Estia Health Limited
ABN 37 160 986 201

Estia Health

Prospectus

Initial public offering of ordinary shares

Financial Adviser and
Joint Lead Manager

UBS Investment Bank

Joint Lead Managers

Deutsche Bank

Morgan Stanley

IMPORTANT NOTICES

Offer
The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares in Estia Health Limited (ACN 160 986 201) ("EHL") ("Shares").

Not investment advice
The information provided in this Prospectus is not financial product advice and has been prepared without taking into account your personal investment objectives, financial circumstances or particular needs. This document is important and requires your immediate attention. You should read the entire document carefully before deciding whether to invest in EHL. Please carefully read the instructions on the accompanying application form. If you have any questions, you should consult your financial, accounting, legal, tax and/or other professional advisers before deciding whether to invest.

In particular, you should consider the best estimate assumptions underlying the Forecast Financial Information (see Section 4) and the risk factors (see Section 5) that could affect the business, financial condition and financial performance of Estia before deciding what course you should follow. You should consider these risk factors in light of your personal investment objectives, financial circumstances and particular needs (including financial and taxation issues (see Section 10.6)). There may be risk factors in addition to these that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, guarantees the performance of Estia, the repayment of capital by EHL or the payment of a return on the Shares.

Prospectus
This Prospectus is dated 24 November 2014 and was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. This is a replacement prospectus which replaces the prospectus dated 17 November 2014 and lodged with ASIC on that date ("Original Prospectus"). This Prospectus is issued by EHL and SaleCo for the purpose of Part 6D of the Corporations Act 2001 (Cth) ("Corporations Act").

EHL has applied for the quotation of the Shares on the Australian Securities Exchange ("ASX").

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

None of ASIC, the ASX or their respective officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

Exposure Period
The Corporations Act prohibits EHL and SaleCo from processing applications for Shares under this Prospectus ("Applications") in the seven day period after the date of lodgment of the Original Prospectus ("Exposure Period"). This period may be extended by ASIC by up to a further seven days. The Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

Prospectus availability
During the Exposure Period, an electronic version of this Prospectus without an Application Form will be available at www.estiahealth.com.au for Australian residents only. Application Forms will not be made available until after the Exposure Period has expired. During the Offer period, an electronic version of the Prospectus with an Application Form will be available at www.estiahealth.com.au for Australian and New Zealand residents only. In each case, the Prospectus is only available to persons accessing and downloading or printing the electronic form of the Prospectus in Australia or New Zealand. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

During the Offer period, persons in Australia and New Zealand may also obtain a paper copy of this Prospectus (free of charge) by calling the Estia Offer Information Line on 1300 668 378 (within Australia) or on +61 1300 668 378 (outside Australia) at any time from 8.30am to 5.30pm (AEST) Monday to Friday during the Offer period.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a paper copy of the Prospectus or the complete and unaltered electronic version of this Prospectus.

No cooling-off rights
Cooling-off rights do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Offer management
The Offer is managed by UBS, Morgan Stanley and Deutsche Bank ("Joint Lead Managers").

Important information for New Zealand investors
This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

The Offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the Offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

Foreign jurisdictions
This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register the Shares or otherwise permit an offering of Shares in any jurisdiction outside Australia or New Zealand.

The distribution of this Prospectus (including in electronic form) outside Australia and New Zealand may be restricted by law. If you come into possession of this Prospectus, you should observe any such restrictions and seek your own advice on such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. This Prospectus may not be distributed to, or relied upon by, persons in the United States unless accompanied by the Institutional Offering Memorandum as part of the Institutional Offer. This Prospectus does not constitute an offer to any person in the United States.

The Shares described in this Prospectus have not been, and will not be, registered under the US Securities Act of 1933, as amended ("US Securities Act"), or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless the Shares are registered under the US Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

See Section 7.6.1 and 10.8 for more detail on the selling restrictions that apply to the Offer and the sale of Shares in jurisdictions outside Australia.

Financial information
On 31 July 2014, Estia Investments, a wholly owned subsidiary of EHL, acquired Padman Health Care and Cook Care (see Section 3.2 for further detail). Accordingly, unless otherwise stated, references in this Prospectus to "Estia", its business or operations are references to the businesses of Estia, Padman Health Care and Cook Care, which have operated as a combined group since completion of those acquisitions.

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in Section 4.2.

The Financial Information in this Prospectus is presented in an abbreviated form insofar as it does not include all of the presentation disclosures, statements or comparative information required by the Australian Accounting Standards ("AAS") applicable to general purpose financial reports prepared in accordance with the Corporations Act.

This Prospectus includes Forecast Financial Information that has been prepared by the Directors based on a number of best estimate assumptions concerning future events, as set out in Section 4.8. The Forecast Financial Information has been presented on both a statutory and pro forma basis and is unaudited.

The Statutory Forecast Financial Information included in Section 4 has been prepared in accordance with the recognition and measurement principles of the AAS (including the Australian Accounting Interpretations), issued by the Australian Accounting Standards Board ("AASB") which are consistent with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

The Pro Forma Financial Information included in Section 4 has been prepared in accordance with the recognition and measurement requirements of AAS other than it includes adjustments which have been prepared in a manner consistent with AAS, as described in section 4.2. The basis of preparation and presentation of the Pro Forma Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation for the Pro Forma Historical Financial Information.

The Financial Information should be read in conjunction with, and is qualified by reference to, the information contained in Section 4 and Appendix A of this Prospectus including, in the case of the Forecast Financial Information, the general assumptions and specific assumptions, sensitivities, the risk factors in Section 5 and other information in this Prospectus.

Any discrepancies between totals and sums of components in tables and figures contained in this Prospectus are due to rounding.

All references to FY2012, FY2013, FY2014 and FY2015F appearing in this Prospectus are to the financial years ended or ending 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015 respectively, unless otherwise indicated. All references to CY2015F appearing in this Prospectus are to the calendar year ending 31 December 2015, unless otherwise indicated.

Forward looking statements
This Prospectus includes information regarding the past performance of Estia. Applicants should be aware that past performance is not indicative of future performance.

This Prospectus contains forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends", "targets" and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements. These forward looking statements speak only as of the date of this Prospectus, and neither EHL nor SaleCo undertakes to publicly update or revise any forward looking statement.

These forward looking statements are subject to various risk factors that could cause Estia's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 5. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of EHL, SaleCo, or their directors. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to the discussion of the Pro Forma Historical Financial Information, general assumptions, specific assumptions, and the sensitivity analysis as set out in Section 4 and other information in this Prospectus. Further, you should not place undue reliance on any forward looking statement contained in this Prospectus.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. EHL and SaleCo have obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties which are referred to in this Prospectus, will be achieved. Neither EHL nor SaleCo has independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

No person is authorised to give any information or make any representation in connection with the Offer described in this Prospectus, which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by EHL, SaleCo or any of the directors of EHL or SaleCo in connection with the Offer.

As set out in Section 7.6.3.3, it is expected that the Shares will be quoted on the ASX initially on a conditional and deferred settlement basis. EHL, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Estia website
Any references to documents included on Estia's website at **www.estiahealth.com.au** are for convenience only, and none of the documents or other information available on Estia's website is incorporated into this Prospectus by reference.

Financial amounts
Money as expressed in this Prospectus is in Australian dollars unless otherwise indicated.

Report on Directors' forecasts and financial services guide
The provider of the Independent Limited Assurance Report on the Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act.

The Independent Limited Assurance Report and accompanying financial services guide are provided in Section 8.

Questions
If you have any questions about how to apply for Shares, please call your Broker. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

Definitions and abbreviations
Defined terms and expressions used in this Prospectus are explained in the Glossary at the end of this Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to Australian Eastern Standard Time ("AEST").

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OFFER SUMMARY

The Offer[1]	
Offer Price	$5.75 per Share
Total number of Shares offered under this Prospectus[2]	126.1 million
Number of Shares to be held by Existing Shareholders at Completion of the Offer[3]	53.9 million
Total number of Shares on issue at Completion of the Offer	180.0 million
Market capitalisation[4]	$1,035 million
Pro forma net debt/(cash) on Completion of the Offer[5]	$(5) million
Enterprise Value[6]	$1,030 million
Enterprise Value/pro forma consolidated forecast CY2015F EBITDA	12.9 times
Enterprise Value/pro forma consolidated forecast CY2015F EBIT	14.7 times
Offer Price/pro forma consolidated forecast CY2015F NPAT per Share	21.0 times
Implied forecast CY2015F dividend yield at the Offer Price[7] (shown for illustrative purposes only)	4.8%

Important dates	
Broker Firm Offer and Priority Offer period open	Tuesday, 25 November 2014
Broker Firm Offer and Priority Offer period close	Monday, 1 December 2014
Expected commencement of trading on ASX (conditional and deferred settlement basis)	Friday, 5 December 2014
Issue and transfer of Shares (Completion of the Offer) and last day of conditional trading	Tuesday, 9 December 2014
Expected dispatch of holding statements	Wednesday, 10 December 2014
Shares expected to begin trading on a normal settlement basis	Thursday, 11 December 2014

Dates may change

The dates above are indicative only and may change without notice. EHL and SaleCo in consultation with the Joint Lead Managers reserve the right to vary the times and dates of the Offer including to close the Offer early, or any part of it, extend the Offer, or any part of it, or to accept late Applications, either generally or in particular cases, without notification. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law. Investors are encouraged to submit their Application Forms as early as possible after the Offer opens. All times are Australian Eastern Standard Time.

How to invest

Applications for Shares can only be made by completing and lodging the Application Form. Instructions on how to apply for Shares are set out in Sections 7.3.2 and 7.4.2 of this Prospectus and on the back of the Application Form.

Key portfolio statistics[8]	
Number of facilities as at the date of this Prospectus	39
Number of facilities (including acquisitions expected to complete prior to Completion of the Offer)[9]	42
Additional facilities contracted to be acquired post Completion of the Offer[10]	2
Number of places (owned and contracted to be acquired)	3,613
Places with Dedicated Extra Service status	1,220
Percentage single rooms[11]	92%
Average facility size (number of places)	82
Occupancy for mature facilities[12]	94.2%
Total portfolio occupancy	90.0%
Average new Refundable Accommodation Deposit price[13]	~$310,000
Average FY2014 EBITDA per resident[14]	~$24,000
Average FY2014 ACFI per occupied place day[15]	$142
Total FY2014 pro forma revenue	$219 million
Total FY2014 pro forma Government revenue	$153 million

1 The Forecast Financial Information set out in Section 5 has been prepared on the basis of the best estimate assumptions set out in Section 4.8 and should be read in conjunction with the discussion of the Pro Forma Historical Financial Information and the Forecast Financial Information in Section 4, including the sensitivities set out in Section 4.9, and the risk factors set out in Section 5. There is no assurance that forecasts will be achieved.

2 Includes the transfer of Existing Shares through SaleCo and the issue of New Shares by EHL.

3 EHL's existing capital structure also comprises 54,290,000 Loan Notes and 13,481,490 Redeemable Preference Shares which will be redeemed in full from the proceeds of the Offer. For further information, see Section 6.4.9.2. Certain Director and Management Shareholders including Patrick Grier, Peter Arvanitis and Norah Barlow (and/or persons related to them) will also have the opportunity to subscribe for Shares under the Offer, including under the Priority Offer.

4 Market capitalisation is determined by multiplying the number of Shares expected to be on issue immediately following Completion of the Offer by the Offer Price. It is possible that Shares may trade above or below the Offer Price after Listing. If Shares trade below the Offer Price after Listing, the market capitalisation may be lower.

5 Net debt is calculated as current and non-current interest bearing liabilities less cash and cash equivalents.

6 Enterprise Value is calculated by adding the market capitalisation of EHL and pro forma net debt/(cash) on Completion of the Offer.

7 Calculated as the implied dividend per Share (assuming the current intended dividend payout ratio of 100% of NPAT in FY2015F) divided by Offer Price. Payment of a dividend by Estia is at the discretion of the Directors and will be a function of a number of factors the Directors may consider relevant. No assurance can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. For more information on Estia's dividend policy, see Section 4.1.1. It is the intention that the first dividend paid will be a final dividend in respect of the period from Completion of the Offer to 30 June 2015. The implied dividend yield has been calculated on the basis of pro forma CY2015 forecast results. It is presented to illustrate a full 12 month dividend yield under the new capital structure of EHL following Completion of the Offer.

8 Key metrics are presented as at 31 August 2014.

9 Completion remains subject to customary closing conditions.

10 Completion remains subject to customary closing conditions. Includes one facility over which Estia is currently the landlord and has the option to acquire the underlying business of the facility.

11 As a percentage of total number of rooms.

12 Occupancy in this Prospectus is calculated as total occupied bed days divided by total operating place days for the relevant period. Occupancy for mature facilities excludes facilities that are in ramp up stage.

13 Based on August and September 2014 RADs.

14 Pre corporate costs and non-recurring pro forma adjustments.

15 Excludes the Conditional Adjustment Payment ("CAP"), which became part of the basic subsidy from 1 July 2014.

CHAIRMAN'S LETTER

24 November 2014

Dear investor,

On behalf of the Directors of Estia Health Limited ("EHL"), it is my pleasure to invite you to become a Shareholder of EHL.

Estia is one of the largest private providers of residential aged care services in Australia, currently with 39 facilities and 3,203 operating places across the states of Victoria, South Australia, New South Wales and Queensland. In addition, Estia has contracted to acquire a further 410 places at five facilities. Three of these acquisitions are expected to complete prior to Completion of the Offer and the remaining two are expected to complete by February 2015[16].

Estia aims to provide its residents with the highest standards of aged care services in a supportive and caring environment. Estia's facilities are primarily located in metropolitan areas with above average socio-economic backgrounds and have a high proportion of single bed rooms and Dedicated Extra Service places. With its high quality facilities and experienced management team, Estia is well positioned to service the forecast growth in demand for residential aged care services in Australia and to benefit from changes in the regulatory environment that commenced on 1 July 2014.

Estia as it stands today was established on 31 July 2014 via the merger of three residential aged care businesses. Each of these businesses had a long history and reputation for providing consistent, high levels of care to their residents, operated a portfolio of facilities with similar strategic focus and operated in different states in Australia. As a combined group, Estia is positioned to benefit from its increased scale and access to capital, and will continue to invest in improving and growing its portfolio of facilities to meet the growing demand for residential aged care services.

Estia operates in a growing and fragmented industry. Industry growth is expected to be underpinned by the ageing population and increasing demand for higher care services. Following Completion of the Offer, Estia believes it will be well positioned to benefit from opportunities to expand its existing facilities, build new facilities or acquire facilities to meet this demand.

Estia is led by an experienced management team, which has a track record of growing residential aged care businesses in Australia. The management team is supported by a dedicated and skilled workforce of approximately 3,700 staff.

Estia has a strong financial track record and has achieved compound annual growth in pro forma consolidated revenue and EBITDA from FY2012 to FY2014 of 15.7% and 13.4% respectively, driven predominantly through the growth in the number of places.

The Offer is comprised of the issue of New Shares by EHL and the transfer of Existing Shares by SaleCo. The Offer is expected to raise approximately $725 million which will be used to reduce debt and pay for the costs of the Offer, and provide Existing Shareholders with an opportunity to realise part of their investment in Estia. On Completion of the Offer, Estia will have no drawn debt and access to a number of funding sources, including the opportunity to increase the number and value of Refundable Accommodation Deposits. Estia may use these sources of funds to fund its growth strategy.

This Prospectus contains detailed information about the Offer, the industry in which Estia operates and its financial and operating performance. Estia is subject to a range of risks including changes to the regulatory framework, a decline in Refundable Accommodation Deposits, a failure to meet clinical care standards, a failure to comply with legislation and regulation standards, a decrease in occupancy levels, damage to Estia's reputation and risks relating to past acquisitions and Estia's growth strategy. These and other risks are fully detailed in Section 5. Please read this Prospectus carefully and in its entirety before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely,

Patrick Grier
Chairman, Estia

16 Completion remains subject to customary closing conditions. Includes one facility over which Estia is currently the landlord and has the option to acquire the underlying business of the facility.

01.
INVESTMENT OVERVIEW

01. INVESTMENT OVERVIEW

1.1 Introduction		
Topic	**Summary**	**For more information**
What is Estia?	Estia is one of the largest private providers of residential aged care facilities in Australia by number of places. Estia owns and operates a portfolio of modern, high quality aged care facilities, primarily located in metropolitan areas with above average socio-economic backgrounds. As of 1 October 2014, Estia had 3,203 places at 39 aged care facilities in Victoria, South Australia, New South Wales and Queensland. Estia has contracted to acquire a further 410 places at five facilities[17]. Three of these acquisitions are expected to complete prior to Completion of the Offer and the remaining two are expected to complete by February 2015. Following completion of these acquisitions, Estia will operate 44 facilities – which will make it the fourth largest private provider of residential aged care facilities in Australia, based on the number of places of other operators at the date of this Prospectus.	Section 3
Why is the Offer being conducted?	The Offer is being conducted to: • provide Estia with funds to repay Estia's existing debt, and repay Loan Notes and redeem Redeemable Preference Shares held by certain Existing Shareholders; • pay Offer costs; • provide Estia with a capital structure, which, together with access to capital markets, will provide additional financial flexibility to pursue further growth opportunities; and • provide a liquid market for its Shares and an opportunity for others to invest in Estia. The Offer also provides the Existing Shareholders with an opportunity to realise part of their investment in Estia by the sale of Existing Shares through SaleCo.	Section 7.1.1

1.2 Key features of the Australian residential aged care industry		
Topic	**Summary**	**For more information**
What is the residential aged care industry?	The residential aged care industry is a large and important part of the provision of aged care services in Australia. Residential aged care services are typically provided to residents who can no longer live unassisted and include clinical care services, daily living services, accommodation services and extra services.	Section 2.1

17 See footnote 10

1.2 Key features of the Australian residential aged care industry

Topic	Summary	For more information
What is the residential aged care industry? (continued)	As at 30 June 2013, the residential aged care industry comprised approximately 1,000 providers operating over 2,700 residential aged care facilities across Australia with approximately 190,000 places (one place per resident)[18]. Total residential aged care industry revenues were estimated to be $12.9 billion in FY2013[19].	Section 2.1
Who are the industry participants	As at 30 June 2013, religious organisations, charities and community-based providers (collectively known as "non-private providers") operated 58% of total places and Government-owned providers operated 6% of total places. Private providers operated 36% of total places[20].	Section 2.1
What drives demand for residential aged care services?	The Department of Health forecasts the residential aged care industry will require approximately 259,000 places by FY2022 to meet the growing demand for services[21]. This represents an additional 69,000 places, implying approximately 7,667 new places need to be developed each year on average over the period to FY2022. This demand is being driven by a number of factors, including: • **demographic trends** – as at 30 June 2013, approximately 58% of residential aged care places were occupied by people aged 85 years and over[22]. The number of people in Australia in this age bracket is projected to approximately double by 2032 and double again by 2046[23]; • **increasing age of residents** – the increasing age and frailty of residents entering residential aged care mean that residential aged care is increasingly focused on the provision of higher levels of care; • **increasing prevalence of chronic diseases** – people suffering from chronic and debilitating diseases, such as dementia, typically require care in a residential setting and require higher levels of care; and • **increased financial capacity to fund accommodation and care** – the increasing wealth of older Australians is expected to lead to a greater capacity for residents to pay for care, particularly higher standards of accommodation and non-clinical care.	Section 2.2.1

18 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014; "2012-13 Report on the Operation of the Aged Care Act 1997", Australian Government – Department of Social Services, 2013

19 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

20 "2012 – 13 Report on the Operation of the Aged Care Act 1997", Australian Government – Department of Social Services, 2013

21 "Inaugural Report on the Funding and Financing of the Aged Care Sector", Aged Care Financing Authority, June 2013

22 "Residential aged care and aged care packages in the community 2012-2013", Australian Institute of Health and Welfare, Supplementary Table S2.12

23 "Series 3222.0 Population Projections (Series A)", Australian Bureau of Statistics, accessed 19 June 2014

1.2 Key features of the Australian residential aged care industry

Topic	Summary	For more information
What are the key sources of funding?	Residential aged care providers receive both operating revenue and capital funding. Operating revenue is generated from a combination of Australian Government and resident contributions on a per resident, per day basis. The level of Australian Government funding is determined by the level of care required by a particular resident as well as their financial circumstances. The level of resident contribution is determined by the financial circumstances of each resident and the level of non-care services provided. In FY2013, the Australian Government funded approximately 71% of total industry operating revenue, with the remainder funded by residents[24]. Providers also receive capital funding from certain residents in the form of Refundable Accommodation Deposits ("RADs") or accommodation bonds (as they were known prior to 1 July 2014).	Section 2.4
What are RADs and how do they work?	RADs are a capital payment made by an incoming resident to the provider. RADs are refunded (without interest) to the resident or their estate when they pass away or leave the aged care facility, or where the provider ceases to be the Approved Provider in respect of that facility, and are normally replaced with another RAD from an incoming resident (typically of a higher amount). As such, RADs represent an interest free source of capital funding for providers. Providers can set their own RAD prices. A RAD priced above $550,000 requires the approval of the Aged Care Pricing Commissioner.	Section 2.4.2
What is a Daily Accommodation Payment ("DAP")?	A resident may elect to pay a DAP instead of a RAD. A DAP is a daily payment calculated by reference to the value of the advertised RAD price and a Maximum Permissible Interest Rate (currently 6.63%[25] per annum as set by the Australian Government).	Section 2.4.2

1.3 Key features of Estia

Topic	Summary	For more information
How does Estia generate its income?	Estia generates income by providing high quality clinical care services, daily living services, accommodation services and extra services to its residents at its portfolio of residential aged care facilities.	Section 3
How does Estia fund its operations?	Estia generates operating revenue and receives capital funding. Operating revenue is received from Australian Government funding (based on the care needs of residents and residents' assets and income) and from residents.	Section 3.5.2

24 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

25 Schedule of Fees and Charges for Residential and Home Care: From 20 September 2014", Department of Social Services

1.3 Key features of Estia		
Topic	**Summary**	**For more information**
How does Estia fund its operations? (continued)	Consistent with the industry, approximately 70% of Estia's pro forma FY2014 revenue was funded by the Australian Government with the remaining 30% funded by residents. Estia also receives capital funding from its residents in the form of an accommodation bond or RAD. As of 31 August 2014, approximately 44% of Estia's places carried an accommodation bond or RAD.	Section 3.5.2
What are Estia's significant expenses?	Estia's significant expenses relate to staff and labour, which accounted for approximately 61% of pro forma revenue in FY2014. Other expenses include catering, cleaning, laundry, consumables, repairs and maintenance, energy, utilities and administration, and corporate costs.	Section 4
What is Estia's history?	Estia was established via the merger of three residential aged care providers on 31 July 2014. The merger involved the combination of leading residential aged care providers in Victoria (Lasting Changes), South Australia (Padman Health Care) and New South Wales and Queensland (Cook Care) to create one of Australia's larger and more geographically diverse private residential aged care providers, by number of places. Prior to the merger, each of these providers, on a standalone basis, had: • a reputation for providing consistent, high levels of clinical care to residents and a strong compliance track record; • strong positions in their respective local and state markets; • a portfolio of modern facilities; • experienced management teams; and • a track record of growing the number of operated places through acquisitions, brownfield developments and/or greenfield developments.	Section 3.2
Which geographical markets does Estia operate in?	Estia's facilities (including the facilities contracted to be acquired) are located in Victoria, South Australia, New South Wales and Queensland. 32 of Estia's existing facilities are located in metropolitan areas, with a further 5 in metropolitan areas to be acquired by February 2015. Estia primarily operates in catchment areas with large populations that have above average socio-economic backgrounds. Estia believes this provides a competitive advantage in generating demand from potential residents.	Section 3.3

1.3 Key features of Estia

Topic	Summary	For more information
What is Estia's growth strategy?	Estia will seek to continue to grow its earnings via: • implementing best-practice operating procedures at existing and newly acquired facilities in order to increase occupancy and revenue; • acquiring single facilities or portfolios that meet Estia's acquisition criteria; • expanding and/or improving its existing facilities ("brownfield expansion"); • developing new facilities in markets where acquisitions are not available or do not fit Estia's requirements and brownfield expansion is unable to meet the growing demand for services ("greenfield expansion"); and • pursuing opportunities for strategic alliances or other corporate partnerships for the purpose of acquiring interests in, or jointly operating residential aged care facilities.	Section 3.5
How does Estia expect to fund its growth strategy?	In addition to operating earnings, Estia has a number of available capital sources to fund its growth strategy, including: • **capital inflows from RADs** – prior to 1 July 2014, Estia could only charge an accommodation bond to residents entering low Care or a Dedicated Extra Service place and as of 31 August 2014 only 44% of Estia's places carry an accommodation bond or RAD. Post 1 July 2014, Estia can seek a RAD from all new residents who satisfy the means test. Further, Estia's current average advertised RAD as at 29 July 2014 is approximately $310,000[26], compared to the industry average new RAD in FY2014 of approximately $355,000[27], providing potential upside if management is able to move towards industry average RAD values; and • **debt facilities** – following Completion of the Offer, Estia expects to have $150 million of debt facilities in place which will be undrawn. To the extent required, these facilities will be used to fund the contracted acquisitions which are expected to complete following Completion of the Offer. Depending on the scale and attractiveness of investment opportunities and the availability of financing from the above two sources, Estia may seek to raise capital via the issuance of additional Shares.	Section 3.5

26 Based on August and September 2014 RADs

27 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

1.3 Key features of Estia

Topic	Summary	For more information
What is Estia's facility portfolio?	Estia's 39 facilities owned as at the date of this Prospectus are as follows[28]:	Sections 3 and 9

Facility	State	Location	Occupancy (Aug 2014)	Places	Avg RAD price	Dedicated Extra Service places	% single rooms
Altona Meadows	VIC	Metro	93%	90	$231,633	–	94%
Ardeer	VIC	Metro	94%	55	$143,221	–	59%
Bentleigh	VIC	Metro	92%	45	$181,039	–	100%
Coolaroo	VIC	Metro	95%	60	$151,401	–	100%
Dandenong	VIC	Metro	95%	60	$131,694	–	67%
Heidelberg West	VIC	Metro	97%	45	$136,575	–	100%
Knoxville	VIC	Metro	99%	54	$155,596	–	92%
Leopold	VIC	Metro	95%	75	$113,241	–	100%
Melton South	VIC	Metro	98%	100	$147,493	40	100%
Oakleigh	VIC	Metro	88%	110	$181,746	–	28%
Plenty Valley	VIC	Metro	98%	68	$192,560	–	92%
Ringwood	VIC	Metro	96%	161	$215,212	–	100%
South Morang	VIC	Metro	95%	120	$276,949	–	100%
Werribee	VIC	Metro	97%	70	$184,274	–	86%
Wodonga	VIC	Regional	83%	80	$178,539	80	100%
Yarra Junction	VIC	Regional	92%	91	$212,342	–	96%
Albury	NSW	Regional	96%	80	$216,515	80	100%
Dalmeny	NSW	Regional	94%	115	$246,818	36	92%
Epping	NSW	Metro	76%	103	$571,404	51	100%
Manly	NSW	Metro	99%	82	$425,662	82	100%
Mona Vale	NSW	Metro	90%	54	n/a	–	50%
Ryde	NSW	Metro	98%	40	$180,000	–	22%
Willoughby	NSW	Metro	96%	74	$434,614	74	86%
Albany Creek	QLD	Metro	99%	71	$277,352	–	44%
Mudgeeraba	QLD	Metro	74%	167	$169,377	70	92%
Nambour	QLD	Metro	78%	75	$152,177	61	100%
Southport	QLD	Metro	93%	60	$200,000	–	50%
Aberfoyle Park	SA	Metro	95%	97	$130,993	–	95%
Craigmore	SA	Metro	77%	125	$123,100	–	100%
Daw Park	SA	Metro	99%	80	$166,071	80	100%
Encounter Bay	SA	Regional	93%	121	$128,135	55	100%
Flagstaff Hill	SA	Metro	94%	86	$163,699	82	93%
Golden Grove	SA	Metro	89%	100	$176,263	100	100%
Kadina	SA	Regional	89%	60	$138,900	–	82%
Kensington Gardens	SA	Metro	80%	76	$352,632	76	100%
Lockleys	SA	Metro	61%	86	$230,347	86	100%
Parkside	SA	Metro	97%	40	$172,196	40	89%
Salisbury	SA	Metro	84%	80	$148,485	80	100%
Strathalbyn	SA	Regional	92%	47	$156,846	47	100%
Owned as at 1-Oct-2014			**90%**	**3,203**	**$221,082**	**1,220**	**92%**

28 Key metrics presented as at 31 August 2014. The average RAD price represents the value of RADs as at 31 August 2014, net of retentions and/or agreed upon drawdowns.

<table>
<tr><th colspan="3">1.3 Key features of Estia</th></tr>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What is Estia's historical and forecast financial performance?</td><td>
<table>
<tr><th></th><th colspan="3">Pro forma historical</th><th colspan="2">Pro forma forecasts</th></tr>
<tr><th>$m</th><th>FY2012</th><th>FY2013</th><th>FY2014</th><th>FY2015F</th><th>CY2015F</th></tr>
<tr><td>Revenue</td><td>163.7</td><td>178.4</td><td>219.0</td><td>296.4</td><td>327.6</td></tr>
<tr><td>EBITDA</td><td>36.5</td><td>40.8</td><td>46.9</td><td>70.2</td><td>79.8</td></tr>
<tr><td>EBIT</td><td>28.9</td><td>33.8</td><td>38.4</td><td>60.6</td><td>70.1</td></tr>
<tr><td>NPAT</td><td></td><td></td><td></td><td>42.6</td><td>49.3</td></tr>
</table>
The Financial Information presented above contains non-IFRS financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussion of the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5. Certain financial information is described as pro forma for the reasons described in Section 4.</td><td>Section 4.3</td></tr>
<tr><td>What is Estia's dividend policy?</td><td>The payment of a dividend is at the discretion of the Directors. It is the intention of the Board to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June. Future dividends will be franked to the maximum extent possible.

The Directors intend to target a payout ratio of up to 100% of NPAT; however, the level of dividend payout ratio may vary depending on a range of factors including:
• general business and financial conditions;
• Estia's cash flow including consideration of net RAD cash flows;
• capital expenditure requirements;
• working capital requirements;
• potential acquisition opportunities;
• taxation requirements; and
• other factors that the Directors consider relevant.</td><td>Section 4.11</td></tr>
<tr><td>When will the first dividend be paid?</td><td>It is intended that the first dividend paid will be a final dividend in respect of the period from Completion of the Offer to 30 June 2015.</td><td>Section 4.11</td></tr>
</table>

1.4 Key strengths

Topic	Summary	For more information
Residential aged care is an attractive and growing industry	The Australian residential aged care industry has a number of favourable attributes, including: • **growing demand for residential aged care services** – the growing elderly population together with increasing care requirements and higher prevalence of chronic and debilitating diseases are expected to result in approximately 69,000 new places being required by FY2022[29]; • **regulated supply** – the number of residential aged care places is regulated by the Australian Government. The combination of growing demand for services and regulated supply has resulted in average industry occupancy above 92% from 30 June 2003 to 30 June 2013[30]; • **fragmented industry** – as at 30 June 2013, there were approximately 1,000 providers, with 63% of providers only operating a single facility[31]. The fragmented industry structure has created opportunities for consolidation by larger providers with access to capital and the management skills and experience to operate large residential aged care facilities; and • **access to interest free capital** – RADs represent a source of interest free capital which can be used to fund growth.	Section 2.1.2
A leading market position in Australian residential aged care sector	Estia is one of the largest private providers of residential aged care in Australia with 3,203 places across 39 facilities and contracts to acquire five more facilities with 410 places (subject to customary closing conditions).	Section 3.1
Portfolio of well located, high quality facilities	The quality, location and configuration of Estia's facilities are generally very competitive in attracting residents. As of 31 August 2014, key features that distinguish Estia's portfolio include: • **high standards of accommodation** with 92% of rooms configured as single rooms[32] and average age of facilities being approximately 10 years; • **situated in attractive locations** with 32 of Estia's 39 facilities located in metropolitan areas with high density of potential residents;	Section 3.3

29 "Inaugural Report on the Funding and Financing of the Aged Care Sector", Aged Care Financing Authority, June 2013

30 "Report on the Operation of the Aged Care Act 1997" (2002–2013 reports), Australian Government – Department of Social Services

31 "2014 Report on the Funding and Financing the Aged Care Industry", Aged Care Financing Authority, July 2014

32 Percentage single rooms calculated as the number of single rooms over total number of rooms, with rooms having either one or more places

1.4 Key strengths		
Topic	**Summary**	**For more information**
Portfolio of well located, high quality facilities (continued)	• **capacity to provide high care services** with all facilities equipped to provide complex care and meet the growing demand for higher levels of non-clinical services; and • **capacity to provide extra services** with the licences and capabilities to operate 1,224 Dedicated Extra Service places (34% of places). Estia believes these features support attractive financial and operational metrics including weighted average occupancy for mature facilities[33] of 94.2% and EBITDA per occupied place of approximately $24,000[34] in FY2014. Estia believes that its high quality facilities position it well to meet the increasing accommodation, care and lifestyle expectations of elderly Australians and to benefit from the recent regulatory changes that provide residents with greater choice and scope to receive (and pay for) non-clinical services.	Section 3.3
Leading reputation for resident care and services	Estia provides residents with consistent, high levels of clinical care as well as daily living, accommodation and extra services. All of Estia's facilities are accredited with the Aged Care Standards and Accreditation Agency and no facility has been sanctioned by the Department of Social Services while under its operation.	Section 3.4
Access to substantial scale benefits	The scale of Estia's operations provides it with a number of benefits, including the ability to: • **access value-enhancing acquisition opportunities in four States** – with an established presence and history in Victoria, South Australia, New South Wales and Queensland, Estia is well positioned to identify and pursue acquisition opportunities in each of these States. These States account for 88% of residential aged care places in Australia[35]. Acquisitions within these States are expected to be value-enhancing as acquired facilities can leverage Estia's established infrastructure in each State; • **share operating practices across its facilities** – that enable each of Estia's facilities to benefit from best-practice techniques; • **invest in support functions and systems** – to enable each of its facilities to provide better quality care, operate more places efficiently and better manage operational risks. The cost of such systems is spread over a large number of places; and	Sections 3.3, 3.4 and 3.5

33 Excludes facilities that are in ramp up stage

34 Excluding corporate costs and non-recurring pro forma adjustments

35 "Aged Care Service List", Department of Health, 30 June 2013

1.4 Key strengths		
Topic	**Summary**	**For more information**
Access to substantial scale benefits (continued)	• **access cost savings through group procurement activities** – by consolidating suppliers and securing better terms as a result of Estia's scale.	Sections 3.3, 3.4 and 3.5
Track record of growth in the size of its portfolio	Estia's management team is experienced in growing and successfully managing expansion of residential aged care businesses. Estia (and, prior to the 2014 merger, its component businesses) has a history of expanding the number of places and facilities operated. The aggregate number of places of Estia and its component businesses increased from 1,264 as of 30 June 2008 to 3,203 at 1 October 2014 and is expected to grow to 3,613 places following the acquisition of a further five facilities that Estia has contracted to acquire by February 2015[36]. This growth has been achieved via acquisitions, expansion of existing facilities and development of new facilities.	Section 3.5
History of materially improving acquired facilities	Over the period from FY2012 to FY2014, Estia acquired nine facilities and developed a further three. As a result of its scale and application of its systems and processes, Estia has been able to achieve an increase in occupancy and revenue per occupied bed day at each of these facilities.	Section 3.5
Strong financial track record	Estia has a track record of pro forma revenue and pro forma EBITDA growth, together with strong cash flow generation. Pro forma consolidated EBITDA has grown from $36.5 million in FY2012 to $46.9 million in FY2014 (13.4% compound annual growth) and is forecast to increase to $79.8 million in CY2015F. Growth has been driven by: • increases in the number of places operated; • increases in occupancy rates; • increases in revenue per occupied bed day; and, • expense growth that has been slower than revenue growth. Estia generated average pro forma EBITDA per occupied place of approximately $24,000 in FY2014[37]. Estia believes this places it among the top quartile of operators in the industry. Estia has delivered strong cash flow generation while investing in its business and making acquisitions. Estia has modest maintenance capital expenditure requirements and benefits from cash flows from RADs.	Section 4.7

36 See foonote 10

37 Excluding corporate costs and non-recurring pro forma adjustments

1.4 Key strengths

Topic	Summary	For more information
Conservative capital structure	On Completion of the Offer, Estia will have a net cash position of $5 million and a committed but undrawn $150 million term debt facility. As at 31 August 2014, 44% of places carried an accommodation bond or RAD. This conservative capital structure will support the funding of the two facilities contracted to be acquired post Completion of the Offer[38] and Estia's future growth.	Section 4.4
Experienced senior management team	Estia is led by a team with significant experience in the residential aged care industry. Paul Gregersen, Managing Director and CEO, has 13 years' experience in the private health care sector, including five years in the residential aged care sector in Australia. Paul was formerly Managing Director of Bupa Aged Care Services Australia, Australia's largest private provider of residential aged care. During this time, Paul oversaw an approximate 40% increase in places. Paul has also acted as an independent expert for the Aged Care Financing Authority to assist in the reform of the Australian residential aged care industry. Joe Genova, Chief Financial Officer, has nine years' experience in the residential aged care industry and was formerly Finance Director for Bupa Aged Care Services Australia. Paul and Joe are supported by a senior management team that has extensive industry and management experience.	Sections 6.1 and 6.2

1.5 Key risks

Topic	Summary	For more information
The regulatory framework may change in ways that harm Estia	The Australian aged care industry is highly regulated. In addition, a substantial proportion of the residential aged care industry's revenues is comprised of funding from the Australian Government. Any regulatory change for the industry may have an adverse impact on the way Estia promotes, manages and operates its facilities, and its financial performance. Regulatory restrictions may also become more burdensome in the future, which may require Estia to dedicate more time and expenditure to ensuring Estia complies with such regulations.	Section 5.1.1
Repayment and value of accommodation bonds/ RADs	Estia is exposed to risks associated with the repayment of accommodation bonds and RADs, as the value of, and returns from, Estia's accommodation bonds and RADs may fluctuate depending on investment market conditions and general investment risk. Estia also needs to be in a position to liquidate accommodation bonds/RADs within 14 days of specific events occurring.	Section 5.1.2

38 See foonote 10

1.5 Key risks

Topic	Summary	For more information
Repayment and value of accommodation bonds/RADs (continued)	If a larger than expected number of bond/RAD paying residents were to leave Estia's aged care facilities (for example because a facility lost its accreditation or suffered a clinical issue or if Estia decides to renovate or develop its existing facilities and needs its residents to vacate its facilities), Estia would be required to repay a large sum of bonds/RADs, all of which may not be able to be replaced immediately. Estia is also exposed to risks that may adversely affect the future value of Estia's total accommodation bonds/RADs, including specific issues arising in Estia (such as a non-compliance or loss of certification at a facility), a general reduction in the price that can be achieved for new RADs, or demand for Estia's aged care services changing over time due to general economic factors.	Section 5.1.2
A failure to meet clinical care standards may damage Estia	Aged care providers require an effective system of clinical governance to promote the health, safety and quality of care of their residents, and to ensure compliance with applicable legislation and departmental policy requirements. It is possible that despite the operation of Estia's quality framework: • Estia may experience a decline in its clinical outcomes in circumstances where clinical incidents are not identified, assessed or reported appropriately; or • a resident or visitor is injured at an Estia facility, or an Estia employee, or contractor is injured in the course of their employment. In these circumstances, Estia may be liable for penalties, sanctions or damages. Any of these events have the potential to harm Estia's reputation, and Estia's ability to attract residents, and could adversely affect Estia's financial performance and position and future prospects, or result in a loss of approvals or accreditation (as discussed below).	Section 5.1.3
Estia may fail to comply with legislation, regulation and other professional standards	Failure to comply with legislation, regulation and other professional standards and accreditation (including because of a decline in clinical outcomes) could have an adverse impact on Estia's reputation, ability to attract residents and ability to operate its business. If Estia does not comply with regulations and maintain its Approved Provider status or comply with the terms of its licences, it may be unable to continue to operate its aged care facilities, secure resident places in ACARs in the future and/or obtain approval to transfer places obtained via acquisition. If any of Estia's existing approvals are adversely amended or revoked, or if any of Estia's facilities become subject to any sanctions, it could adversely impact Estia's ability to operate its other facilities.	Section 5.1.4

1.5 Key risks

Topic	Summary	For more information
Occupancy levels may fall	Estia faces the risk that occupancy levels may fall below expectations as a result of various factors, including a deterioration in general economic and housing market conditions, increased competition, specific issues arising at any of Estia's facilities which adversely impact its reputation and perceptions of the quality of aged care provided, or a decline in referrals from hospitals. To the extent a decrease in occupancy levels results in a reduction in the level of Estia's accommodation bonds and RADs, Estia's financing costs could increase. Any of these occurrences could adversely affect Estia's financial performance, financial position and future prospects.	Section 5.1.5
Estia's reputation may be damaged	Estia 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. Estia may also suffer reputational damage in the event of medical indemnity claims, litigation or coronial inquests. Any such damage to Estia's reputation could result in existing residents moving from Estia's facilities to other competitor aged care facilities or reduce Estia's ability to attract new residents to its facilities, both of which could adversely impact Estia's financial performance and position and future prospects.	Section 5.1.6
Estia may have to pay a levy under the Government's Guarantee Scheme	If an Approved Provider becomes insolvent and is unable to refund RAD or accommodation bond balances that are owing to its residents, the Government may repay the outstanding balances to residents affected under the Accommodation Payment Guarantee Scheme ("Guarantee Scheme"). The Aged Care (Accommodation Payment Security) Levy Act 2006 (Cth) allows the Government to recover the costs of refunding these RAD or accommodation bond balances (along with administrative costs) from Approved Providers via a levy. If a levy is imposed in these circumstances, this may adversely impact on Estia's cash flows.	Section 5.1.7
Past acquisitions (including Padman Health Care and Cook Care)	Estia has acquired a number of aged care facilities as a going concern. Notwithstanding the due diligence conducted in respect of each facility at the time of acquisition, it is possible that one or more material issues or liabilities may not have been identified or correctly quantified, and that the standard protections negotiated by Estia prior to the relevant acquisition are inadequate in the circumstances.	Section 5.1.8

1.5 Key risks

Topic	Summary	For more information
Past acquisitions (including Padman Health Care and Cook Care) (continued)	In particular, Estia has recently acquired the Padman Health Care and Cook Care aged care businesses. Estia has not previously made an acquisition of the size of either Padman Health Care or Cook Care, and particular facilities are located in States which Estia has not previously operated from. The realisation of synergies and integration may not occur within the timeframes anticipated, or at all, or may result in additional costs, which could have a negative impact on Estia's financial performance, financial position and future prospects.	Section 5.1.8
Estia's growth strategy	Estia has historically grown primarily through acquisitions. There is no assurance that Estia will secure such acquisitions to drive future growth. While Estia intends that its acquisitions will improve its competitiveness and profitability, Estia cannot be certain that its future acquisitions will meet its operational or strategic expectations. Estia may need to issue further Shares to fund such acquisitions (which may dilute the interests of existing Shareholders). Estia may also decide to fund future acquisitions through debt funding, which will increase gearing and may have adverse consequences, including if Estia needs to use a substantial portion of its operating cash flows to service this debt.	Section 5.1.9

1.6 Estia directors and key executives

Topic	Name	Position	For more information
Who are the directors of Estia?	Patrick Grier Paul Gregersen Peter Arvanitis Norah Barlow Andrew Harrison	Chairman Managing Director and CEO Non-executive Director Non-executive Director Non-executive Director	Section 6.1
Who are the other key corporate executives of Estia?	Joe Genova Nick Yannopoulos Ruvani De Silva Kate Sellick	Chief Financial Officer Director, Strategy and Development Director, Risk and Quality Director, People and Communications	Section 6.2

1.7 Significant interests of key people and related party transactions

Topic	Summary	For more information
Who are the Existing Shareholders and what will be their interest following Completion of the Offer?	The Existing Shareholders are the current owners of EHL, being the Quadrant Funds, Mercury and the Director and Management Shareholders.	Section 7.1.6

1.7 Significant interests of key people and related party transactions

Topic	Summary	For more information
Who are the Existing Shareholders and what will be their interest following Completion of the Offer? (continued)	The Quadrant Funds, Mercury, Peter Arvanitis and Nick Yannopoulos each intend to sell 38.3% of their Shares into the Offer through their arrangements with SaleCo. These Selling Shareholders will receive cash from SaleCo's proceeds of the Offer as consideration for disposal of their Existing Shares. The interests of the Existing Shareholders upon Listing, and their expected interests following Completion of the Offer (excluding any Shares applied for under the Offer), are as follows:	Section 7.1.6

	Prior to Completion of the Offer (economic interest in EHL, %)	Following Completion of the Offer (million Shares)	Following Completion of the Offer (% of issued Share capital)
Director and Management Shareholders (other than Peter Arvanitis and Nick Yannopoulos)[39]	0.9	0.8	0.4
Peter Arvanitis[39]	25.9	13.9	7.7
Nick Yannopoulos	1.6	0.9	0.5
Quadrant Funds	57.5	30.8	17.1
Mercury	14.1	7.6	4.2
Total	**100.0**	**53.9**	**30.0**

Topic	Summary	For more information
What significant benefits are payable to Directors and other persons connected with Estia or the Offer and what significant interests will they hold?	As at the date of this Prospectus: • Peter Arvanitis holds Shares via a controlled entity; and • Patrick Grier and Norah Barlow each hold Shares via controlled entities through their participation in the Management Equity Plan. On Completion of the Offer, Paul Gregersen will also hold 869,565 Shares (being $5 million worth of Shares at the Offer Price). Patrick Grier, Peter Arvanitis, Norah Barlow and Andrew Harrison (and/or persons related to them) will also have the opportunity to subscribe for Shares under the Priority Offer. Patrick Grier intends to apply for approximately 43,478 Shares under the Priority Offer, and Andrew Harrison intends to apply for 14,000 Shares under the Priority Offer (in each case, through a controlled entity).	

39 Certain Director and Management Shareholders including Patrick Grier, Peter Arvanitis, Norah Barlow (and/or certain persons related to them) will also have the opportunity to subscribe for Shares under the Offer, including under the Priority Offer.

<table>
<tr><th colspan="3">1.7 Significant interests of key people and related party transactions</th></tr>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What significant benefits are payable to Directors and other persons connected with Estia or the Offer and what significant interests will they hold? (continued)</td><td>The proposed shareholdings of the Directors on Completion of the Offer are set out in Section 6.3.2.5, and details of applicable escrow arrangements are set out in Section 10.4.2.

The proposed Director fee arrangements and the executive remuneration arrangements for the CEO and CFO are set out in Section 6.3.3.

The fees payable to Estia's advisers in connection with the Offer are set out in Section 6.3.1.</td><td>Sections 6.2, 6.3 and 10.4.2</td></tr>
<tr><td>Will any Shares be subject to restrictions on disposal following Completion of the Offer?</td><td>Yes.

The Escrowed Shareholders have agreed to enter into voluntary escrow arrangements in relation to the Shares retained by them on Completion of the Offer.

Quadrant Funds and Mercury
Under the terms of the voluntary escrow arrangements, subject to certain exceptions, Shares held by the Quadrant Funds and Mercury following Completion of the Offer may only be sold in the period prior to the release of Estia's financial results for the half year ending 31 December 2015 on the following basis:

<table>
<tr><th>Shares to be released</th><th>Escrow release conditions</th></tr>
<tr><td>50% of Shares held at Completion of Offer</td><td>• Financial results for half year ending 31 December 2014 released; and
• Volume-weighted average price in any 10 consecutive trading days following release of those financial results exceeds the Offer Price by more than 20%.</td></tr>
<tr><td>100% of Shares held at Completion of Offer</td><td>• Financial results for the financial year ending 30 June 2015 released; and
• Volume-weighted average price in any 10 consecutive trading days following release of those financial results exceeds the Offer Price by more than 20%.</td></tr>
</table>

After the release of the financial results for the half year ending 31 December 2015, any remaining Shares held by the Quadrant Funds and Mercury will cease to be subject to escrow restrictions.

Director and Management Shareholders
Shares held by Director and Management Shareholders on Completion of the Offer will also be subject to voluntary escrow arrangements. Under the terms of those escrow arrangements, subject to certain customary exceptions, Shares may only be sold by Ruvani De Silva, Peter Arvanitis and Nick Yannopoulos (through their controlled entities) following the release of the financial results for the half year ending 31 December 2015, and in the case of all other Director and Management Shareholders, following the period ending three years from Listing.</td><td>Section 10.4.2</td></tr>
</table>

1.8 Overview of the Offer

Topic	Summary	For more information
What is the Offer?	The Offer is an initial public offering of New Shares by EHL and the transfer of Existing Shares by SaleCo. In total, approximately 126.1 million Shares are being offered under the Offer. All Shares will be issued or transferred at the Offer Price.	Section 7.1
Who are the issuers of this Prospectus?	Estia Health Limited (ACN 160 986 201) and Estia SaleCo Limited (ACN 601 334 445), each incorporated in Victoria, Australia.	Section 7.1
What is SaleCo and what role does it play in the Offer?	SaleCo is a special purpose vehicle, established to enable Selling Shareholders to sell a portion of their Existing Shares. The Existing Shares which SaleCo acquires from the Selling Shareholders, will be transferred to successful Applicants at the Offer Price.	Section 10.2
How will proceeds of the Offer be used?	The Offer is being conducted to: • provide Estia with funds to repay Estia's existing debt, repay Loan Notes and redeem Redeemable Preference Shares held by certain Existing Shareholders; • pay Offer costs; • provide Estia with a capital structure, which, together with access to capital markets, will provide the business with additional financial flexibility to pursue further growth opportunities; and • provide a liquid market for its Shares and an opportunity for others to invest in Estia. The Offer also provides the Existing Shareholders with an opportunity to realise part of their investment in Estia by the sale of Existing Shares through SaleCo.	Section 7.1.1
Will the Shares be quoted on the ASX?	EHL has applied to ASX for admission to the official list of ASX and for quotation of the Shares on the ASX under the code EHE. It is expected that quotation will initially be on a conditional and deferred settlement basis. Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.6.3.1
Is the Offer underwritten?	Yes, the offer is fully underwritten by the Joint Lead Managers	Section 10.4.1

1.8 Overview of the Offer

Topic	Summary	For more information
How is the Offer structured and who will be eligible to participate?	The Offer comprises: • the Broker Firm Offer, which is open to persons who receive an allocation of Shares from their Broker and who have a registered address in Australia or New Zealand; • the Priority Offer, which is open to persons who receive an invitation to participate in the Offer from EHL and who have a registered address in Australia; and • the Institutional Offer, which consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares.	Section 7.1.2
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, Priority Offer and Institutional Offer was determined by the Joint Lead Managers, in consultation with EHL and Quadrant. With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate stock among their eligible retail clients. The allocation of Shares among Applicants in the Priority Offer will be determined by EHL, following consultation with the Joint Lead Managers. Applicants under the Priority Offer will be guaranteed an allocation of Shares in the amount specified in their personalised invitation or such lesser value of Shares validly applied for (rounded down to the nearest whole Share), subject to the minimum Application size of $2,000 and in multiples of $500 thereafter). The allocation of Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers, in consultation with EHL and Quadrant.	Section 7.2
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer.	Section 7.2
What are the tax implications of investing in the Shares?	A summary of certain Australian tax consequences of participating in the Offer and investing in the Shares is set out in Section 10.6. The tax consequences of any investment in the Shares will depend on an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 10.6
When will I receive confirmation my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about Wednesday, 10 December 2014. Applicants in the Broker Firm Offer should confirm their allocation of Shares with the Broker from whom they received their allocation.	Sections 7.3.6 and 7.4.6

1.8 Overview of the Offer

Topic	Summary	For more information
How can I apply?	If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Application Form with the Broker from whom you received your allocation of Shares. Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Broker Firm Application Form. If you are an investor applying under the Priority Offer, you are guaranteed an allocation of Shares up to the amount indicated in your personalised invitation. Priority Offer Applicants may apply for Shares by submitting a Priority Offer Application Form online and must comply with instructions on the website, www.estiahealth.com.au.	Sections 7.3.2 and 7.4.2
When can I sell my Shares on the ASX?	It is expected that trading of the Shares on the ASX will commence on or about Friday, 5 December 2014 initially on a conditional and deferred settlement basis. It is expected that dispatch of holding statements will occur on or about Wednesday, 10 December 2014 and that Shares will commence trading on the ASX on a normal settlement basis on or about Thursday, 11 December 2014. It is the responsibility of each Applicant to confirm their holding before trading Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.	Sections 7.3.6 and 7.4.6
Can the Offer be withdrawn?	Yes. EHL and SaleCo reserve the right not to proceed and withdraw the Offer at any time before the issue of New Shares or transfer of Existing Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).	Section 7.6.2
Where can I find out more information about this Prospectus or the Offer?	For more information, call the Estia Offer Information Line on 1300 668 378 (within Australia) or +61 1300 668 378 (outside Australia) from 8:30am until 5:30pm (AEST) Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether Estia is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.	Important notices

02.
INDUSTRY OVERVIEW

02. INDUSTRY OVERVIEW

2.1 Australia residential aged care industry

2.1.1 Introduction

Estia operates in the Australian residential aged care industry. Residential aged care services are typically provided to people who can no longer live unassisted and include clinical care services, daily living services, accommodation services and extra services. The Australian residential aged care industry comprised approximately 190,000 places (one place per residential bed) in approximately 2,700 facilities as at June 2013[40].

Individuals seek and require services for residential aged care (rather than acute hospital care or home and community care) based on their health and care needs. Individuals with lower care needs can receive supported services in their own home through home and community care. Individuals requiring greater levels of clinical care typically are no longer able to be supported in their own home and therefore may enter residential aged care or acute hospital care. The industry is distinct from the retirement village industry, where operators typically offer little to no care services, and accommodation is offered on a "user pays" basis.

Diagram 1 Overview of Australian aged care services

Market segment	Services Provided	Number of places	Primary source(s) of funding	Cost to Government[41]	Typical resident profile	
					Age	Medical needs
Retirement village	• Basic Support for independent living • Little to no medical or clinical care services	• 112,296 independent living units (housing ~177,000 residents[42]	• Resident[43]	• Typically nill[44]	Younger	Low
Home and community care	• Basic support for independent living (e.g. personal care, social support, transport, meal preparation)	• ~61,087 places[45]	• Australian Government • Resident	• ~$73 per day per place[46]		
Residential aged care	• Range of services from supported living to 24-hour nursing care • Low intervention – care and support • Managed by registered nurses	• ~190,000 places[47]	• Australian Government • Resident	• $141 per day pre place[48]		
Hospital care	• Acute, clinical care • High intervention • Managed by accredited medical practitioners	• ~87,500 beds[49]	• Australian Government • Health insurers • Patient[50]	• Public: ~$1,801 per day per bed[51]	Older	High

40 "2012-13 Report on the Operation of the Aged Care Act 1997", Australian Government – Department of Social Services, 2013

41 Includes both State and Federal funding

42 "Profile: Retirement Village Operators" – Retirement Living Council, http://www.retirementliving.org.au/; last accessed 22 September 2014

43 Although some retirement villages do offer subsidised aged care services to residents

44 Although some retirement villages do offer subsidised aged care services to residents

45 "2012-13 Report on the Operation of the Aged Care Act 1997", Australian Government – Department of Social Services, 2013

46 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

47 "2012-13 Report on the Operation of the Aged Care Act 1997", Australian Government – Department of Social Services, 2013

48 For the seven months from July 2013 to January 2014. ACFI Monitoring Group monthly report – "Summary of January 2014 Data" – Australian Government – Department of Social Services

49 "Australian Hospital Statistics 2012-13" – Australian Institute of Health and Welfare (Private and public hospital statistics for 2011-2012)

50 "Australia's hospitals 2012-13 at a glance" – Australian Institute of Health and Welfare (Private and public hospital statistics for 2011-2012)

51 "Australian Hospital Statistics 2012-13" – Australian Institute of Health and Welfare (Public hospital statistics for 2011-2012)

2.1.2 Key features of the Australian residential aged care industry

Table 1 Industry snapshot

Category	Information
Industry scale	• Total revenues estimated to be $12.9 billion for FY2013[52]. • As at 30 June 2013, there were over 2,700 residential aged care facilities across Australia containing approximately 190,000 places[53]. Private providers operated approximately 36% of total places, with the remaining places operated by non-private providers and Government-owned providers[54].
Services provided	• Clinical care services (rehabilitation, access to health and therapy services, emotional support, assistance with medications and medical devices). • Daily living services (cleaning, laundry, meals, recreational activities). • Accommodation services (physical accommodation, furnishings, bedding). • Extra services (higher standard of accommodation and increased entertainment and food choices for additional fees paid by residents).
Demand for services	• The greatest demand for services is from people aged 85 years or over, with approximately 58% of permanent residents in this age category[55]. • The population aged 85 years and over is projected to experience the highest growth rate of all age groups, with the number of Australians in this category expected to double by 2032 and double again by 2046[56]. • Higher life expectancy and an increase in chronic and debilitating diseases affecting the ageing population will continue to significantly increase the proportion of the elderly requiring 24-hour residential care and services.
Regulated supply	• The number of allocated places is regulated by the Australian Government. The combination of demand for services and regulated supply has resulted in occupancy of places above 92% historically for aged care providers from 30 June 2003 to 30 June 2013[57]. • In order to operate residential aged care facilities and be entitled to receive Australian Government subsidies, a provider must be approved, hold allocated places and have their facilities accredited and certified pursuant to the Aged Care Act 1997 (Cth) ("Aged Care Act"). In addition, the recipient of care must (in most cases) be approved in respect of the type of aged care provided and be classified in respect of the level of care that is required.
Fragmented industry	• The industry is highly fragmented with approximately 63% of operators operating single facilities, 29% operating between two and six facilities, and 8% operating seven or more facilities[58].

52 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

53 "2012-13 Report on the Operation of the Aged Care Act 1997", Australian Government – Department of Social Services, 2013

54 "2012-13 Report on the Operation of the Aged Care Act 1997", Australian Government – Department of Social Services, 2013

55 "Residential aged care in Australia 2012-13: A statistical overview", Australian Institute of Health and Welfare, Supplementary Table S2.12

56 "Series 3222.0 Population Projections (Series A)", Australian Bureau of Statistics, accessed 19 June 2014

57 "Report on the Operation of the Aged Care Act 1997" (2003-2013 reports), Australian Government – Department of Social Services

58 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

Category	Information
Sources of funding	• In FY2013, the Australian Government provided $9.2 billion of funding to the residential aged care industry, representing 71% of total funding[59]. • Clinical care services are funded entirely by the Australian Government (unless a resident is required to contribute to the cost of their care via a means tested care fee). • Daily living services and extra services are funded by residents, and accommodation services are funded by residents and/or the Australian Government, depending on the financial circumstances of the resident. • Extra services are wholly funded by residents.
Regulatory changes at 1 July 2014	• Changes to the regulation of residential aged care commenced on 1 July 2014, impacting primarily on residents entering residential aged care from 1 July 2014 and residential aged care service providers. • The changes create more choice for residents and the opportunity for providers to access greater capital funding via RAD and potentially greater scope to charge residents for additional optional services.

2.1.3 Industry structure

As at 30 June 2013, there were over 2,700 residential aged care facilities across Australia[60]. There were approximately 1,000 providers of residential aged care in Australia with approximately 63% of providers only operating a single facility[61].

Religious organisations, charities and community-based providers (collectively known as non-private providers) operated 58% of total places as at 30 June 2013 and Government-owned providers operated 6% of total places as at 30 June 2013. Private providers operated 36% of total places as at 30 June 2013 (see Chart 2), but represent the fastest growing segment of providers. The share of places operated by private providers grew from 28% in 2003 to 36% in 2013. Management believes this change has been driven by several factors, including:

- a number of non-private providers have changed their strategic direction and are reallocating capital from residential aged care into less capital intensive or more strategically aligned businesses;
- many small community providers are of insufficient scale and find it difficult to meet the ongoing regulatory and compliance environment;
- private providers' propensity to invest to meet evolving consumer demands is greater (e.g. modern, single bed, facilities with ensuites); and
- State and local governments are progressively reducing their involvement in operating residential aged care facilities.

59 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

60 "2012-13 Report on the Operation of the Aged Care Act 1997", Australian Government – Department of Social Services, 2013

61 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

Chart 1 Australian providers by size, 2013[62]

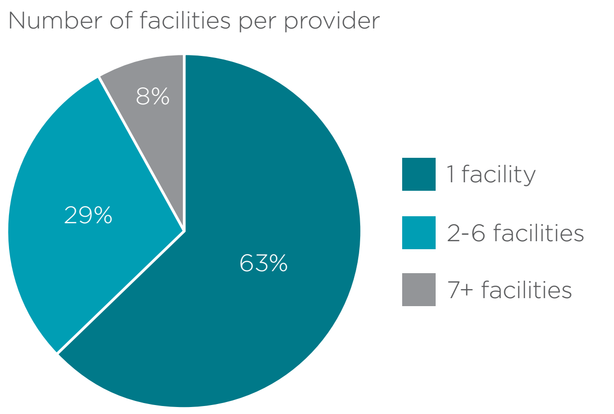


Chart 2 Australian providers by type[63]

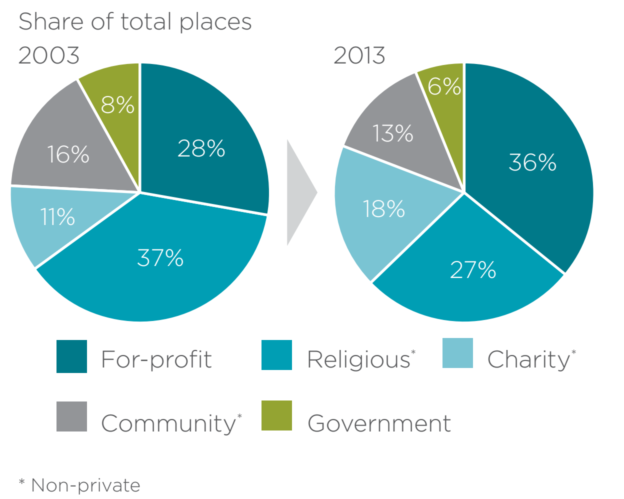
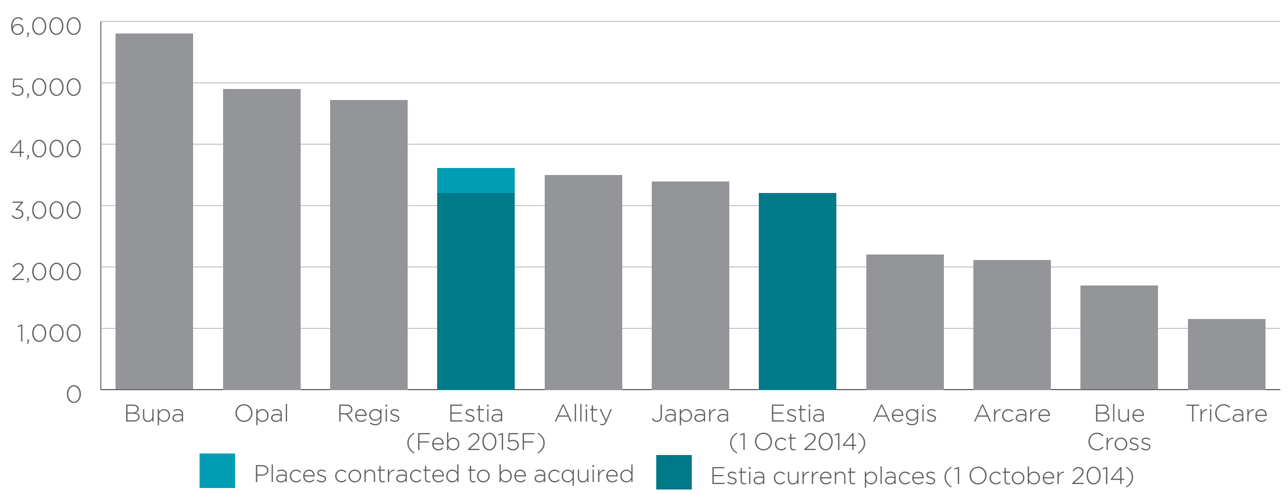


Chart 3 Top 10 private residential aged care providers in Australia (by number of places)[64]



Management believes that the fragmented industry structure has created opportunities for consolidation. Concurrent with the growth in market share of private providers, there has been a decline in the number of smaller providers as they have been acquired by larger and typically more efficient operators.

62 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

63 "2002-03 Report on the Operation of the Aged Care Act 1997", Australian Government – Department of Health and Ageing, 2003; "2012-13 Report on the Operation of the Aged Care Act 1997", Australian Government – Department of Social Services, 2013

64 Data sourced from latest available public disclosure of each provider as at the date of this Prospectus. Estia figures include contracted acquisitions of five facilities comprising 410 places (see footnote 10)

Chart 4 Number of Approved Providers of residential aged care in Australia[65]

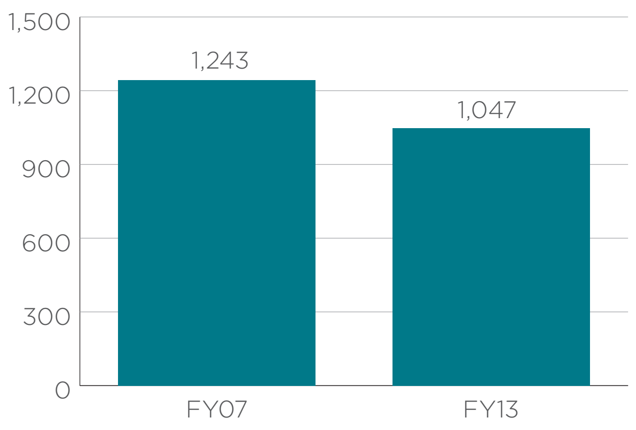
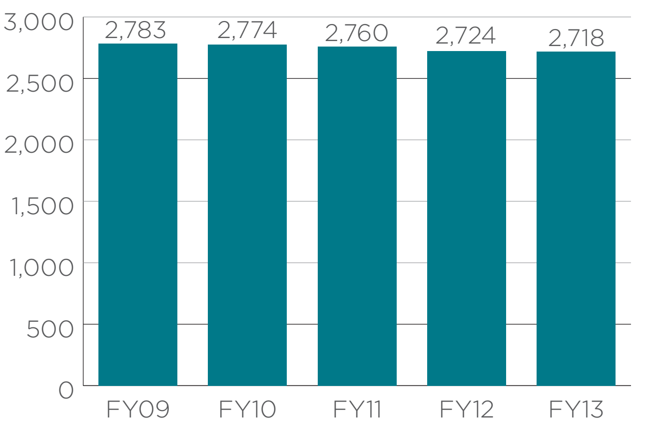


Chart 5 Total number of residential aged care facilities in Australia[66]

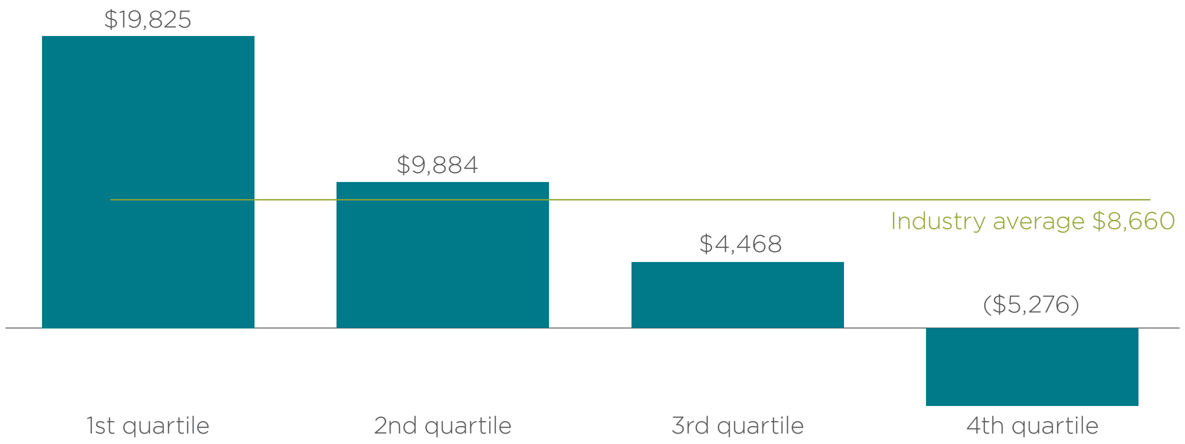


Estia believes that the highly fragmented nature of the residential aged care industry continues to represent a significant opportunity for larger, private providers to grow through consolidation.

2.1.4 Drivers of financial performance

Within the industry, there is a significant divergence among the financial performance and profitability of providers (as shown in Chart 6)[67]. Given the low levels of profitability among bottom quartile facilities, changes to industry funding arrangements from current levels may impact the ability of such facilities to continue to operate and provide care and services to residents.

Chart 6 Industry profitability – average EBITDA per resident per annum[68]



65 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

66 "Aged Care Service List", Department of Health, June 2009 to June 2013

67 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

68 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

There are a number of attributes that influence the profitability of residential aged care operators as shown in the table below:

Table 2 Key drivers of financial performance

Attribute/capability	Operational and financial outcomes
Portfolio composition	
Physical attributes of portfolio • Age of facility • Configuration (e.g. single rooms) • Capacity to provide extra services	• Occupancy levels • Resident mix (e.g. concessional vs. self-funded) • Level of resident payments • Staffing efficiency
Location of facilities	• Facilities in areas with above average wealth are better positioned to attract residents who can afford to pay for higher value services and pay RADs
Scale of portfolio	• Centralised systems (e.g. compliance, IT, human resources) support efficient operation of facilities and generation of higher income • Fixed costs associated with investment in centralised systems can be leveraged across a greater number of facilities and places
Organisational capabilities	
Reputation for care	• Strong relationships with referrers, the local community and regulators
Systems and processes	• Accurate identification and documentation of clinical care needs ensure residents receive appropriate care and the provider receives ACFI commensurate with the level of care provided • Assists in compliance with regulatory standards • Staffing efficiency
Management of growth	• Integration of acquired facilities • Capacity to quickly grow occupancy at acquired or newly built facilities

As a large operator with a portfolio of modern, well located facilities and an experienced management team, Estia achieves average pro forma EBITDA per place above that of the average of the top quartile for the industry.

2.2 Industry growth

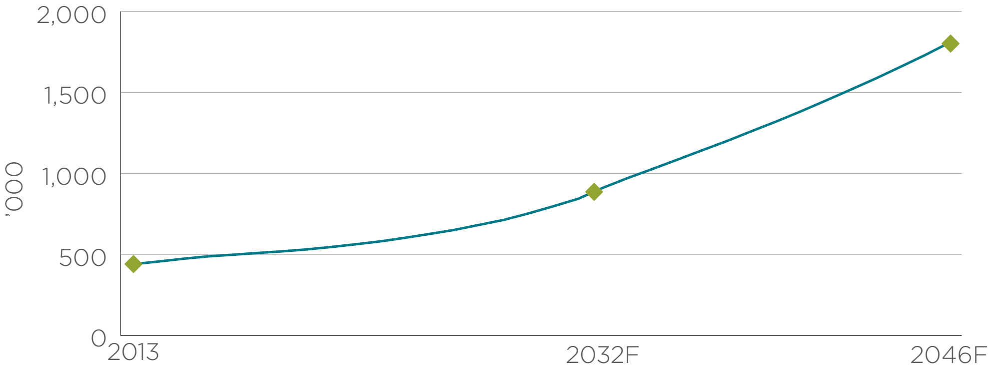
2.2.1 Growth drivers

Growth in the Australian residential aged care industry is underpinned by a number of socio-economic and macro-economic factors, including the increasing number of people aged 85 years or over in Australia, the increasing age of residents entering residential aged care facilities, the increasing prevalence of chronic and debilitating diseases in those residents and increasing the wealth of the elderly population. Table 3 provides an overview of these drivers:

Table 3 Key growth drivers of the residential aged care industry

<table>
<tr><th>Driver</th><th>Description</th></tr>
<tr><td>Growth in population aged 85 years or over</td><td>
The population aged 85 years and over is forecast to double by 2032 and again by 2046.

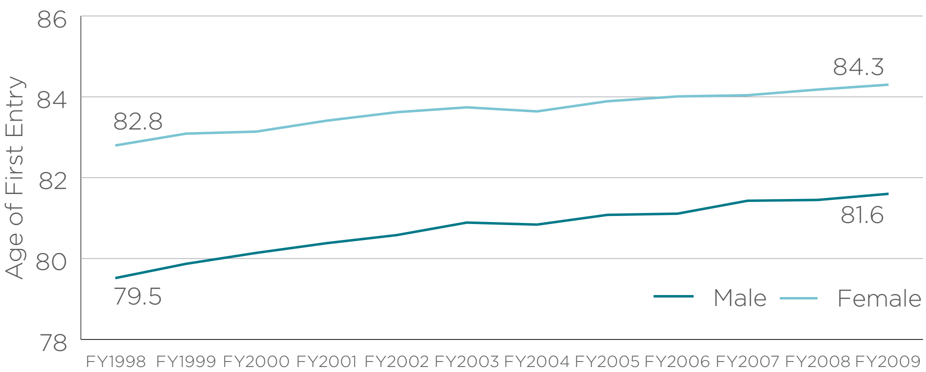
Chart 7 Projected population aged 85 years and over, FY2013 to FY2046[69]



</td></tr>
<tr><td>Increasing age of residents and higher care requirements</td><td>

- The average age at which individuals enter a residential aged care facility has increased from 79.5 years and 82.8 years for males and females respectively in FY1998, to 81.6 years and 84.3 years respectively in FY2009 (see Chart 8).
- Residents entering care at an older age are typically frailer, resulting in greater demand for higher levels of care.

Chart 8 Average age of resident admission[70]



</td></tr>
</table>

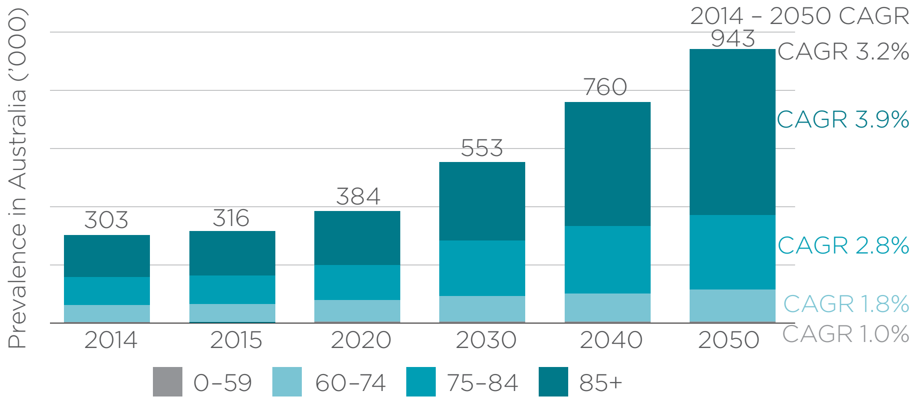
69 "Series 3222.0 Population Projections (Series A)", Australian Bureau of Statistics, accessed 19 June 2014

70 "Technical Paper on the changing dynamics of residential aged care prepared to assist the Productivity Commission Inquiry Caring for Older Australians", Department of Health and Ageing, April 2011

<table>
<tr><th>Driver</th><th>Description</th></tr>
<tr><td>Increasing prevalence of chronic and debilitating diseases</td><td>

- Older Australians suffering from chronic and debilitating diseases typically require care in a residential aged care facility as they need higher levels of care. The number of people suffering chronic and debilitating diseases is projected to increase as people live longer and societal and lifestyle factors promote more health-detrimental behaviours. For example, the prevalence of dementia is projected to grow by 3.2% per annum between 2014 and 2050, with the number of people aged 85 and over with dementia expected to increase from approximately 144,000 in 2014 to approximately 569,000 in 2050.

Chart 9 Forecast population with dementia by age[71]



</td></tr>
<tr><td>Increasing wealth</td><td>

- The average wealth of older Australians has steadily increased. Wealth per capita in Australia has increased in the last 10 years as more wealth is accumulated in superannuation (driven by mandatory contributions and tax concessions), and has been accompanied by real growth in residential house prices, with Australian residential property prices increasing by 4.6% CAGR between 2003 and 2013[72]. Increased wealth amongst older Australians may lead to greater capacity for residents to pay for residential aged care services.
- The ageing of the population has resulted in and is expected to continue to result in greater proportions of wealth held by older Australians[73].

Chart 10 Projected average family wealth by age group[74]

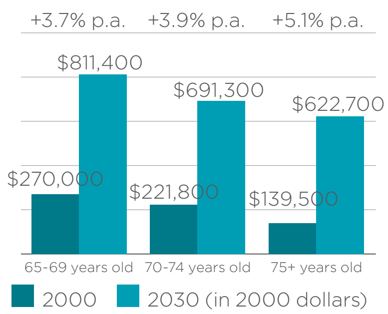
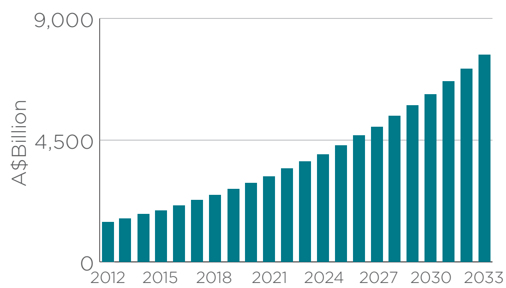


Chart 11 Projected superannuation assets[75]



</td></tr>
</table>

71 "Dementia Across Australia: 2011-2050", Deloitte Access Economics, 9 September 2011

72 "Australian Bureau of Statistics Series 6416.0 Table 1", accessed 3 August 2014

73 "Caring for Older Australians", Productivity Commission, January 2011

74 "Caring for Older Australians: Productivity Commission Inquiry Report Overview (No. 53)", Australian Government – Productivity Commission, 28 June 2011

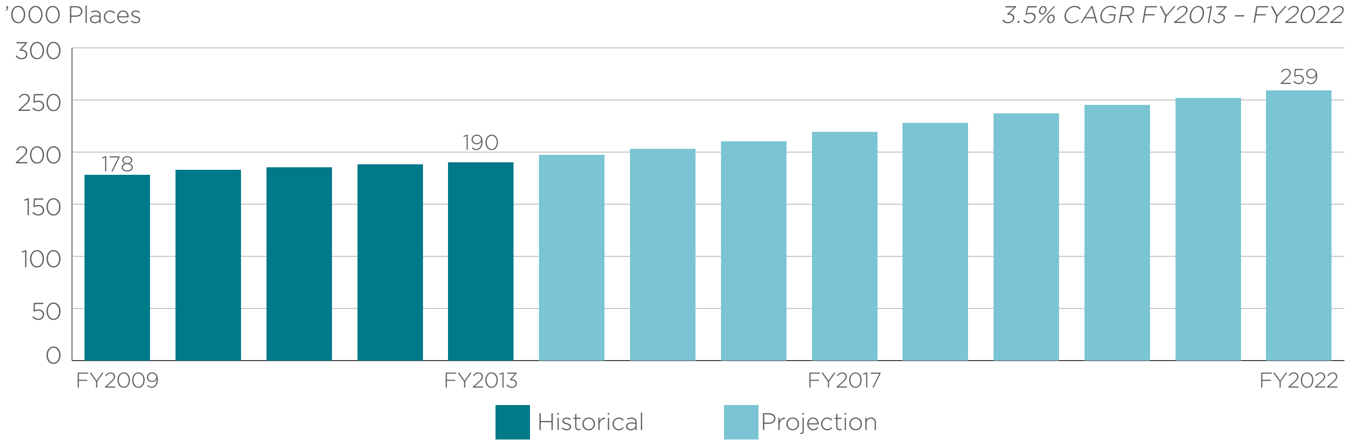
75 "Dynamics of the Australian Superannuation System – The next 20 years: 2012 – 2033", Deloitte Actuaries and Consultants Ltd, September 2013

2.2.2 Historical and forecast growth in total places

Growth in the number of places available in the industry is regulated by the Australian Government, with the release of places based in part on national planning benchmarks, State and Territory population projections and current service provision levels. Refer to Section 2.5 for further details.

The Department of Health estimates that the residential aged care industry will require approximately 259,000 places by FY2022 to meet the growing demand for services[76]. Increasing revenue per operating place is expected to result from continued demand for higher care services as well as increased resident contributions through accommodation payments and demand for extra services (refer to Section 4 for further details on resident contributions).

Chart 12 Historical and projected growth in total places[77]



2.3 Services provided by residential aged care providers

Residential aged care providers provide clinical care services, daily living services, accommodation services and extra services to residents. The majority of services are provided to residents permanently living in residential aged care facilities; however, services can also be provided to temporary residents (e.g. respite residents). Respite residents represent a small proportion of total industry residents (approximately 2.4% of all residents as at 30 June 2013[78]) and often later become permanent residents.

76 Based on Department of Health and Ageing analysis that the residential aged care industry will need to build 74,000 additional places over the next decade from FY2012. "Inaugural Report on the Funding and Financing of the Aged Care Sector", Aged Care Financing Authority, June 2013

77 "Report on Government Services Volume F Chapter 13"– Productivity Commission, Table 13A.23 (Historical places for FY2009 – FY2013); "Inaugural Report on the Funding and Financing of the Aged Care Sector", Aged Care Financing Authority, June 2013 (Projected places for FY2014 to FY2022)

78 "2012-13 Report on the Operation of the Aged Care Act 1997", Australian Government–Department of Social Services, 2013

Table 4 Summary of residential aged care services

Category	Services
Clinical care services	A continuum of care services is offered to residents to suit their health and care needs. Residential clinical care services focus on individual needs and preferences which can range from minimum levels of dependence on staff and care, through to 24 hour care by registered nurses and care staff. Services include the provision of wound management, complex care, behaviour and pain management, allied health services, nutrition and hydration, as well as maintaining a detailed clinical documentation process to manage care.
Daily living services	Daily living services cover the essential non-clinical care needs of residents living in residential aged care facilities. This includes cleaning, laundry, meals, and emotional, cultural and recreational activities.
Accommodation services	Accommodation services cover the provision of physical accommodation, furnishings, and bedding required by residents to live in a residential aged care facility. There is a broad range of accommodation offerings, from multi-bed dormitory style accommodation to large private rooms with ensuites and kitchenettes as well as accommodation for couples. Certain accommodation offerings are specifically designed and tailored to residents' care needs including dementia. Such accommodation is more secure and has additional protection for the residents.
Extra services	• Extra services comprise entertainment and lifestyle services provided to residents. These include choice of meals, alcoholic beverages with dinner, pay television, daily newspaper and amenities such as hairdressing, podiatry and massage. • At 1 July 2014, extra and/or additional services can be provided to residents under two types of arrangements: – as part of the services provided to a resident in a Dedicated Extra Service place; or – as a 'pay per use' service offered to all residents for an additional optional service fee. • A Dedicated Extra Service place is an allocated place that is licensed by the Australian Government. Approvals for Dedicated Extra Service places may be capped by the Minister to a maximum proportion of total residential aged care places in any State or Territory. Such caps do not restrict the allocation of Dedicated Extra Service places between facilities with providers permitted to have more than the maximum proportion of places in an individual facility as Dedicated Extra Service places[79]. Since the reforms came into effect, no new cap has been determined. If a resident enters into a Dedicated Extra Service place, they are required to pay an additional daily extra service fee. Residents in Dedicated Extra Service places cannot choose which extra services they are provided with; rather, they pay a set price for access to all extra services.

79 "Residential Care Manual 2014", Australian Government–Department of Social Services, 2014; Section 32 — 7 Aged Care Act (as currently in force)

2.4 Funding of residential aged care

Providers generate operating revenue and capital funding. The source of funding varies by type of service provided and the financial circumstances of the resident.

In FY2013, the Australian Government contributed $9.2 billion of funding (representing 71% of total industry operating revenue)[80], with the remaining 29% funded by residents.

Table 5 Sources of funding by service

	Clinical care services	Daily living services	Accomodation services	Extra services
Type of funding	• Operating revenue	• Operating revenue	• Capital (if paid in the form of a RAD) or operating revenue (if paid in the form of a DAP)	• Operating revenue
Source of funding	• Primarily Australian Government • Residents contribute if they have the means	• Resident	• Resident • If a resident does not have the means, the Australian Government pay an accommodation supplement to providers – capped and set by the Australian Government	• Resident
Price setting	• Subsidies determined by the Australian Government based on the clinical care needs of the resident • Contribution by residents who satisfy the means test is capped at annual and lifetime amounts	• Fees determined by the Australian Government • The basic daily fee is capped at 85% of the single basic age pension	• Fees determined by the provider • Consent of the Aged Care Pricing Commissioner is required to charge a RAD above $550,000	• Fees determined by the provider • Fees for Dedicated Extra Service places must be approved by the Aged Care Pricing Commissioner

2.4.1 Additional information on clinical care funding

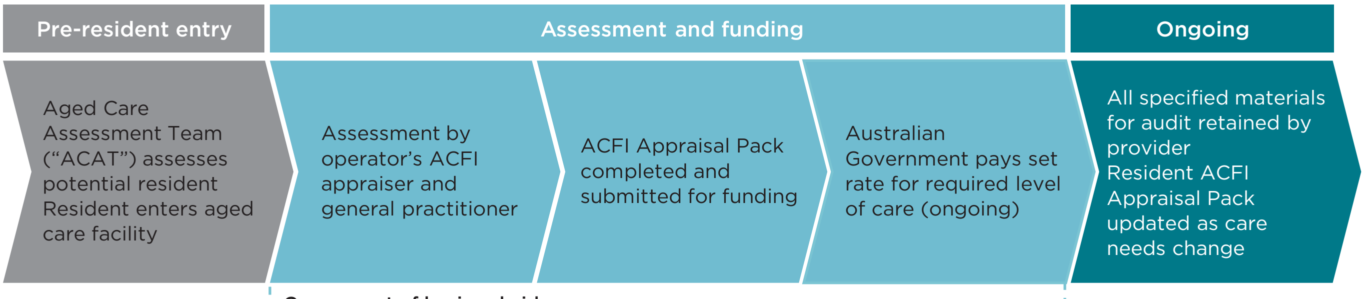
Clinical care funding is the largest source of operational funding for the residential aged care industry and is primarily funded by the Australian Government. The Australian Government provides funding via the basic subsidy and primary supplements.

The basic subsidy is the largest source of clinical care funding and provided $8.4 billion of operational funding to the industry in FY2013[81] The basic subsidy is paid per resident per day based on an Aged Care Assessment ("ACA"), where the care needs of the resident are assessed by the provider using the Aged Care Funding Instrument ("ACFI"). The ACFI uses information from 12 questions across three categories (activities of daily living, behaviour and complex health care) to determine a resident's care needs. Once admitted, a resident's ACA can be reassessed as their care needs increase. Effective 1 July 2014, the basic subsidy includes the Conditional Adjustment Payment ("CAP"), which before 1 July 2014 was paid separately (at 8.75% of the basic subsidy) to eligible providers.

80 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

81 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014; includes the Conditional Adjustment Payment

Diagram 2 ACFI funding process[82]



Component of basic subsidy

Rates per resident per day		Resident needs: Low	Med	High
Activities of daily living	• Nutrition • Mobility • Personal Hygiene • Toileting • Continence	$35.65	$77.61	$107.52
Behaviour	• Cognitive Skills • Wandering • Verbal Behaviour • Physical Behaviour • Depression	$8.14	$16.88	$35.20
Complex health care	• Medication • Complex Health Care	$16.04	$45.68	$65.96
Total		**Varies per resident up to a maximum of $208.68**		

The Australian Government regularly reviews ACFI funding rates. In FY2014, the ACFI rates for each category were increased by 1.7%[83] on the prior year and in FY2015F, the rate has increased by 4.3%[84], inclusive of a one-off 2.4% increase[85]. The Australian Government is targeting annual growth in its clinical care funding contribution of 2% to 3% above inflation[86] which would imply a 5% to 6% annual growth based on the rate of inflation in the consumer price index at 30 June 2014[87].

Australian Government funding also includes primary supplements which are paid by the Government for specific additional support services (e.g. administration of oxygen, enteral feeding) or respite residents. In FY2013, the Australian Government provided $217[88] million of operational funding via primary supplements.

Depending on their assets and income, residents may also be required to contribute towards the cost of their clinical care via the means tested care fee. For residents entering residential aged care from 1 July 2014, if they have assets less than $45,000 but annual income above $63,047.92, they will be required to pay the means tested

82 "Aged Care Subsidies and Supplements", Australian Government – Department of Social Services, 2015 rates

83 "Aged Care Subsidies and Supplements", Australian Government – Department of Social Services, 2013 to 2015 rates

84 "Aged Care Subsidies and Supplements", Australian Government – Department of Social Services, 2013 to 2015 rates

85 "2014 Budget Fact Sheet – Aged Care", Australian Government – Department of Social Services, 2014

86 "Welcome to the Aged Care Funding Instrument", Australian Government – Department of Health: http://www.health.gov.au/acfi website accessed 20 August 2014

87 "Measures of Consumer Price Inflation", Reserve Bank of Australia, inflation as at 30 June 2014 (ABS Cat No 6401.0)

88 "2012-13 Report on the Operation of the Aged Care Act 1997", Australian Government – Department of Social Services, 2013

care fee[89]. Equally, if they have annual income less than $24,835.20 but have assets above $154,179.20, they will be asked to pay the means tested care fee[90]. Payment of the means tested care fee by residents is subject to a current annual cap of $25,000 and a current lifetime cap of $60,000 in payments[91].

2.4.2 Additional information on accommodation funding

Residents entering residential aged care from 1 July 2014 who meet the relevant means test are required to make an accommodation payment to assist with the capital costs of maintaining and upgrading aged care facilities. The resident can elect to pay this as an upfront lump sum in the form of a RAD, a DAP or a combination of both.

Residents with annual income below $24,835.20 and assets below $45,000[92] are not required to make an accommodation payment. For these residents, the Australian Government pays an accommodation supplement to providers for their accommodation services.

Refundable Accommodation Deposits

RADs are a capital payment made by an incoming resident to the provider and are refunded to the resident or their estate when they leave the facility, or where the provider ceases to be the Approved Provider in respect of the facility. RADs are normally replaced with another RAD from an incoming resident (typically of a higher amount – refer to Chart 13 below).

RADs can be utilised by a provider for various permitted uses, including:

- funding capital expenditure on new or existing facilities;
- refunding other RADs;
- repaying debt accrued for the purpose of capital expenditure and acquisitions of aged care facilities; and
- funding reasonable business losses during the first 12 months of the provider's operation of a facility.

Providers are able to set their own RAD prices. A RAD priced above $550,000 requires the approval of the Aged Care Pricing Commissioner[93]. The maximum RAD must be advertised by the facility provider; however, a lower amount can be negotiated between the resident and the provider. Some of the factors that determine the value of a RAD can include:

- the location and quality of the facility;
- the nature of the place offered (e.g. a single occupant room with an ensuite bathroom is more likely to attract a higher RAD than a multi-bed shared room); and
- the level and quality of the services offered at the facility and resident demand for such facilities.

The average price of new accommodation bonds (equivalent to RADs prior to 1 July 2014) increased at a 12% CAGR between FY2006 and FY2014[94] and as at 29 July 2014, the average advertised new accommodation bond price was $355,035[95] representing approximately 64% of the average house price as at June 2014[96]. This reflects rising wealth of residents, demand-supply dynamics for residential aged care services, the higher cost of providing accommodation and increasing average house prices.

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89 "Information Booklet on Fees for Home Care Packages and Residential Aged Care for People Entering Care from 1 July 2014, Current as at May 2014", Department of Social Services; section 44-22 Aged Care Act 1997 (Cth); and "Schedule of Fees and Charges for Residential and Home Care: From 1 July 2014", Department of Social Services

90 "Information Booklet on Fees for Home Care Packages and Residential Aged Care for People Entering Care from 1 July 2014, Current as at May 2014", Department of Social Services; section 44-22 Aged Care Act 1997 (Cth); and "Schedule of Fees and Charges for Residential and Home Care: From 1 July 2014", Department of Social Services

91 "Schedule of Fees and Charges for Residential and Home Care: From 1 July 2014", Department of Social Services

92 "Information Booklet on Fees for Home Care Packages and Residential Aged Care for People Entering Care from 1 July 2014, Current as at May 2014", Department of Social Services; section 44-22 Aged Care Act 1997 (Cth); and "Schedule of Fees and Charges for Residential and Home Care: From 1 July 2014", Department of Social Services

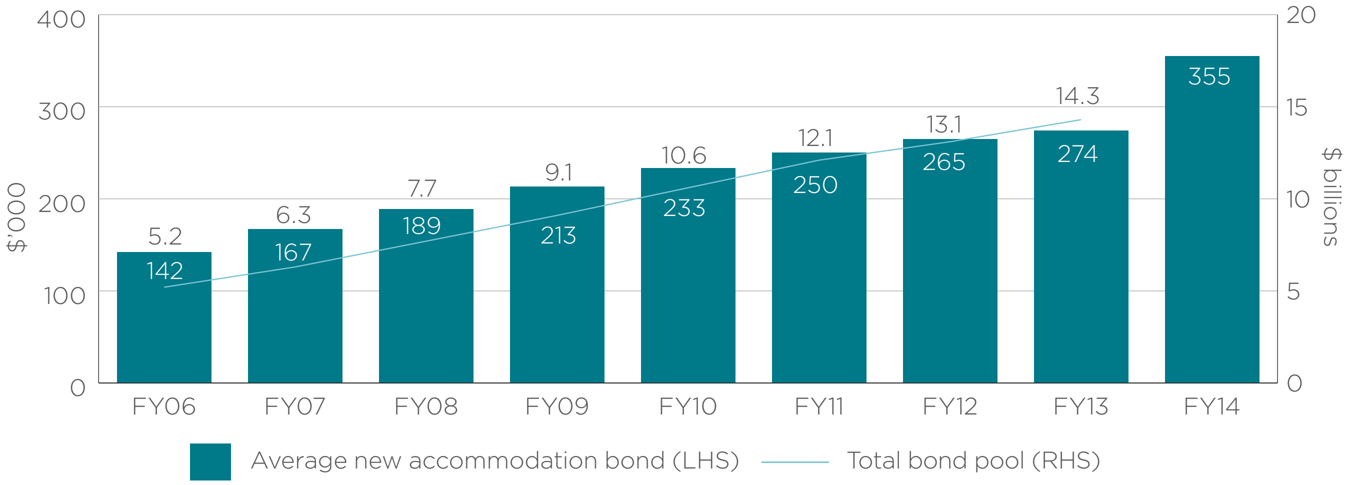
93 Aged Care Act 1997 (Cth), section 52G-3 and section 52G-4; and Aged Care (Subsidy, Fees and Payments) Determination 2014, section 110

94 Inaugural Report on the Funding and Financing of the Aged Care Sector", Aged Care Financing Authority, June 2013; "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

95 "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

96 "Series 6416.0 Residential Property Price Indexes", Australian Bureau of Statistics, accessed 28 September 2014

Chart 13 Historical average new accommodation bond prices per operating place and total bond pool[97]



RADs are a key source of value for providers because:

- any income (e.g. interest) generated from the RAD is retained by the provider;
- where an incoming resident pays a RAD that is higher than the RAD refunded to an outgoing resident, it generates additional cash flow for the provider (available to be used for the regulated permitted uses). This cash flow is not taxable; and
- they provide a source of interest free capital for expansion or debt repayment.

Daily Accommodation Payments

DAPs are calculated as the Maximum Permissible Interest Rate ("MPIR"), multiplied by the RAD amount as advertised by the provider, divided by 365 days in a year. The MPIR is set quarterly by the Australian Government, and is 6.63% per annum effective 1 October 2014[98].

Resident choice between RAD and DAP

Residents are free to choose to make their accommodation payment via a RAD, a DAP or a combination of both. Residents have 28 days after entering care to decide which payment option they will use. Estia believes new residents may consider a number of factors when considering to pay via a RAD, a DAP or a combination of both, including:

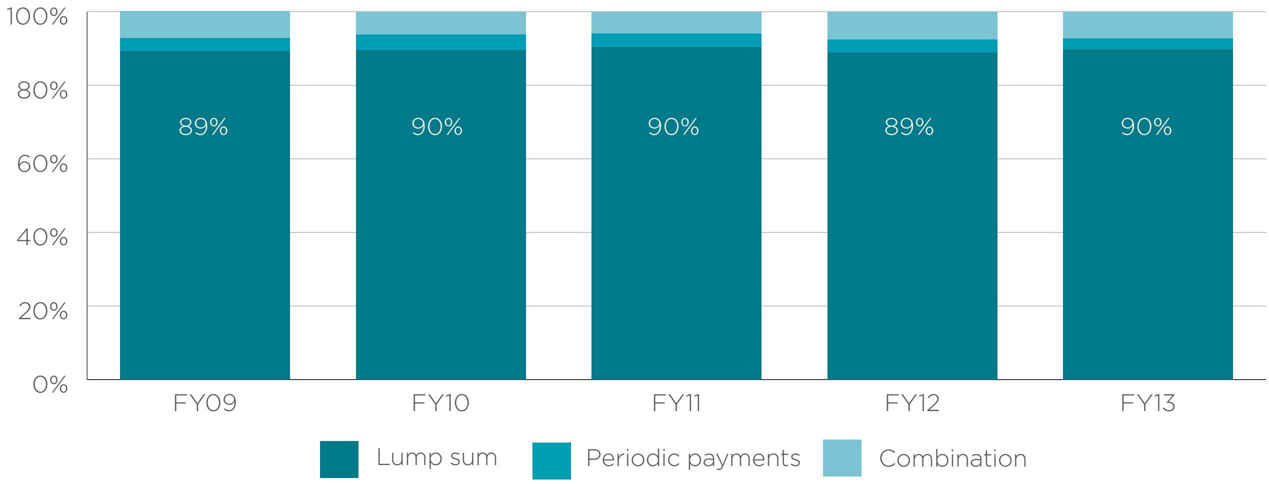
- annual after-tax income and ability to pay a DAP;
- level of assets (including a resident's primary residence) and ability to pay a RAD (the value of a RAD is excluded from assets for the purpose of determining an individual's eligibility to any Centrelink payments from the Australian Government); and
- the level of discount offered on the advertised RAD amount by the provider. A discount from the advertised RAD amount may make payment via RAD relatively more attractive than payment via DAPs, given that DAPs are calculated using the advertised RAD amount.

Before 1 July 2014, approximately 90% of accommodation payments made by low care or Dedicated Extra Service residents were made by way of an upfront lump sum payment.

97 "Inaugural Report on the Funding and Financing of the Aged Care Sector", Aged Care Financing Authority, June 2013 (FY2006-FY2011 average new accommodation bond prices); "2012-13 Report on the Operation of the Aged Care Act 1997", Australian Government–Department of Social Services, 2013 (FY2012-FY2013 average new accommodation bond prices); "Reports on the Operation of the Aged Care Act 1997" from 2006-2007 to 2012-2013, Australian Government – Department of Health (Total bond pool figures for FY2006 to FY2013); "2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014 (FY2014 average new accommodation bond prices)

98 "Schedule of Fees and Charges for Residential and Home Care: From 1 July 2014", Department of Social Services

Chart 14 Method of payment of accommodation bonds for low care and Dedicated Extra Service residents (as a percentage of all bond paying new residents) pre-1 July 2014[99]



2.5 Regulation

As is the case with the wider health care industry, the Australian residential aged care industry is highly regulated by the Australian Government. In order to operate aged care facilities that are eligible to receive Commonwealth subsidies under the Aged Care Act, providers must be approved by the Australian Government, hold allocated places issued by the Australian Government and ensure their facilities are accredited and certified to Australian Government standards. In addition, the recipient of care must (in most cases) be approved in respect of the type of aged care provided and be classified in respect of the level of care that is required. These areas of regulation are managed by various Government departments. The criteria and standards to meet and maintain these regulatory requirements are significant and create barriers to entry for providers to expand.

Table 6 Overview of key regulation

Regulatory requirement	Details
Approved Provider status	In order to receive Australian Government subsidies, a provider must be an approved provider under the provisions of the Aged Care Act. The assessment of an applicant's suitability to become an Approved Provider include the following: • ability and suitability to provide care; • experience of staff and management and their track record; • record of financial management; • ability to meet relevant standards for aged care; and • commitment to the rights of residents.
Allocated places	In order to receive Australian Government subsidies, a provider must hold an allocated place (one place per residential bed). Only providers approved under the provisions of the Aged Care Act may apply to the Department of Social Services for new issued allocated places or to acquire and transfer existing allocated places from another provider.

99 "2012-13 Report on the Operation of the Aged Care Act 1997", Australian Government – Department of Social Services, 2013

Regulatory requirement	Details
Allocated places (continued)	The number of new allocated places issued each year is regulated by the Australian Government. Prospective and existing Approved Providers may apply for new allocated places via the Aged Care Approvals Round ("ACAR"). The Government determines how many new allocated places are given to each Approved Provider having regard to factors including the needs in particular regions. Allocated places are also subject to such conditions as specified by the Secretary of the Department and are location and care service specific. Transfers of allocated places require the consent of the Secretary of the Department.
Facilities are accredited	Under the Aged Care Act, residential aged care facilities must be accredited in order to receive Australian Government subsidies. The Australian Aged Care Quality Agency (Government body) is an independent accreditation body that assesses facilities' performance against legislated standards. Accreditation is given for periods of one to three years. During the period of accreditation, facilities are subject to ongoing monitoring by the Australian Aged Care Quality Agency, which may conduct unannounced and announced audits.
Facilities are certified	A residential aged care facility must be certified by the Department of Social Services in order to charge accommodation payments.
Resident admission and documentation of their classification	An incoming resident must be assessed by an ACAT and be approved for care prior to admission in order to receive Australian Government subsidies. Once the resident is admitted, the Approved Provider assesses the level of care the resident requires (via standard assessment tools and ACFI checklists). Approved providers are accountable for their ACFI appraisals and must ensure that specified materials are retained as they are regularly audited.
Levels of care and services provided	The Australian Government regulates the minimum level of care and services that must be provided for residents for a given ACA. The ACA is based on the level of acuity of a resident.
Complaints handling	The Aged Care Complaints Scheme provides a free service overseen by the Australian Government for residents, related personnel and others to raise concerns about the quality of care or services being delivered to residents.
Other permits and licences	In addition to holding the necessary approvals and accreditations specific to the provision of residential aged care services, residential aged care facilities may also be required to hold other permits and licences to operate their facilities (depending on the States or Territories in which they operate). These include licences for the possession or administration of certain drugs and food business licences or registration certificates.

03.
COMPANY OVERVIEW

03. COMPANY OVERVIEW

3.1 Introduction

Estia is one of the largest private providers of residential aged care facilities in Australia by number of places with a portfolio of modern, high quality aged care facilities with an emphasis on self-funded residents in metropolitan areas with above average socio-economic backgrounds.

As of 1 October 2014, Estia had 3,203 places at 39 aged care facilities in Victoria, South Australia, New South Wales and Queensland. Estia has contracted to acquire a further 410 places at five facilities. Three of these facilities (230 places) are expected to be acquired prior to Completion of the Offer, and two facilities (180 places) are expected to be acquired by February 2015[100]. Following the acquisitions of these contracted facilities, Estia will operate 44 facilities in total – which would make it the fourth largest private provider of residential aged care facilities in Australia, based on the number of places of other operators as at the date of this Prospectus.

To complement its high quality facilities, Estia provides consistent, high levels of clinical care services and offers a wide range of extra services to its residents. Estia's management believes this business model is well suited to meet the increasing accommodation, care and lifestyle expectations of elderly Australians and to benefit from the regulatory changes in the industry that took effect on 1 July 2014.

Key portfolio statistics	
Number of facilities as at the date of this Prospectus	39
Number of facilities (including acquisitions expected to complete prior to Completion of the Offer)[101]	42
Additional facilities contracted to be acquired post Completion of the Offer[102]	2
Number of places (owned and contracted to be acquired)	3,613
Places with Dedicated Extra Service status	1,220
Percentage single rooms[103]	92%
Average facility size (number of places)	82
Occupancy for mature facilities[104] (August 2014)	94.2%
Total portfolio occupancy (August 2014)	90.0%
Average new RAD price[105]	~$310,000
Average FY2014 EBITDA/resident[106]	~$24,000
Average FY2014 ACFI per occupied place day[107]	$142

100 See footnote 10
101 Completion remains subject to customary closing conditions
102 See footnote 10
103 As a percentage of total number of rooms
104 Excludes facilities that are in ramp up stage
105 Based on August and September 2014 RADs
106 Pre corporate costs and non-recurring pro forma adjustments
107 Excludes the Conditional Adjustment Payment ("CAP"), which became part of the basic subsidy from 1 July 2014

3.2 Business history

Estia as it stands today was established via the merger of three residential aged care providers on 31 July 2014 (Lasting Changes/Estia Health, Padman Health Care and Cook Care – which were established in 2005, 1984 and 1987 respectively).

The merger combined leading aged care providers in Victoria (Lasting Changes), South Australia (Padman Health Care) and New South Wales and Queensland (Cook Care) to create one of Australia's largest and most geographically diverse private aged care providers, by number of places. Prior to the merger, each of these providers, on a standalone basis, had:

- a reputation for providing consistent, high levels of clinical care to residents and a strong compliance track record;
- limited geographic overlap with each other, holding strong positions in their respective local and State markets;
- a portfolio of modern facilities with a focus on single occupant rooms and extra services in metropolitan areas;
- experienced management teams; and
- a track record of growing the number of operated places through acquisitions, brownfield developments and/or greenfield developments.

Diagram 3 Estia business history

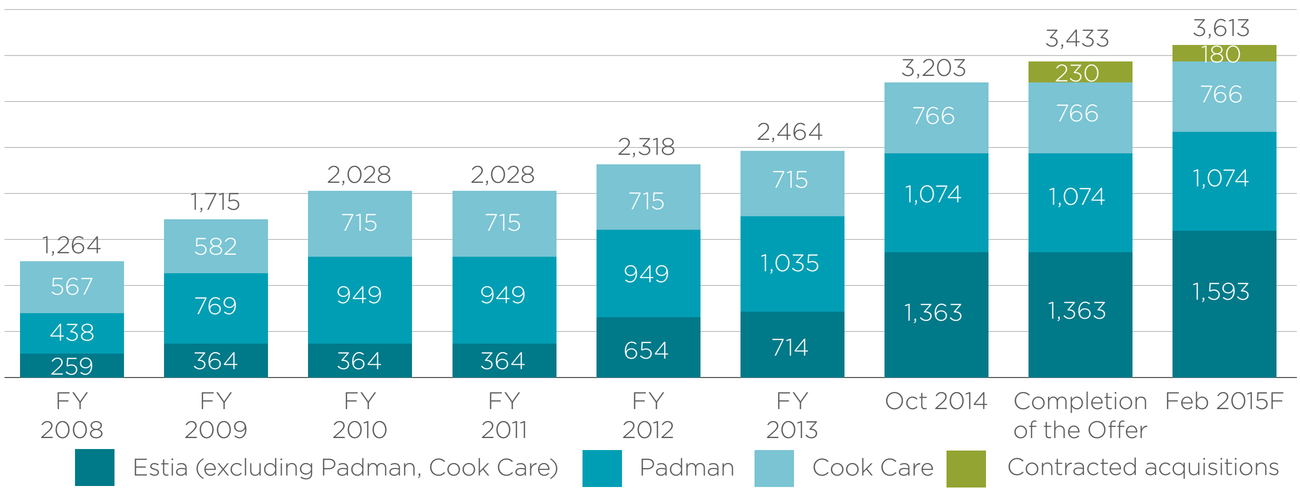
	Lasting Changes Aged Care Services / Estia Health	cookcare group	PADMAN HEALTH CARE
1980-1990		• Founded in 1987	• Founded in 1984 • Encounter Bay
1990-2000		• Albany Creek and Mona Vale constructed • Ryde re-developed	• Flagstaff Hill constructed • Kadina acquired
2000-2010	• Founded in 2005 following acquisition of Knoxville • Heidelberg West, Ringwood, Dandenong and Bentleigh acquired	• Willoughby, Manly and Southport constructed • Mona Vale, Albany Creek, Dalmeny, Mudgeeraba and Willoughby upgraded or extended	• Salisbury, Nambour, Strathalbyn and Golden Grove constructed • Craigmore and Aberfoyle Park acquired • Kensington Gardens redeveloped • Encounter Bay, Parkside, Kadina and Flagstaff Hill extended
2011	• Melton South acquired		• Daw Park constructed
2012	• South Morang and Werribee acquired		
2013	• Coolaroo, Ardeer, Oakleigh and Yarra Junction acquired • Quadrant Private Equity invests and acquires majority interest	• Epping constructed	• Lockleys constructed
2014	• Altona Meadows, Plenty Valley, Wodonga, Albury and Leopold acquired • Kensington Gardens refurbished • All three businesses brought together on 31 July 2014; Mercury Capital invests and acquires a minority interest • Five facilities contracted to be acquired, subject to customary closing conditions[109]		

Estia Health

108 See footnote 10

The aggregate number of places operated by Estia is set out in Chart 15:

Chart 15 Aggregate number of Estia's places[109]

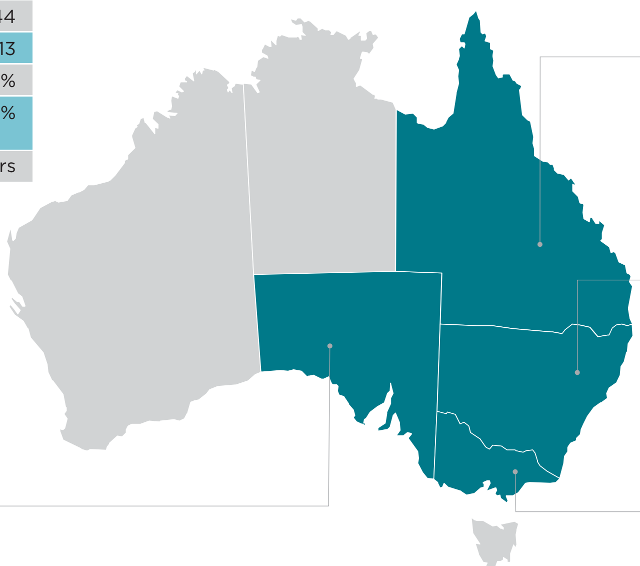


3.3 Estia's aged care facilities

Estia operates a portfolio of modern aged care facilities from which it provides residents with high quality clinical care services, daily living services, accommodation services and extra services.

Diagram 4 Map of Estia's facilities by State[110]

Number of facilities	44
Number of places	3,613
Percentage single rooms	92%
Percentage Dedicated Extra Service places	34%
Average age of facilities	~10 years



Queensland
- 4 facilities – 4 metropolitan
- 373 places
- 81% single rooms

New South Wales
- 7 facilities – 5 metropolitan, 2 regional
- 548 places
- 90% single rooms

South Australia
- 13 facilities – 10 metropolitan, 3 regional
- 1,069 places
- 97% single rooms

Victoria
- 20 facilities – 18 metropolitan, 2 regional
- 1,623 places
- 92% single rooms

109 Represents the aggregate number of places across Estia's businesses over this period

110 Based on Estia's facilities owned as at 1 October 2014 and those facilities contracted to be acquired by February 2015 (see footnote 10). Proportion of single rooms calculated by number of rooms. Facility age is calculated since the later of the build date or the last major redevelopment date

Chart 16 Places by State[111]

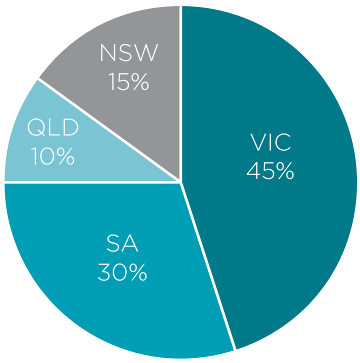


Chart 17 Places by status[112]

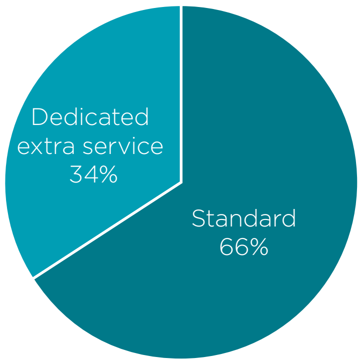


Chart 18 Rooms by type[113]

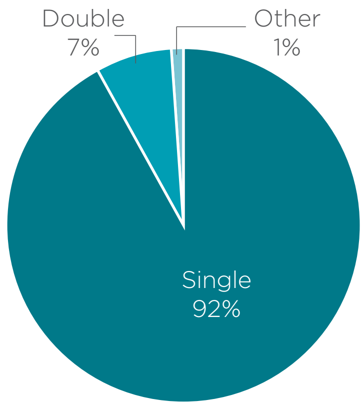


Table 7 provides an overview of Estia's portfolio of facilities. Further details on each of Estia's facilities can be found in Section 9.

Table 7 Location of Estia's facilities and key metrics as at 31 August 2014[114]

Facility	State	Location	Age (years)	Occupancy (Aug 2014)	Places	Avg RAD price	Places with RAD (%)	Dedicated Extra Service places	% single rooms
Altona Meadows	VIC	Metro	14	93%	90	$231,633	19%	–	94%
Ardeer	VIC	Metro	8	94%	55	$143,221	27%	–	59%
Bentleigh	VIC	Metro	19	92%	45	$181,039	80%	–	100%
Coolaroo	VIC	Metro	11	95%	60	$151,401	45%	–	100%
Dandenong	VIC	Metro	16	95%	60	$131,694	10%	–	67%
Heidelberg West	VIC	Metro	13	97%	45	$136,575	20%	–	100%
Knoxville	VIC	Metro	28	99%	54	$155,596	50%	–	92%
Leopold	VIC	Metro	11	95%	75	$113,241	57%	–	100%
Melton South	VIC	Metro	9	98%	100	$147,493	44%	40	100%
Oakleigh	VIC	Metro	17	88%	110	$181,746	2%	–	28%
Plenty Valley	VIC	Metro	12	98%	68	$192,560	50%	–	92%
Ringwood	VIC	Metro	14	96%	161	$215,212	57%	–	100%
South Morang	VIC	Metro	7	95%	120	$276,949	44%	–	100%
Werribee	VIC	Metro	14	97%	70	$184,274	1%	–	86%
Wodonga	VIC	Regional	8	83%	80	$178,539	79%	80	100%

111 Based on Estia's facilities owned as at 1 October 2014 and those facilities contracted to be acquired by February 2015 (see footnote 10)

112 Based on Estia's facilities owned as at 1 October 2014 and those facilities contracted to be acquired by February 2015 (see footnote 10)

113 Based on Estia's facilities owned as at 1 October 2014 and those facilities contracted to be acquired by February 2015 (see footnote 10)

114 Facility age is calculated since the later of the build date or the last major redevelopment date. Proportion of single rooms is calculated by number of rooms. The average RAD price represents the value of RADs as at 31 August 2014, net of retentions and/or agreed upon drawdowns.

Facility	State	Location	Age (years)	Occupancy (Aug 2014)	Places	Avg current RAD price	Places with RAD (%)	Dedicated Extra Service places	% single rooms
Yarra Junction	VIC	Regional	17	92%	91	$212,342	38%	–	96%
Albury	NSW	Regional	8	96%	80	$216,515	90%	80	100%
Dalmeny	NSW	Regional	5	94%	115	$246,818	30%	36	92%
Epping	NSW	Metro	1	76%	103	$571,404	47%	51	100%
Manly	NSW	Metro	7	99%	82	$425,662	84%	82	100%
Mona Vale	NSW	Metro	45	90%	54	n/a	–	–	50%
Ryde	NSW	Metro	23	98%	40	$180,000	3%	–	22%
Willoughby	NSW	Metro	8	96%	74	$434,614	84%	74	86%
Albany Creek	QLD	Metro	10	99%	71	$277,352	1%	–	44%
Mudgeeraba	QLD	Metro	6	74%	167	$169,377	37%	70	92%
Nambour	QLD	Metro	6	78%	75	$152,177	41%	61	100%
Southport	QLD	Metro	10	93%	60	$200,000	2%	–	50%
Aberfoyle Park	SA	Metro	16	95%	97	$130,993	39%	–	95%
Craigmore	SA	Metro	1	77%	125	$123,100	18%	–	100%
Daw Park	SA	Metro	4	99%	80	$166,071	79%	80	100%
Encounter Bay	SA	Regional	12	93%	121	$128,135	34%	55	100%
Flagstaff Hill	SA	Metro	7	94%	86	$163,699	91%	82	93%
Golden Grove	SA	Metro	5	89%	100	$176,263	73%	100	100%
Kadina	SA	Regional	9	89%	60	$138,900	5%	–	82%
Kensington Gardens	SA	Metro	1	80%	76	$352,632	63%	76	100%
Lockleys	SA	Metro	2	61%	86	$230,347	27%	86	100%
Parkside	SA	Metro	7	97%	40	$172,196	85%	40	89%
Salisbury	SA	Metro	8	84%	80	$148,485	71%	80	100%
Strathalbyn	SA	Regional	6	92%	47	$156,846	79%	47	100%
Owned as at 1-Oct-2014				**90%**	**3,203**	**$221,082**	**44%**	**1,220**	**92%**
Contracted acquisition #1	VIC	Metro	n/a	82%	101	n/a	37%	–	88%
Contracted acquisition #2	VIC	Metro	n/a	97%	120	n/a	59%	–	95%
Contracted acquisition #3	VIC	Metro	n/a	95%	58	n/a	76%	–	100%
Contracted acquisition #4	VIC	Metro	n/a	n/a	60	n/a	n/a	–	100%
Contracted acquisition #5	SA	Metro	n/a	97%	71	n/a	20%	–	92%
Pro forma as at Feb-2015				**90%**	**3,613**	**n/a**	**43%**	**1,220**	**92%**

3.3.1 Key features of Estia's facilities

Table 8 provides an overview of the key features of Estia's facilities, as well as relevant key performance indicators ("KPIs"). The KPI data provided is that of Estia's current 39 facilities. The five facilities contracted to be acquired[115] have characteristics broadly consistent with those for Estia's existing facilities.

Table 8 Overview of the features of Estia's facilities

Feature	Relevance	Estia metric
High standard of accommodation	Competitive advantage in: • generating demand from residents; • meeting accreditation and compliance standards; and • lower facility maintenance expenses	• 92% single rooms[116] • Average age of ~10 years[117]
Located in attractive catchment areas	• Metropolitan areas offer larger catchment areas and have concentration of residents with above average socio-economic backgrounds • This increases the ability for residents to pay for services, typically generating higher demand for places • Higher wealth residents have a greater capacity to pay for Dedicated Extra Service rooms or for optional extra services	• 32 of 39 facilities located in metropolitan areas
Generally located in clusters	• Allows facilities to benefit from economies of scale at a regional level	• Melbourne – 16 facilities • Adelaide – 12 facilities • Sydney – 7 facilities • Gold Coast/Brisbane/Sunshine Coast – 4 facilities
Capacity to provide optional extra services	• Provides opportunity to generate income from additional optional services • The standard of accommodation in a Dedicated Extra Service place must be significantly higher than the average standard in non-Dedicated Extra Service places. Dedicated Extra Service places must be located in facilities offering extra services	• 34% of places are Dedicated Extra Service places, as at 31 August 2014
Large network of facilities located in multiple States	• Scale provides capacity to invest in and improve systems and compliance procedures • Established positions in multiple States to support acquisition and development opportunities in each of these States	• 39 facilities *(44 post completion of contracted acquisitions)* • 3,203 places, as at 1 October 2014 *(3,613 post completion of contracted acquisitions)*

115 See footnote 10

116 As a percentage of total rooms

117 Calculated since the later of the build date or the last major refurbishment date

Feature	Relevance	Estia metric
Potential to increase RAD pool	• Management believes that facilities with single rooms located in metropolitan areas are more likely to attract RAD paying residents • Post 1 July 2014, providers are able to seek RADs from all residents who meet the means test criteria • RADs represent a source of interest free capital which can be used to fund growth	• 44% of Estia's places carry either an accommodation bond or a RAD as at 31 August 2014

3.4 Estia's aged care services and support functions

3.4.1 Services provided by Estia's facilities

Estia provides consistent, high levels of clinical care services and offers a wide range of optional extra services to its residents. In certain facilities with Dedicated Extra Service places, Estia also provides additional amenities to its residents.

Estia enters into a Resident Agreement with each new resident. The Resident Agreement sets out the services provided, fees payable and the rights and responsibilities of each party. If the resident is required to make an accommodation payment, they also enter into an accommodation agreement with Estia that covers such payment and how it is to be paid (whether in the form of a RAD, a DAP or a combination of both).

3.4.1.1 Clinical care services

Estia provides comprehensive clinical care services for each resident based on their individual needs. These services include 24-hour nursing care, personal care (help with dressing, bathing and maintaining continence), wound management, administering pharmaceuticals, physiotherapy and occupational therapy, and arranging on-site visits from external medical practitioners. This enables Estia to service residents with higher care needs.

3.4.1.2 Daily living services

At each of its facilities, Estia provides residents with a range of daily living services such as laundry, meals, recreational activities, emotional support and cleaning. Key aspects of Estia's service offering include:

- operating in-house meal and laundry services which enables Estia to have greater control over providing residents with the highest quality of services and offer residents a choice of meal options; and
- offering residents services that improve their experience and enhance their lifestyle, including exercise programs, mental stimulation programs, social events, spiritual guidance and outings.

3.4.1.3 Accommodation services

Estia provides its residents with modern, high quality accommodation services. As outlined in Section 3.3.1, 92% of Estia's rooms comprise single occupant rooms within facilities that have an average age of approximately 10 years[118].

3.4.1.4 Extra services

Estia provides extra services to residents in Dedicated Extra Service places, and additional optional services to residents that do not hold a Dedicated Extra Service place.

Estia holds licences to operate 1,220 Dedicated Extra Service places across its current facilities as at 31 August 2014 (34% of total places). These licences have been granted to Estia based on the room size being in excess of 25 square metres and Estia's ability to provide extra services to such residents (which includes choice of meals, pay television and wireless internet). Estia can charge residents in Dedicated Extra Service places up to approximately $70 per day depending on the facility, size of the room and range of services provided.

118 Since the later of the build date or the last major refurbishment date

Estia offers residents not in Dedicated Extra Service places a range of additional optional services including access to fitness centres, hairdressing salons, cinemas and cafeterias. These services are important in generating resident demand for Estia's facilities.

3.4.2 Estia's support functions

Estia's facilities are supported by a variety of functions both at the facility level and through a range of centralised national, state and regional functions. These functions enable each facility to focus on providing better quality care and operating more places efficiently and enable Estia to better manage operational risks. This also enables Estia to manage its financial performance and achieve its growth strategy.

Diagram 5 Estia support functions

3.4.2.1 Finance and Commercial

Finance

Estia operates a centralised finance system across all of its facilities that enables management to track key performance indicators including occupancy, revenue per operating place day and margins on a daily or weekly basis. The finance team is responsible for managing RAD and accommodation bond liquidity requirements, payroll and capital expenditures.

Information systems and IT

Estia operates a range of centralised, third party information technology ("IT") systems which capture resident information and data, and accommodation bond, RAD and DAP information for each resident. They also provide billing and financial reporting services and manage staff time, attendance and payroll. These systems:

- reduce operational risk for Estia as they provide direct visibility on clinical and non-clinical issues at each facility, as they arise;
- provide systems that each facility's Director of Nursing ("DON") can use to operate that facility more efficiently;
- enable Estia to create significant value from acquired facilities, as fixed costs associated with the systems are not replicated, to enable acquired facilities to operate more efficiently; and
- enable Estia to compare key performance and clinical data across the Estia Group, which, among other things, assists management in determining whether residents at a facility have been appropriately assessed and their care needs appropriately documented.

All systems and software are owned by third parties and licensed by Estia.

3.4.2.2 Risk and Quality

Estia manages a comprehensive quality program to ensure that residents receive a consistent, high standard of care and that Estia's facilities meet accreditation and certification requirements. By doing so, Estia is:

- able to maintain a reputation for care that generates demand for its facilities from potential new residents;
- better positioned to be awarded new places issued by the Australian Government via ACAR; and
- better positioned to be granted approval by the Australian Government for the transfer of existing places as a result of acquisitions.

The primary tool Estia uses to manage clinical quality outcomes is its clinical governance framework. This framework is set by Estia at a group level and implemented on a facility level by nurses and personal care attendants providing services to residents. Estia aims to have a consistent clinical governance framework and processes across all its facilities by the end of 2014.

The Australian Aged Care Quality Agency's legislated accreditation standards set out 44 indicators and the expected/required minimum outcomes for aged care facilities. In order to receive accreditation, a facility must meet all of those outcomes upon inspection (refer to Section 2.5). Estia's clinical governance framework aims to ensure all 44 indicators and outcomes are achieved. Estia regularly audits itself to ensure its facilities are meeting these standards. The DON at each facility is responsible for implementing Estia's clinical governance framework. They are supported by regional, State and national functions that assist DONs in maintaining accreditation and compliance.

3.4.2.3 Strategy and Development

Acquisitions and development

Estia operates a national business development team that is responsible for assessing and evaluating acquisition, brownfield and greenfield development and corporate partnership opportunities.

Sales and marketing

Nationally, Estia operates a single brand and a website that provides an overview of services provided and each facility. On a State basis, Estia operates with an admission manager in each State who is responsible for coordinating admissions and marketing to potential residents. Marketing activities are conducted in conjunction with each facility manager and include letter-box drops, information evenings and facility tours.

Estia's management believes that its single brand strategy following the merger of the component businesses on 31 July 2014, combined with the high quality of Estia's facilities, will create attractive brand recognition, value and trust in the aged care sector for Estia's services.

3.4.2.4 People and Communications

Human resources

Estia operates with a Group Head of Human Resources who manages Estia's recruitment, ensures Estia has an appropriate mix of staff to deliver services in a cost efficient manner, and manages career development opportunities for high performing staff, assisting with employee retention.

Communications

The Group Head of Engagement is responsible for all internal communications (e.g. residents, families, staff) and external communications.

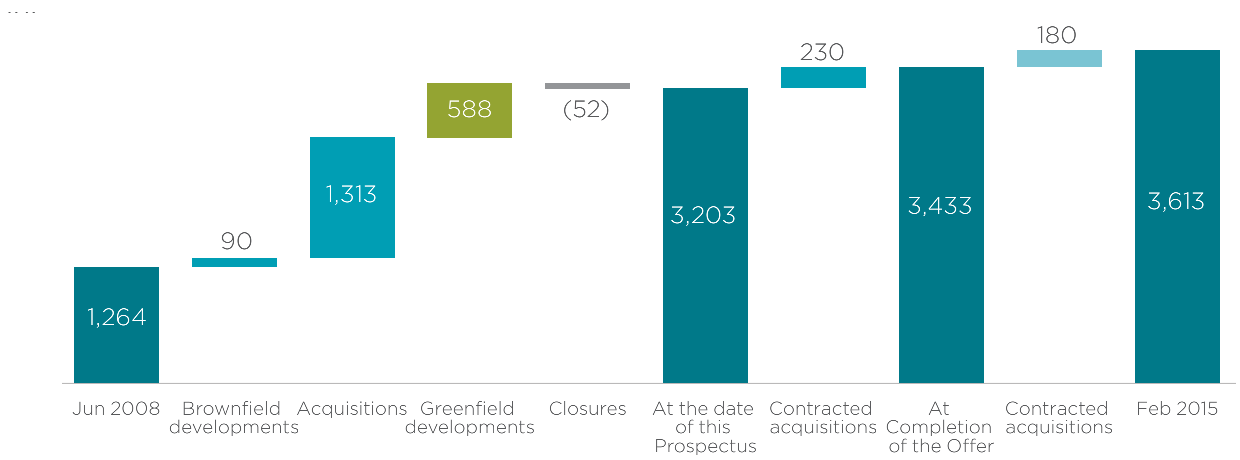
3.5 Estia's growth strategy

3.5.1 Introduction and overview

Estia is a leading residential aged care provider in Australia which aspires to operate 10,000 places over time. Estia intends to supplement organic growth with acquisitions, brownfield developments, corporate partnerships and greenfield developments. The current attributes of Estia's portfolio and the opportunities available for growth are expected to assist in securing capital to fund its growth strategy, including the ability to increase the size of its RAD pool.

Estia has a history of expanding its number of facilities and places. Over the six years from June 2008 to June 2014, Estia added 1,313 new places through acquisitions and 678 places through brownfield and greenfield developments. In addition, Estia has contracted to acquire a further five facilities encompassing 410 additional places, subject to customary closing conditions[119]. Following completion of those acquisitions, Estia will have added 2,349 places since June 2008 (including the closure of 52 places).

Chart 19 Historical growth in places[120]



Management believes that the scale of Estia's operations relative to other aged care service providers places Estia in a strong position to achieve continued growth, service the growing demand for residential aged care services, and pursue consolidation opportunities. Estia's growth strategy is summarised in Table 9.

3.5.2 Operational improvements

3.5.2.1 Occupancy

Estia seeks to maximise occupancy at each of its facilities through the employment of dedicated admissions managers for NSW, Queensland, Victoria and South Australia, local area marketing and setting of advertised RAD prices to manage demand from potential residents for all places. Where required, Estia may also accept residents who do not pay a RAD (e.g. residents who do not satisfy the relevant means test) in order to maximise occupancy.

From FY2012 to FY2014, Estia has consistently improved average occupancy across its portfolio of facilities. Estia has the opportunity to increase the occupancy at a number of facilities to the level of occupancy achieved at its mature facilities[121], which in August 2014 was 94.2%. In particular, Estia management believes it will materially improve occupancy at ten facilities which were developed as greenfield sites, have undergone major redevelopment or have undergone a change in strategy to prioritise occupancy.

119 See footnote 10

120 Completion of contracted acquisitions remains subject to customary closing conditions.

121 Excludes facilities that are in ramp up stage

Table 9 Historical and forecast occupancy at Estia's facilities

Occupancy	FY2012	FY2013	FY2014	Aug-14	FY2015F	CY2015F	
Mature facilities	**92.1%**	**93.2%**	**94.3%**	**94.2%**	**96.1%**	**96.5%**	
Facilities in ramp up:							
Kensington Gardens	97.4%	98.6%	92.3%	79.9%	94.6%	98.0%	Brownfield expansion; new places opened in June 2014
Craigmore	91.3%	91.1%	86.1%	76.7%	85.1%	91.8%	Currently undergoing brownfield expansion and renovation
Nambour	74.3%	73.1%	72.6%	78.4%	90.8%	96.5%	Change of strategy in FY2015F to prioritise occupancy ahead of RADs
Golden Grove	62.6%	65.2%	82.6%	89.1%	94.7%	97.0%	Change of strategy in FY2015F to prioritise occupancy ahead of RADs
Kadina	86.2%	85.4%	88.0%	88.8%	92.2%	96.7%	Undergoing brownfield expansion and renovation (since 2012)
Lockleys	n/a	n/a	39.5%	61.2%	83.2%	96.8%	New facility opened in November 2013
Mudgeeraba	70.1%	70.9%	75.2%	73.7%	91.1%	93.5%	70 new places opened in 2010; still in ramp up
Epping	n/a	n/a	59.5%	75.5%	92.0%	97.6%	New facility opened in December 2013
Dalmeny	72.6%	72.7%	84.2%	93.5%	95.9%	96.5%	Refurbished over FY2012 and FY2013
Southport	78.5%	90.1%	94.2%	93.3%	97.6%	97.5%	Brownfield expansion in FY2012
All facilities	**87.3%**	**88.5%**	**89.3%**	**90.0%**	**94.8%**	**96.3%**	

3.5.2.2 Quality improvements at recently acquired facilities

At each of its facilities, Estia regularly reviews residents' care needs to ensure they are accurately assessed and documented. Improved documentation and compliance standards may lead to some residents' care needs being reassessed and the amount of Australian Government funding received by Estia for services provided, changing.

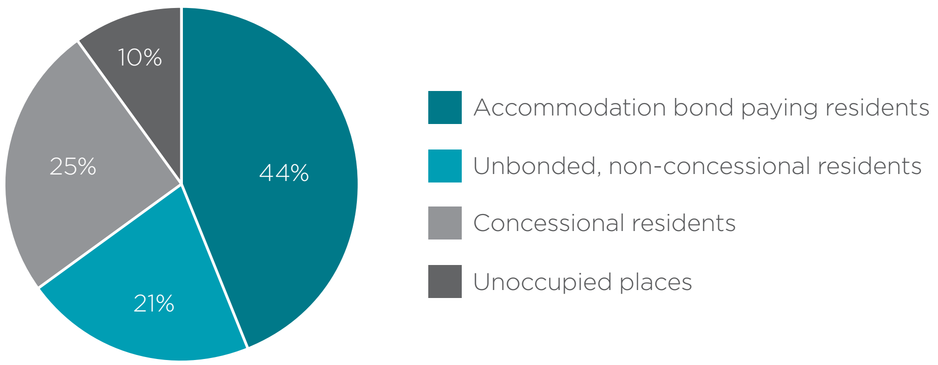
Historically, improved documentation and compliance standards have resulted in an increase in the basic subsidy received per occupied bed day by Estia. Chart 20 sets out the average uplift in the basic subsidy per occupied bed day in the nine facilities Estia acquired between FY2012 and FY2014:

Chart 20 Average ACFI per occupied place day uplift for acquired facilities between first and sixth months of Estia ownership[122]

3.5.2.3 RADs

As at 31 August 2014, Estia had received an accommodation bond or RAD for 44% of places. Following 1 July 2014, Estia has the ability to increase the number of residents that are charged a RAD (noting that concessional residents who do not meet the means test cannot be charged a RAD).

Chart 21 Estia's mix of residents (by places) at 30 June 2014



The above strategy, together with Estia's minimum advertised RAD price at 1 October 2014 of $245,000, provides a substantial potential source of capital funding for regulated permitted purposes over time (including aged care facility acquisitions, brownfield developments and greenfield developments).

Estia will also seek to ensure the prices of RADs appropriately reflect the relative standard of Estia's accommodation offering in each local area market and level of demand. Estia expects average increases in RAD prices across its facilities will be in line with the historical rate of growth in average new accommodation bond prices in the industry (which was 12% CAGR between FY2006 and FY2014)[123].

122 For nine facilities acquired by Estia between FY2012 and FY2014

123 "Inaugural Report on the Funding and Financing of the Aged Care Sector", Aged Care Financing Authority, June 2013; " 2014 Report on the Funding and Financing of the Aged Care Industry", Aged Care Financing Authority, July 2014

3.5.3 Acquisitions

Estia has a track record of growing through acquisition, having acquired 1,313 places since June 2008. Furthermore, Estia has contracted to acquire:

- three facilities with 230 places which will complete prior to Completion of the Offer; and
- a further two facilities with 180 places which will complete by February 2015[124],

each acquisition being subject to customary closing conditions.

Estia believes there is a large pipeline of opportunities for it to continue to grow via acquisitions and generate returns.

3.5.3.1 Size of acquisition opportunity set

In the States in which Estia currently operates, there are approximately 114,000 places that are not operated by one of the five largest for-profit residential aged care providers in those States. Within this opportunity set:

- approximately 10,700 places (9%) are operated by private providers, approximately 90,900 places are operated by non-private providers such as religious organisations, charities and community-based providers (80%) and 12,100 places are operated by the Government (11%); and
- approximately 42% of places are in New South Wales, 25% in Victoria, 22% in Queensland and 10% in South Australia.

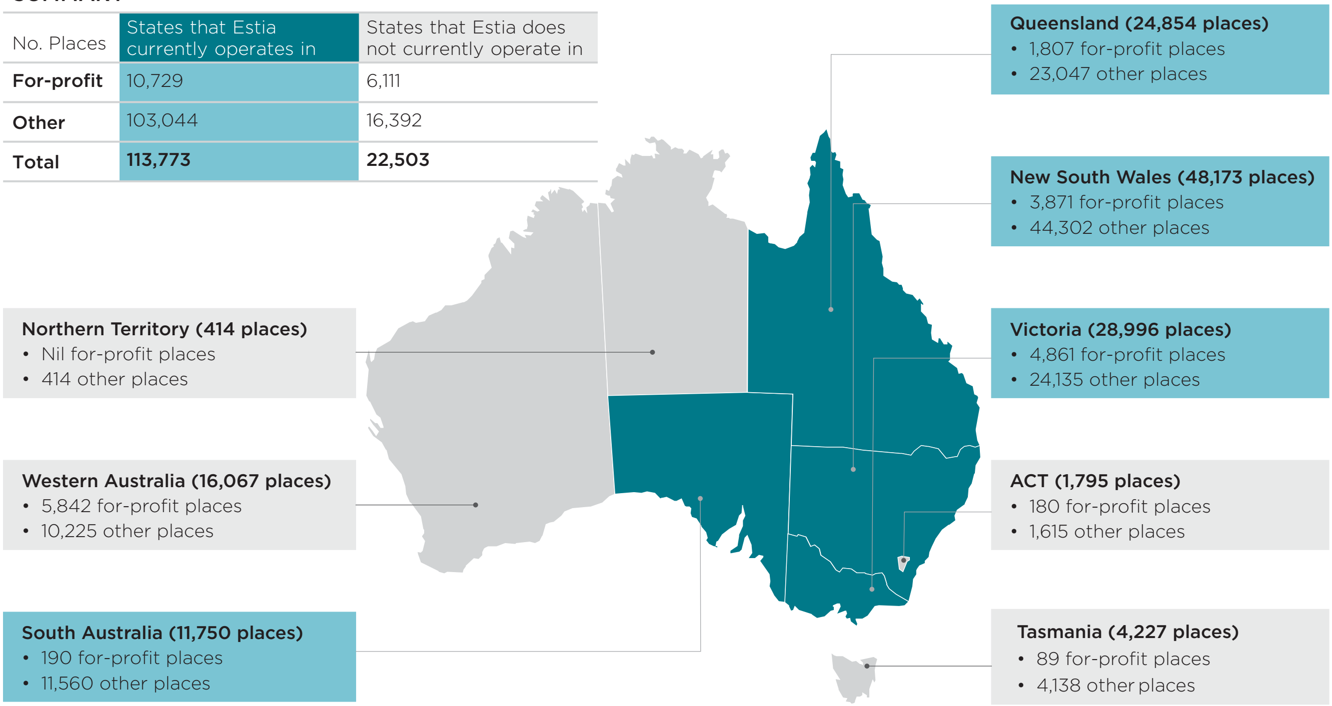
In States where Estia does not currently operate (Western Australia, Australian Capital Territory, Tasmania and Northern Territory), there are approximately 22,500 places which are not operated by one of the five largest residential aged care providers in those States.

Whilst not all of these places may meet Estia's acquisition criteria and be available for sale, Estia believes there is a large opportunity set of potential acquisition targets for it to consider. The diagram below outlines the distribution of potential acquisition targets across Australia:

Diagram 6 Potential acquisition opportunity set[125]

SUMMARY

No. Places	States that Estia currently operates in	States that Estia does not currently operate in
For-profit	10,729	6,111
Other	103,044	16,392
Total	**113,773**	**22,503**



124 See footnote 10

125 Aged Care Service List", Department of Health, 30 June 2013. 'Other' includes non-private providers (religious organisations, charities and community-based providers) and Government places.

3.5.3.2 Systematic process to screen acquisition opportunity set

Estia has an ongoing screening process to identify, execute and integrate acquisitions.

Diagram 7 Acquisition screening process

	ONGOING PROCESS			
	Opportunity identification	Hurdle rate analysis	Transaction execution	Acquisition integration
Key activitites	• Identify list of potential acquisitions • Source potential deals from external partners including brokers • Engage with relevant parties	• Screen identified potential acquisitions based on balanced assessment against acquisition criteria (outlined below)	• Execute acquisition agree structure and pricing based on initial screening assessments • Due diligence to confirm clinical and financial standards	• Operational integration with existing support systems • Implement operating initiatives
Who is involved?	• National team	• National team • State team	• National team • State team	• National team • State team
Acquisition criteria	**Property considerations** • Modern facility • High proportion of single rooms (or opportunity to convert to single rooms) • Located in large-catchment areas with large populations • Proximity to existing Estia facilities • Capable of supporting high care residents • Freehold property preferred • Minimum size of approximately 45 places		**Financial considerations** • Earnings uplift potential (from operating initiatives and benefits from Estia's scale and infrastructure, for example improved management of ACFI claims) • Opportunity to increase RADs where possible • Valuation meets Estia's requirements	

3.5.3.3 Value creation from past acquisitions

Past acquisitions have been made at attractive valuations and generated strong returns for Estia. Following an acquisition, Estia has historically been able to implement various operational improvements to quickly improve facility earnings. These have included increasing occupancy, improving identification and documentation of resident care needs, increasing other income and improving operational efficiencies.

3.5.4 Brownfield developments

Estia will seek to expand a number of its facilities to meet growing demand for residential aged care services. Estia generally considers brownfield developments to be an attractive growth lever and has a track record of successful brownfield developments. Estia seeks to ensure that brownfield developments have the potential to increase earnings from existing facilities, increase the overall level of RAD funding and provide attractive returns on capital.

3.5.4.1 Historical brownfield projects

In 2014, Estia completed a brownfield project at Kensington Gardens and commenced two brownfield projects at Kadina and Craigmore, both scheduled for completion in December 2015. The uplift in the value of accommodation bonds and/or RADs at each facility (as a result of the project) has exceeded or is expected to exceed the construction cost.

Diagram 8 Case study – brownfield expansion[126]

Kensington Gardens, South Australia	
Location	4 kilometres from CBD
Background	Originally a private residence constructed in 1930 and developed into an aged care facility in 2008. In response to high levels of demand for residential aged care services, Estia elected to expand the facility
Expansion	Extensions added new wing with an additional 24 places, all single rooms with ensuites and Dedicated Extra Service licences
Timing	Project planning commenced December 2012 (following the acquisition of two adjacent properties); construction was completed in 12 months; new development opened in late June 2014
Total cost	$3.4 million excluding land (~$142,000 per place)
Cash inflow from RADs	63% of places bonded RAD pricing of approximately $350,000 per place
Occupancy	80%

3.5.4.2 Brownfield project pipeline

Estia has identified opportunities for brownfield developments and redevelopments at 8 of its facilities. If executed, these developments would result in approximately 203 new places and 539 existing places being redeveloped. These opportunities are set out in Table 10 below.

Table 10 Brownfield development and redevelopment pipeline

		Number of places				
Facility	**State**	**Current**	**Brownfield development**	**Redevelopment**	**Total at completion**	**Status**
Bentleigh	VIC	45	55	45	100	Planning approved for redevelopment; construction expected to commence mid 2015
Coolaroo	VIC	60	76	–	136	Adjoining land acquired; planning approval required
Oakleigh	VIC	110	10	110	120	Planned redevelopment; planning approval required
Ryde	NSW	40	20	40	60	Planned redevelopment; planning approval required
Mudgeeraba	QLD	167	–	167	167	Planned refurbishment
Aberfoyle Park	SA	97	23	97	120	Planned redevelopment; planning approval required
Craigmore	SA	125	10	–	135	Currently under construction; estimated completion due end of 2015
Kadina	SA	60	9	60	69	Currently under construction; estimated completion due end of 2015
Total		**704**	**203**	**519**	**907**	

126 As at 31 August 2014

3.5.5 Greenfield developments

Where brownfield expansion is unable to meet the growing demand for services and acquisitions are not available or do not meet Estia's requirements, Estia may consider the development of greenfield facilities. Greenfield developments can be attractive; however, the acquisition of land, acquisition/award of licences, receipt of development and other regulatory approvals, as well as the time taken to construct and ramp up to profitable levels of occupancy can increase execution risk relative to other methods of portfolio expansion.

Two of Estia's facilities (Lockleys and Epping) were recently developed as greenfield sites and opened in December 2013. Both facilities have attracted strong resident demand and continue to increase their occupancy.

Diagram 9 Case study – greenfield expansion[127]

Epping, New South Wales	
Location	18 kilometres from CBD
Facility	103 large single private rooms, some with kitchenettes and/or ensuites. The facility includes a secure dementia care wing
Services	Includes a number of Dedicated Extra Service places and offers a number of service options including fine dining, beverage service, pay television, private function room and gymnasium
Timing	Project time of three years from 2011 including two years build time. Opened December 2013
Total cost	$36 million (including land)
Cash inflow from RADs/ accommodation bonds	$27 million, 47% of places bonded
Occupancy	76%

3.5.6 Corporate partnerships

In addition to brownfield and greenfield expansion, Estia proposes to seek to grow the number of places it operates by pursuing opportunities for strategic alliances or other corporate partnerships, for the purpose of acquiring interests in, or jointly operating residential aged care facilities.

127 As at 31 August 2014

3.6 Employees and community

3.6.1 Employees

Estia has approximately 3,700 full time, part time and casual employees across its 39 facilities. This large workforce is managed by a number of key personnel who have extensive experience in the aged care industry, particularly in the areas of management, operations, investment, corporate governance, development and capital management.

Of this workforce, approximately 2,700 employees are nurses and personal care attendants who provide care and other services to residents. Most of Estia's employees are represented by the Australian Nursing Federation and the Health Services Union and are employed under enterprise bargaining agreements, collective agreements and awards. Estia enjoys a strong working relationship with both unions. Human resources are managed at a State level and Estia's mandatory and voluntary education programs provide staff with continuous professional development.

3.6.2 Workplace health and safety

Estia is committed to the workplace health and safety (WH&S) of its employees and its residents. Estia employs a safety management system and a set of safety policies and procedures for all aspects of its business in accordance with relevant legislation.

Estia's objective is to minimise injuries and incidents and to reduce the costs associated with workers' compensation and asset protection. This culture is supported by Estia's practice of providing extensive training to employees, increasing managers' capabilities and competence and conducting regular audits of its facilities.

3.6.3 Risk and insurance

Estia has a comprehensive insurance program under which it is insured for risks including public and product liability and medical malpractice. Each policy is reviewed and market tested periodically. Estia believes that its insurance program is appropriate for the industry it operates in.

3.7 Accreditations and licences

Estia is an approved provider and holds places from the Australian Government for each of its facilities. Estia is in the process of applying to the Australian Government for approval for transferring the places at the five facilities it has contracted to acquire[128]. Such approvals are required before these acquisitions can be completed. In addition to holding the necessary approvals and accreditations specific to the provision of residential aged care services, Estia is also required to hold other permits and licences in order to operate its facilities.
These include:

- controlled substance licences in South Australia in order to administer prescription-only medicine (schedule 4 drugs) and drugs of addiction (schedule 8 drugs) under an imprest system (similar licences are not required in other states in which Estia operates); and
- food business licences or registration certificates in Queensland, New South Wales and Victoria (not required in South Australia, where food businesses only need to notify certain information to relevant authorities).

In deciding to certify a residential care service, the evaluation of the service will also include looking at whether there are proper fire protection and safety measures in place. A facility's certification score will depend on its ability to meet these requirements.

128 See footnote 10

04.
FINANCIAL INFORMATION

04. FINANCIAL INFORMATION

4.1 Introduction

The Financial Information contained in this Section 4 has been prepared in order to present potential investors in EHL with information to help them understand what the financial performance, financial position and cash flows of Estia would have been had the Estia Group, in its current form, operated since 1 July 2011 and to provide an indication of expected future performance.

The Directors have prepared Pro Forma Historical Financial Information based on the financial performance and cash flows of Estia as though the three businesses (the existing operations of the Lasting Changes Group (the predecessor of EHL), Padman and Cook Care) existed as a single operation before 1 July 2011. Organic growth of the underlying operations, such as single facility acquisitions or incremental operating places from developments, is presented from the date that the relevant additional operating places were acquired or became operational. The Pro Forma Historical Financial Information reflects the current corporate structure of the Estia Group which will be in place on Completion of the Offer. The financial information contained in this Section 4 includes:

- the pro forma historical financial information of Estia, being the:
  - pro forma historical results for the years ended 30 June 2012, 30 June 2013 and 30 June 2014 ("FY2012", "FY2013" and "FY2014", respectively) ("Pro Forma Historical Results");
  - pro forma historical cash flows for FY2012, FY2013 and FY2014 ("Pro Forma Historical Cash Flows"); and
  - pro forma historical statement of financial position as at 30 June 2014 ("Pro Forma Historical Statement of Financial Position"),

together "Pro Forma Historical Financial Information"; and

- the forecast financial information of Estia, being the:
  - statutory forecast income statement for the year ending 30 June 2015 ("FY2015F") and for the half year ending 31 December 2014 ("1H FY2015F") ("Statutory Forecast Income Statement"); and
  - statutory forecast cash flows for FY2015F and 1H FY2015F ("Statutory Forecast Cash Flows"), together the "Statutory Forecast Financial Information"); and
  - pro forma forecast income statement for FY2015F, 1H FY2015F, the 12 months ending 31 December 2015 ("CY2015F") and the half year ending 31 December 2015 ("1H FY2016F") ("Pro Forma Forecast Results"); and
  - pro forma forecast cash flows for FY2015F, 1H FY2015F, CY2015F and 1H FY2016F ("Pro Forma Forecast Cash Flows"),

together "Pro Forma Forecast Financial Information".

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information are referred to as the Forecast Financial Information. The Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information are referred to as the Pro Forma Financial Information. The Pro Forma Financial Information and the Forecast Financial Information are referred to as the Financial Information.

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The Financial Information in this section should be read in conjunction with the management discussion and analysis of the Pro Forma Historical Financial Information in Section 4.7, the Pro Forma Forecast Financial Information in Sections 4.8.3 and 4.8.4 and the general and specific assumptions and commentary underlying the Forecast Financial Information in Sections 4.8.1 and 4.8.2, in addition to the risk factors set out in Section 5 and the other information contained in this Prospectus.

All amounts disclosed in the tables below are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $0.1 million.

In reading Section 4 and Appendix A, you should note that RADs refers to both Refundable Accommodation Deposits and accommodation bonds, while DAPs refers to both Daily Accommodation Payments and daily accommodation charges.

4.2 Basis of preparation of the Financial Information

The Statutory Forecast Financial Information included in this Section 4 has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards ("AAS") (including the Australian Accounting Interpretations), issued by the Australian Accounting Standards Board ("AASB") which are consistent with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

The Pro Forma Financial Information has been prepared in accordance with the recognition and measurement requirements of AAS other than it includes adjustments which have been prepared in a manner consistent with AAS, but that reflect:

(i) the recognition of certain items, as set out in Section 4.2.1, in the periods different from the applicable period under AAS;

(ii) the exclusion of certain transactions, as set out in Section 4.2.1, that occurred in the relevant periods;

(iii) the inclusion of operations/assets and liabilities from the trusts comprising the Lasting Changes Group (the predecessor of EHL), and the trusts and companies comprising Padman and Cook Care prior to their acquisition by Estia Investments which did not constitute groups as defined in AASB 10 *Consolidated and Separate Financial Statements* prior to their acquisition by Estia Investments; and

(iv) the impact of certain transactions, as set out in Section 4.2.1, as if they occurred on or before 30 June 2014 in the Pro Forma Historical Financial Information or on or after 1 July 2014 in the Pro Forma Forecast Financial Information.

The Financial Information is presented in an abbreviated form and does not include all of the presentation, disclosures, statements or comparative information as required by AAS applicable to financial reports prepared in accordance with the Corporations Act.

Significant accounting policies of Estia relevant to the Financial Information are noted in Section 4.6 and are also disclosed in note 2 to the financial statements in the 30 June 2014 financial report of EHL, which was lodged with ASIC prior to the date of this Prospectus. The accounting policies of Estia have been consistently applied throughout the periods presented.

At 30 June 2014, EHL and the Estia Group had a net current asset deficiency of $89.0 million and $293.8 million respectively. The net current asset deficiency position is due to RADs being recorded as a current liability in accordance with AAS. The Directors believe that only a limited amount of RADs are likely to be required to be paid in the next 12 months and outgoings are generally replaced by new RAD inflows usually of a higher amount within a relatively short timeframe. However, notwithstanding the effect of the RAD balance in the calculation of the net current asset position, EHL and the Estia Group would still be in a net current asset deficiency position at 30 June 2014 of $11.4 million and $25.8 million respectively. Although there is a net current asset deficiency, as described in Section 4.4, the Directors believe that Estia will generate sufficient operating cash flows and have sufficient cash resources from new bank debt facilities to finance its ongoing operations, including meeting future interest payments on its borrowings based on the projected operating cash flows of Estia. Following Completion of the Offer and subsequent repayment of the existing bank debt facilities, Estia expects a pro forma 30 June 2014 net asset surplus of $577.1 million. The Financial Information has been prepared on a going concern basis. See Table 15, which sets out Estia's Pro Forma Historical Statement of Financial Position as at 30 June 2014.

The Financial Information presented in this Prospectus has been reviewed by Ernst & Young Transaction Advisory Services Limited ("EYTAS"), whose Independent Limited Assurance Report is contained in Section 8. The Independent Limited Assurance Report on the Forecast Financial Information has been prepared solely in connection with the Offer of Shares in Australia and has been intentionally omitted from the Institutional Offering Memorandum being distributed in the United States. Investors should note the scope and limitations of the Independent Limited Assurance Report (refer to Section 8).

4.2.1 Preparation of Pro Forma Historical Financial Information

This Prospectus includes Pro Forma Historical Financial Information to reflect the financial performance, financial position and cash flows of Estia as though the operations of EHL (and its predecessor, the Lasting Changes Group, which was acquired effective 1 October 2013), Padman (which was acquired effective 31 July 2014) and Cook Care (which was acquired effective 31 July 2014) existed as a single operation from 1 July 2011. The Pro Forma Historical Financial Information reflects the current corporate structure of the Estia Group which will be in place at Completion of the Offer.

The Pro Forma Historical Financial Information has been derived from financial information for each of EHL (and its predecessor, the Lasting Changes Group), Padman and Cook Care, as set out below. Investors should note that, as described in Section 4.2 above, because the operations of each of the Lasting Changes Group (in FY2012 and FY2013 and the first three months of FY2014) and Padman and Cook Care (in FY2012, FY2013 and FY2014) each operated under a series of trusts and companies, no consolidated financial statements exist for those groups for those periods.

Consolidated audited financial statements were prepared for EHL for the year ended 30 June 2014 which incorporated nine months of trading. These financial statements were audited by Ernst & Young in accordance with Australian Auditing Standards. For FY2012, FY2013 and the first three months of FY2014, Deloitte audited the financial statements of the trusts that comprised EHL's predecessor, the Lasting Changes Group in accordance with Australian Auditing Standards. In respect of Padman, the FY2012, FY2013 and FY2014 financial statements for the trusts and companies were audited by Perks Audit Pty Ltd in accordance with Australian Auditing Standards. In respect of Cook Care, other than as set out below, the FY2012, FY2013 and FY2014 financial statements of the trusts and companies were audited by Goodwin Chivas & Co. in accordance with Australian Auditing Standards.

The financial statements for FY2012, FY2013 and FY2014 for the trusts and companies comprising each of Padman and Cook Care included assets and liabilities (and results and cash flows therefrom) of the prior owners of Padman and Cook Care that EHL did not acquire or assume, in addition to the aged care facilities and other assets acquired and liabilities assumed by EHL in connection with the acquisitions. Financial statements representing only those assets and liabilities (and results and cash flows therefrom) acquired and assumed by EHL do not exist. Accordingly, the historical financial information for Padman and Cook Care included in the Pro Forma Financial Information has been derived from the financial statements and the underlying financial records of the Padman and Cook Care trusts and companies in order to include only those assets and liabilities (and results and cash flows therefrom) acquired and assumed by EHL. In addition, in respect of Cook Care, financial statements for certain of the trusts and companies did not exist for FY2012, FY2013 and FY2014; for such trusts and companies, the financial information included in the Pro Forma Historical Financial Information has been derived from management accounts and financial records of the relevant trusts and companies.

The sources of information for the Pro Forma Historical Financial Information are as follows:

- for EHL:
  - for FY2014, the audited statutory financial statements of EHL, which represent the financial performance of EHL for the nine months since the acquisition of the operating assets by Estia with effect from 1 October 2013. These financial statements were audited by Ernst & Young in accordance with Australian Auditing Standards; and
  - the audited aggregated financial statements of the four trusts comprising the Lasting Changes Group for the three months ended 30 September 2013, which represent the financial performance of that group for the three months prior to the acquisition of the operating assets by Estia with effect from 1 October 2013. These aggregated financial statements were audited by Deloitte in accordance with Australian Auditing Standards; and
  - for FY2013 and FY2012, the audited financial statements of the four Lasting Changes Group trusts that held the operating assets for those periods. The financial statements for each of the four trusts were audited by Deloitte in accordance with Australian Auditing Standards;
- for Padman:
  - the FY2014, FY2013 and FY2012 audited financial statements and underlying financial records of the trusts and companies that held the operating assets (among other assets and liabilities that Estia did not acquire or assume) comprising the Padman business prior to the acquisition of its operating assets by Estia on 31 July 2014. The financial statements were audited by Perks Audit Pty Ltd in accordance with Australian Auditing Standards; and
- for Cook Care:
  - the FY2014, FY2013 and FY2012 audited financial statements and underlying financial records of the trusts and companies that held the operating assets (among other assets and liabilities that Estia did not acquire or assume) comprising the Cook Care business prior to the acquisition of the operating assets by Estia on 31 July 2014. Some of the underlying trusts and companies were subject to audit by Goodwin Chivas & Co. in accordance with Australian Auditing Standards and other trust and company financial information was derived from underlying financial records.

For the purpose of the Pro Forma Historical Results, the information relating to the Lasting Changes Group assets acquired effective on 1 October 2013 and the Padman and Cook Care assets acquired on 31 July 2014 has been presented as if the acquisitions had occurred:

- on or before 1 July 2011, in the case of facilities that were owned by the Lasting Changes Group, Padman or Cook Care on that date; or
- if acquired or developed after 1 July 2011, on the actual date of acquisition.

In aggregating the Pro Forma Historical Financial Information, adjustments were made to reflect only the assets and liabilities that were acquired or assumed by the Estia Group. The assets and liabilities which are currently held by the Estia Group were previously held by their former owners in trust structures together with other assets and liabilities which have been excluded .

Consistent with this presentation, $11.4 million in costs relating to the acquisitions of the Lasting Changes Group, Padman, Cook Care and the transaction costs of the individual facilities that were recorded as expenses in EHL's financial statements have been removed.

The Pro Forma Historical Results and Pro Forma Historical Cash Flows also reflect a number of other adjustments to the underlying financial information that are designed to better reflect Estia's continuing business. These include:

- removing $1.4 million of FY2014 revenue relating to the dementia supplement that was introduced on 1 July 2013 and abolished on 31 July 2014;
- giving effect to the 60 year useful life estimate for buildings used by EHL, compared to 40 years reflected in the financial statements of Padman, Cook Care and the Lasting Changes Group, resulting in lower depreciation charges of $0.9 million in Estia's pro forma FY2014 EBIT; and
- certain other adjustments to align accounting policies.

The Pro Forma Historical Statement of Financial Position has been prepared to illustrate the impact of the acquisitions of Padman and Cook Care, Completion of the Offer and the use of proceeds from the Offer, assuming that each of these transactions had occurred as at 30 June 2014. The statement of financial position as at 30 June 2014 for EHL has been derived from the audited financial statements of EHL for FY2014. As a result of the acquisition of the Lasting Changes Group on 1 October 2013, the assets and liabilities acquired were recognised at fair value. The assets and liabilities of Padman and Cook Care have been derived from the audited financial statements or underlying financial records of each of the trusts and companies comprising the Padman and Cook Care businesses respectively, as described above, and such assets and liabilities have been adjusted to recognise them at fair value.

The Pro Forma Historical Financial Information has been presented before net interest expense and income tax because the Estia Group's corporate and capital structure following Completion of the Offer will be materially different from that in place during the period prior to Completion of the Offer. In particular, as outlined above, the assets which are currently held by the Estia Group were previously held by their former owners in trust structures together with other assets which were not acquired by Estia. As the assets were not held in a corporate structure and cannot be meaningfully presented on a pro forma basis given the number of hypothetical assumptions which would need to be made about the capital and tax structure and various funding alternatives which would have been available for Estia's growth activities had it existed in its current form at the time, the historical net interest expense and income tax expense are not a meaningful representation of Estia's future earnings profile. Similarly, the Pro Forma Historical Cash Flows in Section 4.5 have been presented to net cash flow before interest, tax and financing activities.

Section 4.12 shows the separate pro forma operating results and cash flows for each of Estia, Padman and Cook Care for FY2012, FY2013 and FY2014, together with the pro forma operating results and cash flows for Estia, prepared, in each case, on the basis set out above.

Investors should note that past results do not guarantee future performance.

4.2.2 Preparation of Forecast Financial Information

The Pro Forma Forecast Income Statement and Pro Forma Forecast Cash Flows for FY2015F and 1H FY2015F have been derived from the Statutory Forecast Income Statement and Statutory Forecast Cash Flows for FY2015F and 1H FY2015F, in each case, after adjusting for pro forma transactions and other adjustments to reflect Estia's operations following Completion of the Offer as set out in Sections 4.3 and 4.5.

The Forecast Financial Information has been prepared by the Directors based on an assessment of present economic and operating conditions and on a number of best estimate general and specific assumptions regarding future events and actions as set out in Section 4.8. This information is designed to assist investors in assessing the reasonableness of the assumptions and the likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

Estia believes the best estimate assumptions, when taken as a whole, are reasonable at the date of this Prospectus; however, there can be no guarantee that the assumptions will occur and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or material negative effect on Estia's actual financial performance or financial position. Accordingly, none of EHL, SaleCo, their directors or any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

Estia has no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law or the ASX continuous disclosure obligations.

In addition, the assumptions on which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which will be outside the control of EHL, SaleCo and their directors and are not reliably predictable. Investors are advised to review the material assumptions set out in Sections 4.8.1 and 4.8.2 in conjunction with the sensitivity analysis set out in Section 4.9 the risk factors set out in Section 5, the notes relevant to the Pro Forma Historical Financial Information included in Section 4.7 and all other information set out in this Prospectus. The Forecast Financial Information in Section 4.8 should be read in conjunction with the specific assumptions as set out in Section 4.8, the general assumptions as set out in Section 4.8.1, the sensitivities as set out in Section 4.9, the risk factors as set out in Section 5 and other information in this Prospectus.

4.2.3 Preparation of non-IFRS financial measures

Investors should be aware that certain of the financial measures included in this Prospectus may be considered non-IFRS financial measures.

EBITDA, EBIT, EBITDA margin and EBIT margin are non-IFRS key financial performance measures used by Estia, the investment community and Estia's Australian peers with similar business portfolios. Estia also uses EBITDA and EBIT for its internal management reporting, as it better reflects what Estia considers to be its underlying performance. EBITDA and EBIT are calculated by excluding some items which are included within the statutory net profit attributable to equity holders. They are not statutory financial measures and are not presented in accordance with AAS nor audited or reviewed in accordance with Australian Auditing Standards. Because they are not measures that are defined in AAS or any other body of accounting standards, they do not have a standardised meaning and the way Estia calculates them may be different to other companies that present similarly-titled measures.

EBITDA is reported before the following:

- interest revenue or expense (excluding interest income/settlement expense relating to RAD cash flow and finance costs);
- depreciation and amortisation; and
- income taxation expense.

EBIT is reported before the following:

- interest revenue or expense (excluding interest income/settlement expense relating to RAD cash flow and finance costs); and
- income taxation expense.

EBITDA margin is calculated as EBITDA as a percentage of revenue, whilst EBIT margin is calculated as EBIT as a percentage of revenue.

Net working capital is also a non-IFRS measure used by Estia and is the sum of current trade and other receivables, inventories and prepayments, less the sum of trade and other payables, current provisions and other current creditors.

4.3 Pro Forma Historical Results, Pro Forma Forecast Income Statement and Statutory Forecast Income Statement

Set out in Table 11 are Estia's Pro Forma Historical Results (including Estia, Padman and Cook Care) and Pro Forma and Statutory Forecast Income Statements, prepared in accordance with the basis of preparation set out in Sections 4.2.1 and 4.2.2, respectively. See Section 4.12 for an analysis of pro forma historical revenue and pro forma historical EBIT, in each case, for FY2012, FY2013 and FY2014. A reconciliation of statutory forecast NPAT to pro forma forecast NPAT for FY2015F and 1HFY2015F is set out in Table 14 below.

Table 11 Pro Forma Historical Results, Pro Forma Forecast Income Statement and Statutory Forecast Income Statement

		Pro Forma Historical Results			Pro Forma Forecast Income Statement		Statutory Forecast Income Statement
$ million	***Note***	**FY2012**	**FY2013**	**FY2014**	**FY2015F**	**CY2015F**	**FY2015F**
Revenue							
Basic subsidy	*1*	100.4	109.8	137.2	195.6	222.6	187.9
Other government income	*2*	12.1	13.9	15.6	13.7	10.3	13.1
Resident contributions	*3*	48.1	52.5	63.7	83.8	91.4	79.7
Other income	*4*	3.1	2.2	2.5	3.3	3.3	3.2
Total revenue		**163.7**	**178.4**	**219.0**	**296.4**	**327.6**	**283.9**
Staff costs	*5*	(100.7)	(108.1)	(134.0)	(175.2)	(191.9)	(168.2)
Resident care costs	*6*	(8.5)	(8.7)	(11.8)	(15.8)	(17.8)	(15.3)
Other costs	*7*	(18.0)	(20.8)	(26.3)	(35.2)	(38.1)	(64.8)
Total operating costs		**(127.2)**	**(137.6)**	**(172.1)**	**(226.2)**	**(247.8)**	**(248.3)**
EBITDA		**36.5**	**40.8**	**46.9**	**70.2**	**79.8**	**35.6**
Depreciation and amortisation	*8*	(7.6)	(7.0)	(8.5)	(9.6)	(9.7)	(9.0)
EBIT		**28.9**	**33.8**	**38.4**	**60.6**	**70.1**	**26.6**
Net interest income/(expense)					0.3	0.2	(22.7)
Net profit before tax					**60.9**	**70.3**	**3.9**
Income tax expense	*9*				(18.3)	(21.0)	(9.6)
Net profit after tax (NPAT)	*10*				**42.6**	**49.3**	**(5.7)**

Notes:

1. **Basic subsidy** represents Estia's entitlement to Australian Government funding under the ACFI and, for the period from FY2012 to FY2014, the CAP which, for those periods, was calculated as 8.75% of the funding entitlement under the ACFI. From 1 July 2014, the CAP was incorporated within payments under the ACFI.
2. **Other government income** represents additional income received from the Australian Government for the provision of additional support services to residents (e.g. oxygen or enteral feeding requirements) and Australian Government payments for supported residents. Estia received dementia supplement revenue in FY2014 amounting to $1.4 million. Under funding changes announced by the Australian Government on 26 June 2014, Estia stopped receiving dementia supplements from 31 July 2014. Dementia supplement revenue has been excluded in arriving at the FY2014 Pro Forma Historical Results. No dementia supplement was received in FY2012 and FY2013.
3. **Resident contributions** comprise resident payments for (i) accommodation: comprising accommodation charges, RAD retention revenue and interest income associated with accommodation bonds and, from 1 July 2014 onwards, DAP payments and interest income associated with RADs; (ii) care services: comprising fees charged to residents in respect of care and daily living services provided by Estia; and (iii) extra services: comprising fees charged to residents in respect of occupying a Dedicated Extra Service place (if applicable) or for receiving additional optional services.
4. **Other income** includes Australian Government funding for the provision of transitional care in relation to work performed on behalf of the Transport Accident Commission ("TAC"), and also includes rebates for work cover and training.
5. **Staff costs** include salaries and wages, leave entitlements and on-costs for permanent employees, casual employees and agency staff. The costs of executive and employee remuneration relating to short term and long term incentives are also reflected in staff costs.
6. **Resident care costs** include catering and food, laundry and cleaning costs and health consultancy costs.
7. **Other costs** include occupancy and rental expenses, including council rates and utilities the cost of head office premises, repairs and maintenance expenses as well as public company costs associated with being listed on the ASX for the forecast period.
8. **Depreciation and amortisation** includes the depreciation of Estia's property, plant and equipment over its useful life.
9. **A pro forma tax expense** rate of 30% has been applied which is the Australian corporate tax rate and is reflective of Estia's anticipated tax rate following Completion of the Offer. The statutory tax expense also reflects the tax effect of non-deductible amounts such as transactions and stamp duty costs on acquisition of facilities.
10. A reconciliation of pro forma forecast NPAT to statutory forecast NPAT for FY2015F and 1H FY2015F is set out in Table 14.

Set out in Table 12 below is a summary of Estia's key pro forma historical operating metrics for FY2012, FY2013 and FY2014, and the key pro forma forecast operating metrics for FY2015F and CY2015F. Analysis of these metrics is set out in Sections 4.8.3 and 4.8.4.

Table 12 Pro forma historical and pro forma forecast key operating metrics

	Pro forma historical			Pro forma forecast	
	FY2012	FY2013	FY2014	FY2015F	CY2015F
Number of facilities (end of year)	29	30	36	44	44
Operating place days	825,496	852,711	991,542	1,212,411	1,302,332
Average occupancy for all facilities	87.3%	88.5%	89.3%	94.8%	96.3%
Average occupancy for mature facilities[129]	92.1%	93.2%	94.2%	96.0%	96.5%
Average revenue per occupied place day ($)	227	237	247	258	261
Average ACFI per occupied place day ($)	128	134	142	156	163
Proportion of places bonded	39.7%	44.0%	44.2%	48.6%	48.3%
Staff costs as percentage of revenue	61.5%	60.6%	61.2%	59.1%	58.6%
Net RAD receipts ($, in millions)	21.0	22.1	50.6	32.7	22.8

129 Excludes facilities that are in ramp up stage

Set out in Table 13 below are Estia's Pro Forma Forecast Income Statement for the half years ending 31 December 2014 and 31 December 2015 as well as the Statutory Forecast Income Statement for the half year period ending 31 December 2014.

Table 13 Pro Forma Forecast Income Statement for 1H FY2015F and 1H FY2016F and Statutory Forecast Income Statement for 1H FY2015F

		Pro Forma Forecast Income Statement		Statutory Forecast Income Statement
$ million	***Note***	**1H FY2015F**	**1H FY2016F**	**1H FY2015F**
Revenue				
Basic subsidy	*1*	88.5	115.5	80.8
Other government income	*2*	8.6	5.2	7.9
Resident contributions	*3*	39.0	46.6	34.9
Other income	*4*	1.7	1.5	1.5
Total revenue		**137.8**	**168.8**	**125.1**
Staff costs	*5*	(81.4)	(98.0)	(74.4)
Residents care costs	*6*	(7.2)	(9.2)	(6.6)
Other costs	*7*	(16.4)	(19.7)	(45.0)
Total operating costs		**(105.0)**	**(126.9)**	**(126.0)**
EBITDA		**32.8**	**41.9**	**(0.9)**
Depreciation and amortisation	*8*	(4.6)	(4.7)	(4.0)
EBIT		**28.2**	**37.2**	**(4.9)**
Net interest expense		0.0	0.4	(23.0)
Net profit before tax		**28.2**	**37.6**	**(27.9)**
Income tax expense	*9*	(8.5)	(11.3)	0.4
NPAT		**19.7**	**26.3**	**(27.5)**

Notes: Refer to the notes to Table 11 above.

Table 14 sets out a reconciliation of statutory forecast NPAT to pro forma forecast NPAT for FY2015F and 1H FY2015F.

Table 14 Reconciliation of statutory forecast NPAT to pro forma forecast NPAT

$ millions	Note	FY2015F	1H FY2015F
Statutory forecast NPAT		(5.7)	(27.5)
July 2014 trading results for Padman	*1*	1.8	1.8
July 2014 trading results for Cook Care	*2*	1.3	1.3
Dementia supplement	*3*	(0.2)	(0.2)
Incremental full year public company costs	*4*	(0.4)	(0.4)
Padman and Cook Care transaction costs	*5*	3.7	3.7
Stamp duty costs on acquisitions of facilities	*6*	24.1	23.2
Offer costs expensed	*7*	3.0	3.0
Change in financing structure, interest expense	*8*	23.0	23.0
Income tax expense differential	*9*	(8.7)	(8.9)
Other (e.g. one off) costs	*10*	0.7	0.7
Pro forma NPAT		**42.6**	**19.7**

Notes:
1. **July 2014 trading results for Padman** – Estia acquired Padman's aged care operations on 31 July 2014. The pro forma forecast FY2015F NPAT for Estia reflects a full year ownership of Padman, while the statutory forecast FY2015F NPAT for Estia includes post acquisition earnings for the 11 months trading up to 30 June 2015. The $1.8 million of pro forma forecast FY2015F NPAT reflects the July 2014 trading results for the Padman assets acquired by Estia.
2. **July 2014 trading results for Cook Care** – Estia acquired Cook Care's aged care operations on 31 July 2014. The pro forma forecast FY2015F NPAT for Estia reflects a full year ownership of Cook Care, while the statutory forecast FY2015F NPAT for Estia includes post acquisition earnings for the eleven months trading up to 30 June 2015. The $1.3 million of pro forma forecast FY2015F NPAT reflects the July 2014 trading results for the Cook Care assets acquired by Estia.
3. **Dementia supplement** – Estia received dementia supplements in the first month of FY2015F. Under funding changes announced by the Australian Government on 26 June 2014, Estia stopped receiving dementia supplements from 31 July 2014. The Statutory Financial Information includes dementia supplements for the period from August 2013 to July 2014, after which this income ceases. The impact of these changes has been adjusted in arriving at the FY2015F pro forma forecast NPAT. Estia received $1.4 million of dementia supplement income in FY2014, and $0.2 million in statutory forecast FY2015F NPAT.
4. **Incremental full year public company costs** – Statutory forecast FY2015F NPAT includes $0.5 million of incremental cost relating to operating as a listed company for the portion of the year following Completion of the Offer. Pro forma forecast FY2015F NPAT includes a total of $0.9 million (an additional $0.4 million) of incremental cost relating to operating as a listed company which represents a full year cost.
5. **Padman and Cook Care transaction costs** – Statutory forecast FY2015F NPAT includes $3.7million of transaction costs and external advisory fees, associated with Estia's acquisition of Padman and Cook Care's aged care operations in July 2014. These costs are not included in the Pro forma forecast results.
6. **Stamp duty costs on acquisitions of facilities** – Statutory forecast FY2015F NPAT includes $24.1 million (1HFY2015F includes $23.2 million) of stamp duty costs incurred by Estia as part of the acquisition of Padman ($9.1 million in statutory forecast FY2015F NPAT), Cook Care ($9.9 million in statutory forecast FY2015F NPAT) and other facility acquisitions forecast to be acquired in FY2015F ($5.1 million in statutory forecast FY2015F NPAT).
7. **IPO transaction costs expensed** – Total costs of the Offer are estimated at $35.3 million, of which $3.0 million is expensed in Estia's Statutory Forecast FY2015F NPAT. The remaining $32.3 million is directly attributable to the issue of Shares under the Offer and hence will be offset against equity raised upon the Completion of the Offer.
8. **Change in financing structure, interest expense** – Estia will incur interest expense for the portion of FY2015F prior to Completion of the Offer, which is reflected in the statutory forecast NPAT. Estia's capital structure will significantly change following the repayment of its borrowings from proceeds of the Offer. The pro forma forecast FY2015F interest expense and NPAT reflect the post Offer capital structure had it been in place for the full year.
9. **Income tax expense differential** – The expected income tax rate applicable to Estia is 30%. The tax impact of the above adjustments has been reflected as part of this adjustment based on the pro forma net profit before tax, with an adjustment to reflect non-deductible amounts such as transaction costs and stamp duty on acquisitions of facilities.
10. **Other (e.g. one-off costs)** – Estia's statutory forecast FY2015F NPAT includes one-off restructuring and redundancy costs of $0.7 million, which are not included in Estia's pro forma FY2015F NPAT.

4.4 Pro Forma Historical Statement of Financial Position

Set out below is Estia's Pro Forma Historical Statement of Financial Position as at 30 June 2014, prepared in accordance with the basis of preparation set out in Section 4.2.1, and which sets out the pro forma adjustments that have been made to the audited historical consolidated statement of financial position for Estia as at 30 June 2014.

The pro forma adjustments include the impact of the operating and capital structure that will be in place immediately following Completion of the Offer as if these events had occurred and the capital structure was in place as at 30 June 2014 and the acquisition of Padman and Cook Care, which Estia acquired subsequent to 30 June 2014.

On Completion of the Offer, Estia will use the proceeds from the Offer to pay:

- amounts owing by Estia under its existing debt in place immediately prior to Completion of the Offer (including debt break fees and associated derivative financial instruments) and redemption of Loan Notes and Redeemable Preference Shares held by certain Existing Shareholders as set out in Section 4.4.1; and
- other transaction advisory fees, costs and expenses arising in connection with the Offer.

The pro forma adjustments also include assumptions relating to the Offer which include matters which had not occurred and were assumed at the Prospectus Date.

In particular, cash and cash equivalents in the Pro Forma Historical Statement of Financial Position have been adjusted to reflect the impact of the Offer, the use of proceeds from the Offer and the refinancing arrangements as if they took place as at 30 June 2014, in accordance with ASIC Regulatory Guide 228 paragraph 92, and as such cash and cash equivalents are not adjusted for various anticipated cash requirements of the business between 30 June 2014 and Completion of the Offer. The resulting cash and cash equivalents balance is not reflective of management's target cash position at Completion of the Offer which is $5 million.

At 30 June 2014, EHL and the Estia Group had a net current asset deficiency of $89.0 million and $293.8 million respectively. The net current asset deficiency position is due to RADs being recorded as a current liability in accordance with AAS. The Directors believe that only a limited amount of RADs are likely to be required to be paid in the next 12 months and outgoings are generally replaced by new RAD inflows of a higher amount. However, notwithstanding the effect of the RAD balance in the calculation of the net current asset position, EHL and the Estia Group would still be in a net current asset deficiency position at 30 June 2014 of $11.4 million and $25.8 million respectively. Although there is a net current asset deficiency, the Directors believe that Estia will generate sufficient operating cash flows and have sufficient cash resources from new bank debt facilities to finance its ongoing operations, including meeting future interest payments on its borrowings based on the projected operating cash flows of Estia. Following Completion of the Offer and subsequent repayment of the existing bank debt facilities, Estia expects a pro forma 30 June 2014 net asset surplus of $577.1 million. The Financial Information has been prepared on a going concern basis.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of Estia's view on its future financial position.

Table 15 Pro Forma Historical Statement of Financial Position as at 30 June 2014

		Pro forma as at 30 June 2014						
$ million	*Note*	EHL[1]	Acquisition of Padman	Acquisition of Cook Care	Estia pre Completion of Offer	Proceeds from the Offer	Repayment of debt	Estia post Completion of Offer
Current assets								
Cash and cash equivalents		3.6	–	–	3.6	502.1	(421.2)	84.5
Trade and other receivables		1.4	0.4	1.2	3.0	–	–	3.0
Inventories		–	–	–	–	–	–	–
Other current assets		3.2	–	0.1	3.3	–	–	3.3
Total current assets		**8.2**	**0.4**	**1.3**	**9.9**	**502.1**	**(421.2)**	**90.8**
Non-current assets								
Property, plant and equipment	*8*	76.1	118.4	76.6	271.1	–	–	271.1
Goodwill	*2,3*	150.0	138.8	145.6	434.4	–	–	434.4
Other intangible assets	*9*	28.4	25.7	22.1	76.2	–	–	76.2
Other non-current assets		3.8	1.3	0.9	6.0	9.3	–	15.3
Total non-current assets		**258.3**	**284.2**	**245.2**	**787.7**	**9.3**	**–**	**797.0**
Total assets		**266.5**	**284.6**	**246.5**	**797.6**	**511.4**	**(421.2)**	**887.8**
Current liabilities								
Trade and other payables		9.1	2.8	3.0	14.9	–	–	14.9
Accommodation bonds (RADs)	*7*	77.6	98.5	91.9	268.0	–	–	268.0
Current borrowings	*2,3,6*	2.7	2.3	1.2	6.2	–	(6.2)	–
Provisions		6.5	2.9	2.4	11.8	–	–	11.8
Other current liabilities	*5*	1.3	1.5	–	2.8	–	(1.3)	1.5
Total current liabilities		**97.2**	**108.0**	**98.5**	**303.7**	**–**	**(7.5)**	**296.2**
Non-current liabilities								
Non-current borrowings	*2,3,6*	112.8	154.5	139.7	407.0	–	(407.0)	–
Provisions		1.9	1.5	0.4	3.8	–	–	3.8
Other non-current liabilities		0.8	9.6	0.3	10.7	–	–	10.7
Total non-current liabilities		**115.5**	**165.6**	**140.4**	**421.5**	**–**	**(407.0)**	**14.5**
Total liabilities		**212.7**	**273.6**	**238.9**	**725.2**	**–**	**(414.5)**	**310.7**
Net assets		**53.8**	**11.0**	**7.6**	**72.4**	**511.4**	**(6.7)**	**577.1**
Shareholders' equity								
Contributed equity	*4*	68.3	11.0	7.6	86.9	513.5	–	600.4
Reserves		–	–	–	–	–	–	–
Retained earnings	*6*	(14.5)	–	–	(14.5)	(2.1)	(6.7)	(23.3)
Total shareholders' equity		**53.8**	**11.0**	**7.6**	**72.4**	**511.4**	**(6.7)**	**577.1**

Notes:
1. Represents the actual balance sheet of EHL extracted from the audited financial statements of EHL for the year ended 30 June 2014.
2. On 31 July 2014 Estia acquired the business and net assets of Padman for consideration of $167.8 million. The purchase consideration was funded through vendor and bank debt amounting to $154.5 million ("Padman Acquisition"). Associated with the Padman Acquisition, additional equity was raised amounting to $11 million in order to part fund the Padman Acquisition. The current and non-current borrowings shown for Padman represents the debt incurred by EHL to fund the Padman Acquisition. The goodwill shown for Padman represents the goodwill arising upon completion of the Padman Acquisition.
3. On 31 July 2014 Estia acquired the business and net assets of Cook Care for consideration of $148.5 million ("Cook Care Acquisition"). The purchase consideration was funded through vendor and bank debt amounting to $139.7 million. Associated with the Cook Care Acquisition, additional equity was raised amounting to $7.6 million in order to part fund the Cook Care acquisition. The current and non-current borrowings shown for Cook Care represents the debt incurred by EHL to fund the Cook Care Acquisition. The goodwill shown for Cook Care represents the goodwill arising upon completion of the Cook Care Acquisition.
4. Contributed equity increased by $513.5 million as a result of the assumed proceeds of the Offer which is received by EHL through the issue of New Shares to raise $535.2 million, offset by the IPO transaction costs related to the Offer applied against equity of $32.3 million ($21.7 million after tax).
5. $421.2 million of the proceeds from the Offer and surplus cash will be used to repay the existing bank debt facilities including $1.3 million to close out of interest rate swaps as part of the repayment of the associated bank debt facilities.
6. Transaction costs relating to the Offer of $3.0 million ($2.1 million after tax) were expensed. $6.7 million of capitalised borrowing costs relating to existing bank debt facilities will be expensed pursuant to the repayment of the relevant facilities with proceeds from the Offer.
7. RADs are repayable within 14 days' notice that a resident is leaving a facility or the day a resident leaves, whichever is later, or within 14 days following the receipt of grant of probate of a resident's will by the Approved Provider and as such are reflected as a current liability in the Pro forma statement of financial position under AAS. Notwithstanding this, the average tenure of each RAD paying Resident is typically greater than one year.
8. Property, plant and equipment comprises $256.9 million of land and buildings that were subject to external valuation at 1 October 2013 for EHL and 30 June 2014 for Padman and Cook care. The remaining balance relates to plant and equipment, office equipment and motor vehicles.
9. The other intangible assets relates to bed licences that were subject to management valuation using known industry measures.

4.4.1 Pro forma capitalisation and indebtedness

Set out below is the pro forma capitalisation and indebtedness of Estia as at 30 June 2014, before and following Completion of the Offer and the acquisition of Padman and Cook Care.

Table 16 Pro forma capitalisation and indebtedness of Estia as at 30 June 2014

		Pro forma as at 30 June 2014		
$ million	***Note***	**EHL as at 30 June 2014**	**Estia prior to Completion of the Offer**	**Estia following Completion of the Offer**
Accommodation bonds/RADs	*1*	77.6	268.0	268.0
Borrowings	*2*	69.4	419.9	–
Shareholder loan notes		52.8	52.8	–
Derivative financial instruments	*3*	1.3	1.3	–
Total loans and borrowings		**201.1**	**742.0**	**268.0**
Cash and cash equivalents		3.6	3.6	84.5
Net total indebtedness		**197.5**	**738.4**	**183.5**

1. While RADs are accounted for as a current liability under AAS and therefore a component of total capital employed by Estia. This is on the basis that when Estia repays a RAD on departure of a resident it is generally replaced soon after by a new RAD, typically at an equal or greater value. The increase in accommodation bonds/RADs is due to the acquisitions of Padman and Cook Care and is reflective of normal operating activities post 30 June 2014
2. In EHL's FY2014 audited financial statements, loans and borrowings are presented, after deducting capitalised borrowing costs of $6.7 million.
3. Derivative financial instruments – relates to interest rate swaps that will be closed out as part of the repayment of the existing bank debt facilities. See Section 4.4.3.

4.4.2 Liquidity and capital resources

Estia's cash position as outlined in the Pro Forma Historical Statement of Financial Position (refer to Table 15) and anticipated cash flows from operations are expected to provide sufficient liquidity to meet Estia's currently anticipated cash requirements. Estia's ability to generate sufficient cash depends on its future performance which, to a certain extent, is subject to a number of factors beyond its control including general economic, financial and competitive conditions. Investments are placed in a manner that seeks to minimise the risks to the security of the investment portfolio. A low risk and reasonable return investment strategy is adopted.

Estia maintains a disciplined approach in making any investment decisions. Estia's investment strategy is considered when making any investment decision so that any new investment complements other investments in the portfolio. This strategy takes into consideration matters such as the current economic outlook and the types of investment opportunities available, Estia's liquidity requirements, diversification of investment risks, and any Estia specific liquidity risk, counterparty risk and investment risk.

Investments are approved by the Board and include government bonds, bank bonds and debentures, bank and credit union term deposits, or interest bearing deposits with authorised deposit-taking institutions (ADIs). Estia's investment policy identifies the maximum percentages of funds that can be invested with any one financial institution at any one time. The investment acquisition and disposal decisions are by managed by a Responsible Accounting Officer of Estia in accordance with its investment strategy.

Estia has adopted a conservative Liquidity Management Strategy ("LMS") to ensure that it has sufficient, readily available funds to refund accommodation bond balances or RADs as they fall due. Key aspects of the LMS include:

- the LMS is monitored on an ongoing basis to ensure that sufficient funds are available, with the prior 12 month cycle also being used as a guide for the potential liquidity;
- a full review of the LMS is undertaken on an annual basis; and
- where the estimated net call on funds due to bond repayments is a net inflow, Estia maintains 5% of bond values as the minimum level of funds to be available.

In determining the level of liquidity to be held by Estia and whether or not the LMS requires amendment, the following factors are considered:

- cash requirements for operating and capital expenditure;
- historical pattern of RAD refunds;
- characteristics of the residents;
- average value of RADs held;
- average time taken to replace departing residents;
- expected number and amount of RADs that will be paid by new residents; and
- time taken for new residents to make accommodation bond payments.

To ensure that Estia can refund RADs as they fall due, Estia ensures that the minimum level of liquidity is maintained in readily accessible forms. This is in the form of cash or lines of credit from a bank or financial institution.

The Directors are of the opinion that Estia has sufficient working capital to meet its stated objectives.

4.4.3 Description of New Banking Facilities

On Completion of the Offer, approximately $497.9 million of the Offer proceeds will be used to repay in full funding provided under existing senior debt and mezzanine facilities (along with certain other obligations of Estia as set out in Section 4.4.4).

In the meantime, Estia Finance, a wholly owned subsidiary of EHL, and each of Westpac Banking Corporation, Australian and New Zealand Banking Group, Commonwealth Bank of Australia and National Australia Bank Limited have entered into a commitment letter for the provision of new three year bullet revolving cash advance facilities for post-Offer requirements of EHL ("New Banking Facilities") following Listing. The New Banking Facilities and associated hedging will have the benefit of the existing security and cross-guarantees given by the Estia Group.

Subject to the completion of final documentation, the New Banking Facilities will be available after Completion of the Offer, and will comprise:

- $130 million three year bullet revolving cash advance facility ("Tranche A"); and
- $20 million three year bullet revolving cash advance facility ("Tranche B").

Table 17 Summary of New Banking Facilities

$ million	Facility Commitment	Pro forma drawn
Tranche A	130.0	nil
Tranche B	20.0	nil
Total	**150.0**	**nil**

Tranche A

Tranche A may be used for general corporate purposes, including funding acquisitions and capital expenditure.

Tranche A can be drawn at any time throughout the term of the facility until one month prior to maturity on a revolving basis (i.e. to the extent any principal repayments are made, Estia can then redraw up to the limit of Tranche A). There are no scheduled amortisation payments required during the term of Tranche A. It must be repaid in full on maturity.

Tranche B

Tranche B may be used for general corporate purposes, including working capital, the issuance of letters of credit, bank guarantees or performance bonds and transactional facilities and for providing bond liquidity to redeem accommodation bonds or RADs.

Tranche B can be drawn at any time throughout the term of the facility until one month prior to maturity on a revolving basis (i.e. to the extent any principal repayments are made, Estia can then redraw up to the limit of Tranche B). There are no scheduled amortisation payments required during the term of Tranche B. It only needs to be repaid in full on maturity.

Pricing

The New Banking Facilities attract a commitment fee on the undrawn portion of the facilities and when drawn, incur a variable interest rate, being the bank bill swap bid rate ("BBSY") plus a margin (determined by reference to a pricing grid which varies based on Estia's most recently reported Net Leverage Ratio (as defined in the New Banking Facilities).

Security

The New Banking Facilities will be secured by:

- real property mortgages over all freehold property;
- security over material leases;
- cross guarantees and indemnities from EHL and each of its wholly owned subsidiaries; and
- first ranking fixed and floating charges over the assets and undertakings of EHL and each of its wholly owned subsidiaries (which includes security over the shares in each wholly owned subsidiary of EHL).

Financial covenants

The New Banking Facilities will contain a customary set of terms and conditions typical for facilities of this nature. These include financial covenants which will be tested semi-annually at 31 December and 30 June based on the preceding 12 months' results as follows:

- Net Leverage Ratio[130] to not exceed 3.50:1; and
- Net Interest Cover Ratio[131] to be at least 3.00:1

Estia expects to remain in compliance with these undertakings.

Other financing considerations

The New Banking Facilities agreement will contain certain representations, undertakings, events of default and review events typical for facilities of this nature. Any material breach by a member of the Group of the representations or undertakings given or made by it, or the occurrence of an event of default, may lead to an increase in borrowing costs, the funds borrowed becoming due and payable and/or the New Banking Facilities being cancelled. In addition, a review event will occur if either:

- a Material Regulatory Event occurs; or
- a Change of Control Event occurs.

A Material Regulatory Event will occur if:

- the Estia Group is in breach of the Aged Care Act and its related legislation and regulations;
- key personnel of the Estia Group is or becomes disqualified under the Aged Care Act; or
- certain other sanctions are imposed on the Estia Group by an aged care services regulator,

and the occurrence of such has or would have a material adverse effect on, among other things, the Estia Group's business, operations, assets or financial condition (taken as a whole).

A Change of Control Event will occur if either:

- any person other than a Quadrant Fund acquires ownership of 50% or more of the ordinary voting power of the outstanding voting shares of EHL or Estia Finance Pty Ltd; or
- if EHL's shares are suspended from trading on the ASX for a continuous period of 10 business days or longer (for reasons other than there being an imminent announcement of a major acquisition or merger transaction).

If a review event occurs, the parties will be required to try to negotiate revised terms for the New Banking Facilities. If agreement cannot be reached within a certain period, then it may lead to some or all of the funds borrowed becoming due and the New Banking Facilities being cancelled.

130 Net Leverage Ratio calculated in accordance with definitions under the New Banking Facilities as calculated for the preceding 12 month period.

131 Net Interest Cover Ratio calculated in accordance with definitions under the New Banking Facilities as calculated for the preceding 12 month period.

4.4.4 Contractual obligations and commitments

Table 18 sets out Estia's contractual obligations and commitments in relation to operating leases and committed acquisitions as at 30 June 2014. Operating lease commitments relate to lease payments on Estia's four leasehold facilities as of 1 October 2014 and regional state offices in South Australia and New South Wales for one year. Committed acquisitions relate to the contracted acquisitions of five facilities by Estia which are expected to complete between the date of this Prospectus and 28 February 2015.

Estia is not aware of any actual or contingent liabilities, transactions or arrangements which are not disclosed in the table below.

Table 18 Contractual obligations and commitments

	As at 30 June 2014			
$ million	**<1 year**	**1-5 years**	**>5 years**	**Total**
Operating lease commitments	3.5	11.2	7.9	22.6
Contracted acquisitions	87.2	–	–	87.2
Total	**90.7**	**11.2**	**7.9**	**109.8**

4.4.5 Off-balance sheet arrangements

Other than the operating lease commitments and committed acquisitions outlined in Section 4.4.4, Estia does not have any off-balance sheet arrangements.

4.5 Pro forma historical, pro forma forecast and statutory forecast cash flows

Table 19 sets out below Estia's pro forma historical, pro forma forecast and statutory forecast cash flows, which are prepared in accordance with the basis of preparation set out in Sections 4.2.1 and 4.2.2. See Section 4.12 for an analysis of Estia's Pro Forma Historical Cash Flows for FY2012, FY2013 and FY2014 and for a reconciliation of Statutory Forecast Cash Flows to Pro Forma Forecast Cash Flows for FY2015F and 1H FY2015F.

Table 19 Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows

		Pro Forma Historical Cash Flows			Pro Forma Forecast Cash Flows		Statutory Forecast Cash Flows
$ million	***Notes***	**FY2012**	**FY2013**	**FY2014**	**FY2015F**	**CY2015F**	**FY2015F**
EBITDA		**36.5**	**40.8**	**46.9**	**70.2**	**79.8**	**35.6**
Change in net working capital		2.0	(1.2)	6.8	1.5	0.4	11.6
Non-cash items in EBITDA	*1*	(3.2)	(4.0)	(5.0)	(5.1)	(4.3)	(5.1)
Net cash flows from operations		**35.3**	**35.6**	**48.7**	**66.6**	**75.9**	**42.1**
Net accommodation bond/RAD related cash flows	*2*	21.0	22.1	50.6	32.7	22.8	32.7
Maintenance capital expenditure		(3.6)	(2.7)	(6.3)	(3.4)	(3.6)	(3.4)
Net cash flows from operations before investment, interest, tax and financing activities		**52.7**	**55.0**	**93.0**	**95.9**	**95.1**	**71.4**
Acquisitions		(16.2)	(6.7)	(47.4)	(87.2)	(15.8)	(406.6)
Developments		(0.8)	(12.7)	(32.3)	(9.0)	(8.8)	(9.0)
Net cash flows before interest, tax and financing activities		**35.7**	**35.6**	**13.3**	**(0.3)**	**70.5**	**(344.2)**
Net interest paid					0.3	0.2	(17.3)
Income tax paid					(18.3)	(21.0)	–
Proceeds from the Offer, net of transaction costs					–	–	505.6
Net repayment of debt					–	–	(101.7)
Net cash flows before dividends					**(18.3)**	**49.7**	**42.4**
Dividends					–	(23.0)	–
Net cash flows	*3*				**(18.3)**	**26.7**	**42.4**

1. Non-cash items in EBITDA primarily comprise RAD/accommodation bond retention income.
2. Net accommodation bond/RAD related cash flows are classified as a cash flow from operating activities as outlined within Estia's accounting policies as shown in Appendix A.
3. A reconciliation of pro forma forecast net cash flows and statutory net cash flows for FY2015F and 1H FY2015F is set out in Table 21.

Set out in Table 20 below are Estia's pro forma forecast cash flows for the half year ending 31 December 2014 and 31 December 2015 and the statutory forecast cash flows for the half year ending 31 December 2014.

Table 20 Pro Forma Forecast Cash Flows for 1H FY2015F and 1H FY2016F and Statutory Forecast Cash Flows for 1H FY2015F

	Pro Forma Forecast Cash Flows		Statutory Forecast Cash Flows
$ million	**1H FY2015F**	**1H FY2016F**	**1H FY2015F**
EBITDA	**32.8**	**41.9**	**(0.9)**
Change in net working capital	1.2	0.0	1.4
Non-cash items in EBITDA	(2.7)	(1.9)	(2.7)
Net cash flows from operations	**31.3**	**40.0**	**(2.2)**
Net accommodation bond/RAD related cash flows	18.1	8.2	18.1
Maintenance capital expenditure	(1.6)	(1.8)	(1.6)
Net cash flows from operations before investment, interest, tax and financing activities	**47.8**	**46.4**	**14.3**
Acquisitions	(71.4)	–	(390.8)
Developments	(3.9)	(3.6)	(3.9)
Net cash flows before interest, tax and financing activities	**(27.5)**	**42.8**	**(380.4)**
Net interest paid	0.0	0.4	(17.3)
Income tax paid	(8.5)	(11.3)	–
Proceeds from the Offer, net of transaction costs	–	–	505.6
Net repayment of debt	–	–	(101.7)
Net cash flows before dividends	**(36.0)**	**31.9**	**6.2**
Dividends	–	(23.0)	–
Net cash flows	**(36.0)**	**8.9**	**6.2**

Table 21 below sets out a reconciliation of statutory forecast cash flows to pro forma forecast cash flows for FY2015F and 1H FY2015F.

Table 21 Reconciliation of statutory forecast cash flows to pro forma forecast cash flows

$ million	*Note*	FY2015F	1H FY2015F
Statutory forecast net cash flows		42.4	6.2
July 2014 trading results for Padman	*1*	2.1	2.1
July 2014 trading results for Cook Care	*2*	1.6	1.6
Proceeds from the Offer, net of transaction costs	*3*	(505.6)	(505.6)
Repayment of net debt	*4*	497.9	497.9
EBITDA adjustments	*5*	30.9	29.9
Other	*6*	(87.6)	(68.1)
Pro forma net cash flows		**(18.3)**	**(36.0)**

Notes:
1. **July 2014 trading results for Padman** – Estia acquired Padman's aged care operations on 31 July 2014. The pro forma forecast FY2015F net cash flows before interest, tax and financing activities for Estia reflect a full year ownership of Padman, while the statutory forecast FY2015F net cash flows before interest, tax and financing activities for Estia include post acquisition net cash flows for the 11 months trading up to 30 June 2015. The $2.1 million of pro forma forecast FY2015F net cash flows before interest, tax and financing activities reflect the 31 July 2014 net cash flows before interest, tax and financing activities for the Padman assets acquired by Estia.
2. **July 2014 trading results for Cook Care** – Estia acquired Cook Care's aged care operations on 31 July 2014. The pro forma forecast FY2015F net cash flows before interest, tax and financing activities for Estia reflect a full year ownership of Cook Care, while the statutory forecast FY2015F net cash flows before interest, tax and financing activities for Estia includes post acquisition earnings for the 11 months trading up to 30 June 2015. The $1.6 million of pro forma forecast FY2015F net cash flows before interest, tax and financing activities reflect the 31 July 2014 net cash flows before interest, tax and financing activities results for the Cook Care assets acquired by Estia.
3. **Proceeds from the Offer, net of transaction costs** – assumes gross proceeds of $535.2 million received by EHL through the issue of New Shares, transaction costs ($32.3 million) and a $2.7 million net working capital impact.
4. **Repayment of net debt** – Estia's repayment of net debt of $497.9 million is comprised of existing core bank debt facilities, $365.4 million, Loan Notes and Redeemable Preference Shares classified as borrowings ($78.1 million) and vendor loans ($54.4 million) at 30 June 2014.
5. **EBITDA adjustments** – This comprises stamp duty expenses ($24.1 million), IPO transaction costs ($3.0 million), other costs ($0.1 million) and transaction costs associated with the acquisition of Padman and Cook Care's aged care operations ($3.7 million) in statutory forecast FY2015F EBITDA.
6. **Other** – Estia's statutory forecast FY2015F net cash flows include the following items which are not included in Estia's pro forma FY2015F net cash flows and NPAT: tax differential, $18.3 million, interest and fees paid, $17.6 million, proceeds from debt raised in connection with acquisition of Padman and Cook Care included in statutory forecast FY2015F net cash flows, $392.7 million, payment for the acquisition of Padman, Cook Care and other single facilities, $319.4 million, and cash from change in working capital profile of the business, $10.1 million.

4.6 Accounting policies

The preparation of financial statements requires Estia's management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, cash flows, assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that Estia believes are reasonable in the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis.

The most significant accounting policies are described in more detail in Appendix A.

4.7 Management discussion and analysis of the Pro Forma Historical Financial Information

4.7.1 General factors affecting the operating results of Estia

The following section provides an overview of the general factors which affected Estia's operations and financial performance in FY2012, FY2013 and FY2014 and which the Directors expect may continue to affect Estia in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all the factors that affected Estia's historical operating and financial performance, nor everything which may affect Estia's operating and financial performance in the future.

Management discussion and analysis presented below is on the basis of the pro forma results for Estia, Padman and Cook Care.

4.7.1.1 Revenue and expenses

Estia's revenue is predominantly driven by four key factors, being its number of operating places, occupancy levels at its facilities, the amount of the Australian Government basic subsidy received per resident per day and the amount of resident payments received per resident per day.

Number of operating places

The number of operating places in a year represents the number of places owned by Estia which Medicare recognises as being available for funding under the ACFI. Expansion in the number of operating places has historically been, and continues to be, a key feature of Estia's business model and a key driver of its revenues.

Table 22 sets out the increase in operating places over the period FY2012 to FY2014. The Pro Forma Historical Results include all of the operating places at facilities owned by Estia, Padman and Cook Care on 1 July 2011. Places at facilities acquired or developed since that date are included from the date the places were acquired and are set out in Table 22 below for the period FY2012 to FY2014. Refer to Section 9 for further information on Estia's facilities.

Table 22 Increase (decrease) in the number of Estia's operating places

Facility	Source of additional places	Date places became operational	Increase/ (decrease) in operating places
Melton South	Acquisition	August 2011	100
South Morang	Acquisition	February 2012	120
Werribee	Acquisition	March 2012	70
Parkdale	Closed	June 2012	(60)
Coolaroo	Acquisition	June 2013	60
Yarra Junction	Acquisition	August 2013	95
Ardeer	Acquisition	October 2013	55
Oakleigh	Acquisition	November 2013	110
Lockleys	Developed	November 2013	86
Winston House	Closed	November 2013	(52)
Epping	Developed	December 2013	103
Altona Meadows	Acquisition	February 2014	90
Kensington Gardens	Developed	June 2014	24
Plenty Valley	Acquisition	June 2014	68
Net change in operating places			**869**

As new facilities are acquired, or developed or ramping up towards mature Estia occupancy levels there are certain fixed operating costs at a facility level (e.g. rates and utilities) that are incurred ahead of an anticipated increase in occupancy. There are certain variable costs that are correlated with occupancy levels. As a result, increases in the number of facilities and number of operating places drive components of Estia's operating costs and revenues.

Occupancy

Estia's mature facilities typically run at high occupancy levels whereas facilities that have been recently developed typically take approximately one to two years to reach a level of occupancy consistent with Estia's mature facilities. Similarly, Estia's strategy of acquiring and improving underperforming facilities means that the acquisition of new facilities will often dilute Estia's overall average occupancy rate for a relatively short period of time immediately after acquisition. Estia has consistently improved average occupancy across its portfolio. In FY2012, FY2013 and FY2014, overall occupancy was 87.3%, 88.5% and 89.3% respectively. Occupancy at mature facilities (i.e. facilities not in ramp up) has been higher. In FY2012, FY2013 and FY2014, occupancy at these mature facilities was 92.1%, 93.2% and 94.2% respectively.

Occupancy levels are affected by various factors including the demand/supply dynamic for places in a particular area, the employment of dedicated admissions managers and local area marketing.

Basic subsidy

As set out in Section 4.3, the Australian Government provides a subsidy to aged care operators on a per resident basis based on the resident's required level of care, assessed under ACFI. The level of Australian Government daily payments received per resident is determined by the levels set under ACFI, the level of resident acuity and Estia's capacity to assess and document resident assessments in a timely and accurate manner. For a resident with a given degree of acuity, the amount of Australian Government funding per day has typically increased annually in line with the Commonwealth Own Purpose Outlays index. The Australian Government froze ACFI in FY2013; however, ACFI indexation recommenced in FY2014 at 1.7%. For FY2015F, the Australian Government announced total ACFI indexation of 4.3% effective from 1 July 2014, which includes a one-off increase of 2.4%.

Estia has achieved ACFI per occupied place day growth in excess of indexed growth over the historic period as a result of increased acuity through ageing in place and ongoing improvements in documentation and management of resident care needs.

Other Government income

In addition to acuity-based care payments, where a resident has income and assets below a certain level, the Australian Government may also make additional payments on their behalf to cover the cost of accommodation. Government supplements have generally been indexed annually.

Resident contributions

The level of daily resident contributions is impacted by a resident's income and assets, the amount of fees paid by residents for extra services and the resident's choice to pay for accommodation with a RAD or DAPs. DAPS represent income and result in regular cash flows. Upfront funds received from RADs can be used to fund the development and/or acquisition of new facilities. Interest income is generated from RAD funds held. RADs result in lump sum cash flow received when a resident enters a facility and are reflected in Estia's net cash flows from operations before investment, interest, tax and financing activities.

Operating costs

Labour is the most significant cost to Estia. Staff costs are impacted by wage rates, staffing numbers and the use of external staffing agencies. For FY2012, FY2013 and FY2014, staff costs represented 79.2%, 78.6% and 77.9% of total costs respectively.

In relation to wage rates, the majority of Estia's employees have terms and conditions governed by an Enterprise Agreement or Modern Award. Registered nurses are the largest component of Estia's workforce and appropriate management of skill mix can influence average wage rates.

In relation to staffing numbers, Estia manages its facility-based workforce via an electronic rostering system.

Other operating costs include occupancy expenses, operating and administrative expenses and catering and food. Operating costs are managed by facility managers, supported by central office staff. Estia is in the process of identifying and consolidating suppliers with national contracts where possible.

4.7.1.2 Working capital

As an Approved Provider, the Australian Government generally pays Estia its basic subsidy and other Government payments at the beginning of each month and resident payments are made on a monthly basis. Staff costs are Estia's largest cost and the majority of staff are paid fortnightly. As a result of this payment cycle, Estia's business has not required significant investment in working capital.

There is very little seasonality in either the revenue or the costs in Estia's business and the fluctuations in working capital across a year are minimal.

4.7.1.3 Capital expenditure

Maintenance capital expenditure relates to capital expenditure spent on maintaining the existing facilities. Development capital expenditure is capital expenditure spent on brownfield and greenfield developments as well as the cost of refurbishing facilities. Brownfield and greenfield developments represent a key source of growth for Estia, while the maintenance and refurbishment of existing facilities are important to ensure facilities are attractive to residents.

4.7.1.4 Bond/RAD related cash flows

Residents typically make payments in respect of their accommodation either via a RAD or a DAP. RADs are capital contributions which impact cash inflows, are reflected on the balance sheet as current liabilities and can be deployed towards capital works, purchase of facilities and retirement of debt relating to these expenditures. DAPs are ongoing accommodation payments made by a resident in lieu of a RAD and are accounted for as revenue. As such, if a resident makes accommodation payments via a RAD, Estia's cash inflows and liabilities will be significantly higher but revenues will be lower than if the resident elected to make payments via a DAP. The reduction in revenue, however, will be offset by the increase in interest income from the higher RAD cash balance.

From 1 July 2014, a number of changes to the regulation of RADs and DAPs have been made:

- Estia can now charge RADs and DAPs in relation to all operating places. Prior to 1 July 2014 Estia could only charge RADs to residents entering low care or places with Dedicated Extra Service status;
- aged care providers can no longer retain a portion of a RAD; and
- residents have greater choice and are given a period of 28 days to decide whether they will elect to pay a RAD or DAP.

4.7.2 Pro Forma Historical Results for FY2014 compared with Pro Forma Historical Results for FY2013

Table 23 sets out the Pro Forma Historical Results for FY2013 and FY2014.

Table 23 Pro Forma Historical Results—FY2014 compared to FY2013

	Pro Forma Historical Results		Change	
$ million	**FY2013**	**FY2014**	**$ million**	**%**
Revenue				
Basic subsidy	109.8	137.2	27.4	25.0%
Other government income	13.9	15.6	1.7	12.2%
Resident contributions	52.5	63.7	11.2	21.3%
Other income	2.2	2.5	0.3	13.6%
Total revenue	**178.4**	**219.0**	**40.6**	**22.8%**
Staff costs	(108.1)	(134.0)	(25.9)	24.0%
Resident care costs	(8.7)	(11.8)	(3.1)	35.6%
Other costs	(20.8)	(26.3)	(5.5)	26.4%
Total operating costs	**(137.6)**	**(172.1)**	**(34.5)**	**25.1%**
EBITDA	**40.8**	**46.9**	**6.1**	**15.0%**
Depreciation and amortisation	(7.0)	(8.5)	(1.5)	21.4%
EBIT	**33.8**	**38.4**	**4.6**	**13.6%**

Key operating metrics	FY2013	FY2014	Change	% change
Number of facilities (end of year)	30	36	6	20.0%
Operating place days	852,711	991,542	138,831	16.3%
Average occupancy for all facilities	88.5%	89.3%	0.8%	n/a
Average occupancy for mature facilities[132]	93.2%	94.2%	1.0%	n/a
Average revenue per occupied place day	$237	$247	$10	4.2%
Average ACFI per occupied place day	$134	$142	$8	6.0%
Proportion of places bonded	44.0%	44.2%	0.2%	n/a
Staff costs as percentage of revenue	60.6%	61.2%	0.6%	n/a
Net RAD receipts ($ million)	22.1	50.6	28.5	129.0%

132 Excludes facilities that are in ramp up stage

Total revenue increased by $40.6 million (or 22.8%) from $178.4 million in FY2013 to $219.0 million in FY2014, reflecting:

- a 16.3% increase in the number of operating place days, primarily due to the acquisitions of Yarra Junction (August 2013), Ardeer (October 2013), Oakleigh (November 2013), Altona Meadows (February 2014) and Plenty Valley (June 2014). The number of operating place days was also impacted by the openings of Lockleys (November 2013), Epping (December 2013) and a wing at Kensington Gardens (June 2014) and a full period of ownership of facilities acquired in FY2013;
- a 0.8% increase in overall occupancy levels;
- an increase in basic subsidy revenue of $27.4 million or 25.0% from $109.8 million in FY2013 to $137.2 million in FY2014 which was driven by the combined effect of the increase in the number of operating place days of 16.3% and increase in average ACFI per occupied place day of 6.0%. The increase in average ACFI per occupied place day reflected a 1.7% increase in indexation and the continued operational improvement of accurate and timely ACFI assessments at acquired facilities and across the portfolio more broadly across the period;
- an increase in other government income of $1.7 million or 12.2% from $13.9 million in FY2013 to $15.6 million in FY2014 which was driven primarily by an increase in occupancy (0.8%) and an increase in the number of operating place days (16.3%) over the corresponding period; and
- an increase in resident contributions of $11.2 million or 21.3% from $52.5 million in FY2013 to $63.7 million in FY2014 driven by the increase in operating place days of 16.3% and the increase in net RAD receipts of $28.5 million in turn driving the increase in retention income which is reported by Estia in resident contributions.

The combined effect of the last three factors resulted in a 4.2% increase in the average revenue per occupied place day from $237 in FY2013 to $247 in FY2014.

Total costs increased by $34.5 million (or 25.1%) from $137.6 million in FY2013 to $172.1 million in FY2014. The increase in costs was primarily a result of the increase in occupied place days from acquisitions and new developments as well as ramp up of existing facilities:

- staff costs increased by $25.9 million (or 24.0%) from $108.1 million in FY2013 to $134.0 million in FY2014. The increase in Estia's staff costs is reflective of the increase in operating place days of 16.3% and the increase in average ACFI per occupied place day of 6.0% as a result of higher acuity;
- resident care costs increased by $3.1 million (or 35.6%) from $8.7 million in FY2013 to $11.8 million in FY2014 and are driven by the increase in operating place days of 16.3% combined with an increase in the number of facilities. Resident care costs include cleaning, laundry, food and health consultant costs; and
- other costs increased by $5.5 million (or 26.4%) from $20.8 million in FY2013 to $26.3 million in FY2014 driven by the increase in operating place days of 16.3% combined with an increase in the number of facilities at year end from 30 facilities in FY2013 to 36 facilities in FY2014. Other costs include facility rates, taxes and utilities, repairs and maintenance and other administrative expenses.

As a result of the increase in occupied place days from acquisitions and new developments, EBITDA increased by 15.0% to $46.9 million in FY2014 from $40.8 million in FY2013. EBITDA margin contracted by 1.5% from 22.9% in FY2013 to 21.4% in FY2014 primarily due to facilities in ramp up that carried staffing levels (management and care staff), to support expected growth in occupancy.

Depreciation and amortisation expense increased by 21.4% from $7.0 million in FY2013 to $8.5 million in FY2014 as a result of the new facilities acquired and developed. EBIT grew by 13.6% to $38.4 million in FY2014 from $33.8 million in FY2013, primarily as a result of the revenue factors discussed above.

Table 24 sets out the Pro Forma Historical Cash Flows for FY2013 and FY2014.

Table 24 Pro Forma Historical Cash Flows—FY2014 compared to FY2013

	Pro Forma Historical Cash Flows		Change	
$ million	**FY2013**	**FY2014**	**$ million**	**%**
EBITDA	**40.8**	**46.9**	**6.1**	**15.0%**
Change in net working capital	(1.2)	6.8	8.0	(666.6%)
Non-cash items in EBITDA	(4.0)	(5.0)	(1.0)	25.0%
Net cash flows from operations	**35.6**	**48.7**	**13.1**	**36.8%**
Net accommodation bond/RAD related cash flows	22.1	50.6	28.5	129.0%
Maintenance capital expenditure	(2.7)	(6.3)	(3.6)	133.3%
Net cash flows from operations before investment, interest, tax and financing activities	**55.0**	**93.0**	**38.0**	**69.1%**
Acquisitions	(6.7)	(47.4)	(40.7)	607.5%
Developments	(12.7)	(32.3)	(19.6)	154.3%
Net cash flows before interest, tax and financing activities	**35.6**	**13.3**	**(22.3)**	**(62.6%)**

Net cash flows before interest, tax and financing activities decreased by $22.3 million (or 62.6%) from $35.6 million in FY2013 to $13.3 million in FY2014 as a result of:

- EBITDA growth from increased scale and ramp up of facilities as described above;
- net working capital cash inflow of $6.8 million in FY2014 reflects the increase in revenue generated by Estia in the period to 30 June 2014. Basic subsidy revenue is received in advance from the Australian Government, and as such the increase in Estia's revenue positively impacts its net working capital profile;
- net accommodation bond/RAD related cash flows increased from $22.1 million to $50.6 million as the additional facilities resulted in new accommodation bond paying residents; primarily due to RAD receipts from residents entering four facilities in ramp up (Lockleys, Epping, Manly and Viceroy);
- the increase in maintenance capital expenditure of $3.6 million from $2.7 million in FY2013 to $6.3 million in FY2014 reflects an increase in the number of operating place days (16.3%) and increase in number of facilities from 30 (at 30 June 2013) to 36 (at 30 June 2014); and
- the cash outflows for investing activities of $47.4 million and $32.3 million was primarily incurred to fund the acquisitions and developments of new facilities respectively. Estia's investing cash outflows reflect management's strategy of increasing scale through the acquisition of facilities and increasing the number of operating place days at its facilities. Refer to Table 22 for a breakdown of Estia's investing activities between acquisition and developments, by facility, from FY2012 to FY2014.

4.7.3 Pro forma Historical Results for FY2013 compared to Pro Forma Historical Results for FY2012

Table 25 sets out the Pro Forma Historical Results for FY2012 and FY2013.

Table 25 Pro Forma Historical Results—FY2013 compared to FY2012

	Pro Forma Historical Results		Change	
$ million	**FY2012**	**FY2013**	**$ million**	**%**
Revenue				
Basic subsidy	100.4	109.8	9.4	9.4%
Other government income	12.1	13.9	1.8	14.9%
Resident contributions	48.1	52.5	4.4	9.1%
Other income	3.1	2.2	(0.9)	(29.0%)
Total revenue	**163.7**	**178.4**	**14.7**	**9.0%**
Staff costs	(100.7)	(108.1)	(7.4)	7.3%
Resident care costs	(8.5)	(8.7)	(0.2)	2.4%
Other costs	(18.0)	(20.8)	(2.8)	15.6%
Total operating costs	**(127.2)**	**(137.6)**	**(10.4)**	**8.2%**
EBITDA	**36.5**	**40.8**	**4.3**	**11.8%**
Depreciation and amortisation	(7.6)	(7.0)	0.6	(8.0%)
EBIT	**28.9**	**33.8**	**4.9**	**17.0%**

Key operating metrics	**FY2012**	**FY2013**	**Change**	**% change**
Number of facilities (end of year)	29	30	1	3.4%
Operating place days	825,496	852,711	27,215	3.3%
Average occupancy for all facilities	87.3%	88.5%	1.2%	n/a
Average occupancy for mature facilities[133]	92.1%	93.2%	1.1%	n/a
Average revenue per occupied place day	$227	$237	$10	4.4%
Average ACFI per occupied place day	$128	$134	$6	4.7%
Proportion of places bonded	39.7%	44.0%	4.3%	n/a
Staff costs as percentage of revenue	61.5%	60.6%	(0.9%)	n/a
Net RAD receipts ($ million)	21.0	22.1	1.1	5.1%

133 Excludes facilities that are in ramp up stage

Total revenue increased by $14.7 million (or 9.0%) from $163.7 million in FY2012 to $178.4 million in FY2013 for the reasons set out above, and additionally reflect:

- a 3.3% increase in the number of operating place days, primarily due to the full year revenue contribution of Melton South (August 2011), South Morang (February 2012), and Werribee (March 2012) as well the acquisition in May 2013 of Coolaroo;
- a 1.2% improvement in the average occupancy rate for the period, due largely to improvements in occupancy at Melton South and Werribee after a full year of ownership and the continued ramp-up in occupancy at Golden Grove and Daw Park which were opened in October 2010 and July 2011 respectively; and
- a 4.4% increase in the average revenue per occupied place day which is primarily a result of a review of resident assessments during the year and the related uplift in funding. During FY2013, there was no annual indexation of ACFI.

Total costs increased by 8.2% from $127.2 million in FY2012 to $137.6 million in FY2013 for the reasons set out above.

The largest portion of this increase was attributable to the increase in staff costs, which increased by 7.3% from $100.7 million in FY2012 to $108.1 million in FY2013, largely reflecting the full period ownership of certain facilities and the acquisition of additional facilities as described above. As a percentage of revenue, staff costs decreased from 61.5% to 60.6%, reflecting staffing level increases proportionally smaller than the related increases in occupancy.

As a result of the factors outlined above, EBITDA increased by 11.8% from $36.5 million in FY2012 to $40.8 million in FY2013. EBITDA margin remained relatively stable at 22.3% (22.9% in FY2013).

Depreciation and amortisation expense fell from $7.6 million to $7.0 million as a result of the election of the diminishing value method when calculating the depreciation expense. EBIT increased by 17.0% to $33.8 million, and EBIT margin increased from 17.7% to 18.9% for the reasons set out above.

Table 26 below sets out the Pro Forma Historical Cash Flows for FY2012 and FY2013.

Table 26 Pro Forma Historical Cash Flows—FY2013 compared to FY2012

	Pro Forma Historical Cash Flows		Change	
$ million	**FY2012**	**FY2013**	**$ million**	**%**
EBITDA	**36.5**	**40.8**	**4.3**	**11.8%**
Change in net working capital	2.0	(1.2)	(3.2)	(160.0%)
Non-cash items in EBITDA	(3.2)	(4.0)	(0.8)	25.0%
Net cash flows from operations	**35.3**	**35.6**	**0.3**	**0.8%**
Net accommodation bond/RAD related cash flows	21.0	22.1	1.1	5.2%
Maintenance capital expenditure	(3.6)	(2.7)	0.9	(25.0%)
Net cash flows from operations before investment, interest, tax and financing activities	**52.7**	**55.0**	**2.3**	**4.4%**
Acquisitions	(16.2)	(6.7)	9.5	(58.6%)
Developments	(0.8)	(12.7)	(11.9)	1487.5%
Net cash flows before interest, tax and financing activities	**35.7**	**35.6**	**(0.1)**	**(0.3%)**

As a result of the factors outlined above, net cash flows before interest, tax and financing activities decreased by $0.1 million (or 0.3%) from $35.7 million in FY2012 to $35.6 million in FY2013, reflecting:

- EBITDA growth of 11.8% as described above;
- net working capital outflow of $1.2 million in FY2013 which reflects the increase in revenue from resident contribution of $4.4m or 9.1% from $48.1 million in FY2012 to $52.5 million in FY2013;
- the cash outflows for investing activities of $19.4 million in FY2013 which comprised $6.7 million in relation to acquisitions and $12.7 million to fund the developments of existing facilities. Refer to Table 22 for a breakdown of Estia's investing activities between acquisition and developments, by facility, over the period from FY2012 to FY2014; and
- net accommodation bond/RAD related cash flows remained relatively stable, growing by 5.2%. Maintenance capital expenditure increased by $0.9 million due to the closure of one facility.

4.8 Management discussion and analysis of the Forecast Financial Information and material assumptions underlying the Forecast Financial Information

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by Estia, which are in accordance with AAS and are disclosed in Appendix A. It is assumed that there will be no changes to AAS, the Corporations Act or other financial reporting requirements that may have a material effect on Estia's accounting policies during the forecast period.

The Forecast Financial Information is based on a number of best estimate assumptions concerning future events, including those set out below. In preparing the Forecast Financial Information, Estia has undertaken an analysis of historical performance and applied assumptions in order to predict future performance for FY2015F and CY2015F. Estia believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the general assumptions set out in Section 4.8.1 and the specific assumptions set out in Section 4.8.2.

However, actual results are likely to vary from those forecasts and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Estia and its Directors, and are not reliably predictable.

Accordingly, none of EHL, its Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the risk factors set out in Section 5, the Independent Limited Assurance Report set out in Section 8 and the reconciliation of the statutory forecast NPAT to pro forma forecast NPAT for FY2015F set out in Section 4.3.

4.8.1 General assumptions underlying the Forecast Financial Information

In preparing the Forecast Financial Information, the following general assumptions have been adopted:

- no material change in the competitive operating environment in which Estia operates;
- no material changes in Commonwealth, State or local government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy that will have a material impact on Estia's financial performance, cash flows, financial position and accounting policies;
- business environment assumed to remain benign and broadly unchanged;

- no material change in applicable accounting standards, other mandatory professional reporting requirements, or the Corporations Act which have a material effect on Estia's financial performance, financial position, accounting policies, financial reporting or disclosure;
- no material industry disturbances, contingent liabilities or legal claims will arise or be settled to the detriment of Estia;
- no material disruption to the continuity of operations of Estia nor other material changes in its business;
- key personnel, particularly the senior management team, are retained and Estia maintains its ability to attract and retain required personnel; and
- none of the risks listed in Section 5 have a material adverse impact on the operations of Estia.

4.8.2 Specific assumptions underlying the Forecast Financial Information

The Forecast Financial Information has been prepared by Estia based on a bottom-up assessment for each facility, consistent with prior budgeting processes. In preparing the Forecast Financial Information, Estia has taken into account the current year to date trading performance and market conditions.

In preparing the Forecast Financial Information, Estia has adopted the following specific assumptions as outlined below.

4.8.2.1 Operating places

The Forecast Financial Information is based on the pro forma total number of places owned by Estia as at 30 June 2014 plus the financial contribution of additional facilities that are currently contracted to be acquired[134]. The Forecast Financial Information therefore includes contribution from 645 places which are contracted to be acquired between 30 June 2014 and 28 February 2015, with 235 of these places already acquired as at the date of this Prospectus. Further details on the contracted acquisitions are set out in Table 27.

Table 27 Contracted acquisitions included in the Forecast Financial Information

Facility	Date places forecast to come become operational	Increase in operating places
Leopold	October 2014	75
Albury	October 2014	80
Wodonga	October 2014	80
Contracted acquisition #1	December 2014	71
Contracted acquisition #2	December 2014	101
Contracted acquisition #3	December 2014	58
Contracted acquisition #4	February 2015	120
Contracted acquisition #5	February 2015	60
Total		**645**

4.8.2.2 Occupancy

Occupancy rates are based on an analysis of historical and current occupancy rates at each facility as well as current market conditions. Where facilities have been recently acquired and have occupancy below Estia's average, the forecast levels of occupancy reflects management's best estimates based on occupancy levels at mature facilities, as well as previous experience with acquisitions and the improvements that have been achieved to date.

134 See footnote 10

4.8.2.3 Basic subsidy

ACFI indexation is assumed to be 4.2% from 1 July 2014, which is below the 4.3% indexation announced by the Department of Social Services in July 2014. This includes a one-off increase of 2.4% resulting from the redirection of funding previously allocated for the Workforce Supplement. For the period from 1 July 2015, ACFI indexation is assumed to be 1.85%.

Certain recently acquired facilities where ACFI rates per resident are below achieved rates for Estia's mature portfolio, management has assumed growth in ACFI rates to those achieved in Estia's mature portfolio and are forecast to be achieved through operational improvements in the assessment and documentation of resident care needs.

4.8.2.4 Resident contributions

Resident contributions are assumed to grow at 3.0% per annum, which is broadly in line with inflation. Extra service fees have been maintained at the rates effective at 30 June 2014.

4.8.2.5 RADs

Prices for accommodation are set at an individual facility level, taking into consideration the attributes of the facility and the publicly advertised prices. The average RAD forecast for FY2015F is approximately $238,000 and RAD prices are assumed to increase by 7.5% from 1 July 2015 based on historical increases in average RADs of 12% and 9% in 2009 and 2010.

The proportion of residents paying RADs and DAPs is also set at an individual facility level. Approximately 70% of new residents are assumed to make an accommodation payment, with approximately 70% of these residents assumed to pay for their accommodation with a RAD, and therefore approximately 30% choosing to pay for their accommodation with a DAP.

The average length of stay assumed in the forecast is three years per resident, which is consistent with historical trends for Estia.

4.8.2.6 Costs

Estia is assuming an average 3.2% per annum increase in staff salaries and wages which is in line with existing enterprise bargaining agreements. Management has forecast the increase in staff costs at points in time during FY2015F that are consistent with these outlined in the respective EBAs for Estia, Padman and Cook Care.

Occupancy costs are assumed to increase at 3.5% (e.g. rates and utilities) per annum, while other costs are assumed to increase at 2.5% per annum.

4.8.2.7 Depreciation and amortisation

Depreciation is forecast based on the existing asset base and depreciation rates and expected capital expenditure for the forecast period. The forecast assumes that Estia's depreciation policy is applied consistently to contracted acquisitions. Refer to Appendix A for detail on Estia's depreciation policy.

4.8.2.8 Taxation

The Australian corporate tax rate is assumed to remain at 30%. Other relevant tax and duty rates are assumed to remain at the current statutory rates.

4.8.2.9 Capital expenditure and acquisitions

Maintenance capital expenditure is forecast to be approximately $1,000 per place per annum covering the replacement of moveable chattels (e.g. furniture and other fixtures).

Development capital expenditure is assumed to be approximately $3,125 per place per annum and covers the cost of refurbishing facilities. Estia assumes that approximately 20 facilities over 10 years of age will be refurbished from 1 January 2015.

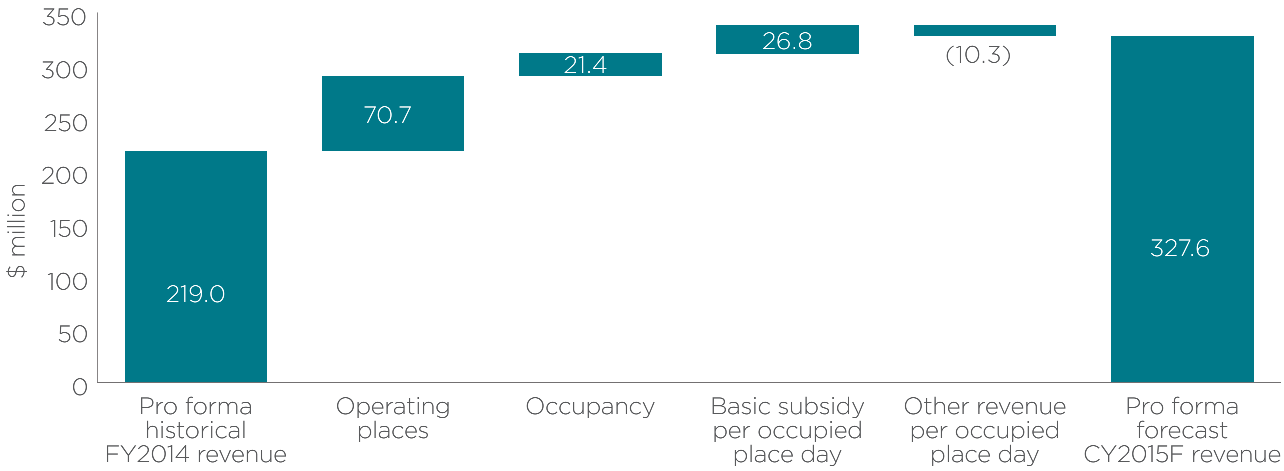
The contracted acquisitions are forecast to complete in accordance with Table 27 and are forecast to result in aggregate cash payments to vendors of $104.5 million in FY2015F and CY2015F (inclusive of all transaction expenses and applicable taxes).

4.8.2.10 Key revenue drivers

Chart 22 sets out the key drivers of revenue growth between FY2014 and CY2015F.The primary drivers of the forecast increase in revenue are the number of operating places, occupancy and basic subsidy per occupied place day.

The movements in these drivers are discussed in further detail in Sections 4.8.3 and 4.8.4.

Chart 22 Pro forma historical FY2014 revenue to pro forma forecast CY2015F revenue



4.8.3 Management discussion and analysis of the Pro Forma Forecast Income Statement for FY2015F compared to the Pro Forma Results for FY2014

Table 28 sets out the summary Pro Forma Historical Results for FY2014 and the Pro Forma Forecast Income Statement for FY2015F.

Table 28 Pro Forma Historical Results and Pro Forma Forecast Results—FY2015F compared to FY2014

	Pro Forma Historical Results	Pro Forma Forecast Income Statement	Change	
$ million	**FY2014**	**FY2015F**	**$ million**	**%**
Revenue				
Basic subsidy	137.2	195.6	58.4	42.6%
Other government income	15.6	13.7	(1.9)	(12.2%)
Resident contributions	63.7	83.8	20.1	31.6%
Other income	2.5	3.3	0.8	32.0%
Total revenue	**219.0**	**296.4**	**77.4**	**35.3%**
Staff costs	(134.0)	(175.2)	(41.2)	30.7%
Resident care costs	(11.8)	(15.8)	(4.0)	33.9%
Other costs	(26.3)	(35.2)	(8.9)	33.8%
Total operating costs	**(172.1)**	**(226.2)**	**(54.1)**	**31.4%**
EBITDA	**46.9**	**70.2**	**23.3**	**49.7%**
Depreciation and amortisation	(8.5)	(9.6)	(1.1)	12.9%
EBIT	**38.4**	**60.6**	**22.2**	**57.8%**

Key operating metrics	FY2014	FY2015F	Change	% change
Number of facilities (end of year)	36	44	8	22.2%
Operating place days	991,542	1,212,411	220,869	22.3%
Average occupancy for all facilities	89.3%	94.8%	5.5%	n/a
Average occupancy for mature facilities[135]	94.2%	96.0%	1.8%	n/a
Average revenue per occupied place day	$247	$258	$11	4.5%
Average ACFI per occupied place day	$142	$156	$14	9.9%
Proportion of places bonded	44.2%	48.6%	4.4%	n/a
Staff costs as percentage of revenue	61.2%	59.1%	(2.1%)	n/a
Net RAD receipts ($ million)	50.6	32.7	(17.9)	(35.4%)

Total revenues are forecast to increase by 35.3% from $219.0 million in FY2014 to $296.4 million in FY2015F. The primary contributor of the forecast increase in revenue is expected to be a 22.3% increase in operating place days as a result of the full year contribution of seven new facilities acquired and developed in FY2014, as well as the part year contribution from eight facilities contracted to be acquired in FY2015F[136].

FY2015F average occupancy is forecast to be 94.8% and is reflective of mature facilities operating at 96.0% occupancy, and the continued ramp up of recently developed facilities.

135 Excludes facilities that are in ramp up stage

136 See footnote 10

Revenue per occupied place day is forecast to increase by 4.5% between FY2014 and FY2015F. This is driven by the assumed 4.2% ACFI indexation (including a one-off 2.4% increase as part of the redirection of the Workforce Supplement), and the annual indexation of COPE (Commonwealth Own Purpose Expenses) of 1.85% from 1 July 2014. Additionally, management has forecast ACFI revenue improvements at acquired facilities to bring performance into line with ACFI rates achieved at Estia's mature facilities.

The reduction in other government income reflects the cessation of the Payroll Tax Supplement effective from 1 January 2015. This is forecast to reduce other government income by approximately $3.9 million in FY2015F.

Total operating costs are forecast to increase by 31.4% from $172.1 million in FY2014 to $226.2 million in FY2015F. The primary driver for this is the forecast increase in operating place days and occupancy. Staff costs are forecast to increase by 30.7%, from $134.0 million in FY2014 to $175.2 million in FY2015F. However, staff costs are forecast to decrease from 61.2% of revenue to 59.1% of revenue reflecting the increase in Estia's revenue.

EBITDA is forecast to increase from $46.9 million to $70.2 million or 49.7%. This translates to an EBITDA margin improvement of 2.3%.

Table 29 sets out the impact on Estia's FY2014, FY2015F and CY2015F EBITDA from new facilities. The facilities acquired and developed in FY2014 contributed approximately $4.1 million of EBITDA (based on their part year contributions). These facilities are expected to contribute approximately $14.5 million of EBITDA in FY2015F (based on full year contributions). A further eight facilities acquired or contracted to be acquired in FY2015F[137] are expected to contribute $7.4 million of EBITDA in FY2015F (based on their part year contributions). In aggregate, new facilities are expected to contribute $4.1 million and $21.9 million of EBITDA in FY2014 and FY2015F respectively.

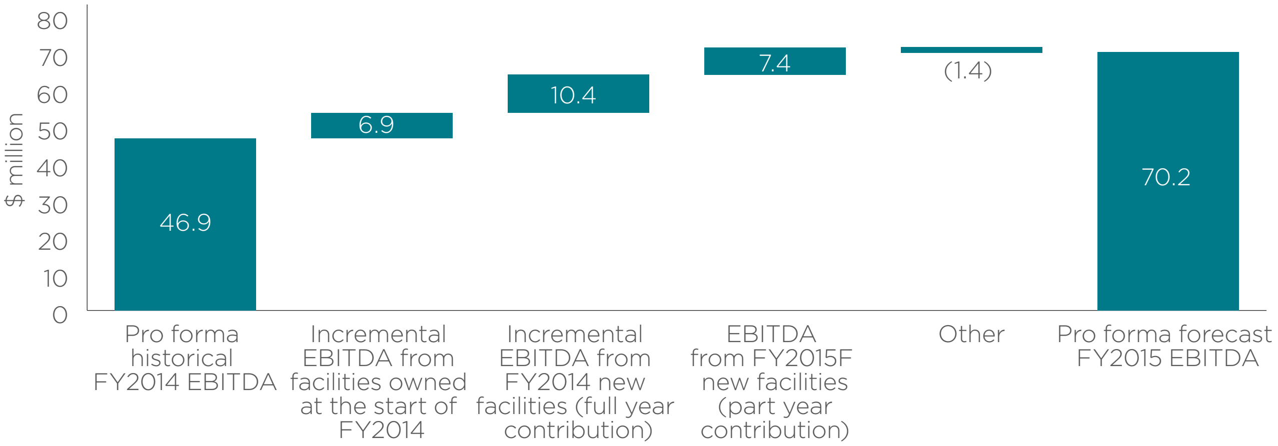
Table 29 Impact on FY2014, FY2015F and CY2015F EBITDA from Estia's new facilities

		FY2014		FY2015F		CY2015F	
FY2014 acquisitions	**Operational**	**Months**	**EBITDA**	**Months**	**EBITDA**	**Months**	**EBITDA**
Yarra Junction	Aug 2013	11		12		12	
Ardeer	Oct 2013	9		12		12	
Oakleigh	Nov 2013	8		12		12	
Altona Meadows	Feb 2014	5		12		12	
Plenty Valley	Jun 2014	1		12		12	
EBITDA contribution ($ million)			**3.9**		**9.9**		**10.1**
FY2014 developments							
Lockleys	Nov 2013	8		12		12	
Epping	Dec 2013	7		12		12	
EBITDA contribution ($ million)			**0.2**		**4.6**		**6.2**
FY2015 acquisitions							
Leopold	Oct 2014	–		9		12	
Albury	Oct 2014	–		9		12	
Wodonga	Oct 2014	–		9		12	
Contracted acquisition 1 (pre IPO)	Dec 2014	–		7		12	
Contracted acquisition 2 (pre IPO)	Dec 2014	–		7		12	
Contracted acquisition 3 (pre IPO)	Dec 2014	–		7		12	
Contracted acquisition 4 (post IPO)	Feb 2015	–		5		11	
Contracted acquisition 5 (post IPO)	Feb 2015	–		5		11	
EBITDA contribution ($ million)			**Nil**		**7.4**		**13.4**
EBITDA from new facilities ($ million)			**4.1**		**21.9**		**29.7**

137 See footnote 10

Chart 23 below sets out the drivers of EBITDA growth.

Chart 23 Pro forma historical FY2014 EBITDA to pro forma forecast FY2015F EBITDA



The forecast increase in pro forma EBITDA from $46.9 million to $70.2 million is primarily a result of:

- $6.9 million incremental EBITDA from facilities owned at the start of FY2014;
- $10.4 million incremental EBITDA (reflecting full year contribution) from seven new facilities acquired and developed in FY2014;
- $7.4 million of EBITDA (reflecting part year contribution) from eight new facilities acquired or contracted to be acquired in FY2015F[138]; and
- $(1.4) million of EBITDA from the closure of a facility, change in corporate costs and various pro forma adjustments including redundancy costs, straight-line rental expense adjustment and inter-period adjustments.

138 See footnote 10

Table 30 below sets out the historical and forecast pro forma cash flows for FY2014 and FY2015F. The majority of cash flows generated are used to fund the contracted acquisitions in FY2015F.

Table 30 Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows—FY2015F compared to FY2014

	Pro Forma Historical Cash Flows	Pro Forma Forecast Cash Flows	Change	
$ million	**FY2014**	**FY2015F**	**$ million**	**%**
EBITDA	**46.9**	**70.2**	**23.3**	**49.7%**
Change in net working capital	6.8	1.5	(5.3)	(77.9%)
Non-cash items in EBITDA	(5.0)	(5.1)	(0.1)	2.0%
Net cash flows from operations	**48.7**	**66.6**	**17.9**	**36.8%**
Net accommodation bond/RAD related cash flows	50.6	32.7	(17.9)	(35.4%)
Maintenance capital expenditure	(6.3)	(3.4)	2.9	(46.0%)
Net cash flows from operations before investment, interest, tax and financing activities	**93.0**	**95.9**	**2.9**	**3.1%**
Acquisitions	(47.4)	(87.2)	(39.8)	84.0%
Developments	(32.3)	(9.0)	23.3	(72.1%)
Net cash flows before interest, tax and financing activities	**13.3**	**(0.3)**	**(13.6)**	**(102.3%)**

4.8.4 Management discussion and analysis of the Pro Forma Forecast Income Statement for CY2015F compared to the Pro Forma Forecast Income Statement for FY2015F

Table 31 sets out the summary Pro Forma Forecast Income Statement for CY2015F and FY2015F.

Table 31 Pro Forma Forecast Income Statement—CY2015F compared to FY2015F

	Pro Forma Forecast Income Statement		Change	
$ million	**FY2015F**	**CY2015F**	**$ million**	**%**
Revenue				
Basic subsidy	195.6	222.6	27.0	13.8%
Other government income	13.7	10.3	(3.4)	(24.8%)
Resident contributions	83.8	91.4	7.6	9.1%
Other income	3.3	3.3	(0.0)	n/a
Total revenue	**296.4**	**327.6**	**31.2**	**10.5%**
Staff costs	(175.2)	(191.9)	(16.7)	9.5%
Resident care costs	(15.8)	(17.8)	(2.0)	12.7%
Other costs	(35.2)	(38.1)	(2.9)	8.2%
Total operating costs	**(226.2)**	**(247.8)**	**(21.6)**	**9.5%**
EBITDA	**70.2**	**79.8**	**9.6**	**13.7%**
Depreciation and amortisation	(9.6)	(9.7)	(0.1)	1.0%
EBIT	**60.6**	**70.1**	**9.5**	**15.7%**

Key operating metrics	FY2015F	CY2015F	Change	% change
Number of facilities (end of year)	44	44	Nil	Nil
Operating place days	1,212,411	1,302,332	89,921	7.4%
Average occupancy for all facilities	94.8%	96.3%	1.5%	n/a
Average occupancy for mature facilities[139]	96.0%	96.5%	0.5%	n/a
Average revenue per occupied place day	$258	$261	$3	1.2%
Average ACFI per occupied place day	$156	$163	$7	4.5%
Proportion of places bonded	48.6%	48.3%	(0.3%)	n/a
Staff costs as percentage of revenue	59.1%	58.6%	(0.5%)	n/a
Net RAD receipts ($ million)	32.7	22.8	(9.9)	(30.3%)

139 Excludes facilities that are in ramp up stage

Revenue is forecast to increase from $296.4 million in FY2015F to $327.6 million in CY2015F. This increase is expected to be driven by the full 12 month contribution from six facilities contracted to be acquired in 1H FY2015F and the part year contribution of two facilities contracted to be acquired by February 2015[140].

Occupancy is forecast to increase from 94.8% to 96.3%, largely driven by the increased occupancy of ramp up facilities with mature facilities forecast to experience an increase in occupancy of 0.5%.

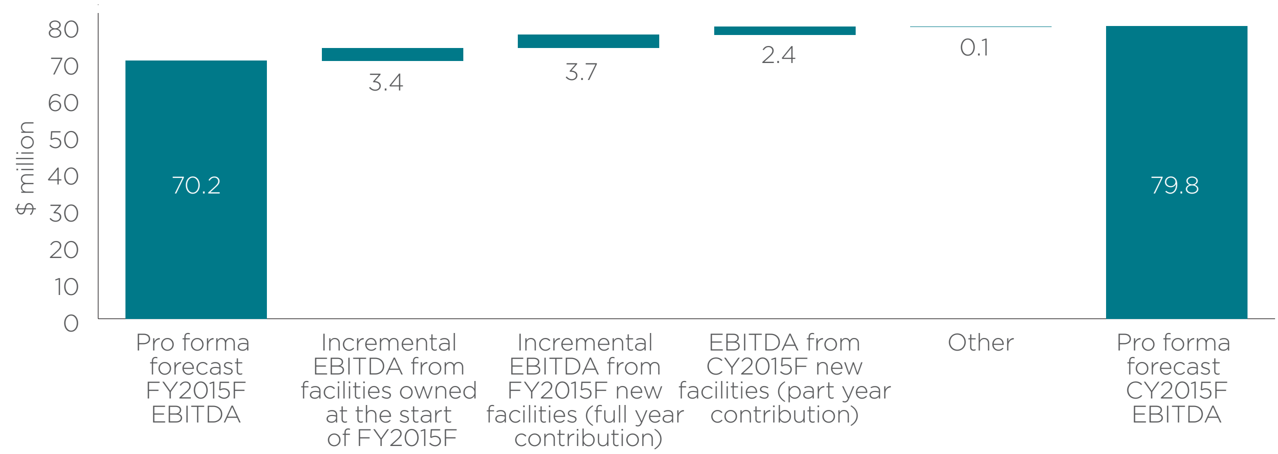
Revenue per occupied place day is forecast to increase by $3 from $258 in FY2015F to $261 in CY2015F. This reflects the 1.85% per annum assumed ACFI indexation effective 1 July 2015 and a 3.00% increase in the pension impacting the basic daily care fee.

The forecast increase in revenue and EBITDA are largely a result of the full year contribution of acquired facilities. Refer to Table 29 for a breakdown, by facility, of the contribution of acquired facilities to Estia's pro forma forecast EBITDA in FY2015F and CY2015F. Staff costs are forecast to increase from $175.2 million in FY2015F to $191.9 million in CY2015F. As a percentage of revenue, staff costs are forecast to decrease from 59.1% to 58.6% as ramp up facilities increase and reach mature occupancy levels.

The facilities acquired or contracted to be acquired in FY2015F are forecast to contribute $13.4 million of EBITDA in CY2015F (based on expected full year contribution from six facilities and expected part year contribution from two facilities). In aggregate, new facilities are forecast to contribute $21.9 million and $29.7 million of EBITDA in FY2015F and CY2015F respectively. Refer to Table 29 for further detail.

Chart 24 sets out the drivers of EBITDA growth.

Chart 24 Pro forma forecast FY2015F EBITDA to pro forma forecast CY2015F EBITDA



The movement in pro forma EBITDA from $70.2 million to $79.8 million is primarily a result of:

- $3.4 million incremental EBITDA from facilities owned at the start of FY2015F;
- $3.7 million incremental EBITDA (reflecting full year contribution) from six new facilities acquired and developed in FY2015F;
- $2.4 million of EBITDA (reflecting part year contribution) from two new facilities contracted to be acquired by February 2015[141]; and
- $0.1 million of EBITDA from a reduction in corporate costs.

Table 32 sets out the Pro Forma Forecast Cash Flows for FY2015F and CY2015F.

140 See footnote 10

141 See footnote 10

Table 32 Pro Forma Forecast Cash Flows—FY2015F compared to CY2015F

	Pro Forma Forecast Cash Flows		Change	
$ million	**FY2015F**	**CY2015F**	**$ million**	**%**
EBITDA	**70.2**	**79.8**	**9.6**	**13.7%**
Change in net working capital	1.5	0.4	(1.1)	(73.3%)
Non-cash items in EBITDA	(5.1)	(4.3)	0.8	(15.7%)
Net cash flows from operations	**66.6**	**75.9**	**9.3**	**14.0%**
Net accommodation bond/RAD related cash flows	32.7	22.8	(9.9)	(30.3%)
Maintenance capital expenditure	(3.4)	(3.6)	(0.2)	5.9%
Net cash flows from operations before investment, interest, tax and financing activities	**95.9**	**95.1**	**(0.8)**	**(0.8%)**
Acquisitions	(87.2)	(15.8)	71.4	(81.9%)
Developments	(9.0)	(8.8)	0.2	(2.2%)
Net cash flows before interest, tax and financing activities	**(0.3)**	**70.5**	**70.8**	**n/a**

Net cash inflows from operations are forecast to increase by 14.0% as Estia achieves most of the benefit of its existing portfolio and contracted acquisitions.

A further $15.8 million of cash outflows is expected to be incurred for the remaining contracted acquisitions in CY2015F.

4.9 Sensitivity analysis of the Pro Forma Forecast Financial Information

The Forecast Financial Information is based on a number of key estimates and assumptions as described in Section 4.8. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Estia, the Directors and management. These estimates are also based on assumptions with respect to future business activities, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the financial information, the sensitivities of the pro forma forecast EBITDA and NPAT for FY2015F and CY2015F to changes in certain key assumptions are set out below. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and variations in actual performance could exceed the ranges shown. Each sensitivity is presented in terms of the impact of each on FY2015F and CY2015F pro forma forecast EBITDA and NPAT. These sensitivities are set out in Table 33.

Table 33 Summary sensitivity analysis on FY2015F and CY2015F pro forma forecast EBITDA and NPAT

		Pro forma EBITDA		Pro forma NPAT	
Assumption	**Increase/ decrease**	**FY2015F**	**CY2015F**	**FY2015F**	**CY2015F**
Occupancy rate	+/− 1%	+/− $2.1m	+/− $2.4m	+/− $1.5m	+/− $1.7m
Revenue per occupied place day	+/− 1%	+/− $3.0m	+/− $3.3m	+/− $2.1m	+/− $2.3m
Operating place days	+/− 1%	+/− $0.7m	+/− $0.8m	+/− $0.4m	+/− $0.5m
Proportion of residents choosing to pay for their accommodation in the form of a DAP over a RAD	+/− 1%	+/− $0.2m	+/− $0.2m	+/− $0.0m	+/− $0.2m
Change in RAD price	+/− 1%	+/− $0.0m	+/− $0.1m	+/− $0.0m	+/− $0.1m
Change in salaries	+/− 1%	−/+ $1.8m	−/+ $1.9m	−/+ $1.2m	−/+ $1.3m
Change in acquisition timing	3 month delay	-$1.5m	-$1.2m	-$0.9m	-$0.7m

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the pro forma forecast EBITDA and NPAT for FY2015F and CY2015F. In practice, changes in variables may offset each other or be additive, and it is likely that management would respond to any adverse change in one item to seek to minimise the net effect on Estia's financial performance and cash flows.

4.10 Quantitative and qualitative disclosures about market risk 4.10.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and prices. Financial instruments affected by market risk include cash, borrowings, accommodation bonds and RADs, and derivative financial instruments. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all operating activities are undertaken in accordance with established internal and external guidelines, financing and investment strategies. This section describes information about Estia's exposure to these risks as well as the objectives, policies and processes for measuring and managing the risks.

Primary responsibility to review, oversee and report to the Board on Estia's risk management systems and strategies rests with the Audit and Risk Compliance Committee operating within an approved policy under the authority of the Board. Estia uses various methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk, existing market positions and assessments of market forecasts for interest rate levels. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

4.10.2 Liquidity risk

Liquidity risk is the risk that Estia will encounter difficulty in meeting obligations associated with financial liabilities. Financial liabilities of Estia may include trade and other payables, dividends payable, deferred tax liabilities, as well as accommodation bonds and RADs. Trade and other payables have no contractual maturities but are typically settled within 30 days or within the terms negotiated. Dividends payable have no maturity date as such and are settled upon the dividend payment date. Accommodation bonds and RADs are potentially repayable within 14 days of notice that a resident is leaving a facility or the day the resident leaves, whichever is later, or within 14 days following the receipt of the grant of probate of a resident's will by the Approved Provider and therefore classified as current liabilities in the statement of financial position. On average, each resident occupies a place for approximately three years, resulting in approximately 33% of accommodation bonds or RADs being replaced in any 12 month period. In addition, any accommodation bond or RAD is typically replaced by an equivalent or higher accommodation bond or RAD receivable from a new incoming resident.

Liquidity risk is managed by monitoring forecast cash flows and ensuring there is adequate access to financial instruments that are readily convertible to cash. Estia has available facilities which will be undrawn, and available to meet the cash flow requirements of refunding accommodation bonds and/or RADs and day-to-day operating requirements. Also, as part of Estia's compliance with the User Rights Principles 1997, Estia maintains a Liquidity Management Strategy to ensure that it has sufficient liquidity to enable it to refund RAD balances that are expected to fall due within at least the next 12 months.

4.10.3 Price risk

Price risk is the risk that the Australian Government alters the rate of funding provided to Approved Providers of residential aged care services, as well as the risk that resident payments decline as a result of a general decrease in demand for Estia's services. Estia and its senior management team manage this risk by participating in aged care industry public awareness discussions with the Australian Government about its proposals for changes to funding for the aged care sector. In addition, Estia strives to provide high quality care, service and accommodation to residents to ensure resident fees do not decline.

4.10.4 Foreign exchange risk

Estia has no operations overseas and sources exclusively from local suppliers. As such, Estia does not have a direct exposure to foreign currency.

4.10.5 Interest rate risk

Interest rate risk is the risk of loss arising from an unfavourable movement in market interest rates. As Estia pursues expansion of its portfolio, which is expected to be partly funded by debt, Estia will have exposure to interest rate risk on any drawn debt. This risk is expected to be managed by putting in place appropriate hedges against interest rate fluctuations.

4.11 Dividend policy

It is intended that the first dividend paid by Estia will be a final dividend in respect of the period from Completion of the Offer to 30 June 2015.

Depending on available profits and the financial position of Estia, it is the Board's current intention to target a payout ratio of up to 100% of NPAT.

The payment of a dividend by Estia is at the discretion of the Directors and will be a function of a number of factors, including general business and financial conditions, Estia's cash flow including consideration of net RAD cash flows, capital expenditure requirements, working capital requirements, potential acquisition opportunities, taxation requirements and other factors that the Directors consider relevant.

Beyond FY2015F, depending on available profits and the financial position of Estia, it is the current intention of the Board to pay interim dividends in respect of financial half years ending 31 December and final dividends in respect of financial full years ending 30 June each year.

Beyond FY2015F, the Directors intend to target a payout ratio of up to 100% of NPAT however the level of payout ratio is expected to vary between periods depending on the factors above. It is expected that all future dividends will be franked to the maximum extent possible. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

4.12 Additional financial information

Table 34 sets out the pro forma historical results for EHL, Padman and Cook Care for FY2012.

Table 34 Pro forma historical results—FY2012

$ million	EHL	Padman	Cook Care	FY2012
Revenue				
Basic subsidy	30.3	40.5	29.6	100.4
Other government income	3.5	5.0	3.6	12.1
Resident contributions	10.5	20.0	17.6	48.1
Other income	2.4	0.2	0.5	3.1
Total revenue	**46.7**	**65.7**	**51.3**	**163.7**
Staff costs	(28.1)	(40.4)	(32.2)	(100.7)
Resident care costs	(3.3)	(2.8)	(2.4)	(8.5)
Other costs	(7.1)	(5.6)	(5.3)	(18.0)
Total operating costs	**(38.5)**	**(48.8)**	**(39.9)**	**(127.2)**
EBITDA	**8.2**	**16.9**	**11.4**	**36.5**
Depreciation and amortisation	(0.9)	(3.6)	(3.1)	(7.6)
EBIT	**7.3**	**13.3**	**8.3**	**28.9**

Table 35 sets out the pro forma historical results for EHL, Padman and Cook Care for FY2013.

Table 35 Pro forma historical results—FY2013

$ million	EHL	Padman	Cook Care	FY2013
Revenue				
Basic subsidy	36.5	42.5	30.8	109.8
Other government income	4.5	5.5	3.9	13.9
Resident contributions	13.2	21.2	18.1	52.5
Other income	1.0	0.1	1.1	2.2
Total revenue	**55.2**	**69.3**	**53.9**	**178.4**
Staff costs	(32.2)	(42.4)	(33.5)	(108.1)
Resident care costs	(3.2)	(3.0)	(2.5)	(8.7)
Other costs	(9.2)	(6.1)	(5.5)	(20.8)
Total operating costs	**(44.6)**	**(51.5)**	**(41.5)**	**(137.6)**
EBITDA	**10.6**	**17.8**	**12.4**	**40.8**
Depreciation and amortisation	(0.8)	(3.4)	(2.8)	(7.0)
EBIT	**9.8**	**14.4**	**9.6**	**33.8**

Table 36 sets out the pro forma historical results for EHL, Padman and Cook Care for FY2014.

Table 36 Pro forma historical results—FY2014

$ million	EHL	Padman	Cook Care	FY2014
Revenue				
Basic subsidy	55.5	48.6	33.1	137.2
Other government income	6.4	5.2	4.0	15.6
Resident contributions	19.5	23.3	20.9	63.7
Other income	1.0	0.2	1.3	2.5
Total revenue	**82.4**	**77.3**	**59.3**	**219.0**
Staff costs	(53.2)	(45.3)	(35.5)	(134.0)
Resident care costs	(5.7)	(3.4)	(2.7)	(11.8)
Other costs	(12.7)	(7.5)	(6.1)	(26.3)
Total operating costs	**(71.6)**	**(56.2)**	**(44.3)**	**(172.1)**
EBITDA	**10.8**	**21.1**	**15.0**	**46.9**
Depreciation and amortisation	(1.4)	(3.5)	(3.6)	(8.5)
EBIT	**9.4**	**17.6**	**11.4**	**38.4**

Table 37 sets out the pro forma historical cash flows for EHL, Padman and Cook Care for FY2012.

Table 37 Pro forma historical cash flows—FY2012

$ million	EHL	Padman	Cook Care	FY2012
EBITDA	**8.2**	**16.9**	**11.4**	**36.5**
Change in net working capital	1.8	0.5	(0.3)	2.0
Non-cash items in EBITDA	(0.3)	(2.5)	(0.4)	(3.2)
Net cash flows from operations	**9.7**	**14.9**	**10.7**	**35.3**
Net accommodation bond/RAD related cash flows	4.5	16.7	(0.2)	21.0
Maintenance capital expenditure	(0.5)	(2.0)	(1.1)	(3.6)
Net cash flows from operations before investment, interest, tax and financing activities	**13.7**	**29.6**	**9.4**	**52.7**
Acquisitions	(16.2)	0.0	0.0	(16.2)
Developments	(0.1)	(0.7)	0.0	(0.8)
Net cash flows before interest, tax and financing activities	**(2.6)**	**28.9**	**9.4**	**35.7**

Table 38 sets out the pro forma historical cash flows for EHL, Padman and Cook Care for FY2013.

Table 38 Pro forma historical cash flows—FY2013

$ million	EHL	Padman	Cook Care	FY2013
EBITDA	**10.6**	**17.8**	**12.4**	**40.8**
Change in net working capital	(1.7)	0.4	0.1	(1.2)
Non-cash items in EBITDA	(0.4)	(3.2)	(0.4)	(4.0)
Net cash flows from operations	**8.5**	**15.0**	**12.1**	**35.6**
Net accommodation bond/RAD related cash flows	1.4	10.5	10.2	22.1
Maintenance capital expenditure	(0.8)	(1.2)	(0.7)	(2.7)
Net cash flows from operations before investment, interest, tax and financing activities	**9.1**	**24.3**	**21.6**	**55.0**
Acquisitions	(6.7)	–	–	(6.7)
Developments	(0.2)	(12.5)	–	(12.7)
Net cash flows before interest, tax and financing activities	**2.2**	**11.8**	**21.6**	**35.6**

Table 39 sets out the pro forma historical cash flows for EHL, Padman and Cook Care for FY2014.

Table 39 Pro forma historical cash flows—FY2014

$ million	EHL	Padman	Cook Care	FY2014
EBITDA	**10.8**	**21.1**	**15.0**	**46.9**
Change in net working capital	5.6	1.0	0.2	6.8
Non-cash items in EBITDA	(0.9)	(3.6)	(0.5)	(5.0)
Net cash flows from operations	**15.5**	**18.5**	**14.7**	**48.7**
Net accommodation bond/RAD related cash flows	2.7	19.0	28.9	50.6
Maintenance capital expenditure	(2.7)	(2.4)	(1.2)	(6.3)
Net cash flows from operations before investment, interest, tax and financing activities	**15.5**	**35.1**	**42.4**	**93.0**
Acquisitions	(47.4)	0.0	0.0	(47.4)
Developments	(1.0)	(10.1)	(21.2)	(32.3)
Net cash flows before interest, tax and financing activities	**(32.9)**	**25.0**	**21.2**	**13.3**

05.
KEY RISKS

05. KEY RISKS

The future performance of Estia and the future investment performance of Shares may be influenced by a range of factors, many of which are outside the control of Estia. This Section 5 describes what Estia and SaleCo believe to be the key risks associated with an investment in Estia. It does not purport to list every risk that may be associated with an investment in Estia now or in the future.

There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge. Any of these risks, and any other risks that may emerge, may have a material adverse effect on the business, financial condition, results of operations and cash flows of Estia. There can be no guarantee that Estia will achieve its stated objectives or that any forward looking statements or forecasts will eventuate. Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of the risks described in this Section 5 and all of the other information set out in this Prospectus, and consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position.

If you do not understand any part of this Prospectus, or have any questions about whether to invest in Estia, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

5.1 Risks specific to an investment in Estia

5.1.1 The regulatory or funding framework may change in ways that harm Estia's business

The Australian aged care industry is highly regulated and subject to change. The way that the industry is regulated and funded by the Australian Government has a fundamental influence on Estia's business model. As discussed in Section 2, the Australian Government's Living Longer Living Better Aged Care Reform Package changes commenced on 1 July 2014. In addition, a substantial proportion of the aged care industry's revenues consist of government funding, with the Australian Government contributing approximately 71% of the industry's total operating revenue in FY2013 and 70% of Estia's pro forma revenues in FY2014.

Any further regulatory change for the industry, or any change in the level of government funding or the funding model, may have an adverse impact on the way Estia promotes, manages and operates its facilities, and its financial performance. Examples of these adverse changes may include:

- policy initiatives by the Australian Government to limit or reverse increases in subsidy payments (potentially through the modification of ACFI fee schedules or other methods) to stem growth to historical levels, as happened with the removal of the Dementia Supplement from 31 July 2014;
- increased focus on a "user pays" model of aged care funding with more limited Australian Government funding;
- reductions, or the elimination of, Australian Government subsidies and other financial support resulting from an Australian Government objective of reducing the level of Government spending;
- limits on amounts that can be charged, or restrictions upon the process, for replacing RADs or issuing new RADs and for extra services provided to residents;
- prudential or regulatory restrictions on the use of RADs;
- increased funding for home and community care packages by the Australian Government with a view to having elderly people continue to live in their homes and thereby reducing demand for residential aged care facilities;
- increased funding for not-for-profit operators compared to for-profit operators;
- changes to the physical building and structure requirements for aged care facilities, resulting in increased capital expenditure requirements;
- deregulation of approved places by the Australian Government leading to a rapid increase in the supply of places; and
- changes to accreditation standards, which have the effect of increasing compliance costs.

Any further regulatory restrictions or changes in Australian Government policies in relation to any or all of the existing regulatory areas could adversely impact on the financial performance and position and future prospects of Estia. There is also a risk that regulatory restrictions may become more burdensome in the future. If this were to happen, Estia may be required to dedicate more time and expenditure to ensuring that it complies with these regulations, which could also adversely affect its financial performance and position and future prospects.

5.1.2 Repayment and value of accommodation bonds/RADs

Estia is exposed to risks associated with the repayment of accommodation bonds and RADs, as the value of, and returns from, Estia's accommodation bonds and RADs may fluctuate depending on investment market conditions and general investment risk. Estia's current policy is that accommodation bonds or RADs are invested in authorised deposit–taking institutions, except where used for permitted purposes disclosed in section 2.4.2.

Estia also needs to be able to liquidate accommodation bonds/RADs quickly as they are repayable within 14 days of certain events occurring including:

- the resident ceasing to receive care at the facility;
- a resident notifying the provider that they are moving to another facility (if notice was given at least 14 days prior to departure);
- within 14 days of a resident leaving the facility to move to another facility (if no notice of the move was given to the provider by the resident); or
- the provider being shown the probate of the resident's will (or letters of administration) following the resident's death,

and within 14 to 90 days (depending on the particular circumstances) of an Approved Provider ceasing to be an Approved Provider with respect to the facility.

If a larger than expected number of bond/RAD paying residents were to leave Estia's aged care facilities (for example because a facility lost its accreditation, or suffered a clinical issue, or if Estia decides to renovate or develop its existing facilities and needs its residents to vacate its facilities), Estia would be required to repay a large sum of accommodation bonds/RADs, all of which may not be able to be replaced immediately. If Estia does not have sufficient capital to do so, Estia may be required to borrow funds at terms that are unfavourable to Estia. In addition, this may also have an adverse impact on Estia's ability to execute on its growth strategy.

Estia is exposed to risks that may adversely affect the future value of Estia's total accommodation bonds/RADs including:

- specific issues arising in Estia's business, such as a non-compliance or loss of certification at a facility. A sanction prohibits the admission of new residents and collecting ACFI funding from existing residents. In addition, a sanction could reduce the value of the RADs that Estia could typically charge for a place;
- a general reduction in the price that can be achieved for new RADs, which may result from falls in residential property prices, lower levels of personal wealth or a deterioration of market conditions in the areas surrounding Estia's facilities. As incoming residents typically move into a facility after selling their family homes, there is a risk that a downturn in the property market may limit potential residents' ability to relocate into a facility. Specifically, such a downturn may affect the ability of potential incoming residents to sell their own homes or sell them at prices that allow them to pay the facility's minimum accommodation payment amount;
- a failure of Estia's pricing models to determine a competitive or market pricing of RADs, which may deter prospective residents from entering into Estia's facilities;
- lower than estimated take-up of RADs by high care residents to whom providers were formerly unable to charge RADs;
- the offer by competitor facilities of places at more attractive facilities or places comparable to Estia's with lower RADs, within catchment areas in which Estia operates, resulting in residents choosing an alternative facility; and
- demand for Estia's aged care services changing over time due to general economic factors impacting the ability of prospective residents to pay for such services (such as economic downturns, softness in the

housing market, unemployment among the resident's family members, lower levels of consumer confidence, and share market volatility) and social factors (such as population demographics and increased demand for home and community care).

Any one or a combination of these events could result in a reduction in the price and amount of new RADs received, which would have an adverse impact on Estia's liquidity and funding, and may adversely affect Estia's financial performance, financial position and future prospects.

5.1.3 A failure to meet clinical care standards may damage Estia's business

Aged care providers require an effective system of clinical governance to promote the health, safety and quality of care of their residents, and to ensure compliance with applicable legislation and departmental policy requirements.

Estia may experience a decline in its clinical outcomes in circumstances where:

- clinical incidents are not identified, assessed or reported appropriately (including due to ineffective communication from individual facilities to the regional or national level, or delays in implementing Estia's quality assurance systems across newly acquired facilities);
- Estia employees do not follow processes and/or procedures, whether inadvertently or deliberately;
- external health consultants do not provide services they were engaged to provide or do not provide them at the expected level of service; or
- residents and/or their relatives or friends do not follow Estia's instructions or guidelines.

In addition, in the event that a resident or visitor is injured at an Estia facility, or an Estia employee or contractor is injured in the course of their employment, Estia may be liable for penalties, sanctions or damages.

Any failure to meet clinical care standards may attract adverse publicity and damage Estia's reputation, and limit Estia's ability to market its facilities on the basis of high quality clinical care.

Clinical care failures may also constitute breaches of Estia's regulatory compliance obligations, which could lead to loss of accreditation or Approved Provider status.

Such a decline in clinical outcomes or clinical failures could adversely impact Estia.

5.1.4 Estia may fail to comply with legislation, regulation and other professional standards

Failure to comply with legislation, regulation and other professional standards and accreditation (including because of a decline in clinical outcomes) could have an adverse impact on Estia's reputation, and ability to accept new residents, claim ACFI funding, attract residents and operate its business.

Aged care facilities need to be accredited by the Australian Aged Care Quality Agency and are subject to certification audits once a year and accreditation audits every three years. These audits include an assessment of the facility's clinical care requirements and outcomes. In particular, facilities are assessed against four key standards – management systems, staffing and organisational support; health and personal care; resident lifestyle; and physical environment and safe systems, under which there are 44 expected outcomes to be met.

Accreditation may be revoked in certain circumstances, including:

- if the Department Secretary is satisfied the facility is no longer suitable for accreditation;
- if the original application for accreditation contained false or misleading material;
- if the facility was determined not to be a safe or comfortable environment that ensured the quality of life and welfare of the residents and
- if specific outcomes of the accreditation standards are deemed not to be met against prescribed and legislated criteria.

Estia is also required to maintain its Approved Provider status to operate as an aged care provider and must hold licences for its places. In addition, aged care facilities are required to hold other permits and licences, such as controlled substance licences, food licences and fire safety approvals. If Estia does not comply with regulations, maintain its Approved Provider status or accreditations, or comply with the terms of its licences, this could result in the following:

- Estia's existing approvals or accreditations may be adversely amended or revoked and Estia may be unable to continue to operate its aged care facilities;
- Estia's facilities could become subject to sanctions;
- Estia may be unable to secure approvals or accreditation for the operation of any new additional aged care facilities;
- Estia may not be able to secure resident places in ACARs in the future; and
- Estia may not be able to obtain approval from the Australian Government to transfer places obtained via acquisition,

each of which could adversely impact Estia's ability to operate its facilities and Estia's financial performance and position and future prospects.

A loss of accreditation or Approved Provider status may also breach lending covenants and could adversely impact the financial performance and position and future prospects of Estia.

5.1.5 Occupancy levels may fall

Estia's occupancy levels may fall below expectations as a result of factors such as increased competition in the residential aged care industry, specific issues arising at any of Estia's facilities which adversely impact its reputation and/or perceptions of the quality of clinical care provided, any trend towards home and community care, a deterioration in general economic and housing market conditions, or a decline in referrals from hospitals and other referral sources. The resident turnover rates in Estia's facilities are difficult to predict and multiple residents may leave Estia's facilities at or around the same time.

Government subsidies, and resident contributions, constitute substantially all of Estia's revenue. Reduced occupancy levels may adversely affect Estia's financial performance as it would reduce:

- the amount of Australian Government funding to which Estia is entitled, which is calculated per resident;
- resident contributions; and
- the level of accommodation bonds and RADs held.

To the extent a decrease in occupancy levels resulted in a reduction in the level of Estia's accommodation bonds and RADs, Estia's financing costs could increase. Any of these occurrences could adversely affect Estia's financial performance, financial position and future prospects.

5.1.6 Estia's reputation may be damaged

Estia's reputation could be adversely impacted if it, or the aged care sector generally, suffers from any adverse publicity. Examples of adverse publicity may include reports of inappropriate care of residents, inquiries or investigations relating to the operation of aged care facilities or incidents at aged care facilities, health and safety issues affecting residents or poor maintenance of, or delivery of services at, aged care facilities. Any such adverse publicity could result in existing residents transferring away from Estia's facilities to competitor aged care facilities or reduce Estia's ability to attract new residents to its facilities, both of which could adversely impact Estia's financial performance and position and future prospects.

5.1.7 Estia may have to pay a levy under the Government's Guarantee Scheme

If an Approved Provider becomes insolvent and is unable to refund RAD or accommodation bond balances that are owing to its residents, the Government may repay the outstanding balances to residents affected under the Accommodation Payment Guarantee Scheme ("Guarantee Scheme").

The Aged Care (Accommodation Payment Security) Levy Act 2006 (Cth) allows the Government to recover the costs of refunding these RAD or accommodation bond balances (along with administrative costs) from Approved Providers via a levy. If a levy is imposed in these circumstances, this may require significant cash outlays, which would adversely impact on Estia's cash flows.

According to the Aged Care (Bond Security) Amendment Bill 2013 Explanatory Memorandum, the magnitude of the levy is determined by the monetary value of the outstanding RAD or accommodation bond balances (including interest) repaid by the Government on behalf of the defaulting Approved Provider, whether any part of this cost could be recovered from the defaulting Approved Provider and the costs incurred by the Government in administering the default event (including the repayment of RAD and accommodation bond balances). The Government may choose to recover costs from Approved Providers in instalments over several years to minimise the potential impact on Approved Providers.

5.1.8 Past acquisitions (including Padman Health Care and Cook Care)

In accordance with its growth strategy outlined in Section 3.5, Estia has acquired a number of aged care facilities as a going concern. At the time each aged care facility was acquired, Estia conducted due diligence enquiries. Notwithstanding this due diligence, it is possible that one or more material issues or liabilities may not have been identified, or are of an amount that is greater than expected, and that the standard protections (in the form of representations, warranties and indemnities) negotiated by Estia prior to the relevant acquisition are inadequate in the circumstances. Such issues or liabilities could adversely affect Estia's financial performance and position and future prospects.

In particular, Estia acquired Padman Health Care and Cook Care on 31 July 2014. As a result of the Padman Health Care and Cook Care acquisitions, Estia has grown in size from a total of 1,146 places to a total of 3,203 places in 39 facilities. Prior to these acquisitions, Estia did not control, or have any involvement in, either Padman Health Care's or Cook Care's operations. Accordingly, Estia has relied primarily on the due diligence enquiries that it and its advisers undertook in order to assess the operations, financial condition and financial results of Padman Health Care and Cook Care. To the extent such information is incomplete or inaccurate, Estia's assessment of Padman Health Care and/or Cook Care may be adversely impacted. In particular, Estia may discover material contingent liabilities, of which it is not currently aware. Consequently, Estia may not have identified all of the material risks associated with Padman Health Care and Cook Care, which may adversely impact Estia's financial performance and position and future prospects. Estia's CEO and CFO joined Estia in August 2014 and September 2014 respectively, after the Padman Health Care and Cook Care acquisitions had completed.

The transition of Padman Health Care's and Cook Care's information systems and clinical, financial and legal information and resources may not proceed smoothly and may divert management's attention from managing other aspects of Estia's business. There is a risk that cash flows or operations could be disrupted and that costs associated with the transition may be substantial or greater than expected, which could adversely affect Estia's financial performance and position and future prospects.

Furthermore, Estia has not previously made an acquisition of the size of either Padman Health Care or Cook Care. The realisation of synergies and integration of these acquisitions may not occur within the timeframes anticipated, or at all, or may result in additional costs, which could have a negative impact on Estia's financial performance and position and future prospects.

In addition, Padman Health Care's operations are located in South Australia and Queensland, while Cook Care's operations are located in New South Wales and Queensland, jurisdictions in which Estia has not previously operated and in which Estia does not have a developed reputation. This could adversely affect Estia's ability to attract new residents to its facilities, which could have a negative impact on Estia's operations, financial performance and financial condition. There may be additional regulatory, insurance and other operating requirements that apply to Estia as a result of acquisitions in these States. To the extent any additional requirements are not satisfied, Estia's operations, financial performance and financial condition may be adversely impacted.

It is possible that there will be some unintended loss of key Padman Health Care or Cook Care staff following the completion of the Padman Health Care and Cook Care acquisitions, particularly given that the vendors of Padman Health Care and Cook Care each intend to continue operating certain other aged care facilities. These key staff possess valuable knowledge regarding the operation of those businesses, and if Estia cannot attract or retain key staff at Padman Health Care or Cook Care, especially at the Director of Nursing level and the management level, Estia's operations may be adversely affected.

5.1.9 Estia's growth strategy

Estia has historically grown primarily through acquisitions, and Estia's ability to meet its growth targets is dependent on its ability to identify and acquire suitable facilities. In particular, the success of Estia's acquisition strategy will be dependent on a number of factors, including:

- the level of RADs held by Estia to fund such acquisitions;
- the availability of debt and equity funding and the suitability of the terms of such funding;
- the availability of suitable facilities at an acceptable price to Estia; and
- the number and resources of any of Estia's competitors bidding for any target acquisition.

There is no assurance that Estia will secure such acquisitions to drive future growth.

While Estia intends that its acquisitions will improve its competitiveness and profitability, Estia cannot be certain that its future acquisitions will meet its operational or strategic expectations.

Acquisitions involve special risks, including accounting, regulatory, compliance, information technology and human resources issues that could arise in connection with, or as a result of, the acquisition of the acquired business, the potential assumption of unanticipated liabilities and contingencies, and difficulties in integrating acquired businesses. There are integration risks, such as challenges in implementing a consistent culture across the business, the loss of key personnel, higher than anticipated integration costs, delays in achieving integration and the realisation of lower than anticipated cost synergies. In addition, the success of a geographic expansion by Estia could be adversely affected if Estia is unable to adapt to the local operating and regulatory environment.

Further, if the performance of an acquired business varies from that in Estia's projections or assumptions, or estimates about future profitability of an acquired business change, the estimated fair value of an acquired business could change materially and could result in an impairment of goodwill and other acquisition-related intangible assets recorded on Estia's balance sheet.

In addition, existing Shareholders' interests may be diluted if Estia issues Shares as consideration for such acquisitions, or if Estia funds acquisitions through raising equity capital by placing Shares with new investors.

Alternatively, Estia may decide to fund future acquisitions through debt. If Estia's debt levels were to increase significantly, this may have the following adverse consequences:

- Estia may need to use a substantial portion of cash from its operating activities to make principal repayments and interest payments on its debt;
- Estia may be at a disadvantage to its competitors that have relatively less debt and greater cash flow to devote towards capital expenditures and other strategic initiatives; and
- Estia's ability to make further acquisitions and take advantage of significant business opportunities may be negatively affected, if Estia needs to obtain the consent of its lenders to take such actions.

5.1.10 Increased competition may affect Estia's competitive position

Estia operates in a sector with established competitors, including a number of other residential aged care providers with a large number of facilities across multiple jurisdictions. Estia may face increased competition from these established competitors, for example, through:

- competitors undertaking aggressive marketing campaigns or price discounting strategies;
- new competitors that enter the market;
- consolidation between existing competitors; or
- existing competitors upgrading or expanding their facilities.

There is also the possibility of a competitor introducing new technology or products in connection with their aged care facilities which could impact demand for places at Estia's facilities.

A substantial increase in the level of competition could result in, among other things, Estia experiencing lower occupancy rates than anticipated, revenue reductions, reduced operating margins, lower RAD levels and loss of market share.

Estia may also face competition for suitable acquisition opportunities, including from competing aged care providers or other potential acquirers (which may reduce the pool of acquisition opportunities available or increase vendor price expectations).

Each of these factors may adversely affect Estia's business, financial performance and position and future prospects, and compromise Estia's ability to successfully execute its growth strategy.

5.1.11 Estia may lose key personnel

Estia relies on a high quality management team with significant aged care industry experience. Estia's current CEO and CFO joined Estia in August 2014 and September 2014 respectively.

The loss of key personnel could undermine Estia's ability to operate its facilities and its business to the current standard, and to effectively comply with regulations. This may, in turn, result in a reduction in demand for Estia's aged care services from new and existing residents and could adversely impact Estia's financial performance and position and future prospects.

The loss of key personnel could also jeopardise the Approved Provider status of Estia if they were not replaced promptly with other approved individuals.

5.1.12 Joint ventures and strategic alliances

From time to time, Estia may enter into joint venture arrangements, management contracts or other strategic alliances, for the purpose of acquiring interests in, or jointly operating, certain aged care facilities. These types of arrangements pose a number of risks which do not exist where facilities are wholly owned, including that:

- there may be limitations on the ability of Estia to make independent decisions with respect to the relevant facilities, or dispose of Estia's interest in those facilities;
- joint venture or strategic partners may be competitors and/or have business interests or goals that are inconsistent with Estia's; and
- disputes with joint venture or strategic partners may result in litigation or arbitration that would increase Estia's expenses, and may divert management's attention and resources away from Estia's day-to-day operations.

5.1.13 Estia may experience a shortage of employees and/or upward wage pressure

Estia's business depends on a specialised health and aged care workforce. There is a risk that Estia 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 facilities and/or a risk that a shortage of employees leads to upward wage pressure which may adversely affect Estia's business, financial performance and position and future prospects. This may arise as a result of:

- increases in wages which Estia is unable to pass on to residents or is not recognised in full in the ACFI consumer price index adjustments;
- a general industry shortage of staff in key areas, such as nurses and other skilled staff. This may increase the bargaining power of medical professionals and can lead to upward pressure on applicable wages and salaries;
- competition from other health care providers, such as hospitals and nursing homes, for appropriately skilled staff; and
- increases in the use of agency staff, which typically results in higher staffing costs to Estia.

In addition, many of Estia's employees are covered by collective enterprise bargaining agreements. Disputes may arise in the course of the periodic renegotiation and replacement of such agreements, or in connection with issues arising at certain facilities, which may lead to strikes and other forms of industrial action that could disrupt Estia's operations.

For example, two of Estia's enterprise bargaining agreements are currently being renegotiated. During this renegotiation period, employees covered by these agreements are entitled to take protected industrial action in support of the bargaining, provided that they satisfy certain requirements under the Fair Work Act 2009 (Cth). Any such industrial action could cause a disruption to Estia's services and have an adverse impact on Estia's operations. Further, any such renegotiation could also result in increased labour costs for Estia, as typically wage increases form a central bargaining claim.

Staffing costs represented 78% of Estia's operating costs in FY2014. As a result, if any of the above events were to occur, Estia's cost structure or financial performance and position and future prospects may be adversely impacted.

5.1.14 The value of Estia's facilities portfolio may decline

The value of Estia's portfolio, including any other facilities held by Estia in the future, may be impacted by a number of risks affecting Estia and the property market generally, including:

- changes in property yields;
- fluctuating occupancy levels;
- a downturn in the property markets in general;
- changes in prices of comparable facilities; and
- increased competition from new or existing facilities.

A reduction in the value of Estia's portfolio may adversely impact on Estia's ability to procure debt financing arrangements, which could, in turn, adversely impact on Estia's financial performance and position and future prospects.

5.1.15 Estia's facilities portfolio is illiquid

Estia's portfolio is, by its nature, comprised of illiquid assets. Estia may not be able to realise the value of the facilities within its portfolio within a short period of time or at valuation.

In particular, the risks generally associated with acquiring property assets can be greater for special purpose assets such as aged care facilities. If a facility cannot be sold as an aged care facility, any purchaser may need to incur extensive capital expenditure (for example to rezone the land) in order for a facility to be suitable for other commercial purposes. This may affect Estia's ability to sell its facilities to third parties who intend to use the land for an alternative use, and this could have an adverse impact on Estia's future financial performance and position.

5.1.16 Construction and property development

In addition to Estia's growth strategy to expand its business via acquisitions, Estia's ability to meet its growth targets is also dependent on its ability to identify existing sites on which to develop or expand new brownfield facilities or acquire attractive sites on which to develop new greenfield facilities. Given Estia's strategy to operate in metropolitan areas of major Australian capital cities, there is no assurance that Estia will be able to develop new brownfields sites or secure new greenfields sites, on favourable economic terms or at all.

Estia also faces construction and property development risks when developing new facilities or expanding existing facilities, including:

- construction risk arising from unexpected cost increases, quality issues, delays in obtaining or failure to obtain regulatory approvals (such as development approvals), and delays in the completion of its projects;
- default risk arising from participants in the construction process, including construction contractors, defaulting in the performance of their respective obligations;
- marketing risk arising from changing market conditions or sentiment affecting property prices, and payment expectations for and in respect of accommodation bonds/RADs;
- industrial relations risk affecting construction progress;
- the internalisation of development capabilities may not result in the advantages that Estia expects will be achieved; and
- an inability to finance construction and property development.

In addition, poor site selection may result in Estia developing a brownfield or greenfield facility at a site that is not attractive to potential residents.

Any of the above may impact on Estia's ability to meet its growth targets, and could adversely impact Estia's financial performance and position and future prospects.

5.1.17 Estia's fixed costs may impact its flexibility

Estia's capital expenditure includes fixed costs pertaining to property ownership, such as maintenance costs, property rates and taxes. Because of those fixed costs, a reduction in revenue as a result of reduced demand for Estia's facilities, together with the illiquid nature of property investments (including an inability to sell facilities quickly if required), could adversely impact on Estia's financial performance and position and future prospects.

5.1.18 Estia leases certain of its properties from third party lessors

Estia currently leases four facilities from third party lessors. Estia may also lease additional properties from third parties in the future. Failure of a third party lessor to discharge its obligations as agreed with Estia or vice versa, or failure by Estia to exercise remaining options or renew any leases when such leases are due to expire, could adversely affect Estia's operations and financial performance.

5.1.19 Estia may be subject to litigation (including medical indemnity claims)

Health care providers are exposed to the risk of litigation, medical indemnity claims and coronial inquests.

Subject to the insurance arrangements that Estia has in place, any future medical malpractice litigation, or threatened litigation, against Estia could have an adverse impact on the financial performance and position and future prospects of Estia.

While Estia believes that it holds appropriate insurance cover, there can be no assurance that such litigation would not have an adverse impact on Estia. Further, if the costs of medical malpractice insurance were to rise (which may occur if the frequency of medical malpractice litigation were to increase or as a result of other factors), this could also have an adverse impact on Estia's financial performance and position and future prospects.

5.1.20 Estia may be unable to refinance debt or access debt markets on attractive terms

Estia may require funding or working capital in the future in order to pursue its growth strategy. Given the nature of Estia's revenue profile and the potentially capital intensive nature of its business, there is no assurance that any such additional capital or funding will be available on favourable terms or at all and that Estia will be able to comply with the terms of such facilities. If adequate funds are not available, Estia may not be able to achieve its growth targets or respond to competitive pressures.

Estia may finance its investment in new facilities or in construction and property development with borrowed funds or gearing. Geared assets magnify investment gains or losses and increase the volatility of returns to movements in interest rates and property values.

In addition, bad debts or delays in receiving expected revenue could impact on the financial performance and position and future prospects of Estia.

5.1.21 Environmental issues or incidents may affect facilities or the buildings and structures

There is a risk that the land on which one of Estia's facilities operates and/or the buildings and structures may be or become contaminated, and that the Australian Government environmental authorities may require such contamination to be remedied. For example, Estia recently acquired the Southport Nursing Centre as part of the Cook Care portfolio, which is currently undergoing remediation for asbestos. Estia has obtained an indemnity from the vendors of Cook Care for any claim or liability arising out of asbestos at any Cook Care facility prior to 31 July 2014.

To the extent that Estia is unable to be indemnified from the relevant vendors for environmental liabilities in relation to acquired facilities, or is otherwise required to undertake any remedial work at its own cost, this could adversely impact Estia's financial performance and position and future prospects.

In addition, environmental laws impose penalties for environmental damage and contamination which can be material. If a person is exposed to a hazardous substance at a facility, they may make a personal injury claim against Estia. Such a claim could be for an amount that is greater than the value of the contaminated facility.

An environmental issue may also result in interruptions to the operations of a facility. Any income lost as a result of such an interruption may not be recoverable.

Estia and its operations are subject to environmental legislation. While environmental issues are continually monitored, there is no assurance that the operation of any of Estia's facilities will not be affected by an environmental incident or subject to environmental liabilities, which could adversely impact Estia's financial performance and position and future prospects.

5.1.22 Estia may lose or be unable to secure insurance and may be subject to increases in insurance rates

Estia currently maintains insurance within ranges of coverage consistent with industry practice, including public liability, aged care liability insurance, property insurance, bond insurance and workers' compensation insurance. However, no guarantee can be given that such insurance will be available in the future on commercially attractive terms, or that such cover will be adequate and available to cover claims. Estia may be unable to secure insurance to satisfactorily cover all anticipated risks or the cost of insurance may increase above anticipated levels, particularly in light of Estia's geographic expansion and entry into additional Australian States. This may result in increased insurance payments by Estia or Estia being unable to insure certain business risks, which could adversely impact its operations.

5.1.23 Estia's IT systems may fail

Estia relies on a number of IT systems to support its business operations including:

- to record and manage resident data;
- labour and roster management; and
- accounting and financial reporting.

Any fraud, equipment faults, data integrity risk, or other failure of Estia's information systems, technology or business continuity planning could adversely affect Estia's operations, and therefore its financial performance and position and future prospects.

5.1.24 Adverse interest rate movements may affect Estia's performance

Under the New Banking Facilities, Estia will have floating rate borrowings, part of which may be required to be hedged by way of interest rate swaps into fixed rate payments. Changes in interest rates will affect Estia's borrowings which bear interest at floating rates. Any increase in interest rates will affect Estia's cost of servicing these borrowings and could adversely affect its financial performance and position and future prospects. In addition, interest rates will impact any return on surplus RADs held by Estia and fluctuations will impact the interest revenue received which will impact on the financial performance of Estia.

5.1.25 Adverse movements in operating costs may affect Estia's performance

Estia incurs various expenses which may be outside its control in operating residential aged care facilities. Examples include electricity, gas and water charges. Due to supply and demand issues affecting Estia's operating costs, Estia may be subject to increased costs which could lead to adverse effects on Estia's business and its financial performance.

5.1.26 Estia may not meet its forecasts

The forward looking statements, opinions and estimates provided in this Prospectus, including the financial forecasts provided, rely on various contingencies and assumptions, some of which are described in Section 4, and in particular, the successful integration of Padman Health Care and Cook Care. Various factors, both known and unknown, may impact upon the performance of Estia and cause actual performance to vary significantly from expected results. There can be no guarantee Estia will achieve its stated objectives or that any forward looking statement or forecast will eventuate.

5.1.27 Catastrophic events could damage facilities

Insured or uninsured catastrophic events such as fires, floods, earthquakes, widespread health emergencies, pandemics, epidemics, wars and strikes could affect the value of Estia's facilities and the conduct of its business operations. Some events of this type are uninsurable. To the extent they do occur, there may be adverse effects on Estia's business and its financial performance.

5.2 General investment risks

5.2.1 Economic uncertainty may affect the price and value of shares

Once Estia becomes a publicly listed company on the ASX, it will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in the Share price that are not explained by the fundamental operations and activities of Estia.

The price of Shares as quoted on the ASX may fluctuate due to a range of factors. These include the number of potential buyers or sellers of Shares on the ASX at any given time, fluctuations in the domestic and international market for listed stocks (and for health care or aged care stocks in particular), interest rates, inflation rates, exchange rates, changes to government fiscal, monetary or regulatory policies, recommendations by brokers or analysts and the inclusion in or removal of Estia from major market indices.

Deterioration of general economic conditions may also affect Estia's business operations, and the consequent returns from an investment in Shares.

5.2.2 There may be changes to tax rates or laws

Significant reforms and current proposals for further reforms to Australia's tax laws give rise to uncertainty. The precise scope of many of the new and proposed tax laws is not yet known. Any change to the taxation of shares (including the taxation of dividends) and the taxation of companies (including the existing rate of company income tax) may adversely impact on Shareholder returns, as may a change to the tax payable by Shareholders in general. Any other changes to Australian tax law and practice that impact Estia, or the aged care industry generally, could also have an adverse effect on Shareholder returns.

5.2.3 There may be changes to accounting standards

Australian Accounting Standards are issued by the Australian Accounting Standards Board and are not within the control of Estia and its Directors. Any changes to the standards or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of Estia.

5.2.4 Expected future events may not occur

Certain statements in this Prospectus constitute forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of Estia to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

Given these uncertainties, prospective investors should not place undue reliance on such forward looking statements. In addition, under no circumstances should a forward looking statement be regarded as a representation or warranty by Estia, SaleCo or any other person referred to in this Prospectus, that a particular outcome or future event is guaranteed.

06.

KEY PEOPLE, INTERESTS AND BENEFITS

06. KEY PEOPLE, INTERESTS AND BENEFITS

6.1 Board of directors

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

6.1.1 Experience and background

Name	Background
 **Patrick Grier, AM** Non-executive Director and Chairman BSc; AO	Patrick Grier was appointed to the Board in November 2014 as Chairman and independent, non-executive director, bringing with him over 25 years in the private health care industry. Patrick was formerly the Managing Director and CEO of Ramsay Health Care Limited ("Ramsay") for 14 years until his retirement in June 2008, and remains on the board of Ramsay as a non-executive director. Under his leadership, Patrick saw the Ramsay group grow from 7 hospitals at the time of joining, to an ASX listed organisation operating over 100 hospitals in Australia and overseas, with an annual turnover of almost $3 billion and employing 25,000 people. Prior to this role, he was with Hospital Corporation Australia. Patrick has also served as both President and Chairman of the Australian Private Hospitals Association for over 10 years. He was one of the main architects of the balanced health care system in Australia, and in 2010, was awarded the Order of Australia for his leadership and contribution to the Australian health care sector. Patrick is currently a director of Prime Media Group Limited and a member of the Skin Cancer Network Advisory Board. He was previously the Chairman of the Opal Aged Care group and Chairman of the Australian Healthcare Workforce Institute. Patrick holds a Bachelor of Science and a Diploma in Education from Capetown University.
 **Paul Gregersen** Managing Director and CEO BEng (Hons); MBA (Distinction) and graduate of Wharton Business School's Advanced Management Programme	In August 2014, Paul joined Estia as CEO, bringing with him extensive experience and knowledge in the health care and financial services sectors. For more than 20 years, he has delivered outstanding performance in a variety of leadership roles around the globe, with particular expertise in the funding and provision of private health care. Paul was formerly Managing Director of Bupa Aged Care Services Australia for nearly five years, and has over 24 years of general management experience, including 12 years with Bupa across the United Kingdom, Singapore, Australia and China. Through his varied roles, Paul has delivered significant improvements in the provision of services (both in Australia and overseas), established innovative partnerships, including with Alzheimer's Australia, and conducted extensive research to fully understand customer needs. Through his role as the inaugural chair of The Aged Care Guild, Paul has also advised the Australian Government on the Living Longer Living Better aged care reforms in Australia. Paul's appreciation for the needs of older Australians, and his understanding of the industry, saw him appointed by the Cabinet of the Australian Government as an independent expert for the Aged Care Financing Authority to assist in the reform of Australia's aged care system, in 2012. As CEO of Estia, he is responsible for implementing the directives of the Board, changes to relevant legislative regulations, and the financial, operational and service-delivery aspects of Estia. Paul holds a Bachelor of Engineering from the University of Wales and Master in Business Administration from the University of Bradford. He is also a graduate of the Wharton Business School's Advanced Management Programme.

Name	Background
 **Peter Arvanitis** Non-executive Director	Peter is the founder and former CEO of Estia. Peter founded Estia as Lasting Changes in 2005, having identified a need for improving the quality and consistency of residential aged care in Australia through better clinical care outcomes and professionalism of management standards both at the corporate and facility level. Under Peter's leadership, Estia expanded successfully from its first aged care home to its current 39 facilities. As CEO, Peter led the acquisition of 17 individual facilities and the acquisition of both Padman and Cook Care. Peter has been instrumental in driving earnings and occupancy improvements across all sites through improved documentation and compliance standards and through the introduction of technology, systems and procedures into the daily operations of the facility. Prior to founding Estia, Peter had successfully founded, operated and disposed of a number of businesses in transport, agriculture, residential and commercial property. Peter will remain as a non-executive director to assist the Board with Estia's long term growth objectives.
 **Norah Barlow** Non-executive Director BCA; ACA; ONZM	Norah was appointed to the Board in November 2014 as an independent non-executive director. Norah is an accountant by profession and has an extensive background in business leadership and management, strategy, corporate finance, governance, tax and accounting. Norah was formerly the CEO of Summerset New Zealand for 13 years until April 2014, and continues on the board of Summerset New Zealand as a non-executive director. Norah is also a director of Cigna Life Insurance Limited, Cooks Global Food Group Limited, Ingenia Communities Limited (Australia), Evolve Education Limited and Vigil Monitoring Limited, and a member of the National Advisory Council on the Employment of Women and the National Taskforce on Allied Health Workers governance committee. She was President of the Retirement Villages Association of New Zealand for 7 years until retiring in 2012. Norah was also made an Officer of the New Zealand Order of Merit for services to business in 2014. Norah holds a Bachelor of Commerce and Administration from Victoria University, and is an Associate Chartered Accountant.
 **Andrew Harrison** Non-executive Director BEc; MBA; CA	Andrew was appointed to the Board in November 2014 as an independent non-executive director. Andrew is an experienced company director and corporate adviser. He is currently a non-executive director of Burson Group Limited. Andrew has previously held executive and non-executive directorships with public, private and private equity owned companies, including as CFO of Seven Group Holdings, Group Finance Director of Landis + Gyr. and CFO and a director of Alesco. Andrew was previously a Senior Manager at Ernst & Young (Sydney and London) and Gresham Partners Limited, and an Associate at Chase Manhattan Bank (New York). Andrew holds a Bachelor of Economics from The University of Sydney and a Master of Business Administration from the Wharton School at the University of Pennsylvania, and is a Chartered Accountant.

The composition of the Board committees and details of the Board's key corporate governance policies are set out in Section 6.4. Each Director above has confirmed to Estia that he or she anticipates being available to perform his or her duties as a non-executive or executive director as the case may be without constraint from other commitments.

6.2 Management

An overview of key senior management personnel is provided below:

Management	Background
Paul Gregersen Managing Director and CEO B.Eng (Hons); MBA (Distinction) and graduate of Wharton Business School's Advanced Management Programme	Refer to Section 6.1.1.
 **Joe Genova** Chief Financial Officer BA (Hons); CA; CPA	Joe joined Estia in September 2014 as CFO. He has over 20 years of experience in management and finance, including nine years' experience in the residential aged care industry primarily with Bupa Aged Care Services Australia, where he was formerly a board member and Director of Finance. Prior to joining Estia, Joe was Director of Health, Ageing & Human Services at KPMG (Sydney). Joe has also occupied finance roles in a number of listed companies in Canada, including Hollinger Inc. and Envoy Communications Group Inc.

Management	Background
 **Nick Yannopoulos** Director, Strategy and Development	Nick joined Estia in 2011 as COO, and now holds the position of Director, Strategy and Development. He is responsible for marketing and branding, occupancy, strategy and development, property management, environmental services, procurement, acquisitions and site implementations. Prior to joining Estia, Nick was managing director for a successful inner Melbourne real estate practice for over two years, and has previously had extensive experience in sales, property and management roles over the last 18 years.
 **Ruvani De Silva** Director, Risk and Quality BA; RN; GradDipBus	Ruvani is a Registered Nurse who joined Estia in 2010, and holds the position of Director, Risk and Quality. She has over 30 years of experience in the aged care industry, including several years on the Commonwealth Nurse Advisor and Administrator Panel. Prior to joining Estia, Ruvani worked extensively in innovative dementia care programs both in Australia and the United States, and lectured in health sciences at RMIT University.

Management	Background
 **Kate Sellick** Director, People and Communications BA (Hons); PGCE; Dip HR	Kate joined Estia in 2014 as Director, People and Communications. Kate has 20 years of human resources experience across a range of government, not for profit and private industries, including education, defence, telecommunications, retail, health, aged care and disability. Prior to joining Estia, Kate was the Human Resources and Corporate Affairs Director at Bupa Aged Care Services Australia from 2007 to 2012, and completed a number of strategic consulting roles during 2013 and 2014 at Opal, Uniting Care Ageing and Pulse Health.

6.3 Interests and benefits

Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- director or proposed director of EHL;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of EHL; or
- underwriter to the Offer,

holds at the time of lodgment of this Prospectus with ASIC, or has held in the two years before lodgment of this Prospectus with ASIC, an interest in:

- the formation or promotion of EHL;
- property acquired or proposed to be acquired by EHL in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of EHL or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a director of EHL.

6.3.1 Interests of advisers

Estia has engaged the following professional advisers:

- UBS, Morgan Stanley and Deutsche Bank have acted as Joint Lead Managers to the Offer. Estia has agreed to pay, the Joint Lead Managers the fees described in Section 10.4.1 for these services. In addition, Estia has agreed to pay UBS an additional fee of 0.75% of the proceeds of the Offer for its role as financial adviser to the Offer;
- King & Wood Mallesons has acted as Australian legal adviser to Estia in relation to the Offer. Estia has paid, or agreed to pay, approximately $1.5 million (excluding disbursements and goods and services tax ("GST")) for these services up until the Prospectus Date. Further amounts may be paid to King & Wood Mallesons in accordance with its normal time-based charges;
- Ernst & Young Transaction Advisory Services Limited ("EYTAS") has acted as Investigating Accountant and has prepared the Independent Limited Assurance Report included in this Prospectus. Estia has paid, or agreed to pay, approximately $0.2 million (excluding disbursements and GST) for the above services up until the Prospectus Date;
- Ernst & Young has undertaken accounting and taxation due diligence in relation to Estia in connection with the Offer. Estia has paid, or agreed to pay, approximately $2.2 million (excluding disbursements and GST) for the above services up until the Prospectus Date; and
- CBA Equities Limited has acted as Co-Lead Manager, and each of Morgan Stanley Wealth Management Australia Pty Ltd, UBS Wealth Management Australia Limited, Wilson HTM Corporate Finance Limited and Deutsche Craigs Limited have acted as Co-Managers in relation to the Offer. Each will be paid fees of 1.5% of the value of Shares allocated to clients of that Broker. In addition, CBA Equities Limited will receive Co-Lead Manager fees of up to $750,000 (depending on the size of their allocation). All of the amounts payable to the Co-Lead Manager and Co-Managers are payable by the Joint Lead Managers out of the fees payable to the Joint Lead Managers under the Underwriting Agreement.

These amounts, and other expenses of the Offer, will be paid by Estia out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.3.

6.3.2 Directors' interests and remuneration

6.3.2.1 Managing Director and CEO

Estia has entered into an employment contract with Paul Gregersen to govern his employment with Estia. Paul is employed in the position of CEO of Estia. Refer to Section 6.3.3.1 for further details.

6.3.2.2 Non-executive Director remuneration

Under the Constitution, the Directors decide the total amount paid to each Director as remuneration for their services as a director, to Estia. However, under the listing rules of the ASX ("ASX Listing Rules"), the total amount paid to all Directors for their services must not exceed in aggregate in any financial year the amount fixed by Estia's general meeting. This amount has been fixed by Estia at $900,000 (excluding remuneration of the CEO and any other executive directors). Annual Directors' fees (including for committee membership) currently agreed to be paid by Estia are $250,000 to the Chairman, Patrick Grier, and $100,000 to each of Peter Arvanitis, Norah Barlow and Andrew Harrison. All Directors' fees include superannuation contributions as required by law.

6.3.2.3 Deeds of indemnity, insurance and access for Directors

EHL has entered into deeds of indemnity, insurance and access, with each Director which contain rights of access to certain books and records of EHL for a period of seven years after the Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

Pursuant to the Constitution, EHL may indemnify Directors and officers, past and present, against liabilities that arise from their position as a Director or officer, allowed under law. Under the deeds of indemnity, insurance and access, Estia indemnifies each Director against all liabilities to another person that may arise from their position as a Director, to the extent permitted by law. The deed stipulates that EHL will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Pursuant to the Constitution, EHL may arrange and maintain directors' and officers' insurance for its directors, to the extent permitted by law. Under the deed of indemnity, insurance and access, EHL must obtain such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

Patrick Grier, Norah Barlow and Andrew Harrison have also been indemnified by EHL for any loss which they may incur as directors of SaleCo as a consequence of the Offer (see Section 10.2).

6.3.2.4 Other information about Directors' remuneration

Directors may also be reimbursed for expenses reasonably incurred in attending to Estia's affairs. Non-executive directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as a director of Estia. There are no retirement benefits for non-executive Directors, other than statutory superannuation contributions.

Each of Patrick Grier, Norah Barlow and Andrew Harrison has also been paid remuneration in relation to their involvement in the due diligence process conducted in connection with the Offer.

6.3.2.5 Directors' shareholdings

Directors are not required under the Constitution to hold any Shares. On Completion of the Offer, the Directors will hold the following Shares in EHL either personally, or through entities associated with the Director (excluding any Shares applied for under the Offer). Patrick Grier, Paul Gregersen and Norah Barlow will hold these Shares via their participation in the Management Equity Plan.

Table 40 Directors' shareholdings on Completion of the Offer (excluding Applications under the Offer)

Director	Number of Shares
Patrick Grier	258,620
Paul Gregersen	869,565 (equivalent in value to $5 million at the Offer Price)
Peter Arvanitis	13,876,200
Norah Barlow	86,207
Andrew Harrison	Nil

In addition, Patrick Grier, Peter Arvanitis, Norah Barlow and Andrew Harrison (and/or persons related to them) will have the opportunity to subscribe for Shares under the Priority Offer. Patrick Grier intends to apply for approximately 43,478 Shares under the Priority Offer, and Andrew Harrison intends to apply for 14,000 Shares under the Priority Offer (in each case, through a controlled entity). Any Director is also at liberty to apply for additional Shares through a Broker under the Broker Firm Offer. Final Director shareholdings will be notified to the ASX shortly after Listing.

The Shares held by the Directors on Completion of the Offer will be subject to voluntary escrow arrangements (see Section 10.4.2).

In addition to the above shareholdings, Patrick Grier holds 300,000 Loan Notes, and Norah Barlow holds 100,000 Loan Notes, each through affiliated entities. These Loan Notes will be repaid and redeemed in full out of the proceeds of the Offer (see Section 7.1.3).

6.3.3 Executive remuneration

6.3.3.1 Managing Director and CEO

Paul Gregersen is employed in the position of Managing Director and CEO and has entered into an employment contract with Estia Finance. Mr Gregersen will receive annual fixed remuneration of $600,000 (inclusive of superannuation). Mr Gregersen will also be eligible to receive an annual cash bonus of up to 50% of his annual fixed remuneration. Payment of a cash bonus will depend on Estia's performance and Mr Gregersen's achievement of certain key performance indicators. Mr Gregersen will also be eligible to receive a one-off fixed cash bonus of $250,000 following Listing and obtain a limited recourse loan to the value of $5 million for the purpose of acquiring Shares at Listing (see Section 6.4.9.1 below). Any Shares obtained under the loan will be held in escrow, on customary terms, for a period of three years from the time of Listing (see Section 10.4.2).

Mr Gregersen may terminate the employment contract by giving six months' notice in writing. Estia may terminate by giving six months' notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, Estia may terminate Mr Gregersen's employment contract immediately by notice in writing and without payment in lieu of notice.

Upon the termination of Mr Gregersen's employment contract, he will be subject to a restraint of trade period of six months. The enforceability of the restraint clause is subject to all usual legal requirements.

6.3.3.2 CFO

Joe Genova is employed in the position of Chief Financial Officer and has entered into an employment contract with Estia Finance. Mr Genova will receive annual fixed remuneration of $340,000 (inclusive of superannuation). Mr Genova will also be eligible to receive a long term incentive award in the form of performance rights under the LTIP which will be equivalent to 30% of his base salary at the time of the Offer. The performance rights will be subject to a three year performance period and a relative total shareholder return vesting condition (see Section 10.3.4 for further details). Mr Genova's participation in the LTIP in future years is at the sole and absolute discretion of the Board.

Mr Genova is also eligible to receive a one-off fixed cash bonus of $50,000 (less applicable tax) following Completion of the Offer.

Mr Genova may terminate the employment contract by giving six months' notice in writing. Estia may terminate the employment contract by giving six months' notice in writing or alternatively by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, Estia may terminate Mr Genova's employment contract immediately by notice in writing and without payment in lieu of notice.

Upon the termination of Mr Genova's employment contract, he will be subject to a restraint of trade period of six months. The enforceability of the restraint clause is subject to all usual legal requirements.

6.3.4 Existing Shareholders' interests in the Offer

The Existing Shareholders are the current owners of EHL, being Quadrant Funds, Mercury and the Director and Management Shareholders. The Quadrant Funds, Mercury, Peter Arvanitis and Nick Yannopoulos will sell a portion of their Shares to SaleCo. SaleCo will then sell those Shares into the Offer.

The interests of the Existing Shareholders on Completion of the Offer (excluding any Shares applied for under the Offer)[142] are as follows:

- Peter Arvanitis (through a controlled entity) will hold approximately 13.9 million Shares which equate to approximately 7.7% of EHL's total issued Share capital;
- Nick Yannopoulos (through a controlled entity) will hold approximately 0.9 million Shares which equate to approximately 0.5% of EHL's total issued Share capital;
- Quadrant Funds will hold approximately 30.8 million Shares which equate to approximately 17.1% of EHL's total issued Share capital;
- Mercury will hold approximately 7.6 million Shares which equate to approximately 4.2% of EHL's total issued Share capital; and
- the Director and Management Shareholders (other than Peter Arvanitis and Nick Yannopoulos) will hold approximately 0.8 million Shares which equates to approximately 0.4% of EHL's total issued Share capital.

Details of the Shares that will be subject to escrow arrangements are set out in Section 10.4.2.

142 Certain Director and Management Shareholders including Peter Arvanitis, Patrick Grier and Norah Barlow (and/or certain persons related to them), will have the opportunity to subscribe for Shares under the Offer, including under the Priority Offer.

6.4 Corporate governance

This Section 6.4 explains how the Board will oversee the management of Estia. The Board is responsible for the overall corporate governance of Estia. The Board monitors the operational and financial position and performance of Estia and oversees its business strategy, including approving the strategic goals of Estia and considering and approving an annual business plan, including a budget. The Board is committed to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of Estia. In conducting Estia's business with these objectives, the Board seeks to ensure that Estia is properly managed to protect and enhance shareholder interests, and that Estia, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Estia, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Estia's business and which are designed to promote the responsible management and conduct of Estia.

The main policies and practices adopted by Estia, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. Estia's code of conduct sets out the values, commitments, ethical standards and policies of Estia and outlines the standards of conduct expected of Estia's business and people in a range of circumstances. In particular, the code requires awareness of, and compliance with, Estia's other policies and procedures. Details of Estia's key policies and practices and the charters for the Board and each of its committees will be available from Listing at www.estiahealth.com.au.

EHL is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released corporate governance recommendations for Australian listed entities in order to promote investor confidence and to assist entities to meet stakeholder expectations. The recommendations are not prescriptions, but guidelines. However, under ASX Listing Rules, EHL will be required to provide a corporate governance statement in its annual report or a URL of the page on its website where a corporate governance statement is located, disclosing the extent to which it has followed the recommendations in the reporting period. If the corporate governance statement is not provided in its annual report, EHL must also give the ASX a copy of its corporate governance statement at the same time as it gives its annual report to the ASX. Where EHL does not follow a recommendation, it must identify the recommendation that is not being followed and give reasons for not following it. The Board does not anticipate that it will depart from the recommendations of the ASX Corporate Governance Council; however, it may do so in the future if it considers that such departure would be reasonable.

6.4.1 Board of directors

The Board of Directors comprises four non-executive Directors (three of whom are independent, including the Chairman), and one executive Director, being the Managing Director and CEO.

Detailed biographies of the Board members are provided in Section 6.1.1.

The board charter adopted by the Board sets out guidelines and thresholds of materiality for the purpose of determining independence of Directors in accordance with the ASX Recommendations, and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers a Director to be independent if he or she is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgment to bear on issues before the Board, and to act in the best interests of Estia and Shareholders generally. The Nomination and Remuneration Committee will assess the independence of each non-executive Director in light of the interests disclosed by them at least annually at or around the time the Nomination and Remuneration Committee considers candidates for election to the Board.

The Board considers that each of Patrick Grier, Norah Barlow and Andrew Harrison is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director's judgment and are able to fulfill the role of an independent Director for the purposes of the ASX Recommendations.

Peter Arvanitis is currently considered by the Board not to be independent. Paul Gregersen is currently the Managing Director and CEO.

6.4.2 Board charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the roles and responsibilities of the Board including to provide overall strategic guidance for Estia and effective oversight of management, oversight of Estia's financial and capital management, management and review of Estia's compliance with its disclosure obligations and the disclosure and communication policy (see Section 6.4.5), promotion of effective engagement with security holders, oversight of policies between Estia and other stakeholders, ethical and responsible decision making along with compliance and risk management;
- the role and responsibilities of the Chairman and company secretary;
- the delegations of authority of the Board to both committees of the Board, the CEO and other management of Estia;
- the membership of the Board, including in relation to the Board's composition and size and the process of selection and re-election of Directors, independence of Directors and conduct of individual Directors;
- Board process, including how the Board meets; and
- the Board's performance evaluation processes, including in respect of its own performance, and the performance of the Board committees, individual Directors and senior executives.

6.4.3 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Committee and the Nomination and Remuneration Committee.

The role of the Audit and Risk Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities including oversight of:

- the integrity of Estia's external financial reporting and financial statements;
- the appointment, remuneration, independence and competence of Estia's external auditors;
- the performance of the internal and external audit function and review of their audits;
- the effectiveness of Estia's system of risk management and internal controls; and
- Estia's systems and procedures for compliance with applicable legal regulatory requirements.

The role of the Nomination and Remuneration Committee is to assist and advise the Board on the following nomination related matters:

- appointment and re-election of directors;
- induction and continuing professional development programs for directors;
- development and implementation of processes for evaluating the performance of the Board, its committees and directors;
- processes for recruiting new directors (including evaluation of skills, independence and experience);
- the appointment and re-election of directors; and
- succession planning for the Board, the Chief Executive Officer and other senior executives,

to ensure that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of Estia as a whole.

The Nomination and Remuneration Committee also assists and advises the Board on remuneration policies and practices for the Board, the CEO, the CFO, other senior executives and other persons whose activities, individually or collectively, affect the financial soundness of Estia.

In accordance with the ASX Recommendations, the Audit and Risk Committee and the Nomination and Remuneration Committee each comprise at least three non-executive directors (a majority of whom are independent), and an independent chair who is not the Chairman of the Board.

The Audit and Risk Committee comprises Andrew Harrison (Chair), Patrick Grier and Norah Barlow. The Nomination and Remuneration Committee comprises Norah Barlow (Chair), Patrick Grier and Peter Arvanitis.

Other committees may be established by the Board as and when required to consider other matters of special importance.

6.4.4 Diversity policy

The Board has adopted a diversity policy which sets out Estia's commitment to diversity and inclusion in the workplace at all levels. The diversity policy provides a framework to achieve Estia's diversity goals and commitment to creating a diverse work environment where everyone is treated fairly and with respect and where everyone feels responsible for the reputation and performance of Estia. The Nomination and Remuneration Committee will oversee the implementation of the diversity policy and assess progress in achieving its objectives.

6.4.5 Disclosure and communication policy

Once listed, EHL will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, EHL will be required to immediately disclose to the ASX any information concerning Estia which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. Estia is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Board has adopted a written policy, to take effect from Listing, which establishes procedures which are aimed at ensuring that Directors and management are aware of and fulfill their obligations in relation to the timely disclosure of material price-sensitive information. Under the disclosure and communication policy, the Board will be responsible for managing Estia's compliance with its continuous disclosure obligations.

6.4.6 Securities trading policy

The Board has adopted a written policy, to take effect from Listing, for dealing in securities which is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and to establish a best-practice procedure in relation to Directors', officers', employees', contractors' and their families and associates' dealings in Shares.

The securities trading policy sets out the restrictions that apply to dealing with Shares including "prohibited periods", during which certain designated persons are generally not permitted to deal with Shares along with a procedure under which certain persons are required to submit prior notification and obtain written confirmation prior to dealing in Shares outside the prohibited periods.

6.4.7 Code of conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct, to take effect from Listing, to be followed by the Board along with all employees, officers, contractors, consultants and other persons that act on behalf of Estia and associates of Estia. The key aspects of this code are to:

- provide the highest standards of clinical care to residents;
- act with honesty, fairness and integrity in all dealings both internally and externally;
- respect all people, their ideas and cultures and reflect this respect in all words and actions; and
- maintain a safe working environment to safeguard the health and safety of employees, consultants, contractors, customers, suppliers and other persons who visit Estia's workplaces, or who Estia works with.

The code sets out Estia's policies on various matters including conflicts of interest, protection and use of Estia's assets and property, anti-bribery and giving or acceptance of gifts (including money), dealings with politicians and government officials, confidentiality, privacy, fair dealings (including in relation to suppliers, competitors and residents), discrimination, bullying, harassment and vilification, health and safety, compliance with laws and regulations, responsibility to shareholders and the financial community, insider trading and whistleblower protections.

The code also sets out the consequences for a breach of the code, including the possibility of legal or disciplinary action.

6.4.8 Communications with Shareholders

The Board aims to ensure that Shareholders are provided with sufficient information to assess the performance of Estia and that they are informed of all major developments affecting the state of affairs of Estia relevant to Shareholders in accordance with all applicable laws. Information will be communicated to Shareholders through the lodgment of all relevant financial and other information with the ASX and publishing information on Estia's website, www.estiahealth.com.au.

In particular, Estia's website will contain information about Estia, including media releases, key policies and the terms of reference of its Board committees. All relevant announcements made to the market and any other relevant information will be posted on Estia's website as soon as they have been released to the ASX.

6.4.9 Related party transactions

6.4.9.1 MEP Loans

As at the date of this Prospectus, Estia Finance has granted five 10 year, limited recourse loans ("MEP Loans") to certain management (or their affiliates), to subscribe for MEP Shares under Estia's existing Management Equity Plan ("MEP"). These MEP Loans will be used to fund the full subscription for Shares issued to those managers under the MEP ("MEP Shares").

The current MEP Shares on issue, and the proportion of those Shares funded through MEP Loans is set out below.

Table 41 Current MEP Shares and MEP Loans on issue

MEP Participant	Number of MEP Shares	Subscription price of MEP Shares	% of MEP Shares funded through MEP Loans
Ruvani De Silva	250,000	$250,000	100%
Stuart Whipp	100,000	$100,000	–
Prue Mounsey	37,500	$75,000	100%
Rachael Pulbrook	25,000	$50,000	100%
Penelope Munn	25,000	$50,000	100%
Glenn Hancock	25,000	$29,000	100%
Patrick Grier	258,620	$300,000	–
Norah Barlow	86,207	$100,000	–
Total	**807,327**	**$954,000**	

In addition, Paul Gregersen has been offered an MEP Loan for the amount of $5,000,000, to subscribe for 869,565 MEP Shares at the Offer Price.

Following Completion of the Offer, Estia does not intend to issue any further MEP Shares or grant any further associated MEP Loans.

Further detail on the terms of the MEP is set out in Section 10.3.1.

6.4.9.2 Redeemable Preference Shares and Loan Notes held by Existing Shareholders

In addition to Shares, EHL's existing capital structure currently comprises:

- 54,290,000 Loan Notes carrying an annual coupon of 15% held by the Quadrant Funds and affiliated entities of Patrick Grier and Norah Barlow (see Section 6.3.2.5); and
- 13,481,490 Redeemable Preference Shares carrying an annual dividend rate of 15% held by Mercury.

These Loan Notes and Redeemable Preference Shares will be repaid and redeemed in full out of the proceeds of the Offer (see Section 7.1.3).

07.
DETAILS OF THE OFFER

07. DETAILS OF THE OFFER

7.1 The Offer

The Offer is comprised of the issue of New Shares by EHL and the transfer of Existing Shares by SaleCo. A description of the role of SaleCo in the Offer is set out in Section 10.2.

In total, 126,087,759 Shares are being offered under the Offer. All Shares will be issued or transferred at the Offer Price. The total number of Shares on issue at Completion of the Offer will be 180,016,015 and all Shares will rank equally with each other. No general public offer will be made.

The allocation of Shares between the Broker Firm Offer, Priority Offer and the Institutional Offer was determined by the Joint Lead Managers, in consultation with EHL and Quadrant, having regard to the allocation policies outlined in Sections 7.3.5, 7.4.5 and 7.5.2.

The Offer is fully underwritten by the Joint Lead Managers.

7.1.1 Purpose of the Offer

The Offer is being conducted to:

- provide Estia with funds to repay Estia's existing debt, repay Loan notes and redeem Redeemable Preference Shares held by certain Existing Shareholders;
- pay Offer costs;
- provide Estia with a capital structure, which, together with access to capital markets, will provide the business with additional financial flexibility to pursue further growth opportunities; and
- provide a liquid market for its Shares and an opportunity for others to invest in Estia.

The Offer also provides the Existing Shareholders with an opportunity to realise part of their investment in Estia through the sale of Existing Shares through SaleCo.

7.1.2 Structure of the Offer

The Offer comprises:

- the Broker Firm Offer, which is open only to Australian and New Zealand resident retail clients of Brokers who receive an allocation of Shares from their Broker;
- the Priority Offer, which is open only to persons who receive an invitation to participate in the Offer from Estia and who have a registered address in Australia; and
- the Institutional Offer, which consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to bid for Shares under the Institutional Offering Memorandum or this Prospectus (as applicable).

No general public offer of Shares will be made.

7.1.3 Sources and uses of funds

The sources and uses of funds are set out below.

Table 42 Sources and uses of funds

Sources of funds	$ million	% of total sources of funds
Cash and cash equivalents	3.1	0.4
Cash proceeds received for issue of New Shares by EHL and the transfer of Existing Shares by SaleCo	725.0	99.6
Total sources	**728.1**	**100.0**

Uses of funds	$ million	% of total uses of funds
Repayment of existing debt facilities	365.4	50.2
Payment of deferred consideration in relation to Cook Care acquisition	28.5	3.9
Repayment of Vendor Loan Notes[143]	25.9	3.6
Repayment of Loan Notes and redemption of Redeemable Preference Share[144]	78.1	10.7
Payment to Selling Shareholders as consideration for the transfer of Existing Shares by SaleCo	189.8	26.1
Costs of the Offer	35.4	4.9
Pro forma cash balance	5.0	0.7
Total uses	**728.1**	**100.0**

The amounts referred to in the above table under the heading "uses of funds" are estimates. To the extent these amounts decrease or increase, the pro forma cash balance for Estia will increase or decrease by a corresponding amount.

7.1.4 Pro forma balance sheet

Estia's pro forma balance sheet following Completion of the Offer, including details of the pro forma adjustments, is set out in Section 4.4.

7.1.5 Capital structure

Estia's pro forma capitalisation and indebtedness as at 30 June 2014 before and following Completion of the Offer is set out in Section 4.4.1.

143 The Vendor Loan Notes were issued by Estia to Padman Health Care Pty Ltd (a Padman Health Care Vendor) as part of the consideration for the acquisition of the Padman Health Care business. The amount outstanding under the Vendor Loan Notes will be repaid to Padman Health Care Pty Ltd at Completion of the Offer.

144 Part of Estia's existing capital structure includes Loan Notes issued to certain Existing Shareholders, and Redeemable Preference Shares issued to Mercury. These Loan Notes and Redeemable Preference Shares will be repaid and redeemed in full at Completion of the Offer.

7.1.6 Shareholders

The details of the ownership of Shares upon Listing and following Completion of the Offer (excluding any Shares applied for under the Offer) are set out below:

	Prior to Completion of the Offer (economic interest in EHL, %)	Following Completion of the Offer (ownership in EHL, million Shares)	Following Completion of the Offer (% of issued Share capital)
Director and Management Shareholders (other than Peter Arvanitis and Nick Yannopoulos)	0.9	0.8	0.4
Peter Arvanitis	25.9	13.9	7.7
Nick Yannopoulos	1.6	0.9	0.5
Quadrant Funds	57.5	30.8	17.1
Mercury	14.1	7.6	4.2
New Shareholders pursuant to the Offer	–	126.1	70.0
Total	**100.0**	**180.0**	**100.0**

The Quadrant Funds, Mercury, Peter Arvanitis and Nick Yannopoulos will each sell 38.3% of their Shares into the Offer through their arrangements with SaleCo (see Section 10.2).

In addition, the Escrowed Shareholders have agreed to enter into voluntary escrow arrangements in relation to their retained Shares on Completion of the Offer. A summary of the terms of the voluntary escrow arrangements is set out in Section 10.4.2.

7.1.7 Control implications of the Offer

The Directors do not expect any Shareholders to control Estia on Completion of the Offer.

7.1.8 Potential effect of the fund raising on the future of Estia

The Directors believe that on Completion of the Offer, Estia will have sufficient funds available from the cash proceeds of the Offer, Estia's operations and the New Banking Facilities, to fulfil the purposes of the Offer and meet Estia's stated business objectives.

7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	• Shares (being fully paid ordinary shares in EHL).
What are the rights and liabilities attached to the securities being offered?	• A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.6.4.
What is the consideration payable for each security being offered?	• The Offer Price is $5.75 per Share.
What is the Offer period?	• The key dates, including details of the Offer period, are set out on page 2. No Shares will be issued or transferred on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.
What are the cash proceeds to be raised?	• Approximately $725 million is expected to be raised under the Offer.

Topic	Summary
What is the minimum and maximum Application size under the Broker Firm Offer and Priority Offer?	• The minimum Application under the Broker Firm Offer is $2,000 and in multiples of $500 thereafter. However, EHL, SaleCo and the Joint Lead Managers reserve the right to reject or scale back any Applications in the Broker Firm Offer. • Applicants under the Priority Offer are guaranteed an allocation of Shares up to the value indicated in their personalised invitation (or such lower value of Shares validly applied for, subject to the minimum Application size of $2,000 and in multiples of $500 thereafter). Approximately $20 million worth of Shares are expected to be allocated to the Priority Offer. • There is no maximum value of Shares that may be applied for under the Broker Firm Offer or the Priority Offer.
What is the allocation policy?	• The allocation of Shares between the Broker Firm Offer, Priority Offer and the Institutional Offer was determined by the Joint Lead Managers, in consultation with EHL and Quadrant, having regard to the allocation policies outlined in Sections 7.3.5, 7.4.6 and 7.5.2. • With respect to the Broker Firm Offer, it will be a matter for Brokers how they allocate Shares among their eligible retail clients. • The allocation of Shares among Applicants in the Priority Offer will be determined by EHL, after consultation with the Joint Lead Managers. • The allocation of Shares among applicants in the Institutional Offer was determined by the Joint Lead Managers, in consultation with EHL and Quadrant. • The Broker Firm Offer and Priority Offer are not open to investors in the United States. • For further information on the Broker Firm Offer, see Section 7.3. • For further information on the Priority Offer, see Section 7.4. • For further information on the Institutional Offer, see Section 7.5.
Will the securities be listed?	• EHL has applied for listing of the Shares on the ASX under the code EHE. Completion of the Offer is conditional on the ASX approving this application. • If approval is not given within three months after the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.
When are the securities expected to commence trading?	• It is expected that trading of the Shares on the ASX will commence on or about Friday, 5 December 2014, initially on a conditional and deferred settlement basis. • Normal settlement trading is expected to commence on or about Thursday, 11 December 2014.
Is the Offer underwritten?	• Yes. The Offer is fully underwritten by the Joint Lead Managers. Details are provided in Section 10.4.1.
Are there any escrow arrangements?	• Yes. Details are provided in Section 10.4.2.
What are the Australian taxation considerations?	• Refer to Section 10.6.
Are there any brokerage, commission or stamp duty considerations?	• No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer. See Section 6.3.1 for details of various fees payable by Estia to the Joint Lead Managers and by the Joint Lead Managers to certain Brokers.

Topic	Summary
What should you do with any enquiries?	• Call the Estia Offer Information Line on 1300 668 378 (within Australia) or +61 1300 668 378 (outside Australia) from 8:30am until 5:30pm (AEST) Monday to Friday. • If you are unclear in relation to any matter or are uncertain as to whether Estia is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional advisor before deciding whether to invest.

7.3 Broker Firm Offer

7.3.1 Who can apply in the Broker Firm Offer

The Broker Firm Offer is open to persons who receive an allocation of Shares from their Broker and who have a registered address in Australia or New Zealand and are not located in the United States. If you have been offered an allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

7.3.2 How to apply for Shares under the Broker Firm Offer

Applications for Shares under the Broker Firm Offer may only be made on a Broker Firm Application Form attached to or accompanying this Prospectus. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Application Form with the Broker from whom you received your allocation of Shares. Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Broker Firm Application Form.

By making an Application, you declare that you were given access to the Prospectus, together with a Broker Firm Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

If you apply in the Broker Firm Offer, you must apply for a minimum value of $2,000 and in multiples of $500 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, EHL, SaleCo and the Joint Lead Managers reserve the right to reject or scale back any Applications in the Broker Firm Offer. EHL, SaleCo and the Joint Lead Managers also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person. EHL may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Broker Firm Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their allocation of Shares. Applicants under the Broker Firm Offer must not send their Broker Firm Application Forms to the Share Registry.

The Broker Firm Offer opens at 9.00am (AEST) on Tuesday, 25 November 2014 and is expected to close at 5.00pm (AEST) on Monday, 1 December 2014. EHL, SaleCo and the Joint Lead Managers in consultation may vary the times and dates of the Broker Firm Offer, including to close the Offer early, extend the Broker Firm Offer, or accept late Applications under the Broker Firm Offer, either generally or in particular cases without notification. Your Broker may also impose an earlier closing date. Applicants applying under the Broker Firm Offer are therefore encouraged to submit their Applications as early as possible after the Broker Firm Offer opens. Please contact your Broker for instructions.

7.3.3 Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions from their Broker.

7.3.4 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by the Applicant to EHL and SaleCo to subscribe for Shares for all or any of the Application Amount specified in and accompanying the Application Form at the Offer Price, on the terms and conditions set out in this Prospectus including any supplementary or replacement prospectus and the Broker Firm Application Form (including the conditions regarding quotation on the ASX in Section 7.6.3.1). To the extent permitted by law, an Application by an Applicant under the Broker Firm Offer is irrevocable.

Acceptance of an Application will give rise to a binding contract.

EHL and SaleCo reserve the right to decline any Application and all Applications in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser amount of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. No interest will be paid on refunded amounts.

Successful Applicants in the Broker Firm Offer will be allotted Shares at the Offer Price and will receive the number of Shares equal to the value of their Application accepted by EHL divided by the Offer Price (rounded down to the nearest whole Share). Any amount left over after rounding that is less than the value of one Share will not be refunded.

7.3.5 Allocation policy under the Broker Firm Offer

Shares allocated to Brokers for allocation to their Australian and New Zealand resident retail clients will be issued or transferred to the Applicants nominated by those Brokers (subject to the right of EHL, SaleCo and the Joint Lead Managers to reject or scale back Applications). It will be a matter for the Brokers how they allocate stock among their eligible retail clients, and they (and not EHL, SaleCo and the Joint Lead Managers) will be responsible for ensuring that retail clients who receive an allocation from them receive the relevant Shares.

7.3.6 Announcement of final allocation policy in the Broker Firm Offer

Estia expects to announce the final allocation policy under the Broker Firm Offer on or about Friday, 5 December 2014. Applicants in the Broker Firm Offer should confirm their allocation of Shares with the Broker from whom they received their allocation.

Applicants may also call the Estia Offer Information Line on 1300 668 378 (within Australia) or +61 1300 668 378 (outside Australia) from 8:30am until 5:30pm (AEST) Monday to Friday to confirm their allocations.

If you sell Shares before receiving a holding statement, you do so at your own risk, even if you have confirmed your allocation with your Broker or obtained details of your holding from the Estia Offer Information Line.

7.4 Priority Offer

7.4.1 Who can apply in the Priority Offer

The Priority Offer is open to persons who receive an invitation to participate in the Priority Offer from EHL and who have a registered address in Australia. If you are invited by EHL to participate in the Priority Offer, you will be treated as an Applicant under the Priority Offer in respect of those Shares that are allocated to you.

7.4.2 How to apply for Shares under the Priority Offer

Applicants under the Priority Offer may apply for Shares online by 5.00pm (AEST) on Monday, 1 December 2014, and must comply with the instructions on the website, www.estiahealth.com.au. Applications for Shares may only be made on a Priority Offer Application Form accompanying this Prospectus. By making an Application, you declare that you were given access to the Prospectus, together with a Priority Offer Application Form. The Corporations Act prohibits any person from passing a Priority Offer Application Form to another person unless it is accompanied by a copy of the complete and unaltered electronic version of this Prospectus.

Applicants under the Priority Offer are guaranteed an allocation of Shares up to the amount indicated in their personalised invitation (or such lower value of Shares validly applied for, subject to the minimum Application size of $2,000 and in multiples of $500 thereafter). Any amount applied for in excess of the guaranteed allocation amount may be refunded in full (without interest), or accepted in full or in part.

There is no maximum value of Shares that may be applied for under the Priority Offer. However, EHL, SaleCo and the Joint Lead Managers reserve the right to reject or scale back any Applications in the Priority Offer (subject to the Applicants' guaranteed allocations).

The Priority Offer opens at 9.00am (AEST) on Tuesday, 25 November 2014 and is expected to close at 5.00pm (AEST) on Monday, 1 December 2014. EHL, SaleCo and the Joint Lead Managers in consultation may vary the times and dates of the Priority Offer, including to close the Priority Offer early, extend the Priority Offer, or accept late Applications under the Priority Offer either generally or in particular cases without notification. Applicants applying under the Priority Offer are therefore encouraged to submit their Applications as early as possible after the Priority Offer opens.

7.4.3 Payment methods

Payment may be made via BPAY® only. Application Monies must be received by the Share Registry by 5.00pm (AEST) on Monday, 1 December 2014.

7.4.4 Acceptance of Applications

An Application in the Priority Offer is an offer by the Applicant to EHL and SaleCo to subscribe for or purchase Shares for all or any of the Application Amount specified in and accompanying the Priority Offer Application Form at the Offer Price on the terms and conditions set out in this Prospectus including any supplementary or replacement prospectus and the Application Form (including the conditions regarding quotation on the ASX in Section 7.6.3.1). To the extent permitted by law, an Application by an Applicant under the Priority Offer is irrevocable.

An application may be accepted by EHL, SaleCo and the Joint Lead Managers in respect of the full value of Shares specified in the Application Form or any of them, without further notice to the applicant. Acceptance of an Application will give rise to a binding contract.

EHL and SaleCo reserve the right to decline any Application and all Applications in whole or in part, without giving any reason. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser value of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. No interest will be paid on refunded amounts.

Successful Applicants in the Priority Offer will be allotted Shares at the Offer Price and will receive the number of Shares equal to the value of their Application accepted by EHL divided by the Offer Price (rounded down to the nearest whole Share). Any amount left over after rounding that is less than the value of one Share will not be refunded.

7.4.5 Allocation policy under the Priority Offer

EHL, after consultation with the Joint Lead Managers, will determine the allocation of Shares to participants within the Priority Offer. EHL and SaleCo have absolute discretion regarding the allocation of Shares to Applicants under the Priority Offer and may reject an Application, or allocate fewer Shares than applied for, in their absolute discretion.

Applicants under the Priority Offer are guaranteed an allocation of Shares in the amount specified in their personalised invitation letter, or such lower value of Shares validly applied for (rounded down to the nearest whole Share), subject to the minimum application size of $2,000 and in multiples of $500 thereafter. There is no maximum value of Shares which may be applied for under the Priority Offer.

7.4.6 Announcement of final allocation policy in the Priority Offer

Estia expects to announce the final allocation policy under the Priority Offer on or about Friday, 5 December 2014.

Applicants may also call the Estia Offer Information Line on 1300 668 378 (within Australia) or +61 1300 668 378 (outside Australia) from 8:30am until 5:30pm (AEST) Monday to Friday.

If you sell Shares before receiving a holding statement, you do so at your own risk, even if you have obtained details of your holding from the Estia Offer Information Line.

7.5 Institutional Offer

7.5.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to bid for Shares under the Institutional Offering Memorandum or this Prospectus (as applicable). The Institutional Offer was conducted using a bookbuild process managed by the Joint Lead Managers. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.5.2 Allocation policy under the Institutional Offer

The allocation of Shares among applicants in the Institutional Offer was determined by the Joint Lead Managers, in consultation with EHL and Quadrant. The Joint Lead Managers, EHL and Quadrant had absolute discretion regarding the basis of allocation of Shares among Institutional Investors, and there was no assurance that any Institutional Investor would be allocated any Shares, or the number of Shares for which it had bid. Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- EHL's desire for an informed and active trading market following listing on the ASX;
- EHL's desire to establish a wide spread of institutional shareholders;
- overall level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long term shareholders; and
- any other factors that EHL, Quadrant and the Joint Lead Managers considered appropriate.

7.6 Other information

7.6.1 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia or New Zealand.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be distributed to, or relied upon by, persons in the United States unless accompanied by the Institutional Offering Memorandum as part of the Institutional Offer, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any State of the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares are registered under the US Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US State securities laws.

Each Applicant in the Broker Firm Offer, and each person to whom the Institutional Offer was made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any State or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares are registered under the US Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US State securities laws;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each person who bids for Shares in the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.6.2 Discretion regarding the Offer

EHL and SaleCo have the right not to proceed and withdraw the Offer at any time before the issue of New Shares or transfer of Existing Shares to successful Applicants or bidders in the Broker Firm Offer, Institutional Offer and Priority Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

EHL, SaleCo and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.6.3 ASX listing, registers and holding statements and deferred settlement trading

7.6.3.1 Application to ASX for listing and quotation of Shares

EHL has applied for listing of the Shares on the ASX. EHL's expected ASX code will be EHE.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit EHL to the official list is not to be taken as an indication of the merits of EHL or the Shares offered for subscription.

If listing is not granted within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by EHL will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by EHL from time to time), EHL will be required to comply with the ASX Listing Rules.

7.6.3.2 CHESS and issuer sponsored holdings

EHL will apply to participate in ASX's Clearing House Electronic Sub-register System ("CHESS") and will comply with ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number ("HIN") for CHESS holders or, where applicable, the Security holder Reference Number ("SRN") of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements at the end of each month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. EHL and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.6.3.3 Conditional and deferred settlement trading and selling Shares on market

It is expected that trading of the Shares on the ASX (on a conditional and deferred settlement basis) will commence on or about Friday, 5 December 2014.

Conditional trading will continue until EHL has advised the ASX that (i) the Existing Shares to be sold by the Selling Shareholders have been transferred to SaleCo; and (ii) EHL has issued New Shares, and SaleCo has transferred Existing Shares, to successful Applicants under the Offer, which is expected to be on or about Tuesday, 9 December 2014. Trading will then be on an unconditional but deferred settlement basis until EHL has advised the ASX that holding statements have been dispatched to Shareholders. Normal settlement trading is expected to commence on or about Thursday, 11 December 2014.

If settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of the Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through the ASX participating organisations during the conditional trading period will be cancelled and of no effect.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. EHL, SaleCo, the Share Registry, the Joint Lead Managers and the Existing Shareholders disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Estia Offer Information Line or confirmed your allocation through a Broker.

7.6.4 Description of Shares

7.6.4.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that Estia is admitted to the Official List of the ASX.

7.6.4.2 Voting at a general meeting

At a general meeting of EHL, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held (with adjusted voting for partly paid shares).

7.6.4.3 Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of EHL and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

7.6.4.4 Dividends

Subject to the Corporations Act, the Constitution and the terms of issue or rights of any Shares with special rights to dividends, the Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend and the timing and method of payment. For further information in respect of EHL's proposed dividend policy, see Section 4.1.1.

7.6.4.5 Transfer of Shares

Subject to the Constitution and the ASX Listing Rules, Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules or by any other method required or permitted by the Corporations Act and ASX.

The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required by the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.

7.6.4.6 Issue of further Shares

Subject to the Corporations Act, ASX Listing Rules and any special rights conferred on the Shareholder or a class of shares, EHL may issue, allot or grant options for, or cancel or otherwise dispose of Shares on such terms and conditions as the Directors resolve.

7.6.4.7 Winding up

If EHL is wound up, then with the sanction of a special resolution of EHL's members, the liquidator may divide among EHL's members in kind the whole or any part of EHL's property, set the value of that property and determine how the division is to be carried out between members or different classes of members.

7.6.4.8 Unmarketable parcels

Subject to the ASX Listing Rules, EHL may sell the Shares of a Shareholder who holds less than a marketable parcel by following the procedures set out in the Constitution.

7.6.4.9 Share buy-backs

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, EHL may buy back shares in itself on terms and at times determined by the Board.

7.6.4.10 Variation of class rights

Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- by a special resolution passed at a separate meeting of the holders of those shares.

In either case, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or cancellation.

7.6.4.11 Dividend reinvestment plan

Subject to the ASX Listing Rules, the Constitution authorises the Directors, on any terms and conditions they think fit, to establish a dividend reinvestment plan (under which any member or any class of members may elect that the dividends payable by EHL be reinvested by a subscription for shares in EHL).

7.6.4.12 Directors–appointment and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is fixed by the Directors but may not be more than 10 unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of EHL. Retirement will occur on a rotational basis so that a Director may not hold office for three or more years or past the third annual general meeting following the Director's appointment or last election, without standing for re-election. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the Directors, who will then hold office until the next annual general meeting of EHL.

7.6.4.13 Directors–voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote.

7.6.4.14 Directors–remuneration

See Section 6.3.2 for a description of the remuneration arrangements for Directors.

7.6.4.15 Indemnities

EHL, to the extent permitted by law, may indemnify a current or former director or secretary, or officer of EHL or the Estia Group against any liability incurred by that person as a Director or secretary or officer of EHL or the Estia Group, legal costs incurred by that person in defending an action for a liability of that person and 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 of EHL or a member of the Estia Group.

EHL, to the extent permitted by law, may pay, or agree to pay, a premium for a contract insuring a former or current Director or secretary or officer of EHL or a member of the Estia Group against any liability incurred by that person in that capacity, including liability for legal costs.

EHL may enter into an agreement or deed with a person who is, or has been, a Director or officer in relation to the matters above. Such an agreement may include provisions relating to rights of access to EHL's books conferred by the Corporations Act or otherwise by law.

7.6.4.16 Amendment

The Constitution can only be amended by special resolution passed by at least three-quarters of Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of EHL. EHL must give at least 28 days' written notice of a general meeting of EHL.

08.

INDEPENDENT LIMITED ASSURANCE REPORT

08. INDEPENDENT LIMITED ASSURANCE REPORT

EY
Building a better working world

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17 November 2014

The Directors
Estia Health Limited
357 Camberwell Road
Camberwell
VIC 3124

The Directors
Estia SaleCo Limited
357 Camberwell Road
Camberwell
VIC 3124

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON PRO FORMA HISTORICAL FINANCIAL INFORMATION, STATUTORY AND PRO FORMA FORECAST FINANCIAL INFORMATION

1. Introduction

We have been engaged by Estia Health Limited ("Estia") and Estia SaleCo Limited ("Estia SaleCo") to report on the pro forma historical financial information, statutory and pro forma forecast financial information of Estia Group ("Estia" or the "Group") for inclusion in the Prospectus ("Prospectus") to be dated on or about 17 November 2014, and to be issued by Estia, in respect of the initial public offering, where Estia will issue and Estia SaleCo will sell shares in Estia under the Prospectus (the "Offer").

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the ***Corporations Act 2001***. Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Bryan Zekulich is a Director and Representative of Ernst & Young Transaction Advisory Services. We have included our Financial Services Guide as Part 2 of this report

2. Scope

Pro Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following historical financial information of Estia:

- pro forma historical results for the years ended 30 June 2012, 30 June 2013 and 30 June 2014 ("FY2012", "FY2013" and "FY2014", respectively) as set out in Table 11 of Section 4.3 of the Prospectus;
- pro forma historical cash flows for FY2012, FY2013 and FY2014 as set out in Table 19 of Section 4.5 of the Prospectus; and
- the pro forma historical statement of financial position as at 30 June 2014 as set out in Table 15 of Section 4.4 of the Prospectus.

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(Hereafter the "Pro Forma Historical Financial Information").

The Pro Forma Historical Financial Information has been derived from the historical financial information of Estia Health Limited in relation to its statement of financial position at 30 June 2014, after adjusting for the effects of pro forma adjustments described Section 4.2.1 of the Prospectus.

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards ("AAS"), except that it includes adjustments which have been prepared in a manner consistent with AAS. Such adjustments reflect:

(i) the recognition of certain items, as set out in Section 4.2.1,in the periods different from the applicable period under AAS;
(ii) the exclusion of certain transactions, as set out in Section 4.2.1 that occurred in the relevant periods;
(iii) the inclusion of operations/assets and liabilities from the trusts comprising the Lasting Changes Group (the predecessor of EHL), and the trusts and companies comprising Padman and Cook Care prior to their acquisition by Estia which did not constitute groups as defined in AASB 10 Consolidated and Separate Financial Statements prior to their acquisition by Estia; and
(iv) the impact of certain transactions, as set out in Section 4.2.1, as if they occurred on or before 30 June 2014.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Group's actual or prospective financial position, financial performance, and/or cash flows.

Statutory Forecast Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following statutory forecast financial information of Estia:

- statutory forecast income statement for the year ending 30 June 2015 ("FY2015F") and for the half year ending 31 December 2014 ("1H FY2015F") as set out in Tables 11 and 13 of Section 4.3 of the Prospectus; and
- statutory forecast cash flows for FY2015F and 1H FY2015F as set out in Tables 19 and 20 of Section 4.5 of the Prospectus.

(Hereafter the "Statutory Forecast Financial Information").

The directors' best-estimate assumptions underlying the Statutory Forecast Financial Information are described in Sections 4.8.1 and 4.8.2 of the Prospectus.

The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is in accordance with recognition and measurement principles contained in AAS (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board ("AASB"), which are consistent to International Financial Reporting Standards and interpretations, issued by the International Accounting Standards Board ("IASB").

Pro Forma Forecast Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma forecast financial information of Estia:

- pro forma forecast income statement for FY2015F, 1H FY2015F, the twelve months ending 31 December 2015 ("CY2015F") and the half year ending 31 December 2015 ("1H FY2016F") as set out in Tables 11 and 13 of Section 4.3 of the Prospectus; and

- pro forma forecast cash flows for FY2015F, 1H FY2015F, CY2015F and 1H FY2016F as set out in Tables 19 and 20 of Section 4.5 of the Prospectus.

(Hereafter the "Pro Forma Forecast Financial Information").

(The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are collectively referred to as the "Forecast Financial Information").

(The Pro Forma Historical Financial Information, Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are collectively referred to as the "Financial Information").

The Pro Forma Forecast Financial Information has been derived from Estia's Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in Tables 14 and 21 of Sections 4.3 and 4.5 respectively of the Prospectus.

The Pro Forma Forecast Financial Information has been prepared in accordance with the recognition and measurement requirements of AAS, except that it includes adjustments which have been prepared in a manner consistent with AAS. Such adjustments reflect:

(i) the recognition of certain items, as set out in Section 4.2.2,in the periods different from the applicable period under AAS;

(ii) the exclusion of certain transactions, as set out in Section 4.2.2 that occurred in the relevant periods;

(iii) the inclusion of operations/assets from the trusts comprising the Lasting Changes Group (the predecessor of EHL), and the trusts and companies comprising Padman and Cook Care prior to their acquisition by Estia which did not constitute groups as defined in AASB 10 Consolidated and Separate Financial Statements prior to their acquisition by Estia; and

(iv) the impact of certain transactions, as set out in Section 4.2.2, as if they occurred or after 1 July 2014.

Due to its nature, the Pro Forma Forecast Financial Information does not represent the Group's actual prospective financial performance, and cash flows for FY2015F, CY2015F, 1H FY2015F and 1H FY2016F.

3. Directors' Responsibility

Pro Forma Historical Financial Information

The directors of Estia are responsible for the preparation and presentation of the Pro Forma Historical Financial Information, including the basis of preparation, the selection and determination of pro forma adjustments included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Statutory Forecast and Pro Forma Forecast Financial Information

The directors of Estia are responsible for the preparation and presentation of the Statutory Forecast Financial Information the years ending 30 June 2015 and 31 December 2015 and for the half years ending 31 December 2014 and 31 December 2015, including the best-estimate assumptions underlying the Statutory Forecast Financial Information. They are also responsible for the preparation and presentation of the Pro Forma Forecast Financial Information for the years ending 30 June 2015 and 31 December 2015 and for the half years ending 31 December 2014 and 31 December 2015, including the basis of preparation, selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Statutory Forecast Financial Information and Pro Forma Forecast Financial Information that is free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Pro Forma Historical Financial Information

Our responsibility is to express a limited assurance conclusion on the Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

Statutory Forecast and Pro Forma Forecast Financial Information

Our responsibility is to express limited assurance conclusions on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, and the reasonableness of the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information themselves, based on our limited assurance engagement.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 ***Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information***.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance report(s) on any financial information used as a source of the Financial Information.

5. Conclusions

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information comprising:

- pro forma historical results for the years ended 30 June 2012, 30 June 2013 and 30 June 2014 ("FY2012", "FY2013" and "FY2014", respectively) as set out in Table 11 of Section 4.3 of the Prospectus;
- pro forma historical cash flows for FY2012, FY2013 and FY2014 as set out in Table 19 of Section 4.5 of the Prospectus; and
- the pro forma historical statement of financial position as at 30 June 2014 as set out in Table 15 of Section 4.4 of the Prospectus.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2 of the Prospectus.

Statutory Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

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- the directors' best-estimate assumptions used in the preparation of the Statutory Forecast Financial Information of Estia for the years ending FY2015F and 1H FY2015F do not provide reasonable grounds for the Statutory Forecast Financial Information; and
- in all material respects, the Statutory Forecast Financial Information:
  - is not prepared on the basis of the directors' best estimate assumptions as described in Sections 4.8.1 and 4.8.2 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, as described in Section 4.2 of the Prospectus; and
- the Statutory Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information of Estia for the FY2015F, CY2015F, 1H FY2015F and 1H FY2016F do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and
- in all material respects, the Pro Forma Forecast Financial Information:
  - is not prepared on the basis of the directors' best estimate assumptions as described in Sections 4.8.1 and 4.8.2 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, as described in Section 4.2 of the Prospectus; and
- the Pro Forma Forecast Financial Information itself is unreasonable.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The Statutory Forecast Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of Estia for FY2015F and 1H 2015F. The Pro Forma Forecast Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of Estia for FY2015F, CY2015F, 1H FY2015F and 1H FY2016F. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Estia. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusions expressed in this report have been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Estia, which are detailed in the Prospectus and the inherent uncertainty relating to the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information. Accordingly, Building a better working world

prospective investors should have regard to the investment risks and sensitivities as described in Section 5 of the Prospectus. The sensitivity analysis described in Section 4.9 of the Prospectus demonstrates the impact on the Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the statutory forecast or pro forma forecast will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Estia, that all material information concerning the prospects and proposed operations of Estia has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

6. Restriction on Use

Without modifying our conclusions, we draw attention to 4.2 of the Prospectus, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Transaction Advisory Services has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services does not have any interests in the outcome of the Offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Bryan Zekulich
Director and Representative

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17 November 2014

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT LIMITED ASSURANCE REPORT

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we" or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $155,500 (inclusive of GST).

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Australian Financial Services Licence No. 240585

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Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Group and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Group's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Group satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

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Australian Financial Services Licence No. 240585

09.
ESTIA'S FACILITIES

09. ESTIA'S FACILITIES

Estia has 39 facilities and has contracted to acquire three facilities in December 2014 and a further two facilities by February 2015.[145] Details of these facilities are set out in Section 9.1 and Section 9.2.

9.1 Estia's facilities owned as at the date of this Prospectus

1. Altona Meadows, VIC

Places	90
Dedicated Extra Service places	Nil
Single rooms	80
Occupancy	93%
Average RAD price	$231,633
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2001

2. Ardeer, VIC

Places	55
Dedicated Extra Service places	Nil
Single rooms	23
Occupancy	94%
Average RAD price	$143,221
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2007

3. Bentleigh, VIC

Places	45
Dedicated Extra Service places	Nil
Single rooms	45
Occupancy	92%
Average RAD price	$181,039
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	1996

145 Key metrics are presented as at 31 August 2014. The average RAD price represents the value of RADs as at 31 August 2014, net of retentions and/or agreed upon drawdowns.

4. Coolaroo, VIC

Places	60
Dedicated Extra Service places	Nil
Single rooms	60
Occupancy	95%
Average RAD price	$151,401
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2004

5. Dandenong, VIC

Places	60
Dedicated Extra Service places	Nil
Single rooms	30
Occupancy	95%
Average RAD price	$131,694
Freehold/leasehold	Leasehold
Location	Metro
Last build/refurbishment date	1999

6. Heidelberg West, VIC

Places	45
Dedicated Extra Service places	Nil
Single rooms	45
Occupancy	97%
Average RAD price	$136,575
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2002

7. Knoxville, VIC

Places	54
Dedicated Extra Service places	Nil
Single rooms	46
Occupancy	99%
Average RAD price	$155,596
Freehold/leasehold	Leasehold
Location	Metro
Last build/refurbishment date	1987

8. Leopold, VIC

Places	75
Dedicated Extra Service places	Nil
Single rooms	75
Occupancy	95%
Average RAD price	$113,241
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2004

9. Melton South, VIC

Places	100
Dedicated Extra Service places	40
Single rooms	100
Occupancy	98%
Average RAD price	$147,493
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2006

10. Oakleigh, VIC

Places	110
Dedicated Extra Service places	Nil
Single rooms	18
Occupancy	88%
Average RAD price	$181,746
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	1998

11. Plenty Valley, VIC

Places	68
Dedicated Extra Service places	Nil
Single rooms	58
Occupancy	98%
Average RAD price	$192,560
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2003

12. Ringwood, VIC

Places	161
Dedicated Extra Service places	Nil
Single rooms	161
Occupancy	96%
Average RAD price	$215,212
Freehold/leasehold	Leasehold
Location	Metro
Last build/refurbishment date	2001

13. South Morang, VIC

Places	120
Dedicated Extra Service places	Nil
Single rooms	120
Occupancy	95%
Average RAD price	$276,949
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2008

14. Werribee, VIC

Places	70
Dedicated Extra Service places	Nil
Single rooms	60
Occupancy	97%
Average RAD price	$184,274
Freehold/leasehold	Leasehold
Location	Metro
Last build/refurbishment date	2001

15. Wodonga, VIC

Places	80
Dedicated Extra Service places	80
Single rooms	80
Occupancy	83%
Average RAD price	$178,539
Freehold/leasehold	Freehold
Location	Regional
Last build/refurbishment date	2007

16. Yarra Junction, VIC

Places	91
Dedicated Extra Service places	Nil
Single rooms	87
Occupancy	92%
Average RAD price	$212,342
Freehold/leasehold	Freehold
Location	Regional
Last build/refurbishment date	1998

17. Albury, NSW

Places	80
Dedicated Extra Service places	80
Single rooms	80
Occupancy	96%
Average RAD price	$216,515
Freehold/leasehold	Freehold
Location	Regional
Last build/refurbishment date	2007

18. Dalmeny, NSW

Places	115
Dedicated Extra Service places	36
Single rooms	97
Occupancy	94%
Average RAD price	$246,818
Freehold/leasehold	Freehold
Location	Regional
Last build/refurbishment date	2010

19. Epping, NSW

Places	103
Dedicated Extra Service places	51
Single rooms	103
Occupancy	76%
Average RAD price	$571,404
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2014

20. Manly, NSW

Places	82
Dedicated Extra Service places	82
Single rooms	82
Occupancy	99%
Average RAD price	$425,662
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2008

21. Mona Vale, NSW

Places	54
Dedicated Extra Service places	Nil
Single rooms	18
Occupancy	90%
Average RAD price	n/a
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	1970

22. Ryde, NSW

Places	40
Dedicated Extra Service places	Nil
Single rooms	4
Occupancy	98%
Average RAD price	$180,000
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	1992

23. Willoughby, NSW

Places	74
Dedicated Extra Service places	74
Single rooms	56
Occupancy	96%
Average RAD price	$434,614
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2007

24. Albany Creek, QLD

Places	71
Dedicated Extra Service places	Nil
Single rooms	20
Occupancy	99%
Average RAD price	$277,352
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2005

25. Mudgeeraba, QLD

Places	167
Dedicated Extra Service places	70
Single rooms	125
Occupancy	74%
Average RAD price	$169,377
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2009

26. Nambour, QLD

Places	75
Dedicated Extra Service places	61
Single rooms	75
Occupancy	78%
Average RAD price	$152,177
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2009

27. Southport, QLD

Places	60
Dedicated Extra Service places	Nil
Single rooms	20
Occupancy	93%
Average RAD price	$200,000
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2005

28. Aberfoyle Park, SA

Places	97
Dedicated Extra Service places	Nil
Single rooms	87
Occupancy	95%
Average RAD price	$130,993
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	1999

29. Craigmore, SA

Places	125
Dedicated Extra Service places	Nil
Single rooms	125
Occupancy	77%
Average RAD price	$123,100
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2014

30. Daw Park, SA

Places	80
Dedicated Extra Service places	80
Single rooms	80
Occupancy	99%
Average RAD price	$166,071
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2011

31. Encounter Bay, SA

Places	121
Dedicated Extra Service places	55
Single rooms	121
Occupancy	93%
Average RAD price	$128,135
Freehold/leasehold	Freehold
Location	Regional
Last build/refurbishment date	2003

32. Flagstaff Hill, SA

Places	86
Dedicated Extra Service places	82
Single rooms	74
Occupancy	94%
Average RAD price	$163,699
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2008

33. Golden Grove, SA

Places	100
Dedicated Extra Service places	100
Single rooms	100
Occupancy	89%
Average RAD price	$176,263
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2010

34. Kadina, SA

Places	60
Dedicated Extra Service places	Nil
Single rooms	42
Occupancy	89%
Average RAD price	$138,900
Freehold/leasehold	Freehold
Location	Regional
Last build/refurbishment date	2006

35. Kensington Gardens, SA

Places	76
Dedicated Extra Service places	76
Single rooms	76
Occupancy	80%
Average RAD price	$352,632
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2014

36. Lockleys, SA

Places	86
Dedicated Extra Service places	86
Single rooms	86
Occupancy	61%
Average RAD price	$230,347
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2013

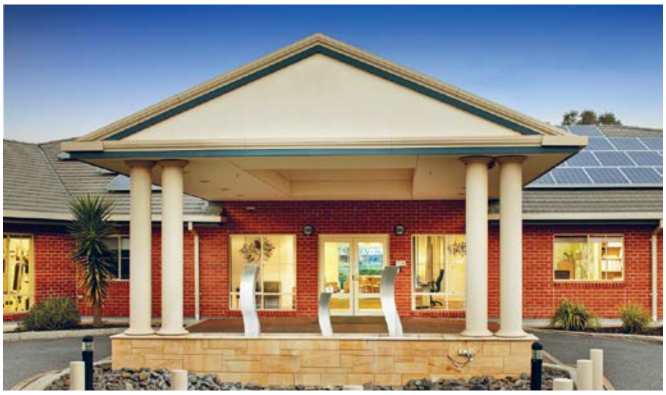
37. Parkside, SA

Places	40
Dedicated Extra Service places	40
Single rooms	32
Occupancy	97%
Average RAD price	$172,196
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2008

38. Salisbury, SA

Places	80
Dedicated Extra Service places	80
Single rooms	80
Occupancy	84%
Average RAD price	$148,485
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	2007

39. Strathalbyn, SA



Places	47
Dedicated Extra Service places	47
Single rooms	47
Occupancy	92%
Average RAD price	$156,846
Freehold/leasehold	Freehold
Location	Regional
Last build/refurbishment date	2009

9.2 Facilities to be acquired

40. Contracted acquisition #1, VIC	
Places	101
Dedicated Extra Service places	Nil
Single rooms	79
Occupancy	82%
Average RAD price	n/a
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	n/a

41. Contracted acquisition #2, VIC	
Places	120
Dedicated Extra Service places	Nil
Single rooms	108
Occupancy	97%
Average RAD price	n/a
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	n/a

42. Contracted acquisition #3, VIC	
Places	58
Dedicated Extra Service places	Nil
Single rooms	58
Occupancy	95%
Average RAD price	n/a
Freehold/leasehold	Leasehold
Location	Metro
Last build/refurbishment date	n/a

43. Contracted acquisition #4, VIC	
Places	60
Dedicated Extra Service places	Nil
Single rooms	60
Occupancy	n/a
Average RAD price	n/a
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	n/a

44. Contracted acquisition #5, SA	
Places	71
Dedicated Extra Service places	Nil
Single rooms	61
Occupancy	97%
Average RAD price	n/a
Freehold/leasehold	Freehold
Location	Metro
Last build/refurbishment date	n/a

10.
ADDITIONAL INFORMATION

10. ADDITIONAL INFORMATION

10.1 Registration, company tax status and company structure

10.1.1 Registration

EHL was registered in Victoria on 29 October 2012 as a private company limited by shares; it was converted to a public company limited by shares on 15 August 2014.

10.1.2 Company tax status

EHL will be taxed as an Australian tax resident public company in Australia for the purposes of Australian income tax law.

10.1.3 Company structure

The following diagram shows the corporate structure of the Estia Group on Listing.

Estia Investments holds all of the assets of the Estia Group, employs the majority of the Estia Group's employees and is the Approved Provider for each of Estia's facilities. Estia Finance is the borrower under the Estia Group's external financing arrangements and also employs certain key management personnel.

EHL, Estia Mezzco and Estia Midco are each non-operating holding entities.

10.2 Sale of Existing Shares by Selling Shareholders

SaleCo, a special purpose vehicle, has been established to enable Selling Shareholders to sell a portion of their Existing Shares. The Selling Shareholders have executed a deed poll in favour of, and for the benefit of, SaleCo and EHL under which they irrevocably offer to sell a portion of their Existing Shares to SaleCo free from encumbrances and third party rights and conditional on Listing. The Selling Shareholders have agreed to sell approximately 33.0 million Existing Shares to SaleCo (being 38.3% of their Existing Shares).

The Existing Shares which SaleCo acquires from the Selling Shareholders will be transferred to successful Applicants at the Offer Price. The price payable by SaleCo for these Existing Shares is the Offer Price. EHL will also issue Shares to successful Applicants under the Offer.

SaleCo is a special purpose vehicle which has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and deed poll described above. The directors of SaleCo are Patrick Grier, Norah Barlow and Andrew Harrison, each of whom is a non-executive director of EHL. The sole shareholder of SaleCo is Patrick Grier. EHL has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and has indemnified SaleCo in respect of costs of the Offer. EHL has also indemnified SaleCo and each director of SaleCo for any loss which SaleCo or any director of SaleCo may occur as a consequence of the Offer.

10.3 Incentive schemes

10.3.1 Existing Management Equity Plan

The Management Equity Plan ("MEP") is Estia's existing incentive plan for senior management. The purpose of the MEP is to assist in the attraction, retention and motivation of Estia's senior management by providing them with an opportunity to acquire an ownership interest in EHL.

10.3.1.1 Overview of the MEP offers

Under the MEP, certain employees, directors or company secretaries of the Estia Group (as determined by the Directors) have been invited to subscribe for Shares on the terms specified in the MEP Rules. MEP Participants may also be offered a 10 year, limited recourse loan to subscribe for MEP Shares. This loan may cover either the full subscription price of the MEP Shares or up to a certain percentage of the subscription price, with the MEP Participant funding the balance. Any dividends or other distributions received by MEP Participants as a result of holding MEP Shares must first be applied towards repayment of any MEP Loan (except that amounts may be retained for expected tax liabilities payable in respect of those distributions).

The current MEP Participants are Patrick Grier, Norah Barlow and other members of senior management, whose MEP interests are set out in Section 6.4.9.1. Paul Gregersen will also receive MEP Shares at or around the time of Listing. No new offers will be made under the MEP after Completion of the Offer, although the MEP Shares and associated MEP Loans in place before Completion of the Offer will continue to be held under the terms of the MEP.

The key terms of the MEP are set out below.

10.3.1.2 Cessation of employment and events of default

If a MEP Participant ceases to be employed by the Estia Group, or engaged as an officer, director, company secretary, contractor or consultant of the Estia Group, EHL has the right to, in accordance with the Corporations Act, effect a buy-back, cancellation or redemption of any portion of their MEP Shares. Alternatively, EHL may require the MEP Participant to sell all or a portion of their MEP Shares to a nominated third party.

In these circumstances, the price of the MEP Share is the price agreed by EHL and the relevant MEP Participant, or if no agreement can be made, as determined in writing by EHL (such determination being based on all relevant factors at the time including the market value of the MEP Shares).

EHL (with Board approval) may exercise similar rights where an "event of default" occurs. Examples of such events include where the MEP Participant:

- breaches a material obligation under the MEP Rules, their MEP Loan agreement, any escrow arrangement placed on their MEP Shares in connection with the Offer ("Escrow Arrangement"), or the Constitution (as notified by EHL to the MEP Participant);
- becomes insolvent; or
- transfers or purports to transfer any of their MEP Shares in breach of the MEP Rules.

10.3.1.3 Restrictions on transfer of MEP Shares

Until the later of the discharge of the MEP Participant's liabilities and obligations under their MEP Loan Agreement and the cessation of any Escrow Arrangements, MEP Shares may only be transferred in certain limited instances. These include where:

- EHL requires a mandatory sale or disposal of the MEP Shares following cessation of employment or an event of default (as described above);
- the transfer is in connection with certain change of control events, including a takeover bid (subject to certain conditions), a scheme of arrangement in respect of a reorganisation or amalgamation of EHL, or the acquisition of all Shares by a third party, or where the transfer is required to effect certain corporate actions such as a Share buy-back or any other similar reorganisation;
- the transfer is permitted and in accordance with the Constitution, the MEP Loan Agreement or any Escrow Arrangement; or
- the Board has consented in writing to the relevant transfer.

10.3.1.4 Non-compete and non-solicitation

Under the MEP Rules, each MEP Participant must not, without EHL's prior written consent, be employed or engaged in any capacity (including in any ownership or management capacity) in a competing business in any State or Territory of Australia and New Zealand in which the Estia Group operates until six months after the date they cease to: (i) be employed by the Estia Group; (ii) be a director or officer of any Estia Group member; or (iii) hold any MEP Shares, (whichever is the latest) ("Restricted Period").

In addition, during the Restricted Period, MEP Participants must not:

- solicit, or endeavour or attempt to solicit, from the Estia Group the business or services of clients or suppliers of the Estia Group with whom the MEP Participant had dealings with, or knowledge of, in the last 12 months of the Restricted Period;
- accept the business of any person, firm, company or organisation who is a client or supplier of the Estia Group with whom the MEP Participant had dealings with or knowledge of in the last 12 months of the Restricted Period; or
- entice away or attempt to entice away from the Estia Group any employees, officers, contractors or agents of the Estia Group, or anyone who held such a position during the last 12 months of the Restricted Period.

10.3.1.5 Other rights

Subject to the escrow arrangements described in Section 10.4.2, and except as set out above, the MEP Shares rank equally with, and contain the same rights which attach to other shares in EHL (including in relation to dividends and voting), as set out in the Constitution (see Section 7.6.4).

10.3.2 Short term incentive plan

The CEO and other members of Estia's senior management are eligible to participate in Estia's short term incentive plan (STIP).

Under the STIP, participants have an opportunity to receive a cash incentive payment calculated as a percentage of their annual fixed remuneration, conditional on achievement of financial and non-financial performance measures. The performance measures against which each participant's short term incentive is assessed and their relative weightings are tailored to a participant's role and are set by the Board each year. The financial measure to be used for FY2015F will be a comparison of Estia's actual EBITDA for FY2015F against Estia's forecast EBITDA for FY2015F as detailed in the Forecast Financial Information.

For FY2015F, the maximum incentive ("Maximum STI") that may be awarded to the CEO, the CFO and the Director, Strategy and Development has been set as follows, expressed as a percentage of annual fixed remuneration:

Position	Maximum STI
CEO	50%
CFO and Director, Strategy and Development	30%

Performance against the financial and non-financial measures is tested annually after the end of the relevant financial year. All payments under the STIP are determined by the Nomination and Remuneration Committee and the Board, in their absolute discretion.

Payments under the STIP will be made in cash immediately after the release of the full year financial results to the ASX. For certain members of Estia's senior management, including the CEO, 25% of any payment will be deferred for a period of 12 months. Vesting of the deferred component is conditional on the participant remaining employed by the Group at the time of vesting, except in circumstances where the employment is terminated without cause, in which case the deferred component will vest immediately.

10.3.3 New long term incentive plan

Estia has established a new long term incentive plan ("**LTIP**") to assist in the reward, motivation and retention of personnel (including the CEO and other members of Estia's senior management). Non-executive directors are not entitled to participate in the LTIP. The LTIP 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 EHL.

The LTIP contemplates the grant of performance rights. On exercise, performance rights entitle the holders to Shares or a cash amount equivalent to the value of the Shares the holder would have received.

It is intended that offers of performance rights under the LTIP will be made to certain members of Estia's senior management on or shortly after Listing and that after that, offers of performance rights will be made on an annual basis.

No offers of performance rights under the LTIP will be made to the CEO on Listing. It is anticipated that the first offer of performance rights under the LTIP will be made to the CEO following Estia's 2015 annual general meeting, subject to any required Shareholder approval for the offer being obtained at that annual general meeting.

Estia may offer additional incentive schemes to the CEO or other senior management personnel over time.

The key terms of the LTIP are set out below.

10.3.3.1 Eligibility

Offers may be made at the Board's discretion to employees of any member of the Estia Group.

10.3.3.2 Vesting and exercise conditions

Performance rights will vest to the extent that the applicable performance, service or other vesting conditions specified at the time of the grant are satisfied. The vesting conditions may include conditions relating to continuous employment or service, the individual performance of the participant or Estia's performance.

The Board has the discretion to set the terms and conditions on which it will offer performance rights under the LTIP, including the vesting conditions and different terms and conditions which apply to different participants in the LTIP.

10.3.3.3 Performance rights

Upon the satisfaction of the vesting conditions, the Board has the ability to determine whether each performance right will convert into a number of Shares (typically on a one-for-one basis) based on the terms of issue of the performance rights or a cash amount equivalent to the value of the Shares the holder would otherwise have received.

10.3.3.4 Exercise of performance rights

Performance rights granted under the LTIP will have no exercise price.

Participants will not need to pay any money to be granted performance rights under the LTIP.

10.3.3.5 Shares

A Share granted to a participant on exercise of a performance right may be issued by EHL or acquired on or off market by EHL or its nominee. EHL may initially issue Shares to a trustee and subsequently the Shares will be transferred to participants in the LTIP.

Depending on the terms of grant of the performance rights, the Shares granted on exercise of a performance right may be subject to a disposal restriction, which means they may not be disposed or dealt with for a period of time.

10.3.3.6 Voting and dividend rights

Performance rights do not carry any voting or dividend rights. Shares issued or transferred to participants on exercise of a performance right carry the same rights and entitlements as other issued Shares, including dividend and voting rights.

10.3.3.7 Approval

Grants of performance rights under the LTIP to the CEO (or any other executive director) may be subject to the approval of Shareholders, to the extent required under the ASX Listing Rules or other applicable law.

10.3.3.8 No transfer of performance rights

Without the prior approval of the Board, performance rights may not be sold, transferred, encumbered or otherwise dealt with. Further, participants cannot enter into any transaction, scheme or arrangement which hedges or otherwise affects the participant's economic exposure to the performance rights before they vest.

10.3.3.9 Lapse of performance rights

Performance rights will lapse if the applicable vesting conditions are not met during the prescribed period.

10.3.3.10 Quotation

Performance rights will not be quoted on the ASX. EHL will apply for official quotation of any Shares issued under the LTIP, in accordance with the ASX Listing Rules.

10.3.3.11 Capital limit

Subject to the rules of the LTIP, the Board must not offer performance rights if making the offer would breach the 5% capital limit (or equivalent) on the issue of shares as set out in ASIC Class Order 03/184 (or equivalent) in relation to employee share schemes.

10.3.3.12 Cessation of employment or contractual relationship

The LTIP contains provisions concerning the treatment of performance rights in the event a participant ceases employment with the Estia Group:

- if an employee is a "good leaver" (e.g. they cease employment by reason of death, serious disability or permanent incapacity or they cease employment in circumstances other than for cause), 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; and
- if an employee is a "bad leaver" (e.g. they cease employment for cause), all of the performance rights held by that employee upon cessation will automatically lapse,

in each case, unless the Board determines otherwise.

10.3.3.13 Change of control of Estia

The Board has the discretion to allow for vesting of performance rights if certain extraordinary events occur such as a change of control or winding up of Estia.

10.3.3.14 Costs and administration

Estia must bear any costs incurred in the administration of the LTIP.

10.3.3.15 Other terms of the LTIP

The LTIP also contains customary and usual terms having regard to Australian law for dealing with administration, variation and termination of the LTIP.

10.3.4 Grant of performance rights under the LTIP

It is proposed that Joe Genova, CFO, and Nick Yannopoulos, Director, Strategy and Development, will be offered performance rights under the LTIP with an underlying face value of $102,000 each at or around the time of Listing as part of their long term incentive arrangements. The maximum number of performance rights proposed to be offered to each of Joe Genova and Nick Yannopoulos under this Prospectus will be determined by dividing $102,000 by the Offer Price (rounded to the nearest whole Share).

Each grant to be made by Estia on or around the time of Listing will be consistent with the terms outlined in Section 10.3.3 and with the conditions outlined below.

It is anticipated that an offer of performance rights under the LTIP will first be made to the CEO following Estia's 2015 annual general meeting and that the offer will be on terms equivalent to those outlined in Section 10.3.3 and below.

Vesting conditions	The performance rights will be granted in two tranches, each comprising 50% of the total number of performance rights granted to the participant. Both tranches of performance rights will be subject to a relative total shareholder return ("TSR") vesting condition, measured over the performance period. For the performance rights in the first tranche, Estia's relative TSR will be compared to a comparator group comprising the companies in the S&P/ASX 200 Index. For the performance rights in the second tranche, Estia's relative TSR will be compared to a comparator group comprising the companies in the S&P/ASX Health care Index. The percentage of the performance rights in each tranche that vest, if any, will be based on Estia's TSR ranking against the relevant comparator group over the performance period, as set out in the following vesting schedule: **Estia's TSR relative to the TSR of the relevant comparator group over the performance period** — **% of performance rights in the tranche that vest** Up to the 50th percentile — Nil Equal to the 50th percentile — 50% Greater than the 50th percentile but less than the 75th percentile — Pro-rata straight-line between 50% and 100% Equal to or greater than the 75th percentile — 100% Any performance rights that remain unvested at the end of the performance period will lapse immediately. There will be no retesting.
Performance period	The performance period will be from 8 December 2014 to 30 June 2017, a period of approximately 31 months.
Number of Shares to be delivered on exercise of the performance rights	Each performance right is exercisable into one Share, subject to adjustments in accordance with the ASX Listing Rules for certain capital actions. For this grant, the performance rights will only be satisfied in Shares – there will be no ability to provide a "cash equivalent".

Vesting schedule:

Estia's TSR relative to the TSR of the relevant comparator group over the performance period	% of performance rights in the tranche that vest
Up to the 50th percentile	Nil
Equal to the 50th percentile	50%
Greater than the 50th percentile but less than the 75th percentile	Pro-rata straight-line between 50% and 100%
Equal to or greater than the 75th percentile	100%

10.4 Material contracts

The Directors consider that there are a number of contracts which are significant or material to Estia or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. Summaries for material contracts set out in this Prospectus (including the summary of the Underwriting Agreement set out below), do not purport to be complete and are qualified by the text of the contracts themselves.

10.4.1 Underwriting Agreement

The Offer is being managed and underwritten by the Joint Lead Managers pursuant to the Underwriting Agreement. Under the Underwriting Agreement, the Joint Lead Managers have agreed to underwrite, arrange and manage the Offer.

For the purpose of this Section 10.4.1, "Offer Documents" includes any of the following documents issued or published by, or on behalf of, and with the authorisation of, EHL and SaleCo in respect of the Offer, and in a form approved by the Joint Lead Managers:

- this Prospectus, the Application Form and any supplementary prospectus;
- the draft version of this Prospectus dated 28 October 2014 that was provided to Institutional Investors, Co-Managers and Brokers prior to the lodgment of this Prospectus with ASIC, and any cover email sent by or on behalf of SaleCo to eligible Institutional Investors with a link to or attaching that version of the prospectus, in connection with the Institutional Offer;

- the Institutional Offering Memorandum and the final pricing information in relation to Shares sold under the Institutional Offer and any other communication by EHL, SaleCo or their agents and representatives that constitutes an offer to sell, or the solicitation of an offer to buy, the Shares in the United States ("US Offer Documents"); and
- the marketing, roadshow presentation and/or ASX announcement(s) used by or on behalf of Estia to conduct the Offer.

10.4.1.1 Commissions, fees and expenses

EHL and SaleCo have agreed to pay the Joint Lead Managers an underwriting, management fee and selling fee equal to, in aggregate, 2.0% of the funds raised under the Offer. These fees will become payable by Estia and SaleCo on the date of settlement of the Offer (Monday, 8 December 2014) and will be paid to the Joint Lead Managers.

EHL and SaleCo, in their absolute discretion, may also pay on the date of settlement of the offer, an incentive fee to the Joint Lead Managers of up to 0.75% of the funds raised under the Offer.

In addition to the fees described above, EHL and SaleCo have agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

10.4.1.2 Termination events

A Joint Lead Manager may terminate without cost or liability, at any time after the date of the Underwriting Agreement until on or before the date of issue of Shares under the Offer (Tuesday, 9 December 2014), or any time specified below, by notice to EHL, SaleCo and the other Joint Lead Managers, if any of the following events occur:

- in the reasonable opinion of the Joint Lead Managers, a statement in any Offer Document (excluding the US Offer Documents) or any announcements, documents and other statements made by, or on behalf of and with the knowledge and consent of, EHL, SaleCo or any other member of the Estia Group, in relation to the business or affairs of EHL, SaleCo or the Estia Group or the Offer, is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from an Offer Document or is likely to deceive, mislead or confuse with regard to any particular under section 38B of the NZ Securities Act or a statement that is untrue under section 58 of the NZ Securities Act or constitutes an unsubstantiated representation under Part 2 of the New Zealand Financial Markets Conduct Act 2013;
- the Institutional Offering Memorandum or the final pricing information in relation to Shares sold under the Institutional Offer includes a material misstatement or omission;
- a new circumstance arises after lodgment of this Prospectus that would have been required to be included in this Prospectus if it had arisen before lodgment and is in the reasonable opinion of that Joint Lead Manager materially adverse from the point of view of an investor;
- EHL and SaleCo are, in the reasonable opinion of the Joint Lead Manager, required by section 719 of the Corporations Act to lodge, and fail to lodge, a supplementary prospectus with ASIC within the time period reasonably required by the Joint Lead Managers and in a form approved in writing by the Joint Lead Managers;
- the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the day immediately prior to the Institutional Offer opening date and is at or below that level at the close of trading (i) for three consecutive business days during any time after the date of the Institutional Offer opening date; or (ii) on the business day immediately before the date of settlement of the Offer;
- any of the escrow deeds entered into by the Escrowed Shareholders is withdrawn, varied, terminated, rescinded, altered, amended or breached or there is a failure to comply with any of them;
- the deed poll in favour of SaleCo entered into by each Selling Shareholder under which the Selling Shareholder irrevocably offers to sell a number of its Shares to SaleCo conditional on Listing is withdrawn, varied, terminated, rescinded, altered, amended or breached or there is a failure to comply with it;
- EHL, SaleCo or any of their respective directors or officers engage, or have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity, whether or not in connection with the Offer;
- approval is refused or not granted, or approval is granted subject to conditions other than customary conditions to Listing or to official quotation of the Shares within the specified timeframe, or if granted, ASX subsequently withdraws, qualifies (other than by customary conditions) or withholds such approval;

- EHL and SaleCo fail in a material respect to comply with the requirements of the NZ Mutual Recognition Regulations, to enable the Offer to proceed on the basis of this Prospectus under those regulations;
- any of the following notifications are made in respect of the Offer:
  - ASIC issues an order (including an interim order) under section 739 of the Corporations Act;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an Offer Document;
  - any person (other than the Joint Lead Managers) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent;
  - any person (other than the Joint Lead Managers) gives a notice under section 730 of the Corporations Act in relation to an Offer Document; or
  - the New Zealand Registrar of Financial Service Providers or the New Zealand Financial Markets Authority contacts or gives any notice to EHL or SaleCo under regulation 13(4) of the NZ Mutual Recognition Regulations or section 38B of the NZ Securities Act;
- EHL or SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement;
- any of the obligations of a party to an acquisition agreement relating to the purchase of Cook Care or Padman Health Care (refer to Section 10.4.4) to the agreements in respect of the five facilities EHL has contracted to acquire, or, to the New Banking Facilities or related commitment letter (refer to Section 4.4.3), are not capable of being performed in accordance with their terms (in the reasonable opinion of the Joint Lead Managers) or if all or any part of any of those agreements:
  - is amended or varied without the consent of the Joint Lead Managers;
  - is terminated;
  - is breached;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and effect, or its performance is or becomes illegal;
- EHL or SaleCo withdraws an Offer Document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- any member of the Estia Group becomes insolvent, or there is an act or omission which is likely to result in a member of the Estia Group becoming insolvent;
- an event specified in the timetable up to and including the date of settlement of the Offer is delayed by more than three business days (other than any delay agreed between EHL, SaleCo and the Joint Lead Managers or required as a result of ASIC extending the period under section 727(3) of the Corporations Act);
- EHL is prevented from transferring or allotting and issuing (as applicable) New Shares, or SaleCo is prevented from transferring the relevant Existing Shares, within the time required by the timetable, the Offer Documents, the ASX Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a governmental authority;
- EHL (without the prior written consent of the Joint Lead Managers):
  - alters the issued capital of EHL or any other member of the Group; or
  - disposes or attempts to dispose of a substantial part of the business or property of EHL or any other member of the Estia Group;
- a regulatory body withdraws, revokes or amends any regulatory approvals required for EHL or SaleCo to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents;
- there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Joint Lead Manager to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer;
- there is a change in senior management or the board of directors of EHL or SaleCo (other than as disclosed in the Offer Documents);
- the chairman, chief executive officer or chief financial officer of EHL vacates their office; or

- any of the following occur:
  - a director or proposed director named in the Prospectus of EHL or SaleCo is charged with an indictable offence relating to any financial or corporate matter or is disqualified from managing a corporation under section 206B, 206C, 206D, 206E or 206F of the Corporations Act;
  - any governmental agency commences any public action against EHL or SaleCo or any of their respective directors in their capacity as a director of EHL or SaleCo (as applicable), or announces that it intends to take action; or
  - any director or proposed director named in the Prospectus, of EHL or SaleCo is disqualified from managing a corporation under Part 2D.6.

10.4.1.3 Termination events subject to materiality

The Joint Lead Managers may terminate without cost or liability, at any time after the date of the Underwriting Agreement and on or before the issue of Shares under the Offer (Tuesday, 9 December 2014), or any time specified below, by notice to EHL and SaleCo and the other Joint Lead Managers, if any of the following events occur and the Joint Lead Manager has reasonable grounds to believe the event: (i) has or is likely to have a material adverse effect on the success, settlement or marketing of the Offer, or on the ability of the Joint Lead Manager to market, promote or settle the Offer, or on the likely price Shares will trade at on the ASX following the Offer, or the willingness of investors to subscribe for Shares; or (ii) will, or is likely to, give rise to a liability of the Joint Lead Manager under, or a contravention by the Joint Lead Manager or its affiliates or the Joint Lead Manager or its affiliates being involved in a contravention of, any applicable law:

- any forecast that appears in an Offer Document is or becomes incapable of being met in the projected time (including financial forecasts);
- the due diligence report or verification material provided by or on behalf of EHL or SaleCo to the Joint Lead Managers in relation to the Estia Group or the Offer is (or is likely to), or becomes (or becomes likely to be), misleading or deceptive, including by way of omission;
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of EHL and the Estia Group (insofar as the position in relation to an entity in the Group affects the overall position of EHL), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of EHL or the Estia Group from those respectively disclosed in any Offer Document;
- a new law is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, the United States, New Zealand or any State or Territory of Australia a new law, or the Reserve Bank of Australia or New Zealand, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the agreement);
- there is a contravention by EHL, SaleCo or any other member of the Estia Group of the Corporations Act, the Competition and Consumer Act 2010 (Cth), the Australian Securities and Investments Commission Act 2001 (Cth) (or any regulations under those acts), the Companies Act 1933 (New Zealand), the Securities Act 1978 (New Zealand), the Commerce Act 1986 (New Zealand), the Fair Trading Act 1986 (New Zealand), its constitution, or any of the ASX Listing Rules or any other applicable law or regulation;
- any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act, the Companies Act 1933 of New Zealand, the NZ Securities Act, the New Zealand Financial Markets Conduct Act 2013 (and all regulations under that act) or the ASX Listing Rules;
- a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of EHL or SaleCo is breached, becomes not true or correct or is not performed;
- EHL or SaleCo defaults on one or more of its obligations under the Underwriting Agreement;
- EHL varies any term of its constitution without the prior written consent of the Joint Lead Managers;
- legal proceedings against EHL, SaleCo, any other member of the Estia Group or against any Director, or any director of SaleCo or any other member of the Estia Group in that capacity are commenced or any regulatory body commences an enquiry or public action against a member of the Estia Group;

- any information supplied by or on behalf of a member of the Estia Group to the Joint Lead Managers in respect of the Offer or the Estia Group is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including, by way of omission);
- hostilities not presently existing at the date of the Underwriting Agreement commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, Canada, Japan, the United Kingdom, the People's Republic of China, South Korea, Israel, Russia, Singapore, or any member state of the European Union, or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries;
- a statement in a closing certificate is false, misleading, inaccurate, untrue or incorrect; or
- any of the following occurs (i) a general moratorium on commercial banking activities in Australia, New Zealand, Canada, the People's Republic of China, Japan, Singapore, Hong Kong, Russia, the United Kingdom, the United States or a Member State of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; (ii) any adverse effect on the financial markets in Australia, New Zealand, Japan, Canada, the People's Republic of China, Singapore, Hong Kong, the United Kingdom, the United States or a Member State of the European Union, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or (iii) trading in all securities quoted or listed on the ASX, New Zealand Stock Exchange, New York Stock Exchange, London Stock Exchange, Hong Kong Stock Exchange or Tokyo Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading.

10.4.1.4 Representations, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by EHL and SaleCo to the Joint Lead Managers (as well as common conditions precedent, including the entry into a voluntary escrow deed by the Escrowed Shareholders, a deed poll in favour of SaleCo being executed by or on behalf of each Selling Shareholder, and ASIC and the ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties given by EHL and SaleCo relate to matters such as the conduct of EHL and SaleCo, power and authorisations, information provided by EHL and SaleCo, financial information, information in this Prospectus, the Offer Documents, the conduct of the Offer, compliance with laws (including the US Securities Act), due diligence carried out by EHL and SaleCo, ASX Listing Rules and other legally binding requirements. EHL also provides additional representations and warranties in connection with matters including in relation to its assets, litigation, certain material contracts, licences held, non-disposal of escrowed Shares, ownership or use of IT systems, entitlements of third parties, tax, insurance, agreements and authorisations, eligibility for Listing, internal accounting controls, occupational, health and safety and environmental laws and title to property.

EHL's undertakings include that it will not, during the period following the date of the Underwriting Agreement until 120 days after Shares have been issued under the Offer, issue any Shares or securities without the consent of the Joint Lead Managers (any consent not to be unreasonably withheld or delayed), subject to certain exceptions. These exceptions include an issue of Shares under the Offer, an issue of securities pursuant to an employee share plan or option plan, a non-underwritten dividend reinvestment or bonus share plan described in this Prospectus (including the draft version provided to Institutional Investors) and the Institutional Offering Memorandum, or a proposed transaction fully and fairly disclosed in this Prospectus (including the draft version provided to Institutional Investors) and the Institutional Offering Memorandum.

10.4.1.5 Indemnity

Subject to certain customary exclusions, (including fraud or wilful misconduct of an indemnified party), EHL and SaleCo agree to keep the Joint Lead Managers and certain affiliated parties indemnified from certain losses suffered in connection with the Offer.

10.4.2 Escrow arrangements

Shares held at Completion of the Offer by the Escrowed Shareholders will be subject to voluntary escrow arrangements.

10.4.2.1 Quadrant Funds and Mercury

Under the terms of the voluntary escrow arrangements, subject to certain exceptions, Shares held by the Quadrant Funds and Mercury at the Completion of the Offer may only be sold in the period prior to the release of Estia's financial results for the half year ending 31 December 2015 on the following basis:

Shares to be released from escrow	Escrow release conditions
50% of Shares held at Completion of Offer	• Financial results for half year ending 31 December 2014 released; and • Volume-weighted average price in any 10 consecutive trading days following release of those financial results exceeds the Offer Price by more than 20%.
100% of Shares held at Completion of Offer	• Financial results for the financial year ending 30 June 2015 released; and • Volume-weighted average price in any 10 consecutive trading days following release of those financial results exceeds the Offer Price by more than 20%.

After the release of the financial results for the half year ending 31 December 2015, any remaining Shares held by the Quadrant Funds and Mercury will cease to be subject to escrow restrictions.

In addition to the common exceptions to escrow described below, the Quadrant Funds and Mercury may also encumber any or all of their Shares to a bona fide third party financial institution as security for a loan, hedge or other financial accommodation, provided that the encumbrance does not in any way constitute a direct or indirect disposal of the economic interests, or decrease an economic interest, that the relevant Shareholder has in any of its escrowed Shares and no escrowed Shares may be transferred to the financial institution in connection with the encumbrance (with the documentation for such an encumbrance making clear that the escrowed Shares remain in escrow and subject to the voluntary escrow arrangements for the term of those arrangements).

10.4.2.2 Director and Management Shareholders

Shares retained by the Director and Management Shareholders on Completion of the Offer will also be subject to voluntary escrow arrangements. Under the terms of those escrow arrangements, subject to certain customary exceptions, Shares may only be sold by Ruvani De Silva, Peter Arvanitis and Nick Yannopoulos (through their controlled entities) following the release of the financial results for the half year ending 31 December 2015, and in the case of all other Director and Management Shareholders, following the period ending three years from Listing.

In addition to the common exceptions to escrow described below, the Director and Management Shareholders may also be released early from these escrow obligations:

- if the manager dies or becomes incapacitated, pursuant to a transfer by the personal representative of the Shareholder to a person to whom the Shares are bequeathed where that person has agreed to be bound by the same escrow arrangements; or
- to the extent necessary to allow a reorganisation of their shareholding ownership structure where control of the Shares is retained by the ultimate controller, EHL has given its prior consent to the reorganisation and the new holder has agreed to be bound by the same escrow arrangements.

10.4.2.3 Terms common to all voluntary escrow arrangements

Each Escrowed Shareholder has agreed to enter into an escrow deed in respect of their escrowed shareholding retained following Completion of the Offer, which prevents them from dealing with their respective escrowed Shares for the applicable escrow periods as described above.

The restriction on dealing is broad and includes, among other things, selling, assigning or transferring, or agreeing or offering to sell, assign or transfer, the relevant Shares, entering into an option which would enable or require the relevant Shares to be sold, assigned or transferred or creating or agreeing to create any security interest over the Shares.

During the relevant escrow periods, the Escrowed Shareholders whose Shares are subject to escrow may not deal with any of those Shares in any way other than:

- pursuant to a court order compelling the Shares to be disposed of or a security interest to be created over them;
- to allow acceptance of a takeover offer where at least half of the non-escrowed Shares have already accepted the offer;
- to allow the Shareholder to tender their Shares into a bid acceptance facility for a takeover offer where the holders of at least half of the non-escrowed Shares have already accepted the offer and tendered their Shares into the bid acceptance facility; or
- in connection with the transfer or cancellation of Shares as part of a merger or an acquisition of Share capital being implemented by way of a scheme of arrangement, which has received all necessary approvals.

If a takeover offer or scheme of arrangement does not successfully complete, the holding lock will be reapplied to the escrowed Shares.

10.4.3 Resident Agreements

10.4.3.1 Resident and accommodation agreement

All residents entering care post 1 July 2014 (and who are not entering a Dedicated Extra Service place) will be entering into a resident and accommodation agreement with Estia Investments. Estia has a standard form resident and accommodation agreement it uses for this purpose (Standard Agreement). The Standard Agreement is a combination of a resident agreement (which sets out various details, including the care services which will be provided to the resident) and an accommodation agreement (which, amongst other things, sets out a resident's occupancy rights and how they will pay for their accommodation).

The Standard Agreement incorporates compulsory matters required to be included in such agreements under the relevant legislation, including the Aged Care Act, the Fees and Payments Principles 2014 (No. 2) and the User Rights Principles 2014.

10.4.3.2 Extra services resident and accommodation agreement

All residents entering a Dedicated Extra Service place post 1 July 2014 will instead be entering into a dedicated extra service resident and accommodation agreement (Extra Service Agreement).

Like the Standard Agreement, the Extra Service Agreement incorporates matters required to be included in resident and accommodation agreements under the applicable legislation. However, the extra service agreement also incorporates additional matters specific to such agreements. These matters are set out in the Aged Care Act and the Extra Service Principles 2014.

The Standard Agreement and the Extra Service Agreement are together be referred to as "the Agreement" throughout this Section 10.4.3.

10.4.3.3 Residents' occupancy rights

The Agreement provides each resident with the right to occupy their room and to use directed communal areas forming part of the facility. That right begins on the agreed date of entry and lasts for the remainder of the resident's lifetime (or until the Agreement is otherwise terminated). The resident's right to occupy a place at the facility is not a tenancy and does not provide the resident with any other estate or interest in the facility.

10.4.3.4 Residents' care

The Agreement details the types of care and services that a resident will be provided with upon entering a facility. The Agreement also sets out how care fee amounts will be determined and how those fees will be paid by a resident. In addition, the Agreement sets out that residents can elect to receive additional services from Estia on top of the base services they are already provided under the Agreement. Residents can choose to receive those additional services from time to time, for an additional fee. This is in line with changes to the aged care framework, which are further set out at Section 2.

Residents in Dedicated Extra Service places will receive (and pay for) extra services throughout their residency at a facility. The extra services provided to each resident will be set out in their respective Extra Service Agreement.

10.4.3.5 Residents' rights and responsibilities

Under the Agreement, residents are required to comply with Rules of Occupancy, which are set out in the Agreement. An example of these rules is that a resident must not do or permit to be done any act or thing which may in any way invalidate or violate the conditions of any insurance policy relating to the facility, or cause the premiums payable in respect of such a policy to increase.

Residents are also entitled to rights (and are obliged to comply with certain obligations) listed in the Charter of Residents' Rights and Responsibilities. This Charter is set out in the Schedule 1 of the User Rights Principles 2014 and is reproduced in the Agreement.

10.4.3.6 Details about accommodation payments and accommodation contributions

The Agreement also doubles as an accommodation agreement. In particular, it details:

- when an accommodation payment or an accommodation contribution is to be paid by a resident (accommodation contributions are paid by residents who, under the applicable means test, are not required to pay an accommodation payment but are still required to contribute to the cost of their accommodation through a means tested 'contribution' (these are otherwise treated similarly to an accommodation payment);
- deductions that Estia may make from a resident's Refundable Accommodation Deposit (RAD) or Refundable Accommodation Contribution (RAC);
- the circumstances in which Estia will be required to repay a RAD/RAC to a resident (for example within 14 days of a resident leaving the facility or passing away);
- the circumstances in which a resident may be required to pay a higher accommodation contribution (i.e. where the amount of the contribution payable increases);
- that Estia will be required to deduct Daily Accommodation Payments (DAPs)/daily accommodation contributions (DACs) from a RAD/RAC where this is requested by a resident, as is required under the legislation; and
- that if the RAD/RAC amount is reduced (as a result of a deduction as per the above point), Estia is entitled to require the resident to maintain the amount of the agreed accommodation payment by making additional payments, namely:
  - paying DAPs/DACs (or increased DAPs/DACs); or
  - topping up their RAD/RAC; or
  - a combination of the above.

10.4.3.7 How is an accommodation payment/contribution made?

Residents who are required to pay an accommodation payment or an accommodation contribution will have 28 days to choose how they want to make that payment. They can choose to pay by:

- DAPs or DACs;
- a RAD or a RAC; or
- a combination of a DAP and a RAD, or a combination of a DAC and a RAC.

If a resident chooses the option of paying by a RAD/RAC, they will not actually be required to pay that RAD/RAC until six months after they enter the facility. However, they can choose to pay that amount sooner, and will have to pay DAPs/DACs until they pay the RAD/RAC.

Where a resident is paying either partly or wholly by DAPs or DACs, they have the option of paying a RAD/RAC (or topping up their existing RAD/RAC) at any time.

10.4.3.8 Estia entitled to income and certain deductions

Where a resident has paid a RAD/RAC, Estia is entitled to deduct the following amounts from that RAD/RAC:

- any amounts owing to Estia under the Agreement, and interest on those amounts; and

- any costs, charges and expenses reasonably incurred by Estia as a result of any breach of the Agreement by the resident.

Estia is also entitled to the income from a RAD or a RAC.

10.4.3.9 Default and interest on late payments

The Standard Agreement provides for interest to be payable by a resident if certain payments are not paid by the due date. The annual interest rate is that prescribed under the Aged Care Act, or, if not prescribed, at the rate of the current "Maximum Permissible Interest Rate" ("MPIR") plus 4%, compounding on the sooner of several specified events. The MPIR is determined by a formula set out in section 6 of the Fees and Payments Principles 2014 (No. 2). It is used to determine various fees and payments applicable under the aged care legislation.

The Extra Service Agreement contains a similar provision, except that the annual interest rate is the rate prescribed under the act, or, if not prescribed, then the rate of the current MPIR (without provision for an additional 4%).

The Agreement also provides that, where a resident breaches the Agreement, they will be required to pay or reimburse Estia on demand for all costs, charges and expenses Estia reasonably incurs as a result of the breach.

10.4.3.10 Termination of the Agreement

A "cooling off" period applies to the Agreement, whereby a resident can choose to end the Agreement within 14 days of entering into it. Applicable legislation requires this right to be set out in each resident agreement. Where a resident chooses to end the Agreement within that cooling off period, the Agreement becomes void, but the resident will still have to pay Estia any fees or charges they became liable for during their occupancy at the facility. Estia will need to refund any other amounts paid by the resident under the Agreement.

Apart from the resident's right to end the Agreement during the "cooling off" period, the Agreement may be terminated in a number of other ways. Firstly, the Agreement will terminate seven days after a resident gives written notice to Estia of their intention to terminate and vacate the facility. The Agreement may also terminate in the following limited circumstances, being where:

- the resident passes away;
- the resident does not commence occupation in the facility on the agreed date of entry following written notice from Estia;
- the facility, or part of the facility, closes;
- the resident has not paid a cost, fee or charge due under the Agreement within 42 days of it being due (for a reason within the resident's control);
- the resident has intentionally caused either serious damage to the facility, or serious injury to any of Estia's staff or volunteers, or another resident at the facility;
- the resident is away from the facility for a continuous period of at least seven days, for a reason other than a reason permitted by the Aged Care Act or an emergency;
- Estia no longer provides accommodation and care suitable for the resident's long term needs, and Estia does not agree to provide the resident with the kind of care that the resident requires; or
- (only under the Extra Service Agreement) the resident ceases to be provided with care in an extra service place, or the extra service status of the facility (or the distinct part of the facility through which the resident is being provided with care) ceases to have effect.

The termination rights with respect to the resident's failure to occupy the facility on the agreed date of entry and the resident's absence from the facility for a longer amount of time, are relevant to Estia's entitlement to receive certain subsidies from the Government for that resident. If those residents fail to occupy a place at the facility, or are absent from the facility for a certain amount of time, then Estia can lose the subsidies that it would have otherwise been entitled to with respect to those residents. These termination rights therefore provide Estia with options to try and maintain residents in those places so that it continues to receive applicable Government subsidies for those places, or Estia can make room for new residents.

10.4.4 Acquisitions of Padman Health Care and Cook Care

10.4.4.1 Acquisition of Padman Health Care

On 31 July 2014, Estia Investments acquired the assets and business comprising Padman Health Care for approximately $165,000,000. The purchase price was payable partly by cash and partly by way of deferred consideration in the form of the Vendor Loan Note. The Vendor Loan Note will be repaid out of the proceeds of the Offer. Refer to Section 7.1.3.

The Padman Vendors gave customary ownership and authority warranties, together with warranties covering the business and its operations. They also agreed to indemnify Estia Investments for a variety of customary matters, including pre-completion business liabilities which were not agreed to be assumed by Estia Investments.

The Padman Vendors are not liable for a breach of warranty unless the amount of an individual claim exceeds approximately $165,000 and all claims exceed approximately $1,650,000. Any claim by Estia Investments for a breach of the title and authority warranties is limited to the full purchase price. Other warranty claims are limited to $30,000,000, subject to customary qualitative limitations. A claim for breach of any business warranty has to be notified by 31 January 2016 and, for a title and authority warranty, by 31 July 2020.

The liabilities expressly assumed by Estia Investments under the acquisition principally comprised the resident accommodation liabilities (subject to a cap of $100,000,000), the operating trade creditors and relevant employee entitlements. On completion, the estimated accommodation liabilities were approximately $1,800,000 less than the cap. If Estia Investments receives resident accommodation bond payments from 1 August 2014 that were committed but not received before completion, it is liable to pay those to the Padman Vendors up to the accommodation liability cap of $100,000,000.

Either party may elect by 31 January 2015 for completion accounts to be prepared. This process could result in an adjustment payment being paid by or to Estia Investments (depending on the outcome of the adjustment process). Estia does not currently expect there to be any material adjustments arising from the preparation of completion accounts.

The Padman Vendors have given certain non-compete commitments to Estia Investments covering South Australia, Victoria and any area within 10 kilometre radius of any aged care facility in Queensland comprising part of the Padman Heath Care business (as applicable). The commitments run to 31 July 2017. Customary exceptions exist in respect of the non-compete and include allowing the Padman Vendors to operate an aged care facility at nominated Queensland development properties they have retained.

10.4.4.2 Acquisition of Cook Care

On 31 July 2014, Estia Investments also acquired the assets and business comprising Cook Care for approximately $177,500,000 (before post completion purchase price adjustments). The purchase price was payable by an initial cash payment at completion, and by way of deferred cash payments totalling approximately $27,500,000 (subject to interest and certain adjustments). These deferred consideration payments will be paid out of the proceeds of the Offer. Refer to Section 7.1.3.

The Cook Care Vendors also gave customary ownership and authority warranties, together with warranties covering the business and its operations. They also agreed to indemnify Estia Investments for a variety of customary matters, including pre-completion business liabilities which were not agreed to be assumed by Estia Investments.

The Cook Care Vendors are not liable for a breach of warranty unless the amount of an individual claim exceeds $180,000 and all claims exceed $1,800,000. Any claim by Estia Investments for a breach of the title and authority warranties is limited to the full purchase price. Other warranty claims are limited to $40,000,000, subject to customary qualitative limitations. A claim for breach of any business warranty has to be notified by 31 January 2016, for a title and authority warranty by 31 July 2017, and for a tax warranty, by 31 July 2019.

The Cook Care Vendors also agreed to indemnify Estia Investments for claims related to any asbestos at any Cook Care facility by 31 July 2014.

The liabilities expressly assumed by Estia Investments under the acquisition principally comprised the resident accommodation liabilities (subject to a cap of $74,600,000) and certain “bonus” bond balances, certain liabilities of Cook Care (as determined at completion) including any arrears, accruals and payables in respect of council rates or utilities charges and trade creditors, amounts accrued or payable in respect of required fire sprinkler upgrades, any contractual liability to remove asbestos from Southport Nursing Centre and relevant employee entitlements. On completion, the estimated aggregate accommodation liabilities exceeded the cap by approximately $24,500,000, and the first amount payable under the purchase price was adjusted to reflect this. The purchase price for Cook Care has been adjusted to reflect the difference between the estimated accommodation liabilities (at completion) and the actual accommodation liabilities.

Estia expects that the final purchase price adjustment under the acquisition will result in a payment to it of approximately $670,000.

The Cook Care Vendors have given certain non-compete commitments to Estia Investments covering Australia. The commitments run to 31 July 2017. Customary exceptions exist in respect of the non-compete and include allowing the Cook Care Vendors to operate an aged care facility at the property they retained in Willoughby, New South Wales, or Francis Cook being an adviser to Retirement Living Today Pty Limited (provided he makes no disparaging remarks about Estia or the aged care industry).

10.4.4.3 Mercury's investment in Estia

Mercury was issued with Shares and Redeemable Preference Shares for an aggregate total subscription price of $27,500,000 to partly finance the consideration paid by Estia Investments for its acquisitions of Padman Health Care and Cook Care.

Under the relevant subscription agreements, EHL provided certain customary warranties relating to incorporation, power, authority and solvency. It also warranted matters concerning the Redeemable Preference Shares and the capital structure of EHL at the time of the share issue. The total aggregate liability of EHL for a claim arising from a breach of these warranties is $27,500,000. Additionally, EHL gave an information warranty to Mercury that historical information of EHL provided to Mercury was neither inaccurate nor misleading in any material respect and nor had EHL intentionally withheld information from Mercury. The total aggregate liability of EHL for a claim arising from a breach of this information warranty is $10,000,000. A claim for a breach of a warranty has to be notified by 31 July 2015. EHL is not aware of any reason giving rise to a claim under these warranties.

The redemption of the Redeemable Preference Shares will be funded out of the proceeds of the Offer. Refer to Section 7.1.3.

10.5 Litigation and claims

Estia may be involved from time to time in disputes, medical indemnity or other claims, and litigation with current or former residents. These disputes may lead to legal and other proceedings, and may cause Estia to suffer additional costs. As at the date of this Prospectus, there are currently no material claims or threatened claims on foot against Estia or any of its subsidiaries.

10.6 Taxation considerations

The following tax comments are based on the tax law in Australia in force as at the Prospectus Date. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor or relied upon as tax advice. During the period of ownership of the Shares by investors, the taxation laws of Australia, or their interpretation, may change. The precise implications of ownership or disposal will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Australian tax resident individuals, complying superannuation entities, trusts, partnerships and corporate investors. These comments do not apply to non-resident investors, investors that hold Shares on revenue account or as trading stock, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997 which have made elections to apply the fair value or reliance on financial reports methodologies.

10.6.1 Dividends paid on Shares

10.6.1.1 Individuals and complying superannuation entities

Dividends paid by EHL on a Share will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend.

Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, such investors should be entitled to a tax refund.

To the extent that the dividend is unfranked, the investor will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

10.6.1.2 Corporate investors

Corporate investors are also required to include both the dividend and the associated franking credit in their assessable income.

They are then allowed a tax offset up to the amount of the franking credit on the dividend.

An Australian resident corporate investor should further be entitled to a credit in its own franking account to the extent of the franking credits on the distribution received. This will allow the corporate investor to pass on the benefit of the franking credits to its own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund for a company but can be converted into carry forward tax losses.

10.6.1.3 Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

10.6.1.4 Shares held at risk

The benefit of franking credits can be denied where an investor is not a 'qualified person', in which case the investor will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, two tests must be satisfied, namely the holding period rule and the related payment rule.

Under the holding period rule, an investor is required to hold Shares 'at risk' for more than 45 days continuously (which is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend) in order to qualify for franking benefits, including franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed $5,000.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares 'at risk' for the continuous 45 day period as above but within the period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend. Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

The Australian Government has recently enacted a specific integrity rule that prevents taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of 'dividend washing' arrangements. On 30 June 2014, the measure received Royal Assent and the new rule applies to distributions made on or after 1 July 2013. Shareholders should consider the impact of this legislative change and any guidance issued by the Australian Taxation Office in this regard, given their own personal circumstances.

10.6.2 Disposal of Shares

Most Australian tax resident investors will be subject to Australian CGT on the disposal of their Shares. Some investors may hold their Shares on revenue account, as trading stock or under the Taxation of Financial Arrangements regime. These investors should seek their own professional advice.

An investor will derive a capital gain on the disposal of a particular Share where the capital proceeds received on disposal exceeds the CGT cost base of the Share. The CGT cost base of the Share is broadly the amount paid to acquire the Share plus any transaction/incidental costs (the cost base of the Share may be different if a CGT roll-over applied to the acquisition of the Share).

A CGT discount may be available on the capital gain for individual investors, trustee investors and investors that are complying superannuation entities provided the particular Shares are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and trusts is 50% and for complying superannuation entities is 33⅓%. In relation to trusts, the rules are complex, but this discount may flow up to beneficiaries of the trust.

An investor will incur a capital loss on the disposal of their particular Shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Shares.

If an investor derives a net capital gain in a year, this amount is, subject to the comments below, included in the investor's assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses.

10.6.3 Tax file numbers

An investor is not required to quote their tax file number ("TFN") to EHL. However, if a TFN or exemption details are not provided, Australian tax may be required to be deducted by EHL from dividends at the maximum marginal tax rate plus the Medicare levy.

An investor that holds Shares as part of an enterprise may quote its ABN instead of its TFN.

10.6.4 Stamp duty

No stamp duty should be payable by investors on the acquisition of Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

10.6.5 Australian goods and services tax ("GST")

The acquisition, redemption or disposal of the Shares by an Australian resident (that is registered for GST) will be an input taxed financial supply, and therefore is not subject to GST.

No GST should be payable in respect of dividends paid to investors.

An Australian resident investor that is registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the acquisition, redemption or disposal of the Shares (e.g. lawyers' and accountants' fees).

Investors should seek their own advice on the impact of GST in their own particular circumstances.

10.7 Ownership restrictions

The sale and purchase of shares in EHL is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section contains a general description of these laws.

10.7.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in EHL.

10.7.2 Foreign Acquisitions and Takeovers Act

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Government's Foreign Investment Policy or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

10.8 Selling restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

10.8.1 European Economic Area – Austria, Belgium, Denmark, Germany, Liechtenstein, Luxembourg and Netherlands

The information in this document has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State being to:

- any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and; (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

10.8.2 France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers ("AMF"). The Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

10.8.3 Hong Kong

This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong ("SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

10.8.4 Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "Prospectus Regulations"). The Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations.

10.8.5 Malaysia

No approval from the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Shares. The Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Schedule 6 of the Malaysian Capital Markets and Services Act.

10.8.6 Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

10.8.7 Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of

Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of, the SFA.

This document has been given to you on the basis that you are (i) an existing holder of Shares; (ii) an "institutional investor" (as defined in the SFA); or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

10.8.8 Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Any offering of Shares in Sweden is limited to persons who are "qualified investors" (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

10.8.9 Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority ("FINMA").

This document is personal to the recipient only and not for general circulation in Switzerland.

10.8.10 United Arab Emirates

Neither this document nor the Shares has been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has EHL nor SaleCo received authorisation or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the Shares, including the receipt of applications and/or the allotment or redemption of Shares, may be rendered within the United Arab Emirates by EHL or SaleCo.

No offer or invitation to subscribe for or purchase Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.

10.8.11 United Kingdom

Neither the information in this document nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA do not apply to EHL or SaleCo.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"); (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO; or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

10.8.12 United States

This Prospectus may not be released or distributed in the United States unless it is attached to, or constitutes part of, the Institutional Offering Memorandum. In addition, it may only be distributed to persons to whom the Institutional Offer may lawfully be made, in accordance with the laws of any applicable jurisdiction.

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the US.

The Shares have not been, and will not be, registered under the US Securities Act, or the securities laws of any State or other jurisdiction in the United States, and may not be offered or sold, directly or indirectly, in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable securities laws of States and other jurisdictions in the United States.

10.8.13 Canada

This document constitutes an offering of Shares only in the provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – Prospectus and Registration Exemptions, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the Shares or the offering of Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of Shares or the resale of such securities. Any person in the Provinces lawfully participating in the Offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the Shares.

EHL and SaleCo, and their respective directors and officers, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers of Shares to effect service of process within Canada upon EHL or SaleCo or their respective directors or officers. All or a substantial portion of the assets of EHL and SaleCo and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against EHL or SaleCo or such persons in Canada or to enforce a judgment obtained in Canadian courts against EHL or SaleCo or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also complies with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages and rescission

Securities legislation in certain of the Provinces may provide purchasers of Shares with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defences contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106); (b) the Business Development Bank of Canada; or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against EHL or SaleCo if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against EHL or SaleCo. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against EHL or SaleCo, provided that:

- neither EHL nor SaleCo will be liable if it proves that the purchaser purchased the Shares with knowledge of the misrepresentation;
- in an action for damages, neither EHL nor SaleCo is liable for all or any portion of the damages that EHL or SaleCo proves does not represent the depreciation in value of the Shares as a result of the misrepresentation relied upon; and
- in no case shall the amount recoverable exceed the price at which the Shares were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than:

- in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action.

These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations

Prospective purchasers of the Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada

Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

10.9 ASX confirmations and waiver and ASIC relief

EHL has sought the following confirmations and waiver from the ASX in relation to EHL and the Offer:

- confirmation that the Historical Financial Information disclosed in this Prospectus will be sufficient for the purpose of ASX Listing Rule 1.3.5, and no further financial information is required under ASX Listing Rule 1.17;
- confirmation that EHL's constitution is consistent with the Listing Rules for the purpose of Listing Rule 1.1, Condition 2;
- confirmation that EHL may undertake conditional and deferred settlement of trading of Shares subject to certain conditions to be approved by ASX; and
- a waiver from the application of Listing Rule 10.14 in relation to the issue of Shares to Paul Gregersen under the MEP on or around the time of EHL's listing on the ASX.

EHL has sought relief from ASIC so that EHL does not have a relevant interest in the Shares which are subject to the voluntary escrow arrangements described in Section 10.4.2.

10.10 Other additional information

10.10.1 Consents to be named and to inclusion of statements

Each of the parties listed in this Section (each a Consenting Party), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the parties listed below has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the statements in this Prospectus that are specified below in the form and context in which the statements appear:

- UBS has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as financial adviser and Joint Lead Manager in the form and context in which it is named;
- Morgan Stanley has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as a Joint Lead Manager in the form and context in which it is named;
- Deutsche Bank has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as a Joint Lead Manager in the form and context in which it is named;
- King & Wood Mallesons has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Australian legal adviser to Estia in relation to the Offer in the form and context in which it is named;
- EYTAS has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Investigating Accountant in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Independent Limited Assurance Report in the form and context in which it is included;
- Ernst & Young has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Auditor to Estia in the form and context in which it is named;

- Link Market Services Limited has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry;
- CBA Equities Limited has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Co-Lead Manager in the form and context in which they are named. CBA Equities Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Co-Lead Manager;
- Each of Morgan Stanley Wealth Management Australia Pty Ltd, UBS Wealth Management Australia Limited, Wilson HTM Corporate Finance Limited and Deutsche Craigs Limited has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Co-Managers in the form and context in which they are named. Each of the above had no involvement in the preparation of any part of this Prospectus other than being named as Co-Managers;
- Perks Audit Pty Ltd has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as the former auditor of Padman in the form and context in which it is named;
- Goodwin Chivas & Co has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as the former auditor of Cook Care in the form and context in which it is named;
- Deloitte has given, and has not, before lodgment of this Prospectus with ASIC, withdrawn its consent to be named in the Prospectus as the former auditor of the Lasting Changes Group in the form and context in which it is named;
- Deloitte Actuaries and Consultants Ltd has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to the inclusion in this Prospectus of statements made by it, including the statements specifically attributed to it in the text of, and by a footnote in, this Prospectus in the form and context in which they are included. Deloitte Actuaries and Consultants Ltd has had no involvement in the preparation of any part of this Prospectus; and
- Deloitte Access Economics has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its written consent to the inclusion in this Prospectus of statements made by it, including the statements specifically attributed to it in the text of, and by a footnote in, this Prospectus in the form and context in which they are included. Deloitte Access Economics has had no involvement in the preparation of any part of this Prospectus.

10.10.2 Costs of the Offer

The costs of the Offer are expected to be approximately $35.4 million (excluding GST). These costs will be borne by Estia from the proceeds of the Offer.

10.10.3 Privacy

By making an application for Shares, you are providing personal information to EHL and SaleCo through EHL's service provider, the Share Registry, which is contracted by EHL to manage Applications. EHL, SaleCo and the Share Registry on their behalf, collect, hold and use that personal information to process your Application or administer your investment. If you do not provide information requested, EHL, SaleCo and the Share Registry may not be able to process or accept your Application. By submitting an Application, each Applicant agrees that EHL, SaleCo and the Share Registry may use the information provided by an Applicant (including in an Application Form) for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to EHL and to EHL's other related bodies corporate.

The other types of persons that may be provided with your personal information from time to time are:

- the Share Registry;
- other agents and service providers, including print service providers and mail houses;
- regulatory bodies, including the Australian Taxation Office and the ASX;

- future bidders for Shares in the context of takeovers; and
- authorised securities brokers, legal firms, accounting firms, auditors, and other advisers (including the Joint Lead Managers),

for purposes relating to your investment or as otherwise required under the Privacy Act 1988 (Cth). If an Applicant becomes a Shareholder, the Corporations Act requires EHL to include information about the Shareholder (including their name, address and details of their Shares held) in its public register of members. The information contained in EHL's public register of members must remain there even if that person ceases to be a Shareholder.

An Applicant has a right to gain access to or correct information that EHL holds about that person. A fee may be charged for access. Access requests must be made in writing or by telephone call to EHL's Privacy Officer at privacy@estiahealth.com or +61 3 9811 9777. Applicants can obtain a copy of EHL's privacy policy in relation to Shareholders by visiting EHL's website at www.estiahealth.com.au.

10.10.4 Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

10.10.5 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in New South Wales, Australia and each applicant for Shares under this Prospectus and each bidder for shares submits to the exclusive jurisdiction of the courts of New South Wales.

10.10.6 Statement of directors

This Prospectus is authorised by each director of EHL and SaleCo who consents to its lodgment with ASIC and its issue.

Appendix A
SIGNIFICANT ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Information in Section 4.

Basis of preparation

As detailed in Section 4.2, the Pro Forma Financial Information has been prepared in accordance with the recognition and measurement requirements of AAS other than it includes adjustments which have been prepared in a manner consistent with AAS, but that reflect:

(i) the recognition of certain items, as set out in Section 4.2.1, in the periods different from the applicable period under AAS;

(ii) the exclusion of certain transactions, as set out in Section 4.2.1 that occurred in the relevant periods;

(iii) that the trusts comprising the Lasting Changes Group (the predecessor of EHL), Padman and Cook Care prior to their acquisition by Estia did not constitute groups as defined in AASB 10 *Consolidated and Separate Financial Statements*; and

(iv) the impact of certain transactions, as set out in Section 4.2.1, as if they occurred on or before 30 June 2014 in the Pro Forma Historical Financial Information or on or after 1 July 2014 in the Pro Forma Forecast Financial Information.

The Financial Information is presented in an abbreviated form and does not include all of the presentation, disclosures, statements or comparative information as required by AAS applicable to financial reports prepared in accordance with the Corporations Act.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed.

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

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

Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs, to which the goodwill relates. When the recoverable amount of the CGU or group of CGUs is less than the carrying amount, an impairment loss is recognised.

Impairment

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

Recoverable amount is the greater of fair value less costs of disposal and value in use of an asset or CGU. Estia has determined that each facility represents a CGU.

In assessing value in use, the estimated future cash flows are discounted to present value using a post tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Estia and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Rendering of services

Revenue from the rendering of services is recognised upon the delivery of the service to the residents.

Interest income

Revenue is recognised when Estia controls the right to receive the interest payment.

Aged care facility revenue comprises daily resident contributions and Government funding, which are both determined in accordance with Government authorised rates. Revenue from the rendering of a service is recognised upon the delivery of the service to the resident. Estia is entitled to charge Retentions to aged care facility residents in respect of RADs held prior to 1 July 2014. These fees are regulated by the Government and are accrued by Estia during the Resident's period of occupancy.

Borrowing costs

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

Leases

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

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

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss or loans and receivables.

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

Classification and subsequent measurement

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

- Financial assets at fair value through profit or loss; and
- Loans and receivables.

(i) Financial assets at fair value through profit or loss

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivative financial instruments. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

(i) Financial liabilities at fair value through profit or loss

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

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

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

(ii) Loans and borrowings

This is the category most relevant to Estia. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

RAD liabilities

For the Pro Forma Historical Financial Information, RADs are non-interest bearing deposits made by aged care facility residents to the Company upon admission. As part of the regulatory changes which came into effect as of 1 July 2014, for the Forecast Financial Information, RADs become interest bearing deposits These deposits are liabilities which fall due and payable when the resident leaves the facility. As there is no unconditional right to defer payment for 12 months, these liabilities are recorded as current liabilities.

RAD liabilities are recorded at an amount equal to the proceeds received, net of retention and any other amounts deducted from the RAD in accordance with the *Aged Care Act 1997*.

Cash and cash equivalents

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

Property, plant and equipment

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

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

Class of asset	Useful life
Buildings	60 years
Plant and equipment	5 to 20 years
Office equipment	2 to 10 years
Furniture and fittings	3 to 10 years
Motor vehicles	4 years

Intangible assets

Bed licences

Bed licences for aged care facilities are measured at historical cost or fair value on acquisition, less any accumulated impairment losses. Bed licences are assessed as having an indefinite useful life as they are issued for an unlimited period and therefore are not amortised. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

The recoverable amount of bed licences is assessed each year, to ensure that the carrying amount is not valued in excess of the recoverable amount. This test is performed at the CGU level.

Income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where Estia operates and generates taxable income.

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

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

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

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

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

Deferred tax is calculated at the prevailing tax rates that are enacted or substantially enacted for the period when the asset is expected to be realised or liability expected to be settled. Deferred tax is credited in profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Trade and other payables

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

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

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Provisions

Employee benefits

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

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their normal amounts based on remuneration rates that are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Provisions

Provisions are recognised when Estia 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.

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

Operating Cash Flow

Daily inflows and outflows of RADs are considered by Estia to be a normal part of the operations of the business and are utilised at the discretion of Estia within the guidelines set out by the Prudential Compliance Standards.

Share based payments

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

Equity settled transactions

The cost of equity settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

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.

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

Cash settled transactions

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

Appendix B
GLOSSARY

GLOSSARY

Term	Meaning
1H FY2015F	Half year ending 31 December 2014
1H FY2016F	Half year ending 31 December 2015
AAS	Australian Accounting Standards and other authoritative pronouncements issued by the AASB and Urgent Issues Group interpretations
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
ACA	Aged Care Assessment
ACN	Australian Company Number
ACAR	Aged Care Approvals Round
ACAT	Aged Care Assessment Team
ACFI	Aged Care Funding Instrument
AEST	Australian Eastern Standard Time
AFSL	Australian Financial Services Licence
Aged Care Act	Aged Care Act 1997 (Cth)
Applicant	A person who submits an Application
Application	An application to subscribe for Shares offered under this Prospectus
Application Amount or **Application Monies**	The amount accompanying an Application Form submitted by an Applicant
Application Form	An application form made available with a copy of this Prospectus, being a Broker Firm Application Form or Priority Offer Application Form
Approved Provider	An aged care provider as approved by the Department of Social Services under the Aged Care Act
ARBN	Australian Registered Body Number
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The rules of the ASX that govern the admission, quotation and removal of securities from the ASX official list
ASX Recommendations	Revised in 2014, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition)
ASX Settlement Operating Rules	The settlement rules of the ASX as amended, varied or waived from time to time
Audit and Risk Committee	The committee described in Section 6.4.3
Auditor	Ernst & Young
Australian Government	The Commonwealth Government of Australia
Board	The board of directors of EHL

Term	Meaning
Broker	Any ASX participating organisation selected by the Joint Lead Managers and EHL to act as a Broker to the Offer
Broker Firm Application Form	The Application Form made available with a copy of this Prospectus, identified as the Broker Firm Offer Application Form
Broker Firm Offer	The offer of Shares under this Prospectus to Australian and New Zealand resident retail clients of Brokers who receive an allocation of Shares from their Broker provided that such retail clients are not in the United States
CAGR	Compound annual growth rate
CAP	Conditional Adjustment Payment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGT	Capital gains tax
CHESS	ASX's Clearing House Electronic Sub-register System
Co-Lead Manager	CBA Equities Limited (ACN 003 485 952)
Co-Managers	Morgan Stanley Wealth Management Australia Pty Ltd (ACN 009 145 555), UBS Wealth Management Australia Limited (ACN 005 311 937), Wilson HTM Corporate Finance Limited (ACN 057 547 323) and Deutsche Craigs Limited
Completion of the Offer	Completion in respect of the issue and transfer of Shares pursuant to the Offer under the Underwriting Agreement
Constitution	The constitution of EHL
Cook Care	The residential aged care assets of the business that was operated under the Cook Care brand prior to the acquisition by Estia Investments
Cook Care Vendors	Francis William Cook and Christine Margaret Cook and certain trusts and companies they control or with whom they are associated
Corporations Act	Corporations Act 2001 (Cth)
CY2015F	Calendar year ending 31 December 2015
DACs	Daily Accommodation Contributions
DAPs	Daily Accommodation Payments
Dedicated Extra Service	Status which allows aged care facilities to offer a higher than average standard of accommodation, services and food to residents
Deloitte	Deloitte Touche Tohmatsu
Deutsche Bank	Deutsche Bank AG, Sydney Branch
Director	Each of the directors of EHL
Director and Management Shareholders	Peter Arvanitis, Norah Barlow, Patrick Grier, Nick Yannopoulos, Ruvani De Silva and other director and management shareholders (holding Shares directly or through controlled entities)
DON	Director of Nursing
EBIT	Earnings before interest and tax

Term	Meaning
EBITDA	Earnings before interest, tax, depreciation and amortisation
EHL	Estia Health Limited (ACN 160 986 20)
Enterprise Value	The sum of the market capitalisation of EHL and pro forma net debt/(cash) on Completion of the Offer
Escrowed Shareholders	The Existing Shareholders and Director and Management Shareholders who hold Shares at Completion of the Offer
Estia	the business carried on by the Estia Group
Estia Finance	Estia Finance Pty Ltd (ACN 164 348 118)
Estia Group or **Group**	EHL and each of its controlled entities
Estia Investments	Estia Investments Pty Ltd (ACN 164 350 387)
Estia Mezzco	Estia Mezzco Pty Ltd (ACN 169 944 129)
Estia Midco	Estia Midco Pty Ltd (ACN 169 944 147)
Estia Offer Information Line	Within Australia: 1300 668 378 Outside Australia: +61 1300 668 378 8:30am until 5:30pm (AEST) Monday to Friday
Existing Shareholders	Those Shareholders who hold Shares at the Prospectus Date, being the Quadrant Funds, Mercury and certain Director and Management Shareholders
Existing Shares	The Shares held by the Existing Shareholders
Exposure Period	The seven day period after the Prospectus Date, which may be extended by ASIC for up to an additional seven days
Extra Service Agreement	Estia's resident and accommodation agreement for all residents entering a Dedicated Extra Service place after 1 July 2014, as described in Section 10.4.3.2
EYTAS	Ernst & Young Transaction Advisory Services Limited (ACN 003 599 844) (AFSL No. 240585)
Financial Information	Together, the: • Pro Forma Financial Information; and • Forecast Financial Information
Forecast Financial Information	Together, the: • Statutory Forecast Financial Information; and • Pro Forma Forecast Financial Information
FY2012	Financial year ended 30 June 2012
FY2013	Financial year ended 30 June 2013
FY2014	Financial year ended 30 June 2014
FY2015F	Financial year ending 30 June 2015
GST	Goods and services tax
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board

Term	Meaning
Independent Limited Assurance Report	The report prepared by EYTAS referred to in Section 8
Institutional Investors	Investors who are: • persons in Australia who are either "professional investors" or "sophisticated investors" under sections 708(11) and 708(8) respectively of the Corporations Act; or • persons in New Zealand who are "institutional investors" under sections 3(2)(a)(ii), 3(2)(a)(iia) and 3(2)(a)(iib) of the NZ Securities Act and/or who are eligible persons as defined in section 5(2CC) of the NZ Securities Act; or • institutional investors in certain other jurisdictions, to whom, in the absolute discretion of the Joint Lead Managers, offers of Shares may lawfully be made without the need for any prospectus, registration, qualification, filing or other formality (except one with which EHL is willing to comply with); and • provided that in each case, if an investor is in the United States it is reasonably believed by the Joint Lead Managers to be a "qualified institutional buyer" as defined in Rule 144A under the US Securities Act or it is an "eligible U.S. fund manager" within the meaning of Rule 902(k)(2)(l) of Regulation S under the US Securities Act
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.5
Institutional Offering Memorandum	The offering memorandum under which the Institutional Offer will be made in the United States, which consists of this Prospectus and a wrap
Investigating Accountant	EYTAS
Joint Lead Managers	UBS, Morgan Stanley and Deutsche Bank
Lasting Changes or **Lasting Changes Group**	The residential aged care business that operated under the Lasting Changes and Estia brands prior to the acquisition by Estia Investments, which consists of four trusts: the Idrousa Family Trust, the Lasting Standards Trust, the Heritage Lakes Trust and the Melton Unit Trust
Listing	Admission of EHL to the official list of the ASX
Loan Note	A loan note issued by EHL to certain Existing Shareholders pursuant to the terms of a loan note deed poll given by EHL on 10 October 2013
LTIP	Estia's new long term incentive plan, as described in Section 10.3.3
Management Equity Plan or **MEP**	Estia's existing incentive plan known as the Estia Health Management Equity Plan for directors and senior management, as described in Section 10.3.1
MEP Loan	A limited recourse loan offered by EHL (through Estia Finance) to MEP Participants to subscribe for MEP Shares, as described in Section 6.4.9.1
MEP Participant	A person participating in the Management Equity Plan and holding MEP Shares
MEP Rules	The Management Equity Plan Rules dated 31 March 2014 (as amended from time to time), as described in Section 10.3.1
MEP Share	A Share held by a MEP Participant under the Management Equity Plan
Mercury	Mercury Capital, investing through MCF 4 Limited
Morgan Stanley	Morgan Stanley Australia Securities Limited (ACN 078 652 276)

Term	Meaning
MPIR	Maximum Permissible Interest Rate, as determined by the Australian Government in accordance with the Fees and Payments Principles 2014 (No. 2)
New Banking Facilities	New three year bullet revolving cash advance facilities available to Estia upon Completion of the Offer, as described in Section 4.4.3
New Shares	The new Shares to be issued by EHL under the Offer
Nomination and Remuneration Committee	The committee described in Section 6.4.3
NPAT	Net profit after tax
NZ Mutual Recognition Regulations	New Zealand Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008
NZ Securities Act	New Zealand Securities Act 1978
Offer	The offer under this Prospectus of New Shares by EHL and of Existing Shares by SaleCo
Offer Price	The price per Share that all successful Applicants will pay for Shares under the Offer, being $5.75 per Share.
operating place	A place available for occupancy by a resident
Original Prospectus	The prospectus dated 17 November 2014 and lodged with ASIC on that date, which is replaced with this Prospectus
Padman Health Care or **Padman**	The residential aged care assets of the business that operated under the Padman Health Care brand prior to the acquisition by Estia Investments
Padman Vendors	Vivek Padmanabhan and certain trusts and companies he controls or is associated with
place	An allocated place under the Aged Care Act, being a place that (when operational and occupied) is capable of attracting the residential care subsidy on a per resident per day basis
Priority Offer	An offer of Shares to persons who receive an invitation to participate in the Offer from EHL and who have a registered address in Australia, as described in Section 7
Priority Offer Application Form	The online Application Form identified as the Priority Offer Application Form, made available with a copy of this Prospectus to persons invited to participate in the Priority Offer
Pro Forma Financial Information	Together, the: • Pro Forma Historical Financial Information; and • Pro Forma Forecast Financial Information
Pro Forma Forecast Cash Flows	Pro forma forecast cash flows for FY2015F, 1H FY2015F, CY2015F and 1H FY2016F
Pro Forma Forecast Financial Information	Together, the: • Statutory Forecast Financial Information; • Pro Forma Forecast Results; and • Pro Forma Forecast Cash Flows

Term	Meaning
Pro Forma Forecast Results	Pro forma forecast income statement for FY2015F, 1H FY2015F, CY2015F and 1H FY2016F
Pro Forma Historical Cash Flows	Pro forma historical cash flows for FY2012, FY2013 and FY2014
Pro Forma Historical Financial Information	Together, the: • Pro Forma Historical Results; • Pro Forma Historical Cash Flows; and • Pro Forma Historical Statement of Financial Position
Pro Forma Historical Results	Pro forma historical results for FY2012, FY2013 and FY2014
Pro Forma Historical Statement of Financial Position	Pro forma historical statement of financial position as at 30 June 2014
Prospectus	This document dated 24 November 2014 (including the electronic form of this Prospectus), which is a replacement prospectus and which replaces the Original Prospectus
Prospectus Date	The date on which the Original Prospectus was lodged with ASIC, being 17 November 2014
Quadrant	Quadrant Private Equity, acting through one or more of the Quadrant Funds
Quadrant Funds	The Quadrant funds comprising Quadrant Private Equity No. 3A Pty Limited (ACN 147 521 515) as trustee for Quadrant Private Equity No. 3A, Quadrant Private Equity No. 3B Pty Limited (ACN 147 521 524) as trustee for Quadrant Private Equity No. 3B, Quadrant Private Equity No. 3C Pty Limited (ACN 147 521 533) as trustee for Quadrant Private Equity No. 3C, Quadrant Private Equity No. 3D Pty Limited (ACN 147 521 542) as trustee for Quadrant Private Equity No. 3D and Quadrant Private Equity No. 3, LP by the general partner of its general partner, QPE No. 3GP Pty Limited (ACN 147 505 575)
RACs	Refundable Accommodation Contributions
RADs	Refundable Accommodation Deposits
Redeemable Preference Share	A fully paid redeemable preference share in the capital of EHL issued to Mercury
Regulations	Corporations Regulations 2001 (Cth)
Resident Agreements	Agreements between Estia residents and the relevant Estia Approved Provider, as described in Section 10.4.3
S&P/ASX 200 Index	Standard & Poor's stock market index comprising the 200 largest and most liquid stocks listed on the ASX
SaleCo	Estia SaleCo Limited (ACN 601 334 445)
Selling Shareholders	Quadrant Funds, Mercury, Peter Arvanitis (through an affiliated entity) and Nick Yannopoulos (through an affiliated entity) who have each agreed to sell a portion of their Existing Shares to SaleCo prior to Listing
Share	A fully paid ordinary share in the capital of EHL

Term	Meaning
Shareholder	A holder of a Share
Share Registry	Link Market Services Limited (ACN 083 214 537)
Standard Agreement	Estia's standard form resident and accommodation agreement, as described in Section 10.4.3
Statutory Forecast Cash Flows	Statutory forecast cash flows for FY2015F and 1H FY2015F
Statutory Forecast Income Statement	Statutory forecast income statement for FY2015F and 1H FY2015F
Statutory Forecast	Statutory forecast results for FY2015F and 1H FY2015F
Statutory Forecast Financial Information	Together, the: • Statutory Forecast Income Statement; and • Statutory Forecast Cash Flows
STIP	Estia's short term incentive plan, as described in Section 10.3.2
TFN	Tax file number
TSR	Total shareholder return
UBS	UBS AG, Australia Branch
Underwriting Agreement	The offer management agreement dated 17 November 2014 between UBS, Morgan Stanley, Deutsche Bank, EHL and SaleCo, as amended on 21 November 2014 (and as described in Section 10.4.1).
United States	The United States of America
US Securities Act	United States Securities Act of 1933, as amended
Vendor Loan Note	The vendor loan note for $25,000,000 issued by EHL to Padman Health Care Pty Ltd (a Padman Vendor) as part of the consideration for the Padman Health Care acquisition

Estia Health

ABN 37 160 986 201

Broker Code

Adviser Code

Broker Firm Offer Application Form

This is an Application Form for Shares in Estia Health Limited under the Broker Firm Offer on the terms set out in the Prospectus dated 24 November 2014. You may apply for a minimum of A$2,000 worth of Shares and in multiples of A$500 thereafter. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Application Monies

A **A$** , , .

(minimum A$2,000 worth of Shares and in multiples of A$500 thereafter)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

B

Applicant #1

Surname/Company Name

Title | First Name | Middle Name

Joint Applicant #2

Surname

Title | First Name | Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

C

TFN/ABN/Exemption Code

First Applicant | Joint Applicant #2 | Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box: Company, Partnership, Trust, Super Fund

D

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level | Street Number | Street Name

Suburb/City or Town | State | Postcode

Email address (only for purpose of electronic communication of shareholder information)

E

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

X

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

F

Telephone Number where you can be contacted during Business Hours ( )

Contact Name (PRINT)

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

G

Cheque or Bank Draft Number | BSB - | Account Number

Total Amount **A$** , , .

LODGEMENT INSTRUCTIONS

You must return your application so it is received by your Broker by the deadline set out in their offer to you.

EHE BRO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Estia Health Limited ("EHL") Shares. Further details about the Shares are contained in the Prospectus dated 24 November 2014 issued by EHL and Estia Sale Co Limited ("SaleCo"). The Prospectus will expire on 17 December 2015. While the Prospectus is current, EHL and SaleCo will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

A Insert the relevant amount of Application Monies. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.

B Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.

C Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Estia Health will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

D Please enter your postal address for all correspondence. All communications to you from Estia Health and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to EHL's issuer sponsored subregister.

F Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

G Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section A.

If you receive an allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section B on the Application Form.

CORPORATE DIRECTORY

Issuers' registered office

Estia and SaleCo

357 – 361 Camberwell Road
Camberwell VIC 3124, Australia

Financial Adviser and Joint Lead Manager

UBS

Level 16, Chifley Tower, 2 Chifley Square
Sydney NSW 2000, Australia

Joint Lead Managers

Morgan Stanley

Level 39, Chifley Tower, 2 Chifley Square
Sydney NSW 2000, Australia

Deutsche Bank

Level 16, Deutsche Bank Place, 126 Phillip Street
Sydney NSW 2000, Australia

Co-Lead Manager

CBA Equities Limited

Ground Floor, Tower 1, 201 Sussex Street
Sydney NSW 2000, Australia

Co-Managers

Morgan Stanley Wealth Management Australia Pty Ltd

120 Collins Street
Melbourne VIC 3000, Australia

UBS Wealth Management Australia Limited

Level 16, Chifley Tower, 2 Chifley Square
Sydney NSW 2000, Australia

Wilson HTM Corporate Finance Limited

Level 14, 99 Elizabeth Street
Sydney NSW 2000, Australia

Deutsche Craigs Limited

Level 36, Vero Centre, 48 Shortland Street
Auckland 1140, New Zealand

Australian legal adviser

King & Wood Mallesons

Level 61, Governor Phillip Tower, 1 Farrer Place
Sydney NSW 2000, Australia

Auditor

Ernst & Young

The EY Centre, 680 George Street
Sydney NSW 2000, Australia

Investigating Accountant

Ernst & Young Transaction Advisory Services Limited

The EY Centre, 680 George Street
Sydney NSW 2000, Australia

Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000, Australia

Estia Offer Information Line

Within Australia

1300 668 378

Outside Australia

+61 1300 668 378

8:30am until 5:30pm (AEST) Monday to Friday during the Offer period

Offer website

www.estiahealth.com.au