ESTIA INVESTMENTS PTY LTD

ABN 87 164 350 387

National Approved Provider System (NAPS) ID: 5951

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

ESTIA INVESTMENTS PTY LTD

ABN 87 164 350 387

CONTENTS

CORPORATE INFORMATION

ABN 87 164 350 387

DIRECTORS

Dr. Gary H Weiss AM (Chairman)

Sean Bilton (Managing Director and CEO, Appointed 11 July 2022)

Norah Barlow ONZM

Paul Foster

Helen Kurincic

Karen Penrose

Professor Simon Willcock (Appointed 1 September 2022)

Ian Thorley (Managing Director and CEO, Resigned 11 July 2022)

Hon. Warwick L Smith AO (Resigned 31 March 2022)

COMPANY SECRETARY

Leanne Ralph

REGISTERED OFFICE

Level 9, 227 Elizabeth Street
Sydney NSW 2000

PRINCIPAL PLACE OF BUSINESS

Level 9, 227 Elizabeth Street
Sydney NSW 2000

SOLICITORS

Minter Ellison

Governor Macquarie Tower

1 Farrer Place

Sydney NSW 2000

King Wood & Mallesons

Governor Phillip Tower

1 Farrer Place

Sydney NSW 2000

Thomson Geer

Rialto South Tower

525 Collins Street

Melbourne VIC 3000

BANKERS

Westpac Banking Corporation

275 Kent Street

Sydney NSW 2000

Commonwealth Bank of Australia

201 Sussex Street

Sydney NSW 2000

Australia and New Zealand Bank

242 Pitt Street

Sydney NSW 2000

AUDITORS

Ernst & Young

8 Exhibition Street

Melbourne VIC 3000

DIRECTORS' REPORT

Your Directors submit their report on Estia Investments Pty Ltd ("the Company") and its subsidiaries ("Estia" or collectively the "Group") for the year ended 30 June 2022.

DIRECTORS

The names and qualifications of the Group's Directors who held office during the financial year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

DR. GARY H WEISS AM (CHAIRMAN)

Gary was appointed as an Independent Non-executive Director and Chairman on 6 October 2020.

Gary holds the degrees of Bachelor of Laws (Hons) and Master of Laws (with distinction) from Victoria University of Wellington, as well as a Doctor of Juridical Science (JSD) from Cornell University, New York.

SEAN BILTON (MANAGING DIRECTOR AND CEO)

Sean was appointed as the Managing Director and CEO on 11 July 2022. Sean held the roles of Chief Operating Officer and Deputy CEO prior to the appointment.

Sean holds a Bachelor of Economics from UNSW, is a Fellow of the Financial Services Institute of Australia and a graduate of the Advanced Management Program at INSEAD. IAN THORLEY (MANAGING DIRECTOR AND CEO)

NORAH BARLOW ONZM

Norah holds a Bachelor of Commerce and Administration from Victoria University of Wellington and is a Chartered Accountant.

PAUL FOSTER

Paul was appointed as an Independent Non-executive Director on 6 October 2020.

Paul holds a Bachelor of Commerce from the University of Wollongong and a Master of Arts from the University of NSW.

HELEN KURINCIC

Helen was appointed as an Independent Non-executive Director on 6 October 2020.

Helen originally qualified as a Registered Nurse specialising in Intensive Care and holds the degrees of Graduate Diploma in Women's Studies and an MBA from Victoria University, Melbourne and has also attended Harvard Business School where she completed programs in Best Practice Leadership and Business Innovations in Global Healthcare.

KAREN PENROSE

Karen was appointed as an Independent Non-executive Director on 6 October 2020.

Karen holds a Bachelor of Commerce from the University of NSW, CPA and FAICD.

SIMON WILLCOCK

Simon was appointed as an Independent Non-executive Director on 1 September 2022.

Simon has been the independent chair of the Clinical Governance Committee since 2019 and has an extensive academic and clinical career including a number of Commonwealth and State Ministerial appointments. He is a Director of Sydney North Primary Health Network and was previously a Director and Chair of Avant Mutual Group. Simon is currently Program Director for Primary Care and Wellbeing Services at MQ Health, a subsidiary of Macquarie University.

IAN THORLEY (MANAGING DIRECTOR AND CEO)

Ian was appointed as the Managing Director and CEO on 23 November 2018. Ian previously held the roles of Chief Operating Officer and Deputy CEO prior to the appointment. Ian resigned from the Board effective 11 July 2022.

Ian holds a Bachelor of Health Administration and a Masters of Commerce from the University of NSW.

HON. WARWICK L SMITH AO

Warwick was appointed as an Independent Non-executive Director in May 2017. Warwick resigned from the Board effective 31 March 2022.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

	Directors' meetings	
No. of meetings held:	9	
	Eligible	Attended
Dr. Gary H Weiss AM	9	9
Ian Thorley	9	9
Norah Barlow ONZM	9	9
Paul Foster	9	9
Hon. Warwick L Smith AO[1]	6	6
Helen Kurincic	9	9
Karen Penrose	9	9

[1] Warwick Smith resigned from the Board effective 31 March 2022

DIRECTORS' HOLDINGS

As at the date of this report, current and former Directors held no ordinary shares in Estia Investments Pty Ltd.

COMPANY SECRETARY

LEANNE RALPH

Leanne is an experienced Company Secretary and is a Fellow of the Governance Institute of Australia and a member of the Australian Institute of Company Directors.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year ended 30 June 2022 continued to be the provision of services in residential aged care homes in Australia as an Approved Provider under the *Aged Care Act 1997* (the "Act").

Estia Investments Pty Ltd is a wholly owned subsidiary of Estia Health Ltd, a company incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange under the code 'EHE'. Information about the Directors and the Executive Team can be found in the Annual Report of Estia Health Limited for the year ended 30 June 2022 or on www.estiahealth.com.au.

SIGNIFICANT EVENTS IN THE AGED CARE SECTOR

Abolition of Aged Care Approval Rounds ("ACAR") and implications for bed licence valuations

In September 2021, the Government affirmed its decision to abolish the ACAR and associated supply restrictions on bed licences, which is expected to take full effect on 30 June 2024. The Directors support this move to more competitive markets as one of the most significant items within the reform agenda to date.

It is expected to create an environment where senior Australians benefit from increased competition which should positively impact the quality of accommodation and service offerings. Providers will have the opportunity to invest in previously protected markets and to attract residents by providing high quality differentiated offerings in locations matched to demand. This reform could prove to be a major catalyst for sector consolidation and the creation of a stronger, more competitive residential aged care sector driven by consumer choice.

Overall, there are expectations that the new arrangements will see a reduction in the number of lower quality homes and services in the sector, replaced by new better quality homes offering improved services. Competing in such an environment and being able to meet higher levels of governance, financial reporting and prudential standards will be challenging for a number of providers in the sector. Well-resourced residential aged care providers like Estia Health, with robust governance systems, committed management, skilled staff and strong balance sheets are well placed to play a leading role in the potential significant restructuring of the sector.

Importantly, the Government introduced transitional arrangements prior to June 2024 to allow Approved Providers the ability to potentially secure access to subsidised fees under the Aged Care Act 1997 if they have beds ready to operate but do not have existing licences.

DIRECTORS' REPORT

SIGNIFICANT EVENTS IN THE AGED CARE SECTOR (CONTINUED)

Accounting implications

These changes will require legislation as part of the proposed new Aged Care Act for which the Government has indicated a target enactment date of 2023. Until such time, Approved Providers may only secure Government subsidies and fees if they hold appropriate licences or have secured approval under the transitional arrangements.

Prior to these changes, the Group's balance sheet at 30 June 2021 included a value of $221.3 million relating to bed licences and an associated deferred tax liability of $64.6 million. The majority of this balance was established under fair value accounting rules on the purchase of businesses by the Group from 2014 to 2016, when an open market value for bed licences existed with values varying over time and locations from $25,000 to $100,000 per bed licence.

As a result of the former Government's announcement and the transitional arrangement that allows providers to apply directly to the Department of Health for an allocation of places, the secondary market for bed licences has effectively ceased. The Group commissioned an independent assessment, which has supported its own analysis, that the fair value of bed licences is now nil.

Notwithstanding the directors' view that the fair value of existing operational bed licences is nil, the directors have determined that in order to comply with Accounting Standards and the Group's accounting policy in relation to Goodwill and Intangible Assets (as set out in Note C6 to the Financial Statements), bed licences are now regarded as finite life intangible assets with the carrying value being amortised on a straight line basis over the period from 1 October 2021 to 30 June 2024.

The Financial Statements in this Report include a bed licence amortisation charge of $42.7 million after tax. The carrying value of bed licences in the Balance Sheet at 30 June 2022 was $160.9 million. Subject to no further changes in Government policy, an amortisation charge of approximately $57.0 million (net of tax) is expected to be incurred in FY23 and in FY24. Other than the potential future tax implications explained below, the amortisation charge has no impact on the cash flows of the Group and nor does it impact the Group's compliance with its debt covenants or regulatory obligations.

Tax implications

Subject to further analysis, it is currently anticipated that the abolition of bed licences should result in a capital loss of up to $200 million on 30 June 2024, available to be carried forward from that date which could be utilised against future capital gains of the Group, subject to prevailing tax legislation and tax loss recoupment tests. It is unlikely that the criteria to recognise an associated deferred tax asset in the Financial Statements will be met until such time as future capital gains becomes probable.

DIRECTORS' REPORT

SIGNIFICANT EVENTS IN THE AGED CARE SECTOR (CONTINUED)

COVID-19

COVID-19 continued to heavily impact the sector in the period and whilst the early indications were that national initiatives such as vaccination and the increased availability of testing were creating the circumstances for a return to a more stable operating environment, the emergence of the Omicron variant highlighted the risks and uncertainties which are expected to remain for the foreseeable future.

The Group continues to adopt a disciplined and carefully managed program of protective and preventative measures in accordance with local health authorities and its own risk assessments. These measures have varied throughout the year as external circumstances have evolved.

The Group has ensured that all staff without medical exemption were fully vaccinated in accordance with relevant State Health Directions. After obtaining appropriate legal advice, the employment contracts of staff who chose not to be vaccinated were terminated.

Residents are not required under State Health Directions to be vaccinated, however the Group has strongly encouraged and facilitated vaccination of residents.

Further details can be found in the Annual Report of Estia Health Limited, the ultimate holding company of the Group.

OPERATING AND FINANCIAL REVIEW

The financial performance of the Group was materially impacted by COVID-19. The pandemic increased costs, reduced occupancy and revenue, the effects of which were partially offset by additional Government funding. The financial performance has been presented in the section below, which is different to prior years, to provide a better understanding for shareholders of the financial impact of COVID-19 and other non-recurring items during this volatile and unprecedented period.

In addition to the impact of COVID-19, input cost inflation, primarily resulting from employment Enterprise Agreements, continued to run ahead of Government funding rate increases leading to continued margin compression as resident care and service levels were maintained. Margin erosion across the sector was a key finding of the Royal Commission.

Further details in relation to the Group's financial performance can be found in the Annual Report of Estia Health Limited, the ultimate holding company of the Group.

DIRECTORS' REPORT

DIVIDENDS

As a result of the reported Net loss after tax, excluding bed licence amortisation in the period, the directors determined not to declare a final dividend for the year.

A final dividend for the year ended 30 June 2021 of $14.7m was paid during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than those explained in this report there were no significant changes in the state of affairs of the Group during the financial year ended 30 June 2022.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

COVID-19 Grant Recoveries

Subsequent to 30 June 2022, the Group submitted 145 claims for a total amount of $9.6m, and $10.5m of claims submitted prior to 30 June 2022 were confirmed by the Government.

Changes in Directors of the Company

On 11 July 2022, Sean Bilton was appointed Managing Director and CEO of the Company, replacing Ian Thorley who stepped down on the same day.

On 1 September 2022, Professor Simon Willcock was appointed as an Independent Non-executive Director on 1 September 2022.

Passing of Government legislation

On 2 August 2022, the Aged Care and Other Legislation Amendment (Royal Commission Response) Bill 2022 (the "Bill") was enacted into legislation. The Bill implements nine measures to improve aged care and responds to 17 recommendations of the Royal Commission into Aged Care Quality and Safety.

The Bill establishes the Australian National Aged Care Classification (AN-ACC) funding model, a new Code of Conduct and banning orders, and extends the Serious Incident Response Scheme to all in-home care providers. It also extends the functions of the Independent Health and Aged Care Pricing Authority.

Other measures enshrine transparency and accountability of Approved Providers and improve quality of care and safety for older Australians receiving aged care services.

A second piece of aged care legislation, the Aged Care Amendment (Implementing Care Reform) Bill 2022, was introduced on 27 July 2022 but has not yet been passed into legislation.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The industry continues to grow in complexity and the acuity of residents is increasing as the incidence of residents presenting with dementia and extensive co-morbidities escalates. This will see a need for a growing sophistication of aged care providers with scale, systems, governance and leadership likely requirements in order to adapt to these changes, which may be similar to the evolution that has occurred in other parts of Australia's health care system over the last two decades.

Notwithstanding increased availability of home care services in the future, the aging population and increasing number of people aged over 85 in particular, is likely to lead to increased demand for residential aged care services.

Financial impacts of COVID-19, including lower occupancy and the increased costs of prevention and response are expected to continue for the foreseeable future and remain uncertain. The extent to which these costs will be recovered under temporary funding support or re-imbursement under Government Grant schemes is also uncertain.

Following the Royal Commission, the Government responded with a major reform package which is currently being implemented and will impact future operations and performance of the sector and the Group.

The abolition of the ACAR's anti-competitive supply constraints will underpin opportunities for large, high-quality providers with strong balance sheets such as Estia Health to grow and benefit through scale, higher occupancy and attraction of workforce. The Group's financial and operational outcomes from its new homes demonstrates this capability. The abolition of ACAR may also lead to increased competition in some areas where the Group operates.

The competition for talent and the ability to attract, develop and retain a skilled workforce, remains one of the greatest challenges facing the aged care sector and the Group which may also impact future financial performance.

Whilst the operation of IHACPA and the impact on pricing and returns relative to input costs remain uncertain, Directors believe that the framework from these key reforms is in place to facilitate the evolution to a financially sustainable sector.

> "The consequences of having an unsustainable system are significant, particularly for senior Australians and their families. Future scenarios could see a loss of the recent improvements made or announced for implementation. An unsustainable system could also lead to a decline in the number of viable providers who deliver services to the elderly and pose challenging consequences for current and future taxpayers.
> "As the aged care sector becomes more consumer-driven and competitive, some providers will likely thrive and grow while others struggle to remain viable. At a sector level, the withdrawal of inefficient and low-quality providers improves overall service standards. These changes will increase overall efficiency and improve the sustainability of aged care"

The UTS Discussion Paper "Sustainability of the Aged Care Sector" published in June 2022 notes:
It is currently expected that daily Government subsidies received by the Group will likely increase in FY23 under the new AN-ACC funding model, however there will be incremental costs including those associated with meeting mandated minimum care minutes from 1 October 2023.

The Government reform mandates a minimum average of 200 minutes of care, including 40 minutes provided by a Registered Nurse, is required to be delivered by Approved Providers effective 1 October 2023, followed by further increases from 1 October 2024.

It is not possible to predict the overall outcome of these changes on the sector or the Group with any great certainty at the present time as it remains highly dependent on the finalisation of shadow assessments under the AN-ACC model, the Group's re-assessment submissions, the final determination of the nature of work and workers whose time will be classified as mandated care minutes, the resident cohort at each home, the work of IHACPA and the Government's response to its analyses in relation to funding increased costs and care needs.

As a result, there remain a large number of uncertainties which may impact the financial performance of the Group in the short to medium term until such time as the funding, pricing and mandated minimum care minute reforms are fully operational, which is unlikely to be sooner than FY24. In particular, there is no certainty over the level of financial returns or margin which IHACPA and the Government may factor into future pricing and subsidies.

In the face of these uncertainties, the Group will deploy capital cautiously to take advantage of growth opportunities with the objective of delivering earnings growth to shareholders.

DIRECTORS' REPORT

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is not subject to significant environmental legislation under either Commonwealth or State legislation.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

In accordance with provisions in its constitution, the Company has executed deeds of indemnity in favour of former and current directors and officers of the Company in relation to potential liabilities including:

(a) liabilities incurred by the person in the capacity as an officer where permitted under section 199A (2) ofthe *Corporations Act 2001*;

(b) legal costs incurred in relation to civil or criminal proceedings in which the officer becomes involved because of that capacity;

(c) legal costs incurred in connection with any investigation or inquiry of any nature because of that capacity; and

(d) legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an officer.

The terms of these indemnities require repayment of sums advanced by way of legal costs in the event that the relevant officer is found to have committed wrongs of a nature the Company is prohibited from indemnifying under section 199A(2) of the *Corporations Act 2001*.

In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the natureof the liabilities covered and the premium payable.

The contract does not provide cover for the independent auditors.

INDEMNIFICATION OF AUDITORS

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

NON-AUDIT SERVICES

The following non-audit services were provided by the Group'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 or are due to receive the following amounts for the provision of non-audit services, which represents 19% (2021: 11%) of the total fees received by the firm.

	2022 $'000
Tax compliance services	159
Other	18
Total Non-audit services	**177**

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars ($'000), under the option available to the Group under *ASIC Corporations (Rounding in Financial or Director' Reports) Instrument 2016/191*. Estia Investments Pty Ltd is an entity to which the class order applies.

This report is made on 20 October 2022 in accordance with a resolution of Directors.

Dr. Gary H Weiss AM

Chairman

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

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Auditor's Independence Declaration to the Directors of Estia Investments Pty Ltd

As lead auditor for the audit of Estia Investments Pty Ltd for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Estia Investments Pty Ltd and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Paul Gower

Paul Gower
Partner
20 October 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $'000	Restated[1] 2021 $'000
Revenues	B1	671,067	646,305
Other income	B1	8,966	19,087
Expenses			
Employee benefits expense and agency staff expenses	B2	488,773	444,108
Administrative expenses	B3	44,318	23,083
Occupancy expenses	B4	21,087	21,054
Resident expenses		64,233	64,381
Depreciation, impairment and amortisation expense excluding bed licences		45,122	42,808
Amortisation of bed licences	C6	60,349	-
Operating (loss) / profit or the year		**(43,849)**	**69,958**
Net finance costs	B5	60,146	48,812
(Loss) / Profit before income tax		**(103,995)**	**21,146**
Income tax (benefit) / expense	B6	(30,356)	6,629
(Loss) / Profit for the year		**(73,639)**	**14,517**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		-	-
Total comprehensive (loss) / income for the year, net of tax		**(73,639)**	**14,517**

1. Refer to Note E9 for details relating to the restatement of prior period comparative

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022 $'000	Restated[1] 2021 $'000
Current assets			
Cash and cash equivalents	C1	20,407	33,425
Trade and other receivables	C2	10,261	7,125
Prepayments and other assets		4,437	5,812
Consumable supplies	C3	4,714	2,985
Assets held for sale	C4	-	2,601
Total current assets		**39,819**	**51,948**
Non-current assets			
Property, plant, equipment	C5	840,343	845,465
Investment properties		750	750
Goodwill	C6	681,012	681,012
Other intangible assets	C6	164,209	223,815
Related party loan receivable	C9	-	1,666
Right of use assets	C7	56,367	59,220
Prepayments		377	352
Total non-current assets		**1,743,058**	**1,812,280**
Total assets		**1,782,877**	**1,864,228**
Current liabilities			
Trade and other payables	C8	51,854	39,139
Other financial liabilities		466	508
Related party loans payable	C9	318,980	318,727
Provisions	C10	63,126	59,962
Lease liabilities	C7	3,686	3,897
Refundable accommodation deposits and bonds	D1	884,069	863,929
Total current liabilities		**1,322,181**	**1,286,162**
Non-current liabilities			
Lease liabilities	C7	58,766	61,225
Related party loan payable	C9	100,000	114,500
Provisions	C10	8,542	6,058
Deferred tax liabilities	B6	83,965	99,617
Total non-current liabilities		**251,273**	**281,400**
Total liabilities		**1,573,454**	**1,567,562**
Net assets		**209,423**	**296,666**
Equity			
Issued capital	D2	455,987	455,987
Deemed contributions		3,829	2,732
Accumulated losses		(250,393)	(162,053)
Total equity		**209,423**	**296,666**

1 Comparative information has been restated to account for:

(a) the change in accounting policy in relation to configuration and customisation costs incurred in implementing Software as a Service ("SaaS") arrangements as a result of the relevant agenda decision published by the IFRS Interpretations Committee in April 2021. Refer to Note E9 for details.

(b) the equity instruments of $2,732,000 issued by the Company's parent entity on behalf of the Company in relation to the long-term incentives ("LTI") plan, resulting in a decrease of $2,732,000 in current liabilities and a corresponding increase in deemed contributions.

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Issued capital $'000	Deemed contributions $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020, as previously reported		**455,987**	**-**	**(174,325)**	**281,662**
Deemed capital contributions, as restated[1]		**-**	1,747	**-**	**1,747**
Effect of change in accounting policy (net of tax)	E9	**-**	-	(2,245)	**(2,245)**
Balance at 1 July 2020, as restated		**455,987**	**1,747**	**(176,570)**	**281,164**
Profit for the year, as restated		-	-	14,517	14,517
Other comprehensive income		-	-	-	-
Total comprehensive income, as restated		**-**	**-**	**14,517**	**14,517**
Transactions with owners in their capacity as owners:					
Issue of share capital		-	-	-	-
Deemed capital contributions, as restated[1]		-	985	-	985
Dividends	D2	-	-	-	-
Balance as at 30 June 2021, as restated		**455,987**	**2,732**	**(162,053)**	**296,666**
Balance at 1 July 2021, as restated		**455,987**	**2,732**	**(162,053)**	**296,666**
Loss for the year		-	-	(73,639)	(73,639)
Other comprehensive income		-	-	-	-
Total comprehensive income		**-**	**-**	**(73,639)**	**(73,639)**
Transactions with owners in their capacity as owners:					
Issue of share capital		-	-	-	-
Deemed capital contributions		-	1,097	-	1,097
Dividends	D2	-	-	(14,701)	(14,701)
As at 30 June 2022		**455,987**	**3,829**	**(250,393)**	**209,423**

1. Comparative information has been restated to account the equity instruments of $2,732,000 issued by the Company's parent entity on behalf of the Company in relation to the long-term incentives ("LTI") plan, resulting in a decrease of $2,732,000 in current liabilities and a corresponding increase in deemed contributions.

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $'000	2021[1] $'000
Cash flows from operating activities			
Receipts from residents		145,005	145,716
Receipts from government		477,855	462,420
Payments to suppliers and employees		(574,807)	(557,612)
Net operating cash flows before interest, income tax and RAD, accommodation bond and ILU entry contributions		**48,053**	**50,524**
Interest received		16	520
Finance costs paid		(4,176)	(6,153)
Interest expense on lease liabilities		(1,911)	(1,943)
Net cash flows from operating activities excluding RAD, accommodation bond and ILU entry contributions		**41,982**	**42,948**
RAD, accommodation bond and ILU entry contribution received		268,430	256,599
RAD, accommodation bond and ILU entry contribution refunded		(245,629)	(226,007)
Net cash flows from operating activities	B7	**64,783**	**73,540**
Cash flows from investing activities			
Payments for intangible assets	C6	(1,676)	(939)
Proceeds from sale of property, plant and equipment		64	41
Proceeds from sale of assets held for sale	C4	3,550	15,385
Purchase of property, plant and equipment	C5	(31,780)	(47,098)
Net cash flows used in investing activities		**(29,842)**	**(32,611)**
Cash flows from financing activities			
Dividends paid	D2	(14,701)	-
Net borrowings repayment to related parties		(29,143)	(33,721)
Repayment of lease liabilities		(4,115)	(4,380)
Net cash flows used in financing activities		**(47,959)**	**(38,101)**
Net (decrease) / increase in cash and cash equivalents		**(13,018)**	**2,828**
Cash and cash equivalents at the beginning of the year		33,425	30,597
Cash and cash equivalents at the end of the year	C1	**20,407**	**33,425**

1. Refer to Note E9 for details relating to the restatement of prior period comparative

The accompanying notes form part of these consolidated financial statements.

SECTION A: ABOUT THIS REPORT

A1
CORPORATE INFORMATION

The consolidated financial statements of Estia Investments Pty Ltd (the “Company” or the “Parent”) and its subsidiaries (collectively, the “Group”) for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 20 October 2022.

The Company is a for-profit company limited by shares incorporated in Australia. The Company is a wholly owned subsidiary of Estia Health Limited, a company limited by shares and incorporated in Australia, and whose shares are publicly traded on the Australian Securities Exchange under the code 'EHE'.

The nature of the operations and principal activities of the Group are described in the Directors’ Report.

A2
BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for investment properties which have been measured at fair value.

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

A3
STATEMENT OF COMPLIANCE

The financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

A4
BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its controlled subsidiaries as at 30 June 2022 (refer to Note E6 for the group structure). Control is achieved when the Group is exposed, or has rights, to the variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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 profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intercompany balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

SECTION A: ABOUT THIS REPORT (CONTINUED)

A5
CURRENT OR NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the Consolidated 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 in the normal operating cycle
- Expected to be realised within twelve months after the reporting period
- Held primarily for trading, or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Group classified all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

A6
GOING CONCERN

The financial report has been prepared on a going concern basis which assumes that the Group will be able to meet its obligations as and when they fall due. The potential impacts of COVID-19 have been taken into consideration in preparing the financial report on a going concern basis. The Group's current liabilities exceed current assets by $1,282,362,000 as at 30 June 2022 (2021: $1,234,214,000) resulting in a net deficiency of current assets. This mainly arises because of the requirement to classify Refundable Accommodation Deposits ("RAD") and Independent Living Unit ("ILU") entry contributions of $884,069,000 (2021: $863,929,000) and net related party loans of $319,980,000 (2021: $317,061,000) as current liabilities. Refer to Note C9 for details of related party loans and Note E7 for explanation of a Deed of Cross Guarantee entered into by the Company.

RADs and Bonds are classified as a current liability as the Group does not have an unconditional right to defer settlement of any specific RAD or Bond for at least twelve months after the reporting date. The total RAD and Bond liability represents the sum of separate payments from individual residents in different locations with differing circumstances, and frequently a departing RAD and Bond paying resident is replaced quickly with a new RAD paying resident. The repayment of individual balances that make up the total current balance will be dependent upon the actual tenure of individual residents, which can be more than ten years but averages approximately 2 - 2.5 years (refer Note D1 and C9 for further details).

The Group has access to the Estia Health Group syndicated financing facility of $330,000,000 of which $230,000,000 remains undrawn as at 30 June 2022 (2021: 215,500,000). This debt facility can be drawn down to repay RAD and bond refunds should the Group experience significant RAD and bond net outflows.

SECTION A: ABOUT THIS REPORT (CONTINUED)

A7
SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts and are reviewed on an ongoing basis. In making any judgement, estimate or assumption relating to reported amounts, management have also considered, where appropriate the impact of COVID-19.

Uncertainty that relates to these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities impacted in future periods.

Information about critical judgements, estimates and assumptions that affect the application of the Group's accounting policies within the year ended 30 June 2022 are included in the following notes:

Significant accounting judgements, estimates and assumptions	
Note B1	Revenue and other income
Note B5	Net finance costs
Note C2	Allowance for expected credit losses
Note C5	Property, plant and equipment impairment test
Note C6	Intangible assets impairment test and bed licence amortisation
Note C7	Leases
Note C10	Provisions

SECTION B: OUR PERFORMANCE

B1

REVENUE AND OTHER INCOME

	2022 $'000	2021 $'000
Revenues		
Government funded residential care subsidies & supplements[1]	459,082	456,120
Basic daily fee supplement	20,569	-
Resident daily care fees	110,411	106,569
Other resident fees	41,677	41,300
Imputed DAP revenue on RAD and bond balances under AASB 16[2]	39,328	42,316
Total revenues	**671,067**	**646,305**
Other income		
Net gain on disposals of assets held for sale	848	9,446
Net gain on disposals of property, plant and equipment	64	41
Government grants[3]	8,053	9,600
Other income	1	-
Total other income	**8,966**	**19,087**

The Group recognises revenue from residential aged care services over time as performance obligations are satisfied, which is as the services are rendered. Services provided by the Group include provision of accommodation, use of common areas or facilities, and the ongoing daily delivery of care.

1. Government funded residential care subsidies & supplements includes temporary additional funding of $11,826,000 for the year ended 30 June 2021 provided by the Australian Government to support additional costs and workforce supply pressures resulting from COVID-19. No temporary additional funding was received during the current financial year.

2. Other resident fees include operating lease revenue for the provision of accommodation, that is accounted for in accordance with AASB 16 Leases ("AASB 16"). In addition, the amount includes imputed revenue in relation to residents who have chosen to pay a RAD or bond which is a non-cash amount.

3. *Monetary Government grants*

During the year, the Group submitted claims to the Federal Government relating to expenses incurred in managing the direct impacts of COVID-19 during the year as shown below:

	2022 $'000	2021 $'000
Grant submitted during the year		
Confirmed and received before end of year	7,049	7,369
Confirmed but not received before end of year	23	-
Grant claims recognised as income during the year	**7,072**	**7,369**

Non-monetary Government grants

PPE totalling $980,000 (2021: $2,231,000) received from the Government was consumed during the year, which supplemented its own purchases.

SECTION B: OUR PERFORMANCE (CONTINUED)

B1
REVENUE AND OTHER INCOME (CONTINUED)

Disaggregation of Revenue

The Group has disaggregated revenue based on the source of the funding for the provision of residential aged care.

(a) Government Funded Residential Care Subsidies & Supplements

The Australian Government determines the amount of subsidies and supplements in accordance with the provisions of the Aged Care Act 1997 (the “Act”). The level of subsidy or supplement depends on a range of factors, including a resident’s care needs, supported resident ratios in a particular home and whether a home has been newly built or significantly refurbished on or after 20 April 2012. The subsidies and supplements are calculated as a daily rate payable for each day that a resident is in a home.

The Government may require a resident to pay a proportion of that subsidy or supplement dependent on their own financial circumstances. This is referred to as a Means Tested Care Fee ("MTCF"). As a result, the MTCF reduces the amount the Government pays directly to the provider. The total MTCF included within the total Government Funded Residential Care Subsidies and Supplements was $16,808,000 for the year ended 30 June 2022 (2021: $15,478,000).

(b) Basic Daily Fee supplement

The Group receives Basic Daily Fee supplement in accordance with the provisions of the Aged Care Act 1997 which is introduced with effect from 1 July 2022 to support eligible aged care providers to deliver better care and services to residents with a focus on food and nutrition. The supplement is calculated as $10 per day per resident.

(c) Resident Daily Care Fees

The Group receives Basic Daily Fees in accordance with the Aged Care Act which are funded directly by the resident as a Basic Daily Fee which is set by the Government. The Basic Daily Fee is calculated as a daily rate and is payable by a resident for each day that a resident is in a home.

(d) Other Resident Fees

The Group provides additional services and accommodation to residents that are funded directly by the resident, under mutually agreed terms and conditions.

(e) Imputed Revenue on RAD and Bond Balances under AASB 16 *Leases* (“AASB 16”)

Accommodation services provided to residents who have elected to pay a RAD or accommodation bond are accounted for as a lease under AASB 16.

(f) Other Income

During the year, a facility in Keilor Downs, Victoria was closed, and later sold for a total of $3,550,000 (2021: two properties sold for $16,450,000) and recognised a net gain on sale of $848,000 (2021: net gain on sale of $9,446,000).

The Group recognises gains and losses from the sale of assets held for sale at the point in time that control transfers to the purchaser, which is when the legal title is transferred between the parties.

(g) Contract assets and liabilities

AASB 15 Revenue from contracts with customers ("AASB 15") requires presentation of the following items separately in the statement of financial position:

(i) ‘contract asset’ for the right to consideration in exchange for services that have transferred to a customer;

(ii) ‘contract liability’ for the obligation to transfer services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer; and

(iii) ‘receivable’ for the right to consideration that is unconditional (only the passage of time is required before payment of that consideration is due).

SECTION B: OUR PERFORMANCE (CONTINUED)

B1
REVENUE AND OTHER INCOME (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

The Group recognises revenue under AASB 15 *Revenue from Contracts with Customers ("AASB 15")* which applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The Group uses the five-step model as set out in AASB 15 to account for revenue arising from contracts with customers.

The transaction price is allocated to performance obligations on the basis of their relative standalone selling prices and recognised as revenue accordingly as those performance obligations are satisfied over time each day as the customer simultaneously receives and consumes the benefits provided by the Group.

The provision of care to a resident is a single performance obligation. Other services, such as Additional Services (including services such as in-room Foxtel and additional menu choices) and Accommodation charges contain a number of different performance obligations.

The Group has applied the practical expedient not to disclose the transaction price allocation to unperformed performance obligations because all performance obligations are considered to be met on a daily basis. Therefore, the Group does not have any outstanding performance obligations that have not been met at the reporting date.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to compensation for expenses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised in profit or loss of the period in which it becomes receivable. When the Group receives grants of non-monetary assets, the replacement cost of the underlying assets received are initially recognised as inventory and deferred grant income, which subsequently get released to profit or loss based on the pattern of consumption of the benefits of the underlying asset. Government grants are considered as other income.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in Other resident fees. Total revenue includes imputed revenue in relation to residents who have chosen to pay a RAD or bond. Under AASB 16, the fair value of non-cash consideration (in the form of an interest-free loan) received from a resident that has elected to pay a RAD or accommodation bond is required to be recognised as income and correspondingly, interest expense with no net impact on profit or loss.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Imputed Daily Accommodation Payment ("DAP") Revenue on RAD and Bond Balances

The Group has determined the use of the Maximum Permissible Interest Rate ("MPIR") as the interest rate to be used in the calculation of the Imputed DAP Revenue on RAD and Bond Balances. The MPIR is a rate set by the Government and is used to calculate the DAP to applicable residents.

COVID-19 related grant income

Based on previous experience and the processes adopted by the Group prior to submission of grant claims, the Group believes that its grant applications meet all eligibility criteria. However, the approval of submitted claims is wholly managed by and at the discretion of Government, and as such the outcome of the submissions cannot be predicted with certainty until they are approved formally by the Government. Therefore, the Group considered that the income associated with these grants shall be recognised in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* when the Group obtains reasonable assurance that the grants will be received which is upon receipt of approval from the Government.

SECTION B: OUR PERFORMANCE (CONTINUED)

B2
EMPLOYEE BENEFITS AND AGENCY STAFF EXPENSES

	2022 $'000	Restated[1] 2021 $'000
Salaries and wages expense	382,129	366,133
Superannuation expense	34,651	33,014
Other employee expenses including agency staff expenses	71,993	44,961
Total employee benefits expenses and agency staff expenses	**488,773**	**444,108**

COVID-19 aged care retention bonuses

The Group administered and disbursed COVID-19 aged care retention bonuses on behalf of the Australian Government during the financial year and considered that it acted as an agent in making these payments on behalf of the Australian Government. Total payments of $4,385,000 for the year ended 30 June 2022 (2021: $9,104,000) were therefore treated as a disbursement and were presented as a pass-through with no impact on the financial results.

B3
ADMINISTRATIVE EXPENSES

	2022 $'000	Restated[1] 2021 $'000
Professional services expenses	23,419	5,555
Insurance premiums	5,241	4,200
Telephone and communication expenses	2,297	2,576
Advertising and marketing expenses	1,313	1,326
Printing and stationery expenses	1,196	1,179
Travelling expenses	2,752	800
Other administrative expenses	8,100	7,447
Total administrative expenses	**44,318**	**23,083**

1. Refer to Note E9 for details relating to the restatement of prior period comparative

B4
OCCUPANCY EXPENSES

	2022 $'000	2021 $'000
Repairs and maintenance expense	8,199	8,555
Other occupancy expenses	12,888	12,499
Total occupancy expenses	**21,087**	**21,054**

SECTION B: OUR PERFORMANCE (CONTINUED)

B5
NET FINANCE COSTS

		2022 $'000	2021 $'000
Finance income			
Interest income from cash at banks		16	520
Total finance income		**16**	**520**
Finance costs			
Imputed interest expense on RAD and bond balances	B1	39,328	42,316
Interest expense on related party loans		14,453	1,842
Interest expense on accommodation bonds for departed residents		2,654	2,019
Interest expense on leases under AASB 16		1,911	1,943
Other finance costs		1,888	1,545
Interest capitalised		(72)	(333)
Total finance costs		**60,162**	**49,332**
Net finance costs		**60,146**	**48,812**

SIGNIFICANT ACCOUNTING POLICY

Interest income

Interest income is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs comprise interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of 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 the asset. All other borrowing costs are expensed in the period in which they occur. Refer to Note C7 for Interest expenses under AASB 16 and D2 for information relating to loans and borrowings.

Imputed interest on RAD

Refer to Note B1 revenue and other income.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Group has determined the use of the Maximum Permissible Interest Rate ("MPIR") as the interest rate in the calculation of the Imputed Interest Cost on RAD and Bond Balances. The MPIR is a rate set by the Government and is used to calculate the DAP to applicable residents.

Where the Group, as a lessee, cannot readily determine the interest rate implicit in a lease, it uses an Incremental Borrowing Rate ("IBR") to calculate interest expense on leases. The IBR is the interest rate that the lessee would have to pay to borrow over a similar term of each lease. The Group estimates the IBR using market interest rates and adjusts these rates to include the effect of the lessee's own stand alone credit rating.

SECTION B: OUR PERFORMANCE (CONTINUED)

B6
INCOME TAX

Major components of income tax expense

	2022 $'000	Restated[1] 2021 $'000
Current income tax		
Current income tax expense	(12,569)	4,929
Adjustments in respect of income tax of previous year	(2,135)	(466)
Deferred income tax		
Relating to origination and reversal of temporary differences	(17,789)	1,679
Adjustments in respect of income tax of previous year	2,137	487
Income tax (benefit) / expense	**(30,356)**	**6,629**

Reconciliation of income tax expense and accounting profit:

	2022 $'000	Restated[1] 2021 $'000
Accounting (loss) / profit before income tax	(103,995)	21,146
At the Australian statutory income tax rate of 30% (2021: 30%)	(31,199)	6,344
Adjustments in respect of income tax of previous year	2	21
Utilisation of previously unrecognised tax losses	-	(16)
Expenditure not allowable for income tax purposes		
- Other expenditure	841	280
Income tax (benefit) / expense	**(30,356)**	**6,629**

1. Refer to Note E9 for details relating to the restatement of prior period comparative

SECTION B: OUR PERFORMANCE (CONTINUED)

B6
INCOME TAX EXPENSE (CONTINUED)

	Consolidated statement of profit or loss and comprehensive income		Consolidated statement of financial position	
	2022 $'000	Restated[1] 2021 $'000	2022 $'000	Restated[1] 2021 $'000
Accelerated depreciation and impairment	(1,539)	(3,672)	(61,388)	(59,849)
Lease liabilities	(3,153)	-	18,736	21,889
Provisions and accruals	1,876	2,028	23,951	22,075
Assets held for sale	-	(2,216)	-	-
Right of use assets	987	2,244	(16,910)	(17,897)
Bed licences	17,610	-	(46,961)	(64,571)
Other[1]	(129)	(550)	(1,393)	(1,264)
Deferred tax expense / (credit)	**15,652**	**(2,166)**		
Deferred tax liabilities, net			**(83,965)**	**(99,617)**
Reflected in the consolidated statement of financial position as follows				
Deferred tax assets			42,919	44,347
Deferred tax liabilities			(126,884)	(143,964)
Deferred tax liabilities, net			**(83,965)**	**(99,617)**

Reconciliation of deferred tax liabilities, net:

	$'000
Balance as at 1 Jul 2020	(98,413)
Income tax expense during the year recognised in profit or loss	(1,847)
Adjustments in respect of income tax of previous year	(487)
Balance as at 1 July 2021, as previously reported	**(100,747)**
Effect of change in accounting policy[1]	1,130
Balance as at 1 July 2021, as restated	**(99,617)**
Income tax credit during the year recognised in profit or loss	17,789
Adjustments in respect of income tax of previous year	(2,137)
Balance as at 30 June 2022	**(83,965)**

1. Comparative information has been restated to reclassify between deferred tax liabilities and related party loans payable.

SECTION B: OUR PERFORMANCE (CONTINUED)

B6
INCOME TAX EXPENSE (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

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 Australian Taxation Office ("ATO"). The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Positions taken in the tax returns are evaluated with respect to situations in which applicable tax regulations are subject to interpretation and establishes a tax asset or liability where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, 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, when 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 and liabilities are measured at the tax rates that are expected to apply in 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 assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Estia Investments Pty Ltd and its wholly-owned controlled entities implemented the tax consolidation legislation as of 19 June 2013.

The head entity, Estia Health Limited 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.

In addition to its own current and deferred tax amounts, the Group also recognises the 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.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

SECTION B: OUR PERFORMANCE (CONTINUED)

B7
CASH FLOW RECONCILIATION

	2022 $'000	Restated[1] 2021 $'000
(Loss) / Profit for the year	(73,639)	14,517
Adjustments to reconcile profit after income tax to net cash flows:		
Depreciation of property, plant and equipment	40,031	36,325
Depreciation on right of use assets	4,142	4,536
Amortisation of bed licences and other intangible assets	61,180	967
Impairment of property, plant and equipment	118	980
Write-down of consumable supplies	326	1,006
Net gain on disposal of property, plant and equipment	(64)	(41)
Net gain on sale of assets held for sale	(848)	(9,446)
Bond retention revenue	(2,661)	(2,968)
Imputed revenue on RAD and bond balances	39,328	42,316
Imputed interest cost on RAD and bond balances	(39,328)	(42,316)
Income tax expense	(30,356)	6,629
Finance costs	14,749	863
Share-based payments	1,097	985
Movement in allowance for expected credit losses	(328)	(718)
(Increase) / Decrease in:		
Trade and other receivables	(2,864)	(68)
Prepayments and other assets	(821)	(4,022)
(Decrease) / Increase in:		
Trade and other payables	26,274	(14,786)
Provisions	5,646	8,189
Refundable accommodation deposits and bonds	22,801	30,592
Net cash flows from operating activities	**64,783**	**74,540**

1. Refer to Note E9 for details relating to the restatement of prior period comparative.

SIGNIFICANT ACCOUNTING POLICY

Operating cash flow

Daily inflows and outflows of refundable accommodation deposits are considered by the Group to be a normal part of the operations of the business and are utilised by the Group within the guidelines set out by the Prudential Compliance Standards and are therefore classified as an operating activity for the purposes ofcash flow reporting.

SECTION C: ASSETS & LIABILITIES

C1
CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Cash at bank	20,352	33,297
Cash on hand	55	128
Total cash and cash equivalents	**20,407**	**33,425**

SIGNIFICANT ACCOUNTING POLICY

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C2
TRADE AND OTHER RECEIVABLES

	2022 $'000	2021 $'000
Trade receivables	8,271	6,937
Other receivables	2,957	1,483
Allowance for expected credit losses	(967)	(1,295)
Total trade and other receivables	**10,261**	**7,125**

Allowance for expected credit loss

Set out below is the movement in the allowance for expected credit losses of trade receivables for the period.

	2022 $'000	2021 $'000
As 1 July	1,295	2,013
Net remeasurement of allowance for expected credit losses	(20)	(302)
Utilised	(308)	(416)
As 30 June	**967**	**1,295**

SIGNIFICANT ACCOUNTING POLICY

Trade receivables and other receivables are recognised and carried at original invoice amount less an allowance for lifetime expected credit losses.

The Group uses a provision matrix based on days past due for groupings of customers with similar credit risk characteristics, adjusted for any material expected changes to the future credit risk of that group to determine the lifetime expected credit losses at the reporting date.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In calculating the allowance for expected credit loss, the Group applies judgements when identifying customers with similar risk characteristics to group together in the provision matrix. The Group is also required to estimate the rate of allowance of expected credit loss for each group of customer, which requires the use of historical rates of default and assumptions based on future economic conditions, for instance a downturn in the Australian economy or adverse changes to the aged pension, that may materially impact on the ability to collect outstanding customer balances. Refer to D3 Credit Risk for additional information.

The Group determined that the risk characteristics of its customers were not significantly impacted by COVID-19 during the period. The Group observed there to be no significant shift in customer payment patterns and performance following the declaration of the COVID-9 pandemic in Australia from March 2020 that would materially impact the ability to collect outstanding debtors balances.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C3
CONSUMABLE SUPPLIES

	2022 $'000	2021 $'000
Consumable supplies, at lower of cost or net realisable value	4,714	2,985
Total consumable supplies	**4,714**	**2,985**

	2022 $'000	2021 $'000
Consumption	4,966	6,131
Write-down of expired consumable supplies	298	688
Write-down of consumable supplies to net realisable value	28	318
Total consumable supplies expensed during the year	**5,292**	**7,137**

SIGNIFICANT ACCOUNTING POLICY

Consumable supplies are recorded using the First In First Out Method and are valued at the lower of cost and net realisable value, which is the estimated replacement cost.

C4
ASSETS HELD FOR SALE

	2022 $'000	2021 $'000
Assets held for sale	-	2,601
Total assets held for sale	**-**	**2,601**

The prior year balance represented a land site in Wombarra which has been subject to continued protracted negotiations over its sale. The Group has assessed that a commercial transaction eventuating between the parties within the next 12 months as being unlikely. As such, the carrying value of the land site was reclassified as Property, Plant and Equipment with no impact on the results of operations for the current period and any prior periods presented.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C5
PROPERTY, PLANT AND EQUIPMENT

Reconciliation of property, plant and equipment

	Notes	Land $'000	Buildings $'000	Property improve-ments $'000	Furniture, fixtures & equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost								
Balance at 1 July 2020		193,813	531,024	82,689	118,912	899	34,581	961,918
Additions		-	750	3,238	9,195	246	30,583	44,012
Transfers		-	35,492	3,056	11,790	-	(50,338)	-
Disposals		-	(28)	(131)	(2,232)	(153)	(2,334)	(4,878)
Transfer to assets held for sale		(3,748)	-	-	-	-	-	(3,748)
Balance at 30 June 2021		**190,065**	**567,238**	**88,852**	**137,665**	**992**	**12,492**	**997,304**
Additions		-	-	2,745	9,400	79	22,843	35,067
Transfers		-	-	3,331	7,803	-	(11,134)	-
Disposals		-	-	(631)	(2,455)	(89)	(5)	(3,180)
Net transfer to assets held for sale		378	(3,323)	(737)	(787)	-	-	(4,469)
Balance at 30 June 2022		**190,443**	**563,915**	**93,560**	**151,626**	**982**	**24,196**	**1,024,722**
Accumulated depreciation and impairment								
Balance at 1 July 2020		-	55,827	9,189	51,394	770	2,213	119,393
Depreciation expense		-	11,352	5,238	19,694	41	-	36,325
Impairment expense		821	-	-	-	-	159	980
Disposals		-	(31)	(131)	(2,174)	(151)	(2,372)	(4,859)
Balance at 30 June 2021		**821**	**67,148**	**14,296**	**68,914**	**660**	**-**	**151,839**
Depreciation expense		-	13,275	6,378	20,308	70	-	40,031
Impairment expense, net of impairment reversals		113	-	-	-	-	5	118
Disposals		-	-	(603)	(2,384)	(90)	(5)	(3,082)
Transfer to assets held for sale		-	(3,154)	(694)	(679)	-	-	(4,527)
Balance at 30 June 2022		**934**	**77,269**	**19,377**	**86,159**	**640**	**-**	**184,379**
Net book value								
As at 30 June 2021		**189,244**	**500,090**	**74,556**	**68,751**	**332**	**12,492**	**845,465**
As at 30 June 2022		**189,509**	**486,646**	**74,183**	**65,467**	**342**	**24,196**	**840,343**

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C5
PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated. Such cost includes the cost of replacing parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment acquired through business combination are initially measured at fair value at the date on which control is obtained.

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

Buildings and property improvements	4 - 50 years
Furniture, fittings and equipment	3 - 20 years
Motor vehicles	4 - 8 years

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively, if appropriate, at each financial year end.

De-recognition & Disposal

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is de-recognised.

Impairment

Property, plant and equipment are tested for impairment at the lowest level Cash Generating Unit ("CGU"). Each Mature Home is determined to be a separate CGU because it generates cash flows which are largely independent of other assets.

The Group also assesses the indicators for impairment at each financial year end. If impairment indicators exist an impairment test will be performed. The impairment test consists of comparing the recoverable amount of a CGU against its carrying value. Recoverable amount is the higher of the CGU's fair value less costs of disposal or value in use. The carrying value is determined on a basis consistent with the way the recoverable amount of the CGU is determined. The carrying value of the CGU represents those assets that can be attributed directly or allocated on a reasonable and consistent basis.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Group capitalises costs relating to the construction and refurbishment of aged care facilities. The initial capitalisation of costs is based on the Group's judgement that the project is expected to generate future economic benefits. Subsequent to determining the initial eligibility for capitalisation the Group re-assesses on a regular basis whether projects are still sufficiently probable of completion and expected to deliver desired economic benefits.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C6
GOODWILL AND OTHER INTANGIBLE ASSETS

	Notes	Goodwill $'000	Bed licences $'000	Others $'000	Total $'000
Cost					
Balance at 1 July 2020, as reported		817,071	221,281	11,530	1,049,882
Effect of change in accounting policy	E9	-	-	(3,613)	(3,613)
Balance at 1 July 2020, as restated		**817,071**	**221,281**	**7,917**	**1,046,269**
Additions, as restated	E9	-	-	1,040	1,040
Balance at 30 June 2021, as restated		**817,071**	**221,281**	**8,957**	**1,047,309**
Additions		-	-	1,575	1,575
Disposal		-	-	-	-
Transfer to assets held for sale		-	-	(10)	(10)
Balance at 30 June 2022		**817,071**	**221,281**	**10,522**	**1,048,874**
Accumulated amortisation and impairment					
Balance at 1 July 2020, as reported		136,059	-	5,861	141,920
Effect of change in accounting policy	E9	-	-	(405)	(405)
Balance at 1 July 2020, as restated		**136,059**	**-**	**5,456**	**141,515**
Amortisation expense, as restated	E9	-	-	967	967
Balance at 30 June 2021, as restated		**136,059**	**-**	**6,423**	**142,482**
Amortisation expense		-	60,349	831	61,180
Disposals		-	-	-	-
Transfer to assets held for sale		-	-	(9)	(9)
Balance at 30 June 2022		**136,059**	**60,349**	**7,245**	**203,653**
Net book value					
As at 1 July 2020, as restated		**681,012**	**221,281**	**2,461**	**904,754**
As at 30 June 2021, as restated		**681,012**	**221,281**	**2,534**	**904,827**
As at 30 June 2022		**681,012**	**160,932**	**3,277**	**845,221**

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C6
GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

Bed licences

Bed licences are initially carried at cost or if acquired in a business combination, at fair value at the date of acquisition in accordance with *AASB 3 Business Combinations*.

Subsequently, the Group's bed licences, which were previously carried at cost less any accumulated impairment losses, are now measured at cost less accumulated amortisation and any accumulated impairment losses following the release of the discussion paper *Improving Choice in Residential Aged Care – ACAR Discontinuation* on 30 September 2021 by the Australian Government. For details, refer to Significant Accounting Judgements, Estimates and Assumptions for bed licences.

Bed licences are tested for impairment when circumstances indicate that the carrying value may be impaired. Testing is performed in line with the procedures noted below in Goodwill.

Goodwill

Goodwill is initially measured at cost and represents the excess of the total consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

Goodwill is tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the group of CGUs to which the goodwill relates. When the recoverable amount of the group of CGUs is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, other than capitalised development and software costs, are not capitalised and the related expenditure is recognised in profit or loss in the period in which the expenditure is incurred.

Refer to Note E4 for accounting policy in relation to configuration or customization costs in a cloud computing arrangement.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Software costs are amortised over the estimated useful life of 3- 5 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at end of each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimates and are applied prospectively.

De-recognition and disposal

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is de-recognised.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C6
GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

(a) Impairment of goodwill and other intangible assets

The Group performs impairment testing on goodwill and other intangible assets to ensure they are not carried above their recoverable amounts at least annually (for goodwill and other intangible assets with an indefinite useful life) and where there is an indication that assets maybe impaired, which is assessed at least at each reporting date.

For impairment testing purposes, goodwill and other intangible assets are allocated to CGUs (aged care facility) and a group of CGUs (Consistent with the operating segment identified in Note E6) that represent the lowest level within the Group at which these assets are monitored. The carrying value of the CGUs or the Group of CGUs was then compared against their recoverable amount. The recoverable amount was determined on a value-in-use calculation basis by discounting cash flow projections approved by the Board and senior management that cover a five year period (2023 to 2027) after which a terminal value is applied. The valuations used to test carrying values are based on forward looking assumptions which are uncertain. The forecasts also considered the impacts of COVID-19, including potential outbreaks, during the forecast period.

The most sensitive assumptions used in the calculation of the value in use are the discount rate, long term growth rate, and the assumption that Government policy will result in the cessation of margin erosion and profitability experienced in recent years caused by a failure for Government funding increases to be consistent with input cost inflation. Sensitivity analysis on reasonably likely changes to these assumptions did not result in an outcome where impairment would be required.

Discount rate was applied to the cash flow forecasts, including the terminal value. This rate reflects the current market assessments of the risks specific to the industry the Group operates in, and taking into consideration the time value of money. The calculation of the rate is based on the specific circumstances of the asset and is derived from its weighted average cost of capital.

Long term growth rate reflects an assessment of inflation and perpetual growth using market and economic data.

The discount and growth rates used at 30 June 2022 in assessing the recoverable amount are as follows:

	2022 %	2021 %
Post-tax discount rate	9.0	9.3
Pre-tax discount rate	12.1	12.5
Long term growth rate	2.3	2.3

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C6
GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

(b) Change in accounting estimates – Change in useful life assessment of bed licences

On 30 September 2021, the Australian Government released a discussion paper *Improving Choice in Residential Aged Care - ACAR Discontinuation*. The discussion paper has confirmed the intention to abolish the Aged Care Approvals Round ("ACAR") and associated supply restrictions on bed licences which was first announced in May 2021. The reforms will see the discontinuation of the bed licences from 1 July 2024. During the transitional period providers can apply directly to the Australian Government confirmation of eligibility for Government subsidies when they are ready to operate.

Bed licences were previously recognised as intangible assets with an indefinite useful life and therefore were not amortised. Following the Government's announcement and the information provided in the discussion paper in September 2021, the Group expects that the remaining useful lives of the bed licences will not extend beyond 1 July 2024, and have therefore determined that, notwithstanding the Directors' view that the fair value less cost to dispose of these bed licences is nil, amortisation of bed licences from 1 October 2021 to 30 June 2024 on a straight-line basis is required, in order to comply with the Australian Accounting Standards and the Group's accounting policy in relation to Goodwill and Intangible Assets,

The change in the useful life assessment was treated as a change in accounting estimates under AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors and therefore was recognised prospectively from 1 October 2021. As a result of the change, the amortisation expense recognised in the statement of profit or loss is $60,349,000 (2021: nil) for the year ended 30 June 2022.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C7
LEASES

The Group has lease agreements for various aged care facilities, office space and minor office equipment with varying lease terms. Carrying amounts of right-of-use assets and associated lease liabilities and the movements during the year are shown below:

	Note	Property leases $'000	Other equipment $'000	Total right of use assets $'000	Lease liabilities $'000
As at 1 July 2020		66,992	145	67,137	72,962
Additions		-	532	532	532
Depreciation expense		(4,362)	(174)	(4,536)	-
Interest expense		-	-	-	2,080
Lease payments		-	-	-	(6,371)
Remeasurement of leases		(3,913)	-	(3,913)	(4,081)
As at 30 June 2021		**58,717**	**503**	**59,220**	**65,122**
Additions		-	196	196	196
Depreciation expense		(3,999)	(143)	(4,142)	-
Interest expense		-	-	-	1,911
Lease payments		-	-	-	(5,987)
Remeasurement of leases		1,111	(18)	1,093	1,210
As at 30 June 2022		**55,829**	**538**	**56,367**	**62,452**

The Group had low-value leases relating to office equipment such as printers and photocopiers. An amount of $90,000 (2021: $121,000) was recognised as an expense during the year.

Under its lease agreements, the Group incurs payments in the form of expenditure in relation to insurance, council and water rates, and water consumption. The Group recognised an amount of $447,000 (2021: $478,000) as an expense during the year.

SIGNIFICANT ACCOUNTING POLICY

When a contract is entered into, the Group assesses whether a contract is, or contains, a lease. A lease arises when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

Right-of-use assets

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

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C7
RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY (Continued)

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate ("IBR") if the rate implicit in the lease cannot be readily determined. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

Interest expense on lease liabilities
Interest expense on lease liabilities is reported as a component of total finance costs. It is paid to the lessor over the duration of the lease for the right to use the leased assets which is calculated using IBR times the outstanding lease obligation which equals to the previous period's ending lease liability balance.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In determining the lease term used to ascertain total future lease payments, the Group considers relevant facts and circumstances that create an economic benefit to exercise an extension option. Option periods are only included in determining the lease term when they are reasonably certain to be exercised. The Group has included renewal periods as part of the lease term for all leases as it is reasonably certain these will be extended. This assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment and is also within the control of the Group.

Where the Group cannot readily determine the interest rate implicit in the lease, it uses its IBR to calculate the present value of future lease payments. The IBR is the interest rate that the lessee would have to pay to borrow over a similar term of each lease. The Group estimates the IBR using market interest rates and adjusts these rates to include the effect of the lessee's own stand-alone credit rating.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C8
TRADE AND OTHER PAYABLES

	2022 $'000	2021 $'000
Trade creditors	14,720	13,692
Payroll liabilities	16,466	15,723
Sundry creditors and accruals	20,668	9,724
Total trade and other payables	**51,854**	**39,139**

C9
RELATED PARTY LOANS

	2022 $'000	Restated[1] 2021 $'000
Non-current related party loan receivables		
Amounts receivable from Estia Finance Pty Ltd	-	1,666
Total non-current related party loan receivables	**-**	**1,666**
Current related party loan payables		
Amounts payable to Estia Health Limited	318,980	318,727
Total current related party loan payables	**318,980**	**318,727**
Non-current related party loan payables		
Amounts payable to Estia Finance Pty Ltd	100,000	114,500
Total non-current related party loan payables	**100,000**	**114,500**
Total net related party loan payables	**418,980**	**434,293**

1. Comparative information has been restated to account for the equity instruments of $2,732,000 issued by the Company's parent entity on behalf of the Company in relation to the long-term incentives ("LTI") plan, resulting in a decrease of $2,732,000 in current liabilities and a corresponding increase in deemed contributions.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C10
PROVISIONS

	2021 $'000	2020 $'000
Current		
Workcover provision	1,929	600
Annual leave provision	40,139	39,001
Long service leave provision	21,058	20,361
Total current provisions	**63,126**	**59,962**
Non-current		
Workcover provision	3,773	800
Long service leave provision	4,769	5,258
Total non-current provisions	**8,542**	**6,058**
Total provisions	**71,668**	**66,020**

Movements of workcover provisions

	2022 $'000	2021 $'000
At 1 July	1,400	-
Transfer during the year[1]	3,384	-
Net charge during the year	2,524	2,062
Utilised during the year	(1,606)	(662)
Balance at 30 June	**5,702**	**1,400**

1. In February the Group established self-insurance arrangements for workcover in South Australia, which involved a fully-funded transfer of pre-existing potential workcover liabilities from Return To Work South Australia.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C10
PROVISIONS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

General

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.

Long service leave and annual leave

Long service leave or annual leave entitlements are not expected to be settled fully within the next 12 months but are recognised as a current liability when the Group does not have an unconditional right to defer settlement. The liability for long service leave and annual leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimatedfuture cash outflows.

Workcover provision

The Group is self-insured for worker's compensation and general liability claims for New South Wales and South Australia regions. Provisions are recognised based on claims reported and estimate of claims incurred but not reported. These provisions are determined on a discounted basis, using an actuary valuation performed at each reporting date.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Long service leave is measured based on the regulations of the states respectively. Management judgement is required in determining the following key assumptions used in the calculation of long service leave at the balance sheet date:

- future increases in salaries and wages;
- future probability of employee departures and period of service; and
- discount rate

The workcover provision represents a self-insured risk liability based on a number of estimates and assumptions including, but not limited to:

- ultimate number of reported claims;
- discount rate;
- wage inflation;
- average claim size;
- superimposed inflation (i.e. Inflation above wage inflation) and
- claims administration expenses

These assumptions are reviewed periodically and any reassessment of these assumptions may impact the size of the provision required.

SECTION D: CAPITAL, FINANCING, RADS AND RISK

D1
REFUNDABLE ACCOMODATION DEPOSITS AND BONDS

	2022 $'000	2021 $'000
Current residents	756,894	761,100
Departed residents	127,175	102,829
Total refundable accommodation deposits and bonds – amounts received	**884,069**	**863,929**

Terms and conditions relating to Refundable Accommodation Deposits and Accommodation Bonds ("Bonds")

The RADs and Bonds are paid by residents upon their admission to homes and are refunded after a resident departs a home in accordance with the Act. Providers must pay a base interest rate on all refunds of RADs and bonds within legislated time frames and must pay a higher rate on refunds that are not made within legislated time frames.

RADs and bond refunds are guaranteed by the Government under the Accommodation Payment Guarantee Scheme, in the event that a provider is unable to refund the amounts. Providers are required to maintain sufficient liquidity to ensure that they can refund all amounts as they fall due. As required under legislation, the Group maintains a Liquidity Management Policy, which is monitored on regular basis and a full review is undertaken on an annual basis as a minimum, with the intention of ensuring it has sufficient liquidity, in the form of cash or undrawn lines of credit, to meet its RAD and bond refund and other financial obligations.

To ensure that funds are readily available when required, the minimum level of funds chosen by the Group are to be held in cash (placed on deposit but readily available) or met by undrawn lines of credit from a bank or financial institution.

RADs and Bonds are classified as a current liability as the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date. The total RAD and Bond liability represents the sum of separate payments from a significant number of individual residents in different locations with differing circumstances. The repayment of individual balances that make up the total current balance will be dependent upon the actual tenure of individual residents, which can be more than ten years but averages approximately 2 - 2.5 years.

SECTION D: CAPITAL, FINANCING, RADS AND RISK

D2
ISSUED CAPITAL AND RESERVES

	2022 $'000	2021 $'000
Issued and fully paid		
Ordinary shares	455,987	455,987
Total share capital	**455,987**	**455,987**

(a) Movements in ordinary shares on issue

	2022		2021	
	Numbers of shares	$'000	Numbers of shares	$'000
Beginning of the financial year	455,987,003	455,987	455,987,003	455,987
End of the financial year	**455,987,003**	**455,987**	**455,987,003**	**455,987**

(b) Dividends

On 19 August 2021 and subsequently on 29 September 2021 the Directors resolved to pay a final dividend for the year of $6,224,000 and $8,686,000 respectively to the Company's sole shareholder. These dividends totalled $14,910,000 represents a payout ratio of 100% of total comprehensive profit for the year.

On 23 August 2022, the Directors determined not to declare a final dividend for the year end 30 June 2022.

SECTION D: CAPITAL, FINANCING, RADS AND RISK

D3
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities consist of interest-bearing loans and borrowings, trade and other payables, Refundable Accommodation Deposits and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include 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. The Group's senior management oversees the management of these risks. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. Policies for managing each of these risks are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and deposits. The Group is not exposed to commodity, equity risks or currency risk.

The sensitivity analyses in the following sections relate to the position as at 30 June 2022 and 30 June 2021.

The sensitivity analyses have been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt are all constant at 30 June 2022 and 30 June 2021.

The following assumption has been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 30 June 2022 and 30 June 2021.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and long-term debt obligations with floating interest rates.

The Group's exposure to interest rate risk and the effective interest rate of financial assets and liabilities both recognised and unrecognised at the reporting date are as follows:

All other financial assets and liabilities are non-interest bearing.

	Weighted average effective interest rates		Fixed or Floating
	2022 %	2021 %	
Cash and liquid assets	0.6	0.6	Floating
Refundable accommodation deposits – departed residents	2.3	2.3	Floating
Non-current related party loans	1.4	1.5	Floating

SECTION D: CAPITAL, FINANCING, RADS AND RISK (CONTINUED)

D3
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of cash and cash equivalents and related party loans. With all other variables held constant, the Group's profit before tax and equity are affected through the impact on floating rate financial instruments existing at the end of the respective period, as follows:

	Effect on profit before tax Higher / (Lower)		Effect on equity Higher / (Lower)	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
+ / - 100 basis points (2021: + / - 25 basis points)	(547)	(141)	(383)	(98)
+ / - 100 basis points (2021: + / - 25 basis points)	547	141	383	98

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 maximum loss is equal to the carrying amount of the asset. The Group is exposed to credit risk from customer receivables and from its deposits with banks.

Approximately 77% (2021: 76%) of the revenue of the Group is obtained from Commonwealth Government funding. This funding is maintained for providers as long as they continue to comply with Accreditation standards and other requirements per the Act.

Trade and other receivables

Customer credit risk is managed subject to an established Group policy which requires the regular monitoring and follow up of outstanding customer receivables.

The Group limits its exposure to credit risk by establishing a maximum payment period of 30 days, and where possible, setting customers up to settle accounts via direct debit.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customers with similar credit risk characteristics, adjusted for any material expected changes to the future credit risk of that group. The Group applies the simplified approach for measuring expected credit losses, using the lifetime expected loss allowance for all trade and other receivables.

The Group considers a financial asset in default when contractual payments are past due. Generally, financial assets are written-off when the Group have exhausted all reasonable avenues to recover the balances.

The Group's other receivables are due from the Australian Government and other state based revenue offices. The Group does not believe that there is a material credit risk for these receivables.

SECTION D: CAPITAL, FINANCING, RADS AND RISK (CONTINUED)

D3
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

The following table provides information about the expected credit losses for trade receivables, excluding the Commonwealth Government balance of $5,060,000 as at 30 June 2022 (2021: $3,317,000):

	Expected credit loss rate %	Gross carrying amount $'000	Allowance for expected credit loss $'000
As at 30 June 2022			
Current (not past due)	7%	1,593	108
<30 days past due	21%	412	85
30-60 days past due	28%	239	68
61-90 days past due	42%	132	56
>90 days past due	78%	835	650
Total	**30%**	**3,211**	**967**

	Expected credit loss rate %	Gross carrying amount $'000	Allowance for expected credit loss $'000
As at 30 June 2021			
Current (not past due)	6%	1,603	95
<30 days past due	17%	453	76
30-60 days past due	27%	229	62
61-90 days past due	36%	144	51
>90 days past due	85%	1,191	1,011
Total	**36%**	**3,620**	**1,295**

During the year, the Group has focused on the recovery of aged debt. This action has resulted in a significant reduction in the gross carrying amount as well as a moderate change in the aging profile distribution. There has been no change to the underlying methodology or approach to the calculation of expected credit loss.

SECTION D: CAPITAL, FINANCING, RADS AND RISK (CONTINUED)

D3
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds on a regular basis. The Group maintains a balance between continuity of funding and flexibility through the use of bank loans that are available for potential business acquisitions and working capital requirements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	On demand $'000	Less than 12 months $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
As at 30 June 2022					
Trade and other payables	1,172	50,683	-	-	51,855
Net related party loan payables	319,773	1,691	104,529	-	425,993
Refundable accommodation deposits and bonds	884,069	-	-	-	884,069
Other financial liabilities	467	-	-	-	467
Lease liabilities	-	5,497	20,193	55,788	81,478
Total	**1,205,481**	**57,871**	**124,722**	**55,788**	**1,443,862**
As at 30 June 2021 (Restated[1])					
Trade and other payables	837	38,302	-	-	39,139
Net related party loan payables	318,727	-	112,834	-	431,561
Refundable accommodation deposits and bonds	863,929	-	-	-	863,929
Other financial liabilities	508	-	-	-	508
Lease liabilities	-	6,005	20,335	59,950	86,290
Total	**1,184,001**	**44,307**	**133,169**	**59,950**	**1,421,427**

1. Comparative information has been restated to account for the equity instruments of $2,732,000 issued by the Company's parent entity on behalf of the Company in relation to the long-term incentives ("LTI") plan, resulting in a decrease of $2,732,000 in current liabilities and a corresponding increase in deemed contributions.

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 Group manages its capital structure and considers adjustments in light of changes in economic conditions. 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 year ended 30 June 2022.

SECTION D: CAPITAL, FINANCING, RADS AND RISK (CONTINUED)

D4
FAIR VALUE MEASUREMENT

Investment properties

	2022 $'000	2021 $'000
Independent living units	750	750
Total investment properties	**750**	**750**

The Group's investment properties represent ILU's which are occupied by residents who have contributed a non-interest-bearing loan to occupy the ILU. The resident vacates the property based on the applicable State-based Retirement Village Acts.

These investment properties are measured at fair value, which is determined based on a valuation model recommended by the International Valuation Standards Committee that uses unobservable inputs (level 3 in fair value hierarchy) at the reporting date:

	2022	2021
Unobservable inputs		
Discount rate	16.5%	16.50%
Growth rate	2.46%	2.50%
Cash flow term (years)	50	50

There were no transfers between levels during the financial year.

SIGNIFICANT ACCOUNTING POLICY

Financial instruments on the balance sheet are measured at amortised cost.

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.

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; and
- 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.

SECTION E: OTHER INFORMATION

E1
RELATED PARTY DISCLOSURES

The parent company of Estia Investments Pty Ltd is Estia Health Limited. Note E6 provides the information about the Group's structure including the details of the subsidiaries. Note C9 provides the information about the loans to related parties. There were no other transactions and outstanding balances that have been entered into with related parties for the relevant financial year.

The Company is party to a syndicated debt facility (the "Facility") comprising other members of the Estia Health Group, with a number of major Australian banks. The Facility may be used for general corporate purposes including funding acquisitions, capital expenditure, working capital requirements and providing sufficient liquidity to redeem refundable accommodation deposits or bonds.

The Facility is secured by real property mortgages over all freehold property, security over material leases, cross guarantees and indemnities between members of the Estia Health Group and first ranking fixed and floating charges over the assets and undertakings of each member of the Estia Health Group.

The total debt facility available at 30 June 2022 was $330,000,000 (2021: $330,000,000). In addition, the Facility has an accordion feature which allows it to be increased by an additional $170,000,000 (2021: $170,000,000), subject to lender consent and approval. Of the total debt facility available, 50% will mature in March 2025 and 50% in March 2026.

During the year ended 30 June 2022, the Company received debt financing services from other members of the Estia Health Group which incurred interest expenses during the year amounted to $14,453,000 (2021: $1,842,000).

During the year ended 30 June 2022, the Company entered into a licensing arrangement with Estia Health Limited, under the terms of the arrangement, the Company pays a licence fee in exchange for the rights to utilise the Estia Health Brand and associated intellectual properties in the conduct of its business. The licence fee was determined after taking into considerations a range of comparable licensing arrangements between non-related market precedents and the specific circumstances applicable to the arrangements between the Company and Estia Health Limited. For the year ended 30 June 2022, the Company incurred a licence fee of $16,811,000 (2021: nil).

The table below discloses the compensation recognised as an expense during the reporting period related to Key Management Personnel.

	2022 $'000	2021 $'000
Short-term employee benefits	2,963	2,490
Post-employment benefits	135	119
Share-based payments	820	580
Total compensation of key management personnel	**3,918**	**3,189**

E2
COMMITMENTS AND CONTINGENCIES

Capital commitments

During the year, the Group entered into contracts relating to the development of aged care homes. As at 30 June 2022, the remaining capital commitments amounted to $60,331,000 (2021: $5,547,000).

Government grants

As at the end of the year, the Group had submitted applications to the Federal Government under the COVID-19 Aged Care Support Program Extension (also known as "ACPS" or "GO4863"), which is designed to minimise the risk of infection to aged care workers, residents and other consumers of aged care services and provide funding for out-of-pocket costs incurred as a result of COVID-19.

As at balance date, grant applications totalling $21,362,000 (2021: nil) submitted before the year end but not yet approved by the Government have not been recognised as income for the year due to the considerations detailed in Note B1 under Significant Accounting Judgement, Estimates and Assumptions.

SECTION E: OTHER INFORMATION

E3
AUDITOR REMUNERATION

	2022 $'000	2021 $'000
Fees to the auditor for statutory financial report	810	723
Fees for other services – Tax compliance	159	93
Fees for assurance services that are not required by legislation to be provided by the auditor	38	17
Total auditor remuneration	**1,007**	**833**

The auditor of Estia Investments Pty Ltd and its subsidiaries is Ernst & Young.

E4
SUBSEQUENT EVENTS

COVID-19 Grant Recoveries

Subsequent to 30 June 2022, the Group submitted 145 claims for a total amount of $9,622,000, and $10,485,000 of claims submitted prior to 30 June 2022 were confirmed by the Government. These amounts are also disclosed in Note B1.

Changes in Directors of the Company

On 11 July 2022, Sean Bilton was appointed as Managing Director and CEO of the Company, replacing Ian Thorley who resigned on the same day.

On 22 July 2022, the Company announced that Professor Simon Willcock would join the Board with effect from 1 September 2022.

Passing of Government legislation

On 2 August 2022, the Australian Government passed the Aged Care and Other Legislation Amendment (Royal Commission Response) Bill 2022 (the "Bill"). the Bill implements nine measures to improve aged care and responds to 17 recommendations of the Royal Commission into Aged Care Quality and Safety.

The Bill establishes the Australian National Aged Care Classification ("AN ACC") funding model, a new Code of Conduct and banning orders, and extends the Serious Incident Response Scheme to all in-home care providers. It also extends the functions of the Independent Health and Aged Care Pricing Authority, which will lead to better price-setting for aged care.

Other measures enshrine transparency and accountability of approved providers and improve quality of care and safety for older Australians receiving aged care services.

A second piece of aged care legislation, the Aged Care Amendment (Implementing Care Reform) Bill 2022, was introduced on 27 July and is before the House of Representatives.

Other than those mentioned above, no matters or circumstances have arisen since the end of the reporting period which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

E5
SEGMENT REPORTING

For management reporting purposes, the Group has identified one reportable segment. Estia operates predominantly in one business and geographical segment being the provision of residential aged care services in Australia. The Group's operating performance is evaluated across the portfolio as a whole by the Chief Executive Officer on a monthly basis and is measured consistently with the information provided in these consolidated financial statements.

E6
INFORMATION RELATING TO SUBSIDIARIES

The Consolidated Financial Statements incorporate the assets, liabilities and results of Estia Investments Pty Ltd and the following controlled entities, that were held in both current and prior period unless otherwise stated:

100% owned Australian subsidiaries
Estia Health Residential Aged Care Pty Ltd (previously Kenna Investments Pty Ltd)
Hayville Pty Ltd[1]
Camden Village Pty Ltd[1]
Kilbride Village Pty Ltd[1]

1 Deregistered as at 24 August 2022

SECTION E: OTHER INFORMATION (CONTINUED)

E7
PARENT ENTITY INFORMATION

	2022 $'000	Restated[1] 2021 $'000
Information relating to Estia Investments Pty Ltd		
Current assets	39,819	51,948
Non-current assets	1,743,058	1,812,280
Total assets	**1,782,877**	**1,864,228**
Current liabilities	1,322,181	1,286,162
Non-current liabilities	251,273	281,400
Total liabilities	**1,573,454**	**1,567,562**
Net assets	**209,423**	**296,666**
Issued capital	455,987	455,987
Deemed contributions	3,829	2,732
Accumulated losses	(250,393)	(162,053)
Total shareholders' equity	**209,423**	**296,666**
(Loss) / Profit for the year	(73,639)	14,517
Total comprehensive (loss) / profit for the year	**(73,639)**	**14,517**

1. Comparative information has been restated to account for:
   (a) the change in accounting policy in relation to configuration and customisation costs incurred in implementing Software as a Service ("SaaS") arrangements as a result of the relevant agenda decision published by the IFRS Interpretations Committee in April 2021. Refer to Note E9 for details.
   (b) the equity instruments of $2,732,000 issued by the Company's parent entity on behalf of the Company in relation to the long-term incentives ("LTI") plan, resulting in a decrease of $2,732,000 in current liabilities and a corresponding increase in deemed contributions.

The information presented above relating to the Parent is prepared using the same accounting policies that apply to the Group, except for the recognition and measurement of investments in subsidiaries which are carried at cost.

Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, Estia Health Limited entered into a deed of cross guarantee with the following entities:

- Estia Finance Pty Ltd
- Estia Investments Pty Ltd
- Estia Health Residential Aged Care Pty Ltd (previously Kenna Investments Pty Ltd)
- Hayville Pty Ltd (Deregistered as at 24 August 2022)
- Camden Village Pty Ltd (Deregistered as at 24 August 2022)
- Kilbride Village Pty Ltd (Deregistered as at 24 August 2022)

The effect of the deed is that Estia Health Limited has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Estia Health Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, relief has been granted to these entities from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial reports.

SECTION E: OTHER INFORMATION (CONTINUED)

E8
TREATMENT OF GST

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, 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
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST, where the GST is expected to be recoverable.

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, are classified as part of operating cash flows.

E9
CHANGES IN ACCOUNTING POLICY

Changes in accounting policy, disclosures, standards and interpretations

The accounting policies adopted in preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Group's Consolidated Financial Statements for the year ended 30 June 2022, except for the adoption of amendments to standards effective as of 1 July 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Changes in accounting policies - IFRIC agenda decision – Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the IFRS Interpretations Committee ("IFRIC") published an agenda decision for configuration and customisation costs incurred related to implementing Software as a Service (SaaS) (also known as "Cloud Computing") arrangements. The Group has changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The effect of the changes as a result of changing this policy is described below.

Accounting policy - Software-as-a-Service (SaaS) arrangements

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement.

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the company has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least and any changes are treated as changes in accounting estimates which are applied on a prospective basis.

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract. Previously some costs had been capitalised and amortised over its useful life.

SECTION E: OTHER INFORMATION (CONTINUED)

E9
CHANGES IN ACCOUNTING POLICY (CONTINUED)

Impact of change in accounting policy

The change in policy has been retrospectively applied and comparative financial information has been restated, as follows:

Consolidated Statement of Financial Position

	2021 $'000	1 July 2020 $'000
Increase / (Decrease) in:		
Assets		
Other intangible assets	(3,769)	(3,208)
Total Assets	**(3,769)**	**(3,208)**
Deferred tax liabilities	(1,131)	(963)
Total Liabilities	**(1,131)**	**(963)**
Net assets	**(2,638)**	**(2,245)**
Retained earnings	(2,638)	(2,245)
Total equity	**(2,638)**	**(2,245)**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2021 $'000
Increase / (Decrease) in:	
Employee benefits and agency staff expense	687
Administrative expenses	309
Depreciation and amortisation expense	(435)
Profit before tax	**(561)**
Income tax expense	(168)
Profit for the year	**(393)**

SECTION E: OTHER INFORMATION (CONTINUED)

E9
CHANGES IN ACCOUNTING POLICY (CONTINUED)

Impact of change in accounting policy (Continued)

Consolidated Statement of Cash Flows

	2021 $'000
(Increase) / Decrease in:	
Payments to suppliers and employees	(996)
Net cash inflow from operating activities	**(996)**
Payments to acquire intangible assets	996
Net cash outflow from investing activities	**996**

New and Amended Accounting Standards and Interpretations

Other than the change in accounting policy as a result of the IFRIC agenda decision in relation to Cloud Computing costs disclosed above, the adoption of other amendments and interpretations which were applicable from 1 July 2021 did not have a significant impact on the financial statements of the Group.

Standards issued but not yet effective

A number of other accounting standards and interpretations have been issued and will be applicable in future periods. While these remain subject to ongoing assessment, no significant impacts have been identified to date. These standards have not been applied in the preparation of these financial statements.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Estia Investments Pty Ltd, I state that in the opinion of the directors:

(a) the financial statements and notes of the consolidated entity for the financial year ended 30 June 2022 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 2022 and ofits performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note A3; and

(c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(d) there are reasonable grounds to believe that the Company and the controlled entities identified in Note E6 of the financial statements will be able to meet any obligations or liabilities to which they are or maybecome subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785)*.

On behalf of the Board

Dr. Gary H Weiss AM
Chairman
20 October 2022

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Independent Auditor's Report to the Members of Estia Investments Pty Ltd

Opinion

We have audited the financial report of Estia Investments Pty Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young

Ernst & Young

Paul Gower

Paul Gower
Partner
Melbourne
20 October 2022