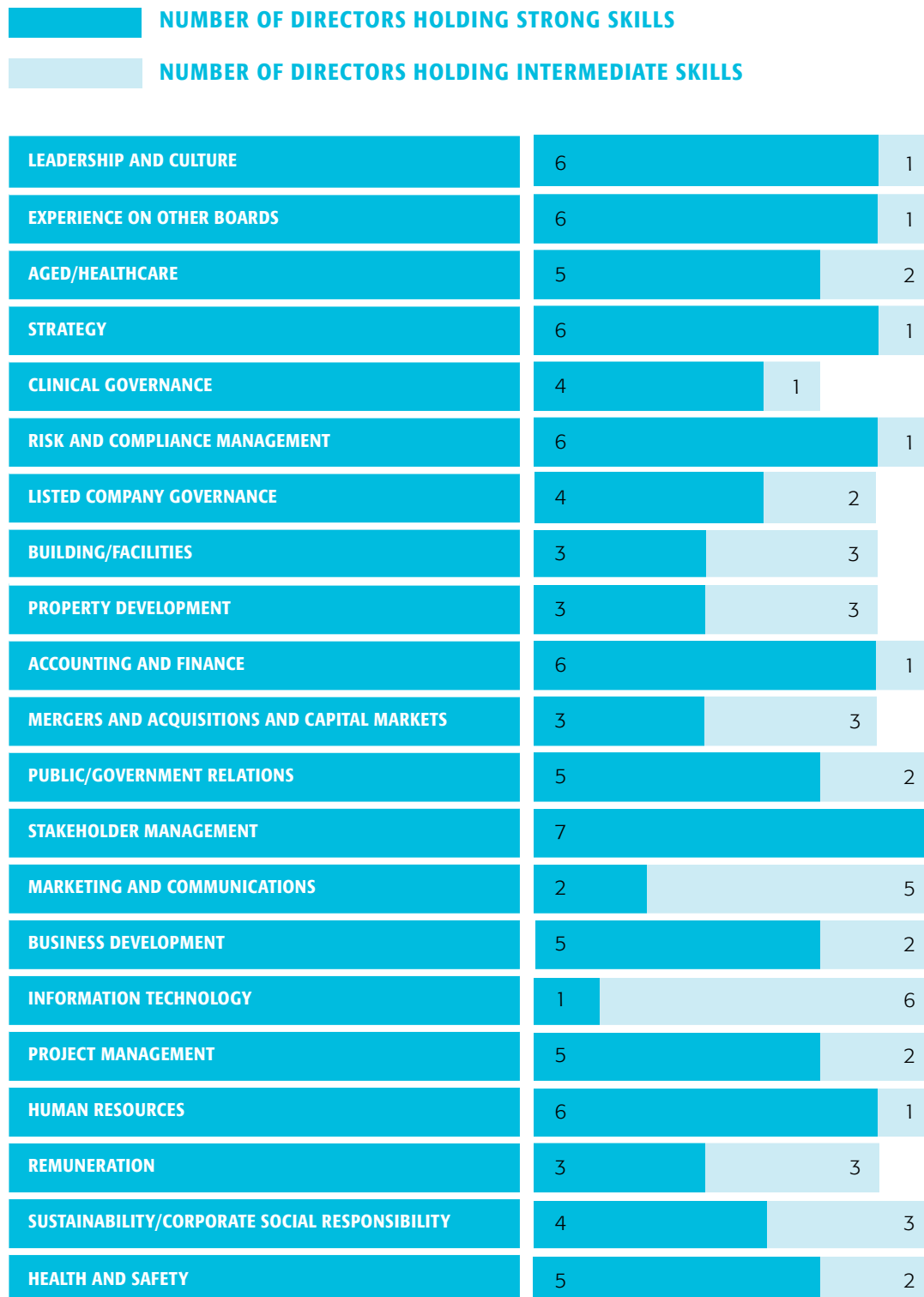
- INDEPENDENT – 57.2%
- NON-INDEPENDENT – 42.8%

- MALE – 57.2%
- FEMALE – 42.8%

BOARD SKILLS MATRIX

THE BOARD'S OBJECTIVE IS TO HAVE AN APPROPRIATE MIX OF EXPERIENCE AND EXPERTISE ON THE BOARD AND COMMITTEES SO THAT THE BOARD IS ABLE TO ENSURE THAT REGIS IS PROPERLY MANAGED TO MEET OUR QUALITY OF CARE OBJECTIVES FOR OUR RESIDENTS AND CLIENTS AND PROTECT AND ENHANCE SHAREHOLDER INTERESTS.

The Board considers that, collectively, the Directors have the range of skills, knowledge and experience necessary to direct the Company with substantial skills in the following areas:



BOARD INDEPENDENCE

The Board supports the ASX Corporate Governance recommendation that the majority of Directors should be independent.

The Board has formally adopted guidelines in relation to the criteria for independence of Directors and reviews the independence of each Director in light of interests disclosed to the Board. During the year, the guidelines were reviewed and amended with regard to the ASX Corporate Governance Principles and Recommendations 4th edition.

The Board considers that Non-Executive Directors Graham Hodges, Sylvia Falzon, Christine Bennett and Matthew Quinn were independent and free from any business or any other relationship that could materially interfere with the independent exercise of their judgement and were able to fulfil the role of an independent Director for the purposes of the ASX Recommendations.

SHAREHOLDER ENGAGEMENT

The Board has a commitment to ensuring that Shareholders are kept informed of all major developments affecting the state of affairs of the Company, including information necessary to assess the performance of the Directors.

In addition to the Company's continuous disclosure obligations, the Company recognises that current and potential investors wish to obtain information about the Company from time to time. To this end the Company has an investor relations program managed by our Chief Financial Officer. Under this program, the Company communicates information regularly to Shareholders and other stakeholders through a range of forums and publications, including:

- The Annual Report distributed to Shareholders;
- The Half-Yearly Report which is available on the Company's website;
- The Annual General Meeting;
- Announcements to the ASX;
- Investor information through the Company's website at www.regis.com.au.

BOARD COMMITTEES

The Regis Healthcare Board recognises the importance of an appropriate committee structure to assist the efficient and effective operation of the Board. The key purposes of our Board Committees are to promote:

- Use of available expertise by allowing for Directors with particular skills and expertise to have a primary role in consideration of particular areas of operations or governance at a Committee level;
- Good governance through a framework that provides for Committees to report back to the full Board and where Directors on the Board who have not been part of the Committee deliberations can question and test the Committee recommendations;
- Efficiency of use of Directors' time.

The Board has three committees. These are:

- Audit, Risk and Compliance Committee;
- People and Remuneration Committee;
- Clinical Governance and Care Committee.

Each Committee has adopted a formal Board approved Charter that details its role, authority, responsibilities, membership and operations. Regis' Committee structure complies with all ASX governance recommendations.

All ASX announcements made to the market, including annual and half-year financial results, are posted on the Company's website as soon as practicable following the release by the ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report and copies of all investor presentations made to analysts and media briefings are also posted on the Company's website following release to the ASX. The website also contains a facility for the Shareholders to direct queries to the Company.

The program facilitates two-way communication with investors, with Shareholders able to contact the CFO or ask questions through the Company's website. Shareholders are also able to communicate with Directors at the Annual General Meeting.

This year the Company will hold a 'virtual' AGM. While this will not allow a face-to-face meeting with Shareholders, it is expected to enable better access for a greater number of shareholders who in normal times may find it difficult to physically attend and participate in the meeting.

AUDIT, RISK AND COMPLIANCE COMMITTEE

The Committee's key responsibilities and functions are to:

- (a) Oversee the Company's relationship with the external auditor and the external audit function generally;
- (b) Oversee the Company's relationship with the internal audit function generally;
- (c) Oversee the preparation of the financial statements and reports;
- (d) Oversee the Company's financial controls and systems;
- (e) Oversee the process of identification and management of financial risk.

REGIS HEALTHCARE CLINICAL GOVERNANCE AND CARE COMMITTEE

The Committee's key responsibilities and functions are to:

- (a) Provide oversight and assurance that the Company's clinical governance and quality improvement policies and frameworks are effective;
- (b) Ensure that the Company's systems and processes are appropriate for the delivery of safe and effective clinical and personal care services that meet all legislative requirements including the Aged Care Act and the Aged Care Quality Standards 2018, and enable best outcomes for residents and clients;
- (c) Provide oversight and assurance that the Company has in place transparent and consistent processes within defined clinical governance structures;
- (d) Provide oversight and assurance that the Company has in place robust monitoring, audit and quality improvement processes for the Company's clinical and personal care services;
- (e) Ensure that appropriate mechanisms are in place for effective engagement with residents and clients, their representatives and clinical staff regarding the quality of clinical and personal care.

PEOPLE AND REMUNERATION COMMITTEE

The Committee has two functions – People and Remuneration.

The role of the People function of the Committee is to assist the Board in establishing and overseeing appropriate policies and practices in relation to:

- (a) Employee engagement, talent management, and employee relations strategies;
- (b) Organisational culture;
- (c) Diversity and inclusion.

The role of the Remuneration function of the Committee is to assist the Board in relation to:

- (a) Succession planning;
- (b) Remuneration of the Managing Director/CEO and Senior Executives reporting to the Managing Director/CEO.

GOVERNANCE IN PRACTICE

CLINICAL GOVERNANCE FRAMEWORK

During the year, the Board was actively involved in the development of a formal clinical governance framework for the Company. To this end, the Board participated in a joint Board/Executive workshop to map out the key elements of the framework and set the outcomes required. The Board continued to monitor progress of the framework, providing guidance and feedback to management before formally approving the framework in February 2020.

COVID-19 RESPONSE

Once the enormity of the COVID-19 pandemic became apparent, the Board Clinical Care and Governance Committee, chaired by Professor Christine Bennett, commenced meeting weekly (rather than the five scheduled meetings per year) to monitor the Company's response and provide welcome support and advice to the management team.

The weekly Friday morning Committee meetings (most of which were attended by all Directors) provided updates on clinical issues, supply issues, communications, travel restrictions, workplace relations issues and training and support needs for staff.

EXECUTIVE LEADERSHIP TEAM

THE COMPANY HAS A SKILLED AND EXPERIENCED EXECUTIVE LEADERSHIP TEAM LED BY MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER DR LINDA MELLORS.



Chief Financial Officer

RICK ROSTOLIS

Rick joined Regis in March 2020. He has responsibility for Accounting & Finance, Investor Relations, Mergers & Acquisitions and Procurement activities across the business.

Rick's priorities include ensuring adequate funding for the business, improving systems of internal control and developing appropriate financial policies and procedures.

Rick has over 10 years' experience in ASX listed companies in CFO and CEO roles with Pro-Pac Packaging Limited and SMS Management & Technology Limited. Rick has also held several senior management roles with ASX listed Pacific Brands Limited.

Rick is a Chartered Accountant and holds a Bachelor of Business degree. He is a Fellow of Chartered Accountants, Australia and New Zealand.

Executive General Manager Operations – Vic/SA/WA/Tas

PAUL COHEN

Paul joined Regis at the end of April 2020 as the Executive General Manager, Operations for the Southern Region, comprising South Australia, Western Australia, Tasmania and Victoria. Paul's priorities are to ensure that residents who live in our homes are safe, supported and happy whilst also supporting frontline staff in their daily work. Paul believes that achieving these priorities will maintain a strong brand that demonstrates living in a residential aged care home remains a better choice despite the global pandemic.

Paul has 30 years' experience as a leader in the health industry in New Zealand and Australia working across Government, hospitals and the aged care sectors. This experience has reinforced the need to focus on the wellbeing of the people we deliver care to in order to develop stronger, more financially successful and vibrant organisations.



MELISSA MCDONALD

Melissa joined Regis in March 2020 as the inaugural Executive General Manager Clinical and Care Practice. Melissa has responsibility for providing strategic leadership in the delivery of high quality contemporary clinical care and practice, and for the professional stewardship of our nurses and clinical teams. She is passionate about ensuring that all care and practice is considered, evidence-based and always with the resident at the centre of decision making and care delivery practices.

Melissa's priorities are ensuring that the clinical practice, processes and structures are developed and embedded across the organisation to ensure the delivery of safe, high quality care. Melissa has over 30 years' experience in the private and public healthcare sector and has held a number of senior leadership roles including Program Director, Perioperative & Specialist Services with Mercy Health and as Director of Clinical Services with Ramsay Health.



MICHAEL HORWOOD

Michael joined Regis in July 2010 as the Executive General Manager Property. He is responsible for executing the growth strategy through land acquisition and property development. He also leads the property management team ensuring homes are well-maintained, safe and comfortable. Michael is passionate about the built environment and the positive impact it can have on residents' daily lives. His priority is ensuring the property portfolio is designed, built and maintained to the highest quality. Michael has over 30 years' experience in the property development, construction and facilities management industries, including 20 years specialising in residential aged care and retirement living. He has held senior roles in several listed and private Australian companies. Michael holds a Masters of Project Management and a Bachelor of Construction Management from the Queensland University of Technology and is a registered builder. Michael is also a Graduate of the Australian Institute of Company Directors.



FILOMENA CIAVARELLA

Filomena was appointed in June 2020 to commence with Regis in August 2020.

Filomena has over 20 years' experience in the health sector, working in various executive management and senior leadership roles, most recently as Executive Director, Strategy Quality and Improvement at the Royal Children's Hospital.

She has extensive experience in the development and implementation of clinical governance, strategic management, quality management, risk management and improvement frameworks within various health services, including the Royal Children's Hospital, Peter MacCallum Cancer Centre, Monash Health, Austin Health and Mercy Health.



DAWN GRIFFITHS

Dawn joined Regis as National Manager Organisational Development and Learning in January 2017, assuming the role of Acting EGM of People & Culture in March 2020. She has responsibility for attracting, selecting, developing, retaining and growing the right people to ensure Regis is delivering great care every day for every resident and client. Dawn's priorities are nurturing our culture to ensure we are recruiting to our values, strengthening and extending the clinical capability of our employees, building a culture that keeps our residents, clients and employees safe, through empowered frontline leadership and collaborative senior leaders working together. Previously, Dawn held a number of senior executive roles at Marsh and McLennan companies in London, New York and Melbourne, Carlton United Breweries and Asahi Beverages and MMG. She has more than 30 years' international experience in human resources across healthcare, financial services, fast moving consumer goods and mining industries.



Executive General Manager Support Services

GREGG FUNSTON

Joining Regis in 2010 in a Facility Manager role, Gregg has since held a number of different positions including Acting Executive General Manager Operations Southern Region. In his current position, Gregg has responsibility for a number of corporate and operations support functions including Marketing, Sales, Catering and Lifestyle. Gregg's priorities are to ensure that home-based teams have the required tools, expert advice and support to provide outstanding care and services to our residents. The Support Services team maintains a focus on providing innovative programs that are built in consultation with both staff and residents which enable the achievement of individual and team goals.

Gregg's qualifications include a Diploma of Business Management. He has over 25 years of operational, business development and management experience across the hospitality and aged care sectors.



Chief Information Officer & General Manager – Projects

MAX GIRARD

Max joined Regis in 2017 to lead the National Program Office and was appointed to the Executive Team as Chief Information Officer & GM – Projects in August 2019. He has responsibility for providing strategic leadership in the delivery of Information Technology, systems and tools that support the goals of the organisation, employees and our residents and clients. Max also leads the major projects function, enabling the effective and successful delivery of business change projects and initiatives. Max's priorities are focused on delivering a reliable and trusted technology service, while driving forward our business and technology transformation. Max is also focused on Regis' opportunity to reach its true potential as an innovator in Aged Care, Home Care and Retirement Living through the adoption of emerging technology and capabilities. Max has significant international IT and business leadership experience across diverse and highly regulated industries including Aviation, Financial Services, Social Housing and Aged Care.



MARTIN BEDE

Martin has been with Regis since April 2010.

He has responsibility for provision of internal legal services to the Company, managing legal risk and legislative compliance.

Martin's focus is to enable the Company to pursue its strategic priorities in a manner that manages legal risk and to support the effectiveness of the Board and Executive Leadership Team.

Martin's qualifications include law and commerce degrees from the University of Melbourne and a Graduate Diploma in Corporate Governance from the Governance Institute of Australia. Prior to joining Regis he held senior legal and governance positions in the private and public sectors including at Dairy Australia Limited and Victorian Rail Track Corporation.



Executive General Manager Operations – Qld/NSW/NT

GAYLENE COULTON

Gaylene was appointed in July 2020 to commence with Regis in August 2020. Gaylene has almost twenty years' experience across the health sector in executive management and senior leadership roles. For more than ten years, Gaylene has been a chief executive in the primary care sector, leading a Primary Health Network, a Medicare Local and a Division of General Practice in Canberra, Melbourne and Brisbane respectively. In these roles, she has been responsible for strategic planning and business development, corporate and clinical governance, advocacy for primary care and vulnerable populations, and the implementation of innovative programs in mental health, aged care and multidisciplinary modes of care. Prior to Gaylene's management career, she specialised in palliative care nursing in the community. Gaylene is a Registered Nurse, holds a Master of Nursing Leadership and is an Adjunct Professor at University of Canberra, Faculty of Health. She is looking forward to working with the Regis team in the provision of high quality and safe care for all residents and the continued positioning of Regis as an innovative leader in the care of older people.



VALUES & ETHICS

REGIS VALUES

Regis' core values are set out in the Regis Way which explains the values and expectations of Regis employees, Senior Executives and Directors. The Regis Values are:

- Optimism – we are enthusiastic about what we do;
- Passion – we make a positive difference every day;
- Integrity – we act in a professional and ethical manner at all times;
- Respect – we listen, we are polite and treat every person with courtesy.

REGIS CODE OF CONDUCT

Regis has a formal Code of Conduct which outlines how Regis expects its representatives to behave and conduct business in the workplace and includes requirements around legal compliance and guidelines on appropriate ethical standards. All Regis staff including temporary employees, contractors, Senior Executives and Directors must comply with the Code of Conduct.

ANTI-BRIBERY AND CORRUPTION POLICY

During the year, the Board endorsed the adoption of an Anti-Bribery and Corruption Policy. This policy makes the Company's zero tolerance position clear and provides a clear basis for addressing any issues as they arise.

WHISTLE-BLOWER REPORTING

Employees are encouraged to report unlawful or unethical conduct under the Company's Whistle-blower Protection Policy to the Company Secretary or the Company's independent reporting hotline.

A copy of the Policy is available on Regis' website at <https://www.regis.com.au/corporate-governance/>

The Company Secretary reports to the Board on a monthly basis (or more frequently if necessary) in relation to all whistle-blower reports.



CONSUMER REPORTING – REGIS SHARELINE

During the year, as part of our commitment to residents and clients, Regis implemented an independent reporting line called Regis Shareline for residents and clients and their families.

Regis Shareline is operated by a third-party service provider and allows members of the Regis community to raise any concerns in relation to the care and services provided with the independent reporting service if they do not feel comfortable raising the issue with Regis directly. Once the report is received by Regis Shareline, it is passed onto the Regis Advice Team who process the report in accordance with our complaints and feedback processes.

Regis Shareline can be contacted in a number of ways, including by phone, mail, email, the shareline.stoplينerreport.com website, and App. To date there have been 43 reports made to Regis Shareline.

MODERN SLAVERY

On 1 January 2019, the Modern Slavery Act 2018 (Cth) came into force. The Act requires large companies such as Regis to comply with various statutory obligations including the assessment, identification and remediation (as required) of all forms of Modern Slavery in our supply chains. Companies are also required to report on Modern Slavery risks in their supply chains. Modern Slavery in the context of the legislation is any situation of serious exploitation where coercion, threats, abuse of power or deception are used to exploit victims and

undermine or deprive them of their freedom. Some examples of Modern Slavery include servitude, forced labour, forced marriage, debt bondage, people trafficking and child labour.

Regis strongly supports the objectives of the Act and we are committed to acting legally, ethically and with integrity at all times in our business and in all of our business relationships.

During the year, the Board approved the Regis Modern Slavery Code of Conduct, which at a minimum expects organisations we deal with to:

1. Comply with all applicable laws and regulations;
2. Pay fair wages in line with legislation and awards for the industry and market;
3. Treat those who work for, or on behalf of, its business with dignity and respect, promoting a safe environment free from discrimination, harassment and victimisation;
4. Oppose Modern Slavery in all forms;
5. Monitor supply chains on a continual basis for compliance with the above requirements and to promptly investigate any suspected non-compliance of the above within its supply chain.

MODERN SLAVERY CODE OF CONDUCT

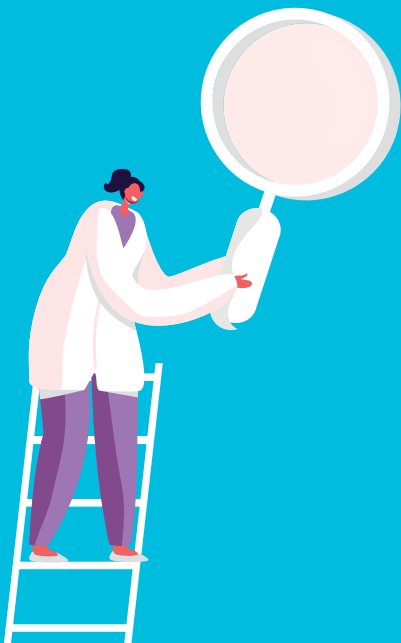
It is a condition in all contracts Regis enters into that suppliers and service providers adhere to the Code of Conduct. Contracts with existing suppliers and service providers were varied to insert an obligation to comply with the Code of Conduct.

For those service providers and suppliers where Regis considers a higher risk of Modern Slavery may exist, we have requested further information from those organisations about their Modern Slavery compliance.

Training has been provided to our business units on our Modern Slavery obligations and in the event that Modern Slavery is found to exist within the Regis supply chain, Regis will implement the Modern Slavery Remediation Policy.

While no instances of Modern Slavery in our supply chain have been identified, we will continue to monitor our supply chain for Modern Slavery risks.

Our first Modern Slavery Statement will be published in September 2020.





CLAUDIO
SPITI
Regional Manager - SA



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
Sylvia Falzon	Non-Executive Director
Matthew J Quinn	Non-Executive Director
Ian G Roberts	Non-Executive Director

COMPANY SECRETARY

Martin Bede

REGISTERED OFFICE

Level 2, 615 Dandenong Road,
Armadale VIC 3143

PRINCIPAL PLACE OF BUSINESS

Level 2, 615 Dandenong Road,
Armadale VIC 3143

SHARE REGISTRY

Link Market Services Limited
Tower 4, 727 Collins Street,
Melbourne VIC 3008
Phone: 1300 554 474

STOCK EXCHANGE LISTING

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

SOLICITORS

King & Wood Mallesons
Level 50, 600 Bourke Street,
Melbourne VIC 3000

AUDITORS

Ernst & Young Australia
8 Exhibition Street,
Melbourne VIC 3000

DIRECTORS' REPORT

**YOUR DIRECTORS PRESENT THEIR REPORT ON REGIS HEALTHCARE LIMITED (THE COMPANY)
AND ITS CONTROLLED ENTITIES (THE GROUP) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020.**

DIRECTORS

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

DIRECTORS	ROLE
Graham K Hodges	Chairman, Non-Executive Director
Linda J Mellors	Managing Director and Chief Executive Officer (appointed 20 September 2019)
Ross J Johnston	Managing Director and Chief Executive Officer (resigned 3 September 2019)
Christine C Bennett AO	Non-Executive Director
Bryan A Dorman	Non-Executive Director
Sylvia Falzon	Non-Executive Director
Matthew J Quinn	Non-Executive Director
Ian G Roberts	Non-Executive Director

Dr. Linda Mellors was appointed Chief Executive Officer (CEO) Designate on 5 August 2019 and CEO on 4 September 2019, succeeding Ross Johnston who resigned from the Group on 3 September 2019. In addition to her role as CEO, Linda was appointed Managing Director on 20 September 2019.

NAMES AND QUALIFICATIONS

GRAHAM HODGES - *Independent Non-Executive Director*

Graham has been a Non-Executive Director since August 2017 and was appointed Chairman on 1 July 2018. He has extensive international experience in the financial services industry with a career spanning more than 35 years. He commenced his career in Commonwealth Treasury, Canberra, where he worked for approximately 10 years before being seconded to the International Monetary Fund in Washington for several years.

For 28 years, Graham built an executive career at the Australian and New Zealand Banking Group Limited and most recently was the Deputy Chief Executive Officer, ANZ Banking Group Ltd. Graham is currently a Director of AmBank and Assemble

Communities Pty Ltd as Nominee of Assemble Hold, and was previously Chairman of ANZ SAM Board (Special Assets Management) and Director of Esanda, ANZ Wealth, and the Government's Aged Care Financing Authority. Graham holds a Bachelor of Economics (Hons) degree from Monash University.

Special responsibilities:

- Chairman of the Board;
- Member of the Audit, Risk & Compliance Committee;
- Member of the People and Remuneration Committee.

LINDA MELLORS - *Managing Director and Chief Executive Officer*

Linda has been Chief Executive Officer and Managing Director since September 2019. Linda has more than 15 years executive experience in health and aged care. Prior to joining Regis, she was Chief Executive - Health Services and Chief Operating Officer of Mercy Health, where she led acute, sub-acute, residential aged care, home care, retirement living, mental health and palliative care services. Linda was also the Co-Chair of the Victorian Metropolitan Chief Executive Group.

Linda is currently a Board Director of Mackillop Family Services and has recently been appointed Chair of the Aged Care Guild, an association formed by private residential aged care providers committed to the future of aged care in Australia. Linda was formerly Chair of the North Eastern Metropolitan Integrated Care Service, Board Member of the Parent Infant Research Institute and Board Director of the South West Melbourne Medicare Local.

Linda has a PhD in cardiac physiology, Bachelor of Science with first class Honours, Bachelor of Arts and is a Graduate of the Australian Institute of Company Directors.

CHRISTINE BENNETT AO - *Independent Non-Executive Director*

Appointed to the Board in March 2018, Christine is a specialist paediatrician with over 30 years' health industry experience in clinical care and governance, strategic planning, executive management, teaching and research. Christine is Deputy Vice Chancellor and Head of Campus, Sydney, at the University of Notre Dame Australia. Christine is also Convenor of the Male Champions of Change Health Group.

Previously Christine has been the Dean, School of Medicine, Sydney, at the University of Notre Dame Australia, a Group Executive and Chief Medical Officer at both MBF Limited and Bupa Australia, a Partner in the KPMG Health and Life Sciences Practice, CEO of Westmead Hospital, Chair of the Sydney Children's Hospitals Network and Non-Executive Director of Digital Health CRC Limited.

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

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

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

Special responsibilities:

- Chairman of the Clinical Governance and Care Committee.

BRYAN DORMAN - *Non-Executive Director*

Bryan was a Director of the Group on listing on 7 October 2014. Prior to listing, Bryan had been a Director of Fairway Investment Holdings Pty Ltd¹ since May 2007.

Bryan has considerable experience working in and growing enterprises across a broad range of industry sectors, including residential aged care, manufacturing, property development asset investment, and business services. Bryan was a Partner in Melbourne accounting firm Rees Partners from 1977 until 2000 and is a qualified accountant.

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

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

Special responsibilities:

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

SYLVIA FALZON - *Independent Non-Executive Director*

Appointed to the Board in September 2014, Sylvia brings to Regis valuable experience in the areas of business development, marketing, brand management, customer service, and risk and compliance, together with remuneration and people strategies.

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

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

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

Listed Company directorships (last 3 years):

- Perpetual Limited (November 2012 to October 2019);
- Premier Investments Limited (appointed 16 March 2018);
- Suncorp Group Limited (appointed 1 September 2018).

Special responsibilities:

- Chairman of the Audit, Risk and Compliance Committee since 1 July 2018;
- Member of the People and Remuneration Committee.

MATTHEW QUINN - *Independent Non-Executive Director*

Appointed to the Board in March 2018, Matthew has a track record of strategy development, delivering financial results and driving operational efficiency as a senior real estate and property development executive. This together with his deep understanding of strategic M&A, capital markets and regulatory environments enables him to make a significant contribution to the Board.

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

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

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

Listed Company directorships (last three years):

- Elders Limited (2020 to present);
- CSR Limited (2013 to present);
- Chairman of Carbonxt Group Limited (2013 to 28 November 2018);
- Class Limited (2015 to present, Chairman, February 2017 to present).

Special responsibilities:

- Chairman of the People and Remuneration Committee since 23 November 2018;
- Member of the Clinical Governance and Care Committee since 23 November 2018.

IAN ROBERTS - *Non-Executive Director*

Ian was a Director of the Group on listing on 7 October 2014. Prior to listing, Ian had been a Director of Fairway Investment Holdings Pty Ltd² since May 2007.

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

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

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

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

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

Special responsibilities:

- Member of the People and Remuneration Committee.

ROSS JOHNSTON - *Former Managing Director and Chief Executive Officer*

Ross was appointed to the Board on listing, on 7 October 2014 and resigned from his role as Managing Director and CEO on 3 September 2019.

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

INTERESTS IN THE SHARES OF THE GROUP

As at the date of this report, the interests of the Directors in the ordinary shares of Regis Healthcare are the same as those disclosed in section G (iv) the Remuneration Report.

COMPANY SECRETARY

Martin Bede is a lawyer 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 2020, the Group owned and operated 65 aged care facilities, with 7,218 active operational places and provided services in six States and the Northern Territory.

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 our care and clinical staff to deliver quality care outcomes for our residents and clients consistent with their expectations and those of their families and loved ones;
- **Focused and well-resourced risk management:** Regis has robust systems and processes in place to manage clinical care and governance and the broader business' operational risks, including those that relate to aged care legislative compliance and health and safety;
- **Vertical integration:** The spectrum of activities Regis undertakes includes; analysis of each proposed 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:** 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.

² Fairway Investment Holdings Pty Ltd converted to Regis Healthcare Limited on listing in October 2014.

REVIEW AND RESULTS OF OPERATIONS

Despite the difficult macroeconomic environment including the impact of COVID-19, the on-going Royal Commission into Aged Care Quality and Safety, and general negative sentiment towards the aged care industry, during the 2020 financial year, the Company continued to execute on its growth strategy by acquiring the business and assets of Lower Burdekin Home for the Aged Society (LBHA) on 1 March 2020.

A summary of financial results for the year ended 30 June 2020 is set out below:

	2020 \$'000	2019 \$'000	CHANGE %
Reported ³ Revenue	677,872	646,855	4.8%
Reported Profit after Tax for the Year	3,764	50,897	(92.6%)
Underlying ³ Profit after Tax for the Year	21,485	47,177	(54.4%)
Underlying Earnings Per Share	7.14 cents	15.69 cents	(54.4%)

Reported revenue for the financial year ended 30 June 2020 included:

- \$6,448,000 (2019: \$10,788,000) of additional Government funding received in June 2020;
- Temporary uplift in the Aged Care Funding Instrument (ACFI) of approximately \$1,762,000;
- 4-month contribution from the acquisition of the business of LBHA of \$4,766,000.

A summary of revenue from services for the year ended 30 June 2020 is set out below:

	2020 \$'000	2019 \$'000
Government funded revenue	471,136	452,328
Resident basic daily fee revenue	116,750	111,263
Other resident revenue	78,266	71,902
Other operating revenue	9,540	9,287
Deferred management fee revenue	2,180	2,075
Total Revenue from Services	677,872	646,855

³ The use of the terms 'reported' refers to IFRS financial information and 'underlying' to non-IFRS financial information. Underlying 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. Underlying 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 the Group's external auditors.

In 2020, the Group continued to face employee and other cost increases, which were partially offset by the indexation increase applied by the Government to aged care funding. In addition, during the year, the Group incurred direct COVID-19 related costs of approximately \$3,465,000 including additional personal protective equipment, staff and related costs, cleaning and security expenses. Further COVID-19 related expenses have been incurred since 30 June 2020. Consistent with industry trend and COVID-19 impact, occupancy rates across the steady-state (mature) residential aged care portfolio reduced to an average of 90.3% (2019: 91.7%).

In April 2020, the Group undertook a significant restructuring of its back-office functions resulting in a number of roles being made redundant. A redundancy expense of \$1,649,000 has been charged to the profit or loss. The Group expects an ongoing benefit as a result of the restructuring. Other cost saving initiatives included pay freezes for executives and back-office staff and the cancellation of 2020 incentive payments for executives and managers.

The current challenges of the COVID-19 pandemic and negative consumer sentiment do not overshadow the long-standing issues that continue to threaten the sustainability of the aged care sector. As the Aged Care Financing Authority has reported, profitability in the sector has continued to decline over recent years with costs increasing annually at substantially higher rates than funding. The community is demanding more staff and better facilities and additional funding will be required to enable providers to meet community expectations in relation to the level of care. All this points to the need for reform of the funding environment and the Group awaits the recommendations of the Royal Commission into Aged Care Quality and Safety with anticipation.

The Group's reported net profit after income tax of \$3,764,000 (2019: net profit after tax of \$50,897,000) included a \$20,566,000 (after tax) non-cash impairment of goodwill in relation to the business' Western Australian operations.

The underlying profit after tax of the Group for the year ended 30 June 2020 was \$21,485,000. This underlying financial information is provided to assist readers to better understand the financial performance of the business and is summarised in the following table.

A reconciliation of reported to underlying net profit after tax is set out below:

	2020 \$'000	2019 \$'000
Reported Net Profit after Tax for the Year	3,764	50,897
Non-cash impairment of goodwill ⁴	20,566	-
Non-cash fair value gain	-	(5,112)
Acquisition related expenses ⁵	816	-
Royal Commission related expenses ⁶	891	1,392
Gain on acquisition of Lower Burdekin business and assets ⁷	(4,552)	-
Underlying Net Profit after Tax for the Year	21,485	47,177

CASH FLOW AND CAPEX

The Group's principal source of funds was its cash flow from operations (including RADs). Net cash flows from operating activities in the financial year ended 30 June 2020 were \$127,235,000 (2019: \$220,121,000). Net cash inflows were negatively impacted by reduced earnings, lower contribution from 2019 ramp-up homes that have been approaching mature occupancy levels, and the impact of COVID-19.

RAD and accommodation bond net inflows were \$69,847,000 (2019: \$143,412,000). RAD contributions were largely attributable to ten new homes that continue to ramp-up but were negative overall in the steady-state (mature) homes, particularly in the March-June 2020 COVID-19 pandemic period.

During the year, the Group invested \$43,965,000 (2019: \$68,659,000) in capital expenditure for:

- Land acquisition;
- The completion of new facilities;
- Significant refurbishment of existing facilities; and
- Ongoing maintenance capital expenditure at existing facilities.

⁴ The Group undertook an assessment of the carrying value of assets as part of its full-year accounts process. This assessment resulted in the recognition of a non-cash goodwill impairment charge in relation to the business' Western Australian operations. The impairment charge has no impact on the Group's debt facilities or compliance with bank covenant requirements.

⁵ On 1 March 2020, Regis acquired the business and assets of Lower Burdekin Home for the Aged Society. Acquisition related costs of \$816,000 after tax (\$1,165,000 pre-tax) were incurred as part of the transaction.

⁶ During 2020, \$891,000 after tax (\$1,273,000 pre-tax) of costs were incurred in relation to submissions and responding to requests for information from the Royal Commission into Aged Care Quality and Safety.

⁷ Represents gain on acquisition of business and assets of Lower Burdekin Home for the Aged Society. Refer to Note 3.2 of the financial statements for further information.

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

For the remaining developments in the pipeline, activities such as preparing land for commencement, development approvals, design documentation and arranging licences required are underway in readiness to commence construction once conditions are more favourable.

During the year, the Group repaid \$71,000,000 (2019: \$108,972,000) of bank borrowings assisted by the net RAD cash flow in the year. On 5 June 2020, the Group refinanced a \$150,000,000 tranche of its banking facilities to a maturity date of 31 January 2022 (previously 25 May 2021). Net debt at 30 June 2020 of \$236,683,000 (2019: \$303,240,000) represented a leverage ratio⁸ of 2.8 times.

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

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

COVID-19 PANDEMIC

A key focus of the Group is clinical leadership and clinical governance. The work conducted in this area, including (i) the appointment of two key clinical roles being the Executive General Manager, Clinical and Care Practice and National Infection Control Manager; and (ii) the development of a Pre-Pandemic Business Continuity Plan and Outbreak Management Plan has placed the Group in a strong position to respond to the COVID-19 challenge. The impact of the COVID-19 pandemic led the Group to introduce Stringent Access Controls across its 65 residential aged care homes on 17 March 2020 for an initial two-week period. After reviewing these controls, they continue to be amended across all homes in response to various outbreaks or "hot spot" activity.

Regis has in place robust operational controls and detailed business continuity plans. The Group continues to review the progress of the COVID-19 pandemic and will take necessary steps to protect the health, well-being and safety of residents, staff and families. Executive and senior management teams continue to meet regularly to monitor, assess and amend the stringent access controls across all homes and have been well supported by the Board of Directors.

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

ACQUISITIONS AND DEVELOPMENT

As mentioned above, on 1 March 2020, the Group acquired two aged care homes with a total capacity of 173 beds from Lower Burdekin Home for the Aged Society (LBHA) in Queensland.

The Group's reported profit after tax includes a gain of \$4,552,000 on the acquisition, which represents the difference between the fair value of assets and liabilities acquired and purchase consideration transferred of \$nil.

The two homes, situated in Ayr and Home Hill add to the Group's current offering in Northern Queensland. LBHA represented 100% of the available places in the local market and integration of the two homes is progressing well.

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

During the previous financial year, the following greenfield developments were opened:

- Lutwyche, Brisbane (opened August 2018, 130 operational places);
- Elmore Vale, Newcastle (opened September 2018, 120 operational places);
- Port Coogee, Perth (opened September 2018, 139 operational places).

CLINICAL GOVERNANCE FRAMEWORK

During 2020, the Group formalised its clinical governance systems and processes in the Regis Care Strategic Quality and Clinical Governance Framework. The framework provides information to guide everyone involved with the Group to play their role in delivering great care. This includes residents and clients and their support networks who receive and partner in care and services, employees and contractors who provide direct care and services, employees who support care and service delivery, service managers and leaders, and those who govern the framework.

OUTLOOK

Given the current macro-economic environment, including the on-going impact of the COVID-19 pandemic and the Royal Commission into Aged Care Quality and Safety, the Board does not believe it to be prudent to put forward any earnings guidance at this stage. A business update will be provided at the Annual General Meeting to be held on 27 October 2020.

⁸ Leverage ratio is calculated as underlying Earnings Before Interest, Tax Depreciation and Amortisation (EBITDA) (pre AASB-16) as a ratio to net debt. Net debt is calculated as interest-bearing liabilities, less cash and cash equivalents. Refer to Note 2.4 of the financial statements for a reconciliation of EBITDA (pre-AASB16) to reported profit.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

COVID-19 PANDEMIC

The COVID-19 pandemic is continuing to impact the Group's operations and financial performance subsequent to 30 June 2020.

Regis has experienced COVID-19 outbreaks at several of its Victorian homes during the second wave of the virus. The Group has immediately implemented its Outbreak Management Plan across the impacted homes. Residents have continued to be provided with care, services and support, and the Group has provided, at a minimum, daily updates to the homes' residents, families and employees. The Group continues to work closely with regulatory and health authorities.

Depending on the spread of the virus, it has the potential to significantly disrupt the financial position of the Group. A major risk facing residential aged care providers is that the spread of COVID-19 in a facility may lead to a sizeable decline in occupancy if resident discharges are not matched by new resident admissions. This could have a major impact on the financial performance of the facility and provider liquidity.

The Commonwealth Government announced two funding packages in March 2020 and an additional funding increase in May 2020 to assist the industry respond to the pressures of COVID-19, however, the financial impact of the virus on residential aged care providers may intensify over the course of the 2021 financial year.

The Commonwealth Government has also issued a number of schemes to provide additional financial support to assist residential aged care providers to offset the impact of cost increases arising from responding to COVID-19. The Group will apply for such schemes and amounts for which it believes it is eligible. Due to the uncertainty regarding the extent of declining revenues, increasing costs and funding support from Commonwealth Government schemes, the Group is not able to quantify the overall financial impact of the COVID-19 outbreak with a degree of certainty at this stage.

The Group has positive operating cash flow and has access to undrawn facilities. Accordingly, as referred to in Note 1.5, the financial report has been prepared on a going concern basis.

CYBER SECURITY ATTACK

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

DISPOSAL OF VACANT LAND

In July 2020, the Board of Directors resolved to sell a parcel of vacant land situated at Palm Beach, Queensland, which was originally acquired for development as a residential aged care facility. In August 2020, a contract of sale was executed with a third party to sell the land for \$21,000,000 with settlement to occur by 31 December 2020.

OTHER MATTERS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIVIDENDS

	2020 \$'000	2019 \$'000
Dividends on ordinary shares paid		
Final 2019 Dividend: 7.11 cents per share, 100% franked (2018: 8.65 cents per share, 100% franked)	21,376	26,007
Dividends on ordinary shares paid and provided for		
Interim 2019 Dividend: 8.12 cents per share, 100% franked	-	24,413
Dividends on ordinary shares unpaid and provided for		
Interim 2020 Dividend: 4.02 cents per share, 50% franked	12,084	-
Total Dividends	33,460	50,420

On 1 April 2020, the Board of Directors resolved to defer the payment of the 2020 interim dividend to 30 September 2020. No final dividend has been declared for the year ended 30 June 2020.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

1. Greenfield aged care and retirement living developments;
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 Group represent threats to the Group's growth strategy. The Group has a risk management framework in place to manage the risks identified.

RISK	IMPACT	MITIGANT
THE REGULATORY FRAMEWORK MAY CHANGE	<p>The Australian Aged Care industry is highly regulated by the Federal Government.</p> <p>Regulatory change to the aged care industry may have an adverse impact on the way the Group promotes, manages and operates its facilities and on its financial performance.</p> <p>The introduction of new legislation or changes in Government policies in relation to any or all of the existing legislation, including fees and charges, may adversely impact Regis' financial performance and future prospects. This includes the implementation of any recommendations that may be made at the conclusion of the Royal Commission into Aged Care Quality and Safety.</p>	<p>The Group has robust systems and processes in place to manage business operational risks, including those that relate to aged care legislative compliance.</p>
REGIS' RADS LEVEL MAY FLUCTUATE	<p>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.</p> <p>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.</p>	<p>The Group monitors its RADs level and liquidity risk through monthly RAD reporting and rolling cash flow forecasts.</p> <p>The Group maintains a liquidity management strategy to ensure that it has sufficient liquidity to enable it to refund RAD and accommodation bond balances that are expected to fall due within at least the next 12 months.</p>
OCCUPANCY LEVELS MAY FALL	<p>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 adverse consumer sentiment to the industry generally or Regis specifically, reputational damage, and loss of accreditation. Reduced occupancy levels at a number of facilities may adversely affect Regis' revenue and general financial performance as it would reduce the amount of funding Regis is entitled to, and the number and value of RADs.</p>	<p>Demographic factors will lead to significant demand in service provision.</p> <p>The Group operates a large and geographically diversified portfolio of well located, high quality facilities with a history of providing excellent care.</p> <p>The reputation of individual facilities is central to Regis' sales and marketing strategy, which is complemented by the quality of the Group's facility staff, supporting sales and marketing applications and the strength of Regis' relationship with intermediaries including placement agents and medical professionals.</p>

RISK	IMPACT	MITIGANT
FACILITIES MAY LOSE THEIR APPROVALS OR ACCREDITATION	<p>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.</p> <p>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.</p>	<p>Regis has policies and procedures in place that align with the accreditation standards, including audit processes as part of its compliance program.</p> <p>Service delivery is monitored through the Quality Indicator program and the Wellness Check tool, to ensure ongoing compliance with clinical care and other requirements for accreditation.</p> <p>Regis has developed and delivered training to ensure staff understand the key role they play in upholding these standards.</p>
REGIS' REPUTATION MAY BE DAMAGED	<p>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 including the Royal Commission, 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.</p>	<p>The Group seeks to avoid reputational damage through a strong controls environment and enforcement of robust policies and procedures, to meet community and stakeholder expectations.</p> <p>In addition to upholding the accreditation standards, Regis has policies and processes in place addressing a range of topics including but not limited to health and safety management, bullying and harassment, and bribery and corruption.</p> <p>Incidents or potential incidents that occur at a home level are escalated to the Executive. Investigations are conducted and actions implemented as findings indicate.</p>
INCREASED COMPETITION MAY AFFECT REGIS' COMPETITIVE POSITION	<p>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 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 was to occur across a number of facilities, this may reduce Regis' ability to achieve its strategic objectives.</p>	<p>The residential aged care sector is highly regulated by the Government in relation to both the supply of new places and the ongoing operation of facilities, creating natural barriers to entry for incoming market participants.</p> <p>These barriers include:</p> <ul style="list-style-type: none"> • Government's policy of controlled release of new aged care places; • obtaining initial places and high levels of ongoing regulatory compliance; • initial capital investment requirement for new entrants; • access to specialist skill set required to operate facilities; and • annual competitive process for new places which favours established, reputable and compliant operators.

RISK	IMPACT	MITIGANT
<p>REGIS MAY NOT BE ABLE TO RETAIN KEY MANAGEMENT</p>	<p>Regis relies on a specialised management team with significant aged care industry knowledge and experience.</p> <p>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.</p>	<p>The Group has several core programs that are designed to identify and develop employees with specialist skill sets required for key management and leadership positions.</p> <p>Annual surveys are conducted to regularly evaluate culture and employee engagement.</p>
<p>REGIS MAY FACE MEDICAL INDEMNITY AND PUBLIC LIABILITY CLAIMS, LITIGATIONS AND CORONIAL ENQUIRIES</p>	<p>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.</p>	<p>Clinical governance is an integral component of the Group's corporate governance framework. It ensures that all members of the Group, from frontline clinicians to members of the Board are accountable to care recipients and their representatives for assuring the delivery of safe, effective and continuously improving clinical and personal care services.</p> <p>The Group has a Clinical Governance and Care Committee, which comprises members of the Board and is chaired by Professor Christine Bennett AO.</p>
<p>EMPLOYEES MAY LEAVE AND REGIS MAY NOT BE ABLE TO ATTRACT NEW SKILLED AND TRAINED EMPLOYEES</p>	<p>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.</p>	<p>Regis is committed to shaping its future workforce, attracting and retaining the right people through its Diversity Policy and professional development programs, and providing meaningful career paths and opportunities.</p> <p>The Group provides training to all staff to ensure they are equipped with the specialised skills required to deliver quality aged care.</p> <p>The Group develops strategies to address any risks identified as a result of regular employee engagement surveys conducted.</p>

RISK	IMPACT	MITIGANT
INFORMATION TECHNOLOGY AND CYBER RISKS	<p>Cyber threats are constantly evolving, including from foreign groups targeting individuals and companies based in Australia and sophisticated phishing scams and cyber-attacks targeting the critical infrastructure that we manage.</p> <p>The privacy and security of resident and corporate information may be compromised in many ways, including a breach of IT systems and vendors' systems, unauthorised or inadvertent release of information or human error. Should the Group's systems be compromised, it could impact residents' trust, damage the Group's brand and reputation, and potentially significantly disrupt operations.</p>	<p>The Group has a number of strategies to manage these cyber threats, which include access security controls, security monitoring, business continuity management, disaster recovery processes and off-site back-up facilities. The strength and effectiveness of these strategies are regularly assessed and improved as appropriate.</p>
COVID-19 PANDEMIC	<p>The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. Residents in residential aged care are highly vulnerable to the serious effects of COVID-19 infection. In the absence of a vaccine, the risk of infection by residents within residential aged care will remain and may intensify over the foreseeable future. The pandemic has created significant uncertainty for the residential aged care sector. The unprecedented nature of the pandemic makes it impossible to know when this uncertainty will be resolved. Regis has experienced COVID-19 outbreaks at several of its Victorian homes during the second wave of the virus.</p> <p>The spread of COVID-19 in a facility may lead to a sizeable decline in occupancy if resident discharges are not matched by new resident admissions. Staff shortages may result from workers contracting the virus or from a requirement to self-isolate after exposure to the virus. In addition, the Group may have difficulty retaining staff for its own homes if an outbreak occurs across multiple homes within a region.</p>	<p>A key focus of the Group is clinical leadership and clinical governance.</p> <p>Regis has in place robust operational controls including detailed business continuity plans. Executive and senior management continues to meet regularly to monitor, assess and amend the stringent access controls across all homes and have been well supported by the Board of Directors.</p> <p>Strategies related to managing the risk of staff shortages include the introduction of single-home work requirements, support to workers in hot-spot areas to minimise exposure to the virus (e.g. provision of hotel accommodation and meals) and roster management. In addition, the Group has implemented surge staffing plans. Agency staff can be sourced via the Federal Government's surge workforce or private agencies and the Group's own staff can be redeployed from other regions or interstate. Refer to the Operating and Financial Review section of this Directors' Report for further information.</p>

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. Regis takes sustainability seriously and, as at the year ended 30 June 2020, has installed in excess of 17,000 LED lights at 21 homes and in excess of 3.6 megawatts of solar panels at 40 homes.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

INDEMNIFICATION OF AUDITORS

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

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		PEOPLE AND REMUNERATION COMMITTEE		CLINICAL GOVERNANCE AND CARE COMMITTEE	
	HELD ⁹	ATTENDED ¹⁰	HELD ⁹	ATTENDED ¹⁰	HELD ⁹	ATTENDED ¹⁰	HELD ⁹	ATTENDED ¹⁰
G. Hodges	10	10	4	4	4	4	-	-
L. Mellors	9	9	-	-	-	-	-	-
C. Bennett	10	10	-	-	-	-	3	3
B. Dorman	10	10	4	4	-	-	3	3
S. Falzon	10	10	4	4	4	4	-	-
M. Quinn	10	10	-	-	4	4	3	3
I. Roberts	10	10	-	-	4	4	-	-
R. Johnston	1	1	-	-	-	-	-	-

⁹ Reflects the number of meetings held during the time the Director was a Board/Committee member.

¹⁰ Reflects the number of meetings attended by the Director.

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 GROUP

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

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 78.

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	61
Other services	78
Total Non-Audit Services	139

Signed in accordance with a resolution of the Directors.



GRAHAM HODGES
CHAIRMAN
MELBOURNE, 27 AUGUST 2020

REMUNERATION REPORT

MESSAGE FROM THE CHAIRMAN OF THE PEOPLE AND REMUNERATION COMMITTEE

Dear Shareholders,

On behalf of your Board, I am pleased to present our Remuneration Report (the **Report**) for the year ended 30 June 2020.

The Report communicates important information about our remuneration framework and how we set and assess performance measures under the Variable Reward and Retention Plan (**VRRP**) incentive scheme for the CEO and Senior Executives.

Regis' remuneration and reward framework is designed to motivate our CEO, Senior Executives and other employees and align their interests with that of our residents, clients and shareholders. The Board considers the framework to be integral to encourage and sustain a culture that is aligned to the Group's values and which supports the Group's strategic objectives and long-term financial success. To this end, the framework must appropriately incentivise positive risk behaviour and improved investor and resident outcomes and encourage sound management of both financial and non-financial risks.

An important component of the VRRP is the 'Care and Compliance Gateway'. This gateway must be met for a participant to be eligible for the cash component of performance-based remuneration. This reflects the Board's view in relation to the critical importance of quality of care to our residents and other stakeholders and to the success of the Group.

In relation to remuneration outcomes for financial year ended 30 June 2020, the Board determined that no awards will be made under the VRRP, notwithstanding the Care and Compliance Gateway being met and the CEO and CFO meeting some of the applicable performance hurdles. The decision was made having regard to the exceptionally challenging circumstances confronting the Group during the year, including the impact of COVID-19, which necessitated deferral of the interim dividend.

The former CEO Mr Ross Johnston and two Senior Executives ceased employment with the Group during the year.

The Committee regularly reviews the Group's remuneration and reward framework. The Committee believes it remains fit for purpose and have therefore not made any material changes during the year.

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



MATTHEW QUINN
CHAIRMAN OF THE PEOPLE AND
REMUNERATION COMMITTEE

REMUNERATION REPORT – AUDITED

The Directors of Regis Healthcare Limited present the Remuneration Report (the **Report**) for the period 1 July 2019 to 30 June 2020. This Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001* (Cth).

The Report includes details of the remuneration strategies and outcomes for KMP, comprising the Non-Executive Directors (**NEDs**), the Chief Executive Officer (**CEO**) and those persons with authority and responsibility for planning, directing and controlling the activities of the Company during the year. The KMP, other than the NEDs and CEO, are referred to throughout this Report as Senior Executives.

The names and positions of the KMP are:

NON-EXECUTIVE DIRECTORS

Graham Hodges	Independent Non-Executive Chairman
Christine Bennett AO	Independent Non-Executive Director
Bryan Dorman	Non-Executive Director
Sylvia Falzon	Independent Non-Executive Director
Matthew Quinn	Independent Non-Executive Director
Ian Roberts	Non-Executive Director

CEO AND SENIOR EXECUTIVES

Linda Mellors	Managing Director and Chief Executive Officer (appointed 5 August 2019) ¹¹
Rick Rostolis	Chief Financial Officer (commenced 16 March 2020)

FORMER CEO AND SENIOR EXECUTIVES

Ross Johnston	Managing Director and Chief Executive Officer (ceased 3 September 2019)
David Noonan	Chief Financial Officer (ceased 4 October 2019)
Darren Lynch	Chief Commercial Officer (ceased 24 April 2020)

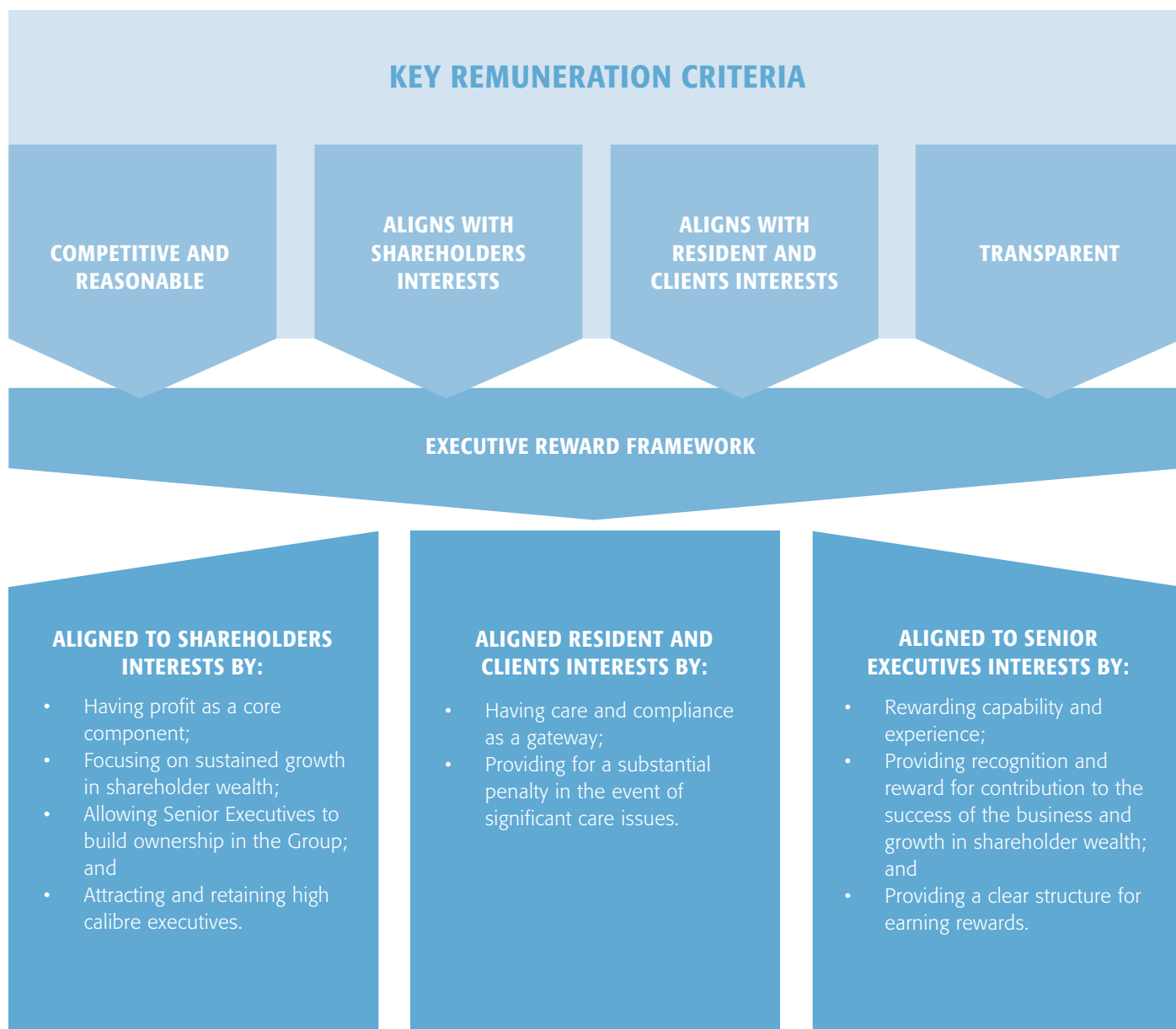
¹¹ Dr Mellors was appointed CEO designate on 5 August 2019. She assumed the role of CEO on 4 September 2019 and was appointed Managing Director on 20 September 2019.

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

i. EXECUTIVE REMUNERATION

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

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



The key component of the executive remuneration framework is the Variable Reward and Retention Plan (**VRRP**). The VRRP is structured to align the CEO and Senior Executives with shareholders through a simple and transparent model which rewards performance over both the short and long-term. The Board continuously reviews executive remuneration structures and believes the VRRP is best suited for Regis.

To be eligible for the cash component of the VRRP, the 'Care and Compliance Gateway' must be met. Performance within the VRRP is then assessed over a 12-month period against short and long-term measures directly linked to the Group's strategic plan and the award is delivered in a combination of cash (40%) and Share Rights (60%) which vest subject to continued employment at the time of vesting as illustrated below.

1 JULY - 30 JUNE	POST 30 JUNE	2 YEARS	3 YEARS	4 YEARS
Performance Period	40% paid in cash 60% granted in Share Rights	Share Rights vest - 10% of total award (12-month deferral)	Share Rights vest - 20% of total award (24-month deferral)	Share Rights vest - 30% of total award (36-month deferral)

The cash component is paid following release of the audited financial statements.

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

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

ii. NON-EXECUTIVE DIRECTOR REMUNERATION

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

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

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

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

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

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

iii. REMUNERATION GOVERNANCE FRAMEWORK

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

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

iv. REMUNERATION CONSULTANTS AND OTHER ADVISORS

To assist in performing its duties and in making recommendations to the Board, the Committee may seek independent advice from remuneration consultants and other advisors on various remuneration-related matters.

When doing so, the remuneration consultants and other advisors are required to engage directly with the Chairman of the Committee as the first point of contact. The Group did not incur any fees in relation to remuneration consultants or other advisors on remuneration-related matters during the year ended 30 June 2020.

v. GROUP PERFORMANCE

The following table sets out the Group's financial and share price performance for the financial year ended 30 June 2020 and the four previous years.

KEY PERFORMANCE INDICATORS	FINANCIAL YEAR ENDED 30 JUNE				
	2020 ¹² \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Reported ¹³ revenue	677,872	646,855	593,990	593,990	479,930
Reported net profit before tax	12,118	69,627	76,772	87,718	70,081
Reported net profit after tax	3,764	50,897	53,869	61,101	46,535
Underlying ¹³ net profit after tax	21,485	47,177	56,948	61,101	56,802
Share price at beginning of year	\$2.63	\$3.28	\$3.93	\$4.69	\$5.16
Share price at end of year	\$1.41	\$2.63	\$3.28	\$3.93	\$4.69
Dividends paid per share	4.02 cents	15.23 cents	17.93 cents	20.34 cents	15.34 cents
Basic earnings per share	1.25 cents	16.93 cents	17.93 cents	20.34 cents	15.49 cents
Diluted earnings per share	1.25 cents	16.91 cents	17.91 cents	20.32 cents	15.48 cents

The financial year ended 30 June 2020 was a challenging one for the Group. In addition to the challenge of the COVID-19 pandemic, the Group continued to face the on-going effect of cuts to Government aged care funding and employee and other costs increased at a faster rate than the indexation increase Government applied to its aged care funding.

These factors were largely outside the control of management and, while care standards were maintained, they led to lower EBITDA¹⁴ and NPAT¹⁵ margins and lower NPAT than prior years.

¹² The Group adopted AASB 16 *Leases* (AASB 16) from 1 July 2019. Under the modified retrospective approach applied, comparatives have not been restated. Refer Note 1.8 for further detail.

¹³ The use of the terms 'reported' refers to IFRS financial information and 'underlying' to non-IFRS financial information. Underlying 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. Underlying 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 the Group's external auditors.

¹⁴ Earnings before interest, tax, depreciation and amortisation.

¹⁵ Net profit after tax.

B. REMUNERATION STRUCTURE - CEO AND SENIOR EXECUTIVES

Dr Linda Mellors was appointed as CEO Designate from 5 August 2019 and CEO from 4 September 2019. The remuneration framework for Dr Mellors and Senior Executives comprises:

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

The mix of TFR versus maximum potential performance-based remuneration for participants in the VRRP in the financial year ended 30 June 2020 was:

	% OF TOTAL REMUNERATION	
	TFR	MAXIMUM POTENTIAL PERFORMANCE-BASED REMUNERATION (VRRP)
Linda Mellors	56.4%	43.6%
Rick Rostolis	56.7%	43.3%

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





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

STRUCTURE OF VRRP	<p>Participants are eligible to receive an annual award of cash and Share Rights subject to meeting financial and non-financial performance measures.</p>
PERFORMANCE MEASURES	<p>The 2020 VRRP was subject to the following performance measures determined by the Board:</p> <ul style="list-style-type: none"> • NPAT (40%); • Refundable Accommodation Deposit (RAD) cash flow (20%); • All Injury Frequency Rate (10%); and • KPIs specific to each Executive’s responsibilities (30%). <p>The Board chose these measures as they support short-term financial performance and the achievement of the Group’s long-term strategic objectives.</p>
ASSESSMENT OF PERFORMANCE MEASURES	<p>Assessment of performance measures occurs annually as part of the broader performance review process for participants.</p> <p>For the purposes of testing financial hurdles, financial results are assessed by reference to the Group’s audited financial statements.</p> <p>This method of assessing performance was chosen because it is, as far as practicable, objective and fair. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Group.</p>
SPLIT OF CASH AND SHARES	<p>The percentage of the maximum opportunity achieved by participants is determined by the Board at the end of the financial year against the above measures.</p> <p>Awards under the VRRP comprise 40% in cash and 60% in Share Rights.</p> <p>The Share Rights vest in three tranches of 10%, 20% and 30% of the total award deferred for one, two and three years respectively after the delivery of the cash component, subject to continued employment.</p>
CARE AND COMPLIANCE GATEWAY	<p>Payment of the cash component is subject to a “Care and Compliance” Gateway. The Board amended the terms of the Care and Compliance Gateway during the year because on 1 January 2020, a long-standing compliance process referred to in the Care and Compliance Gateway no longer applied and an alternative measure was required for the second half of the financial year.</p> <p>Accordingly, the Care and Compliance Gateway for 2020 was as follows:</p> <p>1 July 2019 - 31 Dec 2019</p> <ul style="list-style-type: none"> • All accreditations received; • No non-compliances exceed the timeframe for improvement. <p>1 January 2020 - 30 June 2020</p> <ul style="list-style-type: none"> • All accreditations received; • All undertakings to remedy for a notice of non-compliance are met. <p>For the full-year, if one service is sanctioned, 50% of the cash component is forfeited and if two are sanctioned 100% of the cash component is forfeited.</p>
NUMBER OF SHARE RIGHTS AWARDED	<p>The number of Share Rights granted is calculated by dividing the face value of the Share Rights component by the volume weighted average price of the Group’s shares on the ASX over the 5 trading days commencing on the day after the ex-dividend date for the final dividend.</p> <p>Each Share Right entitles the holder to acquire a fully paid ordinary share in the Group for nil consideration at the end of the vesting period, subject to their continued employment. The Share Rights do not carry dividends or voting rights prior to vesting.</p>





CESSATION OF EMPLOYMENT	<p>Unless the Board determines otherwise, if a participant's employment is terminated for cause or they resign:</p> <ul style="list-style-type: none"> Before the end of the performance period or before the cash component of the VRRP is paid, the entitlement to receive any VRRP award and any unvested Share Rights will lapse; After the end of the performance period and after the cash component of the VRRP is paid and Share Rights granted, any unvested Share Rights will lapse. <p>Where employment ceases for any other reason including retirement, total and permanent disablement or death:</p> <ul style="list-style-type: none"> Before the end of the performance period or before the cash component of the VRRP is paid and Share Rights are granted, a pro-rata portion of the VRRP award (calculated by reference to the portion of the performance period that has elapsed up to the date of cessation) will remain on foot and any award will be paid in cash; and After the end of the performance period and after the cash component of the VRRP is paid and Share Rights granted, unvested Share Rights will remain on foot and vest in accordance with the vesting schedule.
RESTRICTIONS ON DEALING	<p>Participants must not sell, transfer, encumber, hedge or otherwise deal with Share Rights. Participants are free to deal with the shares allocated on vesting of the Share Rights, subject to the requirements of the Group's Policy for Dealing in Securities.</p>
CHANGE IN CONTROL	<p>The Board has discretion to determine whether or not vesting of some or all of a Participant's Share Rights should be accelerated. Where only some of the Share Rights are vested, the remainder will immediately lapse.</p>

C. PERFORMANCE OUTCOMES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

This section outlines performance for the financial year ended 30 June 2020 against the scorecard used for the VRRP. Quality care of residents is Regis' fundamental critical success factor, above all else, and the Group reports that the Care and Compliance Gateway was met in 2020:

CARE AND COMPLIANCE GATEWAY	OUTCOME
All accreditations received	 <p>Gateway achieved. All 8 homes subject to accreditation were successfully re-accredited.</p>
No non-compliances exceeding timeframe for improvement	 <p>Gateway achieved. 6 of Regis' 65 homes received a timeframe for improvement (TFI) notice following non-compliance during the year. All issues were rectified during the prescribed timeframe set by the regulator.</p>
All undertakings to remedy for a notice of non-compliance are met	 <p>Gateway achieved. No undertaking to remedy for a notice of non-compliance was received during the year.</p>
No sanctions	 <p>Gateway achieved. None of Regis' 65 homes were sanctioned.</p>

The achievement of this gateway is a positive outcome in a changing regulatory environment. Having met the gateway, the Board assessed 2020 performance against the VRRP performance measures as follows:

PERFORMANCE MEASURE	WEIGHTING	TARGET	OUTCOME	RESULT
Target NPAT ¹⁶	40%	\$36.1m - \$41.8m ¹⁷	\$3.8m	 0%
RAD cashflow	20%	\$90m – \$150m ¹⁸	\$69.8m	 0%
All Injury Frequency Rate (AIFR)	10%	7.5% reduction on FY19	Reduction not achieved	 0%
Other role specific KPIs	30%	Role specific targets relating to staff engagement, clinical governance, strategic planning, implementation of cost reductions, business stabilisation during COVID-19	20-30%	 20-30%
	100%			20-30%

¹⁶ The NPAT and RAD cashflow performance measures provide for greater than the percentage weighting if the outcome exceeds the Target. As a result, the maximum potential award is 116%.

¹⁷ Excludes any Royal Commission costs. In 2020, the Board approved an NPAT measure of linear vesting from nil% at \$36.1m or less to 40% at \$38m and up to 46% at \$41.8m or greater.

¹⁸ 2020, the Board approved a RAD cash flow measure of linear vesting from nil% at \$90m or less to 20% at \$107m and up to 30% at \$150m or greater.

The VRRP outcomes for the CEO and Senior Executives for the financial year ended 30 June 2020 are set out in the following table:

NAME	AWARD	MAXIMUM POTENTIAL AWARD ¹⁹	AMOUNT AWARDED	% OF MAXIMUM ACHIEVED	% OF MAXIMUM AWARD FORFEITED
Linda Mellors	VRRP	\$503,554	-	0%	100%
Rick Rostolis	VRRP	\$110,865	-	0%	100%

¹⁹ The maximum potential award for Linda Mellors and Rick Rostolis is calculated on a pro-rata basis for the period from their respective start dates to 30 June 2020.

Notwithstanding the partial achievement of performance measures, the amount awarded was 0% as the Board determined that, having regard to the overall financial performance of the Group during the year, it would not be appropriate to award any amount. The COVID-19 pandemic has not impacted this outcome.

D. KEY TERMS OF EXECUTIVE SERVICE AGREEMENTS

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

Key Terms of Executive Service Agreement (ESA) for CEO and Senior Executives

NAME	LINDA MELLORS	RICK ROSTOLIS
ROLE	CEO	CFO
COMMENCEMENT	5 August 2019	16 March 2020
TERM	No fixed term	No fixed term
NOTICE OF TERMINATION BY COMPANY	6 months written notice	6 months written notice
NOTICE OF TERMINATION BY EMPLOYEE	6 months written notice	6 months written notice
TERMINATION FOR SERIOUS MISCONDUCT	At any time without notice and with immediate effect.	At any time without notice and with immediate effect.
TERMINATION ENTITLEMENTS	Payment in lieu of notice based on total fixed remuneration, and accrued but untaken leave entitlements. Incentive arrangements under VRRP will be determined in accordance with the terms of the plan.	Payment in lieu of notice based on total fixed remuneration, and accrued but untaken leave entitlements. Incentive arrangements under VRRP will be determined in accordance with the terms of the plan.
POST-EMPLOYMENT RESTRAINT	Non-compete and non-solicitation period of 6 months post-employment within Australia.	Non-compete and non-solicitation period of 6 months post-employment within Australia.
CHANGE OF CONTROL	Agreement continues to apply	Agreement continues to apply

E. REMUNERATION STRUCTURE AND OUTCOMES - FORMER CEO AND FORMER SENIOR EXECUTIVES

The former CEO, Mr Ross Johnston, ceased employment with the Group on 3 September 2019. The current year remuneration for Mr Johnston was total fixed remuneration comprising fixed pay and superannuation only. He did not participate in an STI Plan or the VRRP in the current year.

The former CFO, Mr David Noonan ceased employment with the Group on 4 October 2019. The current year remuneration for Mr Noonan was total fixed remuneration comprising fixed pay and superannuation only. He did not participate in an STI Plan or the VRRP in the current year.

The former CCO, Mr Darren Lynch ceased employment with the Group on 24 April 2020. Mr Lynch's remuneration for the current year comprised:

- total fixed remuneration (TFR); and
- Performance based (at risk) remuneration delivered through the VRRP.

As Mr Lynch ceased employment due to redundancy before the end of the performance period, under the terms of the VRRP he was entitled to a pro-rata portion of the VRRP award (calculated by reference to the portion of the performance period that had elapsed up to the date of cessation).

However, as the Board determined to not award any amount to participants under the VRRP in the current year, no amount was awarded to Mr Lynch. In addition, as he ceased employment prior to the end of the performance period, his performance against performance measures was not assessed.

F. REMUNERATION STRUCTURE - NON-EXECUTIVE DIRECTORS

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

i. DIRECTORS' FEES

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

Annual NED fees (inclusive of superannuation) are:

ROLE	ANNUAL FEES
Chairman	\$240,000
Other NEDs	\$110,000
Chairs of Board Committees ²⁰	\$30,000
Members of Board Committees	\$20,000

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

ii. RETIREMENT ALLOWANCES FOR DIRECTORS

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

²⁰ There are three Board Committees - Audit, Risk and Compliance Committee, People and Remuneration Committee and Clinical Governance and Care Committee. The fees for Chairman and members are the same for all three Board Committees.

G. STATUTORY REMUNERATION DISCLOSURES

i. KMP REMUNERATION - STATUTORY REMUNERATION TABLE

Details of the remuneration of the NEDs, CEO and Senior Executives 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.

NAME	ROLE	YEAR	SALARY & FEES	SHORT-TERM BENEFITS		POST-EMPLOYMENT	OTHER LONG-TERM BENEFITS	SHARE-BASED PAYMENTS		TOTAL
				NON-MONETARY BENEFITS	VRRP CASH BONUS	SUPER-ANNUATION	LONG-SERVICE LEAVE	PERFORMANCE RIGHTS AND SHARE RIGHTS GRANTED UNDER STI, LTI & VRRP PLANS	SHARES	
			\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>										
Bryan Dorman	NED	FY20	136,986	-	-	13,014	-	-	-	150,000
		FY19	129,329	-	-	12,286	-	-	-	141,615
Christine Bennett	NED	FY20	127,854	-	-	12,146	-	-	-	140,000
		FY19	123,894	-	-	11,770	-	-	-	135,664
Graham Hodges	NED	FY20	255,708	-	-	21,003	-	-	-	276,711
		FY19	249,982	-	-	23,748	-	-	-	273,730
Ian Roberts	NED	FY20	118,721	-	-	11,279	-	-	-	130,000
		FY19	115,850	-	-	11,006	-	-	-	126,856
Matthew Quinn	NED	FY20	146,119	-	-	13,881	-	-	-	160,000
		FY19	139,199	-	-	13,224	-	-	-	152,423
Sylvia Falzon	NED	FY20	146,119	-	-	10,144	-	-	-	156,263
		FY19	143,203	-	-	13,604	-	-	-	156,807
Sub-Total Non-Executive Directors		FY20	931,507	-	-	81,467	-	-	-	1,012,974
		FY19	901,457	-	-	85,638	-	-	-	987,095

NAME	ROLE	YEAR	SALARY & FEES	SHORT-TERM BENEFITS		POST-EMPLOYMENT	OTHER LONG-TERM BENEFITS		SHARE-BASED PAYMENTS		TOTAL
				NON-MONETARY BENEFITS	STI/VRRP-CASH BONUS	SUPER-ANNUATION	LONG-SERVICE LEAVE	TERMINATION PAYMENTS	PERFORMANCE RIGHTS AND SHARE RIGHTS GRANTED UNDER STI, LTI & VRRP PLANS	SHARES	
			\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive Directors											
Linda Mellors ²¹	MD/CEO	FY20	643,267	-	-	18,579	531	-	-	-	662,377
Ross Johnston ²²	MD/CEO	FY20	144,447	-	-	4,078	-	247,520	-	-	396,045
		FY19	832,188	-	146,926	19,580	33,557	-	-	-	1,032,251
Executives											
Rick Rostolis ²³	CFO	FY20	146,269	-	-	5,655	112	-	-	-	152,036
Darren Lynch ²⁴	CCO	FY20	359,402	-	-	17,206	-	418,298	92,080	-	886,986
		FY19	407,300	-	106,386	24,694	23,000	-	63,895	-	625,275
David Noonan ²⁵	CFO	FY20	148,936	-	-	5,897	-	42,187	-	-	197,020
		FY19	488,833	-	67,286	24,908	11,243	-	80,381	-	672,651
Sub-Total Executives		FY20	1,442,321	-	-	51,415	643	708,005	92,080	-	2,294,464
		FY19	1,728,321	-	320,598	69,182	67,800	-	144,276	-	2,330,177
Total Compensation		FY20	2,373,828	-	-	132,882	643	708,005	92,080	-	3,307,438
		FY19	2,629,778	-	320,598	154,820	67,800	-	144,276	-	3,317,272

²¹ Linda Mellors commenced on 5 August 2019 as CEO Designate and was appointed CEO 4 September 2019. Linda was appointed Managing Director on 20 September 2019.

²² Ross Johnston resigned on 3 September 2019.

²³ Rick Rostolis commenced on 16 March 2020.

²⁴ Darren Lynch exited the Group on 24 April 2020. Darren was Chief Commercial Officer (CCO) from 1 August 2018 to date of exit.

²⁵ David Noonan resigned on 4 October 2019, which resulted in a reversal of share-based payment expense of \$85,000 upon lapsing of unvested performance rights.

ii. PERFORMANCE AND SHARE RIGHTS HELD BY SENIOR EXECUTIVE

NAME	GRANT DATE	VESTING DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	LAPSED DURING THE YEAR	VESTED DURING THE YEAR	BALANCE AT CESSATION OF EMPLOYMENT	FAIR VALUE PER RIGHT AT GRANT DATE	AGGREGATE FAIR VALUE	MAXIMUM VALUE TO BE RECOGNISED IN FUTURE YEARS ²⁶
				NO.	NO.	NO.	NO.	NO.	\$	\$	\$
Darren Lynch (ceased employment on 24 April 2020)	20-Sep-2019 ^C	20-Sep-2022	20-Sep-2022	-	17,243	-	-	17,243	2.67	46,039	23,020
	20-Sep-2019 ^B	20-Sep-2021	20-Sep-2021	-	11,381	-	-	11,381	2.67	30,387	10,231
	20-Sep-2019 ^A	20-Sep-2020	20-Sep-2020	-	5,863	-	-	5,863	2.67	15,654	-
	20-Sep-2018 ^C	20-Sep-2021	20-Sep-2021	16,887	-	-	-	16,887	2.50	42,218	10,554
	20-Sep-2018 ^B	20-Sep-2020	20-Sep-2020	11,145	-	-	-	11,145	2.65	29,534	-
	20-Sep-2018 ^A	20-Sep-2019	20-Sep-2019	5,742	-	-	5,742	-	2.80	-	-
	20-Sep-2017 ^B	20-Sep-2019	20-Sep-2019	2,822	-	-	2,822	-	3.01	-	-
				39,596	34,487	-	8,564	62,519	-	163,832	43,805
David Noonan (resigned 4 October 2019)	20-Sep-2019 ^C	20-Sep-2022	20-Sep-2022	-	18,901	18,901	-	-	2.67	-	-
	20-Sep-2019 ^B	20-Sep-2021	20-Sep-2021	-	12,474	12,474	-	-	2.67	-	-
	20-Sep-2019 ^A	20-Sep-2020	20-Sep-2020	-	6,426	6,426	-	-	2.67	-	-
	20-Sep-2018 ^C	20-Sep-2021	20-Sep-2021	21,842	-	21,842	-	-	2.50	-	-
	20-Sep-2018 ^B	20-Sep-2020	20-Sep-2020	14,416	-	14,416	-	-	2.65	-	-
	20-Sep-2018 ^A	20-Sep-2019	20-Sep-2019	7,426	-	-	7,426	-	2.80	-	-
	20-Sep-2017 ^B	20-Sep-2019	20-Sep-2019	4,063	-	-	4,063	-	3.01	-	-
				47,747	37,801	74,059	11,489	-	-	-	-
Grand Total				84,343	72,288	74,059	20,053	62,519	-	163,832	43,805

²⁶ No grants will vest if performance conditions are not satisfied.

^A VRRP Grant which is subject to one-year deferral.

^B STI/VRRP Grant which is subject to two-year deferral.

^C VRRP Grant which is subject to three-year deferral.

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

The performance criteria for each grant is set out in the Group's previous Remuneration Reports.

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 2019	GRANTED	GRANTED ²⁷	VESTED	VESTED ²⁸	FORFEITED	FORFEITED	HELD AT DATE OF CESSATION OF EMPLOYMENT NO.
	NO.	NO.	\$	NO.	\$	NO.	\$	
Darren Lynch ²⁹	36,596	34,487	92,080	8,564	24,572	-	-	62,519
David Noonan ³⁰	47,747	37,801	74,059	11,489	33,022	74,059	193,736	-

²⁷ The value of Rights granted in the year is the number of Rights granted in the year multiplied by the fair value of each right on the grant date as per Accounting Standards.

²⁸ The value of vested Rights is calculated at the time of vesting.

²⁹ Darren Lynch exited the Group on 24 April 2020.

³⁰ David Noonan resigned on 4 October 2019.

iv. KMP SHAREHOLDINGS

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

NAME	HELD AT 1 JULY 2019 ³¹	NUMBER OF SHARES					HELD AT 30 JUNE 2020 OR CESSATION OF EMPLOYMENT	HELD NOMINALLY AT 30 JUNE 2020 OR CESSATION OF EMPLOYMENT ³²
		RECEIVED ON VESTING OF LTI	RECEIVED ON VESTING OF STI / VRRP	RECEIVED AS REMUNERATION	OTHER NET CHANGE			
Non-Executive Directors								
Bryan Dorman	81,910,479	-	-	-	-	81,910,479	-	
Christine Bennett	22,500	-	-	-	38,500	61,000	-	
Graham Hodges	30,000	-	-	-	80,000	110,000	-	
Ian Roberts	81,910,479	-	-	-	-	81,910,479	16,699	
Matthew Quinn	8,000	-	-	-	56,000	64,000	-	
Sylvia Falzon	27,397	-	-	-	-	27,397	-	
CEO and Senior Executives								
Linda Mellors	-	-	-	-	158,000	158,000	-	
Ross Johnston	3,388,537	-	-	-	(392,495)	2,996,042	32,876	
Darren Lynch ³³	71,788	7,083	8,564	-	-	87,435	-	
David Noonan ³⁴	45,278	11,466	11,489	-	(68,233)	-	3,300	

³¹ Comparative amounts are revised, if required, based on latest information and to conform with current year presentation.

³² Shares held 'nominally' means shares held indirectly or by KMP's close family members or entities over which the KMP or family member has control.

³³ Darren Lynch exited the Group on 24 April 2020.

³⁴ David Noonan resigned on 4 October 2019.

v. TRANSACTIONS WITH THE GROUP

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

vi. LOANS WITH THE GROUP

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

End of Audited Remuneration Report

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS
OF REGIS
HEALTHCARE
LIMITED



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of Regis Healthcare Limited

As lead auditor for the audit of the financial report of Regis Healthcare Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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

BJ Pollock
Partner
27 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020	NOTES	2020 \$'000	2019 \$'000
Revenue from services	2.1	677,872	646,855
Other income	2.1	62,798	9,420
Staff expenses		(492,257)	(448,067)
Resident care expenses		(42,544)	(37,682)
Administrative expenses		(38,275)	(32,808)
Occupancy expenses		(21,574)	(20,759)
Depreciation		(44,066)	(33,932)
Impairment losses	3.3	(20,566)	-
Profit before income tax and finance costs		81,388	83,027
Finance costs	2.2	(69,270)	(13,400)
Profit before income tax		12,118	69,627
Income tax expense	2.3	(8,354)	(18,730)
Profit for the year		3,764	50,897
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net (loss)/gain on cash flow hedges, net of tax		64	(167)
Other comprehensive income, net of tax		64	(167)
Total comprehensive income for the year		3,828	50,730
Earnings per share		Cents	Cents
Basic	2.5	1.25	16.93
Diluted	2.5	1.25	16.91

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020	NOTES	2020 \$'000	2019 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4.1	3,801	1,774
Trade and other receivables	4.2	9,747	10,723
Inventories		1,147	1,341
Other current assets	4.3	5,009	3,959
Income tax receivables		8,322	6,430
Total Current Assets		28,026	24,227
Non-Current Assets			
Property, plant and equipment	3.1	1,147,384	1,147,692
Investment property	3.4	148,129	143,375
Right-of-use assets	3.5	5,990	-
Intangible assets	3.3	463,737	479,617
Total Non-Current Assets		1,765,240	1,770,684
Total Assets		1,793,266	1,794,911
LIABILITIES			
Current Liabilities			
Bank overdraft	4.1	7,885	1,934
Trade payables and other liabilities	4.4	51,539	55,824
Lease liabilities	3.5	1,041	-
Provisions	4.5	68,773	60,161
Other financial liabilities	5.1	1,196,012	1,126,920
Other liabilities	5.8	12,084	-
Total Current Liabilities		1,337,334	1,244,839
Non-Current Liabilities			
Interest-bearing loans and borrowings	5.2	232,599	303,080
Provisions	4.5	4,249	6,012
Deferred tax liabilities	2.3	64,749	62,335
Lease liabilities	3.5	7,016	-
Total Non-Current Liabilities		308,613	371,427
Total Liabilities		1,645,947	1,616,266
Net Assets		147,319	178,645
EQUITY			
Issued capital	5.7.1	273,485	273,233
Retained earnings / (accumulated losses)		(28,704)	2,530
Reserves	5.7.2	(97,462)	(97,118)
Total Equity		147,319	178,645

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020	ISSUED CAPITAL	RETAINED EARNINGS/ (ACCUMULATED LOSSES)	CASH FLOW HEDGE RESERVE	REMUNERATION RESERVE	ACQUI- SITION RESERVE	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2018	272,822	2,053	103	4,503	(101,497)	177,984
Profit for the year	-	50,897	-	-	-	50,897
Other comprehensive income	-	-	(167)	-	-	(167)
Total comprehensive income for the year	-	50,897	(167)	-	-	50,730
Dividends paid or provided for	-	(50,420)	-	-	-	(50,420)
Equity-settled share-based payment expense	-	-	-	351	-	351
Transfers from remuneration reserve	411	-	-	(411)	-	-
At 30 June 2019	273,233	2,530	(64)	4,443	(101,497)	178,645
At 1 July 2019 as previously reported	273,233	2,530	(64)	4,443	(101,497)	178,645
Adjustment related to new accounting standards (refer Note 1.8)	-	(1,538)	-	-	-	(1,538)
Adjusted balance at 1 July 2019	273,233	992	(64)	4,443	(101,497)	177,107
Profit for the year	-	3,764	-	-	-	3,764
Other comprehensive income	-	-	64	-	-	64
Total comprehensive income for the year	-	3,764	64	-	-	3,828
Dividends paid or provided for	-	(33,460)	-	-	-	(33,460)
Equity-settled share-based payment expense	-	-	-	(156)	-	(156)
Transfers from remuneration reserve	252	-	-	(252)	-	-
At 30 June 2020	273,485	(28,704)	-	4,035	(101,497)	147,319

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020	NOTES	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from residents and Government subsidies		666,300	640,657
Payments to suppliers and employees		(584,526)	(527,531)
Interest received		45	212
Interest and other finance costs paid		(11,243)	(16,497)
RAD and accommodation bond inflows		377,950	410,454
RAD and accommodation bond outflows		(308,103)	(267,042)
ILU/ILA entry contribution inflows		3,874	1,796
ILU/ILA entry contribution outflows		(8,278)	(2,324)
Income tax paid		(8,784)	(19,604)
Net cash flows from operating activities	4.1	127,235	220,121
Cash flows from investing activities			
Purchase of property, plant and equipment		(39,292)	(64,886)
Proceeds from disposal of property, plant and equipment		1,057	-
Purchase of investment property		(4,673)	(3,773)
Purchase of businesses, net of cash acquired		5,003	-
Net cash flows used in investing activities		(37,905)	(68,659)
Cash flows from financing activities			
Net repayments of bank borrowings		(71,000)	(108,972)
Dividends paid on ordinary shares		(21,376)	(50,420)
Payment of lease liability		(878)	-
Net cash flows used in financing activities		(93,254)	(159,392)
Net decrease in cash and cash equivalents		(3,924)	(7,930)
Cash and cash equivalents at the beginning of the year		(160)	7,770
Cash and cash equivalents at the end of the year	4.1	(4,084)	(160)

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTE 1: ABOUT THIS REPORT

1.1 CORPORATE INFORMATION

The consolidated financial statements of Regis Healthcare Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 27 August 2020.

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 Note 6.1 and information on other related party relationships is provided in Note 6.2.

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 a historical cost basis, except investment property, independent living unit and apartment entry contributions and derivative financial instruments, which have been measured at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars unless otherwise stated. Comparative amounts are revised, if required, based on the latest information to conform with current year presentation.

1.3 BASIS OF CONSOLIDATION

This financial report includes the consolidated financial statements and Notes for the consolidated entity consisting of Regis Healthcare Limited and its subsidiaries.

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 2020 is contained in Note 6.1.

The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as the parent entity. 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.

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.

1.5 GOING CONCERN

The financial report has been prepared on a going concern basis, which assumes that the Group will be able to meet its obligations as and when they fall due. The potential impact of COVID-19, as referred to in Note 6.3 has been taken into consideration in preparing the financial report on a going concern basis. 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 a current liability as required under 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 has positive operating cash flow and has access to undrawn credit facilities. Refer to Note 5.3 under the heading 'Liquidity Risk' for further information.

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:

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

1.7 MEASUREMENT OF FAIR VALUES

A number of the Group's accounting policies and disclosures 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.

1.8 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

AASB 16 LEASES

The Group adopted AASB 16 *Leases* (AASB 16) using the modified retrospective approach from 1 July 2019. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 *Leases* is recognised in retained earnings. The impact that this initial application of AASB 16 has on the consolidated financial statements, is described below.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. AASB 16 replaces existing leases guidance, including AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases - Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Leases in which the Group is a Lessee

The Group will recognise assets and liabilities for its operating leases of its office premises, office equipment and motor vehicles. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group also applied available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Right-of-Use Assets

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

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. For lease payments, the Group applies the practical expedient wherein it does not separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Previously, the Group recognised an operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

1.8 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (CONTINUED)

AASB 16 LEASES (CONTINUED)

Short-Term Leases and Leases of Low-Value Assets

The Group applies the short-term lease recognition exemption to its short-term leases, being those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of underlying assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Transition

The application date of AASB 16 *Leases* for the Group was 1 July 2019, using the modified retrospective approach. The right-of-use assets for operating leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of an incremental borrowing rate at the date of initial application. Therefore, the cumulative effect of adopting AASB 16 was recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The transitional impact upon initial adoption of AASB 16 *Leases* as at 1 July 2019 was:

- Inclusion of a right-of-use asset of \$6,303,000;
- Inclusion of a lease liability of \$8,500,000;
- Decrease in net deferred tax liabilities by \$659,000; and
- Decrease in retained earnings by \$1,538,000.

LEASE COMMITMENTS RECONCILIATION	\$'000
Operating Lease Commitments as at 30 June 2019	4,405
Add: payments in optional extension periods not recognised as at 30 June 2019	5,793
Gross Lease Liabilities as at 1 July 2019	10,198
Weighted average incremental borrowing rate as at 1 July 2019	3.33%
Discounted Using the Lessee's Incremental Borrowing Rate at the Date of Initial Application	8,500

Leases in which the Group is a Lessor

Contracts with customers contain provisions for accommodation, use of common areas/facilities for provision of care and other services. The Group has concluded that its contractual arrangements relating to the provision of residential aged care and retirement living accommodation are an operating lease pursuant to AASB 16, being the exclusive right to the use of a room/unit by a resident.

For residential aged care accommodation arrangements where the resident has elected to pay a RAD or accommodation bond, the Group receives a financing benefit, being non-cash consideration, in the form of an interest free loan.

On adoption of AASB 16, the fair value of this non-cash consideration is required to be recognised as income (to reflect the interest free loan financing benefit received on RADs and accommodation bonds) and, correspondingly, interest expense (to record the financial liability associated with RADs and accommodation bonds at fair value) with no net impact on profit or loss.

The application of AASB 16 for the year ended 30 June 2020 has been calculated based on:

- Monthly average RAD / accommodation bond balances; and
- Interest rate equal to the Maximum Permissible Interest Rate (MPIR), which is a Government set interest rate used to calculate the Daily Accommodation Payment (DAP) to applicable residents. The MPIR was 5.54% between July to September 2019; 4.98% between October to December 2019; 4.91% between January to March 2020; and 4.89% between April to June 2020.

The Group's Statement of Profit or Loss and Other Comprehensive Income presents income of \$57,508,000 and an additional finance cost (i.e. imputed interest charge on RADs and Bonds) of \$57,508,000, with \$nil impact to net profit for the year.

The accounting treatment for residential aged care accommodation arrangements where residents have elected to pay a DAP has not changed upon adopting AASB 16.

In accordance with AASB 16, a lessor is not required to make any adjustments on transition for leases in which it is a lessor and shall account for those leases applying AASB 16 from the date of initial application (1 July 2019). Therefore, comparatives have not been restated.

1.9 STANDARDS ISSUED BUT NOT YET EFFECTIVE

AASB 2018-6 AMENDMENTS TO AASBs - DEFINITION OF A BUSINESS

Effective for annual reporting periods beginning on or after 1 January 2020.

The definition of a business helps entities to distinguish business combinations from asset purchases. Business combinations are accounted for using the acquisition method, which, among other things, may give rise to goodwill. Accounting treatments for other types of transactions may also be affected, depending on whether the transaction involves a business (e.g. a loss of control transaction where a retained interest is accounted for using the equity method).

The amendments to AASB 3 *Business Combinations*:

- Clarify the minimum requirements for a business to exist;
- Remove the assessment of whether market participants are capable of replacing missing elements of a business;
- Provide guidance to help entities assess whether an acquired process is substantive;
- Narrow the definitions of a business and of outputs;
- Introduce an optional fair value concentration test to identify a business.

1.9 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

AASB 2018-6 AMENDMENTS TO AASs - DEFINITION OF A BUSINESS (CONTINUED)

These amendments are applied prospectively. Earlier application is permitted.

The Group is in the process of reviewing the impact of the pronouncement.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING AASB 2019-1 AMENDMENTS TO AASs - REFERENCES TO THE CONCEPTUAL FRAMEWORK

Effective for annual reporting periods beginning on or after 1 January 2020.

The Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard.

The purpose is to assist the International Accounting Standards Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular, the definitions of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The changes in the Framework may affect the application of AASB in situations where no standard applies to a particular transaction or event.

The Group is in the process of reviewing the impact of the pronouncement.

AASB 2020-3 AMENDMENTS TO AASB 3 - REFERENCE TO THE CONCEPTUAL FRAMEWORK

Effective for annual reporting periods beginning on or after 1 January 2022.

The IASB's assessment of applying the revised definitions of assets and liabilities in the Conceptual Framework to business combinations showed that the problem of day 2 gains or losses would be significant only for liabilities that an acquirer accounts for after the acquisition date by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*. The Board updated IFRS 3 in May 2020 for the revised definitions of an asset and a liability and excluded the application of the Conceptual Framework to liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21. The AASB released the equivalent amendments to AASB 3 in June 2020.

These amendments are applied prospectively. Earlier application is permitted if the entity adopts AASB 2019-1 at the same time or earlier.

The Group is in the process of reviewing the impact of the pronouncement.

AASB 2020-1 AMENDMENTS TO AASs - CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

Effective for annual reporting periods beginning on or after 1 January 2022.

A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 *Presentation of Financial Statements* to clarify the requirements for classifying liabilities as current or non-current. Specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists;
- Management intention or expectation does not affect classification of liabilities;
- In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.

These amendments are applied retrospectively. Earlier application is permitted.

The Group is in the process of reviewing the impact of the pronouncement.

AASB 2018-7 AMENDMENTS TO AASs - DEFINITION OF MATERIAL

Effective for annual reporting periods beginning on or after 1 January 2020.

The amendments align the definition of 'material' across AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments are applied prospectively. Earlier application is permitted.

The Group is in the process of reviewing the impact of the pronouncement.

1.9 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

AASB 2020-3 AMENDMENTS TO AASB 116 - PROPERTY, PLANT AND EQUIPMENT: PROCEEDS BEFORE INTENDED USE

Effective for annual reporting periods beginning on or after 1 January 2022.

Under AASB 116 *Property, Plant and Equipment*, net proceeds from selling items produced while constructing an item of property, plant and equipment are deducted from the cost of the asset. The IASB's research indicated practical diversity in interpreting this requirement. As a result, AASB 116 was amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment, the proceeds from selling items produced before that asset is available for use.

An entity is also required to measure production costs of the sold items by applying AASB 112 *Inventories*. Proceeds from selling any such items, and the cost of those items, are recognised in profit or loss in accordance with applicable standards.

These amendments are applied retrospectively, but only to items of property, plant and equipment that are 'ready to use' on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments - 'ready to use' meaning the asset is in the location and condition necessary to be capable of operating in the manner intended by management. Earlier application is permitted.

The Group is in the process of reviewing the impact of the pronouncement.

AASB 2019-5 AMENDMENTS TO AASs - DISCLOSURE OF THE EFFECT OF NEW IFRS STANDARDS NOT YET ISSUED IN AUSTRALIA

Effective for annual reporting periods beginning on or after 1 January 2020.

It is possible that an entity complying with Australian Accounting Standards cannot assert compliance with IFRS Standards if its reporting date falls between the issuance date of a new IFRS Standard and a later release date of an equivalent Australian Accounting Standard. To enable IFRS compliance assertion despite such delays, this standard amends AASB 1054 *Australian Additional Disclosures* to require disclosure of the possible impact of initial application of forthcoming IFRS Standards not yet adopted by the AASB, as specified in paragraphs 30 and 31 of AASB 108. Entities complying with Australian Accounting Standards can assert compliance with IFRS Standards by making this additional disclosure.

The amendments are applied prospectively. Earlier application is permitted.

The Group is in the process of reviewing the impact of the pronouncement.

NOTE 2: CURRENT PERFORMANCE

2.1 REVENUE AND OTHER INCOME

	NOTES	2020 \$'000	2019 \$'000
Revenue from Services			
Government funded revenue		471,136	452,328
Resident basic daily fee revenue		116,750	111,263
Other resident revenue		78,266	71,902
Other operating revenue	(i)	9,540	9,287
Deferred management fee revenue		2,180	2,075
Total Revenue from Services		677,872	646,855
Other Income			
Imputed income on RADs and Bonds	1.8	57,508	-
Interest income		45	218
Gain on acquisition	3.2	4,552	-
Profit on disposal of property, plant and equipment		612	-
Change in fair value of investment property development sites	3.4	-	7,303
Change in fair value of operating investment properties	3.4	81	1,899
Total Other Income		62,798	9,420

(i) Other operating revenue in the current year includes \$2,712,000 bequeathed from a former resident. Refer to Note 4.1 for further details.

RESIDENTIAL AGED CARE AND HOME CARE

The Group recognises revenue from aged care and home care services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or monthly basis. Revenue arises from discretionary and non-discretionary services, as agreed in a single contract with the resident. Fees received in advance of aged care and home care services performed are recognised as contract liabilities and are included within Trade Payables and Other Liabilities (refer Note 4.4).

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

RETIREMENT LIVING

Revenue arises from deferred management fees and short-term rentals, as agreed in a single contract with the resident.

Revenue from deferred management fees is recognised over the expected length of stay of a resident. The expected length of stay of a resident is estimated based on historical tenure data, including industry data. The difference between revenue recognised and contractual deferred management fees earned is recognised as deferred revenue (contract liabilities) within Trade Payables and Other Liabilities (refer Note 4.4).

Revenue from short term rentals is recognised on a daily basis as services are provided.

2.1 REVENUE AND OTHER INCOME (CONTINUED)

NATURE OF REVENUE AND CASH FLOWS

Residential aged care and home care revenue is disaggregated based on the nature of funding. Revenue is recognised based on the terms and conditions for discretionary and non-discretionary services agreed in a single contract with the resident, which are enforceable primarily on a daily basis. Total revenue 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 in the table below:

TYPE OF REVENUE	DESCRIPTION	TYPES OF SERVICE
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 Government is derived under the Group's contracts with customers. Government funded revenue comprises of basic subsidy amounts calculated in accordance with the Aged Care Funding Instrument ('ACFI'), accommodation supplements, funding for short term 'respite' residents and other Government incomes. Revenue is recognised over time as services are provided. Funding claims are submitted / updated daily and 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 revenue is usually payable 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 revenue is usually payable 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 revenue is usually payable 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

ENTITY-WIDE DISCLOSURE

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

OTHER INCOME

The change in fair value of operating investment properties in 2020 related to the retirement living operations in Queensland that were acquired in 2016.

The change in fair value of investment property development sites in 2019 represents the non-cash revaluation gain associated with the Blackburn South retirement living property in Melbourne and Nedlands retirement living property in Perth, as assessed by an independent valuer.

INTEREST INCOME

Interest income is recorded using the effective interest rate method.

2.2 FINANCE COSTS

	NOTES	2020 \$'000	2019 \$'000
Finance Costs			
Interest expense: bank loans and overdrafts		6,344	11,993
Interest on refundable RADs		4,495	4,075
Imputed interest charge on RADs and Bonds	(i)	57,508	-
Interest expense on lease payable		417	-
Other		2,202	1,465
Total Finance Costs		70,966	17,533
Less: borrowing costs capitalised	(ii)	(1,696)	(4,133)
Total Finance Costs Expensed		69,270	13,400

- (i) 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 with no net impact on profit or loss. Refer to Note 1.8 for further information.
- (ii) 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 incurred in connection with the borrowing of funds. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 2.73% (2019: 3.44%).

2.3 INCOME TAX

MAJOR COMPONENTS OF INCOME TAX (BENEFIT)/ EXPENSE

	2020 \$'000	2019 \$'000
<i>Current Income Tax:</i>		
Current income tax charge	6,901	14,441
Adjustments in respect of current income tax of previous years	(23)	(30)
<i>Deferred Tax:</i>		
Relating to origination and reversal of temporary differences	1,476	4,319
Income Tax Expense Reported in Profit or Loss	8,354	18,730
<i>Reconciliation of Tax Expense and the Accounting Profit Multiplied by Australia's Domestic Company Tax Rate:</i>		
Net gain/(loss) on revaluation of cash flow hedges	-	71
Deferred Tax Charged on Other Comprehensive Income	-	71
Accounting profit before income tax	12,118	69,627
At the statutory income tax rate of 30% (2019: 30%)	3,635	20,888
Adjustments in respect of current income tax of previous years	(23)	(30)
Relating to origination and reversal of temporary differences	(245)	(2,281)
Other non-assessable income/non-deductible expenses	4,987	153
Income Tax Expense Reported in Profit or Loss	8,354	18,730

2.3 INCOME TAX (CONTINUED)

MAJOR COMPONENTS OF DEFERRED TAX

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Deferred Tax Liabilities				
Property, plant and equipment	(14,347)	(12,600)	1,747	1,410
Investment property	(4,957)	(5,131)	(174)	3,166
Independent living unit and apartment entry contributions	(4,079)	(4,117)	(38)	260
Interest rate swaps	-	-	-	(44)
Intangible assets	(64,343)	(62,937)	1,406	-
<i>Deferred tax assets</i>				
Employee benefits	21,958	20,120	(1,838)	(2,262)
Deferred revenue	1,105	1,301	196	54
Equity raising costs deducted from equity	-	-	-	1,363
Interest rate swaps	-	27	27	(27)
Other	(86)	1,002	1,088	(696)
Net Deferred Tax Liabilities	(64,749)	(62,335)		
Adjusted for Items Not Impacting Profit or Loss				
Net gain/(loss) on revaluation of cash flow hedges			-	71
Tax effect of new accounting standard changes			659	1,023
Acquisition of businesses			(1,597)	-
Other			-	1
Deferred Income Tax Charge			1,476	4,319

CURRENT INCOME TAX

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

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.

2.3 INCOME TAX EXPENSE (CONTINUED)

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 have agreed to pay a tax equivalent payment to, or from, the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from, or payable to, other entities in the tax consolidated group.

2.4 SEGMENT INFORMATION

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

The Group's chief operating decision maker is the Chief Executive Officer who regularly monitors the operating results of the following geographical locations separately for the purpose of making decisions about resource allocation and segment performance:

- Queensland / Northern Territory;
- New South Wales;
- Victoria / South Australia / Tasmania;
- Western Australia.

The activities and operating results of these geographical locations have similar economic characteristics and similar expected growth rates, and have therefore been aggregated into one reportable segment.

Executive management primarily uses a measure of underlying earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the Group's performance. Underlying EBITDA excludes the effect of significant items of income and expenditure that may have an impact on quality of earnings.

RECONCILIATION OF UNDERLYING EBITDA TO PROFIT BEFORE TAX

	2020 \$'000	2019 \$'000
Underlying EBITDA (pre-AASB 16 Leases)	85,050	111,427
Change in fair value of investment property development site	-	7,303
Depreciation*	(44,066)	(33,932)
Impairment losses	(20,566)	-
Royal Commission related expenses	(1,273)	(1,989)
Acquisition costs	(1,162)	-
Gain on acquisition	4,552	-
Finance income	45	218
Finance costs*	(69,270)	(13,400)
Imputed income on RADs and Bonds*	57,508	-
Operating lease expense*	1,300	-
Profit Before Income Tax	12,118	69,627

- * Following adoption of AASB 16 *Leases* effective 1 July 2019:
- Profit before income tax for the year ended 30 June 2020 included income on RADs and Bonds of \$57,508,000 and, correspondingly, finance costs of \$57,508,000 with no net impact on profit or loss;
 - The Group has recognised depreciation and interest costs, totalling \$947,000 and \$417,000 respectively. Prior to the introduction of AASB 16 *Leases*, the Group would have recognised an operating lease expense of \$1,300,000.

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.

	2020 \$'000	2019 \$'000
Profit attributable to ordinary equity holders of the Parent	3,764	50,897
	2020 \$'000	2019 \$'000
Weighted average number of ordinary shares used in the calculation of:		
Basic earnings per share	300,727	300,625
Adjustment for effect of share-based payment arrangements	62	282
Diluted Earnings per Share	300,789	300,907
	2020 cps	2019 cps
Basic earnings per share	1.25	16.93
Diluted earnings per share	1.25	16.91

2.6 PARENT ENTITY INFORMATION

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

	2020 \$'000	2019 \$'000
Information relating to Regis Healthcare Limited		
Assets		
Current assets	9,048	6,414
Non-current assets	497,134	512,344
Total Assets	506,182	518,758
Liabilities		
Current liabilities	2,014	1,973
Non-current liabilities	-	41
Total Liabilities	2,014	2,014
Equity		
Issued capital	478,064	478,064
Reserves	4,535	4,443
Retained Earnings	21,569	34,237
Total Equity	504,168	516,744
Profit of the parent entity	10,900	45,600
Total comprehensive income of the parent entity	10,900	45,600

There are no contractual commitments, guarantees or contingent liabilities in respect of the parent entity.

NOTE 3: ASSETS AND GROWTH

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 2020		996,150	303,135	1,139	79,202	38	63,752	1,443,416
Accumulated depreciation and impairment		(125,837)	(140,582)	(896)	(28,698)	(19)	-	(296,032)
Carrying Amount at 30 June 2020		870,313	162,553	243	50,504	19	63,752	1,147,384
Reconciliation of Carrying Amounts								
Carrying amount at 1 July 2019		878,810	167,901	212	50,132	20	50,617	1,147,692
Additions		-	1,851	102	2,058	-	31,086	35,097
Transfers from work in progress		189	15,393	-	2,369	-	(17,951)	-
Transfers to investment property	3.4	-	-	-	-	-	-	-
Transfers to assets held for sale	4.3	(1,154)	-	-	-	-	-	(1,154)
Additions from business combinations	3.2	8,231	1,094	-	-	-	-	9,325
Disposals		(445)	-	(12)	-	-	-	(457)
Depreciation expense		(15,318)	(23,686)	(59)	(4,055)	(1)	-	(43,119)
Carrying Amount at 30 June 2020		870,313	162,553	243	50,504	19	63,752	1,147,384
Cost at 30 June 2019		989,329	284,797	1,049	74,775	38	50,617	1,400,605
Accumulated depreciation and impairment		(110,519)	(116,896)	(837)	(24,643)	(18)	-	(252,913)
Carrying Amount at 30 June 2019		878,810	167,901	212	50,132	20	50,617	1,147,692
Reconciliation of Carrying Amounts								
Carrying amount at 1 July 2018		763,961	136,166	265	43,097	21	183,592	1,127,102
Additions		500	14,068	3	2,666	-	38,890	56,127
Transfers from work in progress		129,170	35,003	-	7,692	-	(171,865)	-
Transfers to investment property	3.4	(1,351)	-	-	-	-	-	(1,351)
Disposals		(254)	-	-	-	-	-	(254)
Depreciation expense		(13,216)	(17,336)	(56)	(3,323)	(1)	-	(33,932)
Carrying Amount at 30 June 2019		878,810	167,901	212	50,132	20	50,617	1,147,692

* Land and buildings predominantly relate to aged care facilities. The provision of aged care includes operating leases as set out in Note 1.8.

3.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment is 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 between 40 and 55 years.

Plant and equipment are depreciated on a straight-line basis over their estimated useful life of between 3 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.

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 fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the business acquired, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed. If the assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration, then the gain is recognised in profit or loss.

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.

3.2 BUSINESS COMBINATIONS (CONTINUED)

ACQUISITION OF LOWER BURDEKIN HOME FOR THE AGED SOCIETY

On 1 March 2020, the Group acquired two aged care facilities near Townsville, Queensland, comprising 173 aged care places. The Group has acquired trade and net assets of the business in line with its growth strategy. The acquisition is expected to generate synergies and other benefits from combining the assets and activities with those of the Group. As the business was loss-generating, it resulted in the fair value of net liabilities acquired exceeding the purchase price. There was no contingent consideration or contingent liabilities associated with the transaction.

Acquisition-related costs of \$1,165,000 were incurred as part of this transaction and included Government charges, professional fees and legal expenses. These costs have been recognised within other expenses in profit or loss.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income includes revenue and a net loss for the year ended 30 June 2020 of \$4,766,000 and \$376,000 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 loss of approximately \$14,083,000 and \$1,453,000 respectively.

Due to the acquisition taking place on 1 March 2020, the initial accounting for the business combination is provisional, based on information available at the reporting date. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

The provisional fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition are set out in the following table:

	\$'000
Fair Value of Identifiable Net Assets	
Cash and cash equivalents	5,003
Land	525
Property, plant and equipment	8,800
Operational places	4,686
Total Assets	19,014
Refundable accommodation deposits (RADs) and accommodation bonds	10,946
Trade and other payables	71
Provisions	1,848
Deferred tax liabilities	1,597
Total Liabilities	14,462
Fair value of identifiable net assets	4,552
Gain on acquisition	4,552
Purchase Consideration Transferred	-

3.3 INTANGIBLE ASSETS

	OPERATIONAL PLACES \$'000	GOODWILL \$'000	TOTAL \$'000
Cost at 30 June 2020	229,973	262,173	492,146
Accumulated impairment	(6,174)	(22,235)	(28,409)
Carrying Amount at 30 June 2020	223,799	239,938	463,737
Reconciliation of carrying amounts			
Balance at 1 July 2019	219,113	260,504	479,617
Additions	4,686	-	4,686
Impairment	-	(20,566)	(20,566)
Balance at 30 June 2020	223,799	239,938	463,737
Cost at 30 June 2019	225,287	262,173	487,460
Accumulated impairment	(6,174)	(1,669)	(7,843)
Carrying Amount at 30 June 2020	219,113	260,504	479,617
Reconciliation of carrying amounts			
Balance at 1 July 2018	217,913	260,504	478,417
Additions	1,200	-	1,200
Balance at 30 June 2019	219,113	260,504	479,617

The useful life of intangible assets is assessed as either finite or indefinite. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

OPERATIONAL PLACES

An 'operational place' refers to a place that was allocated and has since become available for a person to receive residential aged care. Operational places are initially measured at historical cost or if acquired in a business combination, at fair value as at the date of acquisition. Following initial recognition, the 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.

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 (FVLCD) and value-in-use (VIU).

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 that are expected to benefit from the acquisition from which operational places or goodwill arose. For impairment testing purposes, intangible assets are allocated to CGUs that are consistent with the Group's operating segments. Impairment losses of continuing operations are recognised in profit or loss.

The Group used each CGU's VIU to determine their recoverable amount. As a result of this assessment the carrying value of the Western Australia (WA) CGU was determined to be higher than its recoverable amount. A non-cash impairment of goodwill of \$20,566,000 was recognised against the carrying value of the WA CGU. The carrying value of goodwill allocated to the WA CGU after the impairment was \$nil.

The Group's methodology and approach to testing the recoverable amount of each CGU is set out below.

3.3 INTANGIBLE ASSETS (CONTINUED)

KEY ASSUMPTIONS USED IN VALUE-IN-USE CALCULATIONS

Post recognition of the non-cash impairment of goodwill, the carrying value of goodwill and operational places allocated to each CGU at 30 June 2020 was as follows:

CASH GENERATING UNIT	OPERATIONAL PLACES \$'000	GOODWILL \$'000	TOTAL \$'000
Queensland / Northern Territory	92,204	121,273	213,477
New South Wales	30,508	17,542	48,050
Victoria / South Australia / Tasmania	79,847	101,123	180,970
Western Australia	21,240	-	21,240
Total	223,799	239,938	463,737

The recoverable amount of each CGU as at 30 June 2020 has been determined on a VIU 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 CGU is most sensitive to the following assumptions:

- **Growth rate** - Growth rate within the five-year forecast period reflects management's growth strategy for each CGU. A terminal growth rate of 2.0% was used (2019: 2.5%);
- **Discount rate** - The pre-tax discount rate applied to cash flow projections was 12.1% (2019: 11.3%) and represents the current market assessment of the risks specific to each CGU 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 cash flow** - Based on the anticipated growth of each CGU and internal expectations in relation to potential RAD movements and adjusted accordingly considering the average value of RADs received and location of the facility;
- **Capital expenditure** - Based on the anticipated maintenance capital expenditure of each CGU.

Following the impairment loss recognised in the Group's WA CGU, the carrying value was equal to the recoverable amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

With respect to the Queensland / Northern Territory, New South Wales and Victoria / South Australia / Tasmania CGUs, it was concluded that the carrying value of each CGU does not exceed VIU. Sensitivity analysis on reasonably possible changes to the above assumptions did not result in an outcome where impairment would be required.

3.4 INVESTMENT PROPERTY

	2020 \$'000	2019 \$'000
Carrying amount at beginning of financial year	143,375	129,049
Transfers from property, plant and equipment	-	1,351
Additions in capital expenditure	4,673	3,773
Change in fair value of investment property development sites	-	7,303
Change in fair value of operating investment properties	81	1,899
Balance at End of Year	148,129	143,375

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

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

3.4 INVESTMENT PROPERTY (CONTINUED) MEASUREMENT OF FAIR VALUES

The fair value of investment property was determined by external, independent property valuers.

Operating Investment Properties

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

Operating investment properties are classified as Level 3 in the fair value hierarchy.

Key assumptions used in the fair value assessments for operating investment properties are:

- Discount rates of between 14% and 15% (2019: 14% and 18%). Increasing / decreasing the discount rates by 50 basis points would decrease / increase fair value by approximately \$647,000 and \$702,000 respectively;
- Property price growth rates of between 2.25% and 3.00% in the medium term and 2.25% and 3.00% in the long term (2019: 0.5% and 3.25% in the medium term and 2.0% and 3.25% in the long term). Increasing/decreasing the property price growth rates by 50 basis points would increase / decrease fair value by approximately \$925,000 and \$892,000 respectively;
- The average tenure period of residents of 10 years (2019: 10 years). Increasing / decreasing the average tenure period by 2 years would decrease / increase fair value by approximately \$1,234,000 respectively.

Investment Property Development Sites

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

Fair value 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. Investment property development sites are classified as Level 3 in the fair value hierarchy.

Fair value varies depending on location and current market conditions.

Key assumptions used in the fair value assessments for investment property development sites are:

- Discount rate of 8% (2019: 8%). Increasing/decreasing the discount rate by 50 basis points would decrease/increase fair value by approximately \$1,253,000 and \$1,293,000 respectively;
- Property price growth rate of nil% (2019: nil%). Increasing / decreasing the property price growth rates by 50 basis points would increase / decrease fair value by approximately \$2,115,000 and \$2,055,000 respectively;
- With respect to existing retirement villages, the average period until resident exits of between 6 and 7 years (2019: between 7 and 10 years). Increasing/decreasing

the average period until resident exists by 6 months would decrease / increase fair value by approximately \$1,765,000 and \$1,835,000 respectively.

IMPACT OF COVID-19 ON EXTERNAL VALUATIONS

All valuers included a COVID-19 clause in their valuations relating to significant uncertainty in the valuations.

The outbreak of COVID-19 has impacted economic activity in many sectors. As deteriorating economic conditions only gradually impact real estate markets, the valuers consider they can attach less weight to previous market evidence for comparison purposes, to form opinions on the value of the properties. In addition, in the period from March to June 2020 less transactions took place, which also means that less weight can be attached to the transactions that did take place.

Therefore, valuations are reported subject to greater uncertainty. Consequently, less certainty should be attached to the valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, valuers recommend to keep the valuation of the property under frequent review.

CHANGES IN FAIR VALUES

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

The change in fair value of investment property development sites in 2019 represents the non-cash revaluation gain associated with the Blackburn South retirement living property in Melbourne and the Nedlands retirement village property in Perth as assessed by an independent valuer.

3.5 RIGHT-OF-USE ASSETS

	LAND & BUILDINGS \$'000	PLANT & MACHINERY \$'000	MOTOR VEHICLES \$'000	TOTAL \$'000
Reconciliation of Carrying Amounts				
Transition adjustment at 1 July 2019	5,554	-	709	6,263
Additions	-	674	-	674
Depreciation expense	(622)	(111)	(214)	(947)
Carrying Amount at 30 June 2020	4,932	563	495	5,990

The adoption of AASB 16 *Leases* required the Group to make a number of judgements, estimates and assumptions, which included:

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

3.5 RIGHT-OF-USE ASSETS (CONTINUED)

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

Impact for the period

- As a result of initially applying AASB 16 Leases, in relation to the leases that were previously classified as operating leases, the Group recognised \$5,990,000 of right-of-use assets and \$8,057,000 of lease liabilities at 30 June 2020;
- Also, in relation to leases under AASB 16 Leases, the Group has recognised depreciation and interest cost, totalling \$947,000 and \$417,000 respectively instead of \$1,300,000 of operating lease expense;
- The Group had total cash outflows in relation to leases of \$1,300,000 in 2020 (2019: \$1,140,000).

NOTE 4: OPERATING ASSETS & LIABILITIES

4.1 CASH AND CASH EQUIVALENTS

	2020 \$'000	2019 \$'000
Reconciliation of Net Profit after Tax to the Net Cash Flows from Operations		
Net profit	3,764	50,897
Non-Cash Items		
Depreciation and impairment of non-current assets	64,632	33,932
Bond retention and deferred management fee income	(3,280)	(5,294)
Imputed income on RADs and Bonds	(57,508)	-
Imputed interest charges on RADs and Bonds	57,508	-
Profit on disposal of property, plant and equipment	(612)	-
Gain on acquisition	(4,552)	-
Other non-cash items	(2,451)	(9,315)
Changes in Assets and Liabilities		
(Increase)/decrease in trade and other receivables	915	(3,605)
(Increase)/decrease in inventories	194	(404)
(Increase)/decrease in other current assets	104	(227)
(Increase)/decrease in income tax receivable	(1,640)	(1,784)
(Decrease)/increase in deferred tax liabilities	1,211	3,224
(Decrease)/increase in trade payables and other liabilities	(1,525)	2,215
(Decrease)/increase in RADs, accommodation bonds and ILU/ILA entry contributions	65,443	142,884
(Decrease)/increase in provisions	5,032	7,598
Net Cash Flow from Operating Activities	127,235	220,121
Reconciliation of Cash and Cash Equivalents		
Cash at bank	3,545	1,625
Cash on hand	256	149
Bank overdraft	(7,885)	(1,934)
Total Cash and Cash Equivalents	(4,084)	(160)

4.1 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank, cash on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office, are classified as operating cash flows.

Inflows and outflows of RADs, accommodation bonds and ILU/ILA entry contributions are classified as cash flows from operating activities as they are considered part of the operational business model. Upon entering a facility, a non-supported resident has a choice to pay either a RAD, DAP or combination RAD/DAP. If the resident pays a DAP then this is classified as income and forms part of the cash flows from operating activities and therefore the RAD inflows are also considered cash flows from operating activities.

Cash at bank includes \$2,712,000 bequeathed from a former resident. The Group has an obligation to use these funds for the benefit of staff and residents at residential aged care facilities located in Legana and Norwood in Tasmania. There are no other significant terms and conditions associated with the use of these funds.

4.2 TRADE AND OTHER RECEIVABLES

	2020 \$'000	2019 \$'000
Trade receivables	6,417	5,185
Allowance for impairment loss	(511)	(572)
Other receivables	3,841	6,110
Total Trade and Other Receivables	9,747	10,723

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2020 \$'000	2019 \$'000
Opening Balance	572	729
Amounts written-off	(98)	(158)
Net remeasurement of loss allowance	37	1
Closing Balance	511	572

The Group's financial assets at amortised cost consist of cash and cash equivalents and trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has established a provision policy based on historical credit loss experience, adjusted for forward looking factors, which include factors specific to the trade receivables and forecast economic conditions.

4.2 TRADE AND OTHER RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	TOTAL \$'000	DAYS PAST DUE					
		0-30 DAYS \$'000	31-60 DAYS \$'000	61-90 DAYS \$'000	91-150 DAYS \$'000	151-365 DAYS \$'000	>365 DAYS \$'000
Gross carrying amount at 30 June 2020	4,591	1,653	519	666	697	740	316
Expected credit loss rate		0.4%	1.0%	3.2%	6.0%	16.2%	100%
Expected credit loss	511	7	5	21	42	120	316

	TOTAL \$'000	DAYS PAST DUE					
		0-30 DAYS \$'000	31-60 DAYS \$'000	61-90 DAYS \$'000	91-150 DAYS \$'000	151-365 DAYS \$'000	>365 DAYS \$'000
Gross carrying amount at 30 June 2019	5,185	2,662	522	793	420	536	252
Expected credit loss rate		1.4%	3.9%	8.7%	14.0%	24.9%	100%
Expected credit loss	572	38	20	69	59	134	252

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

The Group considers a financial asset in default when contractual payments are 365 days past due. A write-off of a financial asset is recognised when the Group has no reasonable expectations of recovering the contractual cash flows of a financial asset in its entirety or a portion thereof.

4.3 OTHER CURRENT ASSETS

	2020 \$'000	2019 \$'000
Prepayments	2,874	3,175
GST recoverable	981	784
Assets held for sale	1,154	-
Total Other Current Assets	5,009	3,959

Assets held for sale comprise three retail units in Port Coogee, Western Australia, which were constructed as part of the development of the Group's residential aged care home.

4.4 TRADE PAYABLES AND OTHER LIABILITIES

	2020 \$'000	2019 \$'000
Trade payables	10,271	11,257
Other payables	32,657	34,424
Deferred revenue	4,422	6,917
Fees received in advance	4,189	3,226
Total Trade Payables and Other Liabilities	51,539	55,824

4.4 TRADE PAYABLES AND OTHER LIABILITIES (CONTINUED)

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.

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

Fees received in advance are expected to be recognised as revenues within one year. Decreases in this balance represent the recognition of revenues and increases represent fees received through Australian Government and resident funding. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Revenue recognised from amounts included in contract liabilities at the beginning of the financial year was \$2,002,000 (2019: \$2,073,000).

4.5 PROVISIONS

	NOTES	2020 \$'000	2019 \$'000
Current			
Employee entitlements	(i)	68,773	60,161
Total Current Provisions		68,773	60,161
Non-Current			
Employee entitlements		4,249	6,012
Total Non-Current Provisions		4,249	6,012

(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 within the next 12 months is \$7,180,000 (2019: \$5,286,000).

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.

NOTE 5: CAPITAL STRUCTURE & FINANCING

5.1 OTHER FINANCIAL LIABILITIES

	2020 \$'000	2019 \$'000
Refundable accommodation deposits (RADs) / accommodation bonds	1,157,541	1,085,038
Independent living unit and apartment (ILU/ILA) entry contributions	38,471	41,791
Interest rate swaps	-	91
Total Other Financial Liabilities	1,196,012	1,126,920

REFUNDABLE ACCOMMODATION DEPOSITS (RADs) AND ACCOMMODATION BONDS

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 refundable accommodation deposits were referred to as accommodation bonds and 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.

RADs are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Due to RADs becoming repayable upon short notice (departure of a resident), their carrying value approximates their fair value.

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

RAD refunds are guaranteed by the Federal Government under the prudential standards legislation. Providers are required to have sufficient liquidity to ensure they can refund RAD / accommodation bond 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 / accommodation bond liabilities are recorded as current liabilities.

The RAD / accommodation bond 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. When an existing RAD/accommodation bond is repaid it is usually replaced by a new RAD from an incoming resident. A major risk facing residential aged care providers is that the spread of COVID-19 in a facility may lead to a sizeable decline in occupancy if resident discharges are not matched by new resident admissions. This may in turn adversely impact RAD cash flows. Refer to Note 6.3 for further details.

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

Entry contributions relate to Independent Living Unit (ILU) and Apartment (ILA) residents. ILU/ILA 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 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. Market value of occupied ILAs/ILUs is determined with reference to recent historical sales evidence of similar properties. Sensitivity analysis on reasonably plausible changes to market value do not significantly affect fair value.

Contributions are presented inclusive of the residents' share of any increases in market value of the ILU/ILA to reporting date and net of deferred management fees contractually accrued to reporting date and other amounts owing by residents, which are deducted from the loan on repayment following the 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.

5.2 INTEREST BEARING LOANS AND BORROWINGS

	BANK OVERDRAFT	BORROWINGS NON-CURRENT	TOTAL
	\$'000	\$'000	\$'000
30 June 2020	7,885	232,599	240,484
30 June 2019	1,934	303,080	305,014

As at 30 June 2020, the Group has syndicated bank facilities of \$495,000,000, excluding a bank guarantee facility of \$20,000,000. In June 2020, the Group completed a part refinancing of its syndicated bank facilities. The refinancing did not result in substantially different terms and conditions, and was accounted for as a loan modification resulting in no gain or loss on modification. A \$150,000,000 tranche that was due to mature on 25 May 2021 has been extended to 31 January 2022. The remaining tranches mature as follows:

- \$207,500,000 matures on 1 July 2022; and
- \$137,500,000 matures on 1 July 2023.

In addition to its syndicated facilities, the Group has a \$25,000,000 bilateral overdraft facility. Subsequent to 30 June 2020, the Group refinanced the overdraft facility to extend the maturity date from 31 May 2021 to 31 January 2022.

Excluding outstanding bank guarantees of \$3,414,000, \$278,200,000 of bank facilities remain undrawn at 30 June 2020.

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

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 considering 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 movement in interest bearing borrowings represents net cash repayments of bank borrowings of \$71,000,000 offset by the change in capitalised transaction costs of \$519,000.

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

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 and borrowings which are held mainly

to finance the Group's operations. The Group's principal financial assets include trade and other receivables (excluding GST and prepayments), and cash and cash equivalents that are derived directly from its operations. The Group is exposed to market risk, credit risk and liquidity risk.

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

In the prior year, the Group primarily managed this risk exposure through entering into interest rate swaps, in which the Group agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount.

5.3 FINANCIAL RISK MANAGEMENT AND OBJECTIVES (CONTINUED)

INTEREST RATE RISK (CONTINUED)

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
	2020 %	2019 %	
Cash and liquid assets	0.24	0.99	Floating
Bank loans and borrowings	2.46	3.33	Floating

The details of bank loans and borrowings are disclosed in Note 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:

	2020 \$'000	2019 \$'000
Financial Assets		
Cash and cash equivalents	3,801	1,774
Financial Liabilities		
Bank overdraft	(7,885)	(1,934)
Bank borrowings	(232,599)	(303,080)
Net Exposure	(236,683)	(303,240)

As at 30 June 2020 and 2019, 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)	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Consolidated				
+1% (100 basis points)	(1,814)	(2,444)	(1,814)	(2,444)
-1% (100 basis points)	1,814	2,444	1,814	2,444

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.

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. The current economic environment, including the impact of COVID-19 has been considered in determining the Group's exposure to credit risk.

LIQUIDITY RISK

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

5.3 FINANCIAL RISK MANAGEMENT AND OBJECTIVES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

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 2020. 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 2020.

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	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2020				
Financial assets				
Cash and cash equivalents	3,801	-	-	3,801
Trade and other receivables	9,747	-	-	9,747
Other current assets	981	-	-	981
Financial liabilities				
Cash and cash equivalents	(7,885)	-	-	(7,885)
Trade payables and other liabilities	(51,539)	-	-	(51,539)
Lease liability	(1,041)	(4,036)	(2,980)	(8,057)
Other financial liabilities (a)	(1,196,012)	-	-	(1,196,012)
Other liabilities	(12,084)	-	-	(12,084)
Interest rate swap	-	-	-	-
Interest bearing loans and borrowings	-	(232,599)	-	(232,599)
Net Exposure	(1,254,032)	(236,635)	(2,980)	(1,493,647)
Year ended 30 June 2019				
Financial assets				
Cash and cash equivalents	1,774	-	-	1,774
Trade and other receivables	10,723	-	-	10,723
Other current assets	784	-	-	784
Financial liabilities				
Cash and cash equivalents	(1,934)	-	-	(1,934)
Trade payables and other liabilities	(55,824)	-	-	(55,824)
Other financial liabilities	(1,126,920)	-	-	(1,126,920)
Interest bearing loans and borrowings	-	(303,080)	-	(303,080)
Net Exposure	(1,171,397)	(303,080)	-	(1,474,477)

(a) Cash flows from refundable accommodation deposits (RADs), accommodation bonds and ILU/ILA entry contributions are classified as a current liability as the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. When an existing RAD/accommodation bond is repaid it is usually replaced by a new RAD from an incoming resident. A major risk facing residential aged care providers is that the spread of COVID-19 in a facility may lead to a sizeable decline in occupancy if resident discharges are not matched by new resident admissions. This may in turn adversely impact RAD cash flows. Refer to Note 6.3 for details.

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 entity. The primary objective of the Group's capital management is to maximise shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the banking syndicate to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2020 and 2019.

5.4 FAIR VALUE HIERARCHY

The financial instruments included in the Consolidated Statement of Financial Position are measured at either fair value or amortised cost. The measurement of fair value can 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.

The following table sets out the financial instruments included in the Consolidated Statement of Financial Position at fair value.

	NOTES	TOTAL \$'000	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000
30 June 2020					
Assets and Liabilities Measured at Fair Value					
Independent living unit and apartment entry contributions	5.1	(38,471)	-	(38,471)	-
Investment Property	3.4	148,129	-	-	148,129
Assets and Liabilities for which Fair Value is Disclosed					
Interest-bearing loans and borrowings	5.2	(232,599)	-	(232,599)	-
RADs and accommodation bonds	5.1	(1,157,541)	-	(1,157,541)	-
Total		(1,280,482)	-	(1,428,611)	148,129
30 June 2019					
Assets and Liabilities Measured at Fair Value					
Interest rate swaps	5.1	(91)	-	(91)	-
Independent living unit and apartment entry contributions	5.1	(41,791)	-	(41,791)	-
Investment Property	3.4	143,375	-	-	143,375
Assets and Liabilities for which Fair Value is Disclosed					
Interest-bearing loans and borrowings	5.2	(303,080)	-	(303,080)	-
RADs and accommodation bonds	5.1	(1,085,038)	-	(1,085,038)	-
Total		(1,286,625)	-	(1,430,000)	143,375

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

5.5 COMMITMENTS

	2020 \$'000	2019 \$'000
Capital Expenditure Commitments		
Contractual commitments for building works at aged care facilities	431	8,832

5.6 CONTINGENCIES

	2020 \$'000	2019 \$'000
Bank guarantees	3,414	4,643

LEGAL CLAIMS AND DISPUTES

The Group is a party to legal actions and claims which have arisen in the ordinary course of business. The Directors are of the opinion that provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

5.7 EQUITY

5.7.1 ISSUED CAPITAL

Movements in ordinary shares on issue are as follows:

	GRANT DATE FAIR VALUE	DATE	NUMBER OF SHARES	\$'000
Balance		1 July 2018	300,534,519	272,822
Share issue performance rights	3.49	27 September 2018	103,667	362
Share issue performance rights	3.20	27 September 2018	15,503	49
Balance		30 June 2019	300,653,689	273,233
Share issue performance rights	2.66	20 September 2019	94,737	252
Balance		30 June 2020	300,748,426	273,485

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

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

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

- Participate in dividends and the proceeds on winding up of the Group 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 Group.

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

5.7 EQUITY (CONTINUED)
5.7.2 RESERVES

	CASH FLOW HEDGE RESERVE (i) \$'000	ACQUISITION RESERVE (ii) \$'000	REMUNERATION RESERVE (iii) \$'000	TOTAL \$'000
Year Ended 30 June 2020				
Opening Balance at 1 July 2019	(64)	(101,497)	4,443	(97,118)
Net gain / (loss) on cash flow hedge	64	-	-	(64)
Equity settled share-based payments expense	-	-	(156)	(156)
Transfers from remuneration reserve	-	-	(252)	(252)
Closing Balance at 30 June 2020	-	(101,497)	4,035	(97,462)
Year Ended 30 June 2019				
Opening Balance at 1 July 2018	103	(101,497)	4,503	(96,891)
Net gain / (loss) on cash flow hedge	(167)	-	-	(167)
Equity settled share-based payments expense	-	-	351	351
Transfers from remuneration reserve	-	-	(411)	(411)
Closing Balance at 30 June 2019	(64)	(101,497)	4,443	(97,118)

- (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 acquisition reserve is used to accumulate the difference between the cost of shares issued by the Group and share buy-backs.
- (iii) The employee remuneration reserve comprises the fair value of share-based payment plans recognised as an expense in profit or loss. Refer Note 5.9 for further details of these plans.

5.8 DIVIDENDS

	2020 \$'000	2019 \$'000
Dividends on Ordinary Shares Paid		
Final 2019 Dividend: 7.11 cents per share, 100% franked (2018: 8.65 cents per share, 100% franked)	21,376	26,007
Dividends on Ordinary Shares Paid and Provided For		
Interim 2019 Dividend: 8.12 cents per share, 100% franked	-	24,413
Dividends on Ordinary Shares Paid and Provided For		
Interim 2020 Dividend: 4.02 cents per share, 50% franked	12,084	-
Total Dividends	33,460	50,420

The interim 2020 dividend declared and unpaid of \$12,084,000 is presented as Other Liabilities in the Consolidated Statement of Financial Position. No final dividend has been declared for the year ended 30 June 2020.

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%	4,174	4,543
(b) Franking credits that will arise from the payment/(refund) of the amount of the provision for income tax	(7,121)	(6,430)
Total Franking Account Balance / (Deficit)	(2,947)	(1,887)

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.

5.9 SHARE-BASED PAYMENT PLANS

	2020 \$'000	2019 \$'000
Expense arising from equity-settled share-based payments expense	(156)	351
Total Share-Based Payments	(156)	351

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.

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 as at 30 June 2020 is set out below.

	NUMBER	LTI WAEP (i)	NUMBER	STI-VRRP WAEP (i)
Outstanding at 1 July 2019	144,886	\$0.00	208,837	\$0.00
Granted during the year	-	\$0.00	172,555	\$0.00
Exercised during the year	(46,364)	\$2.66	(48,373)	\$2.66
Forfeited during the year	-	\$0.00	(110,612)	\$0.00
Lapsed during the year	(98,522)	\$0.00	-	\$0.00
Outstanding at 30 June 2020	-		222,407	

The number and weighted average exercise price for each equity-settled share-based payment scheme outstanding as at 30 June 2019 is set out below.

	NUMBER	LTI WAEP (i)	NUMBER	STI-VRRP WAEP (i)
Outstanding at 1 July 2018	272,643	\$0.00	64,795	\$0.00
Granted during the year	-	\$0.00	193,330	\$0.00
Exercised during the year	(69,883)	\$3.49	(49,288)	\$3.49
Forfeited during the year	(57,874)	\$0.00	-	\$0.00
Lapsed during the year	-	\$0.00	-	\$0.00
Outstanding at 30 June 2019	144,886		208,837	

All schemes are settled by physical delivery of shares.

(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 20 was as follows:

	VRRP (12 MONTHS)	VRRP (24 MONTHS)	VRRP (36 MONTHS)
Grant Date	26/09/2019	26/09/2020	26/09/2020
Vesting Date	20/09/2020	20/09/2021	20/09/2022
Fair Value	\$2.62	\$2.70	\$2.67
Grant Date Share Price	\$2.77	\$2.77	\$2.77
Exercise Price	Nil	Nil	Nil
Life Assumption (Years)	1.0	2.0	3.0
Expected Dividend Yield	5.5%	5.5%	5.5%

The model inputs for performance rights granted during the year ended 30 June 2019 was as follows:

	VRRP (12 MONTHS)	VRRP (24 MONTHS)	VRRP (36 MONTHS)
Grant Date	20/09/2018	20/09/2018	20/09/2018
Vesting Date	20/09/2019	20/09/2020	20/09/2021
Fair Value	\$2.80	\$2.65	\$2.50
Grant Date Share Price	\$2.99	\$2.99	\$2.99
Exercise Price	Nil	Nil	Nil
Life Assumption (Years)	1.0	2.0	3.0
Expected Dividend Yield	5.1%	4.5%	5.1%

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

NOTE 6: OTHER ITEMS

6.1 SUBSIDIARIES

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

	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2020 %	2019 %
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.

6.2 RELATED PARTY DISCLOSURES

SUBSIDIARIES

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

ULTIMATE PARENT

Regis Healthcare Limited is the ultimate parent entity.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the year ended 30 June 2020 there were no material transactions between the Group and any key management personnel.

KEY MANAGEMENT PERSONNEL

Compensation of Key Management Personnel of the Group

	2020 \$'000	2019 \$'000
Short-term employee benefits	2,373,828	2,950,376
Post-employment benefits	132,882	154,820
Long-term benefits	643	67,800
Share-based payment	92,080	144,276
Termination payments	708,005	-
Total Compensation of Key Management Personnel	3,307,438	3,317,272

6.3 EVENTS AFTER THE BALANCE SHEET DATE

COVID-19 PANDEMIC

The COVID-19 pandemic is continuing to impact the Group's operations and financial performance subsequent to 30 June 2020.

Regis has experienced COVID-19 outbreaks at several of its Victorian homes during the second wave of the virus. The Group has immediately implemented its Outbreak Management Plan across the impacted homes. Residents have continued to be provided with care, services and support, and the Group has provided, at a minimum, daily updates to the homes' residents, families and employees. The Group continues to work closely with regulatory and health authorities.

Depending on the spread of the virus, it has the potential to significantly disrupt the financial position of the Group. A major risk facing residential aged care providers is that the spread of COVID-19 in a facility may lead to a sizeable decline in occupancy if resident discharges are not matched by new resident admissions. This could have a major impact on the financial performance of the facility and cash liquidity of the Group.

The Commonwealth Government announced two funding packages in March 2020 and an additional funding increase in May 2020 to assist the industry respond to the pressures of COVID-19, however, the financial impact of the virus on residential aged care providers may intensify over the course of the 2021 financial year.

The Commonwealth Government has also issued a number of schemes to provide additional financial support to assist residential aged care providers to offset the impact of cost increases arising from responding to COVID-19.

The Group will apply for such schemes and amounts for which it believes it is eligible. Due to the uncertainty regarding the extent of declining revenues, increasing costs and funding support from the Commonwealth Government schemes, the Group is not able to quantify the overall financial impact of the COVID-19 outbreak with a degree of certainty at this stage.

The Group has positive operating cash flow and has access to undrawn facilities. Accordingly, as referred to in Note 1.5, the financial report has been prepared on a going concern basis.

CYBER SECURITY ATTACK

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

DISPOSAL OF VACANT LAND

In July 2020, the Board of Directors resolved to sell a parcel of vacant land situated at Palm Beach, Queensland, which was originally acquired for development as a residential aged care facility. In August 2020, the Group contracted with a third party to sell the land for \$21,000,000 with settlement scheduled to occur by 31 December 2020.

OTHER MATTERS

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

6.4 AUDITOR'S REMUNERATION

AMOUNTS RECEIVED OR DUE AND RECEIVABLE BY ERNST & YOUNG (AUSTRALIA) FOR:	2020	2019
	\$'000	\$'000
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	704	686
Fees for assurance services that are required by legislation to be provided by the auditor:		
• Prudential reporting to the Department of Health	40	40
Fees for other assurance and agreed-upon procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm:		
• None	-	-
Fees for other services:		
• Tax compliance	61	20
• Regulatory advice	16	10
• Modelling assistance	62	45
• Stamp duty valuations	-	10
Total Fees to Ernst & Young (Australia)	883	811
Total Auditor's Remuneration	883	811

6.5 TREATMENT OF GOODS AND SERVICES TAX (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.

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:

- (a) the consolidated financial statements and notes as set out on pages 80 to 116 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 2020 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 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 2020.

On behalf of the Board



GRAHAM HODGES
CHAIRMAN

MELBOURNE, 27 AUGUST 2020



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Regis Healthcare Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

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



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Subsequent events - COVID-19 outbreak

Why significant

In July 2020, there were outbreaks of COVID-19 in several of Regis's Victorian aged care facilities. These outbreaks are a non-adjusting subsequent event in accordance with AASB 110 *Events after the reporting period*.

The Group is required to include adequate disclosures of material subsequent events in the financial statements. The disclosures should include a description of the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

The COVID-19 outbreaks are expected to have negative impacts on the financial performance of Regis' affected facility, as well as potentially greater levels of regulatory scrutiny on the operations of aged care providers. There have also been outbreaks at the facilities of other aged care providers which may reduce overall consumer sentiment regarding the aged care sector.

Management has considered the potential impact of these outbreaks on the Group's going concern assessment, which underpins the preparation of the financial statements.

The COVID-19 outbreaks subsequent to year end were considered a key audit matter due to the uncertainty regarding the impact these events may have on the future performance and financial position of the Group.

The Group has disclosed in Note 6.3 of the financial statements the impact of the COVID-19 outbreaks and how this has been considered by the directors in the preparation of the financial statements at 30 June 2020.

How our audit addressed the key audit matter

In assessing the impacts of the COVID-19 outbreaks subsequent event, we:

- ▶ Inquired of management regarding the extent of positive COVID-19 cases with residents and Regis staff.
- ▶ Inquired of management regarding any requests from residents of the affected facilities to leave the facilities, and how this may impact the Group's liquidity and recoverability of amounts owed from the residents.
- ▶ Inquired of management regarding staff member's ability and willingness to continue working in the affected facilities, and Regis' arrangements for back up staff in the event of staff shortages due to further confirmed COVID-19 cases.
- ▶ Inquired of management regarding the potential impact on business and the Group's response regarding Government-imposed restrictions on aged care staff not being permitted to work in multiple facilities.
- ▶ Inquired of management regarding any actual or potential claims from residents or staff against Regis in relation to the COVID-19 outbreaks.
- ▶ Assessed management's response to the potential impact on business viability and the ability to continue as a going concern.
- ▶ Assessed the adequacy of the Group's disclosures in relation to the COVID-19 outbreaks included in the financial report.



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Impairment of non-current assets, including goodwill and operational places

Why significant

At 30 June 2020 the carrying value of the Group's plant and equipment of \$1,147 million and goodwill and operational places of \$464 million as disclosed in Note 3.3 represent 90% of total assets. This is after recognition of an impairment of goodwill of \$20.6 million in the year ended 30 June 2020.

As required by Australian Accounting Standards, the Group assesses at the end of each reporting period whether there is any indication that its non-current assets may be impaired. In addition, goodwill and indefinite life intangibles are tested for impairment at least annually.

The Group has used a discounted cash flow model to estimate the value in use of the Group's cash generating units ("CGUs"). The estimates are based on conditions existing and emerging at 30 June 2020. In estimating the discounted future cash flows as at 30 June 2020, the expectation was that the probability of a second wave of state-based lockdowns was relatively high. However, the estimates do not include the effect of events or conditions arising after 30 June 2020. In particular, the estimates do not include the effect of the COVID-19 outbreaks in Regis' facility as disclosed as a subsequent event in Note 6.3.

The impairment testing of non-current assets, including goodwill and operational places was considered a key audit matter due to the significance of these balances and the complex judgements in the impairment assessment process such as forecast occupancy Government funding outcomes and refundable accommodation deposit cash flows that are affected by future market or economic conditions.

The Group has disclosed in Note 3.3 the Group's impairment approach, including the significant underlying assumptions, the results of the assessment and impairment loss.

How our audit addressed the key audit matter

We assessed the appropriateness of the allocation of goodwill and operational places to the Group's CGUs, the composition of carrying amount of the CGUs and any related impairment loss.

Involving our valuation specialists, we performed the following procedures:

- ▶ Tested the mathematical accuracy of the discounted cash flow models.
- ▶ Assessed the key assumptions such as Board-approved forecast cash flows, including working capital levels and cash flows related to refundable accommodation deposits.
- ▶ Assessed the impact of COVID-19 based on conditions existing and emerging at 30 June 2020 on forecast revenues, operating costs and the effect of changes in residency mix over time.
- ▶ Assessed the Group's current year actual results in comparison to prior year forecasts to assess forecast accuracy.
- ▶ Assessed the Group's assumptions for long term growth rates in the discounted cash flow model in comparison to economic and industry forecasts.
- ▶ Assessed the adequacy of the estimated capital expenditure.

Assessed the discount rates through comparing the weighted average cost of capital for the Group with comparable businesses.

- ▶ Considered earnings multiples of comparable businesses as a valuation cross check to the Group's determination of recoverable amount.
- ▶ Performed sensitivity analysis in respect of the assumptions noted above to ascertain the extent of changes in those assumptions which either individually or collectively would materially impact the recoverable amount of the CGU. We assessed the likelihood of these changes in assumptions arising.
- ▶ Assessed the adequacy of the financial report disclosures regarding the impairment testing approach and key assumptions as disclosed in Note 3.3.



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Capitalisation of development and IT costs

Why significant

At 30 June 2020 the carrying value of capitalised aged care development costs and IT projects in progress (“Work in Progress”) amounted to \$63.8 million, as disclosed in Note 3.1.

Work in Progress primarily relates to development of new aged care facility sites, refurbishment of existing aged care facilities and IT related projects. Costs incurred during the year that were capitalised to Capital Work in Progress amounted to \$31.1 million.

The specific criteria to be met for capitalisation of development costs in accordance with Australian Accounting Standards involves judgement, including the feasibility of the project, intention and ability to complete the construction, ability to use or sell the assets, generation of future economic benefits and the ability to measure the costs reliably.

In addition, as a result of COVID-19, the Group reassessed whether ongoing aged care development projects remained feasible and therefore, likely to be completed. Consequently, determining the recoverable amounts of projects under development requires additional judgement and use of assumptions that are affected by future market conditions or economic developments.

Costs are transferred to asset categories based on management’s assessment of whether an asset is ready for use. Depreciation rates are applied based on the asset category.

Capitalisation of Work in Progress was considered a key audit matter due to the quantum of the balance and judgement required in applying the capitalisation criteria and carrying out the impairment analysis.

The Group has disclosed in Note 3.1 the accounting policy for the capitalisation of development costs.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Agreed a sample of additions to supporting documentation and assessed whether the amounts capitalised were in accordance with the Accounting Standards.
- ▶ Evaluated key assumptions used and estimates made for amounts capitalised, including the feasibility of the project, the stage of completion for projects in the development phase and the measurement and completeness of costs included.
- ▶ Assessed whether costs were transferred to appropriate asset categories when ready for use on a timely basis and that appropriate depreciation and amortisation rates were applied.
- ▶ Assessed whether the capitalised costs of projects that are less likely to proceed have been appropriately impaired and reduced from the balance.
- ▶ Considered whether there were any indicators of impairment present after examining the business case documentation of development projects, enquiries of executives responsible for management of the projects and comparing the cost of development to forecasts.
- ▶ Assessed the key inputs in the determination of the recoverable amount of ongoing projects under construction and performed sensitivity analysis in respect of these inputs.
- ▶ Assessed the adequacy of the Group’s financial report disclosures regarding the nature and timing of costs recognised as an asset, the depreciation rates applied to each asset category as disclosed in Note 3.3



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Fair value of investment properties

Why significant

As at 30 June 2020 the recorded amount of investment property was \$148 million, as disclosed in Note 3.4.

Investment property, which relates to the Group's retirement villages, is measured at fair value.

The Group engaged an external party to perform independent valuations of the Group's investment property.

We considered this to be a key audit matter given the significance of the balance and the complex judgements involved in valuing the investment property. Judgements include estimating the starting value of units, occupancy forecasts, growth rates, capital expenditures, sales price and application of discount rates.

As at 30 June 2020 there is valuation uncertainty arising from the COVID-19 pandemic and the response of Government.. This means there is a wider range of possible assumptions and values than at other valuation points in the past. In addition, property values may change unexpectedly over a relatively short period of time.

Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. In this situation the disclosures in the financial statements provide particularly important information about the assumptions made in the property valuations and the market conditions at 30 June 2020.

For these reasons we consider it important that attention is drawn to the information in Note 3.4 in assessing the property valuations at 30 June 2020.

How our audit addressed the key audit matter

We assessed the assumptions and estimates made by the Group in estimating the fair value of investment property. Involving our real estate valuation specialists, we performed the following:

- ▶ Evaluated the competence, capabilities and objectivity of the external valuation expert.
- ▶ Assessed the valuation methodology used against generally accepted valuation practices.
- ▶ Assessed the results of the expert's analysis of comparable properties and analysis of other market evidence used as valuation cross-checks.
- ▶ In respect of information provided to the valuer by the Group we:
 - ▶ Assessed the land area used in the valuation.
 - ▶ Assessed the starting value of units.
 - ▶ Tested a sample of resident contracts to occupancy data used in the valuation.
 - ▶ Assessed capital expenditure, demolition and remediation costs and sales cost estimates in light of historical data.
 - ▶ Evaluated the growth rates and discount rates used in the valuation.
- ▶ Assessed the adequacy of financial report disclosures regarding the valuation assumptions as disclosed in Note 3.4.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report but does not include the financial report and our auditor's report thereon.

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



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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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 64 to 77 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Regis Healthcare Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.



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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.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "BJ Pollock".

BJ Pollock
Partner

Melbourne
27 August 2020

SHAREHOLDER 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 shares. There are no shares subject to voluntary escrow as at 31 August 2020.

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 2020

RANK	SHAREHOLDER	CURRENT BALANCE	ISSUED CAPITAL %
1	GALABAY PTY LTD	81,910,479	27.24
2	ASHBURN PTY LTD	81,910,479	27.24
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	28,622,874	9.52
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	18,385,823	6.11
5	CITICORP NOMINEES PTY LIMITED	15,150,565	5.04
6	BNP PARIBAS NOMS PTY LTD	4,916,872	1.63
7	MR DAVID QIAN LEE	4,823,888	1.60
8	BNP PARIBAS NOMINEES PTY LTD	3,678,045	1.22
9	MR ROSS JAMES JOHNSTON	2,800,001	0.93
10	NATIONAL NOMINEES LIMITED	2,530,242	0.84
11	MR VINCENT MICHAEL O'SULLIVAN	2,030,000	0.67
12	BKI INVESTMENT COMPANY LIMITED	1,807,428	0.60
13	JENNY-LYNN PROPERTIES PTY LTD	1,464,866	0.49
14	BUNDARRA TRADING COMPANY PTY LTD	852,671	0.28
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	850,000	0.28
16	BALLIAN INVESTMENTS PTY LTD	787,934	0.26
17	SEP SUPER PTY LTD	748,830	0.25
18	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	722,170	0.24
19	BUTTONWOOD NOMINEES PTY LTD	575,590	0.19
20	NETWEALTH INVESTMENTS LIMITED	439,284	0.15

HOLDING DISTRIBUTION AS AT 31 AUGUST 2020

RANGE	SECURITIES	%	NUMBER OF HOLDERS	%
100,001 and Over	263,123,689	87.49	60	0.88
10,001 to 100,000	20,054,112	6.67	830	12.22
5,001 to 10,000	8,428,610	2.80	1,114	16.40
1,001 to 5,000	8,164,627	2.71	2,993	44.07
1 to 1,000	977,388	0.32	1,795	26.43
TOTAL	300,748,426	100.00	6,792	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 31 AUGUST 2020

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	ISSUED CAPITAL %
ASHBURN PTY LTD as trustee of the Dorman Family Trust	81,910,479	27.24
GALABAY PTY LTD as trustee of the GRAIL Trust	81,910,479	27.24

SHARE RIGHTS

The Company has share rights on issue in addition to ordinary shares. The details of the share rights held at 31 August 2020 are as follows:

CLASS OF SECURITY	NUMBER OF HOLDERS	NUMBER
Share rights	2	116,310

The share rights do not carry voting rights.



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
ACFI	Aged Care Funding Instrument
ACN	Australian Company Number
ACCOMMODATION BOND	The term used prior to 1 July 2014 to refer to a lump sum refundable accommodation deposit
ACQSC	Aged Care Quality and Safety Commission
ACQUISITION	Purchase of individual or a portfolio of existing operational aged care facilities
ADDITIONAL SERVICES	Services that are additional to care and services specified in the <i>Quality of Care Principles 2014</i> . Providers may charge a fee for additional service by agreement with the resident
ADL	Activities of Daily Living (i.e. showering, assistance with going to the toilet, assisting to eat and drink)
AGED CARE ACT	Aged Care Act 1997 (Cth)
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
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 development
CGU	Cash-generating unit
CHC	Complex Health Care
CLIENT	A person to whom home care services are provided
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

DTC	Day Therapy Centre
EBITDA	Earnings before interest, tax, depreciation and amortisation
GOVERNMENT	The Commonwealth Government of Australia
GREENFIELD	A new aged care development or an additional stand-alone building on a Regis site that does not adjoin an existing facility
GROUP	The Company and its subsidiaries
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
MPIR	Maximum permissible interest rate as defined in section 6 of the Fees and Payments Principles 2014 (No.2)
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
OCCUPANCY RATE	The proportion of operational places occupied by residents
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
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 resident dies; the resident 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 on-site café, hairdressing salon and private cinema and dining room
REGIS RESERVE SERVICES	Provides additional services such as superior accommodation, menu choices and dedicated dining and living areas
RESIDENT	A person who occupies a place within an aged care facility
ROYAL COMMISSION	Royal Commission into Aged Care Quality and Safety
RV	Retirement Village
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
TRANSITIONAL CARE	Short term residential aged care which assists older people who are discharged from hospital to prepare to return home

REGIS SERVICES

QUEENSLAND- RESIDENTIAL CARE HOMES

Regis Ayr
Regis Birkdale
Regis Bulimba
Regis Caboolture
Regis Chelmer
Regis Ferny Grove
Regis Gatton
Regis Greenbank
Regis Home Hill
Regis Kirwan
Regis Kuluin
Regis Lutwyche
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

RETIREMENT LIVING

Regis Bramble Bay Retirement Village
Regis Barambrah Village ARU
Regis Corinthian Court Retirement Village
Regis Gracemere ARU
Regis McDonald Court Retirement Village
Regis Tallowwood Lodge Retirement Village
Regis Whitfield ARU
Regis Woodward Retirement Village

HOME CARE AND DAY THERAPY

Regis Home Care Cairns
Regis Day Therapy Centre Cairns
Regis Day Therapy Centre Townsville

VICTORIA- RESIDENTIAL CARE HOMES

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

RETIREMENT LIVING

Regis Inala Village Retirement Village

HOME CARE AND DAY THERAPY

Regis Day Therapy Centre Inala
Regis Home Care Mildura
Regis Home Care Eastern Metro
Regis Day Therapy Centre Eastern Metro

NEW SOUTH WALES- RESIDENTIAL CARE HOMES

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

NORTHERN TERRITORY- RESIDENTIAL CARE HOMES

Regis Tiwi

HOME CARE AND DAY THERAPY

Regis Day Therapy Centre Darwin
Regis Home Care Darwin

SOUTH AUSTRALIA- RESIDENTIAL CARE HOMES

Regis Burnside
Regis Marleston
Regis Playford
Regis Kingswood

TASMANIA- RESIDENTIAL CARE HOMES

Regis – Eastern Shore
Regis – Legana
Regis – Norwood

RETIREMENT LIVING

Regis Retirement Living Tasmania –
Norwood

HOME CARE AND DAY RESPITE

Regis Day Respite – North
Regis Day Respite – South
Regis Home Care – North
Regis Home Care – South

WESTERN AUSTRALIA- RESIDENTIAL CARE HOMES

Regis Bunbury
Regis Como
Regis Embleton
Regis Greenmount
Regis Nedlands
Regis North Fremantle
Regis Port Coogee
Regis Weston
Regis Woodlands

RETIREMENT LIVING

Regis Hollywood Retirement Village

DAY RESPITE AND DAY THERAPY

Regis Day Therapy Centre Hollywood
Regis Day Respite Hollywood





CORPORATE INFORMATION

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