Appendix 4E

Estia Health Limited

Results for announcement to the market
Preliminary final report for the year ended 30 June 2019[1]

	Increase / (Decrease)	30 June 2019 $'000	30 June 2018 $'000	Change %
Revenue from ordinary activities		585,985	546,934	
Other income		36	483	
Total revenue and other income from ordinary activities	**Increase**	**586,021**	547,417	7.1
Profit before interest and tax	**Increase**	**64,819**	64,444	0.6
Profit from ordinary activities after tax attributable to members	**Increase**	**41,290**	41,154	0.3

	30 June 2019 (cents)	30 June 2018 (cents)	Change %
Basic earnings per share	15.84	15.79	0.3
Diluted earnings per share	15.77	15.75	0.1
Net tangible asset backing per ordinary share	(65.37)	(63.63)	(2.7)

Net tangible assets deducts goodwill, bed licences and other intangible assets and adds back net deferred tax liabilities.

Dividend information

Dividend	2019 cents	2018 cents	Change %
Interim dividend (2018 interim: fully franked)	8.0	7.8	2.6
Final dividend – fully franked (2018 final: fully franked)	7.8	8.0	(2.5)

Final Dividend Dates

Ex-dividend date	4 September 2019
Record date	5 September 2019
Payment date	2 October 2019

The Dividend Reinvestment Plan will operate in respect to this dividend.

Further Information

Commentary on the results for the period can be found in the attached 30 June 2019 full-year Directors' Report. The ASX Appendix 4E (Listing Rule 4.3A) should be read in conjunction with the 2019 Financial Report which has been audited by Ernst & Young, with an unqualified audit opinion, and any public announcements made in the period by EHE in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

Changes in controlled entities

There have been no changes in controlled entities during the year.

[1] Previous corresponding period being the year ended 30 June 2018

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Leanne Ralph

Company Secretary

20 August 2019

ESTIA HEALTH LIMITED

ABN 37 160 986 201

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

ESTIA HEALTH LIMITED

ABN 37 160 986 201

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CORPORATE INFORMATION

ABN 37 160 986 201

DIRECTORS

Dr. Gary H Weiss AM (Chairman)	
Ian Thorley (Managing Director and CEO)	Appointed 23 November 2018
Norah Barlow ONZM	
Paul Foster (Nomination and Remuneration Committee Chair)	
Hon. Warwick L Smith AO (Property and Investment Committee Chair)	
Helen Kurincic (Risk Management Committee Chair)	
Karen Penrose (Audit Committee Chair)	Appointed 17 October 2018
Andrew Harrison	Resigned 17 October 2018

COMPANY SECRETARY

Suzy Watson	Appointed 23 January 2019, Resigned 3 April 2019
Leanne Ralph	Resigned 23 January 2019, Reappointed 3 April 2019

REGISTERED OFFICE

Level 9, 227 Elizabeth Street
Sydney NSW 2000

PRINCIPAL PLACE OF BUSINESS

Level 9, 227 Elizabeth Street
Sydney NSW 2000

SOLICITORS

MinterEllison
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

BANKERS

Westpac Banking Corporation
275 Kent Street
Sydney NSW 2000

AUDITORS

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2019.

DIRECTORS

The names and qualifications of the Group's Directors in 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. More information relating to the Directors can be found in the investor centre section of the Group's website (http://www.estiahealth.com.au/investor-centre/corporate-profile).

DR. GARY H WEISS AM (CHAIRMAN)

Gary was appointed as an Independent Non-executive Director in February 2016 and was appointed as Chairman on 31 December 2016.

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.

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 holds a Master of Commerce from the University of NSW.

NORAH BARLOW ONZM

Norah was appointed to the Board in November 2014 as an Independent Non-executive Director. Norah was appointed Acting CEO from September 2016, and appointed permanently to the roles of Managing Director and CEO in November 2016. Norah stepped down from the roles of Managing Director and CEO on 23 November 2018 and remains on the Board as a Non-executive Director.

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

PAUL FOSTER (NOMINATION AND REMUNERATION COMMITTEE CHAIR)

Paul was appointed as an Independent Non-executive Director in February 2016.

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

HON. WARWICK L SMITH AO (PROPERTY AND INVESTMENT COMMITTEE CHAIR)

Warwick was appointed as an Independent Non-executive Director in May 2017.

Warwick holds a Bachelor of Laws from the University of Tasmania.

HELEN KURINCIC (RISK MANAGEMENT COMMITTEE CHAIR)

Helen was appointed as an Independent Non-executive Director in July 2017.

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 (AUDIT COMMITTEE CHAIR)

Karen was appointed to the Board on 17 October 2018 as an Independent Non-executive Director.

Karen holds a Bachelor of Commerce from UNSW, CPA and FAICD.

ANDREW HARRISON

Andrew was appointed to the Board in November 2014 as an Independent Non-executive Director. Andrew resigned from the Board on 17 October 2018.

COMMITTEE MEMBERSHIP

During the financial year, the Group had the following committees:

Membership	Audit Committee	Nomination and Remuneration Committee	Risk Management Committee	Property and Investment Committee
Chair	Karen Penrose	Paul Foster	Helen Kurincic	Hon. Warwick L Smith AO
Member	Dr. Gary H Weiss AM	Dr. Gary H Weiss AM	Paul Foster	Dr. Gary H Weiss AM
Member	Hon. Warwick L Smith AO	Helen Kurincic	Karen Penrose	Paul Foster
Former member	Andrew Harrison		Andrew Harrison	

DIRECTORS' MEETINGS

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

	Directors' meetings		Audit Committee		Nomination and Remuneration Committee		Risk Management Committee		Property and Investment Committee	
No. of meetings held:	12		5		4		7		2	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Dr. Gary H Weiss AM	12	12	5	5	4	3	-	-	2	2
Ian Thorley	9	9	-	-	-	-	-	-	-	-
Norah Barlow ONZM	12	12	-	-	-	-	-	-	-	-
Paul Foster	12	11	-	-	4	4	7	7	2	2
Hon. Warwick L Smith AO	12	12	5	4	-	-	-	-	2	2
Helen Kurincic	12	12	-	-	4	4	7	7	-	-
Karen Penrose	10	9	4	4	-	-	3	3	-	-
Andrew Harrison	2	2	1	1	-	-	1	1	-	-

DIRECTORS' HOLDINGS

As at the date of this report, the interest of the directors in the ordinary shares of Estia Health Limited were:

Director	Number of ordinary shares
Dr. Gary H Weiss AM	45,312
Ian Thorley	82,534
Norah Barlow ONZM	129,474
Paul Foster	24,000
Hon. Warwick L Smith AO	90,000
Helen Kurincic	25,000
Karen Penrose	18,833

COMPANY SECRETARY

SUZY WATSON

Suzy was appointed as Company Secretary on 23 January 2019 and resigned from the position on 3 April 2019. Suzy remains employed as the General Counsel for the Group.

LEANNE RALPH

Leanne was appointed as Company Secretary on 21 December 2017. Leanne resigned from the position on 23 January 2019 and was re-appointed as Company Secretary on 3 April 2019.

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.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES AND STRATEGY

The principal activities of the Estia Health Group during the year ended 30 June 2019 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 Group's strategy remains to:

- Be a market leader in owning and developing high quality residential aged care homes in Australia;
- Provide residents in our homes with the highest standards of aged care services in an innovative, supportive and caring environment; and
- Deliver earnings growth through a development pipeline, enhancement of current homes, and acquisitions.

THE MARKET IN WHICH ESTIA OPERATES

In order to access Government supported residential aged care services, potential residents must be assessed as qualifying for such services by a Government Aged Care Assessment Team (known as 'ACAT'), and may then choose a residential aged care home of their choice. Only Approved Providers, such as Estia, with approved bed licences in accredited homes are eligible to provide services which qualify for Government funding support.

The Aged Care Funding Authority's ('ACFA') 2018 Annual Report identified 200,689 operating beds/places in Australia, and ACFA has further reported that 241,723 people accessed residential aged care services in 2017-18, across 886 providers. The ageing of the Australian population and in particular the ageing of the "baby boomers" will see a marked increase in the number of Australians likely to need aged care, including residential aged care in coming years.

The Group's growth strategy is to expand services to meet this growing demographic demand.

ACFA has also reported in its submission to the Aged Care Royal Commission in April 2019, that there has been a significant overall decline in the financial performance of the sector in the last two years as a result of increases in Government funding not being at a sufficient rate to cover the increase in operating cost, principally staff costs.

THE GROUP'S PORTFOLIO

The Group delivers services across 68 homes in New South Wales, Queensland, South Australia and Victoria, 61 of which are freehold sites. As at 30 June 2019, these homes had 6,102 operational bed licences, and the Group holds a further 356 off-line and provisional licences pending activation through future developments.

During the year, the Group opened a new home at Southport, QLD, with 110 beds, and expects to open a new home at Maroochydore, QLD in August 2019 which has been constructed during FY19. An older home at Mona Vale, NSW was closed in May 2019 to prepare the site for a new more contemporary home. Further information on future developments is referred to later in this report.

The Group employs in excess of 7,500 employees as nurses, care workers, catering staff, support and administration staff and management.

REGULATORY ENVIRONMENT, REFORM AND THE AGED CARE ROYAL COMMISSION

The residential aged care sector in which the Group operates is highly regulated within the provisions of the *Aged Care Act 1997*. The Government approves providers, monitors the quality of care and services delivered, issues bed licences on a strictly controlled basis, and governs the fees and services which are delivered and funded. As such Government policy settings have a major impact on the financial performance of providers.

The Royal Commission into Aged Care was called by the Prime Minister in September 2018 amid growing community concern about the quality of care in the sector. The Terms of Reference are broad, focussing on the quality of care, and also future sustainability of the sector.

Along with all major aged care providers, the Group was requested to make an initial submission to the Royal Commission in January 2019. The costs of this exercise and the ongoing monitoring and preparation for future involvement, if required, by the Royal Commission during the year amounted to $1.7 million. Other than the initial submission in January 2019, the Group has not been requested to provide further information nor appear before the Royal Commission.

The Royal Commission is expected to hand down an interim report in October 2019 and a final report in April 2020.

REGULATORY ENVIRONMENT, REFORM AND THE AGED CARE ROYAL COMMISSION (CONTINUED)

Since the publication of the Aged Care Roadmap in 2016 there have been and continue to be a number of significant reviews and reports commissioned by Government into the operation of the sector. The Group has contributed to these reviews, and continues to advocate with industry bodies, Government and review committees for a consumer-focussed sector, where funding and financing arrangements are such as to provide a high quality of care, and to generate the level of investment required to meet existing and prospective demand for services.

OPERATING AND FINANCIAL REVIEW

REVIEW OF FINANCIAL PERFORMANCE

During the year the impact of increases in Government regulated revenue rates were below the increases in staff wage and other costs in the sector which impacted the Group. Declining sector occupancy rates were also seen although the impact on the Group was mitigated by the performance of the Group's occupancy management teams. Average occupancy during the year was 93.6%.

In March 2019 the Government announced a temporary funding increase from the 20th March to the 30th June 2019, to all Approved Providers, including Estia, which contributed an additional $10.3m of revenue in the year. This additional funding ceased on 30 June 2019.

Costs associated with the closure of the older style non-contemporary home at Mona Vale in May 2019 were $0.5m. The initial ramp-up costs of opening Southport in May 2019, and preparing for the opening of Maroochydore in August 2019 were $0.7m in the period.

As a result of these factors, operating profit for the year of $64.8m was broadly in line with 2018.

	2019 $'000	2018 $'000	2017 $'000
Government funded residential care subsidies & supplements	427,987	404,064	388,099
Temporary funding increase	10,336	-	-
Resident & other revenue	147,662	142,990	136,531
Total operating revenues	585,985	547,054	524,630
Employee benefits expense	386,804	360,216	339,515
Non wage costs	103,493	96,755	98,615
Direct costs associated with the Royal Commission	1,721	-	-
EBITDA*	**93,967**	**90,083**	**86,500**
Depreciation, amortisation & impairment expense	29,184	26,002	18,859
Profit on sale of non-current assets	(36)	(363)	(1,037)
Operating profit for the year	**64,819**	**64,444**	**68,678**
Net finance costs	6,990	7,279	9,623
Profit before income tax	**57,829**	**57,165**	**59,055**
Income tax expense	16,539	16,011	18,356
Profit for the year	**41,290**	**41,154**	**40,699**

*EBITDA is categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 - Disclosing non-IFRS financial information, issued in December 2011. EBITDA is a measure consisting of earnings before interest, tax, depreciation, amortisation and impairment expenses and gain/loss on sale of assets held for sale and has been adjusted from the reported information to assist readers to better understand the financial performance of the business in each financial period. This non-IFRS financial information, while not subject to audit, has been extracted from the financial report, which has been subject to an audit by the external auditors.

REVIEW OF FINANCIAL POSITION AND CASH FLOWS

The Group’s capital and funding position is a product of the efficiency of operating profit to cash conversion, net RAD flows, capital investment and dividend distributions. As at 30 June 2019, the Group had net bank debt of $110.4 million, representing a gearing ratio, excluding RAD liabilities of 1.2X EBITDA, and net assets of $761.5 million.

Conversion of EBITDA to cash remained strong with a near 100% conversion of EBITDA to cash in the year.

Total capital investment for the year ended 30 June 2019 was $93.8 million (2018: $61.3 million).

OPERATING AND FINANCIAL REVIEW (CONTINUED)

REVIEW OF FINANCIAL POSITION AND CASH FLOWS (CONTINUED)

Overall RAD balances increased from $791.5 million to $805.0 million over the course of the year, with Net RAD flows of $14.6 million, of which $12.1 million came from new homes which opened in the prior year. This net inflow was lower than seen in prior years as the number of incoming residents able or willing to pay a RAD fell. In the context of the fall in transactional activity in the Australian housing market and lower sector-wide occupancy levels, the maintenance of RAD levels consistent with the prior year was a positive result. The ability to refund RAD balances as and when required by departing residents is managed by maintaining sufficient undrawn debt facilities, in accordance with the Group's Liquidity Management Policy. More information in relation to RADs is included in Note D4 on page 64 of this Report.

As at 30 June 2019, the Group had total bank facilities of $330.0 million with an expiry date of 22 August 2020, of which $201.0 million remained undrawn. These facilities provide the Group with significant levels of funding for future developments and acquisitions.

DEVELOPMENTS AND ACQUISITIONS

The two homes which opened in FY18 at Twin Waters (Queensland) and Kogarah (New South Wales) reached full capacity during the year ended 30 June 2019, delivering high quality of care in outstanding environments and delivering strong financial performance.

In May 2019 the Group opened one new home at Southport (Queensland) which added a total of 110 new beds. Three new homes are currently under development, with a total of 352 new beds, with the first opening in Maroochydore (Queensland) in August 2019. In the 2-3 months preceding opening and in the early months of operation, new homes will operate at a loss. Net losses associated with the new homes at Southport and Maroochydore were $0.7 million in the year ended 30 June 2019.

13 homes with 1,105 beds completed a significant refurbishment program during the year, improving the quality of amenity provided to residents, and bringing the total number of homes qualifying for the higher accommodation supplements to 3,113, with a further 1,562 beds currently underway and due to completed by December 2019.

In May 2019 the Group’s old, non-contemporary home at Mona Vale was closed in order to accelerate the re-development of a new home on a well-positioned site. All residents were assisted in finding new homes within the Group or at other local providers. Staff were supported via alternative employment at other Group homes, or redundancy packages, all with appropriate support. Costs associated with the closure were $0.5 million, mainly redundancy related.

There were no acquisitions completed during the year, though the Group continues to identify and carefully consider single or multiple home acquisition opportunities within existing geographic networks, and/or portfolio acquisition opportunities.

DIVIDENDS

On 20 August 2019, the Directors resolved to pay a final fully franked dividend of 7.8 cents per share ($20,328,082) bringing dividends per share for the financial year ended 30 June 2019 to 15.8 cents per share. The record date for the final dividend will be 5 September 2019, with payment being made on 2 October 2019. Shares will trade excluding entitlement to the dividend on 4 September 2019.

Dividends paid during the year were as follows:

Dividend	Date paid	Fully franked dividend per share	Total Dividend
Final dividend for the year ended 30 June 2018	28 September 2018	8.0 cents	$20,848,220
Interim dividend for the year ended 30 June 2019	27 March 2019	8.0 cents	$20,848,220

KEY BUSINESS RISKS

The following business risks are considered to be key risks to the Group's performance and growth.

CHANGES TO REGULATORY OR FUNDING FRAMEWORK

Risk The Australian residential aged care industry is highly regulated, with more than 70% of the total revenue comprising funding from the Australian Government. Almost all of the Group's revenues were derived from services provided in accordance with, and legislated by, the *Aged Care Act 1997* and subsequent Amending Acts, and approximately 74% was paid to the Group from the Australian Government directly. Capital flows from Refundable Accommodation Deposits ('RADs') are also governed by the same legislation.

Impact Any regulatory change or changes in Government policies in relation to existing legislation for the industry may have an adverse impact on the way the Group promotes, manages and operates its homes, and its financial performance and the carrying value of its assets, including bed licences. Changes to the regulatory framework could also impact on competition through deregulation or changes to capital requirements. Regulatory restrictions may also become more burdensome in the future, which may require the Group to dedicate more time and expenditure to ensuring that the Group complies with such regulations. The new Aged Care Quality Standards are effective from 1st July 2019 and require additional time and resources to embed the required changes. Additional accreditation and or other requirements may emerge prior to or following the Aged Care Royal Commission report being released.

Mitigant Ageing demographics point to increasing demand for Residential Aged Care places and services in the next decade, notwithstanding an expected increase in funding and take-up of Home Care. The Group monitors demand, services and competitive market dynamics as well as RAD funding levels and preferences and supports the Federal Government's aspiration for the provision of the highest quality residential aged care and value for money to the Government and residents.

ESTIA MAY EXPERIENCE SHORTAGE OF EMPLOYEES AND/OR UPWARD WAGE PRESSURE

Risk The Group's business depends on a specialised health and aged care workforce. There is a risk that the Group may not be able to retain or expand a workforce that is appropriately skilled and trained to meet the existing or future demands of residents at its homes and/or a risk that a shortage of employees leads to upward wage pressure. Competition from other health care providers, such as hospitals and other residential aged care homes, for appropriately skilled staff and a general industry shortage of staff in key areas, such as nurses and other skilled staff may also increase the bargaining power of healthcare professionals and can lead to upward pressure on applicable wages and salaries.

Impact Increasing labour costs may adversely affect the Group's business, financial performance and position and future prospects. This may arise as a result of increases in wages which the Group is unable to pass on to residents or is not recognised in full in the Aged Care Funding Instrument ('ACFI') consumer price index adjustments, and/or increase in the use of agency staff, which typically results in higher staffing costs to the Group.

Mitigant The Group has a program to develop and deliver training for all staff in relation to specialised skills required for quality aged care provision. Importantly the Group's training is provided to, and focused on, both clinical and non-clinical staff.

The Group is also focused on optimising its existing workforce mix to offer secure long-term opportunities to care employees, with extensive planning around leave and roster management to reduce dependence on casual and agency employees.

RAD BALANCES

Risk The Group is exposed to risks associated with a decline in RAD balances due to a range of factors. If a larger than expected number of RAD paying residents were to leave the Group's aged care homes, the Group might be required to repay a large sum of RADs, all of which may not be able to be replaced immediately. The Group is also exposed to risks that may adversely affect the future value of the Group's total accommodation bonds/RADs, including specific issues arising in the Group (such as a non-compliance or loss of certification at a home), a general reduction in the price that can be achieved for new RADs, a shift away from RAD payments due to a preference for other payment models by consumers, or demand for the Group's aged care services changing over time due to general economic factors.

KEY BUSINESS RISKS (CONTINUED)

RAD BALANCES (CONTINUED)

Impact There may be material impact on the Group's cash flows and debt levels if a high number of departing RAD payers are subsequently replaced by non-RAD paying residents, such as residents who elect to make a daily accommodation payment or are concessional residents.

Mitigant The Group regularly monitors and analyses RAD movements across the portfolio, maintains a formal liquidity policy to ensure sufficient cash reserves are on-hand to refund RADs as and when they fall due, supported by the Group's bank debt facility that is available for use to fund future developments and capital expenditure if RAD inflows reduce.

OCCUPANCY LEVELS MAY FALL

Risk The Group's occupancy levels may fall below expectations as a result of numerous factors, including but not limited to:

- Increased competition
- Changing consumer trends
- Declining referrals from hospitals and other sources
- Growth of home care services

Impact Reduced occupancy levels may adversely affect the Group's financial performance as it will lead directly to reduced revenues, whilst costs may not be able to decrease in line with the negative changes in occupancy. Reduced occupancy levels may also have adverse effects on the cash flow of RADs.

Mitigant The Group proactively manages its relationships with referrers as well as its standing in the communities in which it operates. Due to the network structure of the homes, the Group is also able to provide prospective residents of homes with a number of options if they are on a waiting list for a home that may be at full capacity. The Group monitors demand, services and competitive market dynamics in relation to each home.

FAILURE TO MEET CLINICAL CARE STANDARDS

Risk As an approved aged care provider, the Group maintains an effective system of clinical governance to promote and support the health, safety and quality of care provision to residents, and to ensure compliance with the applicable legislation and departmental policies.

The Group may experience a decline in its clinical outcomes in circumstances where incidents are not identified, assessed or reported, employees do not follow policies and procedures, or external health consultants do not provide the service, or the quality of service expected.

Impact Failures to meet clinical care standards may lead to adverse impacts on the Group's reputation in the industry and community, leading to a reduction in occupancy, notification of serious risk, sanction or in certain circumstances, may lead to a loss of accreditation as an Approved Provider. As a result, there may be an overall decline to profitability due to decreased occupancy and/or additional costs required to ensure clinical care standards are improved. Additionally, there may be an increase in medico-legal risk, regulator action and an increase to medical indemnity and other costs.

Mitigant The Group seeks to ensure that its clinical care standards are of the highest quality and any decline in standards are addressed swiftly. The Risk and Quality Management Frameworks, systems and processes, with diligent oversight provided by the executive leadership team, provides clinical evaluation with corrective actions as need is identified. The Group employs a Chief Quality and Risk Officer, who is primarily responsible for clinical governance strategies and in partnership with People and Culture, the clinical education and development of the Group's employees.

ESTIA'S REPUTATION MAY BE DAMAGED

Risk The Group operates in an industry in which its reputation could be adversely impacted should it, or the aged care sector generally, suffer from any adverse publicity. The Group may also suffer reputational damage in the event of medical indemnity claims, litigation or coronial inquests.

Impact Any such damage to the Group's reputation could result in existing residents moving from Estia's homes to other competitor residential aged care homes or reduce Estia's ability to attract new residents to its homes, both of which could adversely impact the Group's financial performance, position and future prospects.

KEY BUSINESS RISKS (CONTINUED)

ESTIA'S REPUTATION MAY BE DAMAGED (CONTINUED)

Mitigant The Group has Risk and Quality Management Frameworks that seek to identify and profiles risk and quality outcomes across the business. These Frameworks are driven at Executive level by the Chief Quality and Risk Officer. Trends across the business are also tracked through frequent analysis of the feedback, complaints and other data and are reviewed by the home leadership and also by executive leadership. The focus is to respond rapidly to concerns and to resolve matters in the most efficient and effective manner.

Incidents that may damage the Group's reputation at a home level are escalated to the Executive as part of the quality and risk policy in order to ensure investigation is conducted and actions taken as findings indicate.

INFORMATION TECHNOLOGY (IT) SYSTEM BREACHES OR LOSS

Risk Sensitive information is stored electronically, and there are risks of systems failure, cyber-attack, data theft or other malicious actions that could cause business interruption or leakage of information.

Impact These systems failures or breaches could adversely affect the Group’s operations, reputation and financial performance.

Mitigant The Group has implemented a framework of appropriate security and back-up protocols, including training of staff in relation to privacy and data security. The strength and effectiveness of this framework are regularly assessed, tested and improved. The Group also continually reviews and invests in its core IT systems. Reporting and management of IT risk is part of the Board Risk Committee Charter.

GROWTH MAY BE CONSTRAINED BY ABILITY TO SECURE BED LICENCES

Risk Approved Providers may only provide funded places to residents to the extent of bed licenses held. Bed licenses are allocated by the Government under an allocation process known as the Aged Care Approvals Round ('ACAR'). The process identifies geographical areas where it believes increased supply is required, a number of provisional licenses are allocated to an area and providers are able to apply for these. Past ACAR rounds have seen many more applications than has been available, and not all providers receive the number of bed licenses they would like to secure.

Impact Estia may not be able to secure bed licenses to allow it to grow the capacity as quickly as it might do if such a constraint did not exist.

Mitigant The Group applies for licences in ACAR rounds, will consider acquiring licences where they are available for sale/transfer, and will consider applying to move licenses within its portfolio of homes to maximise occupancy and development opportunities. The Company will not commit future significant development funds unless licenses are substantially secured for a development.

INABILITY TO RECRUIT AND RETAIN KEY PERSONNEL

Risk The Group may experience an inability to recruit and retain personnel to identified key positions at home and or executive level. This may be due to approaches by recruitment professionals active in the market or a decision to exit the sector due to the multiple challenges faced and or negative media sentiment in response to the Aged Care Royal Commission. The decision may be triggered by opportunities that have greater financial reward or other benefits.

Impact High levels of turnover at the home and or executive level can affect occupancy, standards of clinical care and operational efficiency and effectiveness. Replacement of key personnel is expensive and can be destabilising to the business.

Mitigant The Group People and Culture team works to develop an internal pipeline of management ready candidates for key roles via bespoke Emerging Leader Programs. Group wide employee engagement surveys are undertaken regularly to evaluate culture and the key personnel experience. Strategies are developed to address issues identified. Communication strategies that celebrate the resident life experience, recognise team initiatives and milestones and achievements are key elements to ensure employees are recognised. The “Be Proud” initiative regularly provides recognition of employees work in caring for residents.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year ended 30 June 2019.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

CLASS ACTION

On 16 July 2019, Estia was served with a class action proceeding filed by the law firm Phi Finney McDonald in the Federal Court of Australia. The proceeding alleges breaches of market disclosure obligations in 2015 and 2016 and has been filed on behalf of shareholders who, between 12 August 2015 and 6 October 2016: (i) acquired an interest in Estia shares; or (ii) acquired long exposure to Estia shares by entering into equity swap confirmations in respect of Estia shares.

Estia will vigorously defend the proceeding.

Estia is not in a position to state whether the proceeding is likely to have a material impact on its financial position or performance.

ACQUISITIONS

On 15 August 2019 Estia entered into a contract to purchase a new greenfield development in the Maitland region of NSW with 108 provisional licences attaching. The contract is subject to closing and settlement conditions including the transfer of the licences from the vendor to Estia. Settlement of the transaction is expected to occur before 31 December 2019.

DIVIDENDS

On 20 August 2019, the Directors resolved to pay a final fully franked dividend of 7.8 cents per share ($20,328,082) bringing dividends per share for the financial year ended 30 June 2019 to 15.8 cents per share. The record date for the final dividend will be 5 September 2019, with payment being made on 2 October 2019. Shares will trade excluding entitlement to the dividend on 4 September 2019.

BANK FACILITIES

On 16 August 2019 the Group elected to extend its existing $330 million syndicated debt facility with the support of a syndicate of three domestic banks. The new facility expires in November 2022.

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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Royal Commission into Aged Care commenced during the year and continues into FY20. The Commission is expected to produce an interim report in October 2019 and a final report in April 2020. The Commission has wide terms of reference including the financial sustainability of the sector and is likely to have recommendations which will impact the sector, and the Group, both operationally and financially.

The Group continues to advocate for sector reform referred to earlier, including the recommendations from the Royal Commission to achieve a sustainable and high-quality aged care sector where funding and financing arrangements support the financial viability of efficient providers and provide investment returns sufficient to attract the capital required to meet the increase in expected demand and quality.

The temporary funding increase which was announced in March 2019 contributed an additional $10.3 million of revenue during the year ended 30 June 2019. This additional funding ceased on 30 June 2019.

The Group continued to pursue its strategy of growing the business through:

- improving the operational and financial performance of the Group’s existing assets through a range of operational initiatives;
- improving the home portfolio through refurbishment and capital recycling programs;
- opening new homes; and
- acquisition of homes.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS (CONTINUED)

Other than the likely developments disclosed above and elsewhere in this report, no matters or circumstances have arisen which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of the affairs of the Group in future financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

PERFORMANCE RIGHTS

UNISSUED SHARES

As at the date of this report, there were 1,522,703 unissued ordinary shares under performance rights (2018: 907,684).

SHARES ISSUED AS A RESULT OF THE VESTING OF PERFORMANCE RIGHTS

A total of 13,693 performance rights vested during the year ended 30 June 2019 (2018: nil) and were issued as shares on 18 July 2019. During the year ended 30 June 2019, 628,712 rights were granted (2018: 476,980) and no rights were forfeited (2018: 93,534).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

In accordance with provisions in its constitution, the Estia Health Limited (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) of the *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 its Constitution the Company has paid a premium for a contract insuring all directors, secretaries, executive officers, officers and senior managers of the Company against liabilities incurred by those persons in that capacity, on terms and conditions commonly available in the insurance market.

In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of 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 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:

	$
Tax compliance services	157,000
Assurance and other services	50,000
	207,000

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/Directors' Reports) Instrument 2016/191*. Estia Health Limited is an entity to which the class order applies.

This report is made on 20 August 2019 in accordance with a resolution of Directors.

Dr. Gary H Weiss AM
Chairman

Remuneration report – audited

Dear shareholders,

The Estia Board is pleased to present the Remuneration Report for the year ended 30 June 2019 (FY19).

Strategic and Operational Developments

Estia Health Limited's (the 'Group' or 'Estia') strategic and operational focus during FY19 was reflected in a number of key priorities that were pursued during the year:

1. Continued provision of leading quality residential care to each of the 8,000+ older Australians that the Group delivers services to each year;
2. Pursuit of organic growth opportunities, illustrated by the completion and opening of the Group's new home at Southport in Queensland, the investment of $15.5 million in significant refurbishments across 13 of the Group's existing homes, continued progress on further new homes being constructed at Maroochydore in Queensland (due to open in August 2019) and Blakehurst in NSW (due to open in the first half of FY21) and closure of the old Mona Vale home in NSW;
3. Preparation for and provision of information to the Royal Commission into Aged Care announced by the Federal Government in September 2018. This included the creation of a non-standing, non-remunerated Board Royal Commission and Regulatory sub-committee, led by Chairman Dr Gary Weiss alongside Norah Barlow and Warwick Smith.

Executive leadership of the Group transitioned smoothly during FY19, with the Deputy CEO Ian Thorley replacing Norah Barlow as the Group's Managing Director and experienced aged care industry professional Sean Bilton joining the Group as Chief Operating Officer and Deputy CEO. The Group was fortunate to retain Ms Barlow's expertise and knowledge through this transition as a result of her agreement to remain on the Board as a Non-Executive Director, a position she had occupied prior to assuming the role of Managing Director in late 2016. The experience, skills and diversity of the Board were further enhanced with the appointment of Karen Penrose as a Non-Executive Director and Chair of Estia's Audit Committee in October 2018, replacing Andrew Harrison. The Group is proud of the quality and ASX200-leading gender diversity of Estia's Executive leadership team and Board.

Changes to FY19 Remuneration

Following a comprehensive review of the Group's remuneration structures, the Board maintained a remuneration framework for the Group's senior executives in FY19 that included separate short term (STI) and long term (LTI) incentive mechanisms, reflecting the conclusion from this review that this incentive structure provided better shareholder alignment, employee motivation and balance between short and long term performance focus than alternative Single Incentive Plan remuneration frameworks that were considered.

Within the Group's STI and LTI incentive framework, the following changes for FY19 were made:

1. The STI scorecard comprised financial and non-financial performance metrics agreed with the Board that are common across each KMP for 60% of the scorecard evaluation, with the remaining 40% comprised of role-specific measures. Eligibility for STI payment consideration remained subject to a clinical quality "gateway", requiring achievement of compliance and accreditation targets;
2. 70% of LTI vesting entitlement had previously been measured against a Total Shareholder Return (TSR) comparator comprised of the performance of the ASX200 excluding mining and energy companies. Whilst 70% of the LTI vesting entitlement continued to be measured against a TSR comparator for FY19, to make the comparator measure more directly relevant to the Group's performance against ASX- listed industry peers:

    - half of the TSR comparator was comprised of the performance of the ASX200 excluding mining and energy companies; and

Remuneration report – audited (continued)

- half of the TSR comparator was comprised of the market capitalisation weighted average performance of a peer group of ASX-listed companies operating in the provision of aged care services.

FY19 Remuneration Outcomes

Whilst FY19 performance targets were achieved across a number of STI scorecard areas the clinical quality gateway target was not met, resulting in no payments of STI's for the year, apart from a payment that was agreed with incoming COO Sean Bilton, at the time of him joining the Group, in lieu of a foregone vested incentive payment from his prior employer. 25% of this agreed payment to the incoming COO is subject to deferral into performance rights that will convert into Estia shares after a period of 12 months, subject to continuation of service.

No vesting occurred under previous year's Long Term Incentive Plan grants in FY19.

Looking Forward – Changes to FY20 Remuneration

Whilst key principles remain unchanged in terms of the FY20 remuneration structure applying to the Group's executive KMP's, a number of mechanical changes to the operation of these principals have been made to reflect the evolving nature and challenges evident across the aged care industry.

A clinical quality "gateway" to any STI entitlement remains in place, along with an expanded range of quality conditions that must be met for KMP's to achieve this gateway and be eligible for consideration to receive STI payments. STI performance measures continue to comprise a mix of common and role-specific measures, with common measures comprising 50% of the scorecard evaluation (compared with 60% in FY19) and role specific measures comprising the other 50% (compared with 40% in FY19), to create enhanced role-specific performance accountability. Finally, the Group's senior executive accountable for overseeing clinical quality and risk frameworks and processes has no financial performance metrics included in their STI scorecard, to eliminate the perceived or actual risk of conflict between financial and clinical quality performance objectives and outcomes.

It is the Board's policy that the remuneration of Non-Executive Directors should accord with market rates and the level of responsibilities involved with each Board position. The existing Non-Executive Director ('NED') fee pool of $900,000 per annum was established in 2014 upon the Group's listing on the ASX. Fees paid to NEDs in FY19 totalled $852,159, making the Group unable to consider the appointment of an additional NED to the Board possessing relevant skills or to allow payment of NEDs currently serving on Board committees who are not being paid, in particular the non-standing, non-remunerated Royal Commission and Regulatory sub-committee, which was established in 2018 to address the requirements of the Group's participation in the Aged Care Royal Commission and the increased regulatory environment of the sector.

It is proposed, subject to shareholder approval, to increase the maximum aggregate remuneration that may be paid to NEDs by $200,000, from $900,000 per annum to $1,100,000 per annum. The proposed increase in the maximum aggregate amount payable to NEDs will provide sufficient headroom to attract an additional director should the board decide to. In addition, it will provide capacity to pay NEDs currently serving on Board committees who are not being paid. For clarity, there is no intention to increase the current level of individual fees paid annually to NEDs (Board Chair $250,000 per annum, Board Member $100,000 per annum, Board Committee Chair $15,000 per annum, Board Committee Member $10,000 per annum).

On behalf of the Board, I am pleased to present to you the FY19 Remuneration Report for Estia and we look forward to welcoming you at the 2019 AGM.

Yours sincerely

Paul Foster
Chair of the Nomination and Remuneration Committee

Remuneration report – audited (continued)

This report for the year ended 30 June 2019 (FY19) outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001(Cth), as amended* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

This report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Group performance
4. Remuneration principles and strategy
5. Executive remuneration
6. Executive remuneration outcomes (including link to performance)
7. Executive employment contracts
8. Non-executive director fee arrangements
9. Additional disclosures relating to performance rights and shares
10. Other transactions and balances with KMP and their related parties

1. Introduction

This report details the remuneration arrangements for Key Management Personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly including any director (whether executive or otherwise) of the parent.

The table below outlines the KMP of the Group during FY19.

Key Management Personnel		
Dr. Gary H Weiss AM	Non-Executive Chairman	Full year
Paul Foster	Non-Executive Director	Full year
Hon. Warwick L Smith AO	Non-Executive Director	Full year
Helen Kurincic	Non-Executive Director	Full year
Karen Penrose	Non-Executive Director	From 17 October 2018
Andrew Harrison	Non-Executive Director	Until 17 October 2018
Norah Barlow ONZM	Non-Executive Director Chief Executive Officer (MD and CEO)	From 23 November 2018 Until 23 November 2018
Ian Thorley	MD and CEO Deputy CEO and COO	From 23 October 2018[1] Until 22 October 2018
Sean Bilton	Deputy Chief Executive Officer and Chief Operating Officer (Deputy CEO and COO)	From 23 October 2018
Steve Lemlin	Chief Financial Officer (CFO)	Full year

[1] Ian commenced the role of MD and CEO on 23 October 2018, undertaking a one-month hand-over with Norah Barlow. Ian was formally appointed as MD and CEO on 23 November 2018.

Remuneration report – audited (continued)

2. Remuneration governance

2.1 Nomination and Remuneration Committee

The Nomination and Remuneration Committee (the Committee) was established to assist and advise the Board on a range of matters including remuneration arrangements for KMP and ensuring the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills in the best interests of the Group as a whole.

The Committee comprises three independent Non-Executive Directors (NEDs): Paul Foster (Committee Chair), Dr. Gary H Weiss AM and Helen Kurincic. Further information on the Committee's role, responsibilities and membership, which is reviewed annually by the Board, can be viewed at *http://www.estiahealth.com.au/investor-centre/corporate-governance*.

The Committee met four times in FY19. The MD and CEO attends certain Committee meetings by invitation, where management input is required. The MD and CEO is not present during any discussions related to their own remuneration arrangements.

2.2 Use of Independent Remuneration Consultants

The Committee seeks external remuneration advice to ensure it is fully informed when making remuneration decisions. Remuneration advisors are engaged by, and report directly to, the Committee.

During the year ended 30 June 2019, the Nomination and Remuneration Committee engaged KPMG to provide remuneration benchmarking data, advice regarding market practice and trends, and assistance with other adhoc matters.

The services provided by KPMG do not constitute a 'remuneration recommendation' as defined in section 9B of the *Corporations Act 2001*. The engagement with KPMG was based on an agreed set of protocols governing the manner in which the engagement would be carried out. These protocols ensure that the remuneration advice received from KPMG is free from undue influence from management.

3. Group performance

The table below illustrates Estia's historic performance (since listing) against the key metrics upon which the Group performance is measured.

	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Revenue - $'000	$585,985	$547,054	$524,630	$442,821	$284,798
Net profit after tax - $'000	$41,290	$41,154	$40,698	$27,640	($22,523)
EBITDA - $'000	$93,967	$90,083	$86,500	$89,059	$30,900
Share price at start of the year	$3.29	$3.05	$4.37	$5.70	$5.75*
Share price at the end of the year	$2.64	$3.29	$3.05	$4.36	$5.68
Dividends paid per share – cents	16.0	15.8	8.0	25.6	13.6
Basic earnings per share – cents	15.8	15.8	18.2	15.1	(16.3)
Diluted earnings per share – cents	15.8	15.7	18.0	15.1	(16.3)

**share price at date of listing*

4. Remuneration principles and strategy

The remuneration strategy and framework set by the Nomination and Remuneration Committee is designed to support and drive the achievement of Estia's business strategy, including effective governance and management of the Group's risks. It aims to ensure that remuneration outcomes are linked to the Group's performance and aligned with shareholder outcomes.

Remuneration report – audited (continued)

Estia is committed to creating and ensuring a diverse work environment in which everyone is treated fairly and with respect and where everyone feels responsible for the reputation and performance of the Group. The Board believes that Estia's commitment to this policy contributes to achieving the Group's corporate objectives and embeds the importance and value of diversity within the culture of the Group. Diversity can broaden the pool for recruitment of high quality employees, enhance employee retention, improve the Group's corporate image and reputation and foster a closer connection with and better understanding of customers.

The Board regularly reviews the remuneration framework against the evolving business strategy and in the context of the commercial environment to ensure that it remains relevant.

5. Executive remuneration

5.1 Remuneration Framework and link to strategy

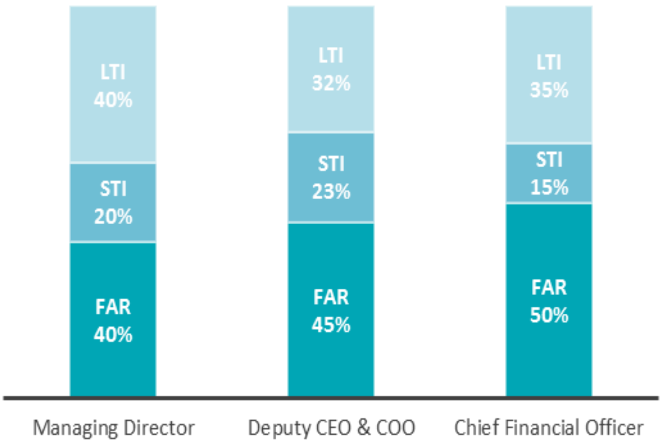
In FY19, the executive remuneration framework comprised a mix of fixed annual remuneration, and short and long-term performance-linked incentive plans. The Group aims to reward executives with a level and mix of remuneration appropriate to their position and responsibilities, while being market competitive and delivering outcomes that are aligned to the experience of Estia's shareholders.

Component	Approach	Link to business and remuneration strategy
Fixed Annual Remuneration (FAR)	FAR is set with reference to role, market and experience of the employee with reference to external benchmarking data, particularly looking at competition in the same sector, both public and private. Group and individual performance are considered during the annual remuneration review.	Competitive remuneration packages that attract and retain high calibre employees from a diverse pool of talent.
Short-Term Incentive Plan (STI)	In FY19, the STI was measured against shared EBITDA, NPAT and Culture targets, as well as other role specific measures over a 12-month period. A resident quality gateway hurdle was also used which required ongoing compliance and accreditation targets to be met in order for any of the STI to be eligible to vest. For executive KMP's the STI award is delivered in a mix of cash and equity. 75% of the award is delivered in cash, with the remaining 25% delivered in performance rights, which require participants to remain employed for an additional 12 months for the performance rights to vest.	Short term incentives align the interests of executives with achievement of business strategic objectives over the short to medium term. The STI scorecard highlights Estia's focus on achieving key financial and operational targets, while also continuing to deliver quality care. Deferral of 25% of any STI award into equity increases alignment with shareholder interests.
Long-Term Incentive Plan (LTI)	The LTI is delivered in the form of performance rights subject to the following performance conditions, measured over a three-year period:	The LTI is designed to drive sustainable value creation for shareholders; encourage retention and encourage a multi-year performance focus.

Remuneration report – audited (continued)

Component	Approach	Link to business and remuneration strategy
	• Total shareholder return (TSR) (70%) performance: - 35% relative to the ASX200 excluding mining and energy companies; and - 35% relative to the weighted average performance of a group of ASX-listed (including dual-listed NZX/ASX entities) companies involved in the provision of aged care services. • Earnings Per Share (EPS) (30%).	Relative TSR focuses executives on generating returns for shareholders, while EPS challenges management to increase profitability by growing earnings over a long-term horizon. A TSR comparator group of companies providing aged care services was introduced in order to assess performance against peers with which Estia competes for shareholder capital. The LTI is delivered in equity which aligns the interests of executive with achievement of increased shareholder wealth over the long-term.
Total remuneration	The overall remuneration framework is designed to support and drive the achievement of Estia's business strategy: • be the leader in providing high quality residential aged care homes in Australia • providing our residents with the highest standards of aged care services in an innovative, supportive and caring environment • deliver profitable growth through our robust development pipeline, significant refurbishment opportunities and through maximising the performance of our core assets.	

5.2 FY19 Remuneration Opportunity Mix



Remuneration report – audited (continued)

5.3 Fixed Annual Remuneration

FAR includes base salary, non-cash benefits such as travelling allowances (including any fringe benefits tax), as well as leave entitlements and superannuation contributions.

Remuneration levels are reviewed annually by the Committee and the Board.

As part of the review, the Committee engages KPMG to benchmark the remuneration of the current KMP against relevant roles from a comparator group of ASX-listed companies[2].

While having regard for the results of the benchmarking, the Committee considers the skills and experience of each individual, as well as the complexity and accountabilities associated with the role, in setting FAR.

5.4 Short-Term Incentive Plan

The Group provides an annual STI to executives and awards a cash and deferred equity incentive subject to the attainment of clearly defined Group measures.

Participation	Ian Thorley, Sean Bilton and Steve Lemlin all participated in the FY19 STI plan. Norah Barlow did not participate.
STI value	In FY19, Ian Thorley and Sean Bilton had a maximum STI opportunity of 50% of FAR and other executive KMP had a maximum STI opportunity of 30% of FAR.
Performance conditions	The FY19 performance measures were EBITDA, NPAT and Culture targets, as well as other role specific measures. The STI is subject to a resident quality gateway hurdle which requires ongoing compliance and accreditation targets to be met in order for any of the STI to be eligible to vest.
Delivery of STI	Performance against the measures is tested annually after the end of the financial year. All payments under the STI plan are determined and approved by the Committee and the Board. Once STI payments have been approved, they are delivered in cash and equity. For senior executives 25% of any payment is deferred for a period of 12 months in the form of performance rights. The quantity of instruments granted in performance rights is determined using face value allocation methodology, using the VWAP for the 10 trading days immediately following the release of results (i.e. deferred STI amount divided by share price).
Cessation of employment	For "Bad Leavers" (defined by the Group as resignation or termination for cause), any unpaid or deferred STI is forfeited, unless otherwise determined by the Board. For any other reason, the Board has discretion to award STI on a pro-rata basis taking into account time and the current level of performance against performance hurdles.
Clawback policy	The Board has discretion to reduce, cancel or clawback any unvested performance-based remuneration in the event of serious misconduct or a material misstatement in the Group's financial statements.
Changes in FY20	The weighting of role specific performance measures in each KMP's STI scorecard has been increased from 40% to 50% to enhance individual, role specific performance accountability. The range of clinical quality "gateway" performance measures that must be met for KMP's to be eligible for consideration to receive STI payments has been expanded to further elevate the primacy of resident clinical quality and care.

[2] The comparator group is comprised of ASX-listed companies within the Health Care, Real Estate and Consumer Discretionary sectors, with a market capitalization of 50% - 200% of Estia's.

Remuneration report – audited (continued)

5.4.1 STI remuneration outcomes

Whilst FY19 performance targets were achieved across a number of STI scorecard areas the clinical quality gateway target was not met, resulting in no payments of STI's for the year, apart from a payment that was agreed with incoming COO Sean Bilton, at the time of him joining the Group, in lieu of a foregone vested incentive payment from his prior employer. 25% of this agreed payment to the incoming COO is subject to deferral into performance rights that will convert into Estia shares after a period of 12 months, subject to continuation of service.

The table below sets out each Executive KMP's STI awarded and foregone in FY19.

Senior Executive	STI opportunity ($)	STI awarded ($)	STI awarded (%)	STI foregone (%)
Ian Thorley	360,000	Nil	0%	100%
Sean Bilton	250,000	250,000	100%	0%
Steve Lemlin	135,000	Nil	0%	100%

Remuneration report – audited (continued)

5.5 Long-Term Incentive Plan

A longer-term incentive is offered to senior executives to assist in the reward, motivation and retention of personnel over the long-term and to improve alignment between executive and shareholder wealth. The LTI is also designed to recognise the abilities, efforts and contributions of participants to Estia's performance and success and provide the participants with an opportunity to acquire or increase their ownership interest in the Group.

<table>
<tr><td>Participation</td><td>LTI performance rights were offered to all members of executive KMP in FY19.</td></tr>
<tr><td>Delivery of LTI</td><td>LTIs are delivered in the form of performance rights. On exercise, performance rights entitle the holders to ordinary shares.</td></tr>
<tr><td>LTI value</td><td>In FY19, Ian Thorley had a LTI opportunity of 100% of FAR, both Sean Bilton and Steve Lemlin had a LTI opportunity of 70% of FAR.</td></tr>
<tr><td>Allocation methodology</td><td>The quantity of instruments granted under the LTI is determined using face value allocation methodology, using the VWAP for the 10 trading days immediately following the release of results (i.e. LTI opportunity divided by share price).</td></tr>
<tr><td>Performance conditions</td><td>The performance conditions for FY19 performance rights are as follows.
70% of award will be subject to a relative TSR performance measure:

35% relative to the ASX200 excluding mining and energy companies; and
35% relative to the weighted average performance of a group of ASX-listed (including dual-listed NZX/ASX entities) companies involved in the provision of aged care services comprised of Regis Healthcare Limited (25%), Japara Healthcare Limited 25%, Aveo Healthcare Limited (25%), Oceania (12.5%) and Summerset Group Holdings Limited (12.5%).

TSR vesting schedules are provided below.
<table>
<tr><th>Estia's TSR relative to the ASX200 (excluding mining and energy companies)</th><th>Percentage of performance rights that vest</th></tr>
<tr><td>Less than median of comparator group</td><td>Nil</td></tr>
<tr><td>At median of comparator group</td><td>50%</td></tr>
<tr><td>Between median and 75th percentile of comparator group</td><td>Straight line pro rata vesting between 50% and 100%</td></tr>
<tr><td>Greater than 75th percentile of comparator group</td><td>100%</td></tr>
<tr><th>Estia's TSR relative to the weighted average performance of aged care services peer group</th><th>Percentage of performance rights that vest</th></tr>
<tr><td>Below weighted average performance</td><td>0%</td></tr>
<tr><td>At weighted average performance</td><td>50%</td></tr>
<tr><td>Straight line vesting</td><td>50% - 100%</td></tr>
<tr><td>15 percentage points above weighted average performance</td><td>100%</td></tr>
</table>
30% of award subject to EPS performance measure, with the below vesting schedule.
<table>
<tr><th>Group's compound annual growth of EPS from FY18 base year</th><th>Percentage of performance rights that vest</th></tr>
<tr><td>Below threshold rate (<6%)</td><td>Nil</td></tr>
<tr><td>At threshold rate (6%)</td><td>25%</td></tr>
</table>
</td></tr>
</table>

Remuneration report – audited (continued)

	<table><tr><td>Between threshold and target rate (6% to 10.3%)</td><td>Straight line pro rata vesting between 25% and 50%</td></tr><tr><td>At target rate or above (10.3% to 11%)</td><td>Straight line pro rata vesting between 50% and 100%</td></tr></table> When assessing performance against targets, EPS will be adjusted to account for acquisitions made during the performance period.
Performance period	The performance rights granted in FY19 have a performance period of three years.
Lapse of performance rights	Any performance rights that remain unvested at the end of the performance period will lapse immediately.
Total shares issued	The number of shares allocated on the vesting of all outstanding rights may not exceed 5% of the total number of shares on issue at the time of the offer.
Cessation of employment	For "bad leavers" (defined by the Group as resignation or termination for cause), all of the performance rights held by that employee upon cessation will automatically lapse. Cessation of employment for any other reason, a portion of the performance rights held by that employee upon cessation will lapse according to a formula which takes into account the length of time the participant has held the performance right and the performance period for the performance right, unless otherwise determined by the Board.
Change of control	The Board may exercise its discretion to allow all or some unvested rights to vest if a change of control event occurs, having regard for the performance of the Group during the vesting period up to the date of a change of control event.
Clawback policy	The Board has discretion to reduce, cancel or clawback any unvested performance-based remuneration in the event of serious misconduct or a material misstatement in the Group's financial statements.
Changes in FY20	There will be no change to the plan in FY20.

5.5.1 LTI Vesting Outcomes

The FY17 LTI performance rights will be tested for vesting in FY20. As a result, no portion of the FY17 LTI have vested or have been forfeited at the date of this report.

Remuneration report – audited (continued)

6. Executive remuneration outcomes

6.1 Executive remuneration for the year from 1 July 2018 to 30 June 2019

		Short-term benefits			Post-employment benefits	Long-term benefits	Fixed annual remuneration	Share based expenses		Total fixed and "at risk" remuneration	Termination payments	Performance related remuneration
		Salary and fees	STI bonus	Non-monetary benefits	Superannuation benefits	Long service leave entitlements		Deferred STI[3]	LTI[4]			
		$	$	$	$	$	$	$	$	$	$	%
Executive director												
Ian Thorley[5]	2019	620,719	-	-	20,531	-	641,250	-	136,869	778,119	-	18%
	2018	429,951	35,723	-	20,049	-	450,000	11,908	99,644	597,275	-	25%
Senior executive												
Sean Bilton	2019	330,888	187,500	-	14,169	-	345,057	62,500	15,106	610,163	-	43%
	2018	-	-	-	-	-	-	-	-	-	-	-
Steve Lemlin	2019	429,469	-	-	20,531	-	450,000	-	90,127	540,127	-	17%
	2018	412,476	29,378	-	20,049	-	432,525	9,793	70,531	542,227	-	20%
Former executives												
Norah Barlow[6]	2019	316,026	-	-	10,421	-	326,447	-	297,979	624,426	-	48%
	2018	679,951	56,700	-	20,049	-	700,000	18,900	259,389	1,034,989	-	32%
Steve Boggiano	2019	-	-	-	-	-	-	-	-	-	-	-
	2018	15,656	-	-	1,487	-	17,143	-	(37,197)	(20,054)	155,111	N/A
Total	**2019**	**1,697,102**	**187,500**	**-**	**65,652**	**-**	**1,762,754**	**62,500**	**540,081**	**2,552,835**	**-**	
	2018	**1,538,034**	**121,801**	**-**	**61,634**	**-**	**1,599,668**	**40,601**	**392,367**	**2,154,437**	**155,111**	

[3] The deferred STI is equity settled. The fair value of the deferred share component is amortised over the vesting period, being twelve months after the reporting period.

[4] The LTI share based expenses represents the fair value of the expense recognised in the year.

[5] Ian was remunerated as the MD and CEO at the commencement of the one-month hand over with Norah Barlow on 23 October 2018. Ian was formally appointed as MD and CEO on 23 November 2018.

[6] Remuneration received in respect of Norah Barlow's role as a non-executive director is included in table 8.4

Remuneration report – audited (continued)

7. Executive employment contracts

Remuneration arrangements for executives are formalised in employment agreements. Key conditions for executives are outlined below:

Name	FAR	Agreement commence	Agreement expire	Notice of termination by Group	Employee notice
Ian Thorley	$720,000	23 October 2018	No expiry, continuous agreement	6 months (or payment in lieu of notice)	6 months
Sean Bilton	$500,000	23 October 2018	No expiry, continuous agreement	3 months (or payment in lieu of notice)	3 months
Steve Lemlin	$450,000	1 February 2017	No expiry, continuous agreement	3 months (or payment in lieu of notice)	3 months

7.1 Norah Barlow

Norah Barlow stepped down from the role of MD & CEO effective 23 November 2018, and has reassumed her role as non-executive Director.

Unvested equity based incentives granted to Norah in connection with her role as MD & CEO will remain on foot and be subject to performance testing in line with the ordinary terms of the plan. Details of such awards can be found in section 9 of this report. Norah is not a member of the Nomination and Remuneration Committee, and will not be involved in assessment of vesting levels of any of these plans.

8. Non-executive director fee arrangements

The Board seeks to set NED fees at a level which provides the Group with the ability to attract and retain NEDs of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

In FY19, there were no increases to NED fees.

8.1 Fee Pool

The NED fee pool at Estia is currently $900,000 (including superannuation contributions as required by law).

Remuneration report – audited (continued)

8.2 Director's 2019 Fee Structure

The table below summarises the annual Base NED fees, inclusive of superannuation:

	Description	Fees
Board	Chair	$250,000
	Director	$100,000
Audit Committee	Chair	$15,000
	Member	$10,000
Nominations & Remuneration Committee	Chair	$15,000
	Member	$10,000
Risk Management Committee	Chair	$15,000
	Member	$10,000
Property & Investment Committee	Chair	$15,000
	Member	$10,000

A Board Royal Commission and Regulatory Committee was established in FY19. No fees were paid to the members of this committee due to lack of payment capacity under the current NED fee pool cap of $900,000 per annum. NEDs may be reimbursed for expenses reasonably incurred in attending to the Group's affairs. NEDs do not receive retirement benefits, nor do they participate in any incentive programs.

8.3 Changes for FY20

It is proposed, subject to shareholder approval, to increase the maximum aggregate remuneration that may be paid to NEDs by $200,000, from $900,000 per annum to $1,100,000 per annum. The proposed increase in the maximum aggregate amount payable to NEDs will provide sufficient headroom to attract an additional director should the board decide to. In addition, it will provide capacity to pay NEDs currently serving on Board committees who are not being paid. For clarity, there is no intention to increase the current level of individual fees paid annually to NEDs (Board Chair $250,000 per annum, Board Member $100,000 per annum, Board Committee Chair $15,000 per annum, Board Committee Member $10,000 per annum).

Remuneration report – audited (continued)

8.4 Non-Executive director remuneration

The table below outlines NED remuneration for FY19 in accordance with statutory rules and applicable accounting standards.

	Year	Board fees $	Superannuation $	Total fees $
Non-Executive Director				
Gary Weiss	2019	259,469	20,531	**280,000**
	2018	250,992	20,049	**271,041**
Paul Foster	2019	123,288	11,712	**135,000**
	2018	123,288	11,712	**135,000**
Warwick Smith	2019	114,155	10,845	**125,000**
	2018	114,155	10,845	**125,000**
Helen Kurincic	2019	114,155	10,845	**125,000**
	2018	114,155	10,845	**125,000**
Karen Penrose[7]	2019	79,597	7,562	**87,159**
	2018	-	-	**-**
Norah Barlow[8]	2019	58,333	-	**58,333**
	2018	-	-	**-**
Former Non-Executive Director				
Andrew Harrison[9]	2019	38,052	3,615	**41,667**
	2018	114,155	10,845	**125,000**
Patrick Grier[10]	2019	-	-	**-**
	2018	41,133	3,908	**45,041**
Total	**2019**	**787,049**	**65,110**	**852,159**
	2018	**757,878**	**68,204**	**826,082**

[7] Karen Penrose was appointed on 17 October 2018.

[8] Remuneration received in respect of Norah Barlow's role as executive is included in table 6.1, including the expense recognised for the year relating to the LTI performance rights issued during her time as MD and CEO.

[9] Andrew Harrison resigned on 17 October 2018.

[10] Patrick Grier retired on 14 November 2017.

Remuneration report – audited (continued)

9. Additional disclosures relating to performance rights and shares

9.1 Performance rights granted, vested and lapsed during the year

The table below discloses the number of performance rights granted, vested or lapsed during the year. Performance rights do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met, until their expiry date. No options were granted to members of KMP during FY19.

	Number of rights granted during the year	Grant date	Fair value per right at grant date	Vesting date	Exercise price per right	Expiry date	Number of rights vested during the year	Number of rights lapsed during the year
Executive director								
Ian Thorley[11]	70,463	29/11/18	0.47	30/06/21	Nil	30/06/21	-	-
	70,463	29/11/18	0.46	30/06/21	Nil	30/06/21	-	-
	60,396	29/11/18	1.92	30/06/21	Nil	30/06/21	-	-
	4,016	29/11/18	2.96	30/06/19	Nil	30/06/19	4,016	-
Senior executive								
Sean Bilton	28,509	29/11/18	0.47	30/06/21	Nil	30/06/21	-	-
	28,509	29/11/18	0.46	30/06/21	Nil	30/06/21	-	-
	24,436	29/11/18	1.92	30/06/21	Nil	30/06/21	-	-
Steve Lemlin	37,185	29/11/18	0.47	30/06/21	Nil	30/06/21	-	-
	37,185	29/11/18	0.46	30/06/21	Nil	30/06/21	-	-
	31,874	29/11/18	1.92	30/06/21	Nil	30/06/21	-	-
	3,303	29/11/18	2.96	30/06/19	Nil	30/06/19	3,303	-
Former executive								
Norah Barlow[12]	36,359	29/11/18	0.47	30/06/21	Nil	30/06/21	-	-
	36,359	29/11/18	0.46	30/06/21	Nil	30/06/21	-	-
	31,165	29/11/18	1.92	30/06/21	Nil	30/06/21	-	-
	6,374	29/11/18	2.96	30/06/19	Nil	30/06/19	6,374	-
Total	**506,596**						**13,693**	**-**

[11] Shareholders approved the grant of 201,322 performance rights to Ian Thorley in respect of the FY19 LTI, at the Group's FY18 AGM held on 29 November 2018.

[12] Shareholders approved the grant of 103,883 performance rights to Norah Barlow in her role as MD and CEO in respect of the FY19 LTI, at the Group's FY18 AGM held on 29 November 2018.

Remuneration report – audited (continued)

9.2 Performance rights holdings of KMP and related parties

KMP, or their related parties directly, indirectly or beneficially held a number of performance rights in the Estia Group as detailed in the table below.

						Vested at 30 June 2019	
	Number of rights at 1 July 2018	Granted as remuneration	Rights exercised	Net change other	Number of rights at 30 June 2019	Exercisable	Not exercisable
Executive director							
Ian Thorley	181,748	205,338	-	-	387,086	4,016	-
Senior executive							
Sean Bilton	-	81,454	-	-	81,454	-	-
Steve Lemlin	141,644	109,547	-	-	251,191	3,303	-
Former executive							
Norah Barlow	484,233	110,257	-	-	594,490	6,374	-
Total	**807,625**	**506,596**	**-**	**-**	**1,314,221**	**13,693**	**-**

Remuneration report – audited (continued)

9.3 Value of performance rights awarded, exercised and lapsed during the year

The table below discloses the value of performance rights granted, exercised or lapsed during the year.

	Value of rights granted during the year [a]	Value of rights exercised during the year [b]	Value of rights lapsed during the year [c]	Remuneration consisting of rights for the year
	$	$	$	%
Executive director				
Ian Thorley	124,020	-	-	18%
Senior executive				
Sean Bilton	45,360	-	-	43%
Steve Lemlin	68,957	-	-	17%
Former executive				
Norah Barlow	76,750	-	-	48%
Total	**315,087**	**-**	**-**	

[a] Determined at the time of grant per the AASB 2.
[b] Determined at the time of exercise.
[c] Determined at the time of lapse.

There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

Remuneration report – audited (continued)

9.4 Shareholdings of KMP and related parties

KMP or their related parties directly, indirectly or beneficially held a number of shares in Estia Group as detailed in the table below.

	Number of shares at 1 July 2018[13,14]	Granted as remuneration	Exercise of rights	Net change other	Number of shares at 30 June 2019[15]	Held nominally
Non-Executive Director						
Gary Weiss	45,312	-	-	-	45,312	45,312
Paul Foster	14,000	-	-	10,000	24,000	24,000
Warwick Smith	45,000	-	-	45,000	90,000	90,000
Helen Kurincic	25,000	-	-	-	25,000	25,000
Norah Barlow	123,100			-	123,100	123,100
Karen Penrose	4,500	-	-	14,333	18,833	18,833
Andrew Harrison	54,208	-	-	-	54,208	54,208
Senior executive						
Ian Thorley	28,518	-	-	50,000	78,518	78,518
Sean Bilton	-	-	-	-	-	-
Steve Lemlin	8,000	-	-	8,500	16,500	16,500
Total	**347,638**	**-**	**-**	**127,833**	**475,471**	**475,471**

All equity transactions with KMP have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

10. Other transactions and balances with KMP and their related parties

There were no other transactions with KMP or their related parties during the year.

[13] The number of shares held for KMP who were appointed during the year are as at the date of their respective appointments.

[14] The number of shares held for KMP at 1 July 2018 includes a restatement of prior period holdings for Andrew Harrison (previously reported as 25,542).

[15] The number of shares held for KMP who have resigned during the year are as at the date of their respective resignations.

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Auditor's Independence Declaration to the Directors of Estia Health Limited

As lead auditor for the audit of Estia Health Limited for the financial year ended 30 June 2019, 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 Health Limited and the entities it controlled during the financial year.

Ernst & Young

Paul Gower
Partner
20 August 2019

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $'000	2018 $'000*
Revenues	B1	585,985	546,934
Other income	B1	36	483
Expenses			
Employee benefits expense	B4	386,804	360,216
Administrative expenses	B2	19,782	15,064
Occupancy expenses	B5	31,297	29,598
Resident expenses		51,613	51,093
Depreciation and amortisation expense	B3	28,719	25,547
Impairment expense	B3	465	455
Impairment losses on trade receivables	B1	801	1,000
Direct costs associated with the Royal Commission		1,721	-
Operating profit for the year		**64,819**	**64,444**
Net finance costs	B6	6,990	7,279
Profit before income tax		**57,829**	**57,165**
Income tax expense	B7	16,539	16,011
Profit for the year		**41,290**	**41,154**
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 income for the year, net of tax		**41,290**	**41,154**
		cents	**cents**
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders of the Parent	B8	15.84	15.79
Diluted, profit for the year attributable to ordinary equity holders of the Parent	B8	15.77	15.75

*The comparative information above has been restated for classification purposes only. Amounts relating to impairment expenses as reported in the prior year of $3,384,000 have been reclassified to depreciation and amortisation expense. Refer to Note B3 for further information.

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2019 $'000	2018 $'000*
Current assets			
Cash and cash equivalents	C3	14,631	11,198
Trade and other receivables	C4	9,046	11,433
Income tax receivable	B7	607	913
Prepayments and other assets		6,540	6,884
Assets held for sale	C5	-	902
Total current assets		**30,824**	**31,330**
Non-current assets			
Property, plant and equipment	C1	822,696	757,110
Investment properties	C6	1,620	1,620
Goodwill	C2	817,074	817,074
Other intangible assets	C2	222,575	218,714
Total non-current assets		**1,863,965**	**1,794,518**
Total assets		**1,894,789**	**1,825,848**
Current liabilities			
Trade and other payables	C7	44,046	42,647
Income received in advance		-	25
Refundable accommodation deposits and bonds	D4	805,033	791,508
Other financial liabilities	C9	1,304	1,371
Provisions	C8	45,616	41,793
Total current liabilities		**895,999**	**877,344**
Non-current liabilities			
Deferred tax liabilities	B7	107,775	107,610
Loans and borrowings	D3	125,000	75,000
Provisions	C8	4,496	4,269
Other payables	C7	12	61
Total non-current liabilities		**237,283**	**186,940**
Total liabilities		**1,133,282**	**1,064,284**
Net assets		**761,507**	**761,564**
Equity			
Issued capital	D1	801,843	801,836
Share-based payments reserve		1,794	1,136
Accumulated losses		(42,130)	(41,408)
Total equity		**761,507**	**761,564**

*The comparative information above has been restated for classification purposes only. Refer to Notes C4 and C7 for further information.

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Issued capital $'000	Share-based payments reserve $'000	Accumulated losses $'000	Total equity $'000
As at 1 July 2017		**801,830**	**673**	**(41,387)**	**761,116**
Profit for the year		-	-	41,154	41,154
Other comprehensive income		-	-	-	-
Total comprehensive income		**-**	**-**	**41,154**	**41,154**
Transactions with owners in their capacity as owners:					
Repayment of management equity plan	D1	6	-	-	6
Dividends	D1	-	-	(41,175)	(41,175)
Share-based payments	D2	-	463	-	463
As at 30 June 2018		**801,836**	**1,136**	**(41,408)**	**761,564**
Adjustment on adoption of AASB 9 (net of tax)	E9	-	-	(316)	(316)
Restated total equity at the beginning of the financial year		**801,836**	**1,136**	**(41,724)**	**761,248**
Profit for the year		-	-	41,290	41,290
Other comprehensive income		-	-	-	-
Total comprehensive income		**-**	**-**	**41,290**	**41,290**
Transactions with owners in their capacity as owners:					
Repayment of management equity plan	D1	7	-	-	7
Dividends	D1	-	-	(41,696)	(41,696)
Share-based payments	D2	-	658	-	658
As at 30 June 2019		**801,843**	**1,794**	**(42,130)**	**761,507**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from residents		148,427	141,732
Receipts from government		437,556	403,746
Payments to suppliers and employees		(489,880)	(442,438)
Net operating cash flows before interest, income tax and RAD, accommodation bond and ILU entry contributions		**96,103**	**103,040**
Interest received		70	186
Finance costs paid		(6,878)	(6,940)
Income taxes paid		(15,932)	(22,307)
Net cash flows from operating activities excluding RAD, accommodation bond and ILU entry contributions		**73,363**	**73,979**
RAD, accommodation bond and ILU entry contribution received		246,454	269,566
RAD, accommodation bond and ILU entry contribution refunded		(231,888)	(206,781)
Net cash flows from operating activities	**B9**	**87,929**	**136,764**
Cash flows from investing activities			
Payments for intangible assets	C2	(4,850)	(942)
Proceeds from sale of property, plant and equipment		19	-
Proceeds from sale of assets held for sale	C5	956	4,167
Purchase of property, plant and equipment	C1	(88,932)	(60,323)
Net cash flows used in investing activities		**(92,807)**	**(57,098)**
Cash flows from financing activities			
Proceeds from repayment of MEP loans	D1	7	6
Proceeds from borrowings		225,000	65,000
Repayment of borrowings		(175,000)	(111,514)
Dividends paid	D1	(41,696)	(41,175)
Net cash flows from/(used in) financing activities		**8,311**	**(87,683)**
Net increase (decrease) in cash and cash equivalents		**3,433**	**(8,017)**
Cash and cash equivalents at the beginning of the year		11,198	19,215
Cash and cash equivalents at the end of the year	**C3**	**14,631**	**11,198**

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

SECTION A: ABOUT THIS REPORT

A1
CORPORATE INFORMATION

The consolidated financial statements of Estia Health Limited and its subsidiaries (collectively, the “Group”) for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 20 August 2019.

Estia Health Limited (the “Company” or the “parent”) is a for-profit company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX) 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 and derivative financial instruments which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($’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 2019 (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.

A5
CURRENT/NON-CURRENT CLASSIFICATION

Assets are disclosed as current when they are expected to be converted to cash or receivable within 12 months of 30 June 2019. Liabilities are disclosed as current when they are due within 12 months of 30 June 2019 or when there is no unconditional right to defer settlement for at least 12 months after 30 June 2019.

SECTION A: ABOUT THIS REPORT (CONTINUED)

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 Group's current liabilities exceed current assets by $865,175,000 as at 30 June 2019 (2018: $846,014,000) 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 $806,337,000 (2018: $792,879,000) as current liabilities.

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 shortly afterwards 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 Notes D4 and C9 for further details).

The Group has a debt facility of $330,000,000 of which $201,000,000 remains undrawn as at 30 June 2019, which excludes $4,000,000 of bank guarantees disclosed in Note E2. This debt facility can be drawn down to re-pay RAD and Bond refunds should the Group experience significant RAD and Bond net outflows.

A7
SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected 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 2019 are included in the following notes:

Significant accounting judgements, estimates and assumptions

Note B7	Recognition of deferred tax assets
Note C2	Recoverability of Intangible assets
Note C4	Recoverability of trade receivables and future credit risks
Note D2	Measurement of equity-settled share-based payment transactions

SECTION B: OUR PERFORMANCE

B1
REVENUE AND OTHER INCOME

	2019 $'000	2018 $'000
Revenues		
Government funded residential care subsidies & supplements	438,323	404,064
Resident daily care fees	104,253	101,065
Other resident fees	43,409	41,805
Total revenues	**585,985**	**546,934**
Other income		
Net gain on disposals of assets held for sale	17	363
Increase in fair value of investment property	-	120
Net gain on disposals of property, plant and equipment	19	-
Total other income	**36**	**483**

The Group is in the business of providing residential aged care services to residents. The terms and conditions for discretionary and non-discretionary services are agreed within a single customer contract with the resident, which are enforceable primarily on a daily basis. Contracts with customers contain provision for accommodation, use of common areas/facilities, provision of care and other services.

Total revenue includes the provision of accommodation, that is accounted for in accordance with AASB 117 *Leases*. Operating lease revenue is recognised on a straight line basis over the length of stay. For residents that have chosen to pay a RAD or Bond, the adoption of AASB 16 as of 1 July 2019, would regard there being a reduction in, or no, cash charge for accommodation. The accounting treatment for the non-cash consideration component of this arrangement is expected to change and result in the recognition of an increase in revenue for accommodation and an increase in financing costs relating to the outstanding RAD liability, with no net impact on the Operating Profit for periods affected. Refer to Note E9 for further analysis of the impact on the new standard.

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. In accordance with the Act the level of subsidy or supplement is dependent 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 and is 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, referred to as a Means Tested Care Fee ('MTCF'). The MTCF reduces the amount the Government pays directly to the provider as a result. The total MTCF included within the total Government Funded Residential Care Subsidies and Supplements was $16,782,000 in the period (2018: $17,367,000).

(b) Resident Daily Care Fees

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

SECTION B: OUR PERFORMANCE (CONTINUED)

B1
REVENUE AND OTHER INCOME (CONTINUED)

(c) 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.

The services provided are determined on a standalone price, typically as a daily rate and the resident simultaneously receives and consumes the benefits provided by the Group.

Impairment Losses on Receivables

The Group recognised impairment losses on receivables arising from contracts with customers, included under Impairment losses on trade receivables in the statement of profit or loss of $801,000 for the year ended 30 June 2019 (2018: $1,000,000).

Contract Assets and Liabilities

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).

The Group presents these separately in the statement of financial position. The Standard allows an entity to use alternative descriptions and therefore the Group has used the description ‘Income received in advance’ to refer to contract liabilities.

Other Income

During the year, the Group sold two properties for a total of $956,000 (2018: five properties sold for a total of $4,167,000) and recognised a net gain on sale of $17,000 (2018: net gain on sale $363,000).

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, typically upon settlement.

SIGNIFICANT ACCOUNTING POLICY

The Group recognises revenue under AASB 15 *Revenue from Contracts with Customers* which supersedes AASB 118 *Revenue* and related interpretations and 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.

All performance obligations are considered to be met on a daily basis and therefore the Group does not have any outstanding performance obligations that have not been met at the reporting date.

SECTION B: OUR PERFORMANCE (CONTINUED)

B2
ADMINISTRATIVE EXPENSES

	2019 $'000	2018 $'000
Advertising and marketing expenses	924	672
Telephone and communication expenses	2,108	1,797
Travel expenses	2,152	1,605
Printing and stationery expenses	2,369	2,625
Professional services expenses	5,476	3,065
Other administrative expenses	6,753	5,300
Total administrative expenses	**19,782**	**15,064**

B3
DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSES

	Notes	2019 $'000	2018 $'000*
Depreciation expense	C1	26,432	21,019
Accelerated depreciation due to home closures	C1	1,298	3,384
Amortisation expense	C2	989	1,144
Impairment expense	C1	465	455
Total depreciation, amortisation and impairment expenses		**29,184**	**26,002**

The accelerated depreciation due to home closures above relates to the closing of the home at Mona Vale. In the prior year, the amounts relate to the closure of the home at Southport and Blakehurst.

*The comparative information above has been restated for classification purposes only. Amounts relating to impairment expenses as reported in the prior year of $3,384,000 have been reclassified to accelerated depreciation due to home closures. The homes were depreciated at an accelerated rate due to changes in their useful life estimates based on decisions to redevelop the sites at an earlier date than previously anticipated.

B4
EMPLOYEE BENEFITS EXPENSES

	2019 $'000	2018 $'000
Salaries and wages expense	322,290	303,027
Superannuation expense	29,462	27,837
Other employee expenses	35,052	29,352
Total employee benefits expenses	**386,804**	**360,216**

SECTION B: OUR PERFORMANCE (CONTINUED)

B5
OCCUPANCY EXPENSES

	2019 $'000	2018 $'000
Rent expense	5,849	5,703
Repairs and maintenance expense	9,578	8,509
Other occupancy expenses	15,870	15,386
Total occupancy expenses	**31,297**	**29,598**

B6
NET FINANCE COSTS

	2019 $'000	2018 $'000
Interest income from cash at banks	70	186
Total finance income	**70**	**186**
Interest expense on bank loans	2,549	2,298
Interest capitalised[1]	(960)	(338)
Interest expense on accommodation bonds for departed residents	3,402	3,257
Other finance costs	2,069	2,248
Total finance costs	**7,060**	**7,465**
Net finance costs	**6,990**	**7,279**

[1] Interest directly attributable to the construction of homes has been capitalised to construction in progress at a weighted average rate of 3.04% (2018: 2.99%). Assets have been funded through general borrowings and the capitalisation rate represents the average cost of interest on such borrowings.

SIGNIFICANT ACCOUNTING POLICY

Interest income

Interest income is recognised based on the effective interest method.

Borrowing costs

Borrowing costs consist of 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 D3 for information relating to loans and borrowings.

SECTION B: OUR PERFORMANCE (CONTINUED)

B7
INCOME TAX

	2019 $'000	2018 $'000
Current income tax		
Current income tax expense	16,529	17,314
Adjustments in respect of income tax of previous year	(290)	(788)
Deferred income tax		
Relating to origination and reversal of temporary differences	642	(190)
Adjustments in respect of income tax of previous year	(342)	(325)
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	**16,539**	**16,011**

Reconciliation of income tax expense and the accounting profit:

	2019 $'000	2018 $'000
Accounting profit before income tax	57,829	57,165
At the Australian statutory income tax rate of 30% (2018: 30%)	17,349	17,150
Adjustments in respect of income tax of previous year	(632)	(1,113)
Non-taxable income	-	(143)
Utilisation of previously unrecognised tax losses	(182)	-
Recognition of tax on bed licences	-	89
Expenditure not allowable for income tax purposes		
- Other expenditure	4	28
Income tax expense	**16,539**	**16,011**

SECTION B: OUR PERFORMANCE (CONTINUED)

B7
INCOME TAX (CONTINUED)

	Consolidated statement of profit or loss and other comprehensive income		Consolidated statement of financial position	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Accelerated depreciation	1,003	1,223	(59,848)	(60,851)
IPO transaction fees	(2,059)	(2,059)	16	2,075
Other	(184)	(496)	(825)	(641)
Assets held for sale	(17)	(119)	-	17
Bed licences	-	(89)	(64,571)	(64,571)
Share-based payments	(341)	139	-	341
Provisions and accruals	1,298	1,627	17,489	16,056
Investment properties	-	(36)	(36)	(36)
Deferred tax expense	**(300)**	**190**		
Deferred tax assets/(liabilities), net			**(107,775)**	**(107,610)**
Reflected in the statement of financial position as follows				
Deferred tax assets			17,672	18,665
Deferred tax liabilities			(125,447)	(126,275)
Deferred tax assets/(liabilities), net			**(107,775)**	**(107,610)**

Reconciliation of deferred tax liabilities, net:

	$'000
Balance at 1 July 2017	(108,765)
Tax income during the year recognised in profit or loss	190
Adjustments in respect of income tax of previous year	965
Balance at 30 June 2018	**(107,610)**
Adjustment due to AASB9 adoption	135
Adjusted balance as at 1 July 2018	**(107,475)**
Tax expense during the year recognised in profit or loss	(300)
As at 30 June 2019	**(107,775)**

The Group has tax losses which arose as part of the acquisition of the Hutchinson component entities. These are subject to an available fraction which determines the annual rate at which the losses may be recouped. A deferred tax benefit has not been recognised in these financial statements in relation to these losses.

SECTION B: OUR PERFORMANCE (CONTINUED)

B7
INCOME TAX (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 taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised 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 provisions 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 Health Limited 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, Estia Health Limited 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
INCOME TAX (CONTINUED)

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

B8
EARNINGS PER SHARE

Basic Earnings Per Share (EPS) amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive employee Performance Rights into ordinary shares.

	2019 $'000	2018 $'000
Profit attributable to ordinary equity holders of the Parent for basic and diluted earnings	41,290	41,154

	2019	2018
Weighted average number of ordinary shares for basic EPS	260,602,749	260,580,283
Effect of dilution	1,270,857	791,893
Weighted average number of ordinary shares for the effect of dilution	**261,873,606**	**261,372,176**

	2019 cents	2018 cents
Basic earnings per share	15.84	15.79
Diluted earnings per share	15.77	15.75

SECTION B: OUR PERFORMANCE (CONTINUED)

B9
CASH FLOW RECONCILIATION

	2019 $'000	2018 $'000
(a) Reconciliation of net profit after income tax to net cash flows from operations		
Profit for the year	41,290	41,154
Adjustments to reconcile profit after income tax to net cash flows:		
Depreciation of property, plant and equipment	27,730	24,403
Amortisation of intangibles	989	1,144
Impairment of property, plant and equipment	465	455
Net gain on disposal of property, plant and equipment	(19)	-
Net gain on sale of assets held for sale	(17)	(363)
Bond retention revenue	(1,041)	(1,499)
Movement in allowance for expected credit losses	(387)	74
Share-based payments	658	463
Stepped lease costs	209	134
Net gain on fair value of investment properties	-	(120)
Changes in assets and liabilities		
Decrease in trade and other receivables	2,000	809
Decrease/(Increase) in prepayments and other assets	344	(1,541)
Decrease in deferred tax assets	1,129	638
Decrease in deferred tax liabilities	(828)	(1,793)
Increase/(Decrease) in current tax payable	306	(5,141)
(Decrease)/Increase in trade and other payables	(3,306)	11,631
Increase in provisions	3,841	3,531
Increase in refundable accommodation deposits and bonds	14,566	62,785
Net cash flows from operating activities	**87,929**	**136,764**

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 at the discretion of the Group within the guidelines set out by the Prudential Compliance Standards and are therefore classified as an operating activity for the purposes of cash flow reporting.

	2018 $'000	Net cash flows $'000	2019 $'000
(b) Reconciliation of liabilities arising from financing activities			
Non-current loans and borrowings	75,000	50,000	125,000
Total liabilities from financing activities	**75,000**	**50,000**	**125,000**

SECTION C: ASSETS & LIABILITIES

C1
PROPERTY, PLANT AND EQUIPMENT

Reconciliation of property, plant and equipment

	Note	Land $'000	Buildings $'000	Property Improvements $'000	Furniture, fixtures & equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost								
Balance at 1 July 2017		193,441	446,487	36,199	49,230	900	34,998	761,255
Additions		2,187	-	2,259	11,212	45	44,620	60,323
Transfers		-	38,247	11,091	8,588	-	(57,926)	-
Disposals		-	(3,000)	(195)	(720)	-	(397)	(4,312)
Transfers to assets held for sale		(2,415)	-	-	-	-	-	(2,415)
Balance at 30 June 2018		**193,213**	**481,734**	**49,354**	**68,310**	**945**	**21,295**	**814,851**
Additions		99	-	2,521	13,140	87	78,624	94,471
Transfers		-	23,868	14,215	13,574	-	(51,657)	-
Disposals		(435)	(786)	(1,267)	(2,979)	(43)	(669)	(6,179)
Transfers to assets held for sale		(37)	-	-	-	-	-	(37)
Balance at 30 June 2019		**192,840**	**504,816**	**64,823**	**92,045**	**989**	**47,593**	**903,106**
Accumulated depreciation								
Balance at 1 July 2017		455	19,256	1,019	16,422	554	-	37,706
Depreciation expense	B3	-	12,576	1,349	10,244	234	-	24,403
Impairment expense	B3	58	-	-	-	-	397	455
Disposals		(513)	(3,000)	(194)	(719)	-	(397)	(4,823)
Balance at 30 June 2018		**-**	**28,832**	**2,174**	**25,947**	**788**	**-**	**57,741**
Depreciation expense	B3	-	11,884	3,306	12,438	102	-	27,730
Impairment expense	B3	-	-	-	-	-	465	465
Disposals		-	(786)	(1,267)	(2,965)	(43)	(465)	(5,526)
Balance at 30 June 2019		**-**	**39,929**	**4,213**	**35,421**	**847**	**-**	**80,410**
Net book value								
As at 30 June 2018		**193,213**	**452,902**	**47,180**	**42,363**	**157**	**21,295**	**757,110**
As at 30 June 2019		**192,840**	**464,887**	**60,610**	**56,624**	**142**	**47,593**	**822,696**

*The comparative information above has been restated for classification purposes only. Amounts relating to impairment expenses as reported in the prior year of $3,384,000 have been reclassified to depreciation due to home closures. The homes were depreciated at an accelerated rate due to changes in their useful life estimates based on decisions to redevelop the sites at an earlier date than previously anticipated.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C1
PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

Construction in Progress, Plant and Equipment and Land and Buildings are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land is not depreciated. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria is 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 transferred from vendors 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

An item of property, plant and equipment and any significant part initially recognised is derecognised 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 derecognised.

Property, plant and equipment forms part of one cash-generating unit (CGU) and has been tested for impairment in accordance with Note C2.

The Group also assesses the indicators for impairment at each financial year end. If impairment indicators are present, the Group assesses the residual values, useful lives and methods of depreciation of property, plant and equipment and adjust prospectively, if appropriate.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C2
GOODWILL AND OTHER INTANGIBLE ASSETS

	Note	Goodwill $'000	Bed licences $'000	Software costs $'000	Total $'000
Balance at 1 July 2017		817,074	214,940	6,383	1,038,397
Additions		-	296	646	942
Balance at 30 June 2018		**817,074**	**215,236**	**7,029**	**1,039,339**
Additions		-	2,695	2,155	4,850
Disposals		-	-	(89)	(89)
Balance at 30 June 2019		**817,074**	**217,931**	**9,095**	**1,044,100**
Accumulated amortisation					
Balance at 1 July 2017		-	-	2,407	2,407
Amortisation expense	B3	-	-	1,144	1,144
Balance at 30 June 2018		**-**	**-**	**3,551**	**3,551**
Amortisation expense	B3	-	-	989	989
Disposals		-	-	(89)	(89)
Balance at 30 June 2019		**-**	**-**	**4,451**	**4,451**
Net book value					
As at 30 June 2018		**817,074**	**215,236**	**3,478**	**1,035,788**
As at 30 June 2019		**817,074**	**217,931**	**4,644**	**1,039,649**

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C2
GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their 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 reflected as a profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, at the Cash Generating Unit (CGU) level. The CGU is consistent with the operating segment identified in Note E5. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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 derecognised.

Bed licences

Bed licences for the Group's aged care homes 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*. Following initial recognition, the licenses are not amortised but are measured at cost less any accumulated impairment losses. Bed licences are tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired. Testing is performed in line with the procedures noted below in Goodwill.

Bed Licenses are assessed as having an indefinite useful life as they are issued for an unlimited period and therefore are not amortised. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the 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 CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C2
GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Goodwill and bed licenses acquired through business combinations were tested for impairment at the reporting date. The recoverable amount of the CGU was assessed by reference to the CGU's value in use based on financial forecasts covering a five year period (2020 to 2024) and a terminal value.

A post-tax discount rate was applied in the value in use model, which was determined based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). Market-specific risk is incorporated by applying individual beta factors which are evaluated annually based on publicly available market data.

Adjustments to the discount rate are made to factor in the specific amount of the future tax flows in order to reflect a pre-tax discount rate. The recoverable amount was determined to be higher than the carrying amount and therefore the Directors determined that the intangible assets with an indefinite useful life were not impaired.

As impairment testing is based on assumptions and judgements, the Directors have considered changes in key assumptions that they believe to be reasonably possible. The recoverable amount exceeds the carrying amount when testing for reasonably possible changes in key assumptions.

	2019 %	2018 %
Post-tax discount rate	9.5	9.5
Pre-tax discount rate	11.8	11.8
Terminal growth rate	2.1	2.1

C3
CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Cash at bank	14,555	11,123
Cash on hand	76	75
Total cash and cash equivalents	**14,631**	**11,198**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

At 30 June 2019, the Group had available $201,000,000 (2018: $251,200,000) of undrawn committed borrowing facilities, which excludes $4,000,000 (2018: $3,800,000) of bank guarantees disclosed in Note E2. Refer to Note D3 for further details.

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)

C4
TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000*
Trade receivables	8,045	10,487
Other receivables	2,574	2,455
Allowance for expected credit losses	(1,573)	(1,509)
Total trade and other receivables	**9,046**	**11,433**

*The comparative information above has been restated for classification purposes only. Credit balances of $1,948,000 included in Trade receivables in 2018 have been reclassified to Trade and other payables.

Allowance for expected credit loss

Set out below is the movement in the allowance for expected credit losses of trade receivables for the year ended 30 June 2019. The comparative information for the year ended 30 June 2018 is based on the incurred loss model under *AASB 139*.

	Note	2019 $'000	2018 $'000
As at 1 July		1,509	1,435
AASB 9 Adjustment	E9	451	-
Provision for expected credit loss		801	1,000
Utilised		(1,188)	(926)
At 30 June		**1,573**	**1,509**

See Note D5 on credit risk which discusses how the Group manages and measures credit quality of trade receivables.

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.

Refer to Note E9 for further information relating to the change in accounting policy following the adoption of AASB 9.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In calculating the allowance for expected credit loss, the Group applies judgements when identifying debtors 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 debtor, 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 debtor balances.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C5
ASSETS HELD FOR SALE

	2019 $'000	2018 $'000
Assets held for sale	-	902
Total assets held for sale	**-**	**902**

During the year, the Group sold two properties for a total of $956,000, including a parcel of land that was transferred to assets held for sale during the year of $37,000. The sales resulted in a profit of $17,000 and has been included in other income (see Note B1).

SIGNIFICANT ACCOUNTING POLICY

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on re-measurement are recognised in profit or loss.

C6
INVESTMENT PROPERTIES

	2019 $'000	2018 $'000
Balance at beginning of period	1,620	1,500
Fair value adjustments	-	120
Total investment properties	**1,620**	**1,620**

Investment properties comprise Independent Living Units (ILUs) located in one retirement village located in Bendigo. The retirement village is subject to a loan licence agreement which confers the right to occupancy of the unit, until such time as the resident's occupancy terminates and the occupancy rights are transferred to another resident. Upon entry, a resident will loan the Group an amount equal to the fair value of the unit. On termination the resident is entitled to repayment of the loan inclusive of any uplift in fair value since the agreement date less the deferred management fee.

SIGNIFICANT ACCOUNTING POLICY

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C7
TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Current trade and other payables		
Trade creditors	12,865	16,682
Payroll liabilities	14,832	13,290
Sundry creditors and accruals	16,349	12,675
Total current trade and other payables	**44,046**	**42,647**
Non-current other payables		
Sundry creditors and accruals	12	61
Total non-current other payables	**12**	**61**
Total trade and other payables	**44,058**	**42,708**

*The comparative information above has been restated for classification purposes only. Credit balances of $1,948,000 included in Trade receivables in 2018 have been reclassified to Trade creditors.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C8
PROVISIONS

	2019 $'000	2018 $'000
Current provisions		
Employee benefits	44,558	40,944
Stepped lease provision	1,058	849
Total current provisions	**45,616**	**41,793**
Non-current provisions		
Employee benefits	4,496	4,269
Total non-current provisions	**4,496**	**4,269**
Total provisions	**50,112**	**46,062**

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

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date but is 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 estimated future cash outflows.

C9
OTHER FINANCIAL LIABILITIES

	2019 $'000	2018 $'000
Independent living unit (ILU) entry contributions	1,304	1,371
Total other financial liabilities	**1,304**	**1,371**

Terms and conditions relating to independent living units (ILUs)

ILU entry contributions are non-interest bearing loans made by ILU residents to the Group upon entering into an agreement to occupy the ILU and are settled after a resident vacates the property based on the applicable State-based Retirement Village Acts.

SECTION D: CAPITAL, FINANCING, RADS AND RISK

D1
SHARE CAPITAL AND RESERVES

	2019 $'000	2018 $'000
Issued and fully paid		
Ordinary shares	801,843	801,836
Total share capital	**801,843**	**801,836**

(a) Movements in ordinary shares on issue

	2019		2018	
	Number of shares	**$'000**	**Number of shares**	**$'000**
Beginning of the financial year	260,602,749	801,836	260,602,749	801,830
Movement in management equity plan	-	7	-	6
End of the financial year	**260,602,749**	**801,843**	**260,602,749**	**801,836**

(b) Share-based payments reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note D2 for further details of these plans.

(c) Franking credits

The franking credit balance of Estia Health Limited for the year ended 30 June 2019 is $23,917,303 (2018: $25,855,432).

(d) Dividends paid and proposed

The final dividend for the year ended 30 June 2018 of $20,848,220 (8.0 cents per share) was paid on 28 September 2018. The interim dividend for the year ended 30 June 2019 of $20,848,220 (8.0 cents per share) (2018: $20,327,014) was paid on 27 March 2019.

The Directors propose a fully franked final cash dividend for the year ended 30 June 2019 of 7.8 cents per share totalling $23,328,082. Proposed dividends on ordinary shares are not recognised as a liability at 30 June 2019.

(e) Dividend reinvestment plan

The Dividend Reinvestment Plan (DRP) was not applicable for the final dividend paid on 28 September 2018 or the interim dividend paid on 27 March 2019.

The DRP has been reinstated which will allow eligible shareholders to reinvest all or part of their distribution into shares for the final dividend.

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

D2
SHARE-BASED PAYMENTS

At 30 June 2019, the Group had the following share-based payments arrangements:

(a) Long-Term Incentive Plan (LTIP)

Under the LTIP, awards are made to executives who have a significant impact on the Group's performance. LTIP awards are delivered in the form of performance rights entitling the holder to shares which vest following a period of three years subject to meeting performance measures.

For rights granted prior to 1 July 2018, the Group uses Total shareholder return (TSR) performance relative to the ASX200 excluding mining and energy companies (70%) and Earnings Per Share (EPS) (30%) as performance measures for the LTIP.

For rights granted post 1 July 2018, the TSR component is split into two components, half against the ASX200 excluding mining and energy companies and half against the market capitalisation weighted average performance of a peer group of ASX-listed companies operating in the provision of aged care services. The TSR component remains at 70% with EPS remaining at 30% of the performance measures of the LTIP.

During the year, the Group granted a total of 615,019 rights to executives. Further details can be found in section 9 of the Remuneration Report.

(b) Short-Term Incentive Plan (STIP)

Under the STIP, awards are made to executives who have an impact on the Group's performance. STIP awards are delivered in a mix of cash and equity. 75% of the award is delivered in cash, with the remaining 25% delivered in performance rights, which require participants to remain employed for an additional 12 months for the rights to vest.

The STIP is measured against Earnings Before Interest, Tax and Depreciation and Amortisation, Net Profit After Tax and Lost Time Injury Frequency targets, as well as other role specific measures over a 12-month period. A resident quality gateway hurdle is also used, which requires ongoing compliance and accreditation targets to be met in order for any of the STIP to be eligible to vest.

For awards made under the STIP from 1 July 2018, the Lost Time Injury Frequency target has been replaced with a Culture target.

The number of performance rights granted and deferred under the STIP during the year ended 30 June 2019 relating to the incentive payments earned in the year ended 30 June 2018 was 13,693 (2018: nil).

(c) Management Equity Plan (MEP)

The MEP is a legacy plan which was approved by the Board and implemented prior to listing and other than for existing holders, it is no longer offered.

Under the plan, the former Managing Director and a number of senior employees of the Group were invited to subscribe for shares on the terms specified in the MEP rules. Most MEP participants were also offered a 10 year limited recourse loan to subscribe for MEP shares.

The following table details the MEP loans outstanding at 30 June 2019:

	Number of MEP shares	Total amount subscribed ($'000)	% of MEP Shares funded through MEP loans	Interest rate on MEP loan
Total	50,000	100	100%	5.95%

All MEP shares listed above were released from escrow on 11 December 2017.

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

D2
SHARE-BASED PAYMENTS (CONTINUED)

(d) Movements during the year

The following tables illustrate the number and weighted-average exercise prices (WAEP) of, and movements in, MEP shares and performance rights during the year:

	2019		2018	
MEP shares only	**Number**	**WAEP**	**Number**	**WAEP**
Outstanding at 1 July	50,000	2.00	50,000	2.00
Outstanding at 30 June	**50,000**	**2.00**	**50,000**	**2.00**
Exercisable at 30 June	**50,000**	**2.00**	**50,000**	**2.00**

	2019		2018	
Performance rights only	**Number**	**WAEP**	**Number**	**WAEP**
Outstanding at 1 July	907,684	-	524,238	-
Granted during the year	628,712	-	476,980	-
Forfeited during the year	-	-	(93,534)	-
Outstanding at 30 June	**1,536,396**	**-**	**907,684**	**-**
Exercisable at 30 June	**13,693**	**-**	**-**	**-**

The weighted average remaining contractual life for the MEP shares and performance rights outstanding as at 30 June 2019 was approximately 1.31 years.

The exercise price for MEPs outstanding at the end of the year was $2.00. There is no exercise price for performance rights.

The weighted average fair value of performance rights granted during the year was $0.61.

(e) Expense recognised in profit or loss

The share-based payments expense recognised in profit or loss as an employee benefit for each of the share arrangements were as follows:

	2019 $'000	**2018 $'000**
Long-term incentive plan	605	451
Short-term incentive plan	41	-
Management equity plan	12	12
Share-based payments expense recognised in profit or loss	**658**	**463**

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

D2
SHARE-BASED PAYMENTS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

LTIP-Recognition and measurement of fair value

As the exercise price is zero upon vesting, the fair value of the performance rights issued under the LTIP are determined by the fair value at grant date by utilising methodologies allowable under AASB 2 *Share-Based Payments*, including the use of a Monte Carlo simulation (TSR component) and the Binomial Model (EPS component). The contractual term of the performance rights is three years and there are no cash settlement alternatives for the employees. The Group does not have a past practice of cash settlement for these awards.

Assumption	FY19 Plan	FY18 Plan	FY17 Plan
Share price at grant date	$2.19	$3.02 - $3.51	$3.05 - $3.51
Dividend yield	5.0%	3.5%	6.5%
Volatility	38%	40%	40%
Risk free rate	2.0%	2.0%	1.7% - 2.0%
Probability of achieving EPS	40%	50%	50%
Fair value of right - TSR	$0.46 - $0.47	$1.16 - $1.58	$0.76 - $1.82
Fair value of right - EPS	$1.92	$2.73 - $3.21	$2.67 - $3.33

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

D2
SHARE-BASED PAYMENTS (CONTINUED)

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

STIP-Recognition and measurement of fair value

The fair value of the performance rights issued under the STIP are determined by the volume weight average share price of the Group in the 10 trading days prior to the release of the Group's annual results. The performance rights issued under the STIP during the year had a fair value of $2.96 per right and related to the prior year's performance. The performance rights are deferred for a 12 month period and are settled in the Group's equity if the participants remains employed by the Group at the end of the 12 month period.

MEP-Recognition and measurement of fair value

In accordance with AASB 2 *Share-Based Payments*, the granting of shares in exchange for a limited recourse loan is effectively the same as granting a share option as it gives the MEP participant the right, but not the obligation, to subscribe to Estia's shares at a fixed price for a specified period of time. Even though Estia records the MEP shares as issued for legal purposes, they are not considered to be issued for accounting purposes. When MEP shares are granted, limited recourse loans to assist in the purchase of the shares are recognised in equity. As the MEP holder repays the loan through the application of dividends and/or instalments, those payments are accounted for as partly paid capital. Effectively, the grant of MEP shares and limited recourse loan are set off against each other in equity.

The grants of MEP loans were accounted for as an option and the fair value at grant date is independently determined using the binomial options pricing model that takes into account the discount to market price at grant date, the expected life/term of the loan and its limited recourse nature, the vesting terms, the expected price volatility, the expected dividend yield and the risk-free interest rate for the term.

The fair value of the shares granted is recognised to profit or loss on a straight-line basis over the expected vesting period (i.e. 10 years) with a credit to the share-based payments reserve in equity. Loan payments received are credited to issued capital.

In the case where MEP loans are not granted to assist in the purchase of MEP shares, the MEP shares are fully self-funded and are therefore treated as issued for accounting purposes, which is no different to legal purposes.

The following table lists the inputs to the model used in the measurement of the fair value at grant date of the MEP loans:

	2015
Share price at grant date	$1.00 - $5.75
Exercise price	$1.80 - $5.75
Volatility	30%
Risk free rate	3.04% - 3.26%
Expected life of options	10 years

The expected life of the MEP shares are based on the assumption that these are exercised at the end of the MEP loan term and is not necessarily indicative of exercise patterns that may occur. The expected volatility is based on the historical volatility of the Group's share since listing on 5 December 2014 and reflects the assumption that this volatility is indicative of future trends, which may not necessarily be the actual outcome.

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

D3
LOANS AND BORROWINGS

	2019 $'000	2018 $'000
Non-current loans and borrowings		
Bank loans, secured	125,000	75,000
Total non-current loans and borrowings	**125,000**	**75,000**

Terms and conditions of loans

The Facility may be used for general corporate purposes including funding acquisitions, capital expenditure, working capital requirements and providing sufficient liquidity to ensure repayment of RADs and Bonds as they fall due.

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

The total debt facility available to Estia at 30 June 2019 was $330,000,000. The maturity date of the Facility is 22 August 2020.

SIGNIFICANT ACCOUNTING POLICY

Borrowings are recognised initially at fair value. Directly attributable transaction costs are amortised over the life of the facility agreement.

Subsequently, interest-bearing loans and borrowings are measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

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

D4
REFUNDABLE ACCOMMODATION DEPOSITS AND BONDS

	2019 $'000	2018 $'000
Current residents	698,242	697,227
Departed residents	106,791	94,281
Total refundable accommodation deposits and bonds - amounts received	**805,033**	**791,508**

Terms and conditions relating to refundable accommodation deposits (RADs) 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 Aged Care Act 1997. 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. Accommodation bond balances held prior to 1 July 2014 may be reduced by annual retention fees charged in accordance with the Aged Care Act 1997.

RAD 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, to ensure it has sufficient liquidity 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, and frequently a departing RAD- or Bond-paying resident is replaced shortly afterwards 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.

D5
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial liabilities consist of interest-bearing loans and borrowings, trade and other payables and Refundable Accommodation Deposits. 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 sensitivity analyses in the following sections relate to the position as at 30 June 2019 and 30 June 2018.

The Group is not exposed to commodity risk and equity risk.

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

D5
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

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 2019 and 30 June 2018.

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 2019 and 30 June 2018.

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
	2019 %	2018 %	
Cash and liquid assets	0.9	1.4	Floating
Bank loans	2.7	3.1	Floating
Refundable accommodation deposits – departed residents	3.8	3.8	Floating

The details of debt are disclosed in Note D3 to the financial statements.

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 loans and borrowings affected. 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)	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
+ 0.25% (25 basis points)	(193)	(112)	(135)	(78)
- 0.25% (25 basis points)	193	112	135	78

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group does not carry out any transactions or business that would give rise to foreign currency risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the assets.

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

D5
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Approximately 74% of the revenue of the Group is obtained from Commonwealth Government funding by way of payments for residential aged care residents. This funding is maintained for providers as long as they continue to comply with Accreditation standards and other requirements per the Aged Care Act 1997 and are paid in advance at the beginning of each month.

Trade and other receivables

Customer credit risk is managed subject to the Group's established policy, procedures and controls relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any outstanding balances regularly followed up.

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

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'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 amounts owing from the Australian Government or other state based revenue offices.

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 maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. The Commonwealth Government accounts for approximately 23% (2018: 26%) of the trade receivables balance. There is no concentration of credit risk with respect to remaining trade receivables.

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

The following table provides information about the expected credit losses for trade receivables, excluding the Commonwealth Government balance of $1,813,000 at 30 June 2019:

	Expected credit loss rate %	Gross carrying amount $'000	Allowance for expected credit loss $'000
As at 30 June 2019			
Current (not past due)	1%	756	8
<30 days past due	8%	1,792	135
30-60 days past due	11%	838	95
61-90 days past due	17%	491	83
>90 days past due	53%	2,355	1,252
		6,232	**1,573**

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

D5
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Comparative information under AASB 139

An analysis of the ageing of trade receivables at 30 June 2018 allowance for impairment under AASB 139 are tabled below:

	2018 $'000
Neither past due nor impaired	3,565
Past due but not impaired	
<30 days	1,646
30-60 days	948
61-90 days	768
>90 days	2,051
Past due and impaired	1,509
Total	**10,487**

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
Year ended 30 June 2019					
Trade and other payables	1,382	42,664	12	-	44,058
Loans and borrowings	-	3,375	125,499	-	128,874
Refundable accommodation deposits and bonds	805,033	-	-	-	805,033
Other financial liabilities	1,304	-	-	-	1,304
	807,719	**46,039**	**125,511**	**-**	**979,269**
Year ended 30 June 2018					
Trade and other payables	1,195	41,452	61	-	42,708
Loans and borrowings	-	2,325	77,669	-	79,994
Refundable accommodation deposits and bonds	791,508	-	-	-	791,508
Other financial liabilities	1,371	-	-	-	1,371
	794,074	**43,777**	**77,730**	**-**	**915,581**

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

D5
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

The Group manages its capital structure and considers adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current period.

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

D6
FAIR VALUE MEASUREMENT

The Group uses various methods in estimating the fair value of its financial assets and liabilities which are categorised within the fair value hierarchy. The Group only uses fair value for Investment Properties, which are valued using Level 3 inputs.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

			Fair value measurement using		
	Date of Valuation	Total	Level 1	Level 2	Level 3
		$'000	$'000	$'000	$'000
Investment properties	30 June 2019	1,620	-	-	1,620
		1,620	**-**	**-**	**1,620**

Fair values of Investment Properties are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

At the reporting date, the key unobservable inputs used by the Group in determining the fair value of its investment properties are summarised below:

Unobservable inputs	30 June 2019	30 June 2018
Discount rate	15.00%	15.00%
Growth rate	2.85%	2.84%
Cash flow term (years)	50	50

The carrying amounts of all financial assets and financial liabilities not measured at fair value are considered to be a reasonable approximation of their fair values.

There were no transfers between levels during the financial year.

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

D6
FAIR VALUE MEASUREMENT (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

Construction in progress, plant and equipment and land and buildings are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land is not depreciated. The Group measures other non-financial assets including investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received upon selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

Note E6 provides the information about the Group's structure including the details of the subsidiaries and the holding company. Note D2 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 table below discloses the compensation recognised as an expense during the reporting period related to Key Management Personnel.

	2019 $'000	2018 $'000
Short-term employee benefits	1,697	1,538
Post-employment benefits	66	62
Short-term incentive payments	188	122
Share-based payments	581	392
Termination payments	-	155
Total compensation of key management personnel	**2,532**	**2,269**

E2
COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

During the year, the Group had commercial property leases for two corporate offices in New South Wales and Victoria, and seven aged care homes.

The remaining non-cancellable leases have remaining terms of between 1 and 17 years.

Future estimated minimum rentals payable under non-cancellable operating leases, excluding future optional periods, as at 30 June are as follows:

	2019 $'000	2018 $'000
Within one year	5,308	5,368
After one year but not more than five years	12,464	14,986
More than five years	6,710	7,111
Total operating lease commitments	**24,482**	**27,465**

SECTION E: OTHER INFORMATION (CONTINUED)

E2
COMMITMENTS AND CONTINGENCIES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Refer to Note E9 for further information to the changes resulting from the implementation of AASB 16.

Capital commitments

During the year, the Group entered into contracts relating to the development of aged care homes. As at 30 June 2019, the remaining capital commitments amounted to $41,700,000 (2018: $54,300,000).

Bank guarantees

The Group has entered into a number of bank guarantees with its bankers in relation to the Group's rental agreements for leased properties, totalling $4,000,000 (2018: $3,800,000). These are secured against the borrowing facilities disclosed in Note D3. As at the date of signing this report, the Directors are not aware of any situations that have arisen that would require these bank guarantees to be presented.

E3
AUDITOR REMUNERATION

	2019 $'000	**2018 $'000**
Audit of the financial report	688	560
Tax compliance services	157	170
Other assurance services	14	10
Other services	36	13
Total auditor remuneration	**895**	**753**

The auditor of Estia Health Limited and its subsidiaries is Ernst & Young.

SECTION E: OTHER INFORMATION (CONTINUED)

E4
SUBSEQUENT EVENTS

CLASS ACTION

On 16 July 2019, Estia was served with a class action proceeding filed by the law firm Phi Finney McDonald in the Federal Court of Australia. The proceeding alleges breaches of market disclosure obligations in 2015 and 2016 and has been filed on behalf of shareholders who, between 12 August 2015 and 6 October 2016: (i) acquired an interest in Estia shares; or (ii) acquired long exposure to Estia shares by entering into equity swap confirmations in respect of Estia shares.

Estia will vigorously defend the proceeding.

Estia is not in a position to state whether the proceeding is likely to have a material impact on its financial position or performance.

ACQUISITIONS

On 15 August 2019 Estia entered into a contract to purchase a new greenfield development in the Maitland region of NSW with 108 provisional licences attaching. The contract is subject to closing and settlement conditions including the transfer of the licences from the vendor to Estia. Settlement of the transaction is expected to occur before 31 December 2019.

DIVIDENDS

On 20 August 2019, the Directors resolved to pay a final fully franked dividend of 7.8 cents per share ($20,328,082) bringing dividends per share for the financial year ended 30 June 2019 to 15.8 cents per share. The record date for the final dividend will be 5 September 2019, with payment being made on 2 October 2019. Shares will trade excluding entitlement to the dividend on 4 September 2019.

BANK FACILITIES

On 16 August 2019 the Group elected to extend its existing $330 million syndicated debt facility with the support of a syndicate of three domestic banks. The new facility expires in November 2022.

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.

SECTION E: OTHER INFORMATION (CONTINUED)

E6
INFORMATION RELATING TO SUBSIDIARIES

The consolidated financial statements of the Group include:

Name	Country of Incorporation	% Equity Interest 2019	% Equity Interest 2018
Estia Finance Pty Ltd[2]	Australia	100%	100%
Estia Investments Pty Ltd[3, 5]	Australia	100%	100%
Estia Mezzco Pty Ltd[6]	Australia	100%	100%
Estia Midco Pty Ltd[6]	Australia	100%	100%
Spirytus Pty Ltd[4, 6]	Australia	100%	100%
Jaid Residential Services Pty Ltd[4, 6]	Australia	100%	100%
TGM Care Pty Ltd ATF the TGM Care Unit Trust[1, 6]	Australia	100%	100%
East Coast Senior Care Pty Ltd[4, 6]	Australia	100%	100%
William Kennedy Holdings Pty Ltd[1, 5]	Australia	100%	100%
Wollongong Nursing Home Pty Ltd[4, 6]	Australia	100%	100%
Kenna Investments Pty Ltd[4, 5]	Australia	100%	100%
Ranesta Holdings Pty Ltd[6]	Australia	100%	100%
Hayville Pty Ltd[6]	Australia	100%	100%
Eddystone Nursing Home Pty Ltd[6]	Australia	100%	100%
Merrylands Nursing Home Pty Ltd[6]	Australia	100%	100%
Kennedy Health Care Group Pty Ltd[6]	Australia	100%	100%
Camden Village Pty Ltd[5]	Australia	100%	100%
Camden Nursing Home Pty Ltd[6]	Australia	100%	100%
Camden House Pty Ltd[6]	Australia	100%	100%
Kilbride Village Pty Ltd[5]	Australia	100%	100%
Bankstown Aged Care Facility Pty Ltd[6]	Australia	100%	100%

Principal activities

1. Holding company
2. Holder of financing facilities
3. Current accredited provider of aged care home
4. Accredited provider status transferred to Estia Investments Pty Ltd
5. Holder of assets
6. Dormant entity

SECTION E: OTHER INFORMATION (CONTINUED)

E7
PARENT ENTITY INFORMATION

	2019 $'000	2018 $'000
Information relating to Estia Health Limited		
Current assets	565,622	675,197
Non-current assets	476,207	174,802
Total assets	**1,041,829**	**849,999**
Current liabilities	-	-
Non-current liabilities	228,297	22,841
Total liabilities	**228,297**	**22,841**
Net assets	**813,532**	**827,158**
Issued capital	801,843	801,836
Reserves	1,794	1,136
Retained earnings	9,895	24,186
Total shareholders' equity	**813,532**	**827,158**
Profit of the parent company	27,405	36,316
Total comprehensive income of the parent entity	27,405	36,316

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.

The Parent has issued the following guarantees in relation to the debts of its subsidiaries:

Pursuant to Class Order 98/1418, Estia Health Limited entered into a deed of cross guarantee on 13 May 2016 with the following entities:

- Estia Finance Pty Ltd
- Estia Investments Pty Ltd
- Estia Midco Pty Ltd
- Estia Mezzco Pty Ltd
- William Kennedy Holdings Pty Ltd
- Wollongong Nursing Home Pty Ltd
- Kenna Investments Pty Ltd
- Camden House Pty Ltd

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 Class Order 98/1418, relief has been granted to these entities from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial reports.

The Closed Group includes all entities listed in Note E6. The Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income of the Closed Group are the same as the Estia consolidated group.

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
NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Changes in accounting policy, disclosures, standards and interpretations

New and amended standards and interpretations

The Group has adopted the following new or amended Australian Accounting Standards and AASB Interpretations as of 1 July 2018:

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new Standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group has adopted this Standard from 1 July 2018, using the full retrospective method of adoption, thereby restating the 2018 comparatives. The introduction of this Standard did not have a material impact on the Group's financial statements, accordingly there were no adjustments made to previously reported information.

Refer to Note B1 for further details and disclosures relating to Revenue from Contracts with Customers.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The adoption of AASB 9 did not result in any material changes to the Group's classification of financial assets and liabilities.

Upon adoption, trade receivables were reclassified from 'loans and receivables' to 'financial assets at amortised cost', resulting in a change in balance from $9,845,000 to $9,394,000. The difference being due to the increase in allowance for expected credit losses, as shown below.

AASB 9 replaces the 'Incurred Loss' model in AASB 139 with an 'Expected Credit Loss' model. The new impairment model applies to financial assets measured at amortised cost. Under AASB 9, credit losses are recognised earlier than under AASB 139. There were no changes in classification due to the nature of the Group's financial assets.

SECTION E: OTHER INFORMATION (CONTINUED)

E9
NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Changes in accounting policy, disclosures, standards and interpretations (continued)

AASB 9 Financial Instruments (continued)

The Group applies the simplified approach for measuring expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A provision matrix is then determined based on historic credit loss rates for each group, adjusted for any material expected changes to the future credit risk of that group.

The Group has adopted this Standard retrospectively and has recognised the following adjustments to the opening balances:

	30 June 2018 $'000	AASB 9 Adjustment $'000	1 July 2018 $'000
Provision for doubtful debts	1,509	451	1,960
Deferred tax liabilities	107,610	(135)	107,475
Accumulated losses	(41,408)	(316)	(41,724)

The change in the Standard has had an immaterial impact on the Group's profit for the year ended 30 June 2019.

AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions

The adoption of this amending Standard did not have any impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

The adoption of this amending Standard did not have any impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2019, are outlined below:

AASB 2018-1: Annual Improvements to IFRS Standards 2015-2017 Cycle

Effective for the Group from 1 July 2019.

The amendments clarify certain requirements in:

- AASB 3 Business Combinations
- AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity
- AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.

The Group is in the process of evaluating the impact of the new standard with no material impact expected.

The Group has not early adopted the amendments.

SECTION E: OTHER INFORMATION (CONTINUED)

E9
NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Accounting Standards and Interpretations issued but not yet effective (continued)

AASB Interpretation 23, and relevant standards: Uncertainty over Income Tax Treatments

Effective for the Group from 1 July 2019.

The interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group is in the process of evaluating the impact of the new standard with no material impact expected.

The Group has not early adopted the interpretation.

AASB 16: Leases

Effective for the Group from 1 July 2019.

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. AASB 16 addresses the classification, recognition, measurement and disclosure requirements for both lessees and lessors.

The Group has evaluated the full impact from the application of AASB 16 in relation to the following:

- leasehold properties under which it is a lessee; and
- arrangements that provide a resident with rights to occupy a room.

As a lessee, the Group currently has seven aged care homes, two offices and various minor leases that are subject to operating leases. Adopting AASB 16 will result in the recognition of these leasehold properties on the balance sheet with adjustments to the recognition of rent expense and depreciation and interest.

The Group has elected to adopt AASB 16 under the modified retrospective approach, and measured the right-to-use asset as if the standard has been applied since the commencement date of respective lease agreements.

Based on Management's preliminary analysis, the adoption of AASB 16 is expected to result in the recognition of lease liabilities in the range of $75.0 million to $85.0 million, and right of use assets in the range of $70.0 million to $78.0 million onto the Statement of Financial Position at 1 July 2019. The difference of amount of lease liability and right of use asset will be recognised in retained earnings and net of deferred taxes on adoption.

Expenses in respect of leases will include depreciation of the right-of-use asset and interest expense in respect of the lease liability and will replace the 'rent expenses' charged in the superseded standard. As per preliminary analysis by Management, using FY19 as a base, the rent expenses of existing lease arrangements of $5.9 million will be replaced by depreciation and interest expenses of approximately $4.4 million to $5.0 million and $2.2 million to $2.6 million, respectively.

The exact impact is subject to the finalisation of the work surrounding the reasonably certainty of extension options, determination of the discount rate and assessment of potential leases embedded in other contracts.

SECTION E: OTHER INFORMATION (CONTINUED)

E9
NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Accounting Standards and Interpretations issued but not yet effective (continued)

AASB 16: Leases (continued)

For arrangements that provide a resident with the right to occupy a room, the Group has performed a detailed assessment of the contractual arrangements and has provisionally determined that adopting AASB 16 will result in the conclusion that the arrangements will generally be defined as a lease for accounting purposes.

Where residents have opted to pay a Daily Accommodation Payment, adopting AASB 16 is not expected to result in a material change in the accounting treatment. However, for residents that have chosen to pay a Refundable Accommodation Deposit (RAD) or Bond, the application of AASB 16 would regard there being a non-cash charge for accommodation. The accounting treatment for the non-cash consideration component of this arrangement is expected to result in the recognition of an increase in revenue for accommodation and an increase in interest expense on the outstanding RAD liability, with no net impact on the result for the period.

Below is an illustration of the potential impact on the Statement of profit or loss and other comprehensive income had AASB 16 been applied to the current year, for RADs and Bonds only. Overall, there would be a net nil impact to profit for the year.

Potential impact of AASB 16 for Estia as a lessor on the Statement of profit or loss and other comprehensive income for the year ended 30 June 2019 (for changes to RADs and Bonds only)	**Increase $'000**
Revenue	43,820
Net finance costs	43,820

The Group has not early adopted the standard.

AASB 2018-6 Amendments to Australian Accounting Standards: Definition of a Business

Effective for the Group from 1 July 2020.

Clarifies the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment specifically addresses:

- The new business definition is narrower;
- There is a new optional asset concentration test; and
- New considerations have been incorporated to help identify when an acquired process is substantive.

The Group is in the process of evaluating the impact of the new standard with no material impact expected.

The Group does not plan to early adopt the amendment.

AASB 2018-7 Amendments to Australian Accounting Standards: Definition of Material

Effective for the Group from 1 July 2020.

Clarifies the definition of 'material' and its application across AASB Standards and other pronouncements. The principal amendments are to AASB 101 Presentation of Financial Statements.

The Group is in the process of evaluating the impact of the new standard with no material impact expected.

The Group does not plan to early adopt the amendment.

SECTION E: OTHER INFORMATION (CONTINUED)

E9
NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Accounting Standards and Interpretations issued but not yet effective (continued)

The Conceptual Framework for Financial Reporting

Effective for the Group from 1 July 2020.

The revised Conceptual Framework for Financial Reporting is not standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose is to assist the International Accounting Standards Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

The Group is in the process of evaluating the impact of the new standard with no material impact expected.

The Group does not plan to early adopt the Conceptual Framework for Financial Reporting.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Estia Health Limited, I state that:

1. in the opinion of the directors:
   (a) the financial statements and notes of the consolidated entity for the financial year ended 30 June 2019 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 2019 and of its 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 may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.
2. This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

On behalf of the Board

Dr. Gary H Weiss AM
Chairman

20 August 2019

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Independent Auditor's Report to the Members of Estia Health Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Estia Health Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

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

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Building a better working world

Carrying value of goodwill and intangible assets

Why significant	How our audit addressed the key audit matter
At 30 June 2019 the Group's goodwill, bed licences and other intangible assets balance was $1,040 million which represents 55% of total assets. The Group reviews the carrying amount of these non-current assets annually, or more frequently, if impairment indicators are present. Before estimating the recoverable amount of the assets, the Group first identifies cash generating units ('CGU') and then allocates the goodwill and intangible assets to the identified CGUs. The Group has used a discounted cash flow model to estimate the recoverable amount of the assets. The impairment test was significant to our audit because the process to estimate recoverable amount is complex and requires significant judgment. The Group has disclosed in note C2 to the consolidated financial report the assessment method, including the main underlying assumptions, the results of the assessment as well as the impact of applying sensitivities.	We assessed the appropriateness of the identification of CGUs and the allocation of assets to the CGUs. Involving our valuation specialists, we assessed the key assumptions underlying the discounted cash flow valuation. In doing so, we: ► Tested the mathematical accuracy of the discounted cash flow model; ► Assessed key assumptions such as Board approved forecast cash flows, including working capital levels and cash flows related to refundable accommodation deposits; ► Assessed the Group's current year actual results in comparison to prior year forecasts to assess forecast accuracy; ► Assessed the Group's assumptions for terminal growth rates in the discounted cash flow model in comparison to economic and industry forecasts; ► Assessed estimates of capital expenditure; ► Assessed the discount rates through comparing the weighted average cost of capital for the Group with comparable businesses; and ► Considered earnings multiples of comparable businesses as a valuation cross check to the Group's determination of recoverable amount. We performed sensitivity analysis in respect of the assumptions noted above to ascertain the extent of changes in those assumptions which either individually or collectively would materially impact the fair value of the CGUs and we assessed the likelihood of these changes in assumptions arising. We assessed the adequacy of the Group's disclosures of the key assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill, bed licences and other intangible assets.

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Construction in Progress

Why significant	How our audit addressed the key audit matter
Costs incurred during the year that were capitalised to Construction in Progress amounted to $78.6 million. This represents costs of development projects and significant refurbishments of existing aged care facilities. The specific criteria to be met for capitalisation of development costs in accordance with Australian Accounting Standards involves judgment, including the feasibility of the project, intention and ability to complete the construction, ability to use or sell the assets, generation of future economic benefits and the ability to measure the costs reliably. In addition, determining whether there is any indication of impairment of the carrying value of assets requires judgment and the use of assumptions which are affected by future market conditions or economic developments. Costs are transferred to asset categories based on management's assessment of whether an asset is ready for use. Depreciation rates are applied based on the asset category. This was considered a key audit matter given the quantum of the balance and judgement required in applying the capitalisation criteria and assessing indicators of impairment. The Group has disclosed in Note C1 to the consolidated financial report the capitalisation policy.	Our audit procedures included the following: ▶ Agreed a sample of additions to supporting evidence and assessed whether the amounts capitalised were appropriate. ▶ Evaluated key assumptions used and estimates made for amounts capitalised, including the feasibility of the project, the stage of the projects in the development phase and the measurement and completeness of costs included. ▶ Assessed whether costs were transferred to appropriate asset categories when ready for use on a timely basis and that appropriate depreciation or amortisation rates were applied. We considered whether there were any indicators of impairment present after examining the business case documentation of development projects, enquiries of executives responsible for management of the projects and comparing the cost of development to forecasts. We assessed the adequacy of the Group's disclosures regarding the timing that costs are recognised as asset, as well as the deprecation rates applied to each asset category.

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Revenue

Why significant	How our audit addressed the key audit matter
Australian Accounting Standard AASB 15 Revenue from Contracts with Customers (AASB 15) applied to the Group from 1 July 2018. Revenue is generated through two sources, being Government Subsidies and Resident Billings. Both sources are subject to strict legislation, detailing the rates and charges that the Group receives for each resident. Income derived from resident billings is recognised as billed within the relevant month. Subsidies received from the Department of Health vary depending on a number of factors, including the resident's financial means and level of care. The Group raises a government revenue accrual at year-end to recognise any differences between the monies received by Medicare at the start of the month (June) and additional monies the Group is entitled to arising from variations in resident occupancy levels or associated rates during June. The Group has disclosed in note B1 to the consolidated financial report their revenue recognition policies.	We evaluated the effectiveness of key controls over the capture and measurement of revenue transactions across all material revenue streams. In particular, we undertook the following procedures: ▶ We assessed whether ACFI assessments were prepared by an authorised person, and were calculated based on resident care assessments ▶ We compared the government revenue recognised to payments received ▶ We tested whether resident revenue agreed to agreements, legislated billing rates, and payments received ▶ We tested whether the application of the Daily Care Fee incorporated rate increases ▶ We assessed whether resident additional service fees changes were approved and whether billing rates were correct ▶ We compared the revenue accrual to actual occupancy rates ▶ We tested whether the revenue recognised related to performance obligations satisfied within the period

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 32 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Estia Health Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Paul Gower

Paul Gower
Partner
Melbourne
20 August 2019