ESTIA HEALTH
NSW Office
Level 9, 227 Elizabeth Street
Sydney, New South Wales 2000
T 02 9265 7900
E investor@estiahealth.com.au
estiahealth.com.au

ASX Announcement

21 February 2023

FY23 Appendix 4D and Interim Financial Report

In accordance with ASX Listing Rule 4.2A, Estia Health Limited (ASX: EHE) provides the attached Appendix 4D and Interim Financial Report for the year ended 31 December 2022.

Approved for release by the Board of Directors of Estia Health Limited

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Further Enquiries:

Further enquiries:

Media	**Investors**
Louise Hall John Connolly & Partners lh@jcp.com.au Tel +61 2 9232 1033	Steve Lemlin – Chief Financial Officer steve.lemlin@estiahealth.com.au or investor@estiahealth.com.au

Appendix 4D

Estia Health Limited

Results for announcement to the market
Preliminary final report for the six months ended 31 December 2022[1]

	Increase / Decrease	31 December 2022 $'000	31 December 2021 $'000	Change %
Revenue from ordinary activities		359,185	341,619	
Other income		14,313	910	
Total revenue and other income from ordinary activities	**Increase**	373,498	342,529	9.0
Profit / (Loss) before interest and tax	**Decrease**	(9,636)	12,655	(176.1)
Profit / (Loss) from ordinary activities after tax attributable to members	**Decrease**	(25,293)	(8,111)	(211.8)

	31 December 2022 (cents)	31 December 2021 (cents)	Change %
Basic earnings / (loss) per share	**(9.80)**	(3.10)	(216.3)
Diluted earnings / (loss) per share	**(9.80)**	(3.10)	(216.3)
Net tangible asset backing per ordinary share	**(93.87)**	(73.17)	(28.3)

Net tangible asset 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 2022	**3.70**	3.70	30%
Final dividend – year ended 30 June 2022	**-**	-	
Interim dividend – six months ended 31 December 2021	**2.35**	2.35	30%

Interim dividend dates

Ex-dividend date	24 February 2023
Record date	27 February 2023
Payment date	17 March 2023

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 2022. This document should be read in conjunction with the Annual Report of Estia Health Limited for the year ended 30 June 2022 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
21 February 2023

[1] Previous corresponding period being the six months ended 31 December 2021

ESTIA HEALTH LIMITED

ABN 37 160 986 201

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

ESTIA HEALTH LIMITED

ABN 37 160 986 201

CONTENTS

CORPORATE INFORMATION

ABN 37 160 986 201

DIRECTORS

Dr. Gary H Weiss AM (Chairman)

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

Norah Barlow ONZM (Property and Investment Committee Chair)

Paul Foster (Nomination and Remuneration Committee Chair)

Helen Kurincic (Risk Management Committee Chair)

Karen Penrose (Audit Committee Chair)

Professor Simon Willcock (Commenced 1 September 2022)

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

COMPANY SECRETARY

Leanne Ralph

REGISTERED OFFICE

Level 9, 227 Elizabeth Street
Sydney NSW 2000

PRINCIPAL PLACE OF BUSINESS

Level 9, 227 Elizabeth Street
Sydney NSW 2000

SOLICITORS

Minter Ellison
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

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

Thomson Geer
Rialto South Tower
525 Collins Street
Melbourne VIC 3000

BANKERS

Westpac Banking Corporation
275 Kent Street
Sydney NSW 2000

Commonwealth Bank of Australia
201 Sussex Street
Sydney NSW 2000

Australia and New Zealand Bank
242 Pitt Street
Sydney NSW 2000

AUDITORS

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

DIRECTORS' REPORT

Your Directors submit their report for the six months ended 31 December 2022 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 2022 and until the date of this report. Directors were in office for the entire period unless otherwise stated.

Dr. Gary H Weiss AM
Sean Bilton (Commenced 11 July 2022)
Norah Barlow ONZM
Paul Foster
Helen Kurincic
Karen Penrose
Professor Simon Willcock (Commenced 1 September 2022)
Ian Thorley (Resigned 11 July 2022)

PRINCIPAL ACTIVITIES AND STRATEGY

The principal activities of the Group during the six months ended 31 December 2022 continued to be the provision of services in residential aged care homes in Australia as an Approved Provider under the *Aged Care Act 1997* (the Act).

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 innovative, supportive and caring environments;
- deliver earnings growth through:
    - sustained high occupancy rates,
    - the development and commissioning of new homes,
    - the enhancement of existing homes,
    - complementary acquisitions, and
    - the development of earnings from related services within the continuum of aged care.

ABOUT THE SECTOR

Ageing Demographic

The age profile of the Australian population and the influence of the "baby boomer" generation is generally expected to result in a marked increase in Australia's aged population in coming years.

The Department of Health and Aged Care's "2021-22 Report on the Operation of the Aged Care Act 1997" reported that as at 30 June 2022, 16.5% of Australia's population (representing 4.4 million people) was aged 65 years and over and 2.0% (representing 543,000 people) was aged 85 years and over.

The report estimated that by June 2032:

- the number of people aged 65 years and over will increase by 1.2 million to 5.6 million (27.3% increase) and
- the number of people aged 85 years and over will increase by 263,000 to 806,000 people (48.4% increase)

This demographic shift 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 demand.

Access to Services

In order to access Government supported residential aged care services under the auspices of the Act, potential residents must be assessed as qualifying for such services by an Aged Care Assessment Team ("ACAT") and may then choose a residential aged care home that best meets their needs. Only Approved Providers are eligible to provide services which qualify for Government funding support under the Act.

ABOUT THE SECTOR (CONTINUED)

Sector Size

The residential aged care sector represents approximately 0.9% of the Australian GDP and employs approximately 278,000 people.

The Department of Health and Aged Care's "2021-22 Report on the Operation of the *Aged Care Act 1997*" disclosed total funding and subsidies provided to Approved Providers under the Act by the Australian Government in the year ended 30 June 2022 was $14.6 billion, compared to $14.1 billion in the prior period. An additional $5.5 billion is estimated to be earned annually from residents' contributions to care, services and accommodation.

Key statistics relating to the sector are shown below. Over recent years the number of Approved Providers has decreased and average home sizes have increased, which are expected to continue.

	June 2022	June 2021	Movement	
Operational Places	231,732	229,547	2,185	1.0%
Approved Providers	805	830	(25)	(3.0%)
Average Operational Places per Approved Provider	288	277	11	4.0%
Residential Aged Care Homes	2,671	2,704	(33)	(1.2%)
Average Operational Places per home	87	85	2	2.2%
Permanent residents at the end of the year	180,750	183,894	(3,144)	(1.7%)
Recipients of Permanent Care during the year	245,719	243,117	2,602	1.1%
Recipients of Respite Care during the year	70,736	67,775	2,961	4.4%

Regulatory Environment and Reform post Royal Commission

The Royal Commission into Aged Care Quality and Safety (the Royal Commission) was established on 8 October 2018, with its Final Report tabled in Parliament on 1 March 2021.

The response of the Government has been to accept the majority of the Royal Commission's 148 recommendations with proposed multiple reforms to the sector, many of which have now been legislated, including:

- changing care funding models;
- introducing an independent pricing authority;
- removing capacity constraints on bed licenses;
- mandating minimum care minutes;
- introducing star ratings on home performance; and
- increasing required levels of reporting and governance.

The reform program is designed to deliver greater transparency and increase competition, which is expected to lead to better resident outcomes and more efficient use of taxpayer-funded subsidies to the sector. These changes will alter the financial and operational environment in which Estia Health operates.

The reforms have resulted in an increase in allocated Commonwealth funding to the Aged Care sector of $17.7 billion over five years being announced in the 2021–22 Budget.

ABOUT THE GROUP

Services Provided by the Group

The Group's foremost priority is the delivery of high quality care and services to people who place their trust in Estia Health at an important time in their lives. This is reflected in the Group's vision to create trusted aged care services which is "accessible to all".

Permanent residential care is provided in a safe and supportive environment for people who are no longer able to live safely or comfortably at home without access to full-time care when needed. Short-term respite and reablement care is also provided for older Australians who ordinarily live at home, but temporarily require a higher level of support and care following a hospital stay, accident or medical event, or whilst their regular normal carers may be unable to support them for a period of time.

Each Estia Health home provides care, accommodation, hotel and lifestyle services, led by an Executive Director, supported by their team of nurses, personal care assistants, allied health and clinical support staff, chefs, lifestyle, cleaning, laundry and maintenance staff.

Registered Nurses are rostered on all shifts every day.

DIRECTORS' REPORT

ABOUT THE GROUP (CONTINUED)

The Group's Portfolio

The Group is one of the largest Approved Providers in Australia with 72 homes operating 6,596 places across four states.

	Number of homes	Number of places	Average home size	Significantly refurbished homes	Number of places in single rooms	Approximate number of staff
New South Wales	18	1,975	110	16	1,303	2,200
Queensland	10	1,104	110	10	1,035	1,200
South Australia	19	1,531	81	18	1,477	1,800
Victoria	25	1,986	79	24	1,722	2,600
Group	**72**	**6,596**	**92**	**68**	**5,537**	**7,800**

OPERATING REVIEW

Regulatory Environment and Reform

Following Government's acceptance of the majority of the Royal Commission's recommendations, the Parliament passed amendments to the *Aged Care Act 1997*. The passing of the *Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022* and *Aged Care Amendment (Implementing Care (Royal Commission Response) Act 20*22 legislated a number of reforms, including the new funding model ("AN-ACC") which commenced on 1 October 2022.

Other significant amendments include:

- a mandatory Code of Conduct for aged care workers and key personnel;
- new board governance arrangements such as mandatory board membership requirements and the creation of advisory bodies reporting to boards;
- detailed public reporting of provider operations;
- the requirement for registered nurses to be on site at all times from 1 July 2023; and
- the provision of a minimum average of 200 care minutes per day for each resident to be delivered by Registered or Enrolled Nurses and Personal Care Assistants from 1 October 2023.

The role of the Independent Hospital Pricing Authority was expanded to include aged care pricing advice to Government under a re-named Independent Health and Aged Care Pricing Authority (IHACPA). The Aged Care Quality and Safety Commission was given expanded enforcement powers.

The publication of Star Ratings commenced in December 2022 which is referred to later in this Report.

The Group already operates in accordance with many of the changes and does not currently expect to require further significant investment in order to continue to meet the governance and prudential requirements.

The most significant changes, which remain unclear and may impact future financial performance, relate to:

1. the outcome of IHACPA's cost of care study and advice to Government in relation to funding levels for the sector from 1 July 2023; and
2. the cost of meeting the requirement to deliver mandated minimum care minutes from 1 October 2023.

DIRECTORS' REPORT

OPERATING REVIEW (CONTINUED)

AN-ACC Transition

The transition by the Government to replace the Aged Care Funding Instrument (ACFI) and the basic daily fee supplement with the AN-ACC funding model took effect from 1 October 2022. Under this regime all resident care fee assessments are made by Government-appointed independent assessors. In order to manage this transition, the Group has successfully adapted its internal systems and processes, including its processes to review and apply for re-assessment of resident care needs, where appropriate, in a timely manner.

The change to the new funding model has resulted in increased revenues to the Group which is shown on page 9 of this Report.

COVID-19

The impact of COVID-19 on the sector continued to reduce in the early part of the period in line with the reduced impact in the wider Australian community and reduced Public Health settings. This saw a reduction in outbreaks, exposures and costs associated with Personal Protective Equipment (PPE), cleaning and waste disposal, as well as a reduction in enforced staff absences through sickness.

The "Fourth Wave", which escalated in the community during November and into December 2022, resulted in a reversal of this decline in infections, outbreaks and costs. Nevertheless, the high level of vaccination rates and the effectiveness of anti-viral medications is frequently resulting in shortened periods of infection and lower levels of impact on the health of residents and staff compared to prior periods.

Government Grants

Approved Providers are able to apply for Government grants to recover some of the costs associated with COVID-19 outbreaks. These grants do not cover preventative measures taken by the Group outside of outbreak periods in specific homes. The grant scheme was extended to recover costs incurred up to 31 December 2022. The financial impact of the long delays associated with the Government's processing of claims is shown on page 10 of this Report.

The Government have confirmed that a new grant scheme will be in place to reimburse costs incurred from 1 January 2023 until 31 December 2023. It is expected that the scheme will be broadly similar to the expiring scheme, although at the date of this Report the detail is not available to establish the level of recovery of costs which the Group can expect. The Government has indicated that in the medium-term it would expect cost impacts of COVID-19 to be incorporated into the recommendations of IHACPA for recurrent funding.

Uncertainty remains about the level of the impact of COVID-19 costs and any associated amount and timing of grant recovery on financial performance for the remainder of FY23, and possibly beyond if the pandemic persists.

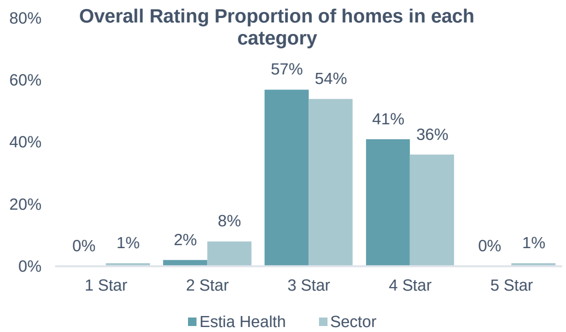
Independent Hospital and Aged Care Pricing Authority (IHACPA)

The Group considers that the establishment and future operation of the newly expanded Independent Hospital and Aged Care Pricing Authority (IHACPA) is the single most important reform to ensure the financial sustainability of the sector and encourage investment to meet increasing demand and the needs and expectations of future generations. IHACPA will have responsibility from July 2023 for making recommendations to Government in relation to the costs of providing care. This will replace the current system, which has traditionally delivered increases in funding below the level of wage and other cost inflation.

IHACPA released its first consultation paper during the period outlining its proposed approach and priorities. Whilst further detail is not yet available, the consultation paper established the principles that IHACPA will follow in preparing their advice to Government, with ongoing transparent analysis of the costs of providing specified care and services, the Government will retain ultimate responsibility for setting subsidies and fees to cover the costs identified by IHACPA.

Star Ratings for Residential Aged Care

The Government commenced publishing its star rating for every residential aged care home on the My Aged Care portal in December 2022. The system provides an overall rating based on four criteria – compliance, customer experience, quality indicators and average care minutes. The Group's overall initial ratings compared to the sector as a whole are shown below. The Group will continue to review the ratings of each home, in conjunction with its own pre-existing quality control and continuous improvement approach.



DIRECTORS' REPORT

REVIEW OF FINANCIAL PERFORMANCE

The Group's financial performance continues to be affected by:

- the gradual recovery of occupancy levels impacted by COVID-19;
- the financial impact of COVID-19 costs, and the timing of the partial recovery of these costs through Government grants;
- workforce shortages;
- the change to AN-ACC funding with effect from 1 October 2022; and
- the amortisation of the carrying value of bed licences from 1 October 2021 to 30 June 2024.

Summary Financial Performance – Income and Expense Statement[1,2]

The financial performance in the period is presented in the format below which is different to the IFRS standard income and expense statement as the Directors believe this provides greater insight into the underlying financial performance of the Group during the period when read in conjunction with the Financial Statements and supporting Notes on pages 16 to 38 of this Report.

	December 2022 $'000	December 2021 $'000
Government revenue - excluding temporary funding and grants	255,197	240,127
Government revenue - temporary funding / current period grants[3]	610	-
Resident and other revenue	81,681	76,372
Total operating revenues and current period grants[3]	**337,488**	**316,499**
Employee benefits expenses	(241,224)	(222,362)
Non-wage expenses	(53,513)	(48,585)
COVID-19 incremental costs	(16,220)	(12,049)
EBITDA - Mature Homes[4]	**26,531**	**33,503**
Net loss / gain from asset disposals/home closures	(1)	166
Net gain from homes acquired and new homes in ramp-up	484	540
EBITDA before COVID-19 grants for prior period expenses and acquisition costs	**27,014**	**34,209**
Depreciation, amortisation and impairment *(excluding bed licence amortisation)*	(22,722)	(21,726)
Net finance costs	(4,063)	(3,426)
Profit before income tax, COVID-19 grants for prior period expenses, acquisition costs and bed licence amortisation	**229**	**9,057**
Associated income tax expense	(222)	(2,922)
Profit for the period before COVID-19 grants for prior period expenses, acquisition costs and bed licence amortisation	**7**	**6,135**
COVID-19 grants for prior period expenses	13,703	-
Associated income tax expense	(4,111)	-
Profit for the period before acquisition costs and bed licence amortisation	**9,599**	**6,135**
Acquisition costs	(6,580)	-
Bed licence amortisation	(40,233)	(20,116)
Associated income tax credit	11,921	5,870
Loss for the period	**(25,293)**	**(8,111)**

A reconciliation between amounts shown in the table above and the Financial Statements is shown on page 11 of this Report.

1. 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.
2. All reported figures exclude Imputed DAP revenue on RADs and the equivalent Imputed Interest on RADs which have a net effect of nil on reported profit. Note B1 of the Financial Statements provides further details.
3. Current period grants relate to grants recognised in relation to the recovery of COVID-19 incremental costs incurred in the current period.
4. "Mature Homes" (which exclude homes from the date of closure and homes acquired during the period and new homes in ramp-up) are homes that have been opened for more than 12 months or open for less than 12 months have greater than 85% occupancy at the commencement of the financial period.

DIRECTORS' REPORT

REVIEW OF FINANCIAL PERFORMANCE (CONTINUED)

Key Financial Highlights

Occupancy

The Group delivered 1,043,947 occupied bed days in the period, an increase of 7,023 days compared to the prior corresponding period, and an increase of 50,728 on the immediately preceding 6 months. Average occupancy during the period increased to 91.9% compared to 90.6% in the previous six months, and below the 92.6% reported in the prior corresponding period.

The recovery from the impact of COVID-19 in Victoria is taking longer, where occupancy averaged 86.0% in the period compared to 94.6% in the rest of the portfolio.

Government Revenues

On 1 October 2022, the ACFI subsidy and $10 per day basic daily fee supplement were abolished and replaced with the AN-ACC subsidy. The positive impact of the change between the first quarter, when care fees were funded under the old ACFI model, and the second quarter is shown below,

	Q1 FY23	Q2 FY23	Increase/ (Decrease)
Total Government Revenues (excluding grants)	$123,619,000	$131,578,000	7.959,000
Average Government Revenue Per Occupied Bed Day	$237.81	$251.04	$13.23
Occupied Bed days	519,826	524,121	4,295

Resident Revenues

The Maximum Permissible Interest Rate (MPIR) which is set by Government and is used to calculate the Daily Accommodation Payment (DAP) for new fee-paying residents has increased from a low of 4.01% in October 2021 to 5.00% from 1 July 2022, and to 6.31% from 1 October 2022. This has positively impacted resident revenues in the period. The MPIR has further increased to 7.06% from 1 January 2023.

Staff Costs

Staff costs continue to increase as a result of workforce shortages and COVID-19 driven absences, which is leading to higher agency usage, overtime and sick leave.

Non-Staff Costs

Inflation in all sectors of the Australian economy is resulting in higher costs across most areas.

Incremental Costs Associated with COVID-19

Costs associated with the prevention and response to COVID-19 have been reducing during the period as the level of the pandemic and its impacts have reduced. Costs relate primarily to increased staff costs, elevated PPE usage, waste disposal and cleaning costs during outbreaks. Some of these costs are recoverable from Government grants which is explained in more detail on page 10 of this Report.

Net Contribution from Homes Acquired and New Homes in Ramp-up

The four homes acquired from Premier Health Care contributed $0.5 million EBITDA for the one month following settlement on 1 December 2022. This was in line with expectations reflecting the impact of higher costs due to Public Holidays, staff leave during the holiday period and occupancy ramp-up, which averaged 79.5% in the month.

The Group also incurred transaction costs of $6.58 million, mainly stamp duty, which in accordance with AASB 3 *Business Combinations* are required to be fully expensed in the period of the acquisition.

More details relating to the acquisition of these homes is provided on page 12 of the Financial Statements.

The Group had no new homes in ramp-up phase during the period.

Finance Costs

Interest rates on the Group's bank borrowings have increased over the last 18 months which has resulted in higher Finance Costs. $1.4 million of the finance charge arises from the interest on RADs pending refund to residents (referred to as Probate Liability) which is charged at a Government set rate (the Base Interest Rate, or BIR) of 2.25% has not changed during the period.

DIRECTORS' REPORT

REVIEW OF FINANCIAL PERFORMANCE (CONTINUED)

Key Financial Highlights (Continued)

Bed Licence Amortisation

As referenced in the FY22 Annual Financial Report, the Government has determined to abolish the Aged Care Approvals Round ("ACAR") and the resultant supply restrictions on bed licences, which is expected to take full effect on 30 June 2024. As a result of this decision and transitional arrangements that allow Approved Providers to apply directly to the Department of Health and Aged Care for an allocation of places, the secondary market for bed licences has ceased to operate. The Group commissioned an independent assessment, which has supported its own analysis, that the fair value of bed licences is now nil. Notwithstanding this determination, 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 C3 to the Financial Statements), bed licences are now regarded as finite life intangible assets with the carrying value being amortised on a straight line basis over the period from 1 October 2021 to 30 June 2024.

The Financial Statements in this Report include a bed licence amortisation charge of $40.2 million after tax. The carrying value of bed licences in the Balance Sheet at 31 December 2022 was $85.5 million.

Other than the potential future tax benefits explained below, the amortisation charge has no impact on the future cash flows of the Group, nor does it impact compliance with its debt covenants or regulatory obligations.

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

Government Grants Relating to the Recovery of COVID-19 Costs

As referenced in the Group's 2022 Annual Financial Report, long delays continue in the Government's processing of grant applications across the whole aged care sector, including those of the Group. This delay has resulted in grants relating to FY22 costs being confirmed and received in FY23 with the potential to distort the view of the financial performance of the Group between the two years. In addition, whilst the Group has, at the date of this Report, applied for grants totalling $13.3 million relating to costs incurred in FY23, none of these grant applications have yet been assessed by the Government. In order to help readers of this Report better understand the underlying financial performance and impact of COVID-19 in the period, the Directors have presented separately the grant income relating to the reimbursement of FY22 and FY23 costs.

The current status of the Group's COVID-19 grant applications is shown below:

	Grants relating to FY22 $'000	Grants relating to H1 FY23 $'000
Confirmed & recognised in FY22	7,072	-
Confirmed & recognised in H1 FY23	**13,703**	**-**
Confirmed subsequent to 31 December 2022	2,080	90
Total confirmed	22,855	90
Total rejected	797	-
Applied for and still under assessment	18,196	13,173
Total Grants applied for	**41,848**	**13,263**
Incremental COVID costs	50,519	16,337
Estimated net unrecovered costs	8,671	3,074
Estimated net unrecovered costs as a % of incremental COVID costs	17%	19%

The Directors believe that grant applications submitted will be accepted but there is no guarantee over the timing or amount of grant which the Government may ultimately remit.

REVIEW OF FINANCIAL PERFORMANCE (CONTINUED)

Key Financial Highlights (Continued)

Review of Financial Position and Cash Flows

The Group's balance sheet has $517.5 million of equity (31 December 2021: $597.9 million) supporting $1,874.3 million of total assets (31 December 2021: $1,828.2 million). Total assets include bed licences with a net carrying value of $85.5 million (31 December 2021: $142.5 million), and goodwill of $706.3 million (31 December 2021: $681.0 million).

At 31 December 2022, the Group had net bank debt of $59.7 million (31 December 2021: $6.7 million).

Operating cash flow in the period prior to Refundable Accommodation Deposit (RAD) movements was $81.7 million (31 December 2021: $68.6 million).

Included within the period cash flows is an amount of $43.5 million (31 December 2021: $36.3 million) representing the advance payment by Government in December 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 2022 would be $103.2 million (31 December 2021: $43.1 million).

RAD Balances

RAD balances increased by $74.5 million during the period, of which $46.9 million was acquired under the terms of the Premier Health care homes acquisition.

	December 2022 $'000	June 2022 $'000	December 2021 $'000
Current Residents	840,119	756,894	844,104
Depart Residents ("Probate Liability)	118,451	127,175	42,124
Total	**958,570**	**884,069**	**886,228**

Reconciliation of Non-IFRS Information

The following tables provide a reconciliation of the non-IFRS financial information disclosed in the Summary Financial Performance as disclosed within the Operating and Financial Overview presented on page 8 of this report to the Financial Statements per ASIC Regulatory Guide 230 *Disclosing non-IFRS financial information, issued in December 2011*.

	December 2022 $'000	December 2021 $'000
Revenue		
Government revenues – excluding temporary funding	255,197	240,127
Government revenue - temporary funding / current period grants	610	-
Resident and other revenue	81,681	76,372
Total operating revenue and grants	**337,488**	**316,499**
Less: Government grants – current period expenses	(610)	-
Imputed DAP revenue on RAD and bond balances under AASB 16	19,182	20,288
Operating revenue from acquired and new homes in ramp-up	3,125	4,437
Operating revenue from home closures	-	395
Total revenue	**359,185**	**341,619**
Employee benefit expenses		
Employee benefit expenses – Mature homes	241,224	222,362
COVID-19 incremental costs – Mature homes	11,275	7,668
Employee benefit expenses – Homes in new / ramp-up / home closures	2,131	4,177
Total employee benefit expenses	**254,630**	**234,207**
Non-wage expenses[1]		
Non-wage expenses – Mature homes	53,513	48,585
COVID-19 incremental costs – Mature homes	4,945	4,381
Non-wage expenses – Homes in new / ramp-up / home closures	511	859
Total non-wage expenses	**58,969**	**53,825**
Net finance costs		
Net finance costs excluding imputed interest expense on RAD and bond balances under AASB 16	4,063	3,426
Imputed interest expense on RAD and bond balances under AASB 16	19,182	20,288
Total net finance costs	**23,245**	**23,714**

1. Presented as administrative expenses, occupancy expenses and resident expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

DIRECTORS' REPORT

DEVELOPMENTS AND ACQUISITIONS

Developments

The Group continued to progress the previously announced greenfield developments at St Ives and Aberglasslyn, both in NSW, with a total of 236 new places. Both homes are expected to be commissioned during early H1 FY24.

The brownfield expansion of 24 places at Burton in South Australia completed in early December. As at 17 February 2023, 11 of these new places were filled.

Acquisitions

On 1 December 2022, the Group completed the purchase of four high quality residential aged care homes from the Premier Health Care Group with a total of 409 operational places. Two homes are located in Adelaide, South Australia and two in South East Queensland. The homes are geographically aligned with Estia Health's existing operating clusters, three are less than five years old, and the other is significantly refurbished.

The two Queensland homes have not yet reached optimal occupancy and performance levels, with approximately 80 new vacant single ensuite rooms available for occupation on the date of acquisition. The Group will apply its proven commissioning model to facilitate the final stages of ramp-up, with the aim for this to be largely complete by the end of FY23.

Total cash consideration for the four operating residential aged care homes was $60.5 million (excluding stamp duty and transaction costs), which was funded from the Group's existing debt facilities. In addition, the Group assumed responsibility for the RAD balances of current residents of $46.9 million and employee obligations of $1.0 million at completion.

More detail on the acquisition is shown on page 32 of the Financial Statements.

DIVIDENDS

On 21 February 2023, the Directors resolved that the Company declare a fully franked interim cash dividend for the six months ended 31 December 2022 of 3.7 cents per ordinary share totalling $9.6 million. This dividend represents a payout ratio of 100% of profit for the period before acquisition costs and the amortisation of bed licences.

The record date for the interim dividend will be 27 February 2023, with payment being made on 17 March 2023. Shares will trade excluding entitlement to the dividend on 24 February 2023.

No dividend was paid during the six months ended 31 December 2022 (31 December 2021: $6.0 million).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Sector Demand

The aging population and increasing number of people aged over 85 in particular, is likely to lead to increased demand for residential aged care services. The industry continues to grow in complexity and the acuity of residents is increasing as the incidence of residents presenting with dementia and extensive co-morbidities escalates. This will see a need for a growing sophistication of aged care providers, with scale, systems, governance and leadership likely to be key requirements in order to adapt to these changes.

Sector Supply

The abolition of supply constraints via the ACAR bed licence process, will underpin opportunities for large, high-quality providers with strong balance sheets, such as Estia Health, to grow and benefit through scale, higher occupancy and attraction of workforce. The abolition of ACAR may also lead to increased competition in some areas where the Group operates.

Operating Places Increase

The acquisition of the four homes from Premier Health Care and the completion of the expansion of 24 places at the Group's existing home in Burton, SA, will increase capacity by 433 in the second half year compared to the current period. The opening of new homes in St Ives and Aberglasslyn in H1 FY24 will add a further 236 new operational places. This increase in capacity of more than 10% creates opportunity to materially increase earnings.

DIRECTORS' REPORT

LIKELY DEVELOPMENTS AND EXPECTED RESULTS (CONTINUED)

Occupancy

Increasing occupancy to pre-COVID levels, in excess of 94%, remains a key objective and opportunity for the Group to increase revenues and earnings. The introduction of publicly available Star Ratings by the Federal Government may also impact future occupancy levels for some, or all, of the Group's homes.

COVID-19 Costs and Associated Grant Recovery

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

The Directors believe that all grant applications shown on page 10 of this Report will be accepted but there is no guarantee over the timing or amount of grant which the Government may ultimately remit.

Inflation

Broad inflation indices across all areas of the Australian and global economy have increased dramatically in recent months and have impacted, and are expected to continue to impact, many costs incurred by the Group, particularly in relation to food, energy, and services. The level of increase in subsidies to cover these increases remains uncertain at the present time.

Workforce

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

The Work Value case before the Fairwork Commission has resulted in an initial recommendation of a 15% increase in the Award for Aged Care workers in care roles, which has been supported in principle by the Government. The Fairwork Commission's position has not yet been finalised, nor has the Government's response. The Group considers a higher level of increase will be needed to retain and attract workers to the sector, and equally that the costs of the increase must be fully incorporated in IHACPA's costings and recommendations, and subsequently reflected in higher subsidies and fees. The Fairwork Commission's final determination is expected in H2 FY23.

Interest rates

Interest rates on the Group's borrowings have increased compared to prior periods and are expected to remain higher for some time. Whilst the Group undertakes interest rate hedging activities, finance charges are expected to be higher than seen in prior periods.

Mandated Minimum Care Minutes effective from 1 October 2023

The Government reform mandates a minimum daily average of 200 Care Minutes for each resident, including 40 minutes to be provided by a Registered Nurse from 1 October 2023, followed by a further increase from 1 October 2024. The exact number of Care Minutes required at each home will depend on the average AN-ACC classifications of residents at that time, and may as a result be more or less than 200.

The Government's definition of Care Minutes relates only to Registered Nurses, Enrolled Nurses and Personal Care Assistants for the purposes of the 200 minutes requirement and does not include care provided by allied health and lifestyle staff.

The Group considers that limiting the definition of Care Minutes to time provided by Registered Nurses, Enrolled Nurses and Personal Care Assistants does not appropriately recognise that there are other activities in the home that have a direct positive impact on the health, safety and wellbeing of a resident, such as allied health, lifestyle and recreational activities, psychosocial services and food services. All of these services are provided to varying degrees in the Group's existing model of care even though they are not regarded as Care Minutes within the Government's current definition.

As a result, and in the absence of any change to the definition of Care Minutes, the Group will further progress the review of its existing model of care and mix of resources to ensure it continues to deliver high quality specified care and services, with a view to incorporating the proposed changes required by the Government. The nature of this review and the impact on the Group's model of care and costs will also take into account any initial recommendations from IHACPA and changes to subsidy rates from 1 July 2023.

The impact of the review of care models and associated input costs in order to comply with mandated care minutes as currently defined from 1 October 2023 remains uncertain at this time.

DIRECTORS' REPORT

LIKELY DEVELOPMENTS AND EXPECTED RESULTS (CONTINUED)

IHACPA

The operation of IHACPA and the impact on pricing and returns relative to input costs remains uncertain, Directors are positive about the outlook for the sector so long as IHACPA's approach and recommendations are met with an appropriate response from Government to:

- ensure the financial sustainability of the sector; and
- deliver appropriate returns to attract the capital investment necessary to meet increased demand and the needs and expectations of future generations.

Overall Outlook

Whilst for the first time in many years, the sector is nearing a point where there exists a significant degree of certainty surrounding the regulatory framework, there remain key elements to be determined over the coming 12 months, including mandated care minutes and the operation of IHACPA, which may impact the financial performance of the Group. In particular, there is no certainty over the level of financial returns or margin which IHACPA and the Government may factor into future pricing and subsidies.

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

ENVIRONMENTAL REGULATION

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than those explained in this report, there were no significant changes in the state of affairs of the Group during the financial period ended 31 December 2022.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

COVID-19 Grant Recoveries

Subsequent to 31 December 2022, the Group submitted 143 claims for a total amount of $6.2 million relating to costs incurred during the 6 months ended 31 December 2022.

115 claims representing $2.1 million relating to FY22 costs and 13 claims representing $0.1 million relating to current period's costs were confirmed by the Government. These amounts are also disclosed in Note B1.

Acquisition of an Operational Aged Care Business

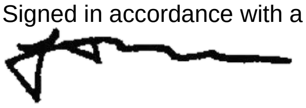
On 20 February 2023, the Group exchanged binding conditional agreements to acquire the property and operations of residential aged care business in Ballarat, Victoria, formerly operating as Mount Clear Aged Care. The home was constructed in 2019, has 120 operating places and reported occupancy at 17 February 2023 of 99%. The agreements are subject to approvals and are expected to settle on 1 May 2023. The Group will assume responsibility for working capital balances at settlement date, including employee entitlements and RAD liabilities, currently estimated to be $0.2 million and $11.9 million, respectively. Net cash consideration at settlement (net of cash acquired) is currently estimated to be $17.9 million depending on final working capital balances, and will be funded from the Group's existing bank facilities.

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 21 February 2023.



Dr Gary H Weiss AM

Chairman

Sydney

21 February 2023

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

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Building a better working world

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 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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
21 February 2023

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Notes	December 2022 $'000	December 2021 $'000
Revenue	B1	359,185	341,619
Other income	B1	14,313	910
Expenses			
Employee benefits expense		254,630	234,207
Administrative expenses		14,616	13,299
Occupancy expenses		11,865	10,285
Resident expenses		32,488	30,241
Depreciation, amortisation and impairment expense excluding bed licences		22,722	21,726
Amortisation of bed licenses		40,233	20,116
Business acquisition related costs	C6	6,580	-
Operating (loss) / profit for the period		**(9,636)**	**12,655**
Net finance costs	B2	23,245	23,714
Loss before income tax		**(32,881)**	**(11,059)**
Income tax benefit		(7,588)	(2,948)
Loss for the period		**(25,293)**	**(8,111)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax			
Net gain on cash flow hedges, net of tax	C4	443	-
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		**(24,850)**	**(8,111)**

Earnings / (Loss) per share			
Basic (cents per share)		(9.80)	(3.10)
Diluted (cents per share)		(9.80)	(3.10)

The accompanying notes form part of these consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	December 2022 $'000	June 2022 $'000
Current assets			
Cash and cash equivalents	C1	35,347	20,411
Trade and other receivables		12,185	10,261
Prepayments and other assets		7,794	4,567
Consumable supplies		4,108	4,714
Income tax receivable		-	11,960
Derivative financial assets	C4	68	-
Total current assets		**59,502**	**51,913**
Non-current assets			
Property, plant, equipment	C2	927,465	840,343
Investment properties		750	750
Goodwill	C3, C6	706,303	681,014
Bed licences and other intangible assets	C3	123,600	164,209
Right of use assets		55,812	56,367
Prepayments		339	377
Derivative financial assets	C4	565	-
Total non-current assets		**1,814,834**	**1,743,060**
Total assets		**1,874,336**	**1,794,973**
Current liabilities			
Trade and other payables		54,598	52,135
Other financial liabilities		619	466
Income received in advance	C5	43,516	-
Provisions		64,269	63,126
Lease liabilities		3,746	3,686
Refundable accommodation deposits and bonds	D1	958,570	884,069
Income tax payable		648	-
Total current liabilities		**1,125,966**	**1,003,482**
Non-current liabilities			
Lease liabilities		58,384	58,766
Provisions		8,895	8,542
Loans and borrowings	D2	93,720	98,487
Deferred tax liabilities		69,888	83,959
Total non-current liabilities		**230,887**	**249,754**
Total liabilities		**1,356,853**	**1,253,236**
Net assets		**517,483**	**541,737**
Equity			
Issued capital	D3	796,422	795,748
Share-based payments reserve		3,405	3,483
Hedging reserve	C4	443	-
Accumulated losses		(282,787)	(257,494)
Total equity		**517,483**	**541,737**

The accompanying notes form part of these consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Notes	Issued capital $'000	Share-based payments reserve $'000	Hedging reserve $'000	Accumulated losses $'000	Total equity $'000
Balance as at 1 July 2021		**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**
Balance at 1 July 2022		**795,748**	**3,483**	**-**	**(257,494)**	**541,737**
Loss for the period		-	-	-	(25,293)	(25,293)
Other comprehensive income		-	-	443	-	443
Total comprehensive income		**-**	**-**	**443**	**(25,293)**	**(24,850)**
Transactions with shareholders:						
Share-based payments		-	575	-	-	575
Repayment of management equity plan		-	21	-	-	21
Transfer from share-based payments reserve		674	(674)	-	-	-
Dividends		-	-	-	-	-
As at 31 December 2022		**796,422**	**3,405**	**443**	**(282,787)**	**517,483**

The accompanying notes form part of these consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Notes	December 2022 $'000	December 2021 $'000
Cash flows from operating activities			
Receipts from residents		78,817	74,635
Receipts from government		313,504	275,124
Payments to suppliers and employees		(315,336)	(274,106)
Net operating cash flows before interest, income tax and RAD, accommodation bond and ILU entry contributions		**76,985**	**75,653**
Interest received		161	-
Income taxes paid		8,100	(3,949)
Finance costs paid		(2,667)	(2,106)
Interest expense on lease liabilities		(906)	(962)
Net cash flows from operating activities excluding RAD, accommodation bond and ILU entry contributions		**81,673**	**68,636**
RAD, accommodation bond and ILU entry contribution received		171,252	139,277
RAD, accommodation bond and ILU entry contribution refunded		(142,717)	(115,408)
Net cash flows from operating activities		**110,208**	**92,505**
Cash flows from investing activities			
Payments for intangible assets		(26)	(1,031)
Proceeds from sale of property, plant and equipment		-	60
Proceeds from sale of assets held for sale		-	3,550
Purchase of property, plant and equipment		(27,850)	(10,973)
Business combinations, net of cash acquired	C6	(60,473)	-
Net cash flows used in investing activities		**(88,349)**	**(8,394)**
Cash flows from financing activities			
Proceeds from borrowings		80,000	10,000
Repayment of borrowings		(85,000)	(94,500)
Repayment of lease liabilities		(1,923)	(2,134)
Payments for shares repurchased on-market and incremental costs		-	(1,641)
Dividends paid		-	(6,012)
Net cash flows used in financing activities		**(6,923)**	**(94,287)**
Net increase / (decrease) in cash and cash equivalents		**14,936**	**(10,176)**
Cash and cash equivalents at the beginning of the period		20,411	33,428
Cash and cash equivalents at the end of the period		**35,347**	**23,252**

The accompanying notes form part of these consolidated financial statements.

SECTION A: ABOUT THIS REPORT

This section sets out the basis on which the Group's financial report is prepared as a whole. Where a significant accounting policy is specific to a note, the policy is described within that note.

A1
CORPORATE INFORMATION

The interim 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 2022 were authorised for issue in accordance with a resolution of the Directors on 21 February 2023.

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") and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2022;
- has been prepared on the basis of historical cost, except for investment properties, which have been measured at fair value;
- presents all values as rounded to the nearest thousand dollars unless otherwise stated under the option available under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191;
- does not early adopt any Australian Accounting Standards and Interpretations issued or amended but are not yet effective.

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 $1,066,464,000 as at 31 December 2022 (30 June 2022: $951,569,000) resulting in a net deficiency of current assets. This mainly arises because of the requirement to classify Refundable Accommodation Deposits ("RADs") of $958,570,000 (30 June 2022: $884,069,000) 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 typically a departing RAD or Bond paying resident is replaced 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 $235,000,000 remains undrawn as at 31 December 2022 (30 June 2022: $230,000,000). This debt facility can be drawn down to repay RAD and bond refunds should the Group experience significant net RAD and bond 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, which 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, and climate change.

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 uncertainty were the same as those applied to the most recent annual financial statements as at 30 June 2022.

SECTION B: OUR PERFORMANCE

B1
REVENUE AND OTHER INCOME

	December 2022 $'000	December 2021 $'000
Revenue		
Government funded residential care subsidies & supplements	252,354	233,046
Basic daily fee supplement	5,194	10,494
Resident daily care fees	58,771	55,858
Other resident fees[1]	23,684	21,933
Imputed DAP revenue on RAD and bond balances under AASB 16	19,182	20,288
Total revenue	**359,185**	**341,619**
Other income		
Government grants - monetary[2]	13,703	-
Government grants - non-monetary[3]	610	-
Net gain on disposals of assets held for sale	-	848
Net gain on disposals of property, plant and equipment	-	60
Other	-	2
Total other income	**14,313**	**910**

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

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

SECTION B: OUR PERFORMANCE

B1
REVENUE AND OTHER INCOME

2. *Government grants - monetary*

The Group submitted claims to the Federal Government relating to expenses incurred in managing the direct impacts of COVID-19 during the current financial period and the year end 30 June 2022. The status of the claims is shown in the table below.

	December 2022 $'000	December 2021 $'000
Confirmed and received before end of period	12,308	-
Confirmed but not received before end of period	1,395	-
Grant claims recognised as income during the period	**13,703**	**-**
Grant claims submitted relating to prior period costs		
- Subsequently confirmed and will be recognised as income in subsequent financial period	2,080	-
- Not yet confirmed at the date of this report	18,196	-
- Confirmed and recognised as income prior to the current period	7,072	-
- Amounts of claims rejected	797	-
Total grant claims submitted relating to prior period's costs	41,848	-
Total grant claims relating to prior period's costs not recognised as income for the period	20,276	-
Grant claims submitted relating to current period's costs		
- Subsequently confirmed and will be recognised as income in subsequent financial period	90	-
- Not yet confirmed at the date of this report	7,110	2,415
- Amounts of claims rejected	-	-
Grant claims submitted before end of period relating to current period's costs	7,110	2,415
Further grant claims submitted after end of period relating to current period's costs	6,153	4,982
Total grant claims submitted relating to current period's costs	13,263	7,397
Total grant claims relating to current period's costs not recognised as income for the period	13,263	7,397
Total grant claims not recognised as income for the period[a]	**33,539**	**7,397**

[a] These grants will be recognised as income subsequently upon the approval of related grant applications.

3. *Government grants - non-monetary*

PPE totalling $610,000 (31 December 2021: $633,000) received from the Government was consumed by the Group during the period, which supplemented its own purchases.

SECTION B: OUR PERFORMANCE (CONTINUED)

B1
REVENUE AND OTHER INCOME (CONTINUED)

Disaggregation of Revenue

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

(a) Government Funded Residential Care Subsidies & Supplements

The Australian Government determines the amount of subsidies and supplements in accordance with the provisions of the 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 $10,616,000 in the period (31 December 2021: $9,646,000).

As at 1 October 2022, the Aged Care Funding Instrument was replaced by the Australian National Aged Care Classification ("AN-ACC") care funding model. The transition to the new funding model did not impact the revenue recognition policy in relation to Government-funded subsidies and supplements.

(b) Basic Daily Fee supplement

The Group received the Basic Daily Fee supplement from the Government which was introduced with effect from 1 July 2021. The supplement was paid at the rate of $10/day per resident and ceased under the transition to AN-ACC funding as at 1 October 2022.

(c) Resident Daily Care Fees

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

(d) Other Resident Fees

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

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

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

(f) Other Income

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 normally when legal title is transferred between the parties.

(g) Contract assets and liabilities

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

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

(ii) 'contract asset' for the right to consideration in exchange for services that have transferred to a customer;

SECTION B: OUR PERFORMANCE (CONTINUED)

B1
REVENUE AND OTHER INCOME (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

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

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

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

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

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

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

SECTION B: OUR PERFORMANCE (CONTINUED)

B1
REVENUE AND OTHER INCOME (CONTINUED)

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

COVID-19 related grant income

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

B2
NET FINANCE COSTS

	December 2022 $'000	December 2021 $'000
Finance income		
Interest income from cash at banks	160	-
Total finance income	**160**	**-**
Finance costs		
Imputed interest expense on RAD and bond balances under AASB 16	19,182	20,288
Interest expense on accommodation bonds for departed residents	1,431	1,233
Interest expense on leases under AASB 16	906	962
Interest expense on bank loans	861	291
Other finance costs	1,025	940
Total finance costs	**23,405**	**23,714**
Net finance costs	**23,245**	**23,714**

SECTION C: ASSETS & LIABILITIES

C1
CASH AND CASH EQUIVALENTS

	December 2022 $'000	June 2022 $'000
Cash at bank	35,277	20,357
Cash on hand	70	54
Total cash and cash equivalents	**35,347**	**20,411**

C2
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 2021		190,065	567,238	88,852	137,665	992	12,492	997,304
Additions		-	-	2,745	9,400	79	22,843	35,067
Transfers		-	-	3,331	7,803	-	(11,134)	-
Disposals		-	-	(631)	(2,455)	(89)	(5)	(3,180)
Transfer to assets held for sale		378	(3,323)	(737)	(787)	-	-	(4,469)
Balance at 30 June 2022		**190,443**	**563,915**	**93,560**	**151,626**	**982**	**24,196**	**1,024,722**
Additions		175	-	2,557	5,395	-	19,319	27,446
Acquisitions through business combinations	**C6**	25,100	43,934	-	10,565	157	-	79,756
Transfers		402	-	7,937	3,106	-	(11,445)	-
Disposals		-	-	(306)	(1,291)	-	(12)	(1,609)
Balance at 31 December 2022		**216,120**	**607,849**	**103,748**	**169,401**	**1,139**	**32,058**	**1,130,315**
Accumulated depreciation and impairment								
Balance at 1 July 2021		821	67,148	14,296	68,914	660	-	151,839
Depreciation expense		-	13,275	6,378	20,308	70	-	40,031
Impairment expense, net of impairment reversals		113	-	-	-	-	5	118
Disposals		-	-	(603)	(2,384)	(90)	(5)	(3,082)
Transfer to assets held for sale		-	(3,154)	(694)	(679)	-	-	(4,527)
Balance at 30 June 2022		**934**	**77,269**	**19,377**	**86,159**	**640**	**-**	**184,379**
Depreciation expense		-	6,717	3,491	9,803	48	-	20,059
Impairment expense		-	-	-	-	-	-	-
Disposals		-	-	(306)	(1,282)	0	-	(1,588)
Balance at 31 December 2022		**934**	**83,986**	**22,562**	**94,680**	**688**	**-**	**202,850**
Net book value								
As at 30 June 2022		**189,509**	**486,646**	**74,183**	**65,467**	**342**	**24,196**	**840,343**
As at 31 December 2022		**215,186**	**523,863**	**81,186**	**74,721**	**451**	**32,058**	**927,465**

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C3
GOODWILL AND OTHER INTANGIBLE ASSETS

	Notes	Goodwill $'000	Bed licences $'000	Others $'000	Total $'000
Cost					
Balance at 1 July 2021		817,074	221,281	8,957	1,047,312
Additions		-	-	1,575	1,575
Transfer to assets held for sale		-	-	(10)	(10)
Balance at 30 June 2022		**817,074**	**221,281**	**10,522**	**1,048,877**
Acquisitions through business combinations	**C6**	25,289	-	-	25,289
Additions		-	-	121	121
Balance at 31 December 2022		**842,363**	**221,281**	**10,643**	**1,074,287**
Accumulated amortisation and impairment					
Balance at 1 July 2021		136,060	-	6,423	142,483
Amortisation expense		-	60,349	831	61,180
Transfer to assets held for sale		-	-	(9)	(9)
Balance at 30 June 2022		**136,060**	**60,349**	**7,245**	**203,654**
Amortisation expense		-	40,233	497	40,730
Balance at 31 December 2022		**136,060**	**100,582**	**7,742**	**244,384**
Net book value					
As at 30 June 2022		**681,014**	**160,932**	**3,277**	**845,223**
As at 31 December 2022		**706,303**	**120,699**	**2,901**	**829,903**

Impairment testing

In accordance with the Group's accounting policies, the Group has assessed its group of cash generating units ("CGU") at period end to determine whether there were any indicators of impairment. After consideration of the potential indicators of impairment which could impact the valuations of the CGU, the Group concluded that there were no indicators of impairment.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C4
DERIVATIVE FINANCIAL INSTRUMENTS

	December 2022 $'000	June 2022 $'000
Interest rate swaps - current	68	-
Interest rate swaps – non-current	565	-
Total derivative financial assets	**633**	**-**

Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business as part of its risk management relating to fluctuations in future interest rates.

Floating rate interest bearing loans of the Group are exposed to future interest rate changes that could ultimately affect the cost of funding which in turn could impact both the future profit and loss and cash flows.

In order to reduce the potential variability of future interest payments in relation to the floating rate interest bearing loans, the Group has entered into forward interest rate swaps contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates.

The following table shows the start date, maturity date and interest rate risk profiles of the Group's hedging instruments as at 31 December 2022 (31 December 2021: Nil):

In $ thousand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Total
As at 31 December 2022					
Notional principal					
- Starting in	-	90,000	20,000	20,000	130,000
- Maturing in	-	-	30,000	100,000	130,000
Average fixed rate	-	3.83%	3.85%	3.81%	

The interest rate swaps require settlement of the resulting net interest receivable or payable as designated under the derivative contract with the transaction counterparty. The interest rate swaps are considered highly effective hedges as the interest rate swaps and interest rate payments on the loans occur simultaneously. Any effective portion of gains and losses attributed to the hedged risk are recognised in other comprehensive income and accumulated in the hedging reserve in equity.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C4
DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY

The Group uses derivative financial instruments such as interest rate swaps to partly hedge risks associated with interest rate movements. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when the fair value is positive and as a liability when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in Other Comprehensive Income, and later classified to profit and loss when the hedge item affects profit or loss.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Statement of Profit and Loss as other operating expenses.

The Group uses predominantly interest rate swap contracts as hedges of its exposure to fluctuations in interest rates. There is an economic relationship between the hedged item and the hedging instrument as the term of the interest rate swap matches the terms of the variable rate loan (that is, notional amount, maturity, base rate, payment and reset dates).

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C4
DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICY (CONTINUED)

Amounts recognised as Other Comprehensive Income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as Other Comprehensive Income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to the Income Statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, any cumulative gain or loss previously recognised in Other Comprehensive Income remains in Other Comprehensive Income until the forecast transaction or firm commitment affects profit or loss.

Subsequent measurement

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transaction;
- Reference to the current fair value of another instrument that is substantially the same; or
- A discounted cash flow analysis or other valuation models.

Fair value of derivative financial instruments

The Group measures financial instruments, such as, derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

C5
INCOME RECEIVED IN ADVANCE

	December 2022 $'000	June 2022 $'000
Income received in advance	43,516	-
Total income received in advance	**43,516**	**-**

As at 31 December 2022, $43,516,000 (31 December 2021: $36,314,000) of income received in advance related to Government funding received in December relating to services to be provided in January 2023. Refer to Note B1 for the Group's revenue recognition policy.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C6
BUSINESS COMBINATION

On 1 December 2022, the Group acquired the freehold sites and operations (the "Acquired Businesses") of four residential aged care homes from Premier Health Care, including two homes in South Australia and two homes in Queensland. The homes align with the Group's existing operating clusters and added 409 resident places in high quality aged care homes. The recognised amounts for this business combination are as outlined below. The initial accounting for the business combination is provisional, based on information available at reporting date.

	$'000
Property, plant and equipment	79,756
Deferred tax assets, net	2,933
Consumable supplies	250
Other current assets	210
Refundable accommodation deposits and bonds	(46,883)
Employee liabilities (current)	(903)
Employee liabilities (non-current)	(80)
Other current liabilities	(99)
Fair value of identifiable net assets	**35,184**
Goodwill arising	**25,289**
Business combination date fair value of consideration transferred	**60,473**
Cost of the combination:	
Purchase consideration paid in cash	60,473
Acquisition costs[1]	6,308
Total cost of the combination	**66,781**

1. In addition to the costs associated with the acquisition of the Acquired Businesses, the Group incurred $272,000 in relation to the acquisition disclosed in Note E4.

The goodwill of $25,289,000 was measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities. The acquisition provides a number of strategic benefits consistent with the Group's growth strategy. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition to 31 December 2022, the Acquired Businesses contributed $3,125,000 of revenue and $479,000 to earnings before depreciation, interest and tax for the Group. If the combination had taken place at the beginning of the period, 1 July 2022, revenue would have been $374,078,000 and earnings before depreciation, interest and tax for the Group would have been $55,730,000.

SECTION C: ASSETS & LIABILITIES (CONTINUED)

C7
FAIR VALUE MEASUREMENT

Investment properties

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

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

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.

Derivative financial instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest rates.

The fair value of the financial instruments was estimated using the level 2 valuation technique and is summarised in the table below.

	December 2022 $'000	June 2022 $'000
Interest rate swaps - current	68	-
Interest rate swaps – non-current	565	-
Total derivative financial instruments – net asset	**633**	**-**

The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

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 D: CAPITAL, FINANCING, RADS AND RISK

D1
REFUNDABLE ACCOMODATION DEPOSITS AND BONDS

	December 2022 $'000	June 2022 $'000
Current residents	840,119	756,894
Departed residents	118,451	127,175
Total refundable accommodation deposits and bonds – amounts received	**958,570**	**884,069**

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 a regular basis with a full review being undertaken annually. The Liquidity Management Policy is set with the intention of ensuring that the Group has sufficient liquidity, in the form of cash or undrawn lines of credit, to meet its RAD and bond refunds and other financial obligations as or when they fall due.

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.

D2
LOANS AND BORROWINGS

	December 2022 $'000	June 2022 $'000
Secured bank loans – Syndicated debt facility	95,000	100,000
Capitalised facility costs	(1,280)	(1,513)
Total loans and borrowings	**93,720**	**98,487**

At 30 June 2022, the Group had available $235,000,000 (June 2022: $230,000,000) of undrawn committed borrowing facilities, and $91,000 (June 2022: $326,000) of unutilised guarantee facility.

Syndicated debt facility

The Group has a $330,000,000 SLSFA which has an accordion feature that allows for the facility limit to be increased (subject to lender consent and approval) by an additional $170,000,000.

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

Bank guarantee facility

In addition, the Group has a separate additional Guarantee Facility ("Guarantee Facility") with Westpac Banking Corporation during the year which permits bank guarantees to be issued up to the value of $15,100,000. Refer to Note E3 for further details in relation to the bank guarantee facility.

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

D3
ISSUED CAPITAL AND RESERVES

	December 2022 $'000	June 2022 $'000
Issued and fully paid		
Ordinary shares	796,422	795,748
Total share capital	**796,422**	**795,748**

(a) Movements in ordinary shares on issue

	December 2022		June 2022	
	Numbers of shares	$'000	Numbers of shares	$'000
Beginning of the financial period	257,802,471	795,748	261,294,969	803,459
Vesting of employee performance rights	558,563	674	146,673	244
Shares repurchased under an on-market buy-back	-	-	(3,639,171)	(7,956)
Incremental costs of share repurchase	-	-	-	1
End of the financial period	**258,361,034**	**796,422**	**257,802,471**	**795,748**

(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. Upon vesting, the rights are equity settled by the issuance of ordinary shares in the Group. 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 2022 is $18,062,000 (30 June 2022: $26,162,000).

(d) Dividends paid and proposed

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

On 21 February 2023, the Directors declared a fully franked interim dividend for the six months ended 31 December 2022 of 3.7 cents per share totalling $9,599,000. The record date for the interim dividend will be 27 February 2023, with payment being made on 17 March 2023. Shares will trade excluding entitlement to the dividend on 24 February 2023.

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

D4
SHARE-BASED PAYMENTS

At 31 December 2022, the Group had the following share-based payments arrangements:

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

Under the LTIP, awards are made to Key Management Personnel and other 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 2022 are disclosed in the relevant annual reports.

The FY23 LTI award comprise:

- 50% of the performance rights will vest subject to achieving the 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 2025.

The Group granted a total of 1,148,067 rights (31 December 2021: 1,009,506) during the period.

(b) Short-term Incentive Plan (STIP)

Under the STIP, awards are made to Key Management Personnel, other executives and key managers who have made a significant impact to 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 combination of measures of the Group's financial and operational performance and other role-specific measures.

89,375 performance rights were granted under the STIP during the six months ended 31 December 2022 (31 December 2021: nil) relating to FY22 performance.

(c) Management Equity Plan (MEP)

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

SECTION E: OTHER INFORMATION

E1
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.

E2
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 2022, except for the adoption of amendments to standards effective as of 1 July 2022. The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

New and Amended Accounting Standards and Interpretations

The amendments and interpretations apply for the first time in the current financial period 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.

E3
COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2022, capital commitments amounted to $45,515,000 (31 December 2021: $10,642,000).

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 and self-insurance arrangements, totalling $15,100,000 (31 December 2021: $4,559,000). 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 had submitted applications to the Federal Government under the COVID-19 Aged Care Support Program Extension (also known as "ACPS" or "GO4863"), which is designed to minimise the risk of infection to aged care workers, residents and other consumers of aged care services and provide funding for out-of-pocket costs incurred as a result of COVID-19.

As at balance date, grant applications totalling $27,386,000 (31 December 2021: $2,415,000 under the Support for Aged Care Workers in COVID-19 grant opportunity) submitted before the year end but not yet approved by the Government have not been recognised as income for the current period. $20,276,000 of these claims related to costs incurred in FY22 and $7,110,000 related to costs incurred in the current period.

SECTION E: OTHER INFORMATION (CONTINUED)

E4
SUBSEQUENT EVENTS

COVID-19 Grant Recoveries

Subsequent to 31 December 2022, the Group submitted 143 claims for a total amount of $6,153,000 relating to costs incurred during the 6 months ended 31 December 2022.

115 claims representing $2,080,000 relating to FY22 costs and 13 claims representing $90,000 relating to current period's costs were confirmed by the Government. These amounts are also disclosed in Note B1.

Acquisition of Operational Aged Care Business

On 20 February 2023, the Group exchanged binding conditional agreements to acquire the property and operations of residential aged care business in Ballarat, Victoria, formerly operating as Mount Clear Aged Care. The home was constructed in 2019 and has 120 operating places. The agreements are subject to approvals and are expected to settle on 1 May 2023. The Group will assume responsibility for working capital balances at settlement date, including employee entitlements and RAD liabilities, currently estimated to be $225,000 and $11,909,000, respectively. Net cash consideration at settlement (net of cash acquired) is currently estimated to be $17,866,000 depending on final working capital balances, and will be funded from the Group's existing bank facilities.

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.

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 2022 and of its performance for the half year ended on that date; and

  (ii) complying with Australian Accounting Standards and 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

21 February 2023

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

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2022, 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 2022 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 2022 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*.

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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
21 February 2023