ANNUAL REPORT 2015

regis healthcare

CORPORATE INFORMATION

Regis Healthcare Limited
ABN 11 125 203 054

REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

Level 2, 615 Dandenong Road
Armadale, Victoria 3143

Telephone: 03 8573 0444

Website: www.regis.com.au

ASX code: REG

BOARD OF DIRECTORS

Mark Birrell
Independent Non-Executive Chairman

Ross Johnston
Managing Director and Chief Executive Officer

Bryan Dorman
Non-Executive Director

Sylvia Falzon
Independent Non-Executive Director

Trevor Gerber
Independent Non-Executive Director

Ian Roberts
Non-Executive Director

COMPANY SECRETARY

Martin Bede
Company Secretary/General Counsel

AUDITOR

Ernst and Young
8 Exhibition Street
Melbourne, Victoria 3000

LEGAL ADVISER

King & Wood Mallesons
Level 50, 600 Bourke St
Melbourne Victoria 3000

SHARE REGISTRY

Link Market Services Limited
333 Collins Street
Melbourne, Victoria 3000

Telephone: 1300 554 474

OUR VISION

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.

CONTENTS

REGIS HEALTHCARE HIGHLIGHTS

NUMBER OF FACILITIES

47

TOTAL OPERATIONAL PLACES

5049

CARERS EMPLOYED THROUGH CARERS CONNECT

800+

SITES SIGNIFICANTLY REFURBISHED

13

REVENUE[1]

$439.0m

AVERAGE OCCUPANCY

94.4%

NPAT[1]

$53.1m

1 Pro forma financial results – refer to page 24 for definition of adjustments to statutory financials..

CHAIRMAN'S REPORT

It is my pleasure to deliver my first annual report to shareholders as Chairman of Regis Healthcare, and I am pleased to announce that the business has performed well in this milestone year, with results ahead of our prospectus forecast.

Importantly, our pro forma Net Profit after Tax and EBITDA results were above the mid-point of the upgraded earnings guidance range provided in February 2015. Net Cash Flow was also above the prospectus forecast and Regis Healthcare finished the year not only with a strong balance sheet, but also with no debt.

Directors declared a 17.6c final dividend for the period up to 30 June, which will be paid to shareholders on 21 September 2015. The dividend will be franked to 64.2%.

There are two components to the dividend:

- 11.3 cents per share which, when excluding the contribution from the SRO appeal outcome, represents 100% of statutory NPAT from the period since listing. This component is 100% franked.
- 6.3 cents per share, 100% of the NPAT contribution from the SRO proceeds, which is unfranked.

The Company also continued to make sound progress in achieving its strategic objectives outlined in the prospectus and delivering on its growth strategy.

Through the acquisition of existing facilities and our development program, we are broadening our geographic footprint, to provide greater market coverage for the Company and to ensure Regis Healthcare is well positioned to access and take advantage of future growth opportunities. During the reporting period, Regis Healthcare made significant progress in this area.

In the period between listing in October and 1 July 2015, three facilities located in Darwin, Cairns and Adelaide were acquired comprising 444 new places, and the integration of the operational procedures, management systems and processes is progressing. This will continue through the balance of the 2016 financial year.

As a result of this acquisition activity, the total number of places across Regis Healthcare grew to 5,049 by the end of the financial year, an increase of 6.9% from 4,719 places at the time of listing. We also have four sites under construction comprising a total of 355 new places, and a further five facilities in various stages of development.

Regis expects to have over 900 new places under construction as part of our expansion pipeline over the course of the 2016 financial year.

Caring for our residents remains fundamental to the way Regis Healthcare operates, and that commitment to care standards was evidenced in the successful reaccreditation of 24 of our facilities during the reporting period. Each facility was audited and judged to meet all 44 accreditation outcomes under the quality of care and quality of life standards set down for the provision of care to residents.

We also seek to improve care standards for our residents through new programs and innovations such as Carers Connect, PARO (our robotic Harp seal), Project Flourish and the Regis Learning Centre. These were just a few of the programs underway in the 2015 Financial Year and are discussed in more detail in the Chief Executive Officer's report.

Development of our people remains a key objective for Regis Healthcare, and a number of industry leading programs were implemented throughout the year in the area of Staff Recruitment, Development and Culture. These initiatives have played an active role in recruiting and welcoming over 1000 new staff across the country from the time of our listing to 30 June 2015.

Regis expects to have over 900 new beds under construction as part of its expansion pipeline over the course of the 2016 financial year.

Our Workplace Health and Safety performance was ahead of the previous year. The Regis Health and Safety programs are being deployed at our newly acquired facilities.

Our CEO and his Executive team have performed well during the year, and have made significant progress in positioning Regis Healthcare as a leader in the sector – both in terms of the Company's financial and non financial performance and in the execution of its growth strategy.

In closing I would like to thank my fellow Directors, the Executive team and the many committed employees who make up Regis Healthcare for their contribution this year. Finally, I would also like to thank you, our shareholders, for your support.

Mark Birrell,
Independent Non-Executive Chairman

Regis Malvern East development site.

MANAGING DIRECTOR AND CEO'S REPORT

I am pleased to deliver our first full year report since Regis Healthcare listed on the Australian Securities Exchange on 7 October 2014.

Regis Healthcare has made steady progress in delivering pro forma EBITDA and NPAT results above the mid-point of the upgraded earnings guidance announced in February 2015. The strong Net Operating Cashflow enabled the company to invest in growth opportunities whilst still exceeding the Prospectus Net Cashflow forecast.

I will commence this report by outlining our full year pro forma financial results.[1]

EBITDA and NPAT were both solid results, driven by growth in revenue from both government and resident income. The two acquisitions made during the financial year also made a net positive contribution to EBITDA and NPAT.

A key highlight was the pro forma Net Operating Cashflow result of $152.3m. This was achieved by the strong EBITDA result and Net Cashflow from RADs being ahead of expectation at $73.6m. The result enabled growth capital expenditure of $103.8m whilst the Net Cashflow of $30.6m still exceeded the prospectus forecast by $14.3m. Areas of investment included three acquisitions, the purchase of land for two developments in Queensland, development capex and significant refurbishment expenditure.

KEY OPERATIONAL STATISTICS	FY2014[1]	FY 2015[2]
Total operational places	4,719	5,049
Pro forma revenue ($ million)	404.8	439.0
Pro forma EBITDA ($ million)	83.7	93.6
Average occupancy percentage[3]	93.2%	94.4%
Occupancy percentage at end of period	94.9%	94.3%
Revenue/occupied bed day[3]	–	$263
Government income/occupied bed day[3]		$179
Resident income/occupied bed day[3]		$74
Staff costs/revenue percentage	63.5%	62.1%
RADs held (#)[4]	2,021	2,128
RADs held ($ million)[5]	$630.7	$704.6
Average RAD/RAD held (000's)[4]	$308.0	$328.0
Average incoming RAD ($ 000's)[6]	–	$384.0

1. As per Prospectus pro forma definitions and as at 30 June 2014 unless otherwise noted
2. As at 30 June 2015 unless otherwise noted
3. Average across the reporting period
4. Includes all RADs held – partial and full at their weighted value
5. Includes ILU resident entry contributions
6. Includes partial RADs at full notional value and excludes lump sums received from partially supported residents

I am pleased to announce that Regis Healthcare is well positioned with cash at bank of $60.9m at 30 June and finished with a strong balance sheet.

The payroll tax supplement, which was discontinued from 1st January 2015, contributed $ 6.98 million in the first half of the year and will have ongoing ramifications.

Prior to 30 June, we also completed the refurbishment of 13 facilities, enabling approval under the Aged Care Legislation for a higher level of accommodation funding for in excess of 700 places.

Our occupancy was flat in the second half of the financial year due to a few sites impacting results. However, we have normalised the impact of the closure of Regis Sunset for redevelopment in our final results and we will continue to manage our variable expenses to achieve our targeted outcomes.

Both staff and other expenses were in line with our expectations in the reporting period. We have also commenced negotiations on the renewal of our Queensland Enterprise Bargaining Agreements, which will be the first of nine EBAs to be renegotiated.

ACQUISITIONS

In line with our growth strategy, Regis Healthcare acquired three facilities between listing in October 2014 to 1 July 2015, adding 444 new places to our portfolio.

- Regis Tiwi (135 places) in Darwin was acquired on 1 November 2014 with the facility now having acceptable occupancy and EBITDA. The Company subsequently purchased 71 Home Care packages from the vendor.

1 Refer to page 24 for definition of pro forma adjustments to statutory financial results. All financial results referred to in the CEO's report are pro forma results.

- Regis Redlynch (194 places) in Cairns was acquired on 1 April 2015. The facility continues to ramp up occupancy and is well on its way to achieving its 2015-2016 budget projections.
- Regis Marleston (115 places) in Adelaide was acquired on 1 July 2015. The investment for the purchase was included in the capital expenditure for the 2015 financial year. The modern facility is made up principally of single ensuite rooms.

Each of these facilities is modern in design and construction and will perform well in their respective markets.

We announced the closure of Regis Sunset (67 places) in May with the majority of residents relocated as of 30 June. The property will be redeveloped to provide 92 single rooms and four rooms for couples.

The commencement of the asset renewal development at Regis Burnside, Linden Park, SA (which currently operates 167 places) was also announced in May.

This brings the total number of places across the Company at the end of August to 5,057 places, which represents an increase of 7.1% from 4,719 places at the time of listing.

DEVELOPMENT ACTIVITY

From a development perspective, we made solid progress in achieving our strategy of delivering multiple greenfield facilities annually.

At Regis Ontario in Mildura, we have 38 additional places under construction and have refurbished the existing facility. The new places are expected to be operational to accept residents later this calendar year.

Refurbishment of the existing Regis Caboolture facility in Queensland has also been completed and 64 places (60 net additional places) are now under construction. The new places are expected to be available to accept residents early in 2016.

The construction of a greenfield facility at Regis North Freemantle (109 places) is also well underway. This Regis Club facility is expected to be operational to receive new residents in the second half of the 2016 Financial Year.

At Regis Malvern East (148 places), construction is well underway and it is anticipated that this Regis Club facility will be completed late in the 2016 Financial Year.

Both of these Regis Club facilities will offer apartment-style accommodation for a number of residents in what we see as a strong alternative product offering.

These four facilities will deliver a total of 355 new places when completed.

In addition to these sites, we have progressed the following opportunities:

- We have secured development approval for Regis Chelmer (120 places) in Brisbane. Design is underway and we expect to commence construction later this calendar year.
- The acquisition of a site that will be known as Regis Lutwyche (120 places) in North Brisbane was completed in May. Development approval has now been lodged and we have commenced design.
- As noted above, we began the closure of Regis Sunset in Adelaide to allow for the development of a new 100 place facility and we expect construction to commence late this financial year.
- Regis Linden Park in Adelaide is also expected to commence construction prior to the financial year's end.

CARE AND SERVICES REVIEW

The Company has made satisfactory progress in delivering improved Workplace Health and Safety outcomes as compared with the previous year.

We continued to develop improved service offerings for residents with the introduction of the Regis Reserve service package at selected facilities. These additional services will include enhanced food and lifestyle options for residents and will be implemented over the next twelve months.

PARO, our robotic Harp seal, has been introduced into our care and lifestyle programs across all facilities after proving to be highly successful in reducing severe dementia behaviours over time. Regis Healthcare trialled the lifelike seals over a three month period earlier in the year and has subsequently purchased 48 PAROs. These will be deployed in pairs to each site on a rotational basis through a centralised resource library.

We remain an employer of choice through our innovative recruitment and mentoring programs and continue to attract and retain high calibre employees. For the fourth year in a row, Regis Healthcare has undertaken its International Nurses recruitment program – and has sponsored over 300 experienced registered nurses who are committed to working in an aged care environment. This program has contributed significantly to improved tenure and a deepening of clinical knowledge across Regis Healthcare.

Through our Carers Connect program, we have employed in excess of 800 carers across the Company. The program is designed to assess, select and bring on board suitable skills and behaviours among Regis Healthcare employees. Carers Connect delivers benefits to all stakeholders and has resulted in reduced staff turnover, improved resident outcomes and enhanced the overall staff culture across the Company.

The Regis Flourish program, which commenced in early 2014, is also designed to achieve similar outcomes for our clinicians and managers through tailored professional development and defined career pathways. To date, the initiative has been deployed with all our clinical managers and has resulted in reduced staff turnover, a much stronger focus on clinical outcomes for residents and enhanced compliance.

Key to delivering appropriate training, development and compliance across Regis Healthcare is the Regis Learning Centre. The system delivers online learning to staff and is accessible 24/7. Since its inception, the centre has grown to now offer 20 Regis Healthcare specific training programs including Palliative Care, Behaviour Management and Completing Clinical Documentation. The availability of this system has significantly improved the uptake of optional training and compliance outcomes over the last 18 months.

In closing, I would like to thank all of our employees who deliver such high levels of care and support to our residents every day. Thank you also to our shareholders, the Directors and the Executive team for their commitment and support in producing a solid performance and result for Regis Healthcare in the 2015 financial year.

Ross Johnston
Managing Director and CEO

OVERVIEW

A LEADER IN AGED CARE

Regis Healthcare is one of Australia's leading private aged care providers and was founded specifically to focus on providing high quality aged care including respite, dementia-specific care, palliative care, and Regis Reserve and Regis Club Services.

Formed in the early 1990s, the company has grown from its original 104 places into one of the largest and most geographically diversified private residential aged care providers in Australia. Regis now operates 47 facilities in six States and Territories with over 5,000 operational places located primarily in metropolitan areas across Australia.

The Regis business model aims to provide premium quality healthcare to meet the growing needs of Australia's ageing population, and is committed to driving profits for its shareholders by generating strong cashflow through its portfolio of high quality facilities and premium service offerings.

Key portfolio statistics[1]

- Total places 6,012[2]
- Total operational places 5,057 beds
- Total rooms 4,340
- Total single bedrooms 3,769
- Percentage of operational places in a single bedroom 75%
- Percentage of rooms that are single bedrooms 87%
- Average facility size (number of operational places 108)

1 As at end of August 2015
2 Includes 444 non operational licences and 511 provisional places

VICTORIA

FACILITIES 17 PLACES 1730

NORTHERN TERRITORY

FACILITIES 1 PLACES 135

SOUTH AUSTRALIA

FACILITIES 3 PLACES 407

QUEENSLAND

FACILITIES 14 PLACES 1627

NEW SOUTH WALES

FACILITIES 6 PLACES 560

WESTERN AUSTRALIA

FACILITIES 6 PLACES 598

BOARD OF DIRECTORS

MARK BIRRELL, INDEPENDENT NON-EXECUTIVE CHAIRMAN

Mark is an experienced company director with credentials spanning both the private and public sectors. He is currently Chairman of Infrastructure Australia, the Port of Melbourne Corporation and PostSuper Pty Ltd, and is also President of the Victorian Employers Chamber of Commerce and Industry.

Previous Directorships have included Chairman of VicHealth, founding Chairman of Infrastructure Partnerships Australia, Deputy Chairman of the Australian Postal Corporation and Chairman of Evans & Peck Limited. Mark was a Cabinet Minister and Government Leader in the Victorian Upper House from 1992 to 1999.

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

ROSS JOHNSTON, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

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

Ross is the Chairman of the Aged Care Guild, an association of the eight largest Residential Aged Care for profit providers in the industry. Prior to joining Regis, he was Chief Executive Officer of Spotless Australian Services and also held senior executive positions at Lend Lease, Jennings and BSA.

Ross holds a Diploma of Building and a Diploma of Quantity Surveying, both from the Royal Melbourne Institute of Technology and is a member of the Australian Institute of Company Directors.

BRYAN DORMAN, NON-EXECUTIVE DIRECTOR

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

Bryan was a Partner of Melbourne accounting firm, Rees Partners, from 1977 until 2000. Bryan is a founding director and shareholder of Regis. From its commencement in the early 1990s until 2014, Bryan was the Chairman of Regis (and Executive Chairman until 2008) – during which time he oversaw the management and growth of the company. Bryan was also the National President of the former aged care industry body, The Aged Care Association of Australia, from 2004 to 2012, and was actively involved in the development of the industry and shaping its future.

SYLVIA FALZON, INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Currently, Sylvia is a non-executive director of Perpetual Limited, SAI Global Limited, Museums Board of Victoria and Cabrini Health Limited.

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

TREVOR GERBER, INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

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

IAN ROBERTS, NON-EXECUTIVE DIRECTOR

Ian has over 30 years' experience in the real estate sector including 20 years in residential aged care. He currently holds non-executive directorships in several property and property services enterprises. Prior to co-leading the Regis journey, Ian was involved in property development (sub divisional and commercial) in South East Queensland.

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

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

COMPANY SECRETARY

MARTIN BEDE, COMPANY SECRETARY/GENERAL COUNSEL

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

CORPORATE STRUCTURE (AS AT 17 AUGUST 2015)

- **MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER** – ROSS JOHNSTON
  - **GENERAL MANAGER OPERATIONS QLD/NSW** – MICHELLE BAKER
  - **GENERAL MANAGER OPERATIONS VIC/SA/WA/NT** – PHIL MACKNEY
  - **COMPANY SECRETARY/GENERAL COUNSEL** – MARTIN BEDE
  - **CHIEF FINANCIAL OFFICER** – DAVID NOONAN
  - **GENERAL MANAGER QUALITY AND COMPLIANCE** – TRISH FAIRMAN
  - **GENERAL MANAGER INVESTOR RELATIONS AND CORPORATE SERVICES** – KIRSTY NOTTLE
  - **GENERAL MANAGER PROPERTY** – MICHAEL HORWOOD
  - **CHIEF INFORMATION OFFICER** – DAVID THOMPSON
  - **GENERAL MANAGER DEVELOPMENT** – DARREN LYNCH
  - **GROUP MANAGER HUMAN RESOURCES** – GRANT WALDRON

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council Recommendations 3rd edition, unless otherwise stated.

On 18 September 2014, and in advance of the Company's ASX listing on 7 October 2014, the Board of Directors formally adopted the following policies and codes:

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

These documents are available for review at http://www.regis.com.au/about-us/corporate-governance/.

Further details in relation to the Company's compliance with the ASX Corporate Governance Council recommendations 3rd edition can be found in the Regis Healthcare Corporate Governance Statement. This statement is on the company website at http://www.regis.com.au/about-us/corporate-governance/.

COMPLIANCE

The residential aged care sector is highly regulated and all facilities are periodically assessed as part of an independently conducted process against 44 legislated standards in order to qualify for accreditation. These standards not only ensure the safety and wellbeing of Regis residents but also the quality of life and care provided.

The compliance team, which reports directly to the CEO, regularly monitors risk indicators and conducts an annual in-depth gap analysis to track trends and ensure each facility meets the accreditation criteria.

Through the team's indepth knowledge, rigorous review processes and the company's ongoing investment in systems such as AutumnCare, Regis successfully met all requirements as part of 24 audits conducted in the 2015 financial year. During this period,

- 24 were facilities re-accredited
- 100% met all 44 outcomes; and
- 100% received re-accreditation for a further three years.

The quality control management system also allows internal audits, reviews and assessments to be conducted remotely across all 47 facilities. This means that, in addition to site visits conducted by the compliance team, resident care can be reviewed through IT programs such as AutumnCare (our electronic care management system), which allows for real time review of clinical care services at each site. Audit findings, including incident and response reports, are then evaluated by the team and used to develop continuous improvement plans for each facility, with plans refreshed and reviewed each month.

PEOPLE DEVELOPMENT

One of the most significant challenges for the Aged Care sector is sourcing, developing and retaining appropriately skilled and experienced staff.

Through its investment in innovative selection and evaluation processes, induction practices and tailored staff development programs, Regis continues to meet this challenge and attract high quality staff as an employer of choice from within Australia and overseas.

In a sector which traditionally experiences high staff turnover, the design and review of these programs has contributed to consistently higher retention rates than average when compared to other aged care businesses.

PROGRAM HIGHLIGHTS FOR 2015 INCLUDE:

INTERNATIONAL NURSE RECRUITMENT PROGRAM

As part of its international recruitment program, Regis has now run four highly successful international nurse recruitment campaigns over the last four years and is currently rolling out its fifth campaign to attract quality aged care staff from Great Britain. This has resulted in approximately 50 nurses relocating to Australia each year, culminating in over 300 staff since the program began.

PROJECT FLOURISH

Project Flourish was established to identify the attributes of Regis' highest performing clinical staff and to determine how to reward and replicate these standards of excellence across the company through a range of remuneration, recruitment and development strategies.

The project involves identifying skills development and career path opportunities for senior clinical personnel, and through the design of a personalised professional development program, has resulted in increased retention rates and performance from Clinical Managers and Registered Nursing Staff.

OWL MENTORING PROGRAM

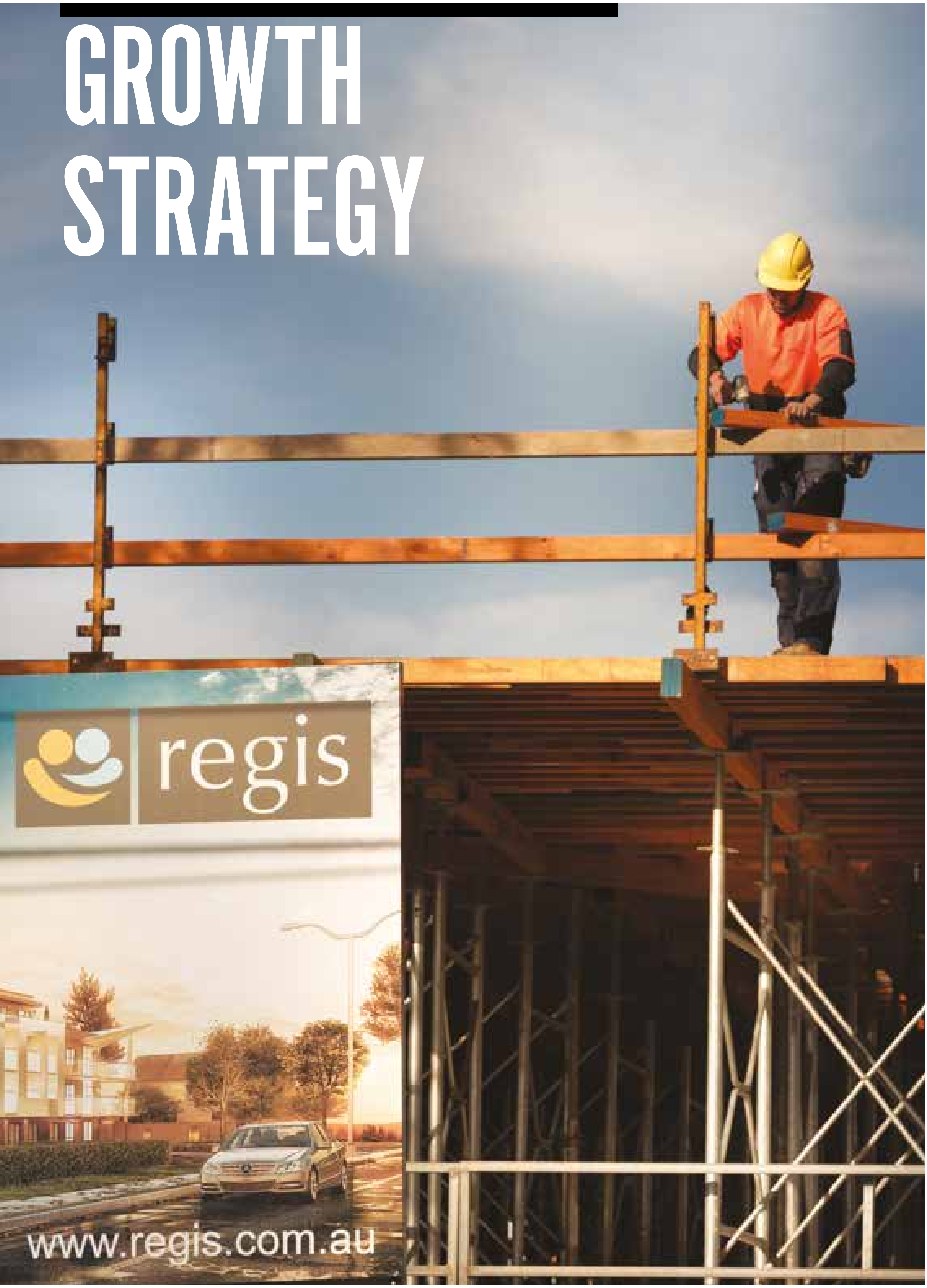
The Owl Mentoring program was commenced in March 2015 and pairs highly experienced front-line carers with new recruits to introduce them to the workplace. This structured approach ensures new carers are supported in their role, and better understand how to perform tasks correctly.

There are now 150 Owls involved in mentoring new staff across the country, with each Owl required to reapply every year to ensure the most experienced staff are selected for the program. The program has also received a thumbs up from independent national accrediting agencies, who strongly support the innovative approach Regis continues to take towards staff recruitment and training.

In a sector which traditionally experiences high staff turnover, we consistently have higher retention rates than average when compared to other aged care businesses

People development –AutumnCare training session.

GROWTH STRATEGY



BLUEPRINT FOR THE FUTURE

As part of its growth strategy, Regis will continue to capitalise on the high growth forecast for the residential aged care sector and its commitment to building a geographically diversified portfolio of well located facilities with a reputation for providing high quality care.

In the period from October 2014 to 30 June 2015, Regis increased its market coverage with the acquisition of two facilities in Darwin and Cairns. As part of its asset renewal and development program, Regis now has four sites under construction, with another five facilities in various stages of refurbishment and development.

During the 2016 financial year, Regis has made a further acquisition in Adelaide, and expects to have over 900 beds under construction. Regis will actively pursue a range of growth strategies throughout the 2016 period to generate strong cash flow for shareholders and meet the increasing demand for aged care accommodation by:

- Expanding its greenfield pipeline development program across multiple sites per annum to grow its footprint nationally
- Making single site acquisitions as attractive opportunities are identified
- Expanding and reconfiguring existing sites; and
- Assessing portfolio acquisition opportunities as they arise.

Regis will also continue to diversify its revenue stream to offset operational costs by offering one of two premium service packages at its existing and greenfield sites. Regis Club and Regis Reserve have been tailored to meet resident demand for additional tiered services and will support planned upgrades to deliver improved aged care outcomes.

Regis Club provides residents with five star hotel-style offerings. These facilities offer superior levels of accommodation, a cinema, day spa and hair dressing salon, seasonal menus prepared by in-house chefs, pay TV and e-zones as well as programs tailored to meet individual residents' interests.

Regis Reserve provides residents with optional extras including superior accommodation features, dedicated dining areas with greater lunch and evening meal choices. Regis Reserve is available in designated wings and areas across the group's facilities nationally.

BROWNFIELD AND GREENFIELD EXPANSION PIPELINE

As part of its expansion pipeline, Regis has brownfield and greenfield developments underway which will contribute 844 new places and 696 additional places across seven sites.

Greenfield sites include Regis North Fremantle in Western Australia, Regis Malvern East in Victoria, Regis Chelmer and Regis Lutwyche in Queensland, Regis Greenmount in Western Australia and Regis Sunset in South Australia.

Regis North Fremantle and Regis Malvern East are already under construction which will be completed in the 2016 financial year. The redevelopment of Regis Kingwood, Regis Linden Park and Regis Greenmount are expected to commence in FY 2016, while the development application for Regis Lutwyche in Brisbane has now been lodged, with design concepts underway.

The redevelopment of Regis Sunset saw the closure of 67 beds with most residents relocated by 30 June, while the reconstruction of 120 beds at Regis Linden Park will commence this year.

Brownfield sites underway include Regis Ontario in Victoria and Regis Caboolture in Queensland that will deliver a total of 102 places with 98 additional places, with both facilities scheduled to open in Financial Year 2016.

Following a redevelopment program from 2007 to 2011, Regis has now realised most of its brownfield opportunities and will focus primarily on its greenfield and acquisition project pipeline in the medium term.

DEVELOPMENTS FOR THE 2016 FINANCIAL YEAR

The following snapshots provide further detail on these developments. A full list of all Regis facilities is available in the Regis Healthcare Prospectus, which can be found at http://www.regis.com.au/investor-centre/prospectus/

REGIS NORTH FREMANTLE, WESTERN AUSTRALIA

SUBURB	North Fremantle
OPENING	2H FY 16
SERVICE PRODUCT	Regis Club
PLACES	109
CONSTRUCTION	> 50% complete

Previously known as Regis Hillcrest, the property closed in 2014 for redevelopment. Although it started life as a maternity hospital, the site has a long history of providing aged care. The State listed Victorian era mansion is now being restored and will house a café, private dining room, cinema, e-zone, library, hair salon, and day spa. The site, which has views of the Swan River, will provide 108 single rooms and 8 apartments which will offer premium accommodation.

Regis Chelmer development site

REGIS MALVERN EAST, VICTORIA

SUBURB	Malvern East, Victoria
OPENING	1H FY 17
SERVICE PRODUCT	Regis Club
PLACES	148
CONSTRUCTION	> 50% complete

Previously known as Regis Weeroona, the site was acquired from the Salvation Army who operated the facility as a nursing home and hostel from the 1960s. The development will provide 121 single rooms, 4 double rooms and 19 apartments with a separate lounge room and bedroom, as well as a dementia specific wing. It is one of the first Regis site where apartments will be built as a new aged care concept. Regis Club amenities will include a café, private dining room, cinema, e zone, library, hair salon and day spa set among landscaped gardens. All areas will be finished to a premium standard.

REGIS KINGSWOOD, SOUTH AUSTRALIA

SUBURB	Kingswood
OPENING	FY17
SERVICE PRODUCT	Regis Club
PLACES	100
CONSTRUCTION	1H FY16

Previously known as Regis Sunset, the property closed for redevelopment in 2015 and is located 15 minutes from Adelaide's CBD. The stately home has a long history of providing aged care and will be renovated to house a café, private dining room, cinema, e zone, library, hair salon, and day spa. When complete, the property will provide 92 single rooms and 4 double rooms.

REGIS LINDEN PARK, SOUTH AUSTRALIA

SUBURB	Linden Park
OPENING	FY17
SERVICE PRODUCT	Regis Club
PLACES	117
CONSTRUCTION	1H FY16

Linden Park is a campus site housing three nursing home buildings, which currently provides a total of 167 places. The project will consolidate the stand-alone buildings and prepare for the construction of a new double storey aged care building, which will accommodate 117 beds. The new building will provide amenities such as a café, private dining room, cinema, e zone, library, hair salon, and day spa.

Top: Artist impressions of the new Regis Linden Park – Sturdee expansion, which will commence construction in early 2016.
Bottom: Artist impressions of the new Regis Kingswood, due for completion in 2017.

REGIS CHELMER, QUEENSLAND

SUBURB	Chelmer
OPENING	FY 18
SERVICE PRODUCT	Regis Club
PLACES	120
CONSTRUCTION	Development approval received and due to commence 2H FY16

Located in a leafy street of Chelmer close to the Brisbane River, the premium aged care building will provide 120 single en suite rooms and communal facilities including a private dining room, café, day spa, hair salon and library. The new facility will be built on land adjacent to a locally listed two-storey heritage house, which will be integrated into the site.

REGIS GREENMOUNT, WESTERN AUSTRALIA

SUBURB	Greenmount
OPENING	FY18
SERVICE PRODUCT	Regis Club
PLACES	240
CONSTRUCTION	To commence 2H FY 16

Regis Greenmount is a 127-place facility located close to the Greenmount National Park in Perth. To meet the increased demand for aged care in the area, a new facility will be developed on the adjacent land to create a campus site with over 240 beds. The facility will provide 120 new places as single en suite rooms, with living areas offering expansive views over the Perth skyline.

REGIS LUTWYCHE, QUEENSLAND

SUBURB	Lutwyche
OPENING	FY 18
SERVICE PRODUCT	Regis Club
PLACES	120
CONSTRUCTION	Development approval lodged and design commenced

Located in inner north Brisbane, the 3,506 square metre site was purchased from the Department of Main Roads in June 2015 and is located close to public transport and parks.

REGIS ONTARIO, VICTORIA

SUBURB	Mildura
OPENING	FY 16
SERVICE PRODUCT	Regis Classic
PLACES	108
CONSTRUCTION	> 50% complete

Situated in the centre of Mildura, the new 38-bed extension comprised of single rooms will be constructed in three wings around a central dining and living space with large vaulted ceilings. The new wing will be linked to the existing facility by an activity zone, which will contain a hairdressing salon and café. The existing facility has recently undergone a renovation in preparation for the new addition and has been approved as 'Significantly Refurbished'.

REGIS CABOOLTURE, QUEENSLAND

SUBURB	Caboolture
OPENING	Q4 FY 16
SERVICE PRODUCT	Regis Classic
PLACES	180
CONSTRUCTION	>50% complete

Regis Caboolture is currently a 120-bed facility located in close proximity to the Caboolture hospital and local shopping precinct. The addition of 64 high quality single en suite rooms in a new two-wing extension will provide generous living, dining and communication activity areas and offer greater choice for local residents.

Opposite page *Top: Artist impression of entrance to Regis Caboolture, which is due to open in 2016.*
Bottom: Artist impression of the new Regis Club facility at Regis North Fremantle, well under construction now and due to open in 2016.
This page: *Top: Artist impression of Regis Chelmer, which has been approved for development and will commence construction in 2016.*
Middle: *Artist impression of the extension to Regis Ontario, which is well underway and due to open in 2016.*
Bottom: Artist impression of the new Regis Malvern East facility. This redeveloped site will now become a Regis Club site, that is due to open in the first half of FY 2017.

ACQUISITIONS

In line with its growth strategy, Regis acquired two new facilities in 2014–2015, adding 329 new beds to its portfolio with a further facility in Adelaide on 1 July 2015. The acquisition of Regis Tiwi Gardens in Darwin has expanded the company's footprint to now include six States and Territories.

Regis also acquired its first facility in Cairns with the purchase of Regis Redlynch. The company acquired seven facilities over the last four years.

Regis Tiwi Gardens, Darwin

- First Regis site in the Northern Territory
- 135 operational places
- Acquired 1 November 2014
- Operation also includes 71 Home Care packages and a day respite centre, which were acquired 1 May 2015

Regis Tiwi Gardens is located near Casuarina Shopping centre and the beach next to Dripstone Park. The 135-bed facility offers single, double and shared rooms with en suites.

Regis Redlynch, Cairns

- First Regis facility in Cairns
- 194 operational places of which 30 were offline and have been progressively brought back online
- Acquired 1 April 2015
- Acquired from Blue Care

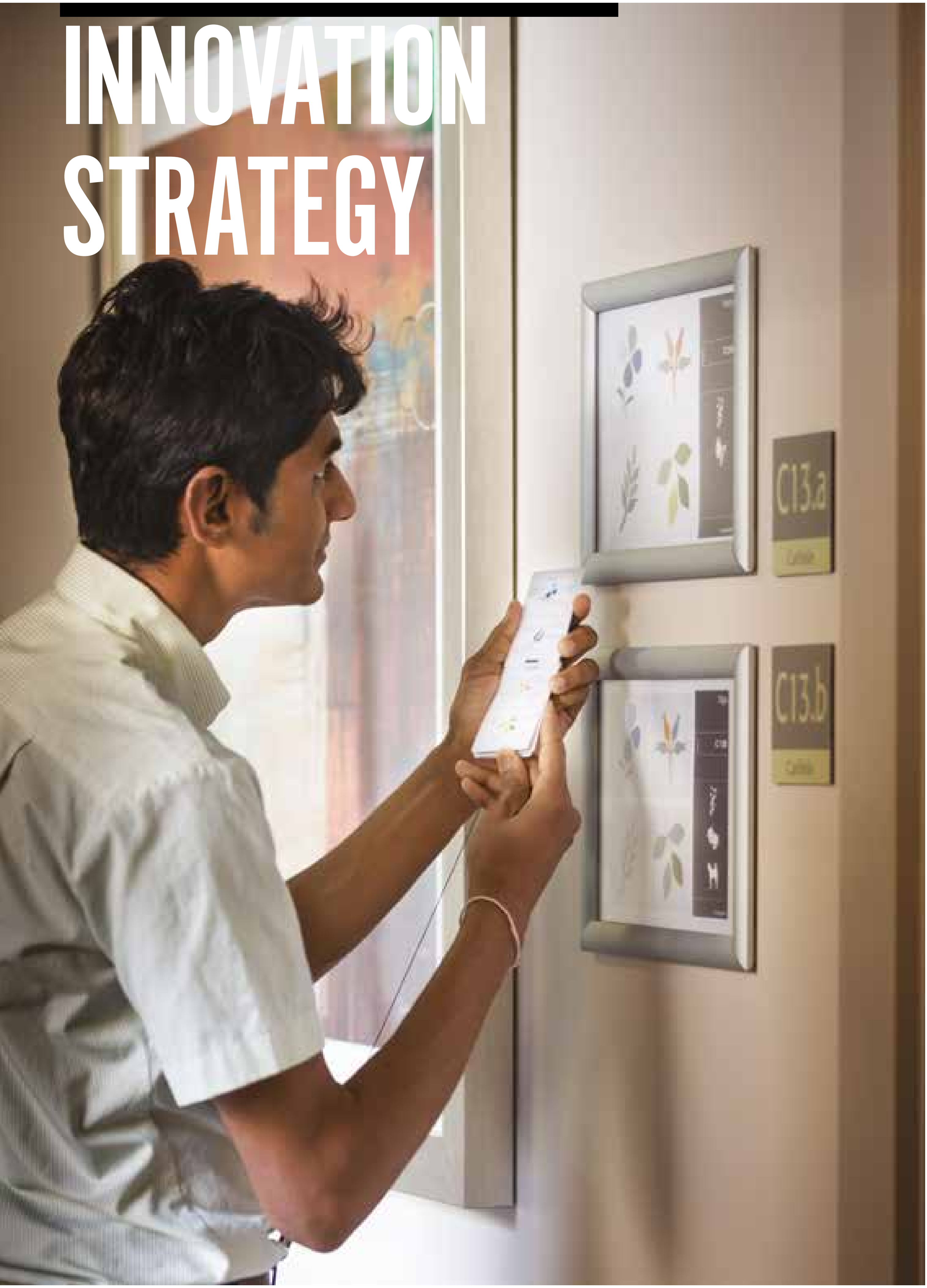
Centrally located in a residential precinct of Cairns, Redlynch is close to public transport with access to local shopping precincts. Regis Redlynch is a 192-bed facility offering ageing-in-place and specialist dementia care in single rooms with private en suites.

Regis Marleston, Adelaide

- 115 operational places
- Acquired 1 July 2015
- Acquired from the City of West Torrens

Regis Marleston is located in a Federation style building off Richmond Road and is only six minutes from Ashford Hospital and local shops. The facility offers 115 places including single and double rooms with en suites.

INNOVATION STRATEGY



LEADING EDGE THINKING

Regis continues to invest in scalable business processes, IT systems and in-house resources to deliver high quality care outcomes for its residents. Regis leverages business and operational efficiencies by centralising core functions to support staff and resident wellbeing while also minimising costs.

Over the last four years, the decision to centralise catering, compliance and rostering functions, was supported by a sizeable investment in software has also realised significant cost efficiencies for the Company and ensured a consistent approach to high quality service and care standards across all Regis facilities.

In 2014–2015, Regis maintained its position as an employer of choice through its investment in its people and the introduction of innovative professional development and recruitment programs such as Flourish and Carers Connect.

The year also saw further investment in residential wellbeing outcomes through the successful trial of PARO, a highly sophisticated lifelike robotic seal, which interacts with residents and has reduced the incidence of severe behaviours.

Case studies on the following two pages expand on these initiatives and achievements.

"Innovations to centralise functions not only reduce costs but empower staff and importantly improve the quality of life for our residents."

Regis rostering processes.

PARO GETS THE SEAL OF APPROVAL FROM REGIS RESIDENTS AND STAFF

As part of its ongoing commitment to improving the quality of life for its residents, Regis conducted a three-month trial earlier this year to test the benefits of an innovative therapeutic robotic harp seal, called PARO. Regis has since purchased 48 seals and the program has been rolled out to all facilities.

The lifelike seal, which has sensors that detect touch, sound, light, heat and movement, interacts with residents, responds to their moods and has proven to be highly successful in improving the emotional, cognitive and social wellbeing of residents with dementia.

Early clinical data saw the results exceeding expectations with a 52% increase in wellbeing and a 45% reduction in episodes of agitation among participants, leading to a reduction in the need for medication, behaviour management and staff intervention. Significant improvements were seen after as little as 20 minutes contact a day with PARO over the trial period.

CENTRALISED ROSTERING IMPROVES RESIDENT AND STAFF OUTCOMES

Using the latest technologies, the Staffing Services team now has the capacity to manage rosters for all Regis facilities nationally – including the replacement of staff due to illness, as well as annual or other forms of leave.

The time and attendance IT system allows fortnightly rosters for over 5,000 staff to be drawn up in advance and delivers a one-stop shop for all roster, leave and additional work requests and provides staff with online access to their rosters either from their facility or home computer.

Last year, the team handled 215,557 calls to manage staff leave requests, and to source relief staff to cover shifts. The system has already delivered considerable cost, time and quality-of-care benefits for Regis residents and staff.

CATERING – FOOD FOR THOUGHT

As part of its commitment to excellence, Regis has transformed its catering approach to deliver a single cost effective high quality dining experience to its residents, based on a nationally agreed standard.

The operating efficiencies realised by centralising the Company's catering operations and optimising meal portions across all Regis facilities has resulted in its ability to offer residents an expanded menu with greater choice while minimising waste and supporting the company's environmental and business outcomes.

Highlights of the integrated Regis model include:

- Customer complaints to well below industry standards over a five-year period
- Centralised food purchasing with savings of $1.6 million per annum
- Centralised dietary assessment of a single menu by independent nutritionists
- High quality meals cooked daily in-house with menus rotated seasonally
- On-boarding of accredited staff and Chef Masterclass workshops
- New menus and more appetising options for residents on restricted diets; and
- Meal portions optimised to balance nutritional requirements.

Regis will continue to innovate and refine this model to meet the changing cultural profile of its residents.

CARERS CONNECT GETS HANDS ON TO RECRUIT THE BEST OF THE BEST

Carers Connect is an innovative recruitment method, which replaces the traditional interview process with a two-day workshop where each applicant's practical skills are assessed across a range of real life environment scenarios before they are offered a position or commence employment with the company.

The program was designed by Regis to ensure candidates can demonstrate they have the appropriate skills, attitudes and behaviours needed to successfully work in aged care. The program has not only reduced staff turnover, but has also improved resident outcomes and created a strong staff culture across the company.

The centralising of the interviewing process through Carers Connect has also helped reduce staff workloads and will continue to see an increase in the calibre of applicants seeking to work with Regis. To date:

- Over 800 staff have been recruited using this method, resulting in improved quality of care for residents at the PCA level; and
- an above average retention rate of 87% has been achieved.

STATUTORY TO PRO FORMA RECONCILIATION

FOR THE YEAR ENDED 30 JUNE 2015

On 7 October 2014 Regis Healthcare Limited undertook an initial public offer and listed on the Australian Securities Exchange. As a result of this change in company structure and other significant events in FY2015 (such as the State Revenue Office recovery), the statutory accounts for the year include a number of non recurring items. In order to assist readers to better understand the financial position of the business, the table below presents a reconciliation of the FY2015 statutory results to the FY2015 pro forma results.

STATUTORY TO PRO FORMA RECONCILIATION

FINANCIAL YEAR ENDED 30 JUNE 2015 ($ MILLIONS)	REVENUE	EBITDA[1]	NPBT	NPAT	NET CASH FLOW
FY 2015 statutory results	459.6[2]	110.5	78.1	57.5	20.6
Dementia supplement	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
State Revenue Office Victoria Recoveries[3]	(19.5)	(19.5)	(19.5)	(19.5)	0.0
Full year incremental listed company costs		(0.2)	(0.2)	(0.2)	(0.2)
Interest expense			14.8	14.8	0.0
IPO transaction costs expensed		3.9	3.9	3.9	3.9
IPO transaction costs capitalised as equity				21.0	
Refund on stamp duty on share buy back				(1.5)	
Income tax effect/adjustment				(2.3)	(1.0)
Proceeds from offer					(409.9)
Net debt repayment					393.4
Net interest paid					5.4
FY 2015 pro forma results	439.0	93.6	76.0	53.1	30.6

1. The non-IFRS financial information has been reviewed in accordance with Australian Auditing Standards. For further detail of Pro Forma Adjustments refer to the prospectus, Sections 4.3.2 and 4.4.2.
2. The Statutory revenue includes both the Revenue ($437.5m), SRO ($19.5m) and other income ($4.3m) less interest income ($1.6) amounts in the Consolidated Statement of Profit and Loss for the year ended 30 June 2015.
3. In November 2011, Regis Aged Care Pty Ltd (RAC), a wholly owned subsidiary of Regis Healthcare Limited, objected to a notice of assessment of stamp duty issued by the State Revenue Office Victoria (SRO) in relation to a merger transaction in July 2007. While RAC challenged these notices of assessment, RAC paid $14.4m in relation to the first assessment without admission of liability and without prejudice in order to avoid accruing additional interest and penalty tax, leaving an unpaid outstanding amount of $1.1m in relation to the revised notice of assessment. The Court made orders in the Appeals on 29 June 2015 setting aside the notices of assessment and ordering that the Commissioner for State Revenue pay RAC's costs of the Appeals. The orders became final when the SRO failed to lodge a notice of appeal by 27 July 2015. The effect of this outcome (including the reversal of related provisions) is an increase in EBITDA of $19.5m in FY15.

FINANCIAL REPORT

Note: AutumnCare Training (example of information only. Not actual resident information)

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

CORPORATE INFORMATION

DIRECTORS

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

COMPANY SECRETARY

Martin Bede

REGISTERED OFFICE

Level 2, 615 Dandenong Road,
Armadale Vic 3143

PRINCIPAL PLACE OF BUSINESS

Level 2, 615 Dandenong Road
Armadale Vic 3143

SHARE REGISTRY

Link Market Services Limited
Level 1, 333 Collins St
Melbourne Vic 3000
Phone: 1300 554474

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 St
Melbourne Vic 3000

BANKERS

ANZ Banking Group Limited
100 Queen Street
Melbourne Vic 3000

AUDITORS

Ernst & Young Australia
8 Exhibition St
Melbourne Vic 3000

DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities (the Group) for the financial year ended 30 June 2015.

DIRECTORS

The names of directors in office at any time during or since the end of the year are:

NAME	ROLE	PERIOD OF DIRECTORSHIP IF NOT FULL PERIOD
Mark A Birrell	Chairman, Non-Executive Director	Appointed 18 September 2014
Ross J Johnston	Managing Director and CEO	Appointed 18 September 2014
Bryan A Dorman	Non-Executive Director	
Sylvia Falzon	Non-Executive Director	Appointed 18 September 2014
Trevor Gerber	Non-Executive Director	Appointed 18 September 2014
Ian G Roberts	Non-Executive Director	
Mark D Allan	Non-Executive Director	Resigned 18 September 2014
Nicholas S Dorman	Non-Executive Director	Resigned 18 September 2014

NAMES AND QUALIFICATIONS

MARK BIRRELL
Independent Non-Executive Chairman

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

ROSS JOHNSTON
Managing Director and Chief Executive Officer.

Ross holds a Diploma of Building and a Diploma of Quantity Surveying from the Royal Melbourne Institute of Technology and is a member of the Australian Institute of Company Directors.

During the last three years Ross has also served as a director of BSA Limited (appointed 29 April 2008).

BRYAN DORMAN
Non-Executive Director
Bryan is a qualified accountant and was a partner of Melbourne accounting firm, Rees Partners, from 1977 until 2000.

SYLVIA FALZON
Independent Non-Executive Director

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

Sylvia is also a director of the following listed companies:
Perpetual Limited (appointed 20 November 2012); and
SAI Global Limited (appointed 28 October 2013).

TREVOR GERBER
Independent Non-Executive Director

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

Trevor is also a director of the following listed companies:
CIMIC Group Limited (appointed 11 June 2014);
Tassal Group Limited (appointed 4 April 2012);
Federation Centres Limited (appointed 11 June 2015); and
Sydney Airport Limited (appointed 5 April 2002).

IAN ROBERTS
Non-Executive Director

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

NICHOLAS DORMAN
Non-Executive Director

Nicholas holds a Bachelor of Commerce from Deakin University.

MARK ALLAN
Non-Executive Director

Mark is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Business (Accounting) from Monash University and a Masters of Taxation from the University of Melbourne.

INTERESTS IN THE SHARES OF THE GROUP

As at the date of this report, the interests of the directors in the ordinary shares of Regis Healthcare were:

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

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

The group currently owns and operates 47 aged care facilities. As at 30 June 2015, the group had 5,034 operational places and provided services in 6 States and Territories.

REGIS BUSINESS MODEL

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

- **Vertical integration**: The spectrum of activities Regis undertakes includes analysis of each proposed facility's catchment area, site identification, site/facility acquisition, brownfield/greenfield development, facility operation and asset renewal.
- **Strong cash flow generation**: Regis aims to achieve and maintain strong cash flow from operations, which it augments with a focus on the receipt and reinvestment of RADs. Regis executes this through its portfolio of high quality facilities and service offerings and by encouraging ageing in place as well as a focus on high acuity Residents (which enables Regis to maximise entitled Government funding contributions).
- **High quality portfolio**: Regis' facilities are primarily located in metropolitan areas with high median house prices. The facilities are typically modern with a high proportion of single room places and an emphasis on lifestyle and supported living.
- **Scalable platform**: Regis has invested in scalable business processes supported by IT systems, and in-house resources to facilitate growth via acquisitions and developments.
- **Focused and well-resourced risk management**: Regis has robust systems and processes in place to manage the business' operational risks, including those that relate to aged care legislative compliance and health and safety.

REVIEW AND RESULTS OF OPERATIONS

A summary of financial results for the year ended 30 June 2015 is below:

	FY2015 $	FY2014 $	% GROWTH
Revenue	437.5m	409.5m	+7%
Profit before interest & tax (PBIT)	93.2m	48.2m	+93%
Profit for the year	57.5m	1.1m	+5,127%
Earnings Per Share (cents)	21.16	0.37	+5,619%

Regis Healthcare Limited's FY2015 result was due to continued growth from operations. Revenue was up 7% and PBIT up 93% on the FY2014 final result.

The growth in revenue and PBIT was driven by:

- Improved revenue from both government (increase from $281.4 million in FY2014 to $299.7 million in FY2015) and resident income streams (increased from $114.4 million in FY2014 to $123.9 million in FY2015).
- Modest positive contribution from the two acquired facilities – Regis Tiwi (Darwin), acquired 1 November 2014 and Regis Redlynch (Cairns), acquired 1 April 2015.
- SRO Victoria income from favourable ruling of the Supreme Court.

The government revenue included increases in funding levels per resident from 1 July 2014, comprising COPE (Commonwealth Own Purpose Expenses Indexation) of 1.85% and Workforce Supplement of 2.4%.

These increases assisted to offset the impact in FY2015 of:

- The cessation of the payroll tax supplement from 1 January 2015, which contributed $6.98 million to earnings in the first 6 months.
- the removal of the bond retention income stream for residents entering care from 1 July 2014 as part of the Living Longer Living Better legislation (which contributed $6.2million to earnings in FY2014 compared to $5.4 million in FY2015).
- The cessation of the dementia supplement on 31 July 2014, which contributed $8.5 million to earnings in FY2014.

NON OPERATING CONTRIBUTION FROM FAVOURABLE SUPREME COURT RULING

A significant contributor to the results was income from a favourable ruling from the Supreme Court following the objection by the company to a notice for assessment of stamp duty from the State Revenue Office of Victoria (SRO) to Regis Aged Care Pty Ltd (RAC); a wholly owned subsidiary of Regis Healthcare. While RAC challenged the notices of assessment, $14.4 million of the assessment was paid. The positive outcome has made a non-recurring $18.92 million contribution to the FY2015 result.

REVIEW OF FINANCIAL POSITION

The group's principal sources of funds were cash flow from operations and refundable accommodation deposits (RADs).

The group's cash position is expected to provide sufficient liquidity to meet its expected cash requirements.

CASH FLOW

Net cash flow before dividends increased from FY2014, despite significant investment in growth.

This was enabled by the operating result, coupled with net cash flow from RAD receipts which increased from $70.5 million in FY2014 to $73.6 million in FY2015. Following the Living Longer Living Better legislation change, more residents have chosen to pay a RAD rather than a daily accommodation payment (DAP).

The group invested in expansion and business acquisition opportunities including:

- Investment in acquisitions of $61.5 million (operating aged care facilities and land purchases).
- Investment in capital expenditure for development projects of $41.6 million.
- Investment in capital expenditure on Significant Refurbishment of 13 facilities, which has resulted in approval under the Aged Care legislation to receive a higher accommodation supplement for supported residents at these facilities, which will increase revenue in FY2016.

PRO FORMA RESULTS

Following the listing of Regis Healthcare on the Australian Securities Exchange on 7 October 2014 a number of changes occurred to the FY2015 financial results as a result of the change in company structure compared to prior periods which make a comparison of the FY2014 to FY2015 operating performance of the business difficult.

For this reason, the Regis Healthcare prospectus dated 25 September 2014 includes an analysis of pro forma historical results and a pro forma forecast, which reflects adjustments made to enable a comparison of financial performance on a like for like basis.

Analysis of the company's performance for FY2015 on a pro forma basis was included in the ASX announcement of the company's financial results on the 28 August 2015 and the accompanying presentation.

On a pro forma basis, the company outperformed both 2014 and the prospectus forecast.

ACQUISITIONS

In line with its growth strategy, Regis Healthcare acquired three facilities in 2014–2015, adding 444 new places to its portfolio;

- Regis Tiwi (135 places) in Darwin was acquired on 1 November 2014. The Company subsequently purchased 71 Home Care packages from the vendor.
- Regis Redlynch (194 places) in Cairns was acquired on 1 April 2015 and included the purchase of three hectares of adjacent land. The facility continues to ramp up occupancy after purchase, and is well on its way to achieving its 2015–2016 budget projections.
- Regis Marleston (115 places) in Adelaide was acquired on 1 July 2015. The modern facility is made up principally of single en suite rooms and integration of the facility will continue through the first half of FY16.

The group announced the closure of Regis Sunset (67 places) in May with the majority of residents relocated as of 30 June. The property will be redeveloped to provide 92 single rooms and four double rooms, with work to commence in early 2016.

The construction of 100 places at Regis Linden Park was also announced in May.

This brings the total number of places across the group to 5,149 places (including Regis Marleston and excluding Sunset/Linden Park), which represents an increase of 9.5% from 4,719 places at the time of listing.

Each of these facilities is modern in design and construction and will perform well in their respective markets and geographic locations.

DEVELOPMENT ACTIVITY

From a development perspective, Regis made solid progress in achieving its strategy of delivering multiple greenfield facilities annually.

At Regis Ontario in Mildura, 38 additional places are under construction and the existing facility has been refurbished. The new places are expected to be operational to accept residents later this year.

Refurbishment of the existing Regis Caboolture facility in Queensland has also been completed and an additional 64 places are now under construction. The new places are expected to be operational to accept residents early in 2016.

The construction of a greenfield facility at Regis North Freemantle (109 places) is also well underway. This Regis Club facility is expected to be operational to receive new residents in the second half of FY16.

At Regis Malvern East (148 places) construction is nearing completion and it is anticipated that this Regis Club facility will be operational in late FY16.

Both of these Regis Club facilities will offer apartment-style accommodation for a number of residents in what the group sees as a strong alternative product offering.

These four facilities will deliver a total of 359 new places when completed.

In addition to these sites, the following opportunities have progressed:

- Development approval has been secured for Regis Chelmer (120 places) in Brisbane. Design is underway and construction is due to commence later this year.
- Acquisition of a site that will be known as Regis Lutwyche (120 places) in North Brisbane was completed in May. Development approval has now been lodged and design has been commenced.
- As noted above, the closure of Regis Sunset in Adelaide to allow for the development of a new 100-place facility commenced in June and construction is expected to commence late this year.
- Construction of 100 new places at Regis Linden Park in Adelaide is scheduled to commence prior to year end.

LIVING LONGER LIVING BETTER LEGISLATION CHANGE

A significant change introduced to the Aged Care sector in FY2015 was the Living Longer Living Better legislation.

This changed the revenue and cash flows, from the previous legislative framework in the following manner:

- All permanent residents who are assessed as being required to make a contribution to their accommodation cost (in full or in part), have the choice of paying as a fully refundable lump sum (RAD) or a daily accommodation payment (DAP), or a combination of the two. This replaced a framework where the only residents able to pay (where assessed as being required) a daily accommodation charge were High Care Non-Extra Services residents (with High Care Extra Services and Low Care residents eligible to pay an accommodation bond (refundable less retention income)
- Retention income not chargeable to residents entering care after 1 July 2014.
- Higher accommodation supplement available to facilities deemed to be significantly refurbished for supported residents.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The group raised substantial funds during the year from an initial public offering in October 2014. The company issued 112,288,352 shares at an issue price of $3.65. The $410 million proceeds of the share issue were primarily used to reduce debt, purchase and cancel special shares owned by the founding shareholders and pay for the costs of the offer. Interest bearing loans and borrowings are Nil at the balance date (30 June 2014: $345,174,000).

DIVIDENDS

	CENTS	$'000	FRANKED	DATE OF PAYMENT
Final dividends proposed:				
Ordinary shares	17.6	52,861	Franked*	21 September 2015

* All dividends declared were franked at 64.2%

The financial effect of dividends declared after year end are not reflected in the 30 June 2015 financial statements and will be recognised in subsequent financial reports.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

ACQUISITION OF ST MARTINS AGED CARE FACILITY

The Group completed the acquisition of St Martins Aged Care Facility on 1 July 2015 for a purchase contract price of $14.1m. The 115-bed facility is located in the Adelaide suburb of Marleston and will be renamed Regis Marleston.

STATE REVENUE OFFICE VICTORIA RECOVERY

In November 2011, Regis Aged Care Pty Ltd (RAC), a wholly owned subsidiary of Regis Healthcare Limited, objected to a notice of assessment of stamp duty issued by the State Revenue Office Victoria (SRO) in relation to a merger transaction in July 2007.

In April 2012, in accordance with a request from RAC, the SRO formally asked that the Supreme Court of Victoria treat the objection as an appeal (the First Appeal). In October 2012, the SRO issued a revised notice of assessment in relation to the merger transaction in July 2007 and an objection to this assessment was also lodged and treated as an appeal (the Second Appeal). Both appeals were heard together by the Court.

While RAC challenged these notices of assessment, RAC paid $14.4m in relation to the first assessment without admission of liability and without prejudice in order to avoid accruing additional penalty interest and duty, leaving an unpaid outstanding amount of $1.1m in relation to the revised notice of assessment.

The Court made orders in the Appeals on 29 June 2015 setting aside the notices of assessment and ordering that the Commissioner for State Revenue pay RAC's costs of the Appeals. The orders became final when the SRO failed to lodge a notice of appeal by 27 July 2015. The effect of the orders was that:

- the previously outstanding duty is not payable; and
- the SRO was required to refund the amount paid by RAC – $14.4m – plus interest and legal costs.

The amount of interest and legal costs is yet to be determined but is expected to exceed $3m. Whilst the judgement was handed down post balance date, it is considered by AASB 110 *Events after the Reporting Period*, to be an *adjusting event* and therefore the financial impact of the successful appeal has been included in the audited financial statements for FY15. The effect of this outcome (including the reversal of related provisions) was a positive NPAT impact of $18.92m.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group's growth strategy continues to be:

1. Expansion of its greenfield development program
2. Continuation of single facility acquisitions
3. Expansion and reconfiguration of existing Group facilities
4. Assessing portfolio acquisition opportunities as they arise.

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

KEY BUSINESS RISKS

The regulatory framework may change

The Australian aged care industry is highly regulated by the Government. From 1 July 2014, changes to the aged care regulatory framework took effect.

Any further future regulatory change for the aged care industry may have an adverse impact on the way Regis promotes, manages and operates its facilities, and on its financial performance.

In addition, there is a risk that other participants in the industry may, through their actions and business practices cause future regulatory changes that have an adverse impact on Regis' financial performance. Any new regulatory restrictions or changes in Government attitudes or policies in relation to any or all of the existing regulatory areas may adversely impact Regis' financial performance and future prospects.

Regis' RADs level may fluctuate

The value of Regis' RADs (formerly known as Accommodation Bonds) may fluctuate due to a range of factors. RADs are refunded after a Resident's departure. While individual RADs are generally replaced in a short period of time, often with a RAD of equal or higher value, Regis is exposed to risks associated with repayment, and future issue, of RADs.

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

The effect of these risks may be that the value and number of new RADs Regis receives may be reduced and it may take longer for Regis to reach agreements with new Residents or collect RADs.

Occupancy levels may fall

In the ordinary course of its business, Regis faces the risk that occupancy levels at any of its individual facilities may fall below expectations due to a number of factors, including reputational damage and loss of accreditation. Reduced occupancy levels at a number of facilities may adversely affect Regis' revenue and general financial performance as it would reduce the amount of Government funding Regis is entitled to, Resident contributions, and accommodation payments and RADs.

Facilities may lose their approvals or accreditation

Aged care facilities are required to be approved and 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 Government funding. If Regis does not comply with regulations and is unable to secure approvals for the operation of its aged care facilities and resident places in the future, or if any of its existing approvals are adversely amended or revoked, this may adversely impact Regis' financial performance.

Further, if Regis is required to undertake facility refurbishments or make significant structural changes to facility buildings in order to retain its approvals or accreditations, the cost of those works may impact its profitability. Any financial penalties Regis incurs as a result of any failure to comply with regulations may also adversely affect Regis' financial performance.

Regis' reputation may be damaged

Regis operates in a commercially sensitive industry in which its reputation could be adversely impacted should it or the aged care industry generally, suffer from any adverse publicity. Examples of adverse publicity may include reports of inappropriate care of residents, inquiries or investigations relating to the operation of aged care facilities or incidents at aged care facilities, health and safety issues affecting residents, staff or visitors, failure to ensure facilities are well maintained or poor service delivery at facilities. If there were to be any such adverse publicity, this may reduce the number of existing residents at Regis' facilities or Regis' ability to attract new residents to its facilities, both of which may adversely impact Regis' profitability. Adverse media coverage may also lead to increased regulatory scrutiny in some areas and could have a material adverse effect on Regis' revenue and profitability by, for example, increasing regulation and compliance costs.

Increased competition may affect Regis' competitive position

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

Regis may not be able to retain key management

Regis relies on a specialised management team with significant aged care industry knowledge and experience.

If Regis is not able to retain key members of its management team Regis may not be able to operate its business to the current standard, which may undermine Regis' ability to comply with regulations and may reduce demand for Regis' services from existing and prospective residents. These occurrences may adversely impact Regis' business operations including its ability to grow.

Regis may face medical indemnity and public liability claims, litigation and coronial enquiries

Healthcare providers such as Regis are exposed to the risk of medical indemnity and public liability claims, litigation and coronial inquests. Subject to the insurance arrangements that Regis has in place at the relevant time, any actual or threatened medical malpractice or public liability litigation against Regis could cause Regis to incur significant expenditure and may adversely impact Regis' future financial performance. If the costs of medical malpractice or public liability insurance were to rise, this could also adversely affect Regis' financial performance. If Regis is involved in actual or threatened litigation or coronial enquiries, the cost of such actions may adversely affect Regis' financial performance and may also give rise to adverse publicity.

Employees may leave and Regis may not be able to attract new skilled and trained employees

Regis' business is dependent on its specialised health and aged care staff. There is a risk that Regis may not be able to maintain or expand an appropriately skilled and trained workforce that is able to meet the existing or future care needs of residents. If this type of risk was to eventuate, it may increase Regis' costs and reduce its profitability.

FUTURE DEVELOPMENTS

Further disclosure of information regarding likely developments in the operations of the group in future financial years and the expected results of those operations are likely to result in unreasonable prejudice to the group. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

INDEMNIFICATION OF AUDITORS

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

DIRECTORS MEETINGS

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

	DIRECTORS	AUDIT, RISK AND COMPLIANCE COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE
Number of Meetings held:	15	4	2
Number of Meetings attended:			
M Birrell	12	4	2
T Gerber	11	4	2
S Falzon	12	4	2
R Johnston	12	-	-
B Dorman	15	4	-
I Roberts	15	-	2
N Dorman	1	-	-
M Allan	3	-	-

- M Birrell, T Gerber and S Falzon were eligible to attend twelve directors meetings, four audit committee meetings and two remuneration committee meetings following their appointments in September 2014.
- N Dorman and M Allan were eligible to attend three directors meetings prior to their resignation as directors in September 2014.
- B Dorman was eligible to attend fifteen directors meetings and four audit committee meetings.
- I Roberts was eligible to attend fifteen directors meetings and two remuneration committee meetings.
- R Johnston was eligible to attend twelve directors meetings following his appointment in September 2014.
- Members of the Audit, Risk and Compliance Committee are M Birrell, T Gerber, S Falzon and B Dorman.
- Members of the Remuneration and Nomination Committee are M Birrell, T Gerber, S Falzon and I Roberts.

ROUNDING

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

OPTIONS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 48.

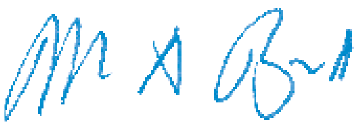
NON-AUDIT SERVICES

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
Investigating accountants' report and review of forecast for initial public offering	1,694
Tax compliance	142
Other services	43
	1,879

Signed in accordance with a resolution of the directors.



Mark A Birrell
Chairman

Melbourne, 28 August 2015

REMUNERATION REPORT

MESSAGE FROM THE CHAIRMAN OF THE REMUNERATION AND NOMINATION COMMITTEE

Dear Shareholders,

We are pleased to present you with the 2015 Remuneration Report.

2015 has been a successful year for Regis. This is highlighted by a number of key achievements, including:

- Successful listing on the Australian Securities Exchange (ASX) on 7 October 2014;
- Exceeding earnings before interest, tax, depreciation and amortisation (EBITDA) targets;
- Successful acquisition of Greenfield sites at Chelmer and Lutwyche;
- Successful acquisition of Tiwi and Redlynch facilities;
- Achieving a 20% reduction in our all injury frequency rate (AIFR) over the past year.

The success has been reflected in the share price which increased from $3.65 at the time of listing to $5.16 at 30 June 2015.

The Company's performance over the reporting period was strong, and the Board is focused on continuing to build and deliver value to shareholders, progress its growth plans and pursue opportunities. Having a robust remuneration and reward framework that supports and encourages sustainable growth, and motivates our people, is critical to the successful execution of our strategy.

To this end, the Remuneration and Nomination Committee and Board continued to refine the Company's remuneration framework during the year, having regard to advice from independent external advisors to ensure that the Company's arrangements remain fit for purpose and appropriately benchmarked.

In particular, new short-term and long-term incentive plans for Senior Executives were introduced upon Listing. These were designed to motivate and reward high performance, encourage the retention of our key Executives, and further align Executives with the long-term interests of shareholders. A year on from listing, the Remuneration and Nomination Committee and Board are reviewing the long-term incentive plan measures to ensure our senior people are motivated to achieve long-term sustainable growth for shareholders.

The 2015 short-term incentive (STI) outcomes resulted in the CEO receiving 90% of his target STI. Other Key Management Personnel (KMP) received between 85% and 115% of their target STI. Details of the performance measures, including outcomes, are included in section B(ii) of the report.

Our CEO, Ross Johnston, did not participate in the FY15 long-term incentive plan, as he was already participating in a legacy LTI plan put in place prior to listing that sufficiently motivated and aligned him with shareholders' long-term interests.

As this is the Company's first Remuneration Report as a listed entity, no comparative data is provided in the Report. Comparative information will be provided in future years to assist shareholders to understand the structure put in place by, and the performance of, the Company.

On behalf of the Committee, I commend the Report to you.

Sylvia Falzon
Chairman of the Remuneration and Nomination Committee

REMUNERATION REPORT – AUDITED

The directors of Regis Healthcare Limited present the Remuneration Report for the Company for the reporting period 1 July 2014 to 30 June 2015. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

The Remuneration Report includes details of the remuneration strategies for key management personnel ('**KMP**') of the Company. The KMP comprises the non-executive directors (NEDs), the executive director (CEO) and those persons with authority and responsibility for planning, directing and controlling the activities of the Company during the reporting year. The KMP, other than the non-executive directors, are referred to throughout this Remuneration Report as 'Senior Executives'.

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

NON-EXECUTIVE DIRECTORS (NEDS)

NAME	POSITION
Mark Birrell	Independent, Non-Executive Chairman (appointed 18 September 2014)
Bryan Dorman	Non-Executive Director
Sylvia Falzon	Independent Non-Executive Director (appointed 18 September 2014)
Trevor Gerber	Independent Non-Executive Director (appointed 18 September 2014)
Ian Roberts	Non-Executive Director
Mark Allan	Non-executive Director (resigned 18 September 2014)
Nicholas Dorman	Non-executive Director (resigned 18 September 2014)

SENIOR EXECUTIVES

NAME	POSITION
Ross Johnston	Managing Director and Chief Executive Officer ('**CEO**')
Michelle Baker	General Manager, Operations Queensland and New South Wales
Michael Horwood	General Manager, Property
Darren Lynch	General Manager, Development
Phillip Mackney	General Manager, Operations Victoria, South Australia, Western Australia and Northern Territory
Ian Smith	Chief Financial Officer (Resigned 7 July 2015, replaced by David Noonan appointed 26 May 2015, commenced 17 August 2015)

The Company's policy for determining the nature and amount of remuneration of NEDs and Senior Executives of the Company is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration;
B. Executive remuneration structure;
C. Non-Executive Director remuneration structure; and
D. Statutory remuneration disclosures.

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

I EXECUTIVE REMUNERATION

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

In line with good corporate governance practices, the Board ensures that the executive reward framework satisfies the following key criteria:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Alignment with shareholder interests;
- Transparency.

In consultation with external remuneration consultants – KPMG – the Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Company. The executive remuneration framework is:

a. Aligned to shareholders' interests by:
   - having economic profit as a core component of plan design;
   - focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price;
   - delivering consistent return on assets as well as focusing the executive on key non-financial drivers of value;
   - allowing Senior Executives to build ownership in the Company through vesting of performance rights into shares; and
   - attracting and retaining high calibre executives.

b. Aligned to Senior Executives' interests by:
   • rewarding capability and experience;
   • reflecting competitive reward for contribution to growth in shareholder wealth;
   • providing a clear structure for earning rewards; and
   • providing recognition for contribution to the success of the business.

II NON-EXECUTIVE DIRECTOR REMUNERATION

In order to maintain director independence, the remuneration of Non-Executive Directors is not linked to Company performance and is comprised solely of Directors' fees (including superannuation). In addition, the maximum aggregate amount available to remunerate Non-Executive Directors must be approved by shareholders.

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

- the level of fees paid to non-executive directors of other major Australian companies;
- the size and complexity of the Company's operations; and
- the responsibilities and work requirements of Board members.

III REMUNERATION GOVERNANCE FRAMEWORK

The Board has established a Remuneration and Nomination Committee which is responsible for remuneration and incentive policies and practices, as well as specific recommendations for approval by the Board on remuneration packages and other terms of employment/appointment (as applicable) for NEDs and Senior Executives. The Company's Corporate Governance Statement provides further information on the role of this Committee and can be found at http://www.regis.com.au/about-us/corporate-governance/cgs.

IV REMUNERATION CONSULTANTS AND OTHER ADVISORS

Prior to Listing and during the reporting period, KPMG were engaged to advise in relation to the remuneration of the Managing Director/CEO and Senior Executives.

The scope of the engagement included the provision of remuneration assistance as requested by the Board, including but not limited to, the provision of and commentary on market trends, assistance to the Board in any review of the remuneration framework and various incentive plans, review of the Remuneration Report, and assistance with stakeholder engagement.

The engagement of KPMG was based on an agreed set of protocols that would be followed by the consultant so that it would be able to carry out its work, including information capture and the formation of its recommendations, free from undue influence by members of the KMP to whom the recommendations may relate.

Under the engagement, KPMG reports to the Chair of the Remuneration and Nomination Committee.

The Board undertook its own inquiries and review of the processes and procedures followed by KPMG and is satisfied that their remuneration recommendations were made free from undue influence by members of the KMP about whom the recommendations may relate. In addition, KPMG has confirmed that, in its view, it was acting independently of management.

KPMG was paid $177,699 (2014: Nil) during the reporting period/year for their services which included work undertaken prior to, and post, IPO. No other advice was provided by KPMG during the period.

V COMPANY PERFORMANCE

The following table shows the Company's financial performance during the reporting period. Comparative numbers for the previous four financial years are not shown as this is the Company's first remuneration report as a listed entity.

KEY PERFORMANCE INDICATORS	FY2015 $'000
Revenue	437,484
Net profit before tax	78,086
Net profit after tax	57,514
Share price on Listing	$3.65
Share price at end of year	$5.16
Proposed Dividend per share	17.6 cents
Basic earnings per share	21.16 cents
Diluted earnings per share	21.15 cents

During this period:

- the Company has achieved an increase in revenue and net profits before tax; and
- the Company share price increased from $3.65 to $5.16.

B. EXECUTIVE REMUNERATION STRUCTURE

The Company's pay and reward framework for Senior Executives has three components:

I. Fixed pay, including superannuation;
II. Short-term performance incentives; and
III. Long-term performance incentives.

In addition, Senior Executives participate in Legacy incentive plans and IPO specific arrangements. The CEO's total remuneration structure differs from that of other Senior Executives as a result of his shares under the legacy Executive Option and Equity Plan for Senior Executives (known as 'legacy ESAS shares'). These shares were issued to recognise the CEO's performance from the date he commenced service with the Company until date of Listing. The shares are subject to a restriction period of up to 5 years post Listing and require the CEO to remain in employment at the relevant vesting date in order for the restriction to lift. Further details are set out on page 41 of this report.

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

		CEO	OTHER SENIOR EXECUTIVES	DISCUSSION IN REMUNERATION REPORT
Fixed remuneration	Salary	✔	✔	page 39
	Superannuation	✔	✔	page 39
	Other benefits (A)	✔	✔	page 39
At-risk remuneration	STI (cash)	✔	✔	page 41
	STI (performance rights)	✘	✔	page 39
	LTI (performance rights)	✘	✔	page 42
	Legacy LTI (cash)	✔	✔	page 43
	Legacy ESAS (shares)	✔	✘	page 43

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

The Board considers it is important to ensure an appropriate mix of fixed and variable remuneration for executive KMP. This provides appropriate motivation, reward and retention for executives and alignment with the long-term interests of shareholders. The variable remuneration includes a combination of short-term and long-term performance plans aligned to the creation of sustainable long-term value for shareholders. The Board considers a significant portion of the variable reward should be in equity.

The mix of fixed versus performance based remuneration that applied to the executive KMP in FY 2015. The table does not include the CEO's legacy ESAS Plan arrangements (described in section B(iii)(b), as these were established by the previous Board prior to Listing. The significant number of restricted shares held by the CEO as a result of this plan ensures that he is aligned with the long-term interests of shareholders. Further details of the legacy LTI arrangements for the CEO and other KMP are included on page 43 of this report.

	% OF TOTAL REMUNERATION		
	FIXED REMUNERATION	PERFORMANCE-BASED REMUNERATION	
		MAXIMUM STI OPPORTUNITY (A)	MAXIMUM LTI OPPORTUNITY (B)
Ross Johnston (C)	74.97%	19.13%	5.90% (D)
Michelle Baker	56.57%	19.89%	23.53%
Michael Horwood	62.06%	20.69%	17.25%
Darren Lynch	62.84%	20.63%	16.53%
Phillip Mackney	54.44%	22.89%	22.68%
Ian Smith	55.84%	22.42%	21.74%

(A) Assumes all applicable performance conditions are achieved in full.
(B) Assumes all applicable performance conditions are achieved in full.
(C) Excludes Legacy ESAS arrangements put in place prior to listing and which remain subject to escrow conditions for a period of up to 5 years post-Listing.
(D) This relates to the cash legacy LTI (see section B(iii)(a)) as the CEO does not currently participate in the post-listing LTI plan. In addition to this, as outlined in section B(iii)(b), the CEO also holds a significant number of restricted shares as part of the Legacy ESAS Plan, ensuring that he is sufficiently motivated and aligned with shareholders' long-term interests.

I FIXED PAY

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

- base salary
- superannuation
- other benefits, such as travel allowances.

Senior executives are offered a competitive fixed pay that is reviewed annually to ensure a Senior Executive's pay is competitive with the market and meets the responsibilities of the position. A Senior Executive's pay is also reviewed on promotion where applicable.

II SHORT-TERM INCENTIVES (STI)

The Remuneration and Nomination Committee is responsible for assessing whether the short-term target performance levels are met. Target performance levels for the initial grant were set shortly after listing. In future, target performance levels will be set at the beginning of the year and assessed annually.

STI bonus payments are adjusted up or down in line with under- or over-achievement against target performance levels.

What is the STI plan?	An annual incentive plan under which Senior Executives are eligible to receive an annual award if they satisfy challenging operational, strategic and individual performance targets. Senior Executives will be entitled to an STI award up to a maximum fixed percentage of their annual fixed remuneration (the maximum amount will differ between individuals, but does not exceed 50% of annual fixed remuneration).
What is the performance period	For the initial grant, the performance period was 7 October 2014 to 30 June 2015. Ongoing performance periods will be 12 months from 1 July – 30 June.
What are the performance conditions?	The 2015 STI award was subject to performance targets based on: Short-term financial measures • EBITDA • Occupancy. Short-term non-financial measures • workplace health and safety • ongoing compliance and accreditation • other role specific targets. If the Company does not meet both a threshold EBITDA target and an ongoing compliance and accreditation target, no STI award will be payable.
Why were the performance conditions chosen?	A combination of financial and non-financial performance conditions have been chosen because the Board believes that there should be a balance between short-term financial measures and more strategic non-financial measures which in the medium to longer term will support further growth.
How are the performance conditions assessed and why was this method chosen?	Following the end of the financial year, the Board will assess achievement against the performance targets, and determine the STI award to be made to Senior Executives (if any). The actual amount of any STI award is determined primarily based on achievement of pre-determined performance measurement criteria which are set at the beginning of each financial year. For the purpose of testing the Company's achievement of the EBITDA threshold, financial results are extracted by reference to the Company's audited financial statements. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Company. For non-financial and individual targets, the Board assesses the personal performance of the CEO against agreed performance measurement criteria and decides the level of STI that is appropriate. The CEO similarly assesses the non-financial and personal performance of the other Senior Executives and makes recommendations to the Remuneration and Nomination Committee and Board in relation to payment of any STI. The Remuneration and Nomination Committee review these recommendations and endorse the level of STI to be paid for Board approval.
How is the STI delivered?	For the CEO, STI will be delivered in cash as follows: • 66% of his STI award will be paid shortly after the release of the Company's FY15 audited results to the ASX; • 17% will be deferred for 12 months; and • the remaining 17% will be deferred for a further period of 12 months (i.e. 2 years in total). It is recognised that the CEO has a significant legacy LTI arrangement in place that is provided in the form of equity and ensures long-term alignment with shareholders. For other Senior Executives: • 66% of the STI payment will be paid in cash shortly after the release of the Company's FY15 audited results to the ASX; • 17% will be delivered by a grant of rights to acquire shares ('**Performance Rights**'), which will vest after a period of 12 months from the grant date; and • the remaining 17% will also be delivered by a grant of Performance Rights, which will vest after a period of 2 years from the grant date. All the deferred components will be subject to a continuous service condition.

Why does the Board consider the STI plan an appropriate incentive?	The STI plan is designed to motivate and reward high performance. It puts a significant proportion of Senior Executives' remuneration at-risk against targets linked to the Company's performance objectives, thereby aligning executives' interest with shareholders.
What happens on cessation of employment?	Where a Senior Executive is terminated for cause or resigns, all unvested Performance Rights will lapse, unless the Board determines otherwise. Any deferred cash relating to the CEO is forfeited. If a Senior Executive ceases employment for any other reason, unless the Board determines otherwise, a pro rata portion of unvested Performance Rights (calculated by reference to the portion of the Performance Period that has elapsed) will remain on foot subject to the original vesting conditions, and will vest or lapse in due course. The remainder of the Performance Rights will automatically lapse. A similar approach is taken in respect of the CEO's deferred STI.
Are there any restrictions on dealing?	A Senior Executive must not sell, transfer, encumber, hedge or otherwise deal with Performance Rights. Senior Executives will be free to deal with the shares allocated on vesting of the Performance Rights, subject to the requirements of the Company's Policy for Dealing in Securities.
What happens in the event of a change in control?	The Board has discretion to determine that vesting of some or all of a Senior Executive's Performance Rights should be accelerated. Where only some of the Performance Rights are vested, the remainder will immediately lapse.

STI OUTCOMES

The short-term incentive ('STI') plan aligns Company performance with executive remuneration because if the Company does not meet both a threshold Earnings Before Income Tax and Depreciation (EBITDA) target and an ongoing compliance and accreditation target, no STI award will be payable irrespective of performance against other performance hurdles. For the initial STI award, performance was measured from the date of Listing of the Company to 30 June 2015. The tables below outline performance against the STI performance measures and the percentage of STI paid. These awards were made following an assessment by the Board of each senior executive's achievement against their performance targets for FY15.

MEASURE	GATEWAY	WEIGHTING[1]	TARGET	RESULT
Statutory group EBITDA	✔	30%	103% of the Prospectus forecast	Target exceeded. Full vesting.
Occupancy	✘	20%	Available bed days budget	Target achieved. Partial vesting.
Workplace health and safety	✘	20%	Exceed AIFR target	Target exceeded full vesting.
Ongoing compliance and accreditation	✔	0%	All accreditation received, no compliances exceed timeframe for improvement (TFI)	Target achieved. Full vesting.
Other role-specific targets	✘	30%	CEO: Based on specific earnings growth measures per strategic plan. Other Senior Executives: Specific to role	CEO: Full vesting. Other Senior Executives: Achievement of between full and partial vesting.

1 Weighting of CEO's KPIs has been listed above. Each of the other Senior Executives had the same measures, although the weightings were adjusted for certain roles to reflect the relevant responsibilities.

Percentage of STI paid and forfeited for Senior Executives

SENIOR EXECUTIVE	TARGET STI[1] ($)	ACTUAL STI AWARDED[2] ($)	ACTUAL STI AWARDED AS % OF TARGET STI	% OF TARGET STI AWARD FORFEITED
Ross Johnston	146,400	131,760	90%	10%
Michelle Baker	96,185	86,566	90%	10%
Michael Horwood	96,185	81,757	85%	15%
Darren Lynch	96,185	110,613	115%	0%
Phillip Mackney	132,254	119,029	90%	10%
Ian Smith	156,300	-	0%	100%

1 The target STI is the full year target pro-rated for period from Listing to 30 June 2015. A listing bonus was also awarded to Senior Executives – see section (iii)(c).

2 Except for Ross Johnston who receives his total STI award in cash, 34% of any STI awarded to Senior Executives is delivered in the form of Performance Rights. The portion of the STI awards delivered in cash to Senior Executives will be paid by 11 September 2015. The Performance Rights, which make up the remaining portion of the STI, will be granted by 11 September 2015.

LONG-TERM INCENTIVES (LTI)

The Company established the Regis Healthcare Equity Incentive Plan (**'LTI Plan'**) upon Listing to assist in the motivation, retention and reward of Senior Executives. The LTI Plan is designed to further align the interests of Senior Executives with the interests of Shareholders by providing an opportunity for Senior Executives to receive an equity interest in the Company. LTI grants made under the LTI Plan will comprise Performance Rights. The incentive schemes did not involve any on-market security purchases in FY15.

Performance Rights are granted to key members of management of the Company who are invited by the Board to participate in the LTI Plan.

The key terms of the FY15 grant under the LTI Plan are as follows:

What is the LTI Plan?	An incentive plan under which Senior Executives are eligible to receive an award of Performance Rights that are linked to the achievement of targets related to the Company's medium to long-term performance.
Who participates in the LTI Plan?	Participation in the LTI Plan is only offered to Senior Executives who are able to influence generation of shareholder value and have a direct impact on the Company's performance. The CEO currently does not participate in the LTI Plan.
What proportion of total remuneration does the LTI represent?	The LTI entitlement of Senior Executives represents 30% – 40% of fixed annual remuneration.
What is the performance period?	The performance period of the LTI will generally be 3 years. The initial grant will be subject to a performance period commencing on the date of Listing of the Company and ending on 30 June 2017. The performance conditions must be satisfied in order for the Performance Rights to vest.
How is reward delivered under the LTI Plan?	Each Performance Right entitles the holder to acquire a share in the Company for nil consideration at the end of the performance period, subject to meeting specific performance conditions.
Do participants pay for the Performance Rights?	Performance Rights are issued for nil consideration. No exercise price is payable in respect of the Performance Rights.
What rights are attached to the Performance Rights?	The Performance Rights do not carry dividends or voting rights prior to vesting.
What are the performance conditions and why have they been chosen?	Performance Rights granted as part of the initial LTI offer will vest subject to the satisfaction of performance conditions. For the FY15 grant, Performance Rights will be subject to a performance condition based on the Company's FY17 EPS performance against its strategic plan. The percentage of Performance Rights that vest, if any, will be determined over the Performance Period by reference to the following vesting schedule: **FY17 EPS** — **% OF PERFORMANCE RIGHTS THAT VEST** Less than Target — nil Target — 50% Between Target and Stretch — 50–100%, on a straight-line sliding scale Stretch — 100% The EPS target and stretch levels will be disclosed at the time of vesting. Any Performance Rights that remain unvested at the end of the Performance Period will lapse immediately. The Board believes that an EPS performance condition: • as an absolute measure, provides Senior Executives with a performance target over which they can exert some control; • provides a 'line of sight' hurdle between the actions of Senior Executives and the Company's results; and is directly correlated with improved shareholder returns and creates alignment between Senior Executives' reward and shareholder interests. However, the Board is considering additional performance conditions for future grants of performance rights.
How is the EPS performance condition measured and why was this method chosen?	For the purpose of testing the achievement of the EPS performance condition, financial results are extracted by reference to the Company's audited financial statements. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Company. EPS is calculated using earnings on a pre-significant items (i.e. any unusual or material one-off items in the result) basis adjusted for the related income tax (benefit)/expense), and using the number of ordinary shares on issue at the effective date of grant and the number of ordinary shares on issue at the end of the relevant measurement period to calculate EPS. Assessment of achievement of the EPS performance condition will be determined by the Board.

What happens on cessation of employment?	If a Senior Executive ceases employment for cause or resigns, unless the Board determines otherwise, any unvested Performance Rights will automatically lapse. In all other circumstances, unless the Board determines otherwise: • a pro-rata portion of the Performance Rights (calculated by reference to the portion of the performance period that has elapsed up to the date of cessation) will remain on foot and will vest in due course if the performance conditions are achieved, as though the Senior Executive had not ceased employment; and • the remaining portion of the Performance Rights will automatically lapse.
Are there any restrictions on dealing?	A Senior Executive must not sell, transfer, encumber, hedge or otherwise deal with Performance Rights. The Senior Executive will be free to deal with the shares allocated on vesting of the Performance Rights, subject to the requirements of the Company's Policy for Dealing in Securities.
What happens in the event of a change in control?	The Board has discretion to determine that vesting of some or all of a Senior Executives Performance Rights should be accelerated. Where only some of the Performance Rights are vested, the remainder will immediately lapse.

III LEGACY INCENTIVE PLANS AND IPO SPECIFIC ARRANGEMENTS

As outlined in the prospectus prior to Listing, the Company had in place a number of STI and LTI arrangements with Senior Executives. Certain awards under the legacy cash LTI for the CEO and Senior Executives and the legacy ESAS LTI for the CEO remain on foot post Listing. Awards under these plans were approved by the previous Board and are described below.

a. Legacy cash LTI

Prior to Listing, Senior Executives (including the CEO) were awarded cash LTI grants for FY13, FY14 and FY15 (pro rata to Listing) under the Company's legacy LTI arrangements. The amount awarded to each Senior Executive under these cash LTI awards was determined prior to Listing based on the achievement of set performance targets with specific strategic, financial, leadership, people and operations metrics applicable to each Senior Executive.

The payment of these awards was deferred and is to be paid in three equal tranches over a three-year period, subject to a service condition. Details of each award are listed in the table below.

SENIOR EXECUTIVES	VESTING DATE	FY13 GRANT $	FY14 GRANT $	FY15 GRANT $
Ross Johnston	1-Jul-15	43,740	70,833	-
	1-Jul-16	43,740	70,833	20,000
	1-Jul-17	-	70,833	20,000
	1-Jul-18	-	-	20,000
Other Senior Executives (total)	1-Jul-15	117,730	145,073	-
	1-Jul-16	76,918	88,228	38,606
	1-Jul-17	76,918	88,228	24,170
	1-Jul-18	-	-	24,170

b. Legacy Fairway Investments Executive Option and Equity Plan for Senior Executives ('**Legacy ESAS Plan**') – CEO only

Prior to Listing, the Company established the Legacy ESAS Plan. The CEO is currently the only participant in the plan and there is no intention for any future grants to be made under the plan.

As at Listing, the CEO had 2,900,001 restricted shares under the Legacy ESAS Plan ('**Legacy ESAS Shares**'). The Legacy ESAS Shares outlined in the table below relate to services provided by the CEO for the 5 year period prior to IPO.

Legacy ESAS Shares have dividend and voting rights. Legacy ESAS Shares are subject to a holding lock of up to 5 years following grant. Legacy ESAS Shares will vest and be released from the holding lock as set out in the table below, subject to the CEO's continued employment with the Group as a Senior Executive on each of the relevant vesting dates:

VESTING DATE	% OF LEGACY ESAS SHARES TO VEST(B)
30 June 2015(A)	20%
30 June 2016	20%
30 June 2017	20%
30 June 2018	30%
30 June 2019	10%

(A) Legacy ESAS Shares are also subject to voluntary escrow arrangements entered into in connection with Listing. They will be released from these escrow arrangements following release of the FY15 audited accounts to the ASX.

(B) The minimum value of Legacy ESAS Shares is nil and the maximum value was $3,550,000. This was expensed by the Group in the prior financial year.

On vesting and subject to the release from escrow arrangements, the CEO will be free to deal with any Legacy ESAS Shares subject to the Company's Policy for Dealing in Securities.

Where there is a change of control of the Company, all Legacy ESAS Shares will vest and be released from the holding lock. In a situation where there is likely to be a change of control (such as a takeover bid for shares), the Board has the discretion to release some or all of the Legacy ESAS Shares from the holding lock earlier than otherwise agreed.

If the CEO ceases employment with the Group as a result of:

i. death, illness (including mental illness), serious disability or permanent incapacity through ill health as assessed by an independent health practitioner; or
ii. redundancy,

50% of the unvested Legacy ESAS Shares will remain on foot subject to the holding lock. The remaining Legacy ESAS Shares will be forfeited, unless the Board determines otherwise.

If the CEO's employment is terminated without cause, any unvested Legacy ESAS Shares will remain on foot subject to a holding lock and will vest on the dates set out above.

If the CEO ceases employment with the Group for any other reason, any unvested Legacy ESAS Shares will be forfeited, unless the Board determines otherwise.

c. One-off Listing Bonus

The Company paid a one-off cash bonus to a number of Senior Executives (other than Ross Johnston) on 21 October 2014, to reward their efforts in the Company achieving Listing (**Listing Bonus**). The Listing Bonus paid to Senior Executives is included in the table in section D of this report.

IV KEY TERMS OF EXECUTIVE SERVICE AGREEMENTS

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

Key terms of Executive Service Agreement for CEO

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

Key terms of Executive Service Agreements for other Senior Executives

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

C. NON-EXECUTIVE DIRECTOR REMUNERATION STRUCTURE

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board has also considered the advice of independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market.

I DIRECTORS' FEES

Under the Constitution, the Board may decide the remuneration that each Director is entitled to from the Company for his or her services as a Director. However, the total amount provided to all Non-Executive Directors for their services as Non-Executive Directors must not exceed, in aggregate in any financial year, the amount fixed by the Company in the general meeting. For the financial year ending 30 June 2015, the fees payable to the current Directors did not exceed that amount being $1.2 million in aggregate.

The annual Director fees currently agreed to be paid by the Company are $272,500 to the Chairman (inclusive of committee fees) and $110,000 to each other Non-Executive Director. In addition, the Chair of the Audit, Risk and Compliance Committee will be paid $30,000 per annum and members will be paid $20,000 per annum, and the Chair of the Remuneration and Nomination Committee will be paid $20,000 per annum and members will be paid $12,500 per annum.

Bryan Dorman and Ian Roberts waived their entitlement to any Director and Committee fees from the date of Listing until 30 June 2015. The Company has agreed to pay Bryan Dorman and Ian Roberts standard Director and Committee fees from 1 July 2015.

As outlined in the Prospectus, upon appointment to the Board, the newly appointed Non Executive Directors were entitled to acquire shares in the Company which were matched by the Company. Details of the matching shares granted by the Company are set out in the table in section D of this report. The matching plan was a one-off arrangement in place prior to IPO and has been discontinued since Listing.

Directors may be paid for travel and other expenses incurred in attending to the Company's affairs, including attending and returning from meetings of Directors or Committees or general meetings. Any Director who devotes special attention to the business of the Company or who performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company.

II RETIREMENT ALLOWANCES FOR DIRECTORS

Non-Executive Directors do not participate in any performance based share or option incentive plans and there are no retirement schemes or retirement benefits other than statutory benefits for Non-Executive Directors.

D STATUTORY REMUNERATION DISCLOSURES

I SENIOR EXECUTIVE REMUNERATION – STATUTORY DISCLOSURES

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

		SHORT TERM BENEFITS			POST EMPLOYMENT	OTHER LONG-TERM BENEFITS		SHARE-BASED PAYMENTS		
NAME	ROLE	SALARY & FEES	NON-MONETARY BENEFITS(A)	STI-CASH BONUS(B)	SUPER-ANNUATION	LONG SERVICE LEAVE	LEGACY CASH LTI	PERFORMANCE RIGHTS GRANTED UNDER STI & LTI PLANS	SHARES	TOTAL
		$	$	$	$	$	$	$	$	$
Non-Executive Directors										
Mark Birrell	Chairman	250,053	-	-	23,755	-	-	-	75,000	348,808
Bryan Dorman	NED	-	-	-	-	-	-	-	-	-
Sylvia Falzon	NED	132,596	-	-	12,597	-	-	-	40,000	185,193
Trevor Gerber	NED	134,387	-	-	12,767	-	-	-	40,000	187,154
Ian Roberts	NED	-	-	-	-	-	-	-	-	-
Sub-Total Non-Executive Directors		**517,036**	**-**	**-**	**49,119**	**-**	**-**	**-**	**155,000**	**721,155**
Executive Directors										
Ross Johnston	MD/CEO	712,594	-	157,048	18,171	12,332	48,000	-	-	948,145
Executives										
Michelle Baker	GM Operations, QLD & NSW	279,451	-	84,902	27,009	5,032	10,246	46,945	-	453,585
Michael Horwood	GM Property	292,586	-	158,818	24,888	5,297	25,669	38,109	-	545,367
Darren Lynch	GM Development	314,853	-	240,443	29,388	5,305	9,842	41,071	-	640,902
Phillip Mackney	GM Operations, Vic, SA & WA	322,680	-	141,208	25,096	5,977	25,243	55,803	-	576,007
Ian Smith	CFO	417,486	-	318,850	6,618	6,870	-	-	-	749,824
Sub-Total Executives		**2,339,650**	**-**	**1,101,269**	**131,170**	**40,813**	**119,000**	**181,928**	**-**	**3,913,830**
Former Non-Executive Directors										
Mark Allan	NED	-	-	-	-	-	-	-	-	-
Nicholas Dorman(C)	NED	33,825	-	-	-	-	-	-	-	33,825
Sub-Total Former Non-Executive Directors		**33,825**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**33,825**
Total Compensation		**2,890,511**	**-**	**1,101,269**	**180,289**	**40,813**	**119,000**	**181,928**	**155,000**	**4,668,810**

A. The amounts disclosed as non-monetary benefits relate to car spaces, professional fees and other similar items.
B. Includes one-off Listing Bonus, FY15 STI cash awards and legacy STI cash awards.
The value of rights granted to the Senior Executives is based on the offer price at the listing date, as this was the most recent and indicative price relevant to the grant date.
C. Includes IPO consulting fees paid to ARFFAM Pty Ltd consulting company owned by Nicholas Dorman.

II PERFORMANCE RIGHTS HELD BY SENIOR EXECUTIVES

NAME	GRANT DATE	VESTING DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	CANCELLED DURING THE YEAR	FAIR VALUE PER RIGHT AT GRANT DATE	AGGREGATE FAIR VALUE
					NO.		$	$
Michelle Baker	30-Oct-14	30-Jun-17	30-Jun-17	-	26,236	-	3.65	95,760
Michael Horwood	30-Oct-14	30-Jun-17	30-Jun-17	-	19,677	-	3.65	71,820
Darren Lynch	30-Oct-14	30-Jun-17	30-Jun-17	-	19,677	-	3.65	71,820
Phillip Mackney	30-Oct-14	30-Jun-17	30-Jun-17	-	28,859	-	3.65	105,336
Ian Smith	30-Oct-14	30-Jun-17	30-Jun-17	-	34,106	34,106	3.65	-
Total					**128,555**	**34,106**		**344,736**

Rights are granted over ordinary shares and nil is payable on exercise.

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

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.

NAME	GRANT DATE	OPENING BALANCE	GRANTED (NUMBER)	GRANTED (VALUE)[(A)]	VESTED (NUMBER)	VESTED (VALUE)	LAPSED (NUMBER)	LAPSED (VALUE)	CLOSING BALANCE
				$		$		$	NO.
Ross Johnston	N/A	-	-	-	-	-	-	-	-
Michelle Baker	30-Oct-14	-	26,236	95,760	-	-	-	-	26,236
Michael Horwood	30-Oct-14	-	19,677	71,820	-	-	-	-	19,677
Darren Lynch	30-Oct-14	-	19,677	71,820	-	-	-	-	19,677
Phillip Mackney	30-Oct-14	-	28,859	105,336	-	-	-	-	28,859
Ian Smith	30-Oct-14	-	34,106	124,487	-	-	(34,106)	(124,487)	-

(A) The value of Performance Rights granted in the year is based on the offer price at the listing date, as this was the most recent and indicative price relevant to the grant date.

IV KMP SHAREHOLDINGS

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

	NUMBER OF SHARES					
	HELD AT 1 JULY 2014	HELD AT LISTING DATE	RECEIVED ON VESTING OF LTI	RECEIVED AS REMUNERATION	OTHER NET CHANGE	HELD AT 30 JUNE 2015
Non-executive Directors						
Mark Birrell	-	41,096	-	-	-	41,096
Bryan Dorman	-	81,910,479	-	-	-	81,910,479
Sylvia Falzon	-	27,397	-	-	-	27,397
Trevor Gerber	-	41,096	-	-	-	41,096
Ian Roberts	-	81,910,479	-	-	-	81,910,479
Senior Executives						
Ross Johnston	-	3,388,537	-	-	-	3,388,537
Michelle Baker	-	-	-	-	-	-
Michael Horwood	-	-	-	-	-	-
Darren Lynch	-	-	-	-	-	-
Phillip Mackney	-	-	-	-	4,306	4,306
Ian Smith	-	-	-	-	-	-
Former Non-executive Directors(A)						
Mark Allan	-	-	-	-	-	-
Nicholas Dorman	-	-	-	-	-	-

(A) The balance disclosed for these directors is as at 18 September 2014, their date of resignation.

V MATERIAL TRANSACTIONS WITH THE COMPANY

No Director or other KMP has entered into a material contract with the Company or a subsidiary during the reporting period.

VI LOANS WITH THE COMPANY

No Director or other KMP has entered into a loan made, guaranteed or secured, directly or indirectly, by the Company during the reporting period.

End of Audited Remuneration Report.

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

In relation to our audit of the financial report of Regis Healthcare Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Glenn Carmody
Partner
Melbourne

28 August 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	NOTES	2015 $'000	2014 $'000
Revenue	5	437,484	409,543
State Revenue Office Victoria recovery	26	19,457	-
Other income	5	4,262	4,792
Rent		(1,038)	(948)
Employee benefits expense		(240,494)	(229,020)
Payroll tax expense		(11,113)	(10,351)
Other staff costs		(3,994)	(3,889)
Agency expenses		(4,763)	(4,526)
Catering expenses		(13,000)	(12,064)
Professional services		(4,504)	(4,814)
Insurance		(5,296)	(7,504)
Repairs and maintenance		(6,076)	(5,222)
Advertising & marketing		(1,425)	(1,177)
External contracts		(22,145)	(19,276)
Depreciation	6	(18,914)	(17,342)
Minor equipment		(1,809)	(1,746)
Rates and utilities		(11,579)	(11,327)
Travel and accommodation expenses		(2,065)	(1,619)
Impairment of intangible assets	15	-	(2,000)
Stamp duty provision costs		-	(16,984)
Other expenses		(19,811)	(16,323)
Profit before income tax and finance costs		93,177	48,203
Finance costs	6	(15,091)	(22,575)
Profit before income tax		78,086	25,628
Income tax expense	7	(20,572)	(24,580)
Profit for the year		57,514	1,048
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Reversal of prior period revaluations, net of tax	14(b)	(20,460)	-
Other comprehensive income, net of income tax		(20,460)	-
Total comprehensive income for the year		37,054	1,048
Total comprehensive income attributable to:			
Owners of the parent		37,054	1,048
Earnings per share		**cents**	**cents**
Earnings per share for the period attributable to ordinary equity holders of the Parent			
Basic	32	21.16	0.37
Diluted	32	21.15	0.37

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	NOTES	2015 $'000	2014 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	60,917	40,341
Trade and other receivables	10	20,864	3,797
Inventories	11	519	470
Other current assets	12	18,223	2,774
Total Current Assets		100,523	47,382
Non-Current Assets			
Property, plant and equipment	14	624,118	579,159
Deferred tax assets	7	20,440	17,362
Intangible assets	15	247,701	237,163
Total Non-Current Assets		892,259	833,684
TOTAL ASSETS		992,782	881,066
LIABILITIES			
Current Liabilities			
Trade and other payables	16	29,671	32,601
Provisions	17	35,843	30,500
Derivative financial instrument	20	-	4,612
Income tax payable	7	5,989	10,506
Other financial liabilities	19	704,615	630,713
Total Current Liabilities		776,118	708,932
Non-Current Liabilities			
Trade and other payables	16	-	35,935
Interest-bearing loans and borrowings	18	-	345,174
Deferred tax liabilities	7	2,765	11,197
Provisions	17	4,678	4,131
Total Non-Current Liabilities		7,443	396,437
TOTAL LIABILITIES		783,561	1,105,369
NET ASSETS		209,221	(224,303)
EQUITY			
Issued Capital	21	272,171	(124,123)
Retained earnings/(accumulated losses)		34,821	(32,326)
Reserves	22	(97,771)	(67,854)
TOTAL EQUITY		209,221	(224,303)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	ISSUED CAPITAL	RETAINED EARNINGS/ (ACCUMULATED LOSSES)	ASSET REVALUATION RESERVE	REMUNERATION RESERVE	ACQUISITION RESERVE	TOTAL EQUITY
	$'000	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED GROUP						
At 1 July 2013	59	(23,425)	30,093	-	(99,424)	(92,697)
Profit for the year	-	1,048	-	-	-	1,048
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	1,048	-	-	-	1,048
Transactions with owners in their capacity as owners:						
Shares bought back during the year	(133,775)	(9,949)	-	-	(2,073)	(145,797)
Repayment of employee share scheme loans	9,593	-	-	-	-	9,593
Dividends paid or provided for	-	-	-	-	-	-
Total transactions with owners	(124,182)	(9,949)	-	-	(2,073)	(136,204)
Other						
Equity settled share based payment expense	-	-	-	3,550	-	3,550
At 30 June 2014	(124,123)	(32,326)	30,093	3,550	(101,497)	(224,303)
At 1 July 2014	(124,123)	(32,326)	30,093	3,550	(101,497)	(224,303)
Profit for the year	-	57,514	-	-	-	57,514
Other comprehensive income	-	-	(20,460)	-	-	(20,460)
Total comprehensive income for the year	-	57,514	(20,460)	-	-	37,054
Transactions with owners in their capacity as owners:						
Issue of shares	409,852	-	-	-	-	409,852
Share issue and share buyback costs, net of tax	(13,558)	-	-	-	-	(13,558)
Dividends paid or provided for	-	-	-	-	-	-
Total transactions with owners	396,294	-	-	-	-	396,294
Other						
Equity settled share based payment expense	-	-	-	176	-	176
Transfer from Asset Revaluation Reserve to Retained Earnings	-	9,633	(9,633)	-	-	-
At 30 June 2015	272,171	34,821	-	3,726	(101,497)	209,221

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	NOTES	CONSOLIDATED GROUP	
		2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from residents and government subsidies		427,468	408,894
Payments to suppliers and employees		(351,432)	(319,103)
Interest received		1,600	978
Finance costs		(5,659)	(22,575)
RAD, accommodation bond and ILU entry contribution inflows		258,997	225,525
RAD, accommodation bond and ILU entry contribution outflows		(185,356)	(155,056)
Income tax paid		(18,189)	(3,882)
Net cash flows from operating activities	9(a)	127,429	134,781
Cash flows from investing activities			
Proceeds of sale of property, plant and equipment		3,421	10,724
Purchase of property, plant and equipment		(61,538)	(28,200)
Purchase of businesses		(29,876)	-
Advance payment on business purchase		(15,769)	-
Net cash flows used in investing activities		(103,762)	(17,476)
Cash flows from financing activities			
Proceeds from bank borrowings		-	170,000
Repayment of bank debt		(333,000)	(97,000)
Payout interest rate swap derivative		(4,504)	-
Proceeds from issue of shares		409,852	-
Share issue transaction costs		(21,044)	-
Refund of Stamp duty on share buy back		1,540	-
Proceeds of loan from director and shareholder related entities		-	45,527
Repayment of loan from director and shareholder related entities		(35,935)	(102,817)
Buy back of ordinary shares		-	(145,797)
Buy-back of special shares		(20,000)	-
Dividend paid on ordinary shares		-	-
Proceeds of repayment of employee share scheme loans		-	1,605
Net cash flows used in financing activities		(3,091)	(128,482)
Net increase/(decrease) in cash held		20,576	(11,177)
Cash at the beginning of the year		40,341	51,518
Cash at the end of the year	9(b)	60,917	40,341

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1

CORPORATE INFORMATION

The consolidated financial statements of Regis Healthcare Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Directors on 28 August 2015.

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

Regis was formed in the early 1990s by Bryan Dorman and Ian Roberts. In July 2007, Regis, which was held by Paragon Group Investments Pty Ltd (Paragon) and its operating subsidiaries, including Regis Group Proprietary Limited (RGPL) merged with Retirement Care Australia Holdings Pty Ltd (RCA). Just prior to the merger, Regis consisted of a portfolio of 18 facilities. RCA was a private company that was then owned by the ASX listed Macquarie Capital Alliance Group (MCAG). In 2005, MCAG bought a portfolio of aged care facilities from the Salvation Army and a portfolio of 12 facilities from the Moran Group. MCAG aggregated these two portfolios under RCA and in 2007 MCAG merged its investment in RCA into the existing Regis portfolio and became a 46% owner of the combined portfolio, as a result of that transaction. The portfolios were merged under Regis Aged Care Pty Ltd, which acquired Paragon and RCA. In January 2014 MCAG exited its investment in Regis via a buy-back of its shares in Regis.

The amount of the issued and paid up equity in these consolidated financial statements is the issued equity of the legal subsidiary, Paragon Group Investments Proprietary Ltd, immediately before the July 2007 merger plus subsequent issues and buy-backs of shares by the legal parent, Regis Healthcare Limited. However, the equity structure (i.e. the number and type of equity instruments issued) reflects the equity structure of the legal parent, including the shares issued by the legal parent to effect the merger.

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 13 and information on other related party relationships is provided in Note 25.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.1 BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on an historical cost basis, except derivative financial instruments and liability under special shares which have been measured at fair value (note these relate to comparative figures only).

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

2.2 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.

2.3 GOING CONCERN

The financial report has been prepared on a going concern basis. The Company is in a net current asset deficiency position. This deficiency arises because refundable accommodation deposits (RADs), accommodation bonds and independent living unit (ILU) 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 raised significant funds through an IPO during the current financial year which has resulted in an elimination of debt and the Group no longer being in a net asset deficiency position. In addition, the Group has positive operating cash flow and has access to substantial undrawn credit facilities.

2.4 CHANGES IN ACCOUNTING POLICIES, NEW AND AMENDED STANDARDS AND DISCLOSURES

(I) CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014:

- AASB 2012-3 *Amendments to Australian Accounting Standards* – Offsetting Financial Assets and Financial Liabilities
- Interpretation 21 Levies
- AASB 2013-4 *Amendments to Australian Accounting Standards* – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]
- AASB 2014 -1 *Amendments to Australian Accounting Standards* – Part A Annual improvements to IFRSs 2010-2012 cycle
- AASB 2014-1 *Amendments to Australian Accounting Standards* – Part A Annual improvements to IFRSs 2011-2013 cycle
- AASB 1031 *Materiality*
- AASB 2013-9 *Amendments to Australian Accounting Standards* – Conceptual Framework, Materiality and Financial Instruments
- AASB 2014-2 *Amendments to AASB 1053* – Transition to and between Tiers, and related Tier 2 Disclosure Requirements

The Group applied for the first time, certain standards and amendments during 2015 which include AASB 2012-3 *Amendments to Australian Accounting Standards* – Offsetting Financial Assets and Financial Liabilities, AASB 2013-4 *Amendments to Australian Accounting Standards* – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139], AASB 1031 *Materiality* and AASB 2014-2 *Amendments to AASB 1053* – Transition to and between Tiers, and related Tier 2 Disclosure Requirements. Other amendments also apply for the first time in 2015, however, they do not impact the annual consolidated financial statements of the Group.

The application of these new standards and amendments did not materially impact the consolidated financial statements of the Group. The Group has also made the following amendments to existing accounting policies during the year:

(i) For the purposes of impairment analysis the Group has revised the assessment of a Cash Generating Unit (CGU) from a facility level to a State level.

(ii) The Group has also revised the policy for accounting for land and buildings. Historically, land and buildings have been accounted for at fair value, however, in the current year this policy has been revised to carry land and buildings at historical cost less accumulated depreciation. For details on the current year financial impact refer to Notes 14 and 22.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(II) ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Australian Accounting Standards and Interpretations relevant to the Group that have recently been issued or amended, but are not yet effective, and have not been adopted by the Company for the annual reporting period ending 30 June 2015, are outlined in the table below:

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD *	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP *
AASB 9	Financial Instruments	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.	1 January 2018	The Group does not apply hedge accounting (it has no exposure to foreign exchange or commodity price risk). The only derivatives the Group has used in the past are interest rate swaps to hedge exposure to interest rate risk. These have been marked-to-market with changes in the mark-to-market taken to the profit and loss account. Accordingly the changes relating to hedge accounting will not impact the Group.	1 July 2018
		Classification and Measurement AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below.			
		Financial assets (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.		The group has no financial assets that are debt instruments so there will be no impact.	

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD *	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP *
		Financial liabilities Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss. AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.		Nil as the fair value option is not used for financial liabilities.	
		Impairment The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.		The Group has not yet determined the extent of the impact of these amendments if any.	
		Hedge accounting Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in December 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning after 1 January 2015.		The Group has not yet determined the extent of the impact of these amendments if any.	

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD *	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP *
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 2014-3 amends AASB 11 Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. This Standard also makes an editorial correction to AASB 11.	1 January 2016	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD *	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP *
AASB 15	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2017	The Group's preliminary assessment is that the current method of recognising revenue will not be impacted by the new standard.	1 July 2017
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 Separate Financial Statements, and consequentially amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127. Early adoption is permitted.	1 January 2016	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2014-10 permits early adoption.	1 January 2016	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD *	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP *
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 Non-current Assets Held for Sale and Discontinued Operations: • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27-29 to account for this change. AASB 7 Financial Instruments: Disclosures: • Servicing contracts – clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E-42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements – clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. AASB 119 Employee Benefits • Discount Rate: regional market issue – clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 Interim Financial Reporting: • Disclosure of information 'elsewhere in the interim financial report' – amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.	1 January 2016	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD *	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP *
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	The Group does not anticipate this amendment to materially affect the financial report.	1 July 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	The Group does not anticipate this amendment to materially affect the financial report.	1 July 2015

* Designates the beginning of the application annual reporting period unless otherwise stated.
** These IFRS amendments have not yet been adopted by the AASB. In order to claim compliance with IFRS, these amendments should be noted in the financial statements.

2.5 SIGNIFICANT ACCOUNTING POLICIES

(I) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Regis Healthcare Limited and its subsidiaries as at and for the year ended 30 June each year (the Group). Refer Note 1 for the impact of the reverse acquisition.

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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(II) CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed within a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is current when:

- It is expected to be settled within a normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(III) PROPERTY, PLANT AND EQUIPMENT

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

Following initial recognition at cost, land and buildings have historically been carried at fair value less accumulated depreciation on buildings and accumulated impairment losses. The Group has revised the accounting policy in the current year and land and buildings are now held at historical cost less accumulated depreciation. Refer to Notes 14 and 22 for the financial impact of this change in accounting policy in the current year.

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

Buildings – 55 years

Plant and equipment – between 3 to 10 years

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

The Group re-assessed the useful life of the buildings during the previous year, increasing the useful life from 50 years to 55 years. Plant and equipment were also re-assessed, however, the useful lives remained within the previously reported life of 3–10 years. The re-assessment of useful life had an impact of reducing depreciation expense in the prior year by $6.5m.

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 statement of comprehensive income when the item is derecognised.

(IV) FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or 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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(V) BORROWING COSTS

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

(VI) INTANGIBLE ASSETS

Bed Licences

Bed licences for aged care facilities are measured at historical cost or fair value on acquisition, less any accumulated impairment losses.

Bed licences 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.

In accordance with the requirements of AASB 136 *Impairment of Assets*, the recoverable amount of bed licences is assessed each year, to ensure that the carrying amount is not valued in excess of the recoverable amount. This test is performed at the cash generating unit (CGU) level.

(VII) IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, or when annual impairment testing of an assets is required, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs of disposal and value in use of an asset or cash generating unit (CGU). The Group has determined that each State where the Group operates represents a CGU.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior year. Such reversal is recognised in the statement of profit or loss.

(VIII) INVENTORIES

Inventories are valued at cost based on year to date expenditure for the following items:

- Food – 7 days
- Continence Supplies – 14 days
- Medical supplies and toiletries – 30 days

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(IX) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(X) DERIVATIVES

Prior to the repayment of the Group's bank debt in October 2014 the Group used derivative financial instruments to hedge its risks associated with interest rate fluctuations. Where used, derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value.

The fair values of interest rate swap contracts are determined by reference to market values for similar instruments and any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit and loss for the year.

(XI) FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1. FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs or finance income in the statement of profit or loss.

Loans and receivables

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

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate less impairment. The effective interest rate amortisation is included in the finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans or other operating expenses for receivables.

The Group does not hold any Held-to-maturity investments or Available-for-sale (AFS) financial investments.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2. FINANCIAL LIABILITIES

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied. The Group has designated its interest rate swap as a financial liability at fair value through profit or loss.

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

De-recognition
A financial liability is de-recognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3. OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(XII) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(XIII) LEASES

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(XIV) REVENUE RECOGNITION

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

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

Interest income
Interest income is recorded using the effective interest rate method.

Deferred revenue
Cash received in advance and goods and services invoiced in advance in relation to unearned income are recognised as deferred revenue.

All revenue is stated net of the amount of GST.

(XV) GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(XVI) TAXES

Current income tax
Current income tax assets and liabilities for the current period 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 in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of 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 income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:
- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax assets and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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. Regis Healthcare Limited is the head entity of the tax consolidated group. All members of the group have entered into a tax funding arrangement therefore the income tax expense of the consolidated group is borne by each respective member of the consolidated group on a stand-alone notional basis.

TAX EFFECT ACCOUNTING BY MEMBERS OF THE TAX CONSOLIDATED GROUP

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied The Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the group is based on the group allocation. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Other taxes

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 statement of financial position.

Cash flows are included in the 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office.

(XVII) TRADE AND OTHER PAYABLES

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(XVIII) ISSUED CAPITAL

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

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

(XIX) EMPLOYEE BENEFITS

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. In determining the present value of future cash outflows, the market yield as at the reporting date on high quality corporate bonds, which have terms to maturity approximating the terms of the related liability, are used.

(XX) SHARE-BASED PAYMENTS

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions), or are granted share appreciation rights, which are settled in cash (cash-settled transactions).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital 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 statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and 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.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transactions, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense.

(XXI) 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 administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. When the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognised.

(XXII) DIVIDENDS

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

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

(XXIII) OPERATING CASH FLOW

Inflows and outflows of refundable accommodation deposits (RADs) and ILU entry contributions are classified as cash flows from operating activities in the cash flow statement as it is considered part of the operational business model.

NOTE 3

SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Management bases its judgements and estimates on historical experience and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and from within the Group.

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 judgements in applying accounting policies that have the most significant effect on the income and expenses and asset and liability amounts recognised in the financial statements are described in the following notes:

- Note 7 – Income tax: availability of future taxable profit to support deferred tax assets
- Note 14 – Property plant & equipment: useful life assessment and key assumptions underlying recoverable amount of land & buildings
- Note 15 – Intangible assets: key assumptions underlying recoverable amounts
- Note 28 – Share-based payments: determination of valuation model and assumptions about achievement of performance hurdles.

NOTE 4

FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial liabilities comprise of trade and other payables, refundable accommodation deposits (RADs) and Independent living unit (ILU) contributions which are held mainly to finance the Group's operations. In the prior year bank loans were a principal financial liability, however, this debt has been settled in the current financial year. The Group's principal financial assets includes trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group is exposed to market risk, credit risk and liquidity risk. Primary responsibility to review, oversee and report to the Board on the Group's risk management systems and strategies rests with the Audit, Risk & Compliance Committee operating within an approved policy under the authority of the Board. The Group uses various methods to measure and manage different types of risks to which it is exposed. The Board ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives which have been agreed upon by the Board. These are summarised below.

MARKET RISK

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

INTEREST RATE RISK

The Group's exposure to interest rate risk primarily relates to the Group's bank debt when drawn. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. When bank debt is drawn, the Group reviews its bank borrowings on a monthly basis and monitors its position in respect of fixing interest rates, leaving them as floating rates or a combination of both. The Group constantly monitors and analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing options and the mix of fixed and variable interest rates. The Group seeks to manage its finance costs by assessing and, where appropriate, utilising a mix of fixed and variable rate debt. Borrowings at fixed rates are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes.

RISK EXPOSURE AND RESPONSES

INTEREST RATE RISK

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:

NOTE 4 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES CONTINUED

The details of debt are disclosed in Note 18 to the financial statements.

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATES 2015 %	WEIGHTED AVERAGE EFFECTIVE INTEREST RATES 2014 %	FIXED OR FLOATING
Cash and liquid assets	2.00	2.50	Floating
Bank loans	5.11	5.12	Floating
Bank loans	3.91	3.91	Fixed

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:

	2015 $'000	2014 $'000
Financial Assets		
Cash and cash equivalents	60,827	40,256
	60,827	40,256
Financial Liabilities		
Derivative financial instrument	-	(4,612)
Bank debt	-	(93,000)
	-	(97,612)
Net exposure	60,827	(57,356)

At 30 June 2015, 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:	PRE TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Consolidated				
+1% (100 basis points)	426	(401)	426	(401)
-1% (100 basis points)	(426)	401	(426)	401

PRICE RISK

The Group's exposure to price risk primarily relates to the risk that the Government, through the Department, alters the rate of funding provided to Approved Providers of residential aged care services. As Government funding represents approximately 68% of the Groups' revenue, a fluctuation in the rate of Government funding may have a direct material impact on the revenue of the Group. In addition, the Department also regulates the pricing of Resident contributions. While the Group is not able to influence Government policy directly, it, and members of its senior management team, participate in aged care industry public awareness discussions and in aged care industry dialogue with the Department of Social Services and Government about proposals for changes to legislation for the aged care industry.

CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the asset. The Group does not hold any credit derivatives to offset its credit exposure.

Approximately 68% of the current year revenue of the Group is obtained through Commonwealth Government funding by way of payments for residential aged care residents. This funding is maintained for providers as long as they continue to comply with Accreditation standards and other requirements of the *Aged Care Act 1997*. Non-compliance with Accreditation standards can lead to possible sanctions being imposed on the Group including funding cuts. In order to manage this risk, the Group has a dedicated Compliance Division in place to ensure that the Company complies with the Accreditation standards and other requirements of the *Aged Care Act 1997* at all times.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

ECONOMIC MARKET CONDITION RISK

The Group receives Refundable Accommodation Deposits (RADS) and Daily Accommodation Payments (DAPs) and receipt may be delayed or impacted by the state of the residential market in Australia.

NOTE 4 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES CONTINUED

FAIR VALUE RISK

When bank debt is drawn down, the Group may enter into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations.

The Group uses various methods in estimating the fair value of assets and liabilities held at fair value. These methods comprise:

Level 2 – The fair value is estimated using inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The derivative financial instrument, loans and borrowings and accommodation bonds falls within this method of determining fair value.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Land and buildings fell within this method of determining fair value in the prior year.

The Group does not have any assets or liabilities in the current year that are measured at fair value using the Level 1 or Level 3 hierarchy.

Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 30 June 2015 was assessed to be insignificant.

FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities. Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 30 June 2015:

			FAIR VALUE MEASUREMENT USING		
	DATE OF VALUATION	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
		$'000	$'000	$'000	$'000
Liabilities for which fair values are disclosed:					
Interest-bearing liabilities:					
Refundable accommodation deposits (RADS) and ILU entry contributions	30 June 2015	704,615	-	704,615	-

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 30 June 2014:

			FAIR VALUE MEASUREMENT USING		
	DATE OF VALUATION	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
		$'000	$'000	$'000	$'000
Assets for which fair values are recognised:					
Land and buildings	30 June 2014	494,259	-	-	494,259
There have been no transfers between Level 1 and Level 2 during the period.					
(1) Land and buildings are externally valued on a rotational basis every 3 years.					
Liabilities measured at fair value:					
Derivative financial instrument	30 June 2014	4,612	-	4,612	-
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings					
Floating rate borrowings	30 June 2014	93,000	-	93,000	-
Fixed rate borrowings	30 June 2014	240,000	-	240,000	-
Refundable accommodation deposits (RADS) and ILU entry contributions	30 June 2014	630,713	-	630,713	-

There have been no transfers between Level 1 and Level 2 during the period.

NOTE 4 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES CONTINUED

FAIR VALUES

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair value.

	CARRYING AMOUNT		FAIR VALUE	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Financial Liabilities				
Director-related entity loans	-	35,935	-	35,646
Liability under special shares	-	12,174	-	20,000

Management have assessed that cash, other current assets, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Director-related entity loans:
Fair value of these loans was determined by using DCF method using a discount rate that is representative over the timeframe over which the loan is expected to settle. The carrying amounts were not materially different from their calculated fair values.

Liability under special shares:
Fair value of these special shares was estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these special shares.

LIQUIDITY RISK

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

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2015. 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 2015.

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.

NOTE 4 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES CONTINUED

Maturity analysis of financial assets and liabilities are as follows:

	1 – 12 MONTHS $'000	1 – 5 YEARS $'000	>5 YEARS $'000	TOTAL $'000
Year ended 30 June 2015				
Financial assets				
Cash and cash equivalents	60,917	-	-	60,917
Trade and other receivables	20,864	-	-	20,864
Other current assets	1,596	-	-	1,596
	83,377	-	-	83,377
Financial liabilities				
Trade and other payables	(29,671)	-	-	(29,671)
Refundable accommodation deposits (RADS) and ILU entry contributions	(704,615)	-	-	(704,615)
	(734,286)	-	-	(734,286)
Net maturity	(650,909)	-	-	(650,909)
Year ended 30 June 2014				
Financial assets				
Cash and cash equivalents	40,341	-	-	40,341
Trade and other receivables	3,797	-	-	3,797
Other current assets	698	-	-	698
	44,836	-	-	44,836
Financial liabilities				
Trade and other payables	(32,601)	-	-	(32,601)
Derivative financial instrument	(4,612)	-	-	(4,612)
Interest bearing loans and borrowings	-	(345,174)	-	(345,174)
Refundable accommodation deposits (RADS) and ILU entry contributions	(630,713)	-	-	(630,713)
	(667,926)	(345,174)	-	(1,013,100)
Net maturity	(623,090)	(345,174)	-	(968,264)

(a) Cash flows from refundable accommodation deposits (RADS) and ILU entry contributions are not expected to result in a net outflow because historically, as RADs/bonds have settled, they have generally been replaced by new bonds of similar or greater amounts. This trend is expected to continue (with RADS replacing accommodation bonds from 1 July 2014). Refer to Note 19 for further discussion relating to RADS and accommodation bonds.

The Group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

At reporting date, the Group had available $90m of unused credit facilities.

CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2015 and 2014.

NOTE 5

REVENUE AND OTHER INCOME

	NOTES	2015 $'000	2014 $'000
Revenue			
Government funding		299,704	281,418
Resident fees		123,899	114,360
Interest		1,600	978
Other operating revenue		12,281	12,787
Total revenues		437,484	409,543
Other income			
Gain on disposal of property, plant and equipment		1,112	2,261
Gain from bargain purchase	29	3,150	2,531
Total other income		4,262	4,792

Certain comparative information has been re-classified to align with current income classification. This amendment has no effect on the profit before income tax or the total comprehensive income for the year attributable to equity holders of the parent.

NOTE 6

EXPENSES AND LOSSES/(GAINS)

	NOTES	2015 $'000	2014 $'000
Expenses			
Depreciation of property, plant & equipment	14	18,914	17,342
Finance costs			
Interest expense:			
- Bank loans and overdrafts		5,206	15,688
- Related parties		-	2,303
Loss on extinguishment of special shares		7,826	-
Net loss from revaluation of interest rate swap		(109)	2,557
Other		2,168	2,027
Total finance costs		15,091	22,575
Less finance charges capitalised		-	-
Total finance costs expensed		15,091	22,575
Allowance for impairment loss – intangible assets	15	-	2,000

NOTE 7

INCOME TAX

	2015 $'000	2014 $'000
Major components of income tax (benefit)/expense are:		
Consolidated statement of profit or loss		
Current income tax:		
Current income tax charge	13,839	12,277
Adjustments in respect of current income tax of previous years	(166)	-
Deferred tax:		
Relating to origination and reversal of temporary differences	6,899	12,303
Income tax expense reported in statement of profit or loss	20,572	24,580
Deferred tax assets		
Deferred tax assets	20,440	17,362
Taxation liabilities		
Current income tax liability	(5,989)	(10,506)
Deferred tax liabilities		
Deferred tax liabilities	(2,765)	(11,197)
Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic company tax rate is as follows:		
Accounting profit before income tax	78,086	25,628
At the statutory income tax rate of 30% (2014: 30%)	23,426	7,688
Adjustments in respect of current income tax of previous years	(166)	430
Loss on extinguishment of special shares	2,348	-
Non-deductible stamp duty	(4,871)	4,860
Non-deductible share-based payments	-	1,065
Non-deductible finance costs	142	278
De-recognition of prior year deferred tax assets and liabilities	-	9,961
Other non-assessable income/non-deductible expenses	(307)	298
Income tax reported in the statement of comprehensive income	20,572	24,580

NOTE 7 INCOME TAX CONTINUED

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED STATEMENT OF PROFIT OR LOSS	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deferred tax assets and liabilities				
Deferred tax liabilities				
Property, plant and equipment	(1,245)	(11,197)	(9,952)	6,328
Others	(1,520)	-	1,520	1,699
Gross deferred tax liabilities	(2,765)	(11,197)		
Deferred tax assets				
Employee benefits	11,805	9,789	(2,016)	(1,464)
Losses available for offset against future taxable income	832	3,514	2,682	3,730
Equity raising costs deducted from equity	4,757	-	(4,757)	-
Derivatives	-	1,384	1,384	(1,384)
Other	3,046	2,675	(371)	(661)
Gross deferred tax assets	20,440	17,362		
Equity raising cost deducted from equity			5,947	-
Reversal of prior period revaluations of land & buildings			8,769	-
Acquisition of businesses			3,693	4,055
Deferred income tax charge			6,899	12,303

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. Members of the group have entered into a tax funding arrangement, therefore the income tax expense of the consolidated group is borne by each respective member of the consolidated group on a stand-alone notional basis.

Refer the accounting policy on Note 2(d) (xvi) for further detail.

Tax effect accounting by members of the tax consolidated group.

Measurement method adopted under AASB Interpretation 1052 *Tax Consolidation Accounting*.

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

NATURE OF THE TAX FUNDING AGREEMENT

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the group is based on the group allocation. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable/payable which is at call.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

NOTE 8

DIVIDENDS

	CONSOLIDATED	
	2015 $'000	2014 $'000
Dividends paid		
Dividends on ordinary shares paid or provided for	-	-
Proposed dividends on ordinary shares		
Since year end the Directors have resolved to pay a final dividend of 17.6 cents per fully paid ordinary share (2014 – Nil), franked at 64.2% based on tax paid at 30%. The amount of the proposed dividend to be paid on 21 September 2015 will be paid out of parent entity current year profit, inclusive of dividends received from subsidiaries after year end. The amount of this dividend not recognised as a liability at year end, is:	52,861	-
The franked portion of this dividend will be franked out of existing franking credits and franking credits arising from payment of income tax in the year ending 30 June 2016.		
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%	10,381	755
(b) imputation credits that will arise from the payment of the amount of the provision for income tax.	5,989	8,923
	16,370	9,678

NOTE 9

CASH AND CASH EQUIVALENTS

	CONSOLIDATED GROUP	
	2015 $'000	2014 $'000
(a) Reconciliation of the net profit/(loss) after tax to the net cash flows from operations		
Net profit	57,514	1,048
Non-Cash Items		
Depreciation and impairment of non-current assets	18,914	19,342
Bond Retention and deferred management fee income	(7,967)	-
Borrowing cost amortisation	1,605	-
Loss on extinguishment of shares	7,826	-
Fair value loss/(gain) on derivative	(109)	2,557
Gain on bargain purchase	(3,150)	(2,531)
Provision for doubtful debts	50	-
Share based payments	-	3,550
Equity settled share -based payments	176	-
Gain on disposal of property plant and equipment	(1,112)	(2,261)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(17,086)	(810)
(Increase)/decrease in inventory	(49)	(58)
(Increase)/decrease in other current assets	(1,285)	423
(Increase)/decrease in non current receivables	-	14,426
(Increase)/decrease in deferred taxes	6,900	12,303
(Decrease)/increase in tax provision	(4,517)	8,395
(Decrease)/increase in trade and other payables	(8,007)	3,452
(Decrease)/increase in RADs, accommodation bonds and ILU entry contributions	73,641	70,469
(Decrease)/increase in restructuring provision	-	(345)
(Decrease)/increase in provisions	4,085	4,821
Net cash flow from operating activities	127,429	134,781
(b) Reconciliation of cash		
Cash balance comprises:		
- cash at bank	60,827	40,256
- cash on hand	90	85
Closing cash balance	60,917	40,341
(c) Financing facilities available		
At reporting date, the following financing facilities had been negotiated and were available:		
$40m revolving loan note facility. This facility can be used to fund growth, through acquisitions or capital expenditure.	40,000	-
$50m multi-option working capital facility. This facility can be used to fund the group's working capital and RAD liquidity requirements.	50,000	-
Bank syndicated borrowing facility	-	410,000
Total facilities	90,000	410,000
Facilities used at reporting date		
Bank syndicated borrowing facility	-	341,255

NOTE 9 CASH AND CASH EQUIVALENTS CONTINUED

	CONSOLIDATED GROUP	
	2015 $'000	2014 $'000
Facilities unused at reporting date		
Multi-option working capital facility	50,000	-
Revolving loan note facility	40,000	-
Bank syndicated borrowing facility	-	68,745
	90,000	68,745

(d) Disposal of Controlled Entity

There were no disposals in FY 2015 and FY 2014.

NOTE 10

TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED GROUP	
	2015 $'000	2014 $'000
Trade receivables	2,216	1,745
Provision for doubtful debts	(279)	(229)
	1,937	1,516
Sundry debtors	18,240	1,439
Other receivables – government funding	687	842
	20,864	3,797

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

(ii) Sundry debtors include the refund receivable from State Revenue Office Victoria. This is interest bearing. Refer to Note 26 for further details. Other sundry debtors and other receivables are non-interest bearing.

Provision for doubtful debts

A provision for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired.

The movement in the provision for doubtful debts was as follows:

	2015	2014
Opening balance	229	229
Charge for the year	50	-
Amounts written off	-	-
Closing balance	279	229

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

	TOTAL	30 DAYS	31-60 DAYS	61-90 DAYS PDNI *	61-90 DAYS CI**	91+ DAYS PDNI *	91+ DAYS CI**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015	2,216	1,476	309	152	-	-	279
2014	1,745	1,132	247	83	-	54	229

* Past due not impaired ('PDNI')
** Considered impaired ('CI')

FAIR VALUE AND CREDIT RISK

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

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

NOTE 11

INVENTORIES

	CONSOLIDATED GROUP	
	2015 $'000	2014 $'000
Medical, food and other supplies (at cost)	519	470

NOTE 12

OTHER CURRENT ASSETS

	CONSOLIDATED GROUP	
	2015 $'000	2014 $'000
Prepayments	858	2,076
GST recoverable	1,596	698
Advance payments on aged care facility purchase (a)	15,769	-
	18,223	2,774

(a) On 1 July 2015 the acquisition of St Martins Aged Care Facility was completed. St Martins Aged Care Facility, renamed Regis Marleston, is a 115-bed aged care facility located in the Adelaide suburb of Marleston. To facilitate settlement on 1 July 2015 funds were paid pre 30 June 2015 into solicitor trust accounts.

NOTE 13

SUBSIDIARIES

The consolidated financial statements include the parent and the subsidiaries listed as follows. The subsidiaries are engaged in the principal activity of owning and operating residential aged care facilities and retirement villages.

	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2015 %	2014 %
Regis Aged Care Pty Ltd	Australia	100	100
Paragon Group Investments Proprietary 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 Corinya Pty Ltd	Australia	100	100
Regis Crana 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 Karingal Manor Pty Ltd ATF Karingal Manor Unit Trust (in members voluntary liquidation)	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
Regis Sunraysia Pty Ltd ATF Sunraysia Unit Trust (in members voluntary liquidation)	Australia	100	100

NOTE 13 SUBSIDIARIES CONTINUED

	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2015 %	2014 %
Regatta Green Pty Ltd ATF Moomba Street Unit Trust (in members liquidation trust)^	Australia	100	100
Bayley Walk Pty Ltd ATF Bayley Walk Unit Trust (in members voluntary liquidation trust)^	Australia	100	100
Retirement Properties of Australia Proprietary Limited^	Australia	100	100
Allora Drive Pty Ltd Allora Drive Unit Trust*	Australia	100	100
Bakers Road Pty Ltd ATF Bakers Road Unit Trust (in members voluntary liquidation)*	Australia	100	100
Braeside Pty Ltd ATF Braeside Unit Trust (in members voluntary liquidation)*	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
Major Road Pty Ltd ATF Major Road Property Trust (in members voluntary liquidation)*	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
Sherwood Road Pty Ltd ATF Sherwood Road Unit Trust (in members voluntary liquidation)*	Australia	100	100
Tenth Street Pty Ltd ATF Tenth Street Unit Trust (in members voluntary liquidation)*	Australia	100	100
Wyuna Street Pty Ltd ATF Wyuna Street Unit Trust (in members voluntary liquidation)*	Australia	100	100
Retirement Care Australia Holdings Pty Ltd	Australia	100	100
Retirement Care Australia Operations Pty Ltd†	Australia	100	100
Retirement Care Australia (Hollywood) Pty Ltd‡	Australia	100	100
Retirement Care Australia (Inala) Pty Ltd‡	Australia	100	100
Retirement Care Australia (Parklyn) Pty Ltd‡	Australia	100	100
Retirement Care Australia (Sunset) Pty Ltd‡	Australia	100	100
Retirement Care Australia Operations (2) Pty Ltd†	Australia	100	100
Retirement Care Australia (Hurstville Gardens) Pty Ltd§	Australia	100	100
Retirement Care Australia (Preston) Pty Ltd§	Australia	100	100
Retirement Care Australia (Port Macquarie Gardens) Pty Ltd§	Australia	100	100
Retirement Care Australia (Logan) Pty Ltd§	Australia	100	100
RAC Fiduciary Pty Ltd	Australia	100	100
Fairway Nominated Entity Pty Ltd	Australia	100	100

^ Investments are held by Regis Investments Pty Ltd ATF Regis Investment Trust
* Investments are held by Retirement Properties of Australia Proprietary Limited
‡ Investments are held by Retirement Care Australia Operations Pty Ltd
§ Investments are held by Retirement Care Australia Operations (2) Pty Ltd
† Investments are held by Retirement Care Australia Holdings Pty Ltd

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

NOTE 14

PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED GROUP	
	2015 $'000	2014 $'000
Freehold land and buildings		
At cost	560,845	-
At fair value	-	551,426
Accumulated depreciation and impairment	(65,488)	(57,167)
	495,357	494,259
Plant and machinery		
At cost	125,920	106,116
Accumulated depreciation and impairment	(61,679)	(52,415)
	64,241	53,701
Motor vehicles		
At cost	809	741
Accumulated depreciation and impairment	(624)	(604)
	185	137
Furniture, fixtures and fittings		
At cost	35,878	26,983
Accumulated depreciation and impairment	(14,370)	(13,146)
	21,508	13,837
Leasehold improvements		
At cost	37	37
Accumulated depreciation and impairment	(13)	-
	24	37
Development cost		
At cost	42,803	17,188
Accumulated depreciation and impairment	-	-
	42,803	17,188
Total cost	766,292	702,491
Total accumulated depreciation and impairment	(142,174)	(123,332)
Total written down value	624,118	579,159

NOTE 14 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	NOTES	2015 $'000	2014 $'000
Reconciliations			
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.			
Freehold land and buildings			
Carrying amount at beginning		494,259	474,813
Additions		16,603	-
Reversal of prior period revaluations (b)		(29,229)	-
Transfers from development cost		3,939	25,010
Disposals		(2,310)	(6,332)
Acquisition of businesses		20,486	9,580
Depreciation expense		(8,392)	(8,812)
		495,357	494,259
Plant and machinery			
Carrying amount at beginning		53,701	44,625
Additions		6,115	1,327
Transfers from development cost		10,465	15,062
Disposals		-	(132)
Acquisition of businesses		3,225	93
Depreciation expense		(9,265)	(7,274)
		64,241	53,701
Motor vehicles			
Carrying amount at beginning		137	251
Additions		3	-
Disposals		-	(74)
Acquisition of businesses		65	-
Depreciation expense		(20)	(40)
		185	137
Furniture, fixtures and fittings			
Carrying amount at beginning		13,837	13,923
Additions		2,318	-
Transfers from development cost		1,555	2,549
Acquisition of businesses		5,022	381
Disposals		-	(1,802)
Depreciation expense		(1,224)	(1,214)
		21,508	13,837
Leasehold improvements			
Carrying amount at beginning		37	27
Additions		-	12
Disposals		-	-
Depreciation expense		(13)	(2)
		24	37
Development cost			
Carrying amount at beginning		17,188	34,782
Additions		41,574	26,861
Disposals		-	(1,834)
Transfers to buildings on completion		(3,939)	(25,010)
Transfers to plant & machinery on completion		(10,465)	(15,062)
Transfers to furniture, fixtures and fittings on completion		(1,555)	(2,549)
		42,803	17,188

NOTE 14 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	NOTES	2015 $'000	2014 $'000
Totals			
Carrying amount at beginning		579,159	568,421
Additions		66,613	28,200
Reversal of prior period revaluations		(29,229)	-
Disposals		(2,310)	(10,174)
Acquisition of businesses		28,798	10,054
Depreciation expense	6	(18,914)	(17,342)
		624,118	579,159

(a) Property, Plant and equipment pledged as security

The bank loans repaid in October 2014 (see Note 18(a)) were secured by a floating charge over non-current assets of the Company and the subsidiaries and registered first mortgage debentures and first registered mortgage over certain freehold properties.

(b) Valuation of Land & Buildings

The Group has adopted a change in accounting policy in the current financial year whereby land and buildings are carried at historical cost less accumulated depreciation. Previously, land and buildings have been accounted for at fair value less accumulated depreciation and less any impairment losses. This change in accounting policy has resulted in a reduction in the carrying value of land and buildings in the current year of $29,229,000 as noted above. This also resulted in the reversal of a related deferred tax liability of $8,769,000 (Note 7) resulting in a reduction of net assets of $20,460,000. Refer to Note 22 for details on the asset acquisition reserve movement.

The Directors believe the change in accounting policy in the current year is consistent with industry practice and therefore more relevant for the users of these financial statements.

NOTE 15

INTANGIBLE ASSETS

	CONSOLIDATED GROUP		
	BED LICENCES $'000	GOODWILL $'000	TOTAL $'000
Year ended 30 June 2015			
Balance at beginning of year	157,871	79,292	237,163
Acquisition from business combinations	9,548	990	10,538
Impairment	-	-	-
Balance at end of year	167,419	80,282	247,701
Year ended 30 June 2014			
Balance at beginning of year	155,077	80,961	236,038
Acquisition from business combinations	3,125	-	3,125
Impairment	(331)	(1,669)	(2,000)
Balance at end of year	157,871	79,292	237,163

BED LICENCES

Bed licences for aged care facilities are measured at historical cost or fair value on acquisition less any accumulated impairment losses.

Bed licences 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. Goodwill is stated at cost less any accumulated impairment losses. In the prior year, goodwill was allocated to the individual aged care facilities, however, goodwill in the current year has been allocated on a State basis for the reasons explained below.

NOTE 15 INTANGIBLE ASSETS CONTINUED

IMPAIRMENT TESTING

The carrying value of goodwill and bed licences allocated to each of the CGUs at 30 June 2015 were:

CGU	BED LICENCES $'000	GOODWILL TOTAL $'000	TOTAL $'000
QLD	54,208	7,699	61,907
NSW	24,779	11,706	36,485
VIC	56,146	37,776	93,922
WA	21,240	14,590	35,830
SA/NT	11,046	8,511	19,557
Total	**167,419**	**80,282**	**247,701**

The recoverable amount of land and buildings, plant and equipment, bed licences and goodwill is based on the greater of fair value less costs of disposal and value in use of the asset of Cash Generating Unit (CGU). For the financial year ended 30 June 2014, Regis disclosed and treated a CGU as being at an individual facility level as a result of how the business was viewed and managed at this time.

Post IPO, the newly established Board and management structure view and reports the business differently and review the operating results at state level and operating decisions are taken at state level.

On this basis, the carrying value testing (Impairment of asset analysis) is carried out on a statewide CGU basis for the year ended 30 June 2015 and all future impairment assets calculation.

In assessing value in use, the estimated future cash flows are discounted to present value using a post tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

EACH STATE AS A CGU

The recoverable amount of each state CGU as at 30 June 2015 has been determined on a value in use calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period.

The projected cash flows incorporate the growth strategy of the Group over this period. The post-tax discount rate applied to cash flow projections is 9%–10.5% and the long-term growth rate reflected past the first year is 0%–2% which was representative of all CGUs. Based on this CGU analysis it was concluded that the carrying value of each CGU does not exceed the value in use.

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS

The calculation of value in use for each State is most sensitive to the following assumptions:

- Growth rates
- Discount rates
- Net accommodation bond flow
- Capital expenditure
- Growth rates estimates – The long-term growth rate reflects inflation. Growth in EBITDA within the five-year forecast period reflects management's growth strategy and assumptions behind the strategy for each State.
- Discount rate – Discount rates represent the current market assessment of the risks specific to each State taking into consideration the time value of money and the individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments (also States) and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's shareholders. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. The beta factors are evaluated annually based on publicly available market data.
- Net refundable accommodation deposit (RAD) and accommodation bond flow – based on the anticipated growth strategy of each State and adjusted accordingly taking into account the average value of RADs received and location of the facility.
- Capital expenditure – capital expenditure is based on the anticipated development works in each State.

NOTE 15 INTANGIBLE ASSETS CONTINUED

SENSITIVITY TO CHANGES IN ASSUMPTION

The recoverable amount and carrying value of each CGU at 30 June 2015 are:

CGU	RECOVERABLE AMOUNT $'000	CARRYING VALUE $'000	HEADROOM (MID) $'000
QLD	553,870	26,728	527,142
NSW	193,168	(11,981)	205,149
VIC	548,251	12,956	535,295
WA	281,272	56,641	224,631
SA/NT	132,098	39,275	92,823
Total	**1,708,659**	**123,619**	**1,585,040**

No disclosures of sensitivity analysis has been made on the above assumptions, as the Company does not believe that reasonable changes in these assumptions used to determine the CGUs recoverable amount would cause the CGUs carrying amount to exceed its recoverable amount.

The carrying amount of goodwill and other intangibles with indefinite lives allocated to each CGU is not significant in comparison with the Group's total carrying amount of goodwill or intangible assets with indefinite lives and therefore all CGUs are combined for the total intangible assets disclosed in this note.

NOTE 16

TRADE AND OTHER PAYABLES

	NOTES	CONSOLIDATED GROUP 2015 $'000	CONSOLIDATED GROUP 2014 $'000
Current			
Trade payables	(a)(i)	3,981	5,338
Other payables	(a)(ii)	22,819	25,328
Fees received in advance		2,871	1,935
		29,671	32,601

(a) Terms and conditions

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms.

(ii) Other payables are non-interest bearing and have an average term of 30 days.

(b) Fair values

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

	NOTES	CONSOLIDATED GROUP 2015 $'000	CONSOLIDATED GROUP 2014 $'000
Non-current			
Loans from director-related entities	25(d)	-	35,935

NOTE 17

PROVISIONS

	NOTES	CONSOLIDATED GROUP	
		2015 $'000	2014 $'000
Current			
Annual leave	(a)	22,208	19,020
Long service leave		11,210	9,480
Long-term incentive		2,425	2,000
		35,843	30,500
Non-current			
Long service leave		4,678	4,131
Number of employees at year end based on full-time equivalents		3,834	3,516

(c) The provision for annual leave entitlements is presented as current although the group does not expect to settle the full amount within the next 12 months. The amount of annual leave that is not expected to be settled the next 12 months is $5,406,000 (2014: $5,452,000).

NOTE 18

INTEREST-BEARING LOANS AND BORROWINGS

	NOTES	CONSOLIDATED GROUP	
		2015 $'000	2014 $'000
Current			
Borrowings secured by mortgage			
- bank loans	(a)	-	-
		-	-
Non-current			
Borrowings secured by mortgage			
• bank loans	(a)	-	333,000
Unsecured loans from related parties			
• liability under Special Shares	(b)	-	12,174
		-	345,174

(a) Bank loans
Bank borrowings were fully repaid in October 2014 from the proceeds of shares issued on the Company's listing on the ASX. The bank loans were secured by a floating charge over non-current assets of the Company and the subsidiaries (the carrying value of the secured property at 30 June 2014 was $579,159,000). The bank loans were also secured by registered first mortgage debentures and first registered mortgage over certain freehold properties.

The Company was compliant with banking covenants throughout the period loans were drawn down.

(b) Special shares
The special shares were bought back in September 2014 at a cost of $20,000,000 and subsequently cancelled. This payment extinguished the liability under special shares comprising the balance of the liability in the 30 June 2014 balance sheet of $12,174,000 and a subsequent loss on extinguishment of $7,826,000.

NOTE 18 INTEREST-BEARING LOANS AND BORROWINGS CONTINUED

(c) Fair value
The fair value has been calculated by reference to the amount repayable at the reporting date net of the value of the interest rate swap contract as determined at the reporting date.

	2015		2014	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Bank loans	-	-	333,000	337,612

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

(e) Other financial liabilities
The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in Note 24. However, the Directors do not expect those potential financial liabilities to crystallise into obligations and therefore the financial liabilities disclosed in the above table are the Directors' estimate of amounts that will be payable by the Group. No material losses are expected and as such, the fair values disclosed are the Directors' estimate of amounts that will be payable by the Group.

NOTE 19

OTHER FINANCIAL LIABILITIES

	2015 $'000	2014 $'000
Refundable accommodation deposits (RADs)	697,897	622,049
Independent living unit (ILU) entry contributions	6,718	8,664
	704,615	630,713

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. Prior to 1 July 2014, lump sum refundable accommodation deposits were referred to as accommodation bonds.

RADs are in effect an interest-free loan.

Not all residents are required to pay RADs – the Australian Government conducts an assessment of residents' income and assets and determines if residents can be asked to pay towards their accommodation costs.

Residents who are required to pay for accommodation can chose to pay a full lump sum (RAD), a regular rental-type payment called a 'daily accommodation payment' (DAP), or a combination of both.

Accommodation bonds were not payable by residents upon their admission to non-extra service high care accommodation facilities. Under the Living Longer Living Better reforms the distinction between low care and high care has been removed.

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 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. This is updated on a quarterly basis.

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 3 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 (ILU) ENTRY CONTRIBUTIONS

Entry contributions relate to Independent Living Unit residents. Entry contributions are settled after a resident vacates the property and the terms and conditions are governed by applicable State-based Retirement Village Acts.

NOTE 20

DERIVATIVE FINANCIAL INSTRUMENTS

	2015 $'000	2014 $'000
Current Assets/(Liabilities)		
Interest rate swap contracts	-	(4,612)

(a) Instruments used by the Group
Interest rate swap contracts, a derivative financial instrument, were used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest rates. Interest rate swap contracts were paid out in October 2014 when bank debt was repaid from the proceeds of shares issued on the Company's listing on the ASX.

(b) Interest rate risk
Information regarding interest rate risk is set out in Note 4.

NOTE 21

ISSUED CAPITAL

	CONSOLIDATED GROUP	
	2015 $'000	2014 $'000
Issued and fully paid		
Ordinary shares	272,171	(124,123)
	272,171	(124,123)

Movements in ordinary shares on issue

CONSOLIDATED GROUP	NOTE	DATE	NUMBER OF SHARES	$'000
Balance	(a)	1 July 2013	351,434,596	59
Shares bought back during the year	(b)	15 January 2014	(157,267,531)	(133,775)
Movement in employee share plan loans	(c)	15 January 2014	-	9,593
Balance		30 June 2014	194,167,065	(124,123)
Cancellation of shares following selective capital reduction	(d)	11 September 2014	(6,109,620)	-
Issue of shares through public offer at $3.65 per share	(e)	7 October 2014	112,288,352	409,852
Share issue and share buyback costs , net of tax				(13,558)
Balance		30 June 2015	300,345,797	272,171

(a) Brought forward balance
The amount of the issued and paid up equity in these consolidated financial statements is the issued equity of the legal subsidiary, Paragon Group Investments Proprietary Ltd, immediately before the July 2007 merger plus subsequent issues and buy-backs of shares by the legal parent, Regis Healthcare Limited. However, the equity structure (i.e. the number and type of equity instruments issued) reflects the equity structure of the legal parent, including the shares issued by the legal parent to effect the merger.

NOTE 21 ISSUED CAPITAL CONTINUED

(b) Share buy-back

On 15 January 2014 the Company bought back 157,267,531 ordinary shares pursuant to a selective buy-back resolution passed at a meeting of shareholders held on 20 December 2013. The nature and terms of the buy-back were:

- The buy-back offer was made to Macquarie Capital Alliance Pty Limited (MCAL) in respect of 150,880,002 shares and to former employees in respect of 6,387,529 shares.
- The accepting shareholders were paid with their shares cancelled on 15 January 2014.

(c) Employee share loans

Under the former senior executive employee share ownership plan, certain senior executives were issued ordinary shares financed by a non-recourse loan from the Company. When issues of shares under this plan were made, non-recourse loans were classified as a deduction from share capital. These issues were accounted for as an option.

	2015 $'000	2014 $'000
Movement in employee share plan loans		
Balance at beginning of year	-	9,593
Repayment on disposal	-	(9,593)
Balance at end of year	-	-

(d) Selective capital reduction

Shares owned by senior executives (acquired under the employee share plan in (c) above) who departed the Company were transferred to Fairway Nominated Entity Pty Ltd (FNE), a special purpose entity incorporated for this purpose. FNE was owned by the founding shareholders and MCAL. When MCAL shares were bought back in January 2014, the FNE shareholders transferred their FNE shares to Regis Aged Care Pty Ltd, a subsidiary of the Company. These shares were cancelled in August 2014 following a selective capital reduction.

(e) Share issue

The total number of shares offered under the initial public offer was 133,136,302. This included 20,847,950 shares owned by founding shareholders.

Trading of the Shares on the ASX commenced on 7 October 2014, initially on a conditional and deferred settlement basis.

The number of shares held by the founding shareholders is 163,820,958 shares. These are subject to voluntary escrow arrangements until the release to the ASX of the audited full year FY 2015 financial statements.

(f) Ordinary shares

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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

NOTE 22

RESERVES

	NOTES	2015 $'000	2014 $'000
Asset revaluation reserve	(a)	-	30,093
Acquisition reserve	(b)	(101,497)	(101,497)
Remuneration reserve	(c)	3,726	3,550
		(97,771)	(67,854)

(a) Asset revaluation reserve

(i) Nature and purpose of reserve

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

(ii) Movements in reserve

	2015 $'000	2014 $'000
Balance at beginning of year	30,093	30,093
Reversal of prior periods revaluation amounts, net of tax (i)	(20,460)	-
Transfer to retained earnings (ii)	(9,633)	-
Balance at end of year	-	30,093

(i) This is the net impact of a reversal of prior period revaluations of land and buildings of $29,229,000 (Note 14) and the reversal of the related deferred tax liability of $8,769,000 (Note 7).

(ii) Given the adoption of the revised policy for accounting for land and buildings, the balance of this reserve, reflective of assets no longer held by the group, was transferred to retained earnings.

(b) Acquisition reserve

(i) Nature and purpose of reserve

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

(ii) Movements in reserve

	2015 $'000	2014 $'000
Balance at beginning of year	(101,497)	(99,424)
Ordinary shares bought back during the year	-	(2,073)
Balance at end of year	(101,497)	(101,497)

(c) Remuneration reserve

(i) Nature and purpose of reserve

The employee remuneration reserve comprises the fair value of share-based payment plans recognised as an expense in the consolidated statement of profit or loss.

Note 28 for further details of these plans.

(ii) Movements in reserve

	2015 $'000	2014 $'000
Balance at beginning of year	3,550	-
Equity settled share-based payments expense	176	3,550
Balance at end of year	3,726	3,550

NOTE 23

COMMITMENTS

	2015 $'000	2014 $'000
Capital expenditure commitments		
Contractual commitments for building works at aged care facilities	51,039	80
Contractual commitments at year end relate to ongoing development activity. Development is expected to be completed within the next financial year.		
Lease expenditure commitments		
(i) Operating leases (non-cancellable)		
• Minimum lease payments		
• not later than one year	756	728
• later than one year and not later than five years	2,950	2,670
• later than five years	2,101	2,189
Aggregate lease expenditure contracted for at reporting date	5,807	5,587

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

NOTE 24

CONTINGENCIES

	2015 $'000	2014 $'000
Estimates of the maximum amounts of contingent liabilities, that may become payable:		
(a) Bank guarantees	7,634	7,596

(b) Legal claims and disputes

Dispute with State Revenue Office of Victoria

This issue has been resolved prior to the finalisation of this report. Please refer to Note 26 Events after the Balance Sheet date for details of the settlement.

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

NOTE 25

RELATED PARTY DISCLOSURES

(a) Subsidiaries
The consolidated financial statement includes the financial statements of Regis Healthcare Limited and the subsidiaries as listed in Note 13 to the financial statements.

(b) Ultimate parent
Regis Healthcare Limited is the ultimate parent entity.

(c) Special purpose entities
Fairway Nominated Entity Pty Ltd was established in November 2010. This entity was used to acquire shares in Regis Healthcare Limited, formerly Fairway Investment Holdings Pty Limited, from former employees (refer Note 21(d)). Its role as a special purpose entity ceased in August 2014 when the Regis Healthcare Limited shares owned by this company were cancelled following a selective capital reduction.

NOTE 25 RELATED PARTY DISCLOSURES CONTINUED

(d) Director-related entities
Director-related entities Ashburn Pty Ltd and Galabay Pty Ltd provided loans to the Company at the time of the January 2014 share buy-back. These loans were sub ordinated to the ANZ bank debt and were non-interest bearing.

These loans were repaid during the year from the proceeds of the share issue.

Special shares owned by director-related entities Ashburn Pty Ltd and Galabay Pty Ltd were bought back during the year. Refer Note 18.

(e) Transactions with key management personnel
During the year, purchases of $7,000 at normal market prices have been made from SAI Global Limited, of which Sylvia Falzon is a director. The amount outstanding at 30 June 2015 was $600.

In December 2014, Regis entered into a contract with First Five Minutes, a fire training company owned by Bryan Dorman and Ian Roberts. The contract was awarded after a tender process with two other companies had been undertaken. Purchases of $61,545 have been made during the financial year, with $2,090 outstanding for payment at 30 June 2015.

During the financial year, Regis spent $33,825 on consulting fees with ARFF Pty Ltd a company owned by Nicholas Dorman who was a director for the period 1 January 2014 to 18 September 2014. At 30 June 2015 there was no balance outstanding for payment to ARFF Pty Ltd.

(f) Key management personnel
Compensation of Key Management Personnel of the Group

	2015 $	2014 $
Short-term employee benefits	3,991,780	1,529,000
Post-employment benefits	180,289	18,000
Long-term benefits	159,813	-
Share-based payment	336,928	3,550,000
Total compensation of key management personnel	4,668,810	5,097,000

NOTE 26

EVENTS AFTER THE BALANCE SHEET DATE

ACQUISITION OF ST MARTINS AGED CARE FACILITY

The Company completed the acquisition of St Martins Aged Care Facility on 1 July 2015 for a purchase contract price of $14.1m. The 115-bed facility is located in the Adelaide suburb of Marleston and will be renamed Regis Marleston.

STATE REVENUE OFFICE VICTORIA RECOVERY

In November 2011, Regis Aged Care Pty Ltd (RAC), a wholly owned subsidiary of Regis Healthcare Limited, objected to a notice of assessment of stamp duty issued by the State Revenue Office Victoria (SRO) in relation to a merger transaction in July 2007.

In April 2012, in accordance with a request from RAC, the SRO formally asked that the Supreme Court of Victoria treat the objection as an appeal (the First Appeal). In October 2012, the SRO issued a revised notice of assessment in relation to the merger transaction in July 2007 and an objection to this assessment was also lodged and treated as an appeal (the Second Appeal). Both appeals were heard together by the Court.

While RAC challenged these notices of assessment, RAC paid $14.4m in relation to the first assessment without admission of liability and without prejudice in order to avoid accruing additional interest and penalty tax, leaving an unpaid outstanding amount of $1.1m in relation to the revised notice of assessment.

The Court made orders in the Appeals on 29 June 2015 setting aside the notices of assessment and ordering that the Commissioner for State Revenue pay RAC's costs of the Appeals. The orders became final when the SRO failed to lodge a notice of appeal by 27 July 2015. The effect of the orders was that:

- the previously outstanding duty is not payable; and
- the SRO was required to refund the amount paid by RAC – $14.4m – plus interest and legal costs.

The amount of interest and legal costs is yet to be determined but is expected to exceed $3m. Whilst the judgement was handed down post balance date, it is considered by AASB *110 Events after the Reporting Period*, to be an *adjusting event* and therefore the financial impact of the successful appeal has been included in the audited financial statements for FY15. The effect of this outcome (including the reversal of related provisions) was a positive NPAT impact of $18.92m.

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

NOTE 27

AUDITORS' REMUNERATION

	2015 $'000	2014 $'000
Amounts received or due and receivable by Ernst & Young for:		
• audit or review of the financial report of the entity and any other entity in the consolidated entity	585	363
• other services in relation to the entity and any other entity in the consolidated entity		
- investigating accountants' report and review of forecast for Initial Public Offering	1,694	-
- tax compliance	142	190
- other services	43	175
	2,464	728

NOTE 28

SHARE-BASED PAYMENT PLANS

	2015 $'000	2014 $'000
(a) Recognised share-based payment expenses		
Gain arising from termination of Share Plan for Senior Executives	-	(1,606)
Expense arising from cash-settled share-based payments	425	-
Expense arising from equity settled share-based payments expense	176	3,550
	601	1,944

(b) Types of share-based payment plans

Share Plan for Senior Executives

The terms and conditions of the senior executive share purchase plan were amended in FY 2014. Previously non-recourse loans were provided to selected senior executives to assist in the purchase of company shares. These were accounted for as cash settled transactions. As part of the plan restructure these loans were repaid. The carrying amount of the liability relating to cash settled share based payment at 30 June 2014 of $1,606,341 was written back to the profit or loss. Refer also to Note 2.5 (xx).

(c) Recognised equity settled expense

The share-based payment expense brought to account for the year of $175,803 (2014: $3,550,000) is recognised in the remuneration reserve.

Long-term incentive (LTI) Pre-listing Scheme

The Pre-listing Scheme relates to services performed by the CEO and other Executives prior to listing. The scheme was granted and expensed in FY 2014. It is cash settled and payable over three years beginning 1 July 2015.

Long-term incentive (LTI) and Short Term Incentive (STI) Post-listing Scheme

Share-based payment reserve of $175,803 for year ended 30 June 2015 (2014: $nil) relates to the new STI and LTI schemes introduced upon listing. The Performance Rights offered under both schemes, entitle the holder to acquire a share for nil consideration. Fair value of each performance right was valued to be the offer price at listing, as this was the most recent and indicative price relevant to the grant date (30 October 2014). No market conditions are attached to the performance rights.

New LTI

At time of listing on the ASX the Company granted Performance Rights to senior executives with a face value of $469,224. Based on the share public offer price of $3.65 per ordinary share, this equates to 128,555 Performance Rights. It is based on performance period starting the day of listing to 30 June 2017. The Performance Rights are subject to EPS hurdles. Senior executives must also be employed with the Company when the rights are transferred.

Ian Smith ceased employment on 8 July 2015 and forfeited his 34,106 Performance Rights with face value of $124,488.

NOTE 28 SHARE-BASED PAYMENT PLANS CONTINUED

New STI

A portion of short-term incentives for senior executives are delivered in the form of a Performance Right that entitles the holder to acquire shares at nil cost. Half of these Performance Rights vest 12 months after the grant date. The remaining half vest 24 months after the grant date.

No performance rights or cash payments were transferred during the period. The performance conditions have an EBITDA growth target for the financial year ending 30 June 2015, starting from the date of listing. Senior executives must also be employed with the Company when the rights are transferred. Ian Smith ceased employment on 8 July 2015 and forfeited his target STI of $156,300.

NOTE 29

BUSINESS COMBINATIONS

Acquisition of Regis Tiwi Facility

On 1 November 2014 the Group acquired the Tiwi Gardens Residential aged care facility located in Darwin, NT from ECH Inc. The Group has acquired this facility in line with its growth strategy. The acquisition has been accounted for using the acquisition method.

The cash consideration transferred was $8,643,585. Acquisition-related costs of $744,000 incurred as part of this transaction include professional fees and stamp duty. These have been expensed and recognised within other expenses in the consolidated statement of profit or loss and other comprehensive income in accordance with AASB 3: *Business Combinations*.

The fair value of the identifiable assets and liabilities as at the dates of the acquisitions were:

	CONSOLIDATED FAIR VALUE AT ACQUISITION DATE $'000
Property, plant & equipment	12,984
Bed licences	721
Deferred tax assets	3,286
	16,991
RADs and accommodation bonds	(4,749)
Provisions	(449)
	(5,198)
Fair value of identifiable net assets	11,793
Cost	(8,643)
Gain from bargain purchase	3,150
Cost of the combination:	
Cash paid	8,643
Other	-
Total cost of the combination	8,643
Direct costs relating to the acquisition (included in professional services and other expenses)	744

The gain from bargain purchase of $3,150,000 has been recognised as other income in the consolidated statement of profit or loss and other comprehensive income. The gain from bargain purchase represents the sum of differences between the fair value of assets and liabilities acquired and the contract amounts.

The consolidated statement of comprehensive income includes revenue and net profit for the year ended 30 June 2015 of $7,443,000 and $510,000 respectively, as a result of the acquisition. Had the acquisition occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and profit of approximately $11,164,000 and $765,000 respectively.

NOTE 29 BUSINESS COMBINATIONS CONTINUED

Acquisition of Regis Redlynch Facility
On 1 April 2015, the Group acquired the Blue Care Redlynch Glenmead Village Aged Care Facility located in Cairns QLD from the Uniting Church in Australia Property Trust.

The cash consideration transferred was $20,288,000. Acquisition-related costs of $1,580,000 incurred as part of this transaction included professional fees and stamp duty. These have been expensed and recognised within other expenses in the consolidated statement of profit or loss and other comprehensive income in accordance with AASB 3: *Business Combinations*.

The fair value of the identifiable assets and liabilities as at the dates of the acquisitions were:

	CONSOLIDATED FAIR VALUE AT ACQUISITION DATE $'000
Property, plant & equipment	15,668
Bed licences	8,827
Deferred tax assets	373
Other assets	142
	25,010
RADs and accommodation bonds	(3,479)
Provisions	(1,243)
	(4,722)
Fair value of identifiable net assets	20,288
Cost	(20,288)
Gain from bargain purchase (Note 5)	-
Cost of the combination:	
Cash paid	20,288
Other	-
Total cost of the combination	20,288
Direct costs relating to the acquisition (included in other expenses)	1,580

The consolidated statement of comprehensive income includes revenue and net loss for the year ended 30 June 2015 of $3,138,000 and $349,000 respectively, as a result of the acquisition. Had the acquisition occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and profit of $14,825,000 and $606,000 respectively.

In accordance with AASB 3: *Business Combinations*, the Group discloses that, due to the acquisition taking place on 1 April 2015, the initial accounting for the business combination is provisional, with the information available at reporting date. The Group will determine and disclose the final accounting within 12 months of the acquisition date, in accordance with AASB 3: *Business Combinations*.

Acquisition of Regis HomeCare Darwin
On 1 May 2015, the Group acquired the Darwin Community Care packages business from ECH Inc.

The cash consideration transferred was $945,000. Acquisition-related costs of $143,000 incurred as part of this transaction included professional fees and stamp duty. These have been expensed and recognised within other expenses in the consolidated statement of profit or loss and other comprehensive income in accordance with AASB 3: *Business Combinations.*

NOTE 29 BUSINESS COMBINATIONS CONTINUED

The fair value of the identifiable assets and liabilities as at the dates of the acquisitions were:

	CONSOLIDATED FAIR VALUE AT ACQUISITION DATE $'000
Property, plant & equipment	35
Deferred tax assets	34
	69
Provisions	(114)
	(114)
Fair value of identifiable net assets	(45)
Cost	945
Goodwill	990
Cost of the combination:	
Cash paid	945
Other	-
Total cost of the combination	945
Direct costs relating to the acquisition (included in other expenses)	143

The consolidated statement of comprehensive income includes revenue and net profit for the year ended 30 June 2015 of $478,000 and $86,000 respectively, as a result of the acquisition. Had the acquisition occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and profit of $2,868,000 and $514,000 respectively.

NOTE 30

PARENT ENTITY INFORMATION

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

	2015 $'000	2014 $'000
Information relating to Regis Healthcare Limited		
ASSETS		
Current Assets	120	943
Non-current assets	498,403	363,325
TOTAL ASSETS	498,523	364,268
LIABILITIES		
Current Liabilities	24,693	258,536
Non-current liabilities	-	17,868
TOTAL LIABILITIES	24,693	276,404
EQUITY		
Issued Capital	477,004	80,710
Reserves	3,726	3,550
Retained earnings	(6,900)	3,604
TOTAL EQUITY	473,830	87,864
Profit/(loss) of the parent entity	(10,504)	10,202
Total comprehensive income of the parent entity	(10,504)	10,202

NOTE 30 PARENT ENTITY INFORMATION CONTINUED

Guarantees
Details of bank guarantees are set out in Note 24(a).

Contingent Liabilities
Details of contingent liabilities are set out in Note 24(b).

Contractual Commitments
Details of contractual commitments are set out in Note 23.

NOTE 31

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
- Other

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

YEAR ENDED 30 JUNE 2015	QLD $'000	NSW $'000	VIC $'000	SA/NT $'000	WA $'000	OTHER $'000	TOTAL $'000	INTEREST $'000	CONSOLIDATED $'000
Government Funding	93,555	34,789	103,598	28,722	36,604	-	297,268	-	297,268
Resident fees	38,781	17,383	45,789	9,440	12,429	-	123,822	-	123,822
Other	2,810	1,139	6,575	898	3,188	19,641	34,251	1,600	35,851
Total Revenue	**135,146**	**53,311**	**155,962**	**39,060**	**52,221**	**19,641**	**455,341**	**1,600**	**456,941**
Depreciation	4,459	1,201	5,094	934	1,422	5,804	18,914	-	18,914
Impairment charges	-	-	-	-	-	-	-	-	-
Segment result	**37,513**	**15,626**	**38,538**	**7,902**	**12,764**	**(16,455)**	**95,888**	**-**	**95,888**
Total Segment Assets/(Liabilities)	**251,107**	**92,163**	**287,099**	**59,664**	**139,058**	**(75)**	**829,016**	**-**	**829,016**
RAD Segment Liability	**227,127**	**104,317**	**267,526**	**18,223**	**80,704**	**-**	**697,897**	**-**	**697,897**

YEAR ENDED 30 JUNE 2014	QLD $'000	NSW $'000	VIC $'000	SA $'000	WA $'000	OTHER $'000	TOTAL $'000	INTEREST $'000	CONSOLIDATED $'000
Government Funding	84,508	35,642	98,478	21,304	35,084	-	275,016	-	275,016
Resident Fees	27,024	11,166	33,529	8,215	13,303	-	93,237	-	93,237
Other	11,945	6,270	17,177	1,462	3,456	2	40,312	968	41,280
Total Revenue	**123,477**	**53,078**	**149,184**	**30,981**	**51,843**	**2**	**408,565**	**968**	**409,533**
Depreciation	5,365	2,151	6,407	598	1,703	1,118	17,342	-	17,342
Impairment charges	-	-	2,000	-	-	-	2,000	-	2,000
Segment result	**32,521**	**14,278**	**33,350**	**7,563**	**10,426**	**(31,306)**	**66,832**	**-**	**66,832**
Total Segment Assets	**228,708**	**89,136**	**286,966**	**41,011**	**136,172**	**17,141**	**799,134**	**-**	**799,134**
RAD Segment Liability	**197,335**	**102,842**	**240,402**	**10,006**	**71,464**	**-**	**622,049**	**-**	**622,049**

NOTE 31 SEGMENT INFORMATION CONTINUED

	2015 $'000	2014 $'000
Reconciliation of Profit		
Segment Result	95,888	66,832
Finance income	1,600	4,049
Finance costs	(15,091)	(26,624)
IPO Fees	(4,311)	-
Other	-	(18,628)
Profit before tax	78,086	25,629
Reconciliation of Assets		
Segment Assets	829,016	799,134
Cash	60,917	40,341
Receivables and other	39,606	7,041
Deferred tax assets	20,440	17,362
Development cost	42,803	17,188
Total Assets	992,782	881,066
Reconciliation of Liabilities		
RADS and accommodation bonds	697,897	622,049
Trade and other payables	29,671	37,213
Provisions	40,521	34,631
Loans and borrowings	-	381,109
Tax payable and deferred taxes	8,754	21,703
Other	6,718	8,664
Total Liabilities	783,561	1,105,369

Entity wide disclosure

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

Certain comparative information has been reclassified to align with current year segment result classification.

NOTE 32

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 reflect the dilutive effect of employee Performance Rights.

	2015 $'000	2014 $'000
Profit attributable to ordinary equity holders of the Parent	57,514	1,048

	2015 CENTS	2014 CENTS
Basic earnings per share	21.16	0.37
Diluted earnings per share	21.15	0.37

	2015 THOUSANDS	2014 THOUSANDS
Weighted average number of ordinary shares used in the calculation of:		
Basic earnings per share	271,838	279,910
Adjustment for calculation of diluted earnings per share		
• effect of share-based payment arrangements	106	-
Diluted earnings per share	271,944	279,910

DIRECTORS' DECLARATION

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

1 In the opinion of the Directors:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.2; 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 2015.

On behalf of the board

Mark A Birrell
Chairman

Melbourne,
28 August 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REGIS HEALTHCARE LIMITED

We have audited the accompanying financial report of Regis Healthcare Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, the director's report comprising the remuneration report and directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY 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 controls as the Directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International *Financial Reporting Standards*.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

INDEPENDENCE

In conducting our audit, 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.

OPINION

In our opinion, the financial report of Regis Healthcare Limited is 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 2015 and of its performance for the year ended on that date; and

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

Ernst & Young

Glenn Carmody
Partner
Melbourne, 28 August 2015

ADDITIONAL INFORMATION

SHAREHOLDING INFORMATION

The Company's shares are listed on the Australian Securities Exchange (ASX) under the issuer code REG.
The Company is not currently conducting an on market buy-back of its shares.
There are no shares subject to voluntary escrow as at 31 August 2015.

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.

RANGE OF SHAREHOLDERS OF FULLY PAID ORDINARY SHARES – 31 AUGUST 2015

RANGE	NUMBER OF SHAREHOLDERS	PERCENTAGE OF SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE OF ISSUED CAPITAL
1-1,000	764	17.54	429,392	0.14
1,001 – 5,000	1956	44.91	5,869,605	1.95
5,001 – 10,000	936	21.49	6,978,086	2.32
10,001 – 100,000	651	14.95	15,050,323	5.01
100,001 and over	48	1.10	272,018,391	90.57
Total	4,355	100	300,345,797	100
Less than marketable parcel of $500	0	0	0	0

TOP 20 SHAREHOLDERS AS AT 31 AUGUST 2015

RANK	NAME OF SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF ISSUED CAPITAL
1	Galabay Pty Ltd	81,910,479	27.27
1	Ashburn Pty Ltd	81,910,479	27.27
3	J P Morgan Nominees Australia Limited	20,984,780	6.99
4	National Nominees Limited	19,126,992	6.37
5	HSBC Custody Nominees (Australia) Limited	17,605,581	5.86
6	BNP Paribas NOMS Pty Ltd	10,586,779	3.52
7	Citicorp Nominees Pty Limited	8,148,385	2.71
8	AMP Life Limited	7,423,606	2.47
9	Ross James Johnston	2,900,001	0.97
10	Australian Foundation Investment Company Limited	2,665,754	0.89
11	UBS Nominees Pty Ltd	2,569,205	0.86
12	Citicorp Nominees Pty Ltd	2,117,517	0.71
13	Sandhurst Trustees Ltd	1,923,777	0.64
14	Argo Investments Limited	1,660,959	0.55
15	Brispot Nominees Pty Ltd	1,144,888	0.38
16	Warbont Nominees Pty Ltd	911,091	0.30

RANK	NAME OF SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF ISSUED CAPITAL
17	Netwealth Investments Limited	841,555	0.28
18	BKI Investment Company Limited	650,428	0.22
19	UBS Wealth Management Australia Nominees Pty Ltd	585,670	0.19
20	UBS Nominees Pty Ltd	540,000	0.18

SUBSTANTIAL SHAREHOLDERS AS AT 31 AUGUST 2015

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

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF ISSUED CAPITAL
Ashburn Pty Ltd as trustee of the Dorman Family Trust	81,910,479	27.27
Galabay Pty Ltd as trustee of the GRAIL Trust	81,910,479	27.27
AMP Limited	21,408,006	7.13

PERFORMANCE RIGHTS

The Company has performance rights on issue in addition to ordinary shares. The details of the performance rights held at 31 August 2015 are as follows:

CLASS OF SECURITY	NUMBER OF PERFORMANCE RIGHTS HOLDERS	NUMBER OF PERFORMANCE RIGHTS
Performance rights	4	181,928

The performance rights do not carry any voting rights.

USE OF FUNDS

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

GLOSSARY OF TERMS

ABN	Australian Business Number
ACN	Australian Company Number
Accommodation Bond	The term used prior to 1 July 2014 to refer to a lump sum refundable accommodation deposit
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 ajoins an existing facility
CGU	Cash generating unit
Company	Regis Healthcare Limited (ABN 11 125 203 054)
Constitution	The constitution of the Company as amended from time to time
Corporations Act	*Corporations Act 2001* (Cth)
DAP	A daily accommodation payment
Department	Department of Social Services
Directors	The directors of the Company
EBITDA	Earnings before interest, tax, depreciation and amortisation
Government	The Commonwealth government of Australia
Greenfield	An new aged care development on an additional stand alone building on a Regis site that does not ajoin an existing facility
GST	Goods and services tax as levied under the GST Law
GST Law	GST law as defined in section 195-1 of *A New Tax System (Goods and Services Tax) Act 1999*
ILU	An independent living unit designed for retirees who generally do not require assistance with day-to-day living
NPAT	Net profit after tax
Operational Place	A place available for occupancy by a resident
place	An allocated place under the Aged Care Act, being a place that (when operational and occupied) is capable of attracting the residential care subsidy on a per resident per day basis. Also referred to as a Bed Licence
RAD	A refundable accommodation deposit, being an amount of money that does not accrue daily and is paid or payable to an Approved Provider by a resident for the resident's accommodation in an aged care facility. A RAD is repayable when the care recipient dies; the care recipient ceases to be provided with care by the Approved Provider; or the service ceases to be certified. Prior to 1 July 2014, lump sum refundable accommodation deposits were referred to as Accommodation Bonds.
Regis	The business carried on by the Company and its controlled entities
RGPL	Regis Group Proprietary Limited ACN 084 720 561
Resident	A person who occupies a place within an aged care facility
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A holder of Shares
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* and the *Aged Care (Subsidy, Fees and Payments) Determination 2014*

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