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ASX ANNOUNCEMENT

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Non-Cash Financial Impact of Removal of Australian Government - Aged Care Approval Rounds (ACAR)

In response to the Royal Commission into Aged Care Quality and Safety's final report, the Australian Government announced in the 2021-22 Budget that it would be investing $17.7 billion into an aged care reform package.

As part of this package, there will be no further Aged Care Approval Rounds (ACAR). From 1 July 2024, residential aged care places ("operating places" or "bed licences") will be assigned directly to senior Australians, giving them more control to choose an Approved Provider that best suits their residential aged care needs.

In September 2021, the Department of Health released a discussion paper *Improving Choice in Residential Aged Care - ACAR Discontinuation* confirming the Australian Government's Budget decision to discontinue the ACAR.

Discussions with the Department of Health are ongoing regarding the practical implications of the discontinuation of ACAR and arrangements between now and 1 July 2024. This includes a process for the Department granting bed licences as needed over the interim period.

Accounting for the Discontinuation of the ACAR

The discontinuation of the ACAR has accounting implications for the carrying value of bed licences on Approved Provider balance sheets as there are no plans for the Australian Government to provide direct compensation to Approved Providers for the removal of bed licences.

Regis' balance sheet at 30 June 2021 included an intangible asset "Operating Places" with a carrying value of $223.8 million and an associated deferred tax liability of $64.3 million.

As a result of the Australian Government's decision to discontinue operating places/bed licences from 1 July 2024, and in compliance with Accounting Standards, guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the Company's current understanding of the relevant legislation and transitional arrangements relating to the removal of bed licences, Regis expects to amortise the value of bed licences on a straight line basis over their remaining economic life to 1 July 2024.

This is expected to result in an after tax amortisation expense in the profit and loss account over the next three financial years to 30 June 2024 as follows:

- FY22: $43.5 million, net of tax (9 months)
- FY23: $58.0 million, net of tax
- FY24: $58.0 million, net of tax

It is not expected that this non-cash amortisation of bed licences will, in itself, limit the Company's ability to pay dividends nor impact continued compliance with the banking covenants associated with the Company's syndicated bank debt facility.

Discussions are ongoing with various parties, including the Department of Health and the Company's auditors in respect of the implications of the removal of bed licences.

Dr Linda Mellors, Managing Director and Chief Executive Officer said, "Regis strongly supports the need for reform of the sector across all of the domains highlighted by the Royal Commission. There is still much to be worked through but the narrative of system reform is encouraging.

The intended market deregulation of bed licences presents new opportunities for Regis to move into geographic areas not open to us previously. The removal of bed licences will increase competition around quality of care, service and accommodation, which all play to our strengths as a Company dedicated to this sector."

Rick Rostolis
Chief Financial Officer
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This document was authorised for release to the ASX by the Board of the Regis Healthcare Limited.