Appendix 4D

Estia Health Limited

Results for announcement to the market
Preliminary final report for the six months ended 31 December 2021[1]

	Increase / Decrease	31 December 2021 $'000	Restated[2] 31 December 2020 $'000	Change %
Revenue from ordinary activities		341,619	322,500	
Other income		910	9,828	
Total revenue and other income from ordinary activities	**Increase**	342,529	332,328	3.1
Profit before interest and tax	**Decrease**	12,655	17,362	(27.1)
Profit / (Loss) from ordinary activities after tax attributable to members	**Decrease**	(8,111)	(5,584)	(45.3)

	31 December 2021 (cents)	Restated[2] 31 December 2020 (cents)	Change %
Basic earnings / (loss) per share	**(3.10)**	(2.14)	(44.9)
Diluted earnings / (loss) per share	**(3.10)**	(2.14)	(44.9)
Net tangible asset backing per ordinary share	**(73.17)**	(79.95)	8.5

Net tangible assets is calculated as total equity less intangible assets and deferred tax liabilities, divided by the number of ordinary shares on issue at period end. Total equity includes the right of use assets and lease liabilities.

Dividend information

Dividend	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking
Interim dividend – six months ended 31 December 2021	**2.35**	2.35	30%
Final dividend – year ended 30 June 2021	**2.30**	2.30	30%
Interim dividend – six months ended 31 December 2020	**-**	-	

Interim dividend dates

Ex-dividend date	25 February 2022
Record date	28 February 2022
Payment date	18 March 2022

Further Information

Commentary on the results for the period and additional ASX Appendix 4D (Listing Rule 4.2A.3) disclosures can be found in the attached Interim Financial Report of Estia Health Limited for the six months ended 31 December 2021. This document should be read in conjunction with the Annual Report of Estia Health Limited for the year ended 30 June 2021 and any public announcements made in the period by Estia Health Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

Leanne Ralph
Company Secretary
22 February 2022

[1] Previous corresponding period being the six months ended 31 December 2020
[2] Refer to Note E4 to the financial statements for details relating to the restatement of prior period comparative information

ESTIA HEALTH LIMITED

ABN 37 160 986 201

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

ESTIA HEALTH LIMITED

ABN 37 160 986 201

CONTENTS

CORPORATE INFORMATION

ABN 37 160 986 201

DIRECTORS

Dr. Gary H Weiss AM (Chairman)

Ian Thorley (Managing Director and CEO)

Norah Barlow ONZM

Paul Foster (Nomination and Remuneration Committee Chair)

Hon. Warwick L Smith AO (Property and Investment Committee Chair)

Helen Kurincic (Risk Management Committee Chair)

Karen Penrose (Audit Committee Chair)

COMPANY SECRETARY

Leanne Ralph

REGISTERED OFFICE

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Sydney NSW 2000

PRINCIPAL PLACE OF BUSINESS

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Sydney NSW 2000

SOLICITORS

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Governor Macquarie Tower
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Sydney NSW 2000

King Wood & Mallesons
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Thomson Geer
Rialto South Tower
525 Collins Street
Melbourne VIC 3000

BANKERS

Westpac Banking Corporation
275 Kent Street
Sydney NSW 2000

Commonwealth Bank of Australia
201 Sussex Street
Sydney NSW 2000

Australia and New Zealand Bank
242 Pitt Street
Sydney NSW 2000

AUDITORS

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

DIRECTORS' REPORT

Your Directors submit their report for the six months ended 31 December 2021 for Estia Health Limited ("the Company") and its subsidiaries (collectively the "Group" or "Estia Health").

DIRECTORS

The following persons held office as directors of Estia Health Limited during the six months ended 31 December 2021 and until the date of this report. Directors were in office for the entire period unless otherwise stated.

Dr. Gary H Weiss AM

Ian Thorley

Norah Barlow ONZM

Paul Foster

Hon. Warwick L Smith AO

Helen Kurincic

Karen Penrose

PRINCIPAL ACTIVITIES AND STRATEGY

The principal activities of the Group during the six months ended 31 December 2021 continued to be the provision of services in residential aged care homes in Australia as an Approved Provider under the Aged Care Act.

The Group's strategy is to:

- be a market leader in owning and developing high quality residential aged care homes in Australia.
- provide residents with the highest standards of aged care services in an innovative, supportive and caring environment.
- deliver earnings growth through sustained high occupancy rates across all homes, opening new homes, the enhancement of current homes, and acquisitions; and
- develop additional earnings from related services within the continuum of Aged Care

The corporate strategy is reflected in five strategic pillars: Care, Customer, People, Community and Growth, underpinned by the Group's 2020-24 Sustainability Strategy.

THE MARKET IN WHICH ESTIA HEALTH OPERATES

The Department of Health's 2020-21 Report on the Operation of the Aged Care Act 1997 disclosed 229,547 operational places in the sector at 30 June 2021 (2020: 217,145), an increase of 5.7% from the prior year. Services were provided to 243,117 permanent residents, and 67,775 people received respite care, of whom more than half were later admitted to permanent care. Total funding and subsidies provided to Approved Providers by the Australian Government was $14.1 billion. The Government's May 2021 response to the Royal Commission Report into Aged Care Quality and Safety ("the Royal Commission") will provide for $17.7 billion additional funding to the aged care sector over the next four years, out of which $8.7 billion is expected to be paid to residential aged care Approved Providers in relation to the delivery of services to residents.

Under the Act, in order to access Government supported residential aged care services, potential residents must be assessed as qualifying for such services by a Government Aged Care Assessment Team ("ACAT") and may then choose a residential aged care home of their choice. Only Approved Providers, such as Estia Health, are eligible to provide services which qualify for Government funding support.

The Government's response to the Royal Commission proposed multiple reforms to the Residential Aged Care sector, including changes to ACAT assessment, the issuing of bed licences and is changing the financial and operational environment in which Estia Health operates as referenced further in this report.

The ageing of the Australian population and of the "baby boomers" in particular is generally expected to see a marked increase in Australia's aged population. The 85 years and over cohort will increase from under 500,000 to over one million people by 2040. This is expected to increase the number of Australians likely to need aged care, including residential aged care in coming years.

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

DIRECTORS' REPORT

THE GROUP'S PORTFOLIO

As at 31 December 2021, the Group delivered services across 68 homes in Victoria (26 homes), South Australia (17 homes), New South Wales (17 homes), and Queensland (8 homes), of which 62 were freehold sites. These homes had 6,163 operational places. 91% of the Group's rooms are single. 57 of the Group's homes, representing 5,351 beds, qualify for and benefit from the significant refurbishment supplement paid in respect of supported residents.

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

REGULATORY ENVIRONMENT & REFORM

The Royal Commission handed down its Final Report in February 2021, containing 148 recommendations. The Australian Government accepted 126 of these recommendations and the resulting reform process has commenced. Many of the responses will require legislative approvals following detailed assessment, research and consultation which is expected to take place over the next 2-3 years including the passing of a new Aged Care Act in 2023.

The Group's 2021 Annual Financial Report set out many of the key areas of proposed reform including:

- An increase of $10 per day in the daily fee supplements from 1 July 2021.
- A wide range of regulatory, supervisory, prudential, reporting and governance requirements and obligations which will be introduced over the next 18-24 months.
- The replacement of the Aged Care Funding Instrument (ACFI) with an alternative case-mix model (referred to as AN-ACC) by October 2022.
- Expansion of the role of the Independent Hospital Pricing Authority to provide pricing recommendations to Government in relation to aged care services from July 2023.
- Mandated minimum care hours from October 2023, with a commitment to increase funding to cover increased costs.
- The abolition of the Age Care Approval Rounds ("ACAR") restrictive licensing regime with effect from 1 July 2024, with transitional arrangements prior to then.

It is expected that these changes will lead to a higher quality sector with greater choice available to residents, and greater transparency and confidence in the application of taxpayer-funded Government subsidies to the sector.

COVID-19

COVID-19 has continued to impact the sector in the six months ended 31 December 2021 and whilst the early indications were that the national policies were creating the circumstances for a return to a more stable external environment, the emergence of the Omicron variant has highlighted the risks and uncertainties which will remain for the foreseeable future.

1 July 2021 to 31 December 2021

During the period the Group adopted a disciplined and carefully managed program of protective and preventative measures in accordance with State Health Orders and its own risk assessments. These have varied throughout the period as external circumstances have evolved.

The Group ensured that all staff without medical exemptions were fully vaccinated in accordance with State Health Orders and provided in-house clinics to support this at a net cost of $0.5 million in the period. After consultation and appropriate legal advice, regrettably the employment contracts of staff who refused to be vaccinated were terminated in the period.

Residents are not required under State Health Orders to be vaccinated, however the Group has strongly encouraged and facilitated vaccination of all residents and their families. Booster programs remain ongoing for staff and residents in accordance with requirements under relevant State Heath Orders.

During the period several homes across all States experienced an instance of at least one resident or staff member testing COVID-19 positive and therefore meeting the definition of an "outbreak home". In the majority of these cases, the effectiveness of vaccinations resulted in limited or no transmission occurring in the home. Nevertheless, the need to stand down staff and isolate residents led to increased costs and disrupted admissions.

DIRECTORS' REPORT

COVID-19 (CONTINUED)

In addition, the effectiveness of the vaccination has been evident with many residents and staff remaining asymptomatic or having mild illness.

The financial impacts of COVID-19 in the period are addressed later in the Operating and Financial Review section of this Report on page 8.

Subsequent to 31 December 2021

The Omicron variant demonstrated significantly higher transmission rates than previous variants which resulted in rapidly rising community infection rates from December 2021. This caused immense pressure on Australia's health system, with acute supply chain pressures, the collapse of the state-based PCR testing regimes and a nationwide shortage of rapid antigen test kits. The broader health care workforce was significantly impacted as has been widely reported.

The rapid and widespread national escalation of the Omicron variant has been reflected across the whole aged care sector, with the Government reporting that 1,952 homes, more than 70% of the sector, had experienced outbreaks by the end of January 2022. The Group's homes have been similarly impacted with multiple homes experiencing outbreaks despite high levels of vaccination in residents and staff and the application of the Group's COVID-19 prevention and response plans in line with public health requirements.

The furloughing, isolating and infections of the workforce led to extreme workforce pressure which in turn resulted in changing Health Orders on the isolation of staff deemed as contacts to facilitate a quicker return to work for health workers. This also reflected the fact that the Omicron variant frequently causes less severe illness than earlier variants.

As seen in the wider community, it is extremely difficult to detect and prevent asymptomatic transmission of the Omicron variant. However, resident and staff vaccinations have resulted in significantly lower levels of acute illness and deaths following a positive COVID-19 test compared to earlier variants of COVID-19. In addition, the majority of residents and staff are recovering more quickly, within 5-7 days, compared to earlier variants.

All Estia Health homes have undertaken booster vaccination clinics for residents and staff with follow-ups planned.

Whilst the Omicron wave had a limited impact on financial performance for the first half of FY22, it has already had a significant impact in January and February 2022 to date resulting in falls in occupancy, high Personal Protective Equipment (PPE) usage, high levels of testing costs and increased staffing costs. The Group expects to be able to continue to recover a substantial proportion of these costs, however, not all costs are currently reimbursed under Government grants.

As of 22 February 2022, consistent with the national infection status, the Group is seeing a more stable situation with the number of homes with active outbreaks having fallen significantly and the number of staff and residents impacted similarly reduced.

After almost two years of the pandemic, the Group's frontline staff continue to demonstrate extraordinary support and care for residents and families at a time when many are also experiencing the consequences of COVID-19 within their own families and communities. Their dedication and commitment to supporting residents in such difficult circumstances is greatly appreciated.

ACCREDITATION CARE AND QUALITY

The Aged Care Quality and Safety Commission ("ACQSC") increased its resources and activities in the period in line with the Government's response to the Royal Commission recommendations and has also assumed responsibility for prudential and regulatory management.

The Group has implemented and complied with increased reporting obligations for all Approved Providers during the period including Serious Incident Reporting, resident and staff vaccination levels, and quarterly financial reporting.

During the period the ACSQC undertook 15 accreditation and compliance visits to 14 of the Group's homes. Two homes received an unmet outcome report in the period. As at 1 July 2021, eight homes had outstanding unmet outcomes, and at 31 December 2021 this had reduced to two homes.

No sanctions were applied at any of the Group's homes during the period or up to the time of this report.

DIRECTORS' REPORT

ABOLITION OF ACAR AND IMPLICATIONS FOR BED LICENCE VALUATIONS

In the 2021 Annual Financial Report, the Group reported that the Government had announced an intention to abolish the ACAR bed licencing regime.

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

Estia Health supports the removal of the bed licensing regime. It is expected to create an environment where senior Australians benefit from increased competition which will positively impact the quality of accommodation and service offerings. Providers will have the opportunity to invest in previously protected markets and to attract residents by providing high quality care in locations preferred by consumers and have the ability to adjust and expand services to better meet demand. This reform could prove to be a major catalyst for sector consolidation and the creation of a stronger, more competitive residential aged care sector driven by consumer choice.

Overall, there are expectations that the new arrangements will see a reduction in the number of poor-quality homes and services in the sector and an increase in the supply of new, higher quality homes and services delivering real choice to consumers. Competing in such an environment and being able to meet higher levels of governance, financial reporting and prudential standards will be challenging for a number of providers in the sector. Well-resourced residential aged care providers like Estia Health, with robust governance systems, committed management, skilled employees and strong balance sheets are well placed to play a leading role in significant restructuring of the sector that is likely to eventuate.

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

Accounting Implications

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

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

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

Notwithstanding the directors' view that the fair value less cost to dispose of existing operational bed licences is nil, at the present time the directors have determined that in order to comply with Accounting Standards and the Group's accounting policy in relation to Goodwill and Intangible Assets (as set out in Note C4 to the financial statements), bed licences are now regarded as a finite life intangible asset which will be amortised on a straight line basis over the period 1 October 2021 to 30 June 2024.

The Interim Financial Statements in this Report include a bed licence amortisation charge of $14.2 million after tax. Subject to no further changes in Government policy, the directors expect the 2022 Full Year Group Financial Statements to record an amortisation charge of approximately $42.7 million (net of tax) and an amortisation charge of approximately $57.0 million (net of tax) in each of FY23 and FY24 respectively.

The amortisation charge has no impact on the cash flows of the Group and nor does it impact the Group's compliance with its debt covenants or regulatory obligations.

Tax implications

Subject to further analysis, it is currently anticipated that the abolition of bed licences should result in a capital loss of up to $200 million on 30 June 2024 which should be available to be carried forward from that time to be utilised against future capital gains of the Group, subject to prevailing tax legislation and tax loss recoupment tests. The ability to recognise a deferred tax asset in the financial statements will be dependent on the availability of sufficiently probable future capital gains.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

REVIEW OF FINANCIAL PERFORMANCE

Impact of COVID-19 on Financial Performance in the Six Months to 31 December 2021

The impact on financial performance of COVID-19 in the period, in particular in the Group's homes in New South Wales and Victoria was significant.

Direct incremental costs related to COVID-19 protection and response at outbreak homes were approximately $12.1 million' of which $7.5 million is estimated to be eligible for Government grants. Government grants are currently restricted to outbreak homes and the impact of mandated "single-site" arrangements for staff.

Of the $12.1 million, staff costs accounted for $7.7 million primarily from quarantine leave, agency costs, and higher over time and surge workforce supplements. Non-staff costs, primarily PPE, COVID-19 tests, cleaning and waste disposal accounted for $4.4 million.

The Group submitted grant applications for $2.4 million prior to 31 December 2021, and applications for a further $5.0 million have been submitted since, with further claims under preparation.

These grants have not been confirmed by Government at the date of this Report and as such are not reflected in the financial results reported in subsequent sections.

There are no grants presently available for the reimbursement of costs associated with increased preventative and protection measures during the pandemic in the absence of a positive case in a resident or staff member. The Department of Health will only provide PPE supplies where Providers can demonstrate a failure of normal supply channels. No PPE was provided to the Group by Government during the period.

Occupancy

Average group occupancy levels during the period increased compared to the preceding periods. Occupancy in New South Wales and Victoria showed an improvement from previous low points caused by COVID-19, despite both States being under lockdown for a large part of the period. In South Australia and Queensland, which experienced little COVID-19 impact in the period, historically high levels of occupancy were sustained.

	1H FY22	2H FY21	1H FY21
New South Wales & Victoria	89.0%	87.9%	86.7%
South Australia & Queensland	97.1%	97.0%	95.8%
Total Group	**92.6%**	**91.8%**	**90.6%**

Work Force

The Group has incurred higher staff costs as a result of COVID-19 and work force pressures in general, including costs arising from higher overtime and agency costs to cover for staff unable to work when absent on sick or quarantine leave. Increased staff levels may be required when a number of residents are required to be isolated during outbreaks.

Other Costs

Non-staff costs have been higher as a result of increased PPE, cleaning and waste disposal costs associated with outbreaks and also preventative protection measures. Only increased costs arising from outbreaks are eligible for recovery through Government grants.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

REVIEW OF FINANCIAL PERFORMANCE (CONTINUED)

Summary Financial Performance – Income and Expense Statement

	December 2021 $'000	Restated[1] December 2020 $'000
Government revenue - excluding temporary funding and grants	240,127	221,001
Government temporary funding and grants	-	8,453
Resident and other revenue	76,372	73,068
Total operating revenues and grants	**316,499**	**302,522**
Employee benefits expenses excluding new homes	(222,362)	(216,061)
Non-staff expenses excluding new homes	(48,585)	(46,152)
COVID-19 incremental costs	(12,049)	(20,126)
EBITDA - mature homes	**33,503**	**20,183**
Imputed DAP revenue on RAD / bond balances (AASB 16 impact)	20,288	21,575
Other income - asset disposals	910	8,231
Net loss from home closures	(744)	-
Net gain / (loss) from homes in ramp-up	540	(34)
EBITDA (before class action expenses)	**54,497**	**49,955**
Depreciation, amortisation and impairment expenses (excluding bed licence amortisation)	(21,726)	(20,918)
Operating profit before class action and bed licence amortisation	**32,771**	**29,037**
Net finance costs	(3,426)	(3,287)
Imputed interest on RAD / Bond (AASB 16 impact)	(20,288)	(21,575)
Profit before income tax, class action settlement, bed licence amortisation	**9,057**	**4,175**
Income tax expense (pre class action settlement and bed licence amortisation)	(2,922)	(1,232)
Profit for the period before class action settlement and bed licence amortisation	**6,135**	**2,943**
Class action settlement	-	(11,675)
Bed licence amortisation	(20,116)	-
Income tax benefit on class action settlement and bed licence amortisation	5,870	3,148
Loss for the period	**(8,111)**	**(5,584)**

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

[1] Refer to Note E4 to the financial statements for details relating to the restatement of prior period comparative

OPERATING AND FINANCIAL REVIEW (CONTINUED)

REVIEW OF FINANCIAL POSITION AND CASH FLOWS

The Group's balance sheet has $597.9 million of equity supporting $1,828.2 million of total assets. Total assets include bed licences with a carrying value of $201.2 million, less an associated deferred tax liability of $58.7 million, resulting in a net carrying value of $142.5 million. The Directors consider that the fair value less cost to dispose of bed licences is nil. However, in accordance with Australian Accounting Standards, the licences are deemed to have a remaining value in use which require the carrying value to be amortised over the period until formal abolition of licences on 30 June 2024.

The Group's capital and funding position is a product of the efficiency of operating profit to cash conversion, net RAD flows, capital investment and dividend distributions. At 31 December 2021, the Group had net bank debt of $6.7 million. Operating cash flows prior to RAD flows were $68.6 million in the period.

Included within the period cash flows is an amount of $36.3 million representing the advance payment by Government each year of the estimated January subsidies to Approved Providers. This amount is shown as deferred income in the balance sheet. Excluding this advance payment, net debt as at 31 December 2021 would be $43.1 million.

RAD Flows

The balance of RADs (including the probate liability) at the end of the period was $886.2 million, compared to $863.9 million at 30 June 2021, and representing an increase of $22.3 million. During the period RADs received from current residents increased from $761.1 million to $844.1 million, with probate liability decreasing from $102.8 million to $42.1 million.

Sustainability Linked Loan Refinancing

During the period the Group completed the refinancing of existing loan facilities with a new $330.0 million Sustainability Linked Syndicated Financing Agreement ("SLSFA"). The new SLSFA provided by Estia's existing lenders (ANZ, CBA and Westpac) continues to contain an additional $170.0 million of Accordion capacity for future growth and has been structured with 50% maturing in March 2025 and 50% in March 2026.

The SLSFA has embedded targets that are aligned with the three Pillars of Estia's existing sustainability strategy which focuses on Supporting our People, Enhancing our Community and Respecting our Environment. Estia will receive reductions in margin for achieving sustainability targets linked to the following goals:

- Reduction in greenhouse gas emissions;
- Improved resident engagement and satisfaction;
- Supporting employee wellbeing; and
- Improving the environmental performance in alignment with the recently launched NABERS Star Ratings for residential aged care.

Each of these goals are underpinned by ambitious and meaningful sustainability targets. An independent limited assurance report was obtained in relation to the Loan Market Association's Sustainability Linked Loan Principles.

The Group remains in compliance with the covenants applying to its $330.0 million syndicated financing facility.

There has been no significant change in the Group's financial position subsequent to 31 December 2021.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

REVIEW OF FINANCIAL POSITION AND CASH FLOWS (CONTINUED)

Share Buy-Back

During calendar 2020, Estia observed that market sentiment for listed companies in the aged care sector, largely following the Royal Commission into Aged Care Quality and Safety and the impact of COVID-19 pandemic continued to be depressed. In November 2021 the Board considered that the Company's current share price did not appropriately reflect the intrinsic value of the Group's assets and business and accordingly determined to establish an on-market Share Buy-Back scheme to be conducted in accordance with the ASX rules.

The Buy-Back is also part of the Group's capital management strategy in maintaining a balance between operating a high quality and sustainable business and preserving flexibility to invest capital for future value-accretive opportunities, while seeking to provide returns to shareholders through regular dividends and remain within a target bank debt gearing ratio of 1.4 - 1.9X EBITDA, subject to prevailing circumstances.

The Buy-Back is permitted within the Group SLSFA and is funded from the Group's existing cash reserves and committed debt facilities.

The Buy-Back itself should not impact the Group's ability to progress a disciplined growth strategy as the Government's Aged Care reform package progresses, in particular the abolition of the ACAR licensing restrictions, nor its ability to continue to pay dividends in line with the Group's targeted payout ratio.

The Share Buy-Back commenced on 26 November 2021 for up to a 12-month period. Under the Corporations Act 2001, the Company may buy back up to 10% of issued capital in any 12-month period without shareholder approval.

The timing and actual number of shares to be purchased will be subject to the prevailing share price, market conditions, as well as any incremental capital requirements at the time and other considerations including any unforeseen circumstances. As a result, shareholders should be aware that there is no certainty that the Company will acquire any or all permitted shares under the Share Buy-Back and the Company reserves the right to suspend or terminate the Buy-Back at any time.

As at 31 December 2021, the Company had acquired and cancelled 757,435 shares at a total cost of $1.6 million and an average price of $2.16 per share.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

DEVELOPMENTS AND ACQUISITIONS

Developments

As a result of the Government's decision to remove the restrictive ACAR licensing regime and other reforms, the directors have determined to approve a cautious re-start of development and expansion in line with the stated Group strategy. In line with this strategy, the resumption of greenfield developments at St Ives and Aberglasslyn, both in NSW, was approved with a total of 236 new beds, both projected to open in Q4 FY23. The land sites are owned by the Group. Construction costs will total approximately $78.9 million across the two sites, with in excess of 60% of the construction costs targeted to be recovered by RAD receipts across the two homes.

The Group is continuing to advance plans in a measured way including developing the Group's existing land portfolio, where expansion was previously more challenging under the ACAR regime.

Capital Investment

During the period the Group continued its investment in a number a refurbishment and asset life-cycle improvement projects while continuing to plan and progress early state development works as follows:

	$'000
Significant refurbishment of 2 homes with 155 beds	682
Upgrades and enhancements to the nurse call and CCTV systems	3,066
Asset life-cycle replacements, improvements and sustainability initiatives	5,365
IT and systems improvements	1,032
Planning, design and tendering of development projects	1,859
Total	**12,004**

Divestments

As previously advised, the Group's 46 bed home at Keilor Downs and 61 bed leased home in Prahran, both in Victoria, were closed in the period as neither will meet emerging community expectations for residential aged care homes nor are they viable development sites for aged care.

All residents were assisted in finding new homes with Estia or other local providers. Employees have been supported either with continued employment at other Estia homes, or redundancy packages with appropriate support. A total of $0.7 million of costs associated with the closures were expensed in the period.

The Keilor Downs site was sold in December for $3.6 million, yielding a profit on sale of $0.8 million, illustrating the strong underlying asset base for the Group's operations.

Acquisitions

There were no acquisitions completed during the period, though the Group continues to identify and carefully consider single home or portfolio acquisition opportunities within existing geographic networks against the Group's investment criteria.

DIVIDENDS

On 22 February 2022, the directors resolved that the Company declare a fully franked interim cash dividend for the six months ended 31 December 2021 of 2.35 cents per ordinary share totaling $6,315,000. This dividend represents a payout ratio of 100% of profit for the period before amortisation of bed licences.

The record date for the interim dividend will be 28 February 2022, with payment being made on 18 March 2022. Shares will trade excluding entitlement to the dividend on 25 February 2022.

Dividends paid during the six months were as follows:

	Date paid	**Fully franked dividend per share**	**Total dividend paid**
Final dividend for the year ended 30 June 2021	17 September 2021	2.30 cents	$6,012,000

DIRECTORS' REPORT

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Estia Health remains committed to the provision of residential aged care services, which the Directors consider will continue to form an essential part of the continuum of aged care. The demographic trends that will drive demand for all forms of aged care services over the coming 20 years are well noted and this will increase participation across the aged care sector. This is particularly the case at the higher levels of complex care, including needs which home care cannot currently fulfill. The Directors consider that the Group's balance sheet, scale, systems, leadership and management sees the Group well-placed to continue to be a leading provider in a reformed residential aged care sector.

The impacts of COVID-19 on the community are expected to continue for the foreseeable future. The impact on the aged care sector, which cares for some of the most vulnerable members of the community, will likely continue to be significant. The pandemic situation remains volatile and unpredictable and the potential financial impact of future outbreaks in the community or in Estia Health homes remains uncertain.

The Government's reform response to the Royal Commission's recommendations, once enacted into legislation, is widely expected to lead to greater cost, compliance and administrative requirements on operators. Most of the more substantive changes are still the subject of significant design, development and consultation prior to implementation. Importantly, most are subject to Government legislation which has not been drafted at the date of this Report. As a result, there remains significant uncertainty over the detail of what will be enacted and the financial and operational impacts for the sector which will persist for some time to come. Most critical to these in relation to future margins and investment returns will be the combined impact of:

- replacement of ACFI with the AN-ACC model;
- funding and operational implications of minimum minutes of care;
- the Independent Hospital Pricing Authority pricing recommendations and adoption by Government.

The most significant impact of the Government reforms is a movement to a more competitive market through the abolition of ACAR. Publishing performance outcomes and the introduction of the Star Rating System from December 2022 will further enhance consumer choice and ultimately improve care standards, increase the range of services, support innovation and improve asset quality.

It is widely expected that this will result in a restructuring of the sector as previously protected markets open up to competition as a result of a flight to quality providers for both consumers and workforce, the latter being more discerning in choosing companies who can best meet their professional aspirations.

The investment opportunities will be significant for well capitalised operators. The Aged Care Financing Authority (ACFA) in its 2020 report to Government highlighted that upward of a quarter of homes had occupancy levels they would not have enjoyed but for the protected markets. The restructuring of the sector will take many forms, including asset sales and exits by the closure of homes that do not meet modern expectations and are no longer underpinned by rationed bed licences.

After years of inactivity major reforms are being implemented. The industry is growing in complexity and the acuity of residents is increasing as the incidence of residents presenting with dementia and multiple co-morbidities increases. This will see a need for growing sophistication of aged care operations and providers like Estia Health with scale, systems, good governance and leadership are well positioned to benefit from the changes that will occur, similar to the changes that have occurred in other parts of Australia's health care system over the last two decades.

The Group's balance sheet, highly credentialed executive and leadership team, diversified portfolio of 68 homes and an unrelenting focus on quality and governance, allows the Estia Health board to view the future with confidence and cautious optimism.

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

ENVIRONMENTAL REGULATION

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

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than those explained in this report relating to COVID-19, there were no significant changes in the state of affairs of the Group during the financial year ended 31 December 2021.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Further Government grant applications submitted – COVID-19 Aged Care Support Program Extension

In February 2022, the Group submitted applications to the Federal Government under the COVID-19 Aged Care Support Program Extension grant opportunity (GO4863). This grant scheme is intended to reimburse eligible expenses incurred in managing the direct impacts of COVID-19 outbreaks at residential aged care homes. The Group submitted claims for $5.0 million relating to costs incurred during the six months ended 31 December 2021. Applications are subject to a Government assessment process which will confirm the amount to be reimbursed.

Construction contract - St. Ives, NSW

On 17 January 2022, the Group entered into a building contract with a contract sum of approximately $32.5 million (exclusive of GST) in relation to the greenfield development in St. Ives, NSW.

COVID-19 impact

The Omicron variant demonstrated extremely high transmission rates which resulted in rapidly rising community infection rates from December 2021. This caused immense pressure on Australia's health system and impacted the whole aged care sector. The Government reported that 1,952 homes, more than 70% of the sector, had experienced COVID-19 outbreaks by the end of January 2022. The Group's homes have been similarly impacted with multiple homes experiencing outbreaks despite high levels of vaccination in residents and staff and the application of the Group's COVID-19 prevention and response plans in line with public health requirements.

The Omicron variant has already had a significant impact in January and February 2022 resulting in falls in occupancy, high PPE usage, high levels of testing costs and increased staffing costs. This impact has reduced as infection levels in the wider community have fallen significantly and booster take-up increases.

As of 22 February 2022, consistent with the national infection status, the Group is seeing a more stable situation with the number of homes with active outbreaks having fallen significantly, the number of staff impacted being similarly reduced and the Group continues to hold significant amounts of PPE in stock.

Occupancy rates during the period since 31 December 2021 are shown below.

	At 31 December 2021	At 27 January 2022	At 18 February 2022
New South Wales & Victoria	87.7%	85.6%	85.8%
South Australia & Queensland	96.8%	95.7%	95.6%
Total Group	**91.7%**	**90.0%**	**90.1%**

The Group expects to be able to continue to recover a substantial proportion of additional costs associated with COVID-19, but not all costs are currently eligible for reimbursement under grant scheme rules.

Other than the events disclosed above and elsewhere in this report, no additional matters or circumstances have arisen since the end of the half year, that may significantly affect the Group's operations, the results of those operations or the state of affairs of the Group.

ROUNDING

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

Signed in accordance with a resolution of Directors on 22 February 2022.

Dr. Gary H Weiss AM

Chairman

Sydney

22 February 2022

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

As lead auditor for the review of the half-year financial report of Estia Health Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Estia Health Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Paul Gower

Paul Gower
Partner
22 February 2022

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Notes	December 2021 $'000	Restated[1] December 2020 $'000
Revenues	B1	341,619	322,500
Other income	B1	910	9,828
Expenses			
Employee benefits expense		234,207	225,556
Administrative expenses		13,299	11,087
Occupancy expenses		10,285	10,501
Resident expenses		30,241	35,229
Depreciation, amortisation and impairment expense excluding bed licences		21,726	20,918
Amortisation of bed licenses		20,116	-
Class action settlement		-	11,675
Operating profit for the period		**12,655**	**17,362**
Net finance costs	B2	23,714	24,862
Loss before income tax		**(11,059)**	**(7,500)**
Income tax benefit	B3	(2,948)	(1,916)
Loss for the period		**(8,111)**	**(5,584)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		-	-
Total comprehensive loss for the period, net of tax		**(8,111)**	**(5,584)**
Earnings / (Loss) per share			
Basic (cents per share)		(3.10)	(2.14)
Diluted (cents per share)		(3.10)	(2.14)

[1] Refer to Note E4 for details relating to the restatement of prior period comparative

The accompanying notes form part of these consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	December 2021 $'000	Restated[1] June 2021 $'000
Current assets			
Cash and cash equivalents	C1	23,252	33,428
Trade and other receivables		9,538	7,125
Prepayments and other assets		11,303	8,820
Assets held for sale	C2	2,623	2,601
Income tax receivable		2,830	-
Total current assets		**49,546**	**51,974**
Non-current assets			
Property, plant, equipment	C3	834,687	845,465
Investment properties		750	750
Goodwill	C4	681,014	681,014
Other intangible assets	C4	204,341	223,815
Right of use assets		57,400	59,221
Prepayments		417	351
Total non-current assets		**1,778,609**	**1,810,616**
Total assets		**1,828,155**	**1,862,590**
Current liabilities			
Trade and other payables		50,502	39,305
Other financial liabilities		487	508
Income received in advance	C5	36,314	-
Provisions		62,397	59,962
Income tax payable		-	1,162
Lease liabilities		3,729	3,897
Refundable accommodation deposits and bonds	D1	886,228	863,929
Total current liabilities		**1,039,657**	**968,763**
Non-current liabilities			
Lease liabilities		59,569	61,225
Provisions		6,049	6,059
Loans and borrowings	D2	28,276	113,833
Deferred tax liabilities		96,710	99,617
Total non-current liabilities		**190,604**	**280,734**
Total liabilities		**1,230,261**	**1,249,497**
Net assets		**597,894**	**613,093**
Equity			
Issued capital	D3	802,062	803,459
Share-based payments reserve		2,950	2,629
Accumulated losses		(207,118)	(192,995)
Total equity		**597,894**	**613,093**

[1] Refer to Note E4 for details relating to the restatement of prior period comparative

The accompanying notes form part of these consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Notes	Issued capital $'000	Share-based payments reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020, as previously reported		**803,396**	**1,706**	**(196,354)**	**608,748**
Effect of change in accounting policy (net of tax)	E4	-	-	(2,246)	(2,246)
Adjusted balance as at 1 July 2020		**803,396**	**1,706**	**(198,600)**	**606,502**
Loss for the period, as restated		-	-	(5,584)	(5,584)
Other comprehensive income		-	-	-	-
Total comprehensive income, as restated		**-**	**-**	**(5,584)**	**(5,584)**
Transactions with shareholders:					
Transfer from share-based payments reserve		63	(63)	-	-
Share-based payments		-	600	-	600
Balance as at 31 December 2020, as restated		**803,459**	**2,243**	**(204,184)**	**601,518**
Balance at 1 July 2021, as previously reported		**803,459**	**2,629**	**(190,356)**	**615,732**
Effect of change in accounting policy (net of tax)	E4	-	-	(2,639)	(2,639)
Balance as at 1 July 2021, as restated		**803,459**	**2,629**	**(192,995)**	**613,093**
Loss for the period		-	-	(8,111)	(8,111)
Other comprehensive income		-	-	-	-
Total comprehensive income		**-**	**-**	**(8,111)**	**(8,111)**
Transactions with shareholders:					
Shares repurchased		(1,639)	-	-	(1,639)
Incremental costs of share repurchase		(2)	-	-	(2)
Transfer from share-based payments reserve		244	(244)	-	-
Share-based payments		-	565	-	565
Dividends		-	-	(6,012)	(6,012)
As at 31 December 2021		**802,062**	**2,950**	**(207,118)**	**597,894**

The accompanying notes form part of these consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Notes	December 2021 $'000	Restated[1] December 2020 $'000
Cash flows from operating activities			
Receipts from residents		74,635	73,563
Receipts from government		275,124	263,407
Payments to suppliers and employees		(274,106)	(293,423)
Net operating cash flows before interest, income tax and RAD, accommodation bond and ILU entry contributions		**75,653**	**43,547**
Interest received		-	524
Income taxes paid		(3,949)	(9,581)
Finance costs paid		(2,106)	(4,613)
Interest expense on lease liabilities		(962)	(914)
Net cash flows from operating activities excluding RAD, accommodation bond and ILU entry contributions		**68,636**	**28,963**
RAD, accommodation bond and ILU entry contribution received		139,277	126,102
RAD, accommodation bond and ILU entry contribution refunded		(115,408)	(124,897)
Net cash flows from operating activities		**92,505**	**30,168**
Cash flows from investing activities			
Payments for intangible assets		(1,031)	(522)
Proceeds from sale of property, plant and equipment		60	3
Proceeds from sale of assets held for sale		3,550	13,658
Purchase of property, plant and equipment		(10,973)	(27,727)
Net cash flows used in investing activities		**(8,394)**	**(14,588)**
Cash flows from financing activities			
Proceeds from borrowings		10,000	189,500
Repayment of borrowings		(94,500)	(214,500)
Payments for shares repurchased on-market and incremental costs		(1,641)	-
Dividends paid		(6,012)	-
Repayment of lease liabilities		(2,134)	(2,172)
Net cash flows used in financing activities		**(94,287)**	**(27,172)**
Net decrease in cash and cash equivalents		**(10,176)**	**(11,592)**
Cash and cash equivalents at the beginning of the period		33,428	30,600
Cash and cash equivalents at the end of the period		**23,252**	**19,008**

[1] Refer to Note E4 for details relating to the restatement of prior period comparative

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

SECTION A: ABOUT THIS REPORT

A1
CORPORATE INFORMATION

The interim condensed consolidated financial statements of Estia Health Limited (the “Company” or the “Parent”) and its subsidiaries (collectively, the “Group” or “Estia Health”) for the six months ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 22 February 2022.

The Company is a for-profit company limited by shares incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange under the code 'EHE'.

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

A2
BASIS OF PREPARATION

The financial report has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting issued by the Australian Accounting Standards Board (AASB). The financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 30 June 2021.

The financial report has been prepared on a historical cost basis, except for investment properties, which have been measured at fair value.

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

Refer to Note E4 for information relating to the Group's accounting policies.

A3
GOING CONCERN

The financial report has been prepared on a going concern basis which assumes that the Group will be able to meet its obligations as and when they fall due. The Group’s current liabilities exceed current assets by $990,111,000 as at 31 December 2021 (30 June 2021: $916,789,000) resulting in a net deficiency of current assets. This mainly arises because of the requirement to classify Refundable Accommodation Deposits (“RADs”) of $886,228,000 (30 June 2021: $863,929,000) as current liabilities.

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

The Group has a syndicated financing facility of $330,000,000 of which $300,000,000 remains undrawn as at 31 December 2021 (30 June 2021: $212,167,000). This debt facility can be drawn down to repay RAD and bond refunds should the Group experience significant RAD and bond net outflows.

The potential future impacts of COVID-19 have been taken into consideration in preparing the financial report on a going concern basis – For the impact of COVID-19 subsequent to the reporting period, please refer to Note E2 to the financial statements.

SECTION A: ABOUT THIS REPORT (CONTINUED)

A4
SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

In preparing the financial report, the significant estimates, judgements and assumptions made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the most recent annual financial statements as at 30 June 2021.

SECTION B: OUR PERFORMANCE

B1
REVENUE AND OTHER INCOME

	December 2021 $'000	December 2020 $'000
Revenues		
Government funded residential care subsidies & supplements[1]	243,540	227,857
Resident daily care fees	55,858	52,788
Other resident fees	21,933	20,280
Imputed DAP revenue on RAD and bond balances under AASB 16	20,288	21,575
Total revenues	**341,619**	**322,500**
Other income		
Net gain on disposals of assets held for sale	848	8,228
Net gain on disposals of property, plant and equipment	60	3
Other	2	-
Government grants[2]	-	1,597
Total other income	**910**	**9,828**

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

1. The comparative information includes additional supplements of $6,073,000 for six months ended 31 December 2020. No additional supplement was received during the current financial period.

2. The comparative information includes personal protective equipment ("PPE") totalled $633,000 received from Government. These Government supplies were fully consumed and recognised as expenses in the same period. No further PPE supplies were received from Government during the current financial period.

SECTION B: OUR PERFORMANCE (CONTINUED)

B1
REVENUE AND OTHER INCOME (CONTINUED)

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

(a) Government Funded Residential Care Subsidies & Supplements

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

The Government may require a resident to pay a proportion of that subsidy or supplement dependent on their own financial circumstances. This is referred to as a Means Tested Care Fee ("MTCF"). The MTCF reduces the amount the Government pays directly to the provider as a result. The total MTCF included within the total Government Funded Residential Care Subsidies and Supplements was $9,646,000 in the period (31 December 2020: $7,525,000).

(b) Resident Daily Care Fees

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

(c) Other Resident Fees

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

(d) Imputed Revenue on RAD and Bond Balances under AASB 16

The Group has determined that for residents who choose to pay a RAD or a bond for their accommodation services, these arrangements meet the definition of a lease under AASB 16. The Group has recognised as revenue an imputed non-cash charge for accommodation representing the resident's right to occupy a room under the arrangement. The accounting treatment required a non-cash increase in revenue for accommodation and a non-cash increase in finance costs on the outstanding RAD and Bond balance, with no net impact on the result for the period.

(e) Other Income

During the period, the Group sold its site at Keilor Downs, Victoria, for a total of $3,550,000 (31 December 2020: two properties sold for $14,750,000) and recognised a net gain on sale of $848,000 (31 December 2020: net pre-tax gain on sale of $8,228,000).

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

SECTION B: OUR PERFORMANCE (CONTINUED)

B1
REVENUE AND OTHER INCOME (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

Government grants, including non-monetary grants, are recognised when all conditions attached to the grant will be met and the grant will be received. The grant is recognised at an amount equivalent to what will be received, and non-monetary grants are recognised at fair value and as Other income.

For non-monetary grants, both the grants and the related assets are accounted for at fair value. The grants are recognised as other income in the profit and loss over the periods in which the related asset is consumed and expensed.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Value of non-monetary Government grants – Personal Protective Equipment

The Group uses the replacement cost of PPE items which are comparable to the items it receives from the Government to determine the value of non-monetary Government grants received.

SECTION B: OUR PERFORMANCE (CONTINUED)

B2
NET FINANCE COSTS

	December 2021 $'000	December 2020 $'000
Finance income		
Interest income from cash at banks	-	524
Total finance income	**-**	**524**
Finance costs		
Imputed interest expense on RAD and bond balances under AASB 16	20,288	21,575
Interest expense on accommodation bonds for departed residents	1,233	914
Interest expense on leases under AASB 16	962	1,063
Interest expense on bank loans	291	723
Other finance costs	940	1,111
Total finance costs	**23,714**	**25,386**
Net finance costs	**23,714**	**24,862**

B3
INCOME TAX EXPENSE

Major components of income tax expense

	December 2021 $'000	Restated[1] December 2020 $'000
Current income tax		
Current tax expense	2,064	1,637
Adjustments in respect of income tax of previous year	(2,106)	(1)
Deferred income tax		
Relating to origination and reversal of temporary differences	(5,043)	(3,552)
Adjustments in respect of income tax of previous year	2,137	-
Income tax benefit	**(2,948)**	**(1,916)**

SECTION B: OUR PERFORMANCE (CONTINUED)

B3
INCOME TAX EXPENSE (CONTINUED)

Reconciliation of income tax expense and accounting profit:

	December 2021 $'000	Restated[1] December 2020 $'000
Accounting loss before income tax	(11,059)	(7,500)
At the Australian statutory income tax rate of 30% (2020: 30%)	(3,318)	(2,250)
Adjustments in respect of income tax of previous year	31	(1)
Utilisation of previously unrecognised tax losses	(23)	(18)
Expenditure not allowable for income tax purposes		
- Other expenditure	362	353
Income tax benefit	**(2,948)**	**(1,916)**

[1] Refer to Note E4 for details relating to the restatement of prior period comparative

SECTION C: ASSETS & LIABILITIES

C1
CASH AND CASH EQUIVALENTS

	December 2021 $'000	June 2021 $'000
Cash at bank	23,189	33,300
Cash on hand	63	128
Total cash and cash equivalents	**23,252**	**33,428**

C2
ASSETS HELD FOR SALE

	December 2021 $'000	June 2021 $'000
Assets held for sale	2,623	2,601
Total assets held for sale	**2,623**	**2,601**

The balance represents a property in Wombarra, NSW for which a process for disposal commenced in June 2020 and continued during the current period.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C3
PROPERTY, PLANT AND EQUIPMENT

Reconciliation of property, plant and equipment

	Land $'000	Buildings $'000	Property improve-ments $'000	Furniture, fixtures & equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost							
Balance at 1 July 2020	193,813	531,024	82,689	118,912	899	34,581	961,918
Additions	-	750	3,238	9,195	246	30,583	44,012
Transfers	-	35,492	3,056	11,790	-	(50,338)	-
Disposals	-	(28)	(131)	(2,232)	(153)	(2,334)	(4,878)
Transfer to assets held for sale	(3,748)	-	-	-	-	-	(3,748)
Balance at 30 June 2021	**190,065**	**567,238**	**88,852**	**137,665**	**992**	**12,492**	**997,304**
Additions	-	-	746	4,116	39	6,276	11,177
Transfers	-	-	2,905	4,192	-	(7,097)	-
Disposals	-	-	(619)	(1,576)	(84)	(5)	(2,284)
Transfer to assets held for sale	(2,278)	(3,323)	(737)	(787)	-	-	(7,125)
Balance at 31 December 2021	**187,787**	**563,915**	**91,147**	**143,610**	**947**	**11,666**	**999,072**
Accumulated depreciation and impairment							
Balance at 1 July 2020	-	55,826	9,189	51,396	770	2,213	119,394
Depreciation expense	-	11,352	5,238	19,694	41	-	36,325
Impairment expense	821	-	-	-	-	159	980
Disposals	-	(31)	(131)	(2,175)	(151)	(2,372)	(4,860)
Balance at 30 June 2021	**821**	**67,147**	**14,296**	**68,915**	**660**	**-**	**151,839**
Depreciation expense	-	5,918	3,152	10,225	34	-	19,329
Impairment expense	-	-	-	-	-	5	5
Disposals	-	-	(593)	(1,579)	(84)	(5)	(2,261)
Transfer to assets held for sale	-	(3,154)	(694)	(679)	-	-	(4,527)
Balance at 31 December 2021	**821**	**69,911**	**16,161**	**76,882**	**610**	**-**	**164,385**
Net book value							
As at 30 June 2021	**189,244**	**500,091**	**74,556**	**68,750**	**332**	**12,492**	**845,465**
As at 31 December 2021	**186,966**	**494,004**	**74,986**	**66,728**	**337**	**11,666**	**834,687**

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C4
GOODWILL AND OTHER INTANGIBLE ASSETS

	Notes	Goodwill $'000	Bed licences $'000	Software costs $'000	Total $'000
Cost					
Balance at 1 July 2020, as reported		817,074	221,281	11,530	1,049,885
Effect of change in accounting policy (net of tax)	**E4**	-	-	(3,613)	(3,613)
Balance at 1 July 2020, as restated		**817,074**	**221,281**	**7,917**	**1,046,272**
Additions, as restated	**E4**	-	-	1,040	1,040
Balance at 30 June 2021, as restated		**817,074**	**221,281**	**8,957**	**1,047,312**
Additions		-	-	999	999
Transfer to asset held for sale		-	-	(10)	(10)
Balance at 31 December 2021		**817,074**	**221,281**	**9,946**	**1,048,301**
Accumulated amortisation and impairment					
Balance at 1 July 2020, as reported		136,060	-	5,861	141,921
Effect of change in accounting policy (net of tax)	**E4**	-	-	(405)	(405)
Balance at 1 July 2020, as restated		**136,060**	**-**	**5,456**	**141,516**
Amortisation expense, as restated	**E4**	-	-	967	967
Balance at 30 June 2021, as restated		**136,060**	**-**	**6,423**	**142,483**
Amortisation expense		-	20,116	357	20,473
Transfer to asset held for sale		-	-	(10)	(10)
Balance at 31 December 2021		**136,060**	**20,116**	**6,770**	**162,946**
Net book value					
As at 1 July 2020, as restated		**681,014**	**221,281**	**2,461**	**904,756**
As at 30 June 2021, as restated		**681,014**	**221,281**	**2,534**	**904,829**
As at 31 December 2021		**681,014**	**201,165**	**3,176**	**885,355**

[1] Refer to Note E4 for details relating to the restatement of prior period comparative

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C4
GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(a) Change in accounting estimates – Change in useful life assessment of bed licenses

On 30 September 2021, the Australian Government released a discussion paper Improving Choice in *Residential Aged Care - ACAR Discontinuation*. The discussion paper has confirmed its intention to abolish the Aged Care Approvals Round ("ACAR") and associated supply restrictions on bed licenses which was first announced in May 2021. The reforms will see the discontinuation of the licences from 1 July 2024.

These bed licenses were previously recognised as intangible assets with an indefinite useful life and therefore were not amortised. Following the Government's announcement and the information provided in the discussion paper in September 2021, management expect that the remaining useful lives of the bed licences would not extend beyond 1 July 2024, therefore have determined that it is appropriate to commence the amortisation of these licences under AASB 138 *Intangible Assets* from 1 October 2021 to 30 June 2024 on a straight-line basis

The change in the useful life assessment was treated as a change in accounting estimates under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and therefore was recognised prospectively from 1 October 2021. As a result of the change, the amortisation expense recognised in the statement of profit or loss is $20,116,000 for the six months ended 31 December 2021.

Impairment of bed licences

Reassessment of the useful life of an intangible asset as finite rather than indefinite is an impairment indicator in accordance with AASB 136 *Impairment of Assets.* Management therefore performed an impairment test at the CGU level and concluded that no impairment was required as at 31 December 2021 as the proposed reform of the ACAR is not expected to adversely impact the operating performance of the underlying assets in the CGU.

(b) Impairment of goodwill

Goodwill is tested for impairment annually as at 30 June or when indicators of impairment exist. The test is based on value in use calculations and conducted at the Group of cash generating units ("CGU") level that is consistent with the operating segment identified in Note E3.

As mentioned above, reassessment of the useful life of bed licences as finite was an impairment indicator in accordance with AASB 136 *Impairment of Assets*, therefore, management performed an impairment test at 31 December 2021 for the CGU.

The methodology and model used in assessing the recoverable amount of the CGU is consistent with the approach set out in the Group's consolidated annual financial statements for the year ended 30 June 2021.

The impairment testing performed as at 31 December 2021 was based on similar assumptions and judgements to those used at 30 June 2021, adjusted for any changes the Directors have considered to be reasonably possible, including the impact of COVID-19 on the future cash flows of the CGU.

The discount and growth rates used at 31 December 2021 in assessing the recoverable amount are as follows:

	December 2021 %	June 2021 %
Post-tax discount rate	8.8	9.3
Pre-tax discount rate	11.5	12.5
Long-term growth rate	2.3	2.3

The most sensitive assumptions used in the calculation of the value in use of the CGU are the discount rate and long term growth rate. Sensitivity analysis on reasonably likely changes to these assumptions did not result in an outcome where impairment would be required.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C5
INCOME RECEIVED IN ADVANCE

	December 2021 $'000	June 2021 $'000
Income received in advance	36,314	-
Total income received in advance	**36,314**	**-**

As at 31 December 2021, $36,314,000 (31 December 2020: $34,536,000) of income received in advance related to Government funding received in December relating to services to be provided in January 2022. Refer to Note B1 for the Group's revenue recognition policy.

SECTION D: CAPITAL, FINANCING, RADS AND RISK

D1
REFUNDABLE ACCOMODATION DEPOSITS AND BONDS

	December 2021 $'000	June 2021 $'000
Current residents	844,104	761,100
Departed residents	42,124	102,829
Total refundable accommodation deposits and bonds – amounts received	**886,228**	**863,929**

Terms and conditions relating to Refundable Accommodation Deposits and accommodation bonds

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

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

To ensure that funds are readily available when required, the minimum level of funds chosen by the Group are met by undrawn lines of credit.

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

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

D2
LOANS AND BORROWINGS

	December 2021 $'000	June 2021 $'000
Secured bank loans – Syndicated debt facility	30,000	114,500
Capitalised facility costs	(1,724)	(667)
Total loans and borrowings	**28,276**	**113,833**

Syndicated debt facility

The Group has a syndicated financing facility ("Facility") with ANZ, CBA and Westpac. The Facility may be used for general corporate purposes including funding acquisitions, capital expenditure, working capital requirements and providing sufficient liquidity to redeem RADs and bonds.

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

The total debt facility available to the Group at 31 December 2021 was $330,000,000 (30 June 2021: $330,000,000) with an additional $170,000,000 allowed by the accordion feature of the Facility, which is subject to lenders' participation and the specified terms and conditions of the accordion feature.

Of the total debt facility available, 50% will mature in March 2025 and March 2026, respectively.

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

D3
ISSUED CAPITAL AND RESERVES

	December 2021 $'000	June 2020 $'000
Issued and fully paid		
Ordinary shares	802,062	803,459
Total share capital	**802,062**	**803,459**

(a) Movements in ordinary shares on issue

	December 2021		June 2020	
	Numbers of shares	$'000	Numbers of shares	$'000
Beginning of the financial period	261,294,969	803,459	261,271,914	803,397
Vesting of employee performance rights	146,673	244	23,055	62
Shares repurchased under an on-market buy-back	(757,435)	(1,639)	-	-
Incremental costs of share repurchase		(2)		-
End of the financial period	**260,684,207**	**802,062**	**261,294,969**	**803,459**

(b) Share-based payments reserve

The share-based payments reserve arises from performance rights granted by Estia Health to its employees, including key management personnel, as part of their remuneration. Further information about share based payments is set out in Note D4.

(c) Franking credits

The franking credit balance of Estia Health Limited as at 31 December 2021 is $28,890,000 (30 June 2021: $24,941,000).

(d) Dividends paid and proposed

On 24 August 2021, the Directors declared a fully franked final dividend for the year end 30 June 2021 of 2.30 cents per share representing 100% of profit after tax for the period of $5,998,000. The dividend was paid to shareholders on 17 September 2021.

On 22 February 2022, the Directors declared a fully franked interim dividend for the six months ended 31 December 2021 of 2.35 cents per share totalling $6,135,000. The record date for the interim dividend will be 28 February 2022, with payment being made on 18 March 2022. Shares will trade excluding entitlement to the dividend on 25 February 2022.

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

D4
SHARE-BASED PAYMENTS

At 31 December 2021, the Group had the following share-based payments arrangements:

(a) Long-term Incentive Plan ("LTIP")

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

Details of performance rights granted prior to 1 July 2021 are disclosed in the relevant annual reports.

In the FY22 LTI award, 50% of the performance rights will vest subject to achieving the index Total Shareholder Return ("TSR") hurdle, which is based on a relative TSR against a defined comparator group of companies comprising the ASX300 Index excluding mining and energy companies, and 50% of the performance rights will vest subject to achieving an EPS hurdle in the year ending 30 June 2024

The Group granted a total of 1,009,506 rights (31 December 2020: 1,629,361) during the period.

(b) Short-term Incentive Plan (STIP)

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

The STIP is measured on a combined basis of Group's financial and other specific measures. Other role specific measures include Lost Time injury Frequency Rate reduction targets, organizational culture measures, delivery of efficiencies through management of external financing, and developments in connection with clinical governance an risk management process

No performance rights were granted under the STIP during the six months ended 31 December 2021 was nil (31 December 2020: nil).

(c) Retention Plan ("RP")

Under the RP, awards in the form of performance rights, are made to key managers and executives to encourage retention of their employment with the Group. The executive must remain employed with the Group from the date the award is granted to the vesting date of the performance right. Upon successful vesting of the performance rights, the executive is issued ordinary shares in the Group, equivalent to the number of performance rights originally granted.

No performance rights were granted under the retention plan during the period (31 December 2020: 639,390). 146,673 retention performance rights issued in prior years were vested during the six months ended 31 December 2021 (31 December 2020: nil).

(d) Management Equity Plan (MEP)

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

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

D5
FAIR VALUE MEASUREMENT

The Group uses various methods in estimating the fair value of its financial assets and liabilities which are categorised within the fair value hierarchy. The Group uses fair value for Investment Properties, which are valued using Level 3 inputs. The Group's Investment Properties represent ILU which are occupied by residents who have contributed a non-interest-bearing loan to occupy the ILU. The resident vacates the property based on the applicable State-based Retirement Village Acts.

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

			Fair value measurement using		
		Total	Level 1	Level 2	Level 3
	Date of valuation	$'000	$'000	$'000	$'000
Investment properties	31 December 2021	750	-	-	750
	30 June 2021	750	-	-	750

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

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

There were no transfers between levels during the financial period.

SECTION E: OTHER INFORMATION

E1
COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2021, capital commitments amounted to $10,642,000 (31 December 2020: $6,637,000).

Bank guarantees

The Group has entered into a number of bank guarantees with its bankers in relation to the Group's rental agreements for leased properties, totaling $4,559,000 (31 December 2020: $4,059,000). These are secured under the terms of the Facility as disclosed in Note D2. As at the date of signing this report, the Directors are not aware of any situations that have arisen that would require bank guarantees to be presented or redeemed.

Contingent asset – Government grants

As at the end of the period, the Group has submitted applications totalling $2,415,000 (31 December 2020: $7,300,000) under the Support for Aged Care Workers in COVID-19 grant opportunity (also known as “SACWIC” or “GO4215”) to the Federal Government, which is designed to minimise the risk of infection to aged care workers, residents and other consumers of aged care services and provide funding for out-of-pocket costs incurred as a result of COVID-19. The applications are subject to an assessment process by Government which will confirm if all or part of the submitted amount will be accepted and reimbursed.

As at balance date, the Group has not recognised any amount relating to its applications for the reimbursement of eligible COVID-19 costs. The Group considers it is probable the applications will be accepted by the Government.

SECTION E: OTHER INFORMATION (CONTINUED)

E2
SUBSEQUENT EVENTS

Further Government grant applications submitted – COVID-19 Aged Care Support Program Extension

In February 2022, the Group submitted applications to the Federal Government under the COVID-19 Aged Care Support Program Extension grant opportunity (GO4863). This grant scheme is intended to reimburse eligible expenses incurred in managing the direct impacts of COVID-19 outbreaks at residential aged care homes. The Group submitted claims for $4,982,000 relating to costs incurred during the six months ended 31 December 2021. Applications are subject to a Government assessment process which will confirm the amount to be reimbursed.

Construction contract - St. Ives, NSW

On 17 January 2022, the Group entered into a building contract with a contract sum of approximately $32,470,000 (exclusive of GST) in relation to the greenfield development in St. Ives, NSW.

COVID-19 impact

The Omicron variant demonstrated extremely high transmission rates which resulted in rapidly rising community infection rates from December 2021. This caused immense pressure on Australia's health system and impacted the whole aged care sector. The Government reported that 1,952 homes, more than 70% of the sector, had experienced COVID-19 outbreaks by the end of January 2022. The Group's homes have been similarly impacted with multiple homes experiencing outbreaks despite high levels of vaccination in residents and staff and the application of the Group's COVID-19 prevention and response plans in line with public health requirements.

The Omicron variant has already had a significant impact in January and February 2022 resulting in falls in occupancy, high PPE usage, high levels of testing costs and increased staffing costs. This impact has reduced as infection levels in the wider community have fallen significantly and booster take-up increases.

As of 22 February 2022, consistent with the national infection status, the Group is seeing a more stable situation with the number of homes with active outbreaks having fallen significantly, the number of staff impacted being similarly reduced and the Group continues to hold significant amounts of PPE in stock.

The Group expects to be able to continue to recover a substantial proportion of additional costs associated with COVID-19, but not all costs are currently eligible for reimbursement under grant scheme rules.

Other than the events disclosed above and elsewhere in this report, no additional matters or circumstances have arisen since the end of the half year, that may significantly affect the Group's operations, the results of those operations or the state of affairs of the Group.

E3
SEGMENT REPORTING

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

SECTION E: OTHER INFORMATION (CONTINUED)

E4
CHANGES IN ACCOUNTING POLICY

Changes in accounting policy, disclosures, standards and interpretations

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

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

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

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

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

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

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

Impact of change in accounting policy

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

Consolidated statement of financial position

	June 2021 $'000	1 July 2020 $'000
Increase / (Decrease) in:		
Assets		
Other intangible assets	(3,769)	(3,208)
Total Assets	**(3,769)**	**(3,208)**
Deferred tax liabilities	(1,130)	(962)
Total Liabilities	**(1,130)**	**(962)**
Net assets	**(2,639)**	**(2,246)**
Retained earnings	(2,639)	(2,246)
Total equity	**(2,639)**	**(2,246)**

SECTION E: OTHER INFORMATION (CONTINUED)

E4
CHANGES IN ACCOUNTING POLICY (CONTINUED)

Impact of change in accounting policy (Continued)

Consolidated statement of comprehensive income

	December 2020 $'000
Increase / (Decrease) in:	
Employee benefits expense	437
Administrative expenses	204
Depreciation and amortisation expense	(218)
Profit before tax	**(423)**
Income tax expense	(127)
Profit for the period	**(296)**

Earnings per share	
Basic (cents per share)	(0.12)
Diluted (cents per share)	(0.12)

Consolidated statement of cash flows

	December 2020 $'000
(Increase) / Decrease in:	
Payments to suppliers and employees	(641)
Net cash inflow from operating activities	**(641)**
Payments to acquire intangible assets	641
Net cash outflow from investing activities	**641**

New and Amended Accounting Standards and Interpretations

Other than the change in account policy as a result of the IFRIC agenda decision in relation to Cloud Computing costs disclosed above, several amendments and interpretations apply for the first time in the current financial period, but do not have a significant impact on the financial statements of the Group.

Standards issued but not yet effective

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

DIRECTORS' DECLARATION

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

(a) the financial statements and notes are in accordance with the *Corporations Act 2001 (Cth)*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and

   (ii) complying with Australian Accounting the *Corporations Regulations 2001 (Cth)*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Dr. Gary H Weiss AM

Chairman

Sydney

22 February 2022

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Independent Auditor's Review Report to the members of Estia Health Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Estia Health Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

Paul Gower

Paul Gower
Partner
Melbourne
22 February 2022