

Regis Healthcare Limited – Preliminary Final Report (Appendix 4D) for the half-year ended 31 December 2016

The Prior Corresponding Period (PCP) is 1 July 2015 to 31 December 2015

The Directors of Regis Healthcare Limited (the 'Company') announce the results of the consolidated group for the half year ended 31 December 2016 as follows:

Results for announcement to the market Extracted from the financial report for the half year ended 31 December 2016	Half year ended 31 Dec 2016 \$'000	Movement from PCP \$'000	Movement from PCP %
Revenue from ordinary activities	284,726	48,115	+20%
Profit from ordinary activities attributable to members	30,932	2,653	+9%
Net profit attributable to members	30,932	2,653	+9%

Dividend Information	Amounts per security (cents)	Franked amounts per security (cents)	Tax Rate for Franking
Interim dividend per security (to be paid 20 March 2017)	10.3	10.3	30%
Total dividends per security for the half-year	10.3	10.3	30%

Dividend dates	
Ex-dividend date	3 March 2017
Record date	6 March 2017
Payment date	20 March 2017

	31 Dec 2016	31 Dec 2015
Net tangible assets per security	(70.9) cents	(33.3) cents

This report is based on the financial report for the half year ended 31 December 2016, which has been independently reviewed by Ernst & Young.

Other information required by Listing Rule 4.2A.3

Other information requiring disclosure to comply with Listing Rule 4.2A.3 is contained in the notes to the financial report for the half year ended 31 December 2016.

Signed by



Martin Bede, Company Secretary
24 February 2017

REGIS HEALTHCARE LIMITED

ABN 11 125 203 054

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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CORPORATE INFORMATION

DIRECTORS

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

COMPANY SECRETARY

Martin Bede

REGISTERED OFFICE

Level 2, 615 Dandenong Road,
Armada VIC 3143

PRINCIPAL PLACE OF BUSINESS

Level 2, 615 Dandenong Road
Armada VIC 3143

SHARE REGISTRY

Link Market Services Limited
Tower 4, Collins Square, 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).

AUDITORS

Ernst & Young Australia
8 Exhibition St
Melbourne VIC 3000

DIRECTORS' REPORT

Your directors present their report on Regis Healthcare Limited (the Company) and its controlled entities (the Group) for the half-year ended 31 December 2016.

DIRECTORS

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

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

All directors have been in office for the full period.

PRINCIPAL ACTIVITIES

The Group's principal activity during the period was the ownership and operation of residential aged care facilities and retirement villages. There were no significant changes to these activities during the period.

REVIEW AND RESULTS OF OPERATIONS

During the period, Regis continued to grow its revenue and earnings. The growth was primarily driven by:

- A positive contribution from the acquisition of Masonic Care Queensland (acquired 1 June 2016);
- Additional income from Significantly Refurbished Facilities; and
- Contributions from the ongoing development pipeline and previous acquisitions.

Regis recorded a profit after income tax for the half year period of \$30,932,000 (2015: \$28,279,000). Total revenue for the period was \$284,726,000, which represents an increase of \$48,115,000 or 20% against the previous corresponding period.

CASH FLOW AND CAPITAL EXPENDITURE

Net cash flows from operating activities for the period of \$118,332,000 are \$18,273,000 or 18% higher than the previous corresponding period.

Receipts from residents and Government subsidies of \$280,184,000 were \$49,768,000 or 22% above the previous corresponding period and are in line with revenue growth. This was partially offset by a \$34,613,000 or 19% increase in payments to suppliers and employees.

RAD, accommodation bond and ILU/ILA entry contribution net inflows were \$21,710,000 or 86% above the previous corresponding period driven by the mobilisation of multiple greenfield facilities and the integration of the Masonic Care Queensland business.

During the period, the Group invested \$62,131,000 in capital expenditure for:

- The development of new facilities;
- Significant refurbishment of existing facilities, which has resulted in higher accommodation income at these facilities; and
- Ongoing maintenance capex at our existing facilities.

The Group's cash position is expected to provide sufficient liquidity to meet its expected cash flow requirements for at least the foreseeable future.

DEVELOPMENT ACTIVITY

Regis is continuing to drive growth through its greenfield development program and through expanding and reconfiguring its existing portfolio of facilities and retirement villages.

At East Malvern (Melbourne, 148 operational places), construction was completed during the period and the Facility has been in operation since September 2016.

Redevelopment of Regis Kingswood (Adelaide, 100 operational places) continued during the period and the facility is expected to admit its first residents before the end of the 2017 financial year.

DIVIDENDS

A dividend of \$17,841,000 (franked at 100%) was paid on 19 September 2016 in respect of the financial year ended 30 June 2016 and is reflected in the financial statements of the current reporting period.

A dividend of \$30,932,000 (fully franked) was declared on 24 February 2017 for payment for the half year ended 31 December 2016. The financial effect of dividends declared after period end are not reflected in the 31 December 2016 financial statements and will be recognised in subsequent financial reports.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

There was no material impact from these changes to the Group's results for the half year ended 31 December 2016.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the half-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.

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half year period to 31 December 2016 has been received and can be found on page 5.

Signed in accordance with a resolution of the directors.



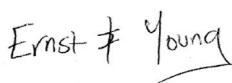
Mark A Birrell
Chairman
Melbourne,
24 February 2017

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

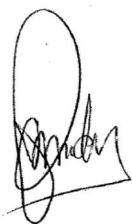
As lead auditor for the review of Regis Healthcare Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Glenn Carmody
Partner
24 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	NOTES	31 DEC 2016 \$'000	31 DEC 2015 \$'000
Revenue	2.1	284,726	236,611
Staff expenses		(180,034)	(149,735)
Resident care expenses		(20,961)	(17,076)
Administration and fixed facility expenses		(13,633)	(11,868)
Occupancy expenses		(7,958)	(6,087)
Depreciation		(14,170)	(10,529)
Other expenses		-	(275)
Profit before income tax and finance costs		47,970	41,041
Finance costs	2.2	(3,748)	(643)
Profit before income tax		44,222	40,398
Income tax expense	2.3	(13,290)	(12,119)
Profit for the period		30,932	28,279
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on cash flow hedges, net of tax		521	-
Other comprehensive income, net of tax		521	-
Total comprehensive income for the period		31,453	28,279
Total comprehensive income attributable to:			
Owners of the parent		31,453	28,279
Earnings per share		Cents	Cents
Earnings per share for the period attributable to ordinary equity holders of the Parent			
Basic	2.5	10.30	9.42
Diluted	2.5	10.29	9.41

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	NOTES	31 DEC 2016 \$'000	30 JUN 2016 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4.1	53,610	25,250
Trade and other receivables		6,309	6,825
Inventories		620	589
Prepayments		5,861	2,455
Other financial assets	5.1	444	-
Total Current Assets		66,844	35,119
Non-Current Assets			
Property, plant and equipment	3.1	879,283	833,943
Investment property		82,158	82,659
Intangible assets		401,406	395,191
Total Non-Current Assets		1,362,847	1,311,793
TOTAL ASSETS		1,429,691	1,346,912
LIABILITIES			
Current Liabilities			
Trade and other payables	4.2	81,652	44,358
Provisions		46,432	44,381
Income tax payable		4,016	7,646
Other financial liabilities	5.1	899,749	858,546
Total Current Liabilities		1,031,849	954,931
Non-Current Liabilities			
Interest-bearing loans and borrowings	5.2	200,000	210,000
Provisions		7,050	7,037
Deferred tax liabilities		2,304	500
Total Non-Current Liabilities		209,354	217,537
TOTAL LIABILITIES		1,241,203	1,172,468
NET ASSETS		188,488	174,444
EQUITY			
Issued Capital	5.5	272,235	272,171
Retained earnings		12,886	(205)
Reserves		(96,633)	(97,522)
TOTAL EQUITY		188,488	174,444

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	ISSUED CAPITAL	RETAINED EARNINGS	CASH FLOW HEDGE RESERVE	REMUNERATION RESERVE	ACQUISITION RESERVE	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2015	272,171	34,821	-	3,726	(101,497)	209,221
Profit for the period	-	28,279	-	-	-	28,279
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	28,279	-	-	-	28,279
Dividends paid or provided for	-	(52,861)	-	-	-	(52,861)
Equity settled share based payment expense	-	-	-	285	-	285
At 31 December 2015	272,171	10,239	-	4,011	(101,497)	184,924
At 1 July 2016	272,171	(205)	(210)	4,185	(101,497)	174,444
Profit for the period	-	30,932	-	-	-	30,932
Other comprehensive income	-	-	521	-	-	521
Total comprehensive income for the period	-	30,932	521	-	-	31,453
Dividends paid or provided for	-	(17,841)	-	-	-	(17,841)
Equity settled share based payment expense	-	-	-	432	-	432
Transfers from remuneration reserve	64	-	-	(64)	-	-
At 31 December 2016	272,235	12,886	311	4,553	(101,497)	188,488

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	NOTES	31 DEC 2016 \$'000	31 DEC 2015 \$'000
Cash flows from operating activities			
Receipts from residents and Government subsidies		280,184	230,416
Government funding received in advance		32,418	26,635
State Revenue office refund received		-	16,208
Payments to suppliers and employees		(220,489)	(185,876)
Interest received		325	546
Finance costs		(5,603)	(1,623)
RAD, accommodation bond and ILU/ILA entry contribution inflows		165,852	134,508
RAD, accommodation bond and ILU/ILA entry contribution outflows		(119,015)	(109,381)
Income tax paid		(15,340)	(11,374)
Net cash flows from operating activities	4.1	118,332	100,059
Cash flows from investing activities			
Purchase of property, plant and equipment		(62,131)	(74,662)
Net cash flows used in investing activities		(62,131)	(74,662)
Cash flows from financing activities			
Proceeds from bank borrowings		-	5,000
Repayment of bank debt		(10,000)	-
Dividend paid on ordinary shares		(17,841)	(52,861)
Net cash flows used in financing activities		(27,841)	(47,861)
Net increase/(decrease) in cash held		28,360	(22,464)
Cash at the beginning of the period		25,250	60,917
Cash at the end of the period	4.1	53,610	38,453

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

SECTION 1: ABOUT THIS REPORT

1.1 Corporate Information

The interim financial report of Regis Healthcare Limited and its subsidiaries (collectively, the Group) for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 24 February 2017.

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

1.2 Basis of Preparation

The interim financial report for the six months ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim financial report does not include all the information and disclosures typically required in the annual financial statements and should be read in conjunction with the financial report for the year ended 30 June 2016.

The interim financial report has been prepared on a historical cost basis, except independent living unit and apartment entry contributions and derivative financial instruments, which have been measured at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated, in accordance with Instrument 2016/91 issued by the Australian Securities and Investments Commission.

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its annual financial report as at and for the year ended 30 June 2016. There have been no new accounting standards relevant to the Group adopted during the period.

1.3 Going concern

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

1.4 Significant Accounting Estimates, Judgements and Assumptions

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

In preparing the interim financial report, the significant estimates, judgements and assumptions made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the most recent annual financial report as at and for the year ended 30 June 2016.

SECTION 2: CURRENT PERFORMANCE

2.1 Revenue and Other Expenses

	NOTES	31 DEC 2016 \$'000	31 DEC 2015 \$'000
Revenue			
Government funding		199,857	164,599
Resident fees		79,507	66,244
Interest		325	546
Other operating revenue		5,037	5,222
Total revenue		284,726	236,611

2.2 Finance costs

	NOTES	31 DEC 2016 \$'000	31 DEC 2015 \$'000
Finance costs			
Interest expense: Bank loans and overdrafts		3,172	5
Interest on refundable RADs		1,711	1,534
Other		618	261
Total finance costs		5,501	1,800
Less borrowing costs capitalised		(1,753)	(1,157)
Total finance costs expensed		3,748	643

2.3 Income Tax

Major components of income tax expense

	NOTES	31 DEC 2016 \$'000	31 DEC 2015 \$'000
<i>Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic company tax rate is as follows:</i>			
Accounting profit before income tax		44,222	40,398
At the statutory income tax rate of 30% (2015: 30%)		13,267	12,119
Adjustments in respect of current income tax of previous years		32	-
Other non-assessable income/non-deductible expenses		(9)	-
Income tax expense reported in profit or loss		13,290	12,119

2.4 Segment Information

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

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

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

2.4 Segment Information (continued)

	QLD	NSW	VIC	SA/NT	WA	CONSOLIDATED
<u>Half-year ended 31 December 2016</u>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Government funding	85,661	17,940	57,550	20,276	18,430	199,857
Resident Fees	32,252	9,277	25,453	5,767	6,758	79,507
Other	2,042	226	1,803	160	806	5,037
Total Revenue	119,955	27,443	84,806	26,203	25,994	284,401
Segment Result	27,160	7,229	18,406	4,802	4,218	61,815
Depreciation	(5,870)	(916)	(4,522)	(1,531)	(1,331)	(14,170)
<u>As at 31 December 2016</u>						
Total Segment Assets	578,797	105,048	349,134	133,869	202,308	1,369,156
Total Segment Liabilities	368,858	105,224	291,837	40,590	93,240	899,749
	QLD	NSW	VIC	SA/NT	WA	CONSOLIDATED
<u>Half-year ended 31 December 2015</u>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Government funding	54,310	17,963	53,687	19,425	19,214	164,599
Resident Fees	21,432	9,075	23,346	5,887	6,504	66,244
Other	1,104	481	2,311	251	1,075	5,222
Total Revenue	76,846	27,519	79,344	25,563	26,793	236,065
Segment Result	17,797	7,388	16,822	3,842	5,450	51,299
Depreciation	(3,246)	(905)	(3,875)	(1,110)	(1,393)	(10,529)
<u>As at 30 June 2016</u>						
Total Segment Assets	568,987	96,523	344,847	117,094	191,167	1,318,618
Total Segment Liabilities	343,617	113,473	277,469	38,406	85,281	858,246

2.4 Segment Information (continued)

Reconciliation of segment information to consolidated results

	31 DEC 2016 \$'000	31 DEC 2015 \$'000
Reconciliation of Profit		
Segment Result	61,815	51,299
Depreciation	(14,170)	(10,529)
Other Expenses	-	(275)
Finance income	325	546
Finance costs	(3,748)	(643)
Profit before income tax	44,222	40,398

	31 DEC 2016 \$'000	30 JUN 2016 \$'000
Reconciliation of Assets		
Segment Assets	1,369,156	1,318,618
Cash	53,610	25,250
Inventories	620	589
Prepayments	5,861	2,455
Other financial assets	444	-
Total Assets	1,429,691	1,346,912

Reconciliation of Liabilities		
Segment Liabilities	899,749	858,246
Trade and other payables	81,652	44,358
Provisions	53,482	51,418
Loans and borrowings	200,000	210,000
Income tax payable	4,016	7,646
Deferred tax liability	2,304	500
Other financial liabilities	-	300
Total Liabilities	1,241,203	1,172,468

Entity wide disclosure

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

2.5 Earnings per Share

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

	2016 \$'000	2015 \$'000
Profit attributable to ordinary equity holders of the Company	30,932	28,279

	2016 THOUSANDS	2015 THOUSANDS
Weighted average number of ordinary shares used in the calculation of:		
Basic earnings per share	300,353	300,346
Adjustment for effect of share based payment arrangements	343	245
Diluted earnings per share	300,696	300,591

	2016 cps	2015 cps
Basic earnings per share	10.30	9.42
Diluted earnings per share	10.29	9.41

SECTION 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 2016	725,529	155,054	1,063	45,553	37	68,954	996,190
Accumulated depreciation and impairment	(73,967)	(71,764)	(673)	(15,829)	(14)	-	(162,247)
Carrying amount at 30 June 2016	651,562	83,290	390	29,724	23	68,954	833,943
Reconciliation of carrying amounts							
Carrying amount at 1 July 2015	480,472	63,689	185	21,385	24	42,803	608,558
Additions	36,048	10,590	65	2,714	-	98,060	147,477
Transfers from work in progress	50,558	13,627	-	4,229	-	(68,414)	-
Transfers to investment property	-	-	-	-	-	(3,495)	(3,495)
Disposals	(720)	(728)	-	(196)	-	-	(1,644)
Acquisition of businesses	94,466	7,298	192	3,296	-	-	105,252
Depreciation expense	(9,262)	(11,186)	(52)	(1,704)	(1)	-	(22,205)
Carrying amount at 30 June 2016	651,562	83,290	390	29,724	23	68,954	833,943
Cost at 31 December 2016	762,992	167,179	1,058	49,317	37	74,264	1,054,847
Accumulated depreciation and impairment	(79,773)	(78,163)	(698)	(16,915)	(15)	-	(175,564)
Carrying amount at 31 December 2016	683,219	89,016	360	32,402	22	74,264	879,283
Reconciliation of carrying amounts							
Carrying amount at 1 July 2016	651,562	83,290	390	29,724	23	68,954	833,943
Additions	4,614	4,814	4	1,866	-	47,363	58,661
Transfers from work in progress	32,850	7,305	-	1,898	-	(42,053)	0
Disposals	-	-	(4)	-	-	-	(4)
Depreciation expense	(5,807)	(6,393)	(30)	(1,086)	(1)	-	(13,317)
Carrying amount at 31 December 2016	683,219	89,016	360	32,402	22	74,264	879,283

SECTION 4: OPERATING ASSETS & LIABILITIES

4.1 Cash and Cash Equivalents

	31 DEC 2016 \$'000	31 DEC 2015 \$'000
Reconciliation of the net profit after tax to the net cash flows from operations		
Net profit	30,932	28,279
Non-Cash items		
Depreciation and impairment of non-current assets	14,170	10,529
RAD/bond retention and deferred management fee income	(5,334)	(3,957)
Other non-cash items	432	(336)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	516	14,353
(Increase)/decrease in inventory	(30)	21
(Increase)/decrease in prepayments and other financial assets	(3,587)	(910)
(Increase)/decrease in deferred taxes	1,804	1,274
(Decrease)/increase in income tax payable	(3,630)	(529)
(Decrease)/increase in trade and other payables	34,452	25,859
(Decrease)/increase in RADs, accommodation bonds and ILU/ILA entry contributions	46,537	25,127
(Decrease)/increase in provisions	2,070	349
Net cash flow from operating activities	118,332	100,059
Reconciliation of cash		
Cash at bank	53,505	38,363
Cash on hand	105	90
Total Cash and cash equivalents	53,610	38,453

4.2 Trade and Other Payables

	31 DEC 2016 \$'000	30 JUN 2016 \$'000
Trade payables	8,465	7,982
Accruals and sundry creditors	33,217	29,918
Deferred revenue	4,112	3,764
Fees received in advance	35,858	2,694
Total trade and other payables	81,652	44,358

SECTION 5: CAPITAL STRUCTURE & FINANCING

5.1 Other financial assets and liabilities

	31 DEC 2016	30 JUN 2016
	\$'000	\$'000
Interest rate swaps	444	-
Total other financial assets	444	-
Refundable accommodation deposits (RADs)	850,774	807,978
Independent living unit and apartment (ILU/ILA) entry contributions	48,975	50,268
Interest rate swaps	-	300
Total other financial liabilities	899,749	858,546

Interest rate swaps

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

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

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

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

Refundable accommodation deposits (RADs)

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

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

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

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

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

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

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

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

Independent living unit and apartment (ILU/ILA) entry contributions

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

5.1 Other financial assets and liabilities (continued)

Independent living unit and apartment (ILU/ILA) entry contributions (continued)

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 Fair value of financial instruments

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

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

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

		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
	NOTES	\$'000	\$'000	\$'000	\$'000
31 December 2016					
Assets and liabilities measured at fair value					
Interest rate swaps	5.1	444	-	444	-
Independent living unit and apartment entry contributions	5.1	(48,975)	-	(48,975)	-
Assets and liabilities for which fair value is disclosed					
Borrowings		(200,000)	-	(200,000)	-
Refundable accommodation deposits (RADs)	5.1	(850,774)	-	(850,774)	-
Total		(1,099,305)	-	(1,099,305)	-
30 June 2016					
Assets and liabilities measured at fair value					
Interest rate swaps	5.1	(300)	-	(300)	-
Independent living unit and apartment entry contributions	5.1	(50,268)	-	(50,268)	-
Assets and liabilities for which fair value is disclosed					
Borrowings (i)		(210,000)	-	(210,000)	-
Refundable accommodation deposits (RADs)	5.1	(807,978)	-	(807,978)	-
Total		(1,068,546)	-	(1,068,546)	-

(i) Under its syndicated bank facilities, the Group has access to a revolving credit facility and bank guarantee facility. Of these facilities, \$220,000,000 matures in May 2019 while \$150,000,000 matures in May 2021. As at 31 December 2016 a total of \$162,610,000 of the Group's revolving credit facility remains undrawn.

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

5.3 Commitments

Expenditure commitments

	31 DEC 2016 \$'000	30 JUN 2016 \$'000
Capital expenditure commitments		
Contractual commitments for building works at aged care facilities	92,545	56,332

Capital expenditure commitments

Contractual commitments at period end relate to ongoing development activity.

5.4 Contingencies

	31 DEC 2016 \$'000	30 JUN 2016 \$'000
Bank guarantees	7,390	4,922

Legal claims and disputes

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

5.5 Issued Capital

Movements in ordinary shares on issue are as follows:

	NOTES	DATE	NUMBER OF SHARES	\$'000
Balance		30 June 2016	300,345,797	272,171
Share issue performance rights	(i)	15 September 2016	12,669	64
Balance		31 December 2016	300,358,466	272,235

(i) Performance Rights with a grant date fair value of \$5.08 were exercised during the period.

5.6 Dividends

Dividends on ordinary shares paid or provided for

During the half-year ended 31 December 2016, the following dividend was declared and paid in relation to the financial year ended 30 June 2016.

	31 DEC 2016 \$'000
Final 2016 Dividend: 5.94 cents per share, 100% franked (2015: 17.6 cents)	17,841
Total Dividends	17,841

Proposed dividends on ordinary shares (unrecognised)

Interim dividend for 2017: \$10.3 cents per share, 100% franked (2016: 9.4 cents) per share, 100% franked	30,932
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Proposed dividends on ordinary shares are subject to approval and are not recognised as a liability as at 31 December 2016.

SECTION 6: OTHER ITEMS

6.1 Events after the Balance Sheet Date

No other matters or circumstances have arisen since the end of the 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.

6.2 Changes in Accounting Policies and Disclosures

Certain comparative amounts have been reclassified to conform to the current period's presentation.

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:
 - (a) The interim financial statements and notes of Regis Healthcare Limited are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made in accordance with a resolution of directors.

On behalf of the Board

A handwritten signature in blue ink, appearing to read "Mark A Birrell".

Mark A Birrell
Chairman
Melbourne, 24 February 2017

Independent review report to the members of Regis Healthcare Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Regis Healthcare Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Regis Healthcare Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

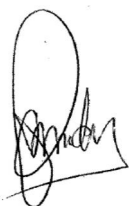
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Regis Healthcare Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young



Glenn Carmody
Partner
Melbourne
24 February 2017